SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 8-K

CURRENT REPORT

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

Date of Report (Date of Earliest Event Reported):
January 6, 1999 (December 31, 1998)

PRISON REALTY CORPORATION
(Exact name of registrant as specified in its charter)

MARYLAND		62-1763875
(State or other jurisdiction of incorporation)	(Commission File Number)	(I.R.S. Employer Identification No.)

10 BURTON HILLS BOULEVARD, NASHVILLE, TENNESSEE	37215
(Address of principal executive offices)	(Zip Code)

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

NOT APPLICABLE
(Former name or former address, if changed since last report)

ITEM 2. ACQUISITION OR DISPOSITION OF ASSETS

Effective January 1, 1999, Prison Realty Corporation, a Maryland corporation (the "Company"), completed the transactions contemplated by the Amended and Restated Agreement and Plan of Merger, dated September 29, 1998 (the "Merger Agreement"), by and among Corrections Corporation of America, a Tennessee corporation ("CCA"), CCA Prison Realty Trust, a Maryland real estate investment trust ("Prison Realty"), and the Company. The Merger Agreement and the transactions contemplated thereby were approved and adopted by the shareholders of CCA and Prison Realty at special meetings held on December 1, 1998 and December 3, 1998, respectively. The Company intends to operate so as to qualify as a real estate investment trust for federal income tax purposes (a "REIT").

Pursuant to the terms of the Merger Agreement, each of CCA and Prison Realty was merged with and into the Company, with the Company being the surviving corporation. In the Merger, each issued and outstanding share of CCA common stock, $1.00 par value per share ("CCA Common Stock"), was converted into the right to receive 0.875 share of common stock, $0.01 par value per share, of the Company ("Company Common Stock"). Each issued and outstanding common share, $0.01 par value per share, of Prison Realty ("Prison Realty Common Shares") was converted into 1.0 share of Company Common Stock. Each issued and outstanding 8% Series A Cumulative Preferred Share, $0.01 par value per share, of Prison Realty ("Prison Realty Preferred Shares") was converted into 1.0 share of the 8% Series A Cumulative Preferred Stock, $0.01 par value per share, of the Company ("Company Preferred Stock"). Approximately 105,272,183 shares of Company Common Stock and 4,300,000 shares of Company Preferred Stock were exchanged in the Merger.

As a result of the Merger, the CCA Common Stock, which prior to the Merger traded on the New York Stock Exchange (the "Exchange") under the symbol "CCA," and the Prison Realty Common Shares and Prison Realty Preferred Shares, which prior to the Merger traded on the Exchange under the symbols "PZN" and "PZN PrA", respectively, are no longer traded on the Exchange or on any other securities exchange or market. The Company Common Stock is traded on the Exchange under the symbol "PZN" and the Company Preferred Stock is traded on the Exchange under the symbol "PZN PrA". With the completion of the Merger, the Company Common Stock issued to CCA's shareholders and Prison Realty's shareholders is deemed to be registered under Section 12(b) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), pursuant to Rule 12g-3(c) of the Securities and Exchange Commission (the "Commission").

Immediately prior to and contemporaneously with the completion of the Merger, the Company, Prison Realty and CCA engaged in a series of transactions (the "Merger-Related Transactions") designed to provide for the strategic combination of the companies and to enable the Company to meet the requirements applicable to REITs. The Merger-Related Transactions are summarized as follows:

- Immediately prior to the Merger, CCA sold to a newly formed management company, Correctional Management Services Corporation, a Tennessee corporation

("Operating Company"), all of the issued and outstanding capital stock of certain wholly owned corporate subsidiaries of CCA, certain management contracts and certain other non-real estate assets related thereto, and entered into a trade name use agreement with Operating Company, as described herein. In exchange, CCA received an installment note in the principal amount of $137.0 million (the "Operating Company Note"), 100% of the non-voting common stock of Operating Company and certain additional consideration under the trade name use agreement as described below. The non-voting common stock represents a 9.5% economic interest in Operating Company. The Company has certain preemptive rights to maintain this interest pursuant to an agreement with Operating Company. The Operating Company Note is payable over 10 years and bears interest at a rate of 12% per annum. Interest only is payable for the first four years of the Operating Company Note, and the principal will be amortized over the following six years. To the extent Operating Company may generate available cash flow from operations in excess of amounts required to make payments under the Operating Company Credit Facility, as hereinafter defined and discussed, such funds shall be used to prepay the principal due under the Operating Company Note. Doctor R. Crants has guaranteed payment of 10% of the outstanding principal amount due under the Operating Company Note. The Operating Company Credit Agreement restricts Operating Company's payment of principal and interest due Company under the Operating Company Note in certain specified instances and further provides that payments due the Company under the Operating Company Note are subordinate and junior in right to the obligations and liabilities of Operating Company to General Electric Capital Corporation ("GECC").

- Immediately prior to the Merger, CCA entered into a service mark and trade name use agreement with Operating Company (the "Trade Name Use Agreement"). Under the Trade Name Use Agreement, which has a term of ten years, CCA granted Operating Company the right to use the name "Corrections Corporation of America" and derivatives thereof, subject to specified terms and conditions therein. In consideration for such right, Operating Company is obligated to pay a fee equal to (i) 2.75% of the gross revenues of Operating Company for the first three years of the Trade Name Use Agreement; (ii) 3.25% of Operating Company's gross revenues for the following two years of the Trade Name Use Agreement; and (iii) 3.625% of Operating Company's gross revenues for the remaining term of the Trade Name Use Agreement, provided that the amount of such fee may not exceed (a) 2.75% of the gross revenues of the Company for the first three years of the Trade Name Use Agreement; (b) 3.5% of the Company's gross revenues of the Company for the following two years of the Trade Name Use Agreement; and (c) 3.875% of the Company's gross revenues for the remaining term of the Trade Name Use Agreement.

- Immediately prior to the Merger, CCA transferred to Prison Management Services, LLC, a Delaware limited liability company, certain management contracts and all non-real estate assets relating to government-owned adult prison facilities. In exchange, CCA received 100% of the non-voting membership interest in Prison Management Services, LLC. This interest obligated Prison Management Services, LLC to make distributions to CCA equal to 95% of its net income, as determined in accordance with GAAP.

- Immediately prior to the Merger, CCA transferred to Juvenile and Jail Facility Management Services, LLC, a Delaware limited liability company, certain management contracts and all non-real estate assets relating to government-owned jails and juvenile facilities. In exchange, CCA received 100% of the non-voting membership interest in Juvenile and Jail Facility Management Services, LLC. This interest obligated Juvenile and Jail Facility Management Services, LLC to make distributions to CCA equal to 95% of its net income, as determined in accordance with GAAP.

- Immediately after the Merger, Prison Management Services, LLC merged with and into Prison Management Services, Inc., a Tennessee corporation ("Service Company A"), with Service Company A as the surviving company. In connection with this merger, the Company received 100% of the non-voting common stock of Service Company A. The non-voting common stock obligates Service Company A to pay dividends to the Company equal to 95% of its net income, as determined in accordance with GAAP.

- Immediately after the Merger, Juvenile and Jail Facility Management Services, LLC merged with and into Juvenile and Jail Facility Management Services, Inc. ("Service Company B"), with Service Company B as the surviving company. In connection with this merger, the Company received 100% of the non-voting common stock of Service Company B. The non-voting common stock obligates Service Company B to pay dividends to the Company equal to 95% of its net income, as determined in accordance with GAAP.

- Immediately after the Merger, all leases between CCA and Prison Realty were canceled and the Company and Operating Company entered into a master lease agreement (the "Master Agreement to Lease") and leases with respect to each property owned by the Company and managed by Operating Company (the "Operating Company Leases"). The term of the Operating Company Leases are 12 years which may be extended at fair market rates for three additional five-year periods upon the mutual agreement of the Company and Operating Company. Although the Company has general recourse to Operating Company under the Operating Company Leases, Operating Company's payment obligations under the Operating Company Leases are not secured by any assets of Operating Company. Operating Company's

obligations under the Operating Company Leases, however, are cross-defaulted. Pursuant to the terms of the Intercreditor and Subordination Agreement, the obligation of Operating Company to the Company under the Operating Company Leases are subordinate and junior in right of payment to all obligations and liabilities of Operating Company to GECC. In addition, pursuant to the terms of the Master Agreement to Lease, a portion of the rent due the Company under the Operating Company Leases shall be deferred if certain Operating Company financial criteria are not met.

- Immediately after the Merger, the Company and Operating Company entered into a Right to Purchase Agreement (the "Right to Purchase Agreement") pursuant to which Operating Company granted to the Company a right to acquire, and lease back to Operating Company at fair market rental rates, any correctional or detention facility acquired or developed and owned by Operating Company in the future for a period of 10 years following the date inmates are first received at such facility. The initial annual rental rate on such facilities will be the fair market rental rate as determined by the Company and Operating Company. Additionally, Operating Company granted the Company a right of first refusal to acquire any Operating Company-owned correctional or detention facility should Operating Company receive an acceptable third party offer to acquire any such facility.

- Immediately after the Merger, the Company entered into a services agreement (the "Services Agreement") with Operating Company pursuant to which Operating Company is to serve as a facilitator of the construction and development of additional facilities on behalf of the Company for a term of five years from the date of the Services Agreement. In such capacity, Operating Company will perform, at the direction of the Company, services needed in the construction and development of correctional and detention facilities, including services related to identification of potential additional facilities, preparation of proposals, project bidding, project design, government relations, and project marketing. In consideration for the performance of such services by Operating Company, the Company will pay a fee equal to 5% of the total capital expenditures (excluding the incentive fee discussed below and the 5% fee herein referred to) incurred in connection with the construction and development of a facility, plus an amount equal to $560 per new bed for facility preparation services provided by Operating Company prior to the date on which inmates are first received at such facility. Under the terms of the Services Agreement, the Company is not obligated to pay the services fee of $560 per new bed unless the rent payable under the Operating Company Lease for the facility being developed is determined based upon the fair market value of the facility with an applicable lease rate of at least 11.0%.

- Immediately after the Merger, the Company entered into a tenant incentive agreement (the "Tenant Incentive Agreement") with Operating Company pursuant

to which the Company will pay to Operating Company an incentive fee to induce Operating Company to enter into Operating Company Leases with respect to those facilities developed and facilitated by Operating Company. The amount of the incentive fee will be $840 per new bed of each facility leased by Operating Company for which Operating Company has served as developer and facilitator. Under the terms of the Tenant Incentive Agreement, the Company is not obligated to pay the incentive fee with respect to a facility unless the rent payable under the Operating Company Lease for the facility is determined based upon the fair market value of the facility with an applicable lease rate of at least 11.0%. No fee will be payable with respect to additions to a facility.

- Immediately after the Merger, each of Service Company A and Service Company B entered into an administrative services agreement with Operating Company (collectively, the "Administrative Services Agreements") pursuant to which employees of Operating Company's administrative departments will perform extensive administrative services (including but not limited to legal, finance, management information systems and government relations services), as needed, for the Service Companies. As consideration for the foregoing, each Service Company will pay Operating Company a management fee of $250,000 per month. This management fee will be increased annually at the rate of four percent per year. In addition, Operating Company entered into a trade name use agreement with each of the Service Companies under which Operating Company granted to each of the Service Companies the right to use the name "Corrections Corporation of America" and derivatives thereof, subject to specified terms and conditions therein.

As a result of the Merger, the Company acquired assets including detention and correctional facilities previously owned by CCA or Prison Realty and ownership of the name "Corrections Corporation of America" and derivatives thereof. The Company also succeeded to CCA's rights under the Operating Company Note and the Trade Name Use Agreement and, as a result of the Merger, owns an interest in Operating Company, Service Company A and Service Company B. For additional information concerning the Merger and the business and operations of the Company following the Merger, please see the Prospectus filed on October 30, 1998 included in the Company's Registration Statement on Form S-4 filed with the Commission on September 30, 1998 and declared effective on October 16, 1998 (File No. 333-65017)(the "Registration Statement").

In connection with the merger of CCA with and into the Company, the Company assumed or issued in exchange for similar current outstanding securities (i) $7.0 million 8.5% Convertible Subordinated Notes due November 7, 1999, originally issued to Sodexho Alliance, S.A. ("Sodexho") by CCA on June 23, 1994, which are convertible into 1,709,699 shares of Company Common Stock at a conversion price of $4.094 per share; (ii) $20.0 million 7.5% Convertible Subordinated Notes due February 28, 2002, originally issued to Sodexho by CCA on February 28, 1996, which are convertible into 701,135 shares of Company Common Stock at a conversion price of $28.525 per

share; (iii) $30.0 million 7.5% Convertible Subordinated Notes due February 28, 2005, issued by the Company to PMI Mezzanine Fund, L.P. ("PMI"), which are convertible into 1,094,120 shares of the Company Common Stock at a conversion price of $27.419 per share and which replace the convertible subordinated notes originally issued by CCA to PMI on February 29, 1996; and (iv) the forward contract of CCA whereby CCA agreed to sell to Sodexho up to $20.0 million of convertible subordinated notes at any time prior to December 1999. The notes which may be purchased pursuant to the forward contract will bear interest at LIBOR, as hereinafter defined, plus 1.35% and will be convertible into shares of Company Common Stock at a conversion price of $7.80 per share.

A copy of the press release announcing the completion of the Merger is attached hereto as Exhibit 99.1.

ITEM 5. OTHER EVENTS

Descriptions of the Company Common Stock and Company Preferred Stock are set forth under the caption "New Prison Realty Capital Stock" in the Registration Statement which is incorporated herein by reference.

In connection with the completion of the Merger, the Company obtained a $650.0 million term loan and revolving credit facility pursuant to the terms of a Credit Agreement dated as of January 1, 1999, by and among the Company and certain of its subsidiaries and NationsBank, N.A., as Administrative Agent, Lehman Commercial Paper, Inc., as Documentation Agent, and the Bank of Nova Scotia, as Syndication Agent (the "Credit Facility"). The Credit Facility provides the Company with a $400.0 million revolving credit facility (the "Revolving Credit Facility") and a $250.0 million term loan facility (the "Term Loan Facility"). The Revolving Credit Facility matures January 1, 2002 and the Term Loan Facility matures January 1, 2003. The Credit Facility is secured by substantially all the assets of the Company. The Revolving Credit Facility bears interest at variable rates of interest based on a spread over the base rate or the London Interbank Offered Rate ("LIBOR") (as elected by the Company), which spread is determined by reference to the Company's credit rating. The spread ranges from .25% to 1.25% for base rate loans and from 1.375% to 2.75% for LIBOR rate loans. The Company is currently not rated. As such, under the terms of the Credit Agreement, the initial interest rate spreads will be 1.00% for base rate loans and 2.50% for LIBOR rate loans. The Term Loan Facility bears interest at a variable base rate equal to 3.25% in excess of LIBOR. The Revolving Credit Facility also allows for a $150.0 million letter of credit sub-facility, enabling the Company to obtain letters of credit for general corporate purposes. Upon the initial funding of the Credit Facility the Company has $340.0 million currently outstanding under the Revolving Credit Facility and $250.0 million currently outstanding under the Term Loan Facility. Amounts drawn under the Revolving Credit Facility included $114.0 million required to temporarily cash collateralize outstanding Letters of Credit which are not yet reissued under the Credit Facility. Approximately $502.0 million of amounts currently outstanding under the Credit Facility was used to repay outstanding indebtedness under Prison Realty's and CCA's credit facilities prior to the Merger.

Also in connection with the completion of the Merger, Operating Company obtained a revolving credit facility of up to $30.0 million pursuant to the terms of a Credit Agreement, dated as of December 31, 1998 (the "Operating Company Credit Agreement"), with GECC for itself, as lender, and as agent for other lenders signatory thereto. No amounts are currently outstanding under the Operating Company facility. In order to facilitate this credit facility, the

Company executed in favor of GECC a Standstill Agreement (the "Standstill Agreement") and an Intercreditor and Subordination Agreement (the "Intercreditor and Subordination Agreement").

The Standstill Agreement provides, among other things, that the Company will not terminate any of the Operating Company Leases or the Trade Name Use Agreement between the Company and Operating Company until all obligations of Operating Company to GECC under the Credit Agreement have been paid in full, and, upon the occurrence of certain events of default, the Company will not take any other remedial action under such agreements. In addition, the Master Agreement of Lease provides that ten percent (10%) of the Base Rent and the Additional Rent under each Lease shall be deferred if Operating Company's EBITDA as of the end of any trailing four quarter period is $5.0 million or more less than Operating Company's projected management case as provided to GECC with respect to such period, and such deferral will continue until Operating Company's EBITDA as of the end of any subsequent trailing four quarter period is equal to or greater than such management case. Once such deferral ceases, the deferred rent is due and payable by Operating Company on a quarterly basis within sixty (60) days after the end of each quarter following the termination of the deferral.

The Intercreditor and Subordination Agreement provides that the Operating Company Note and all other obligations of Operating Company to the Company are subordinate and junior in right of payment to all obligations and liabilities of Operating Company to GECC under the Operating Company Credit Agreement. The Operating Company Credit Agreement provides that Operating Company shall make scheduled payments of interest with respect to the Operating Company Note in cash only if, among other things, Operating Company achieves on a trailing four quarter basis at least $10.0 million more of EBITDA than 100% of Operating Company's projected management case as provided to GECC. Even if the cash payment of interest is deferred, the Operating Company Credit Agreement permits Operating Company to make scheduled payments of interest on the Operating Company Note by making payments in kind.

Based upon (i) the Company's current view of its anticipated results of operations, (ii) the views of Operating Company as to when it will need to make borrowings under the Operating Company Credit Agreement and (iii) Operating Company's view that, if necessary, it can refinance the Operating Company Credit Agreement to include terms more favorable than those currently contained in the Standstill Agreement and the Intercreditor and Subordination Agreement, the Company does not believe that the provisions of the Standstill Agreement and the Intercreditor and Subordination Agreement will have a material effect on its liquidity or results of operations.

The Company also agreed to sell $40.0 million principal amount of Convertible Subordinated Notes (the "Notes") to MDP Ventures IV LLC, a New York limited liability company ("MDP"), pursuant to the terms of a Note Purchase Agreement dated December 31, 1998 by and between the Company and MDP. The first $20.0 million tranche was closed on December 31, 1998 and the second $20.0 million tranche is expected to close on January 29, 1999. The Notes bear or will bear interest at 9.5% per annum and are due December 31, 2008 and January 29, 2009, respectively. The Notes are convertible into shares of Company Common Stock at a conversion price of approximately $28.00 per share, as may be adjusted under the terms of the Note Purchase Agreement. The Company also entered into a Registration Rights Agreement with MDP regarding the registration of the shares of Company Common Stock to be issued to MDP upon conversion of the Notes.

ITEM 7. FINANCIAL STATEMENTS, PRO FORMA FINANCIAL INFORMATION AND EXHIBITS

(a) Financial Statements of Businesses Acquired. Pursuant to Rule 12b-23 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), the Company hereby incorporates by reference the consolidated financial information of Prison Realty, CCA and Operating Company included in its Registration Statement, or incorporated by reference therein, previously filed with the Commission.

(b) Pro Forma Financial Information. Pursuant to Rule 12-23 of the Exchange Act, the Company hereby incorporates by reference the pro forma combined financial information of the Company included in its Registration Statement previously filed with the Commission.

(c) Exhibits. The following exhibits are filed herewith or incorporated by reference hereto:

Exhibit Number	Description of Exhibits
2.1	Amended and Restated Agreement and Plan of Merger, dated as of September 29, 1998, by and among Corrections Corporation of America ("CCA"), CCA Prison Realty Trust ("Prison Realty") and Prison Realty Corporation (the "Company") (included as Appendix A to the Prospectus filed pursuant to Rule 424(b)(4) included in the Company's Registration Statement on Form S-4 filed

	with the Securities and Exchange Commission on September 30, 1998, as declared effective on October 16, 1998 (File No. 333-65017)(the "Registration Statement"))(as directed by Item 601(b)(1) of Regulation S-K, certain schedules and exhibits to this document are omitted from this filing, and the Registrant agrees to furnish supplementally a copy of any omitted schedule or exhibit to the Commission upon request).
3.1	Charter of the Company (previously filed as Exhibit 3.1 to the Registration Statement and incorporated herein by reference).
3.2	Amended and Restated Bylaws of the Company.
4.1	Provisions defining the rights of stockholders are found in Sections SIXTH through SEVENTH and Article II in the Charter and Bylaws, respectively, of the Company (included as Exhibits 3.1 and 3.2 hereto).
4.2	Specimen of certificate representing the Company's Common Stock (previously filed as Exhibit 4.2 to the Registration Statement and incorporated herein by reference).
4.3	Specimen of certificate representing the Company's 8.0% Series A Cumulative Preferred Stock (previously filed as Exhibit 4.3 to the Registration Statement and incorporated herein by reference).
4.4	8.5% Convertible, Subordinated Note due November 7, 1999 made payable to Sodexho Alliance, S.A. ("Sodexho") in the aggregate principal amount of $7.0 million (previously filed as Exhibit 2 to CCA's Report on Form 8-K (filed on June 30, 1994) and incorporated herein by reference).
4.5	7.5% Convertible, Subordinated Note due February 28, 2002 made payable to Sodexho in the aggregate principal amount of $20.0 million (previously filed as Exhibit 4(v) to CCA's Annual Report on Form 10-K (filed on March 31, 1997) and incorporated herein by reference).
4.6	7.5% Convertible, Subordinated Note due February 28, 2005 made payable to PMI Mezzanine Fund, L.P. in the aggregate principal amount of $30.0 million.
4.7	Note from Company made payable to MDP Ventures IV LLC dated December 31, 1998 in the principal amount of $20.0 million.
10.1	Master Agreement to Lease dated as of January 1, 1999 by and between the Company, USCC, Inc. and Correctional Management Services Corporation ("CMSC").

10.2	Form of Lease Agreement by and between the Company and CMSC.
10.3	Right to Purchase Agreement dated as of January 1, 1999 by and between the Company and CMSC.
10.4	Service Mark and Trade Name Use Agreement dated as of December 31, 1998 by and between CCA and CMSC.
10.5	Service Mark and Trade Name Use Agreement dated as of December 31, 1998 by and between CMSC and Prison Management Services, LLC.
10.6	Service Mark and Trade Name Use Agreement dated as of December 31, 1998 by and between CMSC and Juvenile and Jail Facility Management Services, LLC.
10.7	Promissory Note dated December 31, 1998 executed by CMSC made payable to CCA in the principal amount of $137.0 million.
10.8	Guaranty Agreement dated December 31, 1998 executed and delivered by Doctor R. Crants to CCA.
10.9	Assignment Agreement dated as of December 31, 1998 by and between CCA and Corrections Partners, Inc. and related Bill of Sale.
10.10	Assignment Agreement dated as of December 31, 1998 by and among Corrections Partners, Inc., Concept Incorporated, TransCor America, Inc., certain other subsidiaries of CCA, and CMSC and related Bill of Sale.
10.11	Contribution Agreement dated as of December 31, 1998 by and between CCA and CMSC.
10.12	Contribution Agreement dated as of December 31, 1998 by and between CCA and Prison Management Services, LLC.
10.13	Contribution Agreement dated as of December 31, 1998 by and between CCA and Juvenile and Jail Facility Management Services, LLC.

10.14	Assignment and Assumption Agreement dated as of December 31, 1998 by and among CCA, Corrections Partners, Inc., Gadsden Correctional Institute, Inc., and Prison Management Services, LLC.
10.15	Assignment and Assumption Agreement dated as of December 31, 1998 by and among CCA, Concept Incorporated, Corrections Partners, Inc. and Juvenile and Jail Facility Management Services, LLC.
10.16	Services Agreement dated as of January 1, 1999 by and between the Company and CMSC.
10.17	Tenant Incentive Agreement dated as of January 1, 1999 by and between the Company and CMSC.
10.18	Securities Purchase Agreement, dated June 23, 1994, between CCA and Sodexho (previously filed as Exhibit 2 to CCA's Report on Form 8-K (filed June 30, 1994) and incorporated herein by reference).
10.19	Amendment No. 1 to Securities Purchase Agreement, dated as of July 11, 1995, between Sodexho and CCA (previously filed as Exhibit 10.145 to CCA's Annual Report on Form 10-K (filed on March 29, 1996) and incorporated herein by reference).
10.20	Amendment No. 2, dated December 31, 1996, to Securities Purchase Agreement, dated as of June 23, 1994, between Sodexho and CCA (previously filed as Exhibit 10.162 to CCA's Annual Report on Form 10-K (filed on March 31, 1997) and incorporated herein by reference).
10.21	1997 Amendment to 1994 Securities Purchase Agreement by and between CCA and Sodexho, dated December 30, 1997 (previously filed as Exhibit 4(bb) to CCA's Annual Report on Form 10-K (filed on March 30, 1998) and incorporated herein by reference).
10.22	Note Purchase Agreement, dated as of January 1, 1999, by and between CCA and PMI Mezzanine Fund, L.P., including, as Exhibit R-1 thereto, Registration Rights Agreement, dated as of January 1, 1999, by and between CCA and PMI Mezzanine Fund, L.P.
10.23	Note Purchase Agreement, dated as of April 5, 1996, by and among Sodexho and CCA, relating to the issuance of 7.5% Convertible, Subordinated Notes in the aggregate principal amount of $20.0 million (previously filed as Exhibit 4(w) to

	CCA's Annual Report on Form 10-K (filed on March 31, 1997) and incorporated herein by reference).
10.24	Registration Rights Agreement with respect to Note Purchase Agreement, dated as of April 5, 1996, by and between Sodexho and CCA (previously filed as Exhibit 4(x) to CCA's Annual Report on Form 10-K (filed on March 31, 1997) and incorporated herein by reference).
10.25	Agreement in Principle by and among Sodexho CCA and Prison Realty (previously filed as Exhibit 10.13 to the Registration Statement and incorporated herein by reference)
10.26	Administrative Services Agreement dated as of January 1, 1999 by and between CMSC and Prison Management Services, Inc.
10.27	Administrative Services Agreement dated as of January 1, 1999 by and between CMSC and Juvenile and Jail Facility Management Services, Inc.
10.28	Employment Agreement dated as of January 1, 1999 by and between Doctor R. Crants and the Company.
10.29	Employment Agreement dated as of January 1, 1999 by and between Doctor R. Crants and CMSC.
10.30	Employment Agreement dated as of January 1, 1999 by and between J. Michael Quinlan and the Company.
10.31	Amended and Restated Charter of Prison Management Services, Inc.
10.32	Amended and Restated Charter of Juvenile and Jail Facility Management Services, Inc.
10.33	Credit Agreement dated as of January 1, 1999 by and among the Company and certain of it subsidiaries and NationsBank, N.A., as Administrative Agent, Lehman Commercial Paper, Inc., as Documentation Agent, and the Bank of Nova Scotia, as Syndication Agent.
10.34	Standstill Agreement dated as of December 31, 1998 executed by the Company in favor of General Electric Capital Corporation ("GECC").

10.35	Intercreditor and Subordination Agreement dated as of December 31, 1998 executed by the Company in favor of GECC.
10.36	Note Purchase Agreement dated as of December 31, 1998 by and between the Company and MDP Ventures IV LLC.
10.37	Registration Rights Agreement dated as of December 31, 1998 by and between the Company and MDP Ventures IV LLC.
10.38	Preemptive Rights Agreement dated as of January 1, 1999 by and between the Company and CMSC.
23.1	Consent of Arthur Andersen LLP with respect to Prison Realty.
23.2	Consent of Arthur Andersen LLP with respect to CCA.
23.3	Consent of Arthur Andersen LLP with respect to CMSC.
99.1	Press Release dated January 4, 1999, announcing the completion of the Merger.

SIGNATURES

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

Date: January 6, 1999

PRISON REALTY CORPORATION

By: /s/ Vida H. Carroll

Vida H. Carroll,
Chief Financial Officer and Secretary

EXHIBIT INDEX

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4.5	7.5% Convertible, Subordinated Note due February 28, 2002 made payable to Sodexho in the aggregate principal amount of $20.0 million (previously filed as Exhibit 4(v) to CCA's Annual Report on Form 10-K (filed on March 31, 1997) and incorporated herein by reference).

4.6	7.5% Convertible, Subordinated Note due February 28, 2005 made payable to PMI Mezzanine Fund, L.P. in the aggregate principal amount of $30.0 million.
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10.6	Service Mark and Trade Name Use Agreement dated as of December 31, 1998 by and between CMSC and Juvenile and Jail Facility Management Services, LLC.
10.7	Promissory Note dated December 31, 1998 executed by CMSC made payable to CCA in the principal amount of $137.0 million.
10.8	Guaranty Agreement dated December 31, 1998 executed and delivered by Doctor R. Crants to CCA.
10.9	Assignment Agreement dated as of December 31, 1998 by and between CCA and Corrections Partners, Inc. and related Bill of Sale.
10.10	Assignment Agreement dated as of December 31, 1998 by and among Corrections Partners, Inc., Concept Incorporated, TransCor America, Inc., certain other subsidiaries of CCA, and CMSC and related Bill of Sale.
10.11	Contribution Agreement dated as of December 31, 1998 by and between CCA and CMSC.

10.12	Contribution Agreement dated as of December 31, 1998 by and between CCA and Prison Management Services, LLC.
10.13	Contribution Agreement dated as of December 31, 1998 by and between CCA and Juvenile and Jail Facility Management Services, LLC.
10.14	Assignment and Assumption Agreement dated as of December 31, 1998 by and among CCA, Corrections Partners, Inc., Gadsden Correctional Institute, Inc., and Prison Management Services, LLC.
10.15	Assignment and Assumption Agreement dated as of December 31, 1998 by and among CCA, Concept Incorporated, Corrections Partners, Inc. and Juvenile and Jail Facility Management Services, LLC.
10.16	Services Agreement dated as of January 1, 1999 by and between the Company and CMSC.
10.17	Tenant Incentive Agreement dated as of January 1, 1999 by and between the Company and CMSC.
10.18	Securities Purchase Agreement, dated June 23, 1994, between CCA and Sodexho (previously filed as Exhibit 2 to CCA's Report on Form 8-K (filed June 30, 1994) and incorporated herein by reference).
10.19	Amendment No. 1 to Securities Purchase Agreement, dated as of July 11, 1995, between Sodexho and CCA (previously filed as Exhibit 10.145 to CCA's Annual Report on Form 10-K (filed on March 29, 1996) and incorporated herein by reference).
10.20	Amendment No. 2, dated December 31, 1996, to Securities Purchase Agreement, dated as of June 23, 1994, between Sodexho and CCA (previously filed as Exhibit 10.162 to CCA's Annual Report on Form 10-K (filed on March 31, 1997) and incorporated herein by reference).
10.21	1997 Amendment to 1994 Securities Purchase Agreement by and between CCA and Sodexho, dated December 30, 1997 (previously filed as Exhibit 4(bb) to CCA's Annual Report on Form 10-K (filed on March 30, 1998) and incorporated herein by reference).
10.22	Note Purchase Agreement, dated as of January 1, 1999, by and between CCA and PMI Mezzanine Fund, L.P., including, as Exhibit R-1 thereto, Registration Rights

	Agreement, dated as of January 1, 1999, by and between CCA and PMI Mezzanine Fund, L.P.
10.23	Note Purchase Agreement, dated as of April 5, 1996, by and among Sodexho and CCA, relating to the issuance of 7.5% Convertible, Subordinated Notes in the aggregate principal amount of $20.0 million (previously filed as Exhibit 4(w) to CCA's Annual Report on Form 10-K (filed on March 31, 1997) and incorporated herein by reference).
10.24	Registration Rights Agreement with respect to Note Purchase Agreement, dated as of April 5, 1996, by and between Sodexho and CCA (previously filed as Exhibit 4(x) to CCA's Annual Report on Form 10-K (filed on March 31, 1997) and incorporated herein by reference).
10.25	Agreement in Principle by and among Sodexho CCA and Prison Realty (previously filed as Exhibit 10.13 to the Registration Statement and incorporated herein by reference)
10.26	Administrative Services Agreement dated as of January 1, 1999 by and between CMSC and Prison Management Services, Inc.
10.27	Administrative Services Agreement dated as of January 1, 1999 by and between CMSC and Juvenile and Jail Facility Management Services, Inc.
10.28	Employment Agreement dated as of January 1, 1999 by and between Doctor R. Crants and the Company.
10.29	Employment Agreement dated as of January 1, 1999 by and between Doctor R. Crants and CMSC.
10.30	Employment Agreement dated as of January 1, 1999 by and between J. Michael Quinlan and the Company.
10.31	Amended and Restated Charter of Prison Management Services, Inc.
10.32	Amended and Restated Charter of Juvenile and Jail Facility Management Services, Inc.
10.33	Credit Agreement dated as of January 1, 1999 by and among the Company and certain of it subsidiaries and NationsBank, N.A., as Administrative Agent, Lehman

	Commercial Paper, Inc., as Documentation Agent, and the Bank of Nova Scotia, as Syndication Agent.
10.34	Standstill Agreement dated as of December 31, 1998 executed by the Company in favor of General Electric Capital Corporation.
10.35	Intercreditor and Subordination Agreement dated as of December 31, 1998 executed by the Company in favor of General Electric Capital Corporation.
10.36	Note Purchase Agreement dated as of December 31, 1998 by and between the Company and MDP Ventures IV LLC.
10.37	Registration Rights Agreement dated as of December 31, 1998 by and between the Company and MDP Ventures IV LLC.
10.38	Preemptive Rights Agreement dated as of January 1, 1999 by and between the Company and CMSC.
23.1	Consent of Arthur Andersen LLP with respect to Prison Realty.
23.2	Consent of Arthur Andersen LLP with respect to CCA.
23.3	Consent of Arthur Andersen LLP with respect to CMSC.
99.1	Press Release dated January 4, 1999, announcing the completion of the Merger.

EXHIBIT 3.2

PRISON REALTY CORPORATION

AMENDED AND RESTATED BYLAWS

ARTICLE I

OFFICES AND FISCAL AND TAXABLE YEARS

Section 1. PRINCIPAL OFFICE. The principal office of Prison Realty Corporation (the "Corporation") shall be located at such place or places as the Board of Directors may designate.

Section 2. ADDITIONAL OFFICES. The Corporation may have additional offices at such places as the Board of Directors may from time to time determine or the business of the Corporation may require.

Section 3. FISCAL AND TAXABLE YEARS. The fiscal and taxable years of the Corporation shall begin on January 1 and end on December 31.

ARTICLE II

MEETINGS OF STOCKHOLDERS

Section 1. PLACE. All meetings of stockholders shall be held at the principal office of the Corporation or at such other place within the United States as shall be stated in the notice of the meeting.

Section 2. ANNUAL MEETING. An annual meeting of the stockholders for the election of Directors and the transaction of any business within the powers of the Corporation shall be held during the month of May of each year at a convenient location and on proper notice, on a date and at the time set by the Board of Directors, beginning with the year 1999. Failure to hold an annual meeting does not invalidate the Corporation's existence or affect any otherwise valid acts of the Corporation.

Section 3. SPECIAL MEETINGS. The President, Chairman of the Board, a majority of the Board of Directors or a committee of the Board of Directors which has been duly designated by the Board of Directors and whose powers and authority, as provided in a resolution of the Board of Directors or these Bylaws, include the power to call such meetings may call special meetings of the stockholders. The Secretary of the Corporation shall call a special meeting of the stockholders on the written request of stockholders entitled to cast at least a majority of all the votes entitled to be cast at the meeting.

Section 4. NOTICE. Not less than ten (10) nor more than ninety (90) days before each meeting of stockholders, the Secretary shall give to each stockholder entitled to vote at such meeting

and to each stockholder not entitled to vote who is entitled to notice of the meeting written or printed notice stating the time and place of the meeting and, in the case of a special meeting or as otherwise may be required by any statute, the purpose for which the meeting is called, either by mail or by presenting it to such stockholder personally or by leaving it at his residence or usual place of business. If mailed, such notice shall be deemed to be given when deposited in the United States mail addressed to the stockholder at his post office address as it appears on the records of the Corporation, with postage thereon prepaid.

Section 5. SCOPE OF NOTICE. Any business of the Corporation may be transacted at an annual meeting of stockholders without being specifically designated in the notice, except such business as is required by any statute to be stated in such notice. No business shall be transacted at a special meeting of stockholders except as specifically designated in the notice.

Section 6. ORGANIZATION. At every meeting of the stockholders, the Chairman of the Board, if there be one, shall conduct the meeting or, in the case of vacancy in office or absence of the Chairman of the Board, one of the following officers present shall conduct the meeting in the order stated: the Vice Chairman of the Board, if there be one, the President, the Vice Presidents in their order of rank and seniority and the Secretary, or, in his absence, an assistant secretary, or in the absence of both the Secretary and assistant secretaries, a person appointed by the Chairman shall act as Secretary.

Section 7. QUORUM. At any meeting of stockholders, the presence in person or by proxy of stockholders entitled to cast a majority of all the votes entitled to be cast at such meeting shall constitute a quorum; but this Section shall not affect any requirement under any statute or the Charter for the vote necessary for the adoption of any measure. If, however, such quorum shall not be present at any meeting of the stockholders, the stockholders entitled to vote at such meeting, present in person or by proxy, shall have the power to adjourn the meeting from time to time to a date not more than 120 days after the original record date without notice other than announcement at the meeting. At such adjourned meeting at which a quorum shall be present, any business may be transacted which might have been transacted at the meeting as originally notified.

Section 8. VOTING. A plurality of all the votes cast at a meeting of stockholders duly called and at which a quorum is present shall be sufficient to elect a Director. Each share of stock may be voted for as many individuals as there are Directors to be elected and for whose election the share of stock is entitled to be voted. A majority of the votes cast at a meeting of stockholders duly called and at which a quorum is present shall be sufficient to approve any other matter which may properly come before the meeting, unless more than a majority of the votes cast is required herein or by statute or by the Charter. Unless otherwise provided in the Charter, each outstanding share of stock, regardless of class, shall be entitled to one vote on each matter submitted to a vote at a meeting of stockholders.

Section 9. PROXIES. A stockholder may vote the shares of stock owned of record by him, either in person or by proxy. Such proxy shall be filed with the Secretary of the Corporation

before or at the time of the meeting. No proxy shall be valid after eleven months from the date of its execution, unless otherwise provided in the proxy.

Section 10. VOTING OF SHARES OF STOCK BY CERTAIN HOLDERS. Shares of stock of the Corporation registered in the name of a corporation, partnership, trust or other entity, if entitled to be voted, may be voted by the president or a vice president, a general partner or director thereof, as the case may be, or a proxy appointed by any of the foregoing individuals, unless some other person who has been appointed to vote such shares of stock pursuant to a bylaw or a resolution of the governing board of such corporation or other entity or agreement of the partners of the partnership presents a certified copy of such bylaw, resolution or agreement, in which case such person may vote such shares of stock. Any fiduciary may vote shares of stock registered in his name as such fiduciary, either in person or by proxy.

The Board of Directors may adopt by resolution a procedure by which a stockholder may certify in writing to the Corporation that any shares of stock registered in the name of the stockholder are held for the account of a specified person other than the stockholder. The resolution shall set forth the class of stockholders who may make the certification, the purpose for which the certification may be made, the form of certification and the information to be contained in it; if the certification is with respect to a record date or closing of the stock transfer books, the time after the record date or closing of the stock transfer books within which the certification must be received by the Corporation; and any other provisions with respect to the procedure which the Board of Directors consider necessary or desirable. On receipt of such certification, the person specified in the certification shall be regarded as, for the purposes set forth in the certification, the stockholder of record of the specified shares of stock in place of the stockholder who makes the certification.

Title 3, Subtitle 7 of the Maryland General Corporation Law (the "MGCL"), or any successor statute, shall not apply to any acquisition by any person of shares of stock of the Corporation.

Section 11. INSPECTORS. At any meeting of stockholders, the chairman of the meeting may, or upon the request of any stockholder shall, appoint one or more persons as inspectors for such meeting. Such inspectors shall ascertain and report the number of shares of stock represented at the meeting based upon their determination of the validity and effect of proxies, count all votes, report the results and perform such other acts as are proper to conduct the election and voting with impartiality and fairness to all the stockholders.

Each report of an inspector shall be in writing and signed by him or by a majority of them if there is more than one inspector acting at such meeting. If there is more than one inspector, the report of a majority shall be the report of the inspectors. The report of the inspector or inspectors on the number of shares of stock represented at the meeting and the results of the voting shall be prima facie evidence thereof.

Section 12. NOMINATIONS AND STOCKHOLDER BUSINESS.

(a) Annual Meetings of Stockholders.

(1) Nominations of persons for election to the Board of Directors and the proposal of business to be considered by the stockholders may be made at an annual meeting of stockholders (i) pursuant to the Corporation's notice of meeting, (ii) by or at the direction of the Board of Directors or (iii) by any stockholder of the Corporation who was a stockholder of record at the time of giving of notice provided for in this Section 12(a), who is entitled to vote at the meeting and who complied with the notice procedures set forth in this Section 12(a).

(2) For nominations or other business to be properly brought before an annual meeting by a stockholder pursuant to clause (iii) of paragraph (a)(1) of this Section 12, the stockholder must have given timely notice thereof in writing to the Secretary of the Corporation. To be timely, a stockholder's notice shall be delivered to the Secretary at the principal executive offices of the Corporation not less than 60 days nor more than 90 days prior to the first anniversary of the preceding year's annual meeting; provided, however, that in the event that the date of the annual meeting is advanced by more than 30 days or delayed by more than 60 days from such anniversary date, notice by the stockholder to be timely must be so delivered not earlier than the 90th day prior to such annual meeting and not later than the close of business on the later of the 60th day prior to such annual meeting or the tenth day following the day on which public announcement of the date of such meeting is first made. Such stockholder's notice shall set forth: (i) as to each person whom the stockholder proposes to nominate for election or reelection as a Director all information relating to such person that is required to be disclosed in solicitations of proxies for election of Directors, or is otherwise required, in each case pursuant to Regulation 14A under the Securities Exchange Act of 1934, as amended (the "Exchange Act") (including such person's written consent to being named in the proxy statement as a nominee and to serving as a Director if elected); (ii) as to any other business that the stockholder proposes to bring before the meeting, a brief description of the business desired to be brought before the meeting, the reasons for conducting such business at the meeting and any material interest in such business of such stockholder and of the beneficial owner, if any, on whose behalf the proposal is made; and (iii) as to the stockholder giving the notice and the beneficial owner, if any, on whose behalf the nomination or proposal is made, (y) the name and address of such stockholder, as they appear on the Corporation's books, and of such beneficial owner and (z) the number of each class of shares of stock of the Corporation which are owned beneficially and of record by such stockholder and such beneficial owner.

(3) Notwithstanding anything in the second sentence of paragraph (a)(2) of this Section 12 to the contrary, in the event that the number of Directors to be elected to the Board of Directors is increased and there is no public announcement naming all of the nominees for Director or specifying the size of the increased Board of Directors made by the Corporation at least 70 days prior to the first anniversary of the preceding year's annual meeting, a stockholder's notice required by this Section 12 (a) shall also be considered timely, but only with respect to nominees for any new positions created by such increase, if it shall be delivered to the Secretary at the principal

executive offices of the Corporation not later than the close of business on the tenth day following the day on which such public announcement is first made by the Corporation.

(b) Special Meetings of Stockholders. Only such business shall be conducted at a special meeting of stockholders as shall have been brought before the meeting pursuant to the Corporation's notice of meeting. Nominations of persons for election to the Board of Directors may be made at a special meeting of stockholders at which Directors are to be elected (i) pursuant to the Corporation's notice of meeting, (ii) by or at the direction of the Board of Directors or (iii) provided that the Board of Directors has determined that Directors shall be elected at such special meeting, by any stockholder of the Corporation who was a stockholder of record at the time of giving of notice provided for in this Section 12(b), who is entitled to vote at the meeting and who complied with the notice procedures set forth in this Section 12(b). In the event the Corporation calls a special meeting of stockholders for the purpose of electing one or more Directors to the Board of Directors, any such stockholder may nominate a person or persons (as the case may be) for election to such position as specified in the Corporation's notice of meeting, if the stockholder's notice containing the information required by paragraph (a)(2) of this Section 12 shall be delivered to the Secretary at the principal executive offices of the Corporation not earlier than the 90th day prior to such special meeting and not later than the close of business on the later of the 60th day prior to such special meeting or the tenth day following the day on which public announcement is first made of the date of the special meeting and of the nominees proposed by the Board of Directors to be elected at such meeting.

(c) General.

(1) Only such persons who are nominated in accordance with the procedures set forth in this Section 12 shall be eligible to serve as Directors, and only such business shall be conducted at a meeting of stockholders as shall have been brought before the meeting in accordance with the procedures set forth in this Section 12. The presiding officer of the meeting shall have the power and duty to determine whether a nomination or any business proposed to be brought before the meeting was made in accordance with the procedures set forth in this Section 12 and, if any proposed nomination or business is not in compliance with this Section 12, to declare that such defective nomination or proposal be disregarded.

(2) For purposes of this Section 12, "public announcement" shall mean disclosure in a press release reported by the Dow Jones News Service, Associated Press or comparable news service or in a document publicly filed by the Corporation with the Securities and Exchange Commission pursuant to Sections 12, 14 or 15(d) of the Exchange Act.

(3) Notwithstanding the foregoing provisions of this Section 12, a stockholder shall also comply with all applicable requirements of state law and of the Exchange Act and the rules and regulations thereunder with respect to the matters set forth in this Section 12. Nothing in this Section 12 shall be deemed to affect any rights of stockholders to request inclusion of proposals in the Corporation's proxy statement pursuant to Rule 14a-8 under the Exchange Act.

Section 13. VOTING BY BALLOT. Voting on any question or in any election may be viva voce unless the presiding officer shall order or any stockholder shall demand that voting be by ballot.

ARTICLE III

BOARD OF DIRECTORS

Section 1. GENERAL POWERS; QUALIFICATIONS; DIRECTORS HOLDING OVER. The business and affairs of the Corporation shall be managed under the direction of its Board of Directors. A Director shall be an individual at least 21 years of age who is not under legal disability. Unless otherwise agreed between the Corporation and the Director, each individual Director, including each Independent Director (as defined in the Corporation's Charter), may engage in other business activities of the type conducted by the Corporation and is not required to present to the Corporation investment opportunities presented to such Director (other than those presented to such Director in his or her capacity as a Director of the Corporation) even though the investment opportunities may be within the scope of the Corporation's investment policies. In case of failure to elect Directors at an annual meeting of the stockholders, the Directors holding over shall continue to direct the management of the business and affairs of the Corporation until their successors are elected and qualify.

Section 2. ANNUAL AND REGULAR MEETINGS. An annual meeting of the Directors shall be held immediately after and at the same place as the annual meeting of stockholders, no notice other than this Bylaw being necessary. The Directors may provide, by resolution, the time and place, either within or without the State of Maryland, for the holding of regular meetings of the Directors without other notice than such resolution.

Section 3. SPECIAL MEETINGS. Special meetings of the Directors may be called by or at the request of the Chairman of the Board, the Chief Executive Officer or the President or by a majority of the Directors then in office. The person or persons authorized to call special meetings of the Directors may fix any place, either within or without the State of Maryland, as the place for holding any special meeting of the Directors called by them.

Section 4. NOTICE. Notice of any special meeting shall be given by written notice delivered personally, telegraphed or mailed to each Director at his business or residence address. Personally delivered or telegraphed notices shall be given at least two days prior to the meeting. Notice by mail shall be given at least five days prior to the meeting. Telephone notice shall be given at least 24 hours prior to the meeting. If mailed, such notice shall be deemed to be given when deposited in the United States mail properly addressed, with postage thereon prepaid. If given by telegram, such notice shall be deemed to be given when the telegram is delivered to the telegraph company. Telephone notice shall be deemed given when the Director is personally given such notice in a telephone call to which he is a party. Neither the business to be transacted at, nor the purpose

of, any annual, regular or special meeting of the Directors need be stated in the notice, unless specifically required by statute or these Bylaws.

Section 5. QUORUM. Except as provided in subsection (b) of Section 6, a majority of the entire Board of Directors shall constitute a quorum for transaction of business at any meeting of the Board of Directors, provided that, if less than a majority of such Directors are present at said meeting, a majority of the Directors present may adjourn the meeting from time to time without further notice, and provided further that if, pursuant to the Charter or these Bylaws, the vote of a majority of a particular group of Directors is required for action, a quorum must also include a majority of such group.

The Directors present at a meeting which has been duly called and convened may continue to transact business until adjournment, notwithstanding the withdrawal of enough Directors to leave less than a quorum.

Section 6. VOTING.

(a) Except as provided in subsection (b) of this Section 6, the action of the majority of the Board of Directors present at a meeting at which a quorum is present shall be the action of the Directors, unless the concurrence of a greater proportion is required for such action by the Charter, these Bylaws or applicable statute.

(b) Notwithstanding the foregoing, two-thirds (2/3) of the Directors then in office shall be necessary to constitute a quorum to approve the actions set forth below in clauses (1) through (5), and such action shall not be effective unless approved by two-thirds (2/3) of the Directors then in office. Such action includes:

(1) A Change in Control (as hereinafter defined) of the Corporation;

(2) Any amendment to the Charter or these Bylaws (except for such amendments as may be required in the reasonable discretion of two-thirds (2/3) of the Board of Directors to maintain the Corporation's status as a real estate investment trust under the Internal Revenue Code of 1986, as amended);

(3) Any waiver or modification of the Ownership Limit (as defined in the Charter); and

(4) Acquisitions, dispositions or financings of assets by the Corporation in excess of 25% of Total Market Capitalization (as hereinafter defined) whether by merger, purchase, sale or otherwise. The value of the assets of the Corporation for the purpose of determining whether such assets constitute in excess of 25% of Total Market Capitalization shall be the book value of such assets as reflected in the Corporation's most recent fiscal year-end

consolidation balance sheet at the time the determination is being made or, if materially different and the transaction involves (A) an acquisition or disposition, the amount of the consideration involved in such acquisition or disposition or (B) a financing, the value of assets being financed as reflected in the financing transaction.

For purposes of this Section 6(b):

(A) The term "Change in Control" of the Corporation shall mean any transaction or series of transactions (whether by purchase of existing Common Stock, issuance of Common Stock, merger, consolidation or otherwise) the result of which is that either (i) any Person or Group becomes the Beneficial Owner, directly or indirectly, of 20% or more of the total voting power in the aggregate of all classes of Capital Stock of the Corporation then outstanding normally entitled to vote in the election of Directors of the Corporation (or any surviving entity) or (ii) the Beneficial Owners of the Capital Stock of the Corporation normally entitled to vote in the election of Directors immediately prior to the transaction beneficially own less than 80% of the total voting power in the aggregate of all classes of Capital Stock of the Corporation then outstanding normally entitled to vote in the election of Directors of the Corporation (or any surviving entity) immediately after such transaction.

(B) The term "Person" as used herein shall have the same meaning as such term has for purposes of Sections 13(d) and 14(d) of the Exchange Act.

(C) The term "Group" has used herein shall have the same meaning as such term has for purposes of Sections 13(d) and 14(d) of the Exchange Act.

(D) The term "Beneficial Owner" as used herein shall have the same meaning as such term has for purposes of Rule 13d-3 promulgated under the Exchange Act, except that a Person shall be deemed to have beneficial ownership of all shares of stock that a Person has the right to acquire, whether or not such right is immediately exercisable.

(E) The term "Ownership Limit" as used herein shall have the same meaning as such term has in the Charter.

(F) The term "Total Market Capitalization" shall mean the sum of (i) the Market Value (as hereinafter defined) of the then outstanding Common Stock and Preferred Stock, and (ii) the total principal amount of indebtedness of the Corporation as reflected in the Corporation's most recent fiscal year-end consolidation balance sheet existing at the time the Board of Directors would be required to approve a transaction set forth in subparagraph (5) of this Section 6(b).

(G) The term "Market Value" with respect to Common Stock shall mean the average of the daily market price for the ten (10) consecutive trading days immediately prior to the date beginning fifteen (15) days before the Directors would be required to approve a transaction set forth in subparagraph (5) of this Section 6(b). The market price for each such trading date shall be the last

reported sales price of such stock reported on the New York Stock Exchange on the trading day immediately preceding the relevant date, or if such stock is not then traded on the New York Stock Exchange, the last reported sales price of such stock on the trading day immediately preceding the relevant date as reported on any exchange or quotation system over which such stock may be traded, or if such stock is not then traded over any exchange or quotation system, then the market price of such stock on the relevant date as determined in good faith by the Board of Directors of the Corporation.

Section 7. TELEPHONE MEETINGS. Directors may participate in a meeting by means of a conference telephone or similar communications equipment if all persons participating in the meeting can hear each other at the same time. Participation in a meeting by these means shall constitute presence in person at the meeting.

Section 8. INFORMAL ACTION BY DIRECTORS. Any action required or permitted to be taken at any meeting of the Board of Directors may be taken without a meeting, if a consent in writing to such action is signed by each Director and such written consent is filed with the minutes of proceedings of the Board of Directors.

Section 9. VACANCIES. If for any reason any or all of the Directors cease to be Directors, such event shall not terminate the Corporation or affect these Bylaws or the powers of the remaining Directors hereunder (even if fewer than two Directors remain). Any vacancy (including a vacancy created by an increase in the number of Directors) shall be filled, at any regular meeting or at any special meeting called for that purpose, by a majority of the Board of Directors. Any individual so elected as a Director shall hold office until the next annual meeting of stockholders and until his or her successor is elected and qualifies. Notwithstanding the foregoing, the stockholders may elect a successor to fill a vacancy which results from the removal of a Director.

Section 10. COMPENSATION. Directors shall not receive any stated salary for their services as Directors but, by resolution of the Board of Directors, may receive cash compensation or a fixed sum of Common Stock of the Corporation for any service or activity they performed or engaged in as Directors. By resolution of the Board of Directors, Directors may receive a fee for and may be reimbursed for expenses in connection with attendance, if any, at each annual, regular or special meeting of the Board of Directors or of any committee thereof; and for their expenses, if any, in connection with each property visit and any other service or activity performed or engaged in as Directors; but nothing herein contained shall be construed to preclude any Directors from serving the Corporation in any other capacity and receiving compensation therefor.

Section 11. REMOVAL OF DIRECTORS. The stockholders may, at any time, remove any Director in the manner provided in the Charter.

Section 12. LOSS OF DEPOSITS. No Director shall be liable for any loss which may occur by reason of the failure of the bank, trust company, savings and loan association, or other institution with whom moneys or shares of stock have been deposited.

Section 13 SURETY BONDS. Unless required by law, no Director shall be obligated to give any bond or surety or other security for the performance of any of his duties.

Section 14. NUMBER, TENURE AND QUALIFICATIONS. The number of Directors of the Corporation shall not be less than three (3) nor more than sixteen (16), as determined from time to time by resolution adopted by a majority of the Board of Directors. Directors need not be stockholders of the Corporation.

Section 15. INTERESTED DIRECTOR TRANSACTIONS. Notwithstanding any other provision of these Bylaws, the following actions of the Board of Directors shall require the approval of the Independent Committee, as defined in Article IV of these Bylaws: (i) the election of operators for the Corporation's properties; and (ii) all transactions between the Corporation and any tenant of the Corporation's properties, Prison Management Services, Inc., a Tennessee corporation, or any predecessor thereto or successor thereof, and Juvenile and Jail Facility Management Services, Inc., a Tennessee corporation, or any predecessor thereto or successor thereof, and each of their affiliates, including, but not limited to, the negotiation, enforcement and renegotiation of the terms of any lease of any of the Corporation's properties.

ARTICLE IV

COMMITTEES OF BOARD OF DIRECTORS

Section 1. GENERAL. The Board of Directors may, by resolution passed by a majority of the whole board, designate one or more committees, each such committee to consist of one or more of the Directors of the Corporation. The Board of Directors may designate one or more Directors as alternate members of any committee, who may replace any absent or disqualified member at any meeting of the committee. Any such committee, to the extent provided in the resolution of the Board of Directors shall have and may exercise all the powers and authority of the Board of Directors in the management of the business and affairs of the Corporation, and may authorize the seal of the Corporation to be affixed to all papers which may require it; but no such committee shall have the power or authority in reference to: (i) to authorize dividends on stock; (ii) to authorize the issuance of stock (except that, if the Board of Directors has given general authorization for the issuance of stock providing for or establishing a method or procedure for determining the maximum number of shares to be issued, a committee may, in accordance with the general authorization or any stock option or other plan or program adopted by the Board, authorize or fix the terms of stock subject to classification or reclassification and the terms on which any stock may be issued); (iii) to recommend to the stockholders any action which requires stockholder approval; (iv) to amend the Bylaws; or (v) to approve any merger or share exchange which does not require stockholder approval.

Section 2. COMMITTEES. The Board of Directors shall initially have the following committees, the specific authority and members of which shall be as designated herein or by

resolution of the Board of Directors.

(a) An Independent Committee, which shall consist solely of Independent Directors and which shall have the authority to approve the actions of the Board of Directors as specified in Section 15 of Article III.

(b) An Audit Committee, which will consist solely of Independent Directors and which shall make recommendations concerning the engagement of independent public accounts, review with the independent public accountants the plans and results of the audit engagement, approve professional services provided by the independent public accountants, review the independence of the independent public accountants, consider the range of audit and non-audit fees and review the adequacy of the Corporation's initial accounting controls.

(c) A Compensation Committee, which shall determine compensation for the Corporation's executive officers and administer any stock incentive plans adopted by the Corporation.

Section 3. RECORDS OF COMMITTEE MEETINGS. Each committee shall keep regular minutes of its meetings and report the same to the Board of Directors when required. The presence of a majority of the total membership of any committee shall constitute a quorum for the transaction of business at any meeting of such committee and the act of a majority of those present shall be necessary and sufficient for the taking of any action at such meeting.

ARTICLE V

OFFICERS

Section 1. GENERAL PROVISIONS. The officers of the Corporation may consist of a Chairman of the Board, a Vice Chairman of the Board, a Chief Executive Officer, a President, one or more Vice Presidents, a Treasurer, one or more assistant treasurers, a Secretary, and one or more assistant secretaries. In addition, the Board of Directors may from time to time appoint such other officers with such powers and duties as they shall deem necessary or desirable. The officers of the Corporation shall be elected annually by the Board of Directors at the first meeting of the Board of Directors held after each annual meeting of stockholders. If the election of officers shall not be held at such meeting, such election shall be held as soon thereafter as may be convenient. Each officer shall hold office until his successor is elected and qualifies or until his death, resignation or removal in the manner hereinafter provided. Any two or more offices except President and Vice President may be held by the same person. In their discretion, the Board of Directors may leave unfilled any office except that of President, Secretary and Treasurer. Election of an officer or agent shall not of itself create contract rights between the Corporation and such officer or agent.

Section 2. REMOVAL AND RESIGNATION. Any officer or agent of the Corporation may be removed by the Board of Directors if in their judgment the best interests of the Corporation would be served thereby, but such removal shall be without prejudice to the contract rights, if any, of the person so removed. Any officer of the Corporation may resign at any time by giving written notice of his resignation to the Board of Directors, the Chairman of the Board, the President or the Secretary. Any resignation shall take effect at any time subsequent to the time specified therein or, if the time when it shall become effective is not specified therein, immediately upon its receipt. The acceptance of a resignation shall not be necessary to make it effective unless otherwise stated in the resignation. Such resignation shall be without prejudice to the contract rights, if any, of the Corporation.

Section 3. VACANCIES. A vacancy in any office may be filled by the Board of Directors for the balance of the term.

Section 4. CHAIRMAN AND VICE-CHAIRMAN OF THE BOARD. The Chairman of the Board shall preside over the meetings of the Board of Directors and of the stockholders at which he shall be present and shall in general oversee all of the business and affairs of the Corporation. In the absence of the Chairman of the Board, the Vice Chairman of the Board shall preside at such meetings at which he shall be present. The Chairman and the Vice Chairman of the Board may execute any deed, mortgage, bond, contract or other instrument, except in cases where the execution thereof shall be expressly delegated by the Board of Directors or by these Bylaws to some other officer or agent of the Corporation or shall be required by law to be otherwise executed. The Chairman of the Board and the Vice Chairman of the Board shall perform such other duties as may be assigned to him or them by the Board of Directors.

Section 5. CHIEF EXECUTIVE OFFICER. The Board of Directors may designate a Chief Executive Officer from among the elected officers. The Chief Executive Officer shall have responsibility for implementation of the policies of the Corporation, as determined by the Board of Directors, and for the administration of the business affairs of the Corporation. In the absence of both the Chairman and Vice Chairman of the Board, the Chief Executive Officer shall preside over the meetings of the Board of Directors and of the stockholders at which he shall be present.

Section 6. CHIEF OPERATING OFFICER. The Board of Directors may designate a Chief Operating Officer from among the elected officers. Said officer will have the responsibilities and duties as set forth by the Board of Directors or the Chief Executive Officer.

Section 7. CHIEF DEVELOPMENT OFFICER. The Board of Directors may designate a Chief Development Officer from among the elected officers. Said officer will have the responsibilities and duties as set forth by the Board of Directors or the Chief Executive Officer.

Section 8. CHIEF FINANCIAL OFFICER. The Board of Directors may designate a Chief Financial Officer from among the elected officers. Said officer will have the responsibilities and duties as set forth by the Board of Directors or the Chief Executive Officer.

Section 9. PRESIDENT. In the absence of the Chairman, the Vice Chairman of the Board and the Chief Executive Officer, the President shall preside over the meetings of the Board of Directors and of the stockholders at which he shall be present. In the absence of a designation of a Chief Executive Officer by the Board of Directors, the President shall be the Chief Executive Officer and shall be ex officio a member of all committees that may, from time to time, be constituted by the Board of Directors. The President may execute any deed, mortgage, bond, contract or other instrument, except in cases where the execution thereof shall be expressly delegated by the Board of Directors or by these Bylaws to some other officer or agent of the Corporation or shall be required by law to be otherwise executed; and in general shall perform all duties incident to the office of President and such other duties as may be prescribed by the Board of Directors from time to time.

Section 10. VICE PRESIDENTS. In the absence of the President or in the event of a vacancy in such office, the Vice President (or in the event there be more than one Vice President, the Vice Presidents in the order designated at the time of their election or, in the absence of any designation, then in the order of their election) shall perform the duties of the President and when so acting shall have all the powers of and be subject to all the restrictions upon the President; and shall perform such other duties as from time to time may be assigned to him by the President or by the Board of Directors. The Board of Directors may designate one or more Vice Presidents as Executive Vice President or as Vice President for particular areas of responsibility.

Section 11. SECRETARY. The Secretary shall: (a) keep the minutes of the proceedings of the stockholders, the Board of Directors and committees of the Board of Directors in one or more books provided for that purpose; (b) see that all notices are duly given in accordance with the provisions of these Bylaws or as required by law; (c) be custodian of the corporate records and of the seal of the Corporation; (d) keep a register of the post office address of each stockholder which shall be furnished to the Secretary by such stockholder; (e) have general charge of the stock transfer books of the Corporation; and (f) in general perform such other duties as from time to time may be assigned to him by the Chief Executive Officer, the President or by the Board of Directors.

Section 12. TREASURER. The Treasurer shall have the custody of the funds and securities of the Corporation and shall keep full and accurate accounts of receipts and disbursements in books belonging to the Corporation and shall deposit all moneys and other valuable effects in the name and to the credit of the Corporation in such depositories as may be designated by the Board of Directors.

The Treasurer shall disburse the funds of the Corporation as may be ordered by the Board of Directors, taking proper vouchers for such disbursements, and shall render to the President and Directors, at the regular meetings of the Board of Directors or whenever they may require it, an account of all his transactions as Treasurer and of the financial condition of the Corporation.

If required by the Board of Directors, the Treasurer shall give the Corporation a bond in such sum and with such surety or sureties as shall be satisfactory to the Board of Directors for the faithful

performance of the duties of his office and for the restoration to the Corporation, in case of his death, resignation, retirement or removal from office, of all books, papers, vouchers, moneys and other property of whatever kind in his possession or under his control belonging to the Corporation.

Section 13. ASSISTANT SECRETARIES AND ASSISTANT TREASURERS. The assistant secretaries and assistant treasurers, in general, shall perform such duties as shall be assigned to them by the Secretary or Treasurer, respectively, or by the President or the Board of Directors. The assistant treasurers shall, if required by the Board of Directors, give bonds for the faithful performance of their duties in such sums and with such surety or sureties as shall be satisfactory to the Board of Directors.

Section 14. SALARIES. The salaries of the officers shall be fixed from time to time by the Board of Directors, and no officer shall be prevented from receiving such salary by reason of the fact that he is also a Director.

ARTICLE VI

CONTRACTS, LOANS, CHECKS AND DEPOSITS

Section 1. CONTRACTS. The Board of Directors may authorize any officer or agent to enter into any contract or to execute and deliver any instrument in the name of and on behalf of the Corporation and such authority may be general or confined to specific instances. Any agreement, deed, mortgage, lease or other document executed by one or more of the Board of Directors or by an authorized person shall be valid and binding upon the Board of Directors and upon the Corporation when authorized or ratified by action of the Directors.

Section 2. CHECKS AND DRAFTS. All checks, drafts or other orders for the payment of money, notes or other evidences of indebtedness issued in the name of the Corporation shall be signed by such officer or officers, agent or agents of the Corporation in such manner as shall from time to time be determined by the Board of Directors.

Section 3. DEPOSITS. All funds of the Corporation not otherwise employed shall be deposited from time to time to the credit of the Corporation in such banks, trust companies or other depositories as the Board of Directors may designate.

ARTICLE VII

STOCK

Section 1. CERTIFICATES. Each stockholder shall be entitled to a certificate or certificates which shall represent and certify the number of shares of each class of stock held by him in the Corporation. Each certificate shall be signed by the President, a Vice President or the

Chairman of the Board and countersigned by the Secretary or an assistant secretary or the Treasurer or an assistant treasurer and may be sealed with the seal, if any, of the Corporation. The signatures may be either manual or facsimile. Certificates shall be consecutively numbered; and if the Corporation shall, from time to time, issue several classes of shares of stock, each class may have its own number series. A certificate is valid and may be issued whether or not an officer who signed it is still an officer when it is issued. Each certificate shall contain on its face or back a full statement or summary of such information with respect to the stock of the Corporation as is required by the MGCL. In lieu of such statement or summary, the Corporation may set forth upon the face or back of the certificate a statement that the Corporation will furnish to any stockholder, upon request and without charge, a full statement of such information.

Section 2. TRANSFERS. Certificates shall be treated as negotiable, and title thereto and to the shares of stock they represent shall be transferred by delivery thereof. No transfers of shares of stock of the Corporation shall be made if (i) void ab initio pursuant to any provision of the Charter or (ii) the Board of Directors, pursuant to any provision of the Charter, shall have refused to permit the transfer of such shares of stock. Permitted transfers of shares of stock of the Corporation shall be made on the stock records of the Corporation only upon the instruction of the registered holder thereof, or by his attorney thereunto authorized by power of attorney duly executed and filed with the Secretary or with a transfer agent or transfer clerk, and upon surrender of the certificate or certificates, if issued, for such shares of stock properly endorsed or accompanied by a duly executed stock transfer power and the payment of all taxes thereon. Upon surrender to the Corporation or the transfer agent of the Corporation of a certificate for shares of stock duly endorsed or accompanied by proper evidence of succession, assignment or authority to transfer, as to any transfers not prohibited by any provision of the Charter or by action of the Board of Directors thereunder, it shall be the duty of the Corporation to issue a new certificate to the person entitled thereto, cancel the old certificate and record the transaction upon its books.

Section 3. REPLACEMENT CERTIFICATE. Any officer designated by the Board of Directors may direct a new certificate to be issued in place of any certificate previously issued by the Corporation alleged to have been lost, stolen or destroyed upon the making of an affidavit of that fact by the person claiming the certificate to be lost, stolen or destroyed. When authorizing the issuance of a new certificate, the officer designated by the Board of Directors may, in his discretion and as a condition precedent to the issuance thereof, require the owner of such lost, stolen or destroyed certificate or the owner's legal representative to advertise the same in such manner as he shall require and/or to give bond, with sufficient surety, to the Corporation to indemnify it against any loss or claim which may arise as a result of the issuance of a new certificate.

Section 4. CLOSING OF TRANSFER BOOKS OR FIXING OF RECORD DATE. The Board of Directors may set, in advance, a record date for the purpose of determining stockholders entitled to notice of or to vote at any meeting of stockholders or determining stockholders entitled to receive payment of any dividend or the allotment of any other rights, or in order to make a determination of stockholders for any other purpose. Such date, in any case, shall not be prior to the close of business on the day the record date is fixed and shall be not more than 90 days, and in the

case of a meeting of stockholders not less than ten days, before the date on which the meeting or particular action requiring such determination of stockholders of record is to be held or taken.

In lieu of fixing a record date, the Board of Directors may provide that the stock transfer books shall be closed for a stated period but not longer than 20 days. If the stock transfer books are closed for the purpose of determining stockholders entitled to notice of or to vote at a meeting of stockholders, such books shall be closed for at least ten days before the date of such meeting.

If no record date is fixed and the stock transfer books are not closed for the determination of stockholders, (a) the record date for the determination of stockholders entitled to notice of or to vote at a meeting of stockholders shall be at the close of business on the day on which the notice of meeting is mailed or the 30th day before the meeting, whichever is the closer date to the meeting, and (b) the record date for the determination of stockholders entitled to receive payment of a dividend or an allotment of any other rights shall be the close of business on the day on which the resolution of the Board of Directors declaring the dividend or allotment of rights is adopted.

When a determination of stockholders entitled to vote at any meeting of stockholders has been made as provided in this section, such determination shall apply to any adjournment thereof, except when (i) the determination has been made through the closing of the transfer books and the stated period of closing has expired or (ii) the meeting is adjourned to a date more than 120 days after the record date fixed for the original meeting, in either of which case a new record date shall be determined as set forth herein.

Section 5. STOCK LEDGER. The Corporation shall maintain at its principal office or at the office of its counsel, accountants or transfer agent, an original or duplicate stock ledger containing the name and address of each stockholder and the number of shares of each class of stock held by such stockholder.

Section 6. FRACTIONAL SHARES OF STOCK; ISSUANCE OF UNITS. The Board of Directors may issue fractional shares of stock or provide for the issuance of scrip, all on such terms and under such conditions as they may determine. Notwithstanding any other provision of the Charter or these Bylaws, the Board of Directors may issue units consisting of different securities of the Corporation. Any security issued in a unit shall have the same characteristics as any identical securities issued by the Corporation, except that the Board of Directors may provide that for a specified period securities of the Corporation issued in such unit may be transferred on the books of the Corporation only in such unit.

ARTICLE VIII

DIVIDENDS AND DISTRIBUTIONS

Section 1. AUTHORIZATION. Dividends and other distributions upon the shares of stock of the Corporation may be authorized and declared by the Board of Directors, subject to the

provisions of law and the Charter. Dividends may be paid in cash, property or shares of stock of the Corporation, subject to the provisions of law and the Charter.

Section 2. CONTINGENCIES. Before payment of any dividends, there may be set aside out of any funds of the Corporation available for dividends such sum or sums as the Board of Directors may from time to time, in their absolute discretion, think proper as a reserve fund for contingencies, for equalizing dividends, for repairing or maintaining any property of the Corporation or for such other purpose as the Board of Directors shall determine to be in the best interest of the Corporation; and the Board of Directors may modify or abolish any such reserve in the manner in which it was created.

ARTICLE IX

SEAL

Section 1. SEAL. The Board of Directors may authorize the adoption of a seal by the Corporation. The seal shall have inscribed thereon the name of the Corporation and the year of its formation. The Board of Directors may authorize one or more duplicate seals and provide for the custody thereof.

Section 2. AFFIXING SEAL. Whenever the Corporation is required to place its seal to a document, it shall be sufficient to meet the requirements of any law, rule or regulation relating to a seal to place the word "(SEAL)" adjacent to the signature of the person authorized to execute the document on behalf of the Corporation.

ARTICLE X

INDEMNIFICATION AND ADVANCES FOR EXPENSES

To the maximum extent permitted by Maryland law in effect from time to time, the Corporation, without requiring a preliminary determination of the ultimate entitlement to indemnification, shall indemnify (a) any Director or officer or any former Director or officer (including among the foregoing, for all purposes of this Article X and without limitation, any individual who, while a Director or officer and at the express request of the Corporation, serves or has served another corporation, partnership, joint venture, trust, employee benefit plan or any other enterprise as a director, officer or partner of such corporation, partnership, joint venture, trust, employee benefit plan or other enterprise) who has been successful, on the merits or otherwise, in the defense of a proceeding to which he was made a party by reason of service in such capacity, against reasonable expenses incurred by him in connection with the proceeding and (b) any Director or officer or any former Director or officer against any claim or liability to which he may become subject by reason of such status unless it is established that (i) his act or omission was material to

the matter giving rise to the proceeding and was committed in bad faith or was the result of active and deliberate dishonesty, (ii) he actually received an improper personal benefit in money, property or services or (iii) in the case of a criminal proceeding, he had reasonable cause to believe that his act or omission was unlawful. In addition, the Corporation shall pay or reimburse, in advance of final disposition of a proceeding, reasonable expenses incurred by a Director or officer or former Director or officer made a party to a proceeding by reason of such status, provided that, in the case of a Director or officer, the Corporation shall have received (i) a written affirmation by the Director or officer of his good faith belief that he has met the applicable standard of conduct necessary for indemnification by the Corporation as authorized by these Bylaws and (ii) a written undertaking by or on the Director's or officer's behalf to repay the amount paid or reimbursed by the Corporation if it shall ultimately be determined that the applicable standard of conduct was not met. The Corporation may, with the approval of its Directors, provide such indemnification or payment or reimbursement of expenses to any Director or officer or any former Director or officer who served a predecessor of the Corporation and to any employee or agent of the Corporation or a predecessor of the Corporation. Neither the amendment nor repeal of this Article, nor the adoption or amendment of any other provision of the Charter or these Bylaws inconsistent with this Article, shall apply to or affect in any respect the applicability of this Article with respect to any act or failure to act which occurred prior to such amendment, repeal or adoption.

Any indemnification or payment or reimbursement of the expenses permitted by these Bylaws shall be furnished in accordance with the procedures provided for indemnification or payment or reimbursement of expenses, as the case may be, under Section 2-418 of the MGCL for directors of Maryland corporations. The Corporation may provide to Directors or officers such other and further indemnification or payment or reimbursement of expenses, as the case may be, to the fullest extent permitted by the MGCL, as in effect from time to time, for directors of Maryland corporations.

ARTICLE XI

WAIVER OF NOTICE

Whenever any notice is required to be given pursuant to the Charter or Bylaws or pursuant to applicable law, a waiver thereof in writing, signed by the person or persons entitled to such notice, whether before or after the time stated therein, shall be deemed equivalent to the giving of such notice. Neither the business to be transacted at, nor the purpose of, any meeting need be set forth in the waiver of notice, unless specifically required by statute. The attendance of any person at any meeting shall constitute a waiver of notice of such meeting, except where such person attends a meeting for the express purpose of objecting to the transaction of any business on the ground that the meeting is not lawfully called or convened.

ARTICLE XII

AMENDMENT OF BYLAWS

The Board of Directors shall have the exclusive power to adopt, alter or repeal any provision of these Bylaws and to make new Bylaws in accordance with Article III hereof.

EXHIBIT 4.6

THE SECURITIES REPRESENTED HEREBY ARE SUBJECT TO THE PROVISIONS OF A NOTE PURCHASE AGREEMENT DATED AS OF DECEMBER 31, 1998 BETWEEN THE CORPORATION AND PMI MEZZANINE FUND, L.P. AND A REGISTRATION RIGHTS AGREEMENT DATED AS OF DECEMBER 31, 1998 BETWEEN THE CORPORATION AND PMI MEZZANINE FUND, L.P., COPIES OF WHICH ARE ON FILE AT THE OFFICES OF THE CORPORATION.

THE SECURITIES REPRESENTED HEREBY HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933 OR QUALIFIED UNDER ANY APPLICABLE STATE SECURITIES OR BLUE SKY LAWS. THEY MAY NOT BE SOLD, OFFERED FOR SALE, PLEDGED, HYPOTHECATED, OR OTHERWISE TRANSFERRED EXCEPT PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT OF 1933 AND QUALIFICATION UNDER APPLICABLE STATE SECURITIES OR BLUE SKY LAWS, OR PURSUANT TO AN EXEMPTION FROM SUCH REGISTRATION AND QUALIFICATION REQUIREMENTS.

PRISON REALTY CORPORATION

7.5% CONVERTIBLE, SUBORDINATED NOTE
DUE FEBRUARY 28, 2005

No. 001 January 1, 1999

SECTION 1. PAYMENT OBLIGATION. PRISON REALTY CORPORATION, a corporation duly organized and existing under the laws of the State of Maryland (herein called the "Corporation"), for value received, hereby promises to pay to ATWELL & CO., as nominee for PMI Mezzanine Fund, L.P., a limited partnership duly organized and existing under the laws of the State of Delaware (herein called "PMI"), or registered assigns (hereinafter referred to as the "Holder"), the principal sum of Thirty Million Dollars ($30,000,000) on the Maturity Date, and to pay interest thereon from the date hereof quarterly on March 31, June 30, September 30, and December 31 of each year, commencing March 31, 1999, at (i) the Coupon Rate, or (ii) upon the occurrence of a Triggering Event and until the date on which such Triggering Event is cured or waived or until the date that is ninety (90) days from initial occurrence of the Triggering Event, whichever is later, at the Triggering Event Rate, until the principal hereof is paid to the person in whose name this Note is registered at the close of business on the Business Day immediately preceding the date such payment is due. Any payments due hereunder that fall due on a day that is not a

Business Day shall be payable on the first succeeding Business Day and such extension of time shall be included in the computation of interest due hereunder. Payment of the principal of and interest on this Note will be made by cashiers check or by wire transfer of immediately available funds, in currency of the United States of America as at the time of payment is legal tender for payment of public and private debts, at such address or to such account, as applicable, as shall be designated to the Corporation by the Holder.

SECTION 2. DEFINITIONS. As used herein, the following terms will be deemed to have the meanings set forth below:

"BOARD" means the board of directors of the Corporation.

"BUSINESS DAY" means each Monday, Tuesday, Wednesday, Thursday, or Friday that is not a day on which banking institutions in Los Angeles, California are authorized or obligated by law or executive order to close.

"CHANGE EVENT" shall mean:

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

(b) the Incumbent Board shall cease for any reason to constitute at fifty percent (50%) of the members of the Board; or

(c) approval by the stockholders of the Corporation of a reorganization, merger, or consolidation, in each case, with respect to which all or substantially all the individuals and entities who were the respective beneficial owners of the voting securities of the Corporation immediately prior to such reorganization, merger, or consolidation do not, following such reorganization, merger, or consolidation

beneficially own, directly or indirectly, more than 50% of the combined voting power of the then outstanding voting securities entitled to vote generally in the election of directors of the corporation resulting from such reorganization, merger, or consolidation; or

(d) the sale or other disposition of all or substantially all the assets or property of the Corporation in one transaction or a series of related transactions.

"CLOSING DATE" shall have the meaning ascribed thereto in Section 2.2 of the Note Purchase Agreement.

"COMMON STOCK" means the common stock of the Corporation, par value $0.01 per share.

"CONVERSION PRICE" means $27.419 per share of Common Stock, subject to adjustment from time to time as herein set forth.

"CONVERSION RATIO" means the number of Conversion Shares to be delivered upon conversion of One Hundred Dollars ($100) of principal amount of this Note. Subject to the provisions for adjustment set forth herein, the Conversion Ratio shall be determined as the quotient of (i) the principal amount of this Note to be converted, divided by (ii) the Conversion Price. Subject to the provisions for adjustment set forth herein, the Conversion Ratio initially shall be 3.647.

"CONVERSION SHARES" means fully paid and nonassessable shares of Common Stock issuable upon conversion of the indebtedness evidenced by this Note.

"CONVERTIBLE NOTES" means the Corporation's (a) $7,000,000 aggregate principal amount 8.5% Convertible Subordinated Notes due November 7, 1999, (b) option to purchase the Floating Rate Notes, and (c) the Floating Rate Notes when issued.

"CONVERTIBLE SECURITIES" means rights, warrants, options or other securities convertible into or exchangeable for shares of Common Stock.

"COUPON RATE" means seven and one-half percent (7.5%) per annum.

"CURRENT MARKET PRICE" when used with reference to shares of Common Stock, shall mean (i) the closing price per share of Common Stock on such date or (ii) if securities are sold based on an average price, the lesser of (a) the closing price per share of Common Stock on such date, or (b) the average of the daily closing prices per share of Common Stock for the period over which the sales price was calculated, but if such period exceeds thirty days, then the average of the daily closing prices per share of Common Stock for the last

thirty days of such period. If the Common Stock is listed or admitted to trading on a national securities exchange, the closing price for each day shall be the last sale price, regular way, or, in case no such sale takes place on such day, the average of the closing bid and asked prices, regular way, in either case as reported in the principal consolidated transaction reporting system with respect to securities listed or admitted to trading on the New York Stock Exchange or, if the Common Stock is not listed or admitted to trading on the New York Stock Exchange, as reported in the principal consolidated transaction reporting system with respect to securities listed on the principal national securities exchange on which the Common Stock is listed or admitted to trading. If the Common Stock is not publicly held or so listed or publicly traded, "Current Market Price" shall mean the fair market value per share of Common Stock as determined in good faith by the Board based on an opinion of an independent investment banking firm with an established national reputation as a valuer of securities, which opinion may be based on such assumptions as such firm shall deem to be necessary and appropriate.

"EVENT OF DEFAULT" shall have the meaning set forth in Section 7.1 of the Note Purchase Agreement.

"EXCHANGE ACT" shall have the meaning set forth in Section 3.1 of the Note Purchase Agreement.

"FLOATING RATE NOTES" shall have the meaning set forth in the Sodexho Agreement.

"INCUMBENT BOARD" means the individuals who, as of the Closing Date, constitute the Board; provided, however, that any individual becoming a director subsequent to the Closing Date, whose election, or nomination for election by the Corporation's stockholders, was approved by a vote of at least a majority of the directors then comprising the Incumbent Board shall be deemed to be a member of the Incumbent Board.

"MAJOR TRANSACTION" shall mean:

(a) approval by the stockholders of the Corporation of a reorganization, merger, or consolidation, in each case, with respect to which all or substantially all the individuals and entities who were the respective beneficial owners of the voting securities of the Corporation immediately prior to such reorganization, merger, or consolidation do not, following such reorganization, merger, or consolidation beneficially own, directly or indirectly, more than 50% of the combined voting power of the then outstanding voting securities entitled to vote generally in the election of directors of the corporation resulting from such reorganization, merger, or consolidation; or

(b) the sale or other disposition of all or substantially all the assets or property of the Corporation in one transaction or a series of related transactions.

"MANDATORY CONVERSION DATE" means the Business Day specified by the Corporation, in compliance with the provisions hereof, as the date on which all or a portion of the indebtedness evidenced by this Note will be converted into shares of Common Stock pursuant to the Corporation's right to compel such conversion.

"MANDATORY CONVERSION NOTICE" means a written notice substantially in the form of the notice attached hereto as Exhibit A and incorporated herein by this reference.

"MANDATORY PREPAYMENT DATE" means the Business Day specified by the Holder, in compliance with the provisions hereof, as the date on which all or a portion of the indebtedness evidenced by this Note must be prepaid pursuant to the Holder's right to compel such prepayment.

"MANDATORY PREPAYMENT NOTICE" means a written notice substantially in the form of the notice attached hereto as Exhibit B and incorporated herein by this reference.

"MATURITY DATE" means February 28, 2005.

"NOTE" means this 7.5% convertible, subordinated note issued by the Corporation.

"NOTE PURCHASE AGREEMENT" means that certain Note Purchase Agreement, dated as of December 31, 1998, between the Corporation and PMI.

"OPTIONAL CONVERSION NOTICE" means a written notice substantially in the form of the notice attached hereto as Exhibit C and incorporated herein by this reference.

"SENIOR INDEBTEDNESS" means the principal of and premium, if any, and unpaid interest on (a) indebtedness (other than indebtedness evidenced by the Convertible Notes, indebtedness that is subordinated in right of payment to one or more item or type of indebtedness of the Corporation, or indebtedness incurred in violation of the terms and conditions of the Note Purchase Agreement) of the Corporation, irrespective of whether secured and whether heretofore or hereafter (i) incurred for borrowed money, or (ii) evidenced by a note or similar instrument given in connection with the acquisition by the Corporation of any business, properties, or assets, including securities (but not including any account payable or other obligation created or assumed by the Corporation in the ordinary course of business in connection with the

obtaining of materials or services), (b) any refundings, renewals, extensions, or deferrals of any of the indebtedness included as Senior Indebtedness by virtue of clause (a) hereof, and (c) obligations under capital leases; in each case for the payment of which the Corporation is liable directly or indirectly by guarantee, letter of credit, obligation to purchase or acquire, or otherwise, unless the terms of the instrument evidencing such indebtedness or capital lease or pursuant to which such indebtedness or capital lease is outstanding specifically provide that such indebtedness or capital lease is not superior in right of payment to the indebtedness evidenced by this Note.

"SODEXHO AGREEMENT" means that certain Securities Purchase Agreement, dated as of June 23, 1994, between Sodexho S.A., a French corporation, or its designee and the Corporation, as amended by that certain Amendment No. 1 to Securities Purchase Agreement, dated as of July 11, 1995, and that certain Amendment No. 2 to Corrections Corporation of America/Sodexho S.A. 1994 Securities Purchase Agreement and Note and Warrant Modification Agreement, dated as of February 26, 1996.

"TRADING DAY" means, if the Common Stock is listed or admitted to trading on any national securities exchange, a day on which such exchange is open for the transaction of business, otherwise, a Business Day.

"TRIGGERING EVENT" means the occurrence of any Unmatured Event of Default or Event of Default described in Section 7.1 of the Note Purchase Agreement. For purposes of determining the period during which the Triggering Event Rate shall be in effect, a Triggering Event shall not be deemed to have occurred until the date on which the Holder shall have given notice of the occurrence thereof to the Corporation.

"TRIGGERING EVENT RATE" means nine and one-half percent (9.5%) per annum.

"UNMATURED EVENT OF DEFAULT" shall mean any event or condition, the occurrence of which would, with the lapse of time or the giving of notice, or both, constitute an Event of Default.

SECTION 3. OPTIONAL CONVERSION.

(a) Subject to and upon compliance with the provisions of this Note, the Holder is entitled, at its option, at any time on or before the close of business on the Business Day prior to the Maturity Date, or in case this Note or a portion hereof is called for conversion by the Corporation in accordance with the terms hereof, then until and including, but not after, the close of business on the third Business Day prior to the Mandatory Conversion Date, to convert all or a portion of the principal amount of the indebtedness evidenced by this Note into Conversion Shares.

(b) The principal amount of the indebtedness evidenced by this Note or any portion of the principal amount of the indebtedness evidenced hereby that is One Thousand Dollars ($1,000), an integral multiple of One Thousand Dollars ($1,000), or the remaining balance of the principal amount of the indebtedness evidenced by this Note may be converted into Conversion Shares. Subject to the provisions for adjustment set forth hereinafter, the indebtedness evidenced by the Note shall be convertible into Conversion Shares at a price per share equal to the Conversion Price and the number of Conversion Shares to be deliverable to the Holder upon conversion of One Hundred Dollars ($100) of the principal amount of this Note shall be equal to the Conversion Ratio.

(c) Conversion of all or a portion of the indebtedness evidenced by this Note may be effected by the Holder upon the surrender to the Corporation at the principal office of the Corporation in the State of Tennessee or at the office of any agent or agents of the Corporation, as may be designated by the Board, of this Note, duly endorsed or assigned to the Corporation or in blank, accompanied by a Optional Conversion Notice to the Corporation that the Holder elects to convert the principal amount of the indebtedness evidenced by this Note or, if less than the entire principal amount of the indebtedness evidenced by this Note is to be converted, the portion thereof to be converted. Such Optional Conversion Notice shall specify the name or names in which the Holder wishes the certificate or certificates for shares of Common Stock to be issued. In case such notice shall specify a name or names other than that of the Holder, such notice shall be accompanied by payment of all transfer taxes payable upon the issuance of shares of Common Stock in such name or names. Other than such taxes, the Corporation will pay any and all issue and other taxes (other than taxes based on income) that may be payable in respect of any issue or delivery of shares of Common Stock on conversion of the indebtedness evidenced by this Note. No payment or adjustment shall be made upon any conversion of this Note on account of any dividends or other distributions payable on the Conversion Shares; provided, however, that the Holder shall be entitled to receive the full amount of any dividends or other distributions declared with respect to the Conversion Shares with a record date on or after the effective date of such conversion.

As promptly as practicable, and in any event within five (5) Business Days after the surrender of this Note and the receipt of such notice relating thereto and, if applicable, payment of all transfer taxes (or the demonstration to the satisfaction of the Corporation that such taxes have been paid), the Corporation shall deliver or cause to be delivered, either by personal delivery or by certified or registered mail or by a recognized overnight courier service, in any such case, properly insured, to the Holder in accordance with the written instructions of the Holder (i) certificates representing the number of Conversion Shares to which the Holder shall be entitled, and (ii) if less than the entire principal amount of indebtedness evidenced by this Note is being converted, a new promissory note, in the form of this Note, for the balance of the indebtedness that is not being so converted. Such conversion shall be deemed to have been made at the close of business on the date of giving such notice and of such surrender of this Note so that the rights of the Holder (as a noteholder) with respect to the principal amount being converted shall cease, and the person or persons entitled to receive the Conversion Shares issuable upon

conversion shall be treated for all purposes as the record holder or holders of such Common Stock as of such day. All accrued but unpaid interest through the Business Day immediately preceding the date of such conversion with respect to the principal amount of the indebtedness evidenced by this Note being converted shall be payable upon conversion.

The Corporation shall not be required to convert, and no surrender of this Note shall be effective for that purpose, while the transfer books of the Corporation for the Common Stock are closed for any purpose (but not for any period in excess of 15 days); but the surrender of this Note for conversion during any period while such books are so closed shall become effective for conversion immediately upon the reopening of such books, as if the conversion had been made on the date this Note is surrendered, and at the Conversion Ratio in effect at the date of such surrender.

(d) In case this Note is to be prepaid pursuant to the mandatory prepayment provisions hereof, such right of conversion shall cease and terminate as to the portion of this Note that is to be prepaid at the close of business on the Business Day next preceding the date fixed for mandatory prepayment unless the Corporation shall default in the payment of the mandatory prepayment amount.

(e) In connection with the conversion of the indebtedness evidenced by this Note, no fractions of shares of Common Stock shall be issued, but in lieu thereof the Corporation shall pay a cash adjustment in respect of such fractional interest in an amount equal to such fractional interest multiplied by the Current Market Price per share of Common Stock on the Trading Day on which such indebtedness evidenced by this Note is deemed to have been converted. If more than one note shall be surrendered for conversion by the Holder at the same time, the number of full shares of Common Stock issuable on conversion thereof shall be computed on the basis of the total amount of indebtedness to be converted.

(f) (i) The Corporation shall at all times reserve and keep available for issuance upon the conversion of the indebtedness evidenced by this Note, free from any preemptive rights, such number of its authorized but unissued shares of Common Stock as will from time to time be sufficient to permit the conversion of all of the indebtedness evidenced by this Note, and shall take all action required to increase the authorized number of shares of Common Stock if necessary to permit the conversion of all of the indebtedness evidenced by this Note.

(ii) If the Corporation shall issue shares of Common Stock upon conversion of indebtedness evidenced by this Note as contemplated by this Section 3, the Corporation shall issue together with each such share of Common Stock any rights issued to holders of Common Stock of the Corporation, irrespective of whether such rights shall be exercisable at such time, but only if such rights are issued and outstanding and held by other holders of Common Stock of the Corporation at such time and have not expired.

(g) The Conversion Ratio will be subject to adjustment from time to time as follows:

(i) In case the Corporation shall at any time or from time to time after the Closing Date (A) pay a dividend, or make a distribution, on the outstanding shares of Common Stock in shares of Common Stock, (B) subdivide the outstanding shares of Common Stock, (C) combine the outstanding shares of Common Stock into a smaller number of shares, or (D) issue by reclassification of the shares of Common Stock any shares of capital stock of the Corporation, then, and in each such case, the Conversion Ratio in effect immediately prior to such event or the record date therefor, whichever is earlier, shall be adjusted so that the Holder shall be entitled to receive the number of shares of Common Stock (or other capital stock) of the Corporation that the Holder would have owned or have been entitled to receive after the happening of any of the events described above, had the indebtedness evidenced by this Note been converted immediately prior to the happening of such event or the record date therefor, whichever is earlier. An adjustment made pursuant to this clause (i) shall become effective (x) in the case of any such dividend or distribution, immediately after the close of business on the record date for the determination of holders of shares of Common Stock entitled to receive such dividend or distribution, or (y) in the case of such subdivision, reclassification, or combination, at the close of business on the day upon which such corporate action becomes effective. No adjustment shall be made pursuant to this clause (i) in connection with any transaction to which subsection (h) applies.

(ii) In case the Corporation shall issue shares of Common Stock or Convertible Securities after the Closing Date at a price per share (or having a conversion price per share) less than the Current Market Price per share of Common Stock, as of the date of issuance of such shares or of such Convertible Securities, then, and in each such case, the Conversion Ratio shall be adjusted so that the Holder shall be entitled to receive, upon the conversion hereof, the number of shares of Common Stock determined by multiplying (A) the applicable Conversion Ratio on the day immediately prior to such date by (B) a fraction, the numerator of which shall be the sum of (1) the number of shares of Common Stock outstanding on such date, plus (2) the number of additional shares of Common Stock issued (or into which the Convertible Securities may convert), and the denominator of which shall be the sum of (a) the number of shares of Common Stock outstanding on such date, plus (b) the number of shares of Common Stock purchasable at the then Current Market Price per share with the aggregate consideration received or receivable by the Corporation for the total number of shares of Common Stock so issued (or into which the Convertible Securities may convert). Notwithstanding the foregoing, in the event that after the date hereof the Corporation issues the Floating Rate Notes, (an "Adjustment Event") then the Conversion Ratio shall be adjusted so that the holder shall be entitled to receive, upon the conversion hereof, the number of shares of Common Stock determined by multiplying the applicable Conversion Ratio on the day immediately prior to the Adjustment Event by a fraction, (i) the numerator of which shall be the number of shares of Common Stock outstanding, plus the number of shares of Common Stock into which the Floating Rate Notes may convert, immediately after such Adjustment Event, and (ii) the denominator of which shall be the number of shares of Common Stock outstanding immediately prior to the Adjustment Event.

An adjustment made pursuant to this clause (ii) shall be made on the next Business Day following the date on which any such issuance is made and shall be effective

retroactively to the close of business on the date of such issuance. For purposes of this clause (ii), the aggregate consideration received or receivable by the Corporation in connection with the issuance of shares of Common Stock or of rights, warrants, or other securities convertible into shares of Common Stock shall be deemed to be equal to the sum of the aggregate offering price (before deduction of underwriting discounts or commissions and expenses payable to third parties) of all such Common Stock, rights, warrants, and convertible securities plus the minimum aggregate amount, if any, payable upon exercise of conversion of any such rights, warrants, and convertible securities into shares of Common Stock. The issuance of any shares of Common Stock (whether treasury shares or newly issued shares) pursuant to (a) a dividend or distribution on, or subdivision, combination or reclassification of, the outstanding shares of Common Stock requiring an adjustment in the conversion ratio pursuant to clause (i) of this subsection (g), or (b) the terms of a firmly committed underwritten public offering, shall not be deemed to constitute an issuance of Common Stock or Convertible Securities by the Corporation to which this clause (ii) applies.

Upon the expiration of any unexercised options, warrants, or rights to convert any convertible securities for which an adjustment has been made pursuant to this clause (ii), the adjustments shall forthwith be reversed to effect such rate of conversion as would have been in effect at the time of such expiration or termination had such options, warrants, or rights or convertible securities, to the extent outstanding immediately prior to such expiration or termination, never been issued. If the purchase price provided for in any option, warrant, or rights to convert any convertible securities for which an adjustment has been made pursuant to this clause (ii), the additional consideration, if any, payable upon the conversion or exchange of any convertible securities for which an adjustment has been made, or the rate at which any convertible securities referred to above are convertible into or exchangeable for Common Stock shall, at any time, increase or decrease (other than under or by reason of provisions designed to protect against dilution), then, the Conversion Ratio in effect at the time of such event shall forthwith be readjusted to the Conversion Ratio that would have been in effect at such time had such options, warrants, or rights or convertible securities still outstanding provided for such changed purchase price, additional consideration, or conversion rate, as the case may be, at the time initially granted, issued, or sold. No adjustment shall be made pursuant to this clause (ii) in connection with any transaction to which subsection (h) applies.

(iii) In case the Corporation shall at any time or from time to time after the Closing Date declare, order, pay, or make a dividend or other distribution (including, without limitation, any distribution of stock or other securities or property or rights or warrants to subscribe for securities of the Corporation or any of its subsidiaries by way of dividend or spinoff), on its Common Stock, other than (A) dividends payable in cash in an aggregate amount not to exceed 50% of net income from continuing operations before extraordinary items of the Corporation, determined in accordance with generally accepted accounting principles, during the period (treated as one accounting period) commencing on December 31, 1995, and ending on the date such dividend is paid; provided, that, to the extent required by the terms thereof, such dividend shall have been previously consented to by the holders of the Notes issued pursuant to the Note Purchase Agreement, or (B)

dividends or distributions of shares of Common Stock which are referred to in clause (i) of this subsection (g), then, and in each such case, the Conversion Ratio shall be adjusted so that the Holder shall be entitled to receive, upon the conversion hereof, the number of shares of Common Stock determined by multiplying (1) the applicable Conversion Ratio on the day immediately prior to the record date fixed for the determination of stockholders entitled to receive such dividend or distribution by (2) a fraction, the numerator of which shall be the Current Market Price per share of Common Stock for the period of 30 Trading Days preceding such record date, and the denominator of which shall be such Current Market Price per share of Common Stock less the fair market value, as determined in good faith by the Board, a certified resolution with respect to which shall be mailed to the Holder, per share of Common Stock of such dividend or distribution. No adjustment shall be made pursuant to this clause (iii) in connection with any transaction to which subsection (h) applies.

(iv) For purposes of this subsection (g), the number of shares of Common Stock at any time outstanding shall not include any shares of Common Stock then owned or held by or for the account of the Corporation.

(v) The term "dividend," as used in this subsection (g), shall mean a dividend or other distribution upon stock of the Corporation.

(vi) Anything in this subsection (g) to the contrary notwithstanding, the Corporation shall not be required to give effect to any adjustment in the Conversion Ratio unless and until the net effect of one or more adjustments (each of which shall be carried forward), determined as above provided, shall have resulted in a change of the Conversion Ratio by at least one one-hundredth (.01) of one share of Common Stock, and when the cumulative net effect of more than one adjustment so determined shall be to change the Conversion Ratio by at least one one-hundredth (.01) of one share of Common Stock, such change in Conversion Ratio shall thereupon be given effect.

(vii) The certificate of any firm of independent public accountants of recognized standing selected by the Board (which may be the firm of independent public accountants regularly employed by the Corporation) shall be presumptively correct for any computation made under this subsection (g).

(viii) If the Corporation shall take a record of the holders of its Common Stock for the purpose of entitling them to receive a dividend or other distribution, and shall thereafter and before the distribution to stockholders thereof legally abandon its plan to pay or deliver such dividend or distribution, then thereafter no adjustment in the number of shares of Common Stock issuable upon exercise of the right of conversion granted by this subsection (g) or in the Conversion Ratio then in effect shall be required by reason of the taking of such record.

(h) In the case of any Major Transaction occurring at any time, at the option of the Holder, the indebtedness evidenced by the Note shall thereafter be convertible into, in whole and in part and in lieu of the Common Stock issuable upon such conversion prior to consummation of such Major Transaction, the kind and amount of shares of stock and other

securities and property receivable (including cash) upon the consummation of such Major Transaction by a holder of that number of shares of Common Stock into which such indebtedness, or portion thereof, was convertible immediately prior to such Major Transaction (including, on a pro rata basis, the cash, securities, or property received by holders of Common Stock in any tender or exchange offer that is a step in such Major Transaction). In case securities or property other than Common Stock shall be issuable or deliverable upon conversion as aforesaid, then all references in this Section 3 shall be deemed to apply, so far as appropriate and nearly as may be, to such other securities or property.

(i) In case at any time or from time to time the Corporation shall pay any stock dividend or make any other non-cash distribution to the holders of its Common Stock, or shall offer for subscription pro rata to the holders of its Common Stock any additional shares of stock of any class or any other right, or there shall be any capital reorganization or reclassification of the Common Stock of the Corporation or consolidation or merger of the Corporation with or into another corporation or other entity, or any sale or conveyance to another corporation or other entity of the assets or property of the Corporation as an entirety or substantially as an entirety, or there shall be a voluntary or involuntary dissolution, liquidation, or winding up of the Corporation, then, in any one or more of said cases the Corporation shall give at least 20 days prior written notice (the time of mailing of such notice shall be deemed to be the time of giving thereof) to the Holder at the address of the Holder as shown on the books of the Corporation as of the date of which (i) the books of the Corporation shall close or a record shall be taken for such stock dividend, distribution, or subscription rights, or (ii) such reorganization, reclassification, consolidation, merger, sale, conveyance, dissolution, liquidation, or winding up shall take place, as the case may be, provided that in the case of any Major Transaction to which subsection (h) applies the Corporation shall give at least 30 days prior written notice as aforesaid. Such notice also shall specify the date as of which the holders of the Common Stock of record shall participate in said dividend, distribution, or subscription rights or shall be entitled to exchange their Common Stock for securities or other property deliverable upon such reorganization, reclassification, consolidation, merger, sale, or conveyance or participate in such dissolution, liquidation, or winding up, as the case may be. Failure to give such notice shall not invalidate any action so taken.

(j) Anything herein to the contrary notwithstanding, the issuance or sale of the following shares of Common Stock or options, warrants, or other rights to purchase Common Stock shall be excluded from any calculation of, and shall not be deemed issued or sold for purposes of calculating, any reduction, adjustment, or readjustment of the Conversion Ratio hereunder: (i) shares of Common Stock issued upon conversion of the indebtedness evidenced by this Note or any portion thereof; (ii) shares of Common Stock or options, warrants, or other rights to purchase Common Stock issuable, reserved for issuance, or issued pursuant to a stock option plan, employee stock ownership plan, or other compensatory benefit plan of the Corporation, duly adopted by the Board; (iii) shares of Common Stock, issuable, reserved for issuance, or issued pursuant to any currently outstanding warrants or options (other than as provided in subparagraph (g)(ii) above), or any options, warrants, or

other rights issuable, reserved for issuance, or issued to officers of the Corporation in the future for compensatory purposes, if duly authorized by the Board; and (iv) shares of Common Stock issued upon conversion of the indebtedness evidenced by the Convertible Notes (other than as provided in subparagraph (g)(ii) above).

SECTION 4. REPORTS AS TO ADJUSTMENTS. Upon any adjustment of the Conversion Ratio then in effect and any increase or decrease in the number of shares of Common Stock issuable upon the operation of the conversion set forth in Section 3, then, and in each such case, the Corporation shall promptly deliver to the Holder, a certificate signed by the President or a Vice President and by the Treasurer or an Assistant Treasurer or the Secretary or an Assistant Secretary of the Corporation setting forth in reasonable detail the event requiring the adjustment and the method by which such adjustment was calculated and specifying the Conversion Ratio then in effect following such adjustment and the increased or decreased number of shares issuable upon the conversion granted by Section 3, and shall set forth in reasonable detail the method of calculation of each and a brief statement of the facts requiring such adjustment. Where appropriate, such notice to the Holder may be given in advance and included as part of the notice required under the provisions of Section 3(i).

SECTION 5. MANDATORY CONVERSION.

(a) At any time after February 28, 2003, and so long as at such time the Common Stock is listed or admitted to trading on a national securities exchange, the Corporation may require the Holder to convert all or a portion of the principal amount of the indebtedness evidenced by this Note into shares of Common Stock if, at such time, the Current Market Price of the Common Stock has equalled or exceeded one hundred fifty percent (150%) of the Conversion Price (as it may from time to time be adjusted) for forty-five (45) consecutive Trading Days following the thirty-fifth monthly anniversary of the Closing Date. To exercise such right, the Corporation must deliver a Mandatory Conversion Notice of the exercise of such right to the Holder within thirty (30) days of the last day of such forty-five (45) day period, such Mandatory Conversion Notice must be given at least ten (10) Business Days, but not more than fifteen (15) Business Days prior to the proposed Mandatory Conversion Date, and such Mandatory Conversion Notice must specify the proposed Mandatory Conversion Date and the portion of the principal amount of the indebtedness evidenced by this Note to be converted into Common Stock.

(b) All conversions effected pursuant to the preceding paragraph will be made effective as of the close of business on the Mandatory Conversion Date at the Conversion Ratio in effect on the Mandatory Conversion Date; provided, however, that, in order to be able to convert, the Current Market Price must have equalled or exceeded one hundred fifty percent (150%) of the Conversion Price (as it may from time to time be adjusted) for forty-five (45) consecutive Trading Days prior to the Mandatory Conversion Date. If the Current Market Price on the Mandatory Conversion Date does not equal or exceed one hundred fifty percent (150%) of the Conversion Price (as it may from time to time be adjusted) for forty-five (45) consecutive Trading Days prior to the Mandatory Conversion Date, the Corporation's election to require conversion will be deemed void and no conversion will be

effected pursuant to such notice. Such event will not be deemed, however, to alter or restrict the Corporation's right to again require conversion at such time as the Current Market Price equals or exceeds one hundred fifty percent (150%) of the then current Conversion Price for forty-five (45) consecutive Trading Days prior to such time. Upon conversion required by the Corporation pursuant to this paragraph and the immediately preceding paragraph, all accrued but unpaid interest with respect to the principal amount of the indebtedness evidenced by this Note being converted shall be payable in accordance with the provisions of the following paragraph.

(c) Conversions of the indebtedness evidenced by this Note effected by the exercise of the Corporation's right to require conversion will be deemed effective as of the close of business on the Mandatory Conversion Date without any action by the Holder and the Holder will, as of such time, be a stockholder of the Corporation with respect to the number of shares of Common Stock into which the principal balance evidenced by this Note (or such portion of the principal balance evidenced by this Note as the Corporation shall have specified) shall have been converted. The Holder agrees promptly to surrender this Note for cancellation following mandatory conversion. Certificates representing the shares of Common Stock issuable by the Corporation as a result of the mandatory conversion of all or a portion of the principal balance of the indebtedness evidenced by this Note and all dividends and other distributions payable with respect to such shares and all accrued but unpaid interest payable pursuant to the immediately preceding paragraph will be retained by the Corporation pending surrender of this Note for cancellation. As promptly as practicable, and in any event within five (5) Business Days after the surrender of this Note, the Corporation shall deliver or cause to be delivered, either by personal delivery or by certified or registered mail or by a recognized overnight courier service, in any such case, properly insured, to the Holder in accordance with the written instructions of the Holder (i) certificates representing the number of Conversion Shares to which the Holder shall be entitled, and (ii) if less than the entire principal amount of indebtedness evidenced by this Note is being converted, a new promissory note, in the form of this Note, for the balance of the indebtedness that is not being so converted.

(d) In connection with the conversion of the indebtedness evidenced by this Note, no fractions of shares of Common Stock shall be issued, but in lieu thereof the Corporation shall pay a cash adjustment in respect of such fractional interest in an amount equal to such fractional interest multiplied by the Current Market Price per share of Common Stock on the Trading Day on which such indebtedness evidenced by this Note is deemed to have been converted. If more than one note shall be surrendered for conversion by the Holder at the same time, the number of full shares of Common Stock issuable on conversion thereof shall be computed on the basis of the total amount of indebtedness to be converted.

SECTION 6. MANDATORY PREPAYMENT. In the case of any Change Event occurring at any time, at the option of the Holder, the Holder may require the Corporation to prepay all or a portion of the then outstanding principal amount of the indebtedness evidenced by this Note. To exercise such right of prepayment, the Holder must provide the Corporation with a Mandatory Prepayment Notice at least thirty (30) days prior to the

proposed Mandatory Prepayment Date which Mandatory Prepayment Notice shall specify the portion of the principal amount of the indebtedness evidenced by this Note (which must be in integral multiples of One Thousand Dollars ($1,000)) to be prepaid. On the Mandatory Prepayment Date specified, the Corporation shall prepay the portion of the principal amount of the indebtedness evidenced by this Note that the Holder has specified must be prepaid on such date, plus accrued interest on such principal amount to the date of the prepayment. Any prepayment shall be made by cashiers check or by wire transfer of immediately available funds, in currency of the United States of America as at the time of payment is legal tender for payment of public and private debts, at such address or to such account, as applicable, as shall be designated to the Corporation by the Holder.

SECTION 7. SUBORDINATION.

(a) The Corporation covenants and agrees, and the Holder likewise covenants and agrees, that no payment shall be made by the Corporation on account of principal of or interest on this Note, or otherwise, if there shall have occurred and be continuing, and the Corporation and the Holder shall have received notice from the holder or holders of, a default with respect to any Senior Indebtedness (i) permitting the acceleration thereof and such default is the subject of a judicial proceeding, or (ii) in an aggregate principal amount of not less than One Million Dollars ($1,000,000) entitling such holder or holders to compel the acceleration thereof (provided, however, that in the case of Senior Indebtedness issued pursuant to an indenture, such notice may be validly given only by the trustee under such indenture), unless and until such default or Event of Default shall have been cured or waived or shall have ceased to exist or such notice is withdrawn or found by a court of competent jurisdiction to be invalid.

(b) Upon any payment by the Corporation or distribution of assets of the Corporation of any kind or character, whether in cash, property, or securities, to creditors of the Corporation upon any dissolution or winding up or liquidation or reorganization of the Corporation, whether voluntary or involuntary, or in bankruptcy, insolvency, receivership, or other similar proceedings, all amounts due or to become due upon all Senior Indebtedness shall first be paid in full in money or money's worth, or payment thereof provided for, before any payment is made on account of the principal of or interest on this Note and upon such dissolution or winding up or liquidation or reorganization, any payment by the Corporation, or distribution of assets of the Corporation of any kind or character, whether in cash, property, or securities, to which the Holder would be entitled except for the provisions hereof, shall be paid by the Corporation or by any receiver, trustee in bankruptcy, liquidating trustee, agent, or other person making such payment or distribution directly to the holders of Senior Indebtedness or their representative or representatives, or to the trustee or trustees under any indenture pursuant to which any instruments evidencing any Senior Indebtedness may have been issued, as their respective interests may appear, to the extent necessary to pay all Senior Indebtedness in full in money or money's worth, after giving effect to any concurrent payment or distribution to or for the holders of Senior Indebtedness, before any payment or distribution is made to the Holder.

(c) The foregoing notwithstanding, in the event that any payment of or distribution of assets of the Corporation of any kind or character, whether in cash, property or securities, prohibited by the foregoing, shall be received by the Holder before all Senior Indebtedness is paid in full in money or money's worth, or provision is made for such payment, then and in such event such payment or distribution shall be paid over or delivered to the holders of Senior Indebtedness or their representative or representatives, or to the trustee or trustees under any indenture pursuant to which any instruments evidencing any Senior Indebtedness may have been issued, as their respective interests may appear, for application to the payment of all Senior Indebtedness remaining unpaid to the extent necessary to pay all Senior Indebtedness in full in money or money's worth, after giving effect to any concurrent payment or distribution to or for the holders of such Senior Indebtedness (but subject to the power of a court of competent jurisdiction to make other equitable provision, which shall have been determined by such court to give effect to the rights conferred herein upon the Senior Indebtedness and the holders thereof with respect to this Note or the Holder hereof by a lawful plan or reorganization or readjustment under applicable bankruptcy law).

(d) The holders of Senior Indebtedness may, at any time and from time to time, without the consent of or notice to the Holder, without incurring responsibility to the Holder and without impairing or releasing the obligations of the Holder to the holders of Senior Indebtedness: (i) change the manner, place, or terms of payment or change or extend the time of payment of, or renew or alter Senior Indebtedness, or otherwise amend, in any manner, Senior Indebtedness or any instrument evidencing the same or any agreement under which such Senior Indebtedness is outstanding; provided, however, that the average weighted maturity of such Senior Indebtedness shall not be decreased without the consent of the Holder; (ii) sell, exchange, release, or otherwise deal with any property pledged, mortgaged, or otherwise securing Senior Indebtedness; (iii) release any person liable in any manner for the collection of Senior Indebtedness; and (iv) exercise or refrain from exercising any rights against the Corporation and any other person.

(e) Subject to the payment in full of all amounts then due (whether by acceleration of the maturity thereof or otherwise) on account of the principal of, premium, if any, and interest on all Senior Indebtedness at the time outstanding, the Holder shall be subrogated to the rights of the holders of Senior Indebtedness to receive payments or distributions of cash, property, or securities of the Corporation applicable to the Senior Indebtedness until the principal of and interest on this Note shall be paid in full; and, for the purposes of such subrogation, no payments or distributions by the Corporation to the holders of Senior Indebtedness of any cash, property, or securities to which the Holder would be entitled except for the provisions hereof, and no payments over pursuant to the provisions hereof to the holders of Senior Indebtedness by the Holder, shall, as between the Corporation, its creditors other than holders of Senior Indebtedness, and the Holder, be deemed to be a payment by the Corporation to or on account of the Senior Indebtedness.

(f) It is understood that the foregoing provisions of this Note are and are intended solely for the purpose of defining the relative rights of the Holder on the one hand

and the holders of Senior Indebtedness on the other hand. Nothing contained in this Note is intended to or shall impair, as among the Corporation, its creditors other than the holders of Senior Indebtedness, and the Holder, the obligation of the Corporation, which is absolute and unconditional, to pay to the Holder the principal of and interest on this Note as and when the same shall become due and payable in accordance with its terms, or is intended to or shall affect the relative rights of the Holder and creditors of the Corporation other than the holders of Senior Indebtedness, nor shall anything herein prevent the Holder from exercising all remedies otherwise permitted by applicable law upon default under this Note or the Note Purchase Agreement.

(g) Upon any payment or distribution of assets of the Corporation referred to herein, the Holder shall be entitled to rely upon any order or decree made by any court of competent jurisdiction in which such dissolution, winding up, liquidation, or reorganization proceedings are pending, or certificate of the receiver, trustee in bankruptcy, liquidating trustee, agent, or other person making such payment or distribution, delivered to the Holder, for the purpose of ascertaining the persons entitled to participate in such distribution, the holders of Senior Indebtedness and other indebtedness of the Corporation, the amount thereof or payable thereon, the amount or amounts paid or distributed thereon, and all other facts pertinent thereto.

(h) The Corporation shall give prompt written notice to the Holder of any fact known to the Corporation that would prohibit the making of any payment of moneys to or by the Corporation in respect of this Note.

SECTION 8. ACCELERATION. This Note and the indebtedness evidenced hereby is subject to acceleration under the terms and conditions set forth in the Note Purchase Agreement.

SECTION 9. NO OPTIONAL PREPAYMENT. This Note and the indebtedness evidenced hereby shall not be prepaid at the option of the Corporation.

SECTION 10. MISCELLANEOUS.

(a) Any notice required by the provisions of this Note to be given to the Holder or the Corporation shall be given and deemed received or delivered in accordance with the provisions of Section 10.4 of the Note Purchase Agreement.

(b) In the event of prepayment or conversion of this Note in part only, a new note or notes for the unpaid or unconverted portion hereof will be issued in the name or names requested by the Holder upon the cancellation hereof.

(c) The transfer of this Note is registrable on the books of the Corporation upon surrender of this Note for registration of transfer at the offices of the Corporation in Nashville, Tennessee, duly endorsed by, or accompanied by a written instrument of transfer in form satisfactory to the Corporation duly executed by, the Holder or its attorney duly authorized in writing, and thereupon one or more new notes of authorized denominations and

for the same aggregate principal amount, will be issued to the designated transferee or transferees. New notes are issuable only in registered form without coupons in denominations of One Thousand Dollars ($1,000) and any integral multiple thereof. This Note is exchangeable for a like aggregate principal amount of notes of a different authorized denomination, as requested by the Holder. No service charge shall be made for any such registration of transfer or exchange, but the Corporation may require payment of a sum sufficient to cover any tax or other governmental charge payable in connection therewith.

(d) Prior to the due presentment of this Note for registration of transfer, the Corporation and any agent of the Corporation may treat the person in whose name this Note is registered as the owner hereof for all purposes, irrespective of whether this Note be overdue, and neither the Corporation nor any such agent shall be affected by notice to the contrary.

(e) This Note 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, construed under, and enforced in accordance with the laws of the State of New York.

(f) The Corporation agrees, to the extent permitted by law, to pay to the Holder all costs and expenses (including attorneys' fees) incurred by it in the collection hereof or the enforcement of any right or remedy provided for herein (including such costs and expenses incurred in connection with a workout or an insolvency or bankruptcy proceeding).

(g) The provisions of the Note Purchase Agreement are hereby incorporated into this Note by this reference.

[Remainder of page intentionally left blank.]

IN WITNESS WHEREOF, the undersigned has executed this Note effective as of the date first above written.

PRISON REALTY CORPORATION,
a Maryland corporation

By: /s/ Doctor R. Crants

Title: Chairman & CEO

ATTEST:

/s/ Vida H. Carroll
- ---
Secretary

Exhibit A

[FORM OF MANDATORY CONVERSION NOTICE]

- ---
- ---
- ---

Notice hereby is given that, in accordance with the terms and conditions of the Note hereinafter described and that certain Note Purchase Agreement, dated December 31, 1998, between Prison Realty Corporation and PMI Mezzanine Fund, L.P., Prison Realty Corporation hereby elects to require conversion of the 7.5% Convertible, Subordinated Note, due February 28, 2005, issued by it (the "Note"). The Note to be converted and the principal amount thereof to be converted are as follows:

Note Number	Outstanding Principal Amount	Principal Amount to be Converted	Number of Shares to Be Delivered

The Mandatory Conversion Date will be _____.

PRISON REALTY CORPORATION

By: ---

Name: ---

Title: ---

Exhibit B

[FORM OF MANDATORY PREPAYMENT NOTICE]

TO: PRISON REALTY CORPORATION

The undersigned owner of the attached Note hereby gives notice that, in accordance with the terms and conditions of such Note and that certain Note Purchase Agreement, dated December 31, 1998, between Prison Realty Corporation and PMI Mezzanine Fund, L.P., it hereby exercises its right to require prepayment of such Note or portion thereof (which is $1,000 or an integral multiple thereof), plus all accrued but unpaid interest with respect to such principal amount.

The Mandatory Prepayment Date shall be _____. The principal amount to be prepaid shall be $_____.

[Name of Holder]

Dated:

By:

Name:

Title:

Exhibit C

[FORM OF OPTIONAL CONVERSION NOTICE]

TO: PRISON REALTY CORPORATION

The undersigned owner of the attached Note hereby gives notice that, in accordance with the terms and conditions of such Note and the Note Purchase Agreement, dated December 31, 1998, between Prison Realty Corporation, PMI Mezzanine Fund, L.P., it hereby exercises its right to convert such Note, or portion hereof (which is $1,000 or an integral multiple thereof) below designated, into shares of Common Stock of Prison Realty Corporation and directs that the shares issuable and deliverable upon the conversion, and any notes representing any unconverted principal amount thereof, be issued and delivered to the registered holder of such Note unless a different name has been indicated below. If shares or a new note representing unconverted principal are to be issued in the name of a person other than the undersigned, the undersigned will pay all transfer taxes payable with respect thereto.

[Name of Holder]

Dated:

By:

Name:

Title:

Principal Amount to be converted (in an integral multiple of $1,000, if less than all):

$---

Fill in for registration of shares of
Common Stock and note if to be issued
other than to the registered Holder.

- ----------
Name

- ----------
Address

- ----------
Please print name and address
(including zip code number)

SOCIAL SECURITY OR OTHER TAXPAYER
IDENTIFYING NUMBER

- ----------

EXHIBIT 4.7

THE NOTE EVIDENCED HEREBY HAS NOT BEEN REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR ANY STATE SECURITIES LAWS, AND, ACCORDINGLY, NEITHER THIS NOTE, THE SHARES OF COMMON STOCK ISSUABLE UPON CONVERSION OF THIS NOTE, NOR ANY INTEREST OR PARTICIPATION HEREIN OR THEREIN MAY BE TRANSFERRED OR OTHERWISE DISPOSED OF IN THE ABSENCE OF SUCH REGISTRATION OR UNLESS SUCH TRANSACTION IS EXEMPT FROM, OR NOT SUBJECT TO, REGISTRATION.

PRISON REALTY CORPORATION

NOTE

No. 1 December 31, 1998
$20,000,000

FOR VALUE RECEIVED, the undersigned, Prison Realty Corporation (herein called the "Company"), a corporation organized and existing under the laws of the State of Maryland, hereby promises to pay to the order of MDP Ventures IV LLC, or registered assigns (the "Holder"), the principal sum of TWENTY MILLION DOLLARS ($20,000,000) on the Maturity Date (as defined in the Purchase Agreement referred to below). The Company also promises to pay interest (computed on the basis of a 360 day year of twelve 30 day months) (a) from the date hereof until the earlier of (i) the Maturity Date, (ii) the date this Note and all amounts payable in connection herewith have been paid to the Holder and (iii) the occurrence of a Termination Event (as defined in the Purchase Agreement) on the unpaid balance hereof at the rate of 9.5% per annum, payable semi-annually in arrears, on the last day of each June and December, commencing June 30, 1999, and on the Maturity Date (each such date an "Interest Payment Date") and (b) from the earlier of (i) the Maturity Date or (ii) the occurrence of a Termination Event until the date this Note and all amounts payable in connection herewith have been paid to the Holder, at the rate of 20% per annum payable on demand. In addition, the Company promises to pay Contingent Interest (as defined in the Purchase Agreement) to the Holder as set forth in Section 2.5 of the Purchase Agreement.

Payments of principal of, premium, if any, and interest (including, without limitation, Contingent Interest) on this Note are to be made in lawful money of the United States of America. Payments shall be made to the Holder at such place and by such means as provided in the Purchase Agreement.

This Note is one of a series of convertible notes issued pursuant to a Purchase Agreement, dated as of December 31, 1998 (as from time to time amended, the "Purchase Agreement"), among the Company, as issuer, the Investor named therein and is entitled to the benefits thereof. Capitalized terms not otherwise defined herein shall have the meanings ascribed to such terms in the Purchase Agreement. As provided in the Purchase Agreement, this Note (i) is subject to redemption prior to Maturity, as provided in Section 12 of the Purchase Agreement and (ii) is convertible into shares of the Company's Common Stock, as provided in Section 13 of the Purchase Agreement.

This Note is a registered Note and, as provided in the Purchase Agreement, upon surrender of this Note for registration of transfer, duly endorsed, or accompanied by a

written instrument of transfer duly executed, by the registered holder hereof or such holder's attorney duly authorized in writing, a new Note (for a like principal amount) or Notes (in authorized denominations) will be issued to, and registered in the name of, the transferee. Prior to due presentment for registration of transfer, the Company may treat the person in whose name this Note is registered as the owner hereof for the purpose of receiving payment and for all other purposes, and the Company will not be affected by any notice to the contrary.

If this Note is collected by or through an attorney at law or otherwise, then the Company shall be obligated to pay, in addition to the principal balance hereof and any premium and accrued interest hereon, reasonable attorney's fees and all out-of-pocket costs of the Holder in connection with the collection or enforcement of this Note.

The Company hereby waives presentment, demand, protest or notice of any kind in connection with this Note.

This Note shall be governed by the laws of the State of New York.

PRISON REALTY CORPORATION

By: /s/ Doctor R. Crants

Name: Doctor R. Crants
Title: Chairman & CEO

EXHIBIT 10.1

MASTER AGREEMENT TO LEASE

BETWEEN

PRISON REALTY CORPORATION AND USCC, INC.

AND

CORRECTIONAL MANAGEMENT SERVICES CORPORATION, TENANT

DATED: JANUARY 1, 1999

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MASTER AGREEMENT TO LEASE

THIS MASTER AGREEMENT TO LEASE ("Agreement") dated as of the 1st day of January, 1999 by and between PRISON REALTY CORPORATION, a Maryland corporation ("Prison Realty") and USCC, INC., a direct subsidiary of Prison Realty ("USCC" ("Landlord"), and CORRECTIONAL MANAGEMENT SERVICES CORPORATION, a Tennessee corporation ("Tenant").

RECITALS

WHEREAS, Landlord currently owns certain correctional and detention facilities which Tenant desires to lease in order to engage in the business of managing and operating correctional and detention facilities;

WHEREAS, Landlord may from time to time lease additional properties that Landlord may acquire to Tenant;

WHEREAS, Landlord and Tenant desire that each of the properties listed on Schedule A and each additional property that Landlord may lease to Tenant shall be the subject of a separate and individual lease agreement describing said property, the rent and various other terms of said lease (each such lease agreement referred to individually as a "Lease," and the property that is the subject of an individual Lease being referred to as "Leased Property"); and

WHEREAS, Landlord and Tenant desire to set forth in this Agreement certain terms and conditions applicable to all Leases of all Leased Properties, except as any individual Lease with respect to a particular Leased Property may otherwise provide;

NOW, THEREFORE, in consideration of the premises and of their respective agreements and undertakings herein and in each Lease, Landlord and Tenant agree as follows:

ARTICLE I

SEPARATE LEASE AGREEMENTS; LANDLORD; PREMISES AND TERM

1.01 Separate Lease Agreements. Landlord and Tenant are concurrently entering into a separate Lease for each of the Leased Properties referred to in Schedule A hereto, and may in the future enter into one or more additional separate Leases for one or more additional Leased Properties. Except as specifically set forth in a separate Lease, or any amendment, supplement, schedule or exhibit thereto, all of the provisions of this Agreement shall be deemed to be incorporated into and made a part of each such separate Lease made between the Landlord as landlord (or Lessor) and the Tenant as tenant (or Lessee) during the term of such separate Lease. The parties to this Agreement hereby agree that for all purposes of this Agreement, and for all purposes of any Lease executed by USCC in connection herewith, the term "Landlord" shall mean and refer collectively to Prison Realty and USCC, respectively, whose obligations are joint and several under

this Agreement and any Lease executed by. The obligation of USCC as Landlord hereunder shall be limited to those representations, warranties, covenants and agreements in this Agreement arising out of or relating to the Leases to which (as the case may be) is a party and the Leased Properties owned by USCC (as the case may be).

1.02 Leased Property. Except as set forth in an individual Lease (including any schedule or exhibit thereto), the property that is the subject of each Lease and that shall be considered as leased by the Landlord to the Tenant thereunder shall consist of:

(a) The land described in the Lease, together with all rights, titles, appurtenant interests, covenants, licenses, privileges and benefits thereto belonging, and any easements, rights-of-way, rights of ingress or egress or other interests in, on, or to any land, highway, street, road or avenue, open or proposed, in, on, across, in front of, abutting or adjoining such real property including, without limitation, any strips and gores adjacent to or lying between such real property and any adjacent real property (the "Land");

(b) All buildings, improvements, structures and Fixtures now located or to be located or to be constructed on the Land, including, without limitation, landscaping, parking lots and structures, roads, drainage and all above ground and underground utility structures, equipment systems and other so-called "infrastructure" improvements (the "Improvements");

(c) All equipment, machinery, fixtures, and other items of real and/or personal property, including all components thereof, located in, on or used in connection with, and permanently affixed to or incorporated into, the Improvements, including, without limitation, all furnaces, boilers, heaters, electrical equipment, heating, plumbing, lighting, ventilating, refrigerating, incineration, air and water pollution control, waste disposal, air-cooling and air-conditioning systems and apparatus, sprinkler systems and fire and theft protection equipment, and similar systems, all of which, to the greatest extent permitted by law, are hereby deemed to constitute real estate, together with all replacements, modifications, alterations and additions thereto (collectively the "Fixtures");

(d) All furniture, equipment, inventory and other personal property located on the Land and owned by Landlord (the "Personal Property"). For purposes hereof, (i) Personal Property shall include all items of property which Tenant is obligated to install, place, use, maintain, repair and/or replace pursuant to the provisions of Sections 8.06 and 8.07 hereof, however, such Personal Property is and shall remain the property of Tenant until the expiration or termination of this Lease.

The Land, Improvements, Fixtures and Personal Property are hereinafter referred to as the "Leased Property."

SUBJECT, HOWEVER, to the easements, liens, encumbrances, restrictions, agreements, and other title matters existing as of date of this Agreement.

1.03 Term. The term of each Lease shall be as set forth in the individual Lease for a particular Leased Property, and the date on which the term of each lease commences is referred to as the Commencement Date.

1.04 Holding Over. Should Tenant, without the express consent of Landlord, continue to hold and occupy the Leased Property after the expiration of the Term, such holding over beyond the Term and the acceptance or collection of Rent by the Landlord shall operate and be construed as creating a tenancy from month-to-month and not for any other term whatsoever. During any such holdover period Tenant shall pay to Landlord for each month (or portion thereof) Tenant remains in the Leased Property one hundred fifty percent (150%) of the Base Rent in effect on the expiration date. Said month-to-month tenancy may be terminated by Landlord by giving Tenant ten (10) days written notice, and at any time thereafter Landlord may re-enter and take possession of the Leased Property.

1.05 Surrender. Except as a result of (i) Tenant Improvements and Capital Additions (as such terms are defined in Section 8.01 hereof); (ii) normal and reasonable wear and tear (subject to the obligation of Tenant to maintain the Leased Property in good order and repair during the Term); and (iii) casualty, taking or other damage and destruction not required to be repaired by Tenant, Tenant shall surrender and deliver up the Leased Property, including all Personal Property and replacements thereof required to be provided by Tenant pursuant to the terms of Sections 8.06 and 8.07 hereof, at the expiration or termination of the Term broom clean, free of all Tenant's personal property (but not the Personal Property), and in as good order and condition as of the Commencement Date.

ARTICLE II

RENT; DEFERRAL

2.01 Base Rent. Unless otherwise provided in an individual Lease, Tenant shall pay Landlord annual base rent for each Leased Property that is the subject of a Lease, without notice, demand, set-off or counterclaim, in advance, in lawful money of the United States of America, in the amount specified therein (the "Base Rent") for the Term in consecutive monthly installments payable on the twenty-fifth (25th) day of each month during the Term, in accordance with the Base Rent Schedule set forth in or attached to each individual Lease. The Base Rent for each Leased Property shall be based on the fair market value of such property.

2.02 Additional Rent. On each Rent Escalation Date (as defined in each Lease), the Tenant shall pay Landlord an amount (the "Additional Rent") each year equal to a percentage of the prior year Total Rent (for the purposes hereof, Total Rent is Base Rent plus Additional Rent) under such Lease, such percentage being the greater of (i) four percent (4%) or (ii) the percentage which is twenty-five percent (25%) of the percentage increase in gross management revenues realized by Tenant (or its predecessor in interest) from operations at the applicable Leased Property for such prior year exclusive of any such increase as is attributable to an expansion in the size or number of beds in such Leased Property. The Additional Rent shall be payable monthly, in advance, along with Base Rent, and otherwise in the manner as set forth in Section 2.01 above. Tenant shall provide to Landlord, not

later than thirty (30) days following each Rent Escalation Date, Tenant's statement, certified by Tenant's chief financial officer, setting forth such percentage increase in gross management revenues realized by Tenant for the applicable Leased Facility for the prior year.

2.02.01 Other Additional Rent. In addition to Base Rent and Additional Rent, Tenant shall pay all other amounts, liabilities, obligations and Impositions (as hereinafter defined) which Tenant assumes or agrees to pay under this Agreement or any Lease and any fine, penalty, interest, charge and cost which may be added for nonpayment or late payment of such items (collectively the "Other Additional Rent").

2.03 Place(s) of Payment of Rent; Direct Payment of Other Additional Rent. The Base Rent, Additional Rent and Other Additional Rent are hereinafter referred to as "Rent." Landlord shall have all legal, equitable and contractual rights, powers and remedies provided either in this Agreement, in any Lease or by statute or otherwise in the case of nonpayment of the Rent. Tenant shall make all payments of Base Rent and Additional Rent at Landlord's principal place of business or as Landlord may otherwise from time to time direct in writing, and all payments of Other Additional Rent directly to the person or persons to whom such amount is owing at the time and times when such payments are due, and shall give to Landlord such evidence of such direct payments as Landlord shall reasonably request.

2.04 Net Lease. Each Lease shall be deemed and construed to be an "absolute net lease" or "triple net lease," and Tenant shall pay all Rent, Impositions (as hereinafter defined), and other charges and expenses in connection with each Leased Property throughout the Term, without abatement, deduction or set-off.

2.05 No Termination, Abatement, Etc. Except as otherwise specifically provided in this Agreement or a particular Lease, Tenant shall remain bound by this Agreement or such Lease in accordance with its terms. Except as otherwise specifically provided in the Agreement or a particular Lease, Tenant shall not, without the prior written consent of Landlord, modify, surrender or terminate the Agreement or such Lease, nor seek nor be entitled to any abatement, deduction, deferment or reduction of Rent, or set-off against the Rent. Except as specifically provided in this Agreement or a particular Lease, the obligations of Landlord and Tenant shall not be affected by reason of (i) the lawful or unlawful prohibition of, or restriction upon, Tenant's use of the Leased Property, or any part thereof, the interference with such use by any person, corporation, partnership or other entity, or by reason of eviction by paramount title; (ii) any claim which Tenant has or might have against Landlord or by reason of any default or breach of any warranty by Landlord under this Agreement or a particular Lease or any other agreement between Landlord and Tenant, or to which Landlord and Tenant are parties; (iii) any bankruptcy, insolvency, reorganization, composition, readjustment, liquidation, dissolution, winding up or other proceeding affecting Landlord or any assignee or transferee of Landlord; or (iv) any other cause, whether similar or dissimilar to any of the foregoing, other than a discharge of Tenant from any such obligations as a matter of law. Except as otherwise specifically provided in this Agreement or a particular Lease, and to the maximum extent permitted by law, Tenant hereby specifically waives all rights, including but not limited to any rights under any statute relating to rights of tenants in any state in which any Leased Property is located, arising from any occurrence whatsoever, which may now or hereafter be conferred upon it by law (a) to modify,

surrender or terminate any Lease or quit or surrender the Leased Property or any portion thereof; or (b) entitling Tenant to any abatement, reduction, suspension or deferment of the Rent or other sums payable by Tenant hereunder. The obligations of Landlord and Tenant hereunder shall be separate agreements and the Rent and all other sums shall continue to be payable in all events unless the obligations to pay the same shall be terminated pursuant to the express provisions of this Agreement or a particular Lease or by termination of this Agreement or a particular Lease other than by reason of an Event of Default.

2.06 Deferral of Base Rent and Additional Rent. So long as, and only so long as, that certain Credit Agreement (the "Credit Agreement"), dated as of December 31, 1998 among Tenant, as Borrower, certain Credit Parties thereto, the Persons signatory thereto, as Lender and General Electric Capital Corporation, as agent, for Lenders ("GECC") is outstanding and has not been terminated, the following provisions shall apply hereunder, notwithstanding any other provisions hereof:

Upon the occurrence and during the existence of a Triggering Event (as defined below), ten percent (10%) of the Base Rent and the Additional Rent under each Lease shall be deferred (collectively, the "Deferred Rent") and shall not be due and payable by Tenant during the existence of a Triggering Event. At such time as a Triggering Event ceases to exist (as described below), the Deferred Rent shall then become due and payable by Tenant on a quarterly basis in the amount (if any) by which the Tenant's EBITDA (without giving effect to any deferral of rents) is in excess of the Target EBITDA (as defined below) for the four quarter period ending immediately prior to the date of such payment. The Deferred Rent shall continue to accrue and shall remain an obligation of Tenant hereunder, however, the same shall not be due and payable during the existence of a Triggering Event and the failure to pay the same during the existence of a Triggering Event shall not constitute an Event of Default.

For purposes of this Section 2.06, the Triggering Event shall occur two months after the end of any trailing four quarter period in which the Tenant's EBITDA is less than the Minimum EBITDA (as set forth on Annex I attached hereto),, with respect to such period, and such Triggering Event shall be deemed to continue to exist until two months (or such later date that the applicable financial statements are delivered) after the end of any subsequent trailing four quarter period in which Tenant's EBITDA (without giving effect to any deferral of rents) is equal to or greater than the Target EBITDA (as set forth on Annex I hereto).

Capitalized terms used herein, but not otherwise defined herein, shall have the meanings ascribed to such terms in the Credit Agreement.

ARTICLE III

IMPOSITIONS AND UTILITIES

3.01 Payment of Impositions. Subject to the adjustments set forth herein, Tenant shall pay, as Other Additional Rent, all Impositions (as hereinafter defined) that may be levied or become a lien on the Leased Property or any part thereof at any time (whether prior to or during the Term), without regard to prior ownership of said Leased Property, before the same becomes delinquent. Tenant shall furnish to Landlord on an annual basis copies of official receipts or other satisfactory proof evidencing such payments. Tenant's obligation to pay such Impositions shall be deemed absolutely fixed upon the date such Impositions become a lien upon the Leased Property or any part thereof. Tenant, at its expense, shall prepare and file all tax returns and reports in respect of any Imposition as may be required by governmental authorities, provided, Landlord shall be responsible for the preparation and filing of any such tax returns or reports in respect of any real or personal property owned by Landlord. Tenant shall be entitled to any refund due from any taxing authority if no Event of Default (as hereinafter defined) shall have occurred hereunder and be continuing. Landlord shall be entitled to any refund from any taxing authority if an Event of Default has occurred and is continuing. Any refunds retained by Landlord due to an Event of Default shall be applied as provided in Section 9.08. Landlord and Tenant shall, upon request of the other, provide such data as is maintained by the party to whom the request is made with respect to the Leased Property as may be necessary to prepare any required returns and reports. In the event governmental authorities classify any property covered by this Lease as personal property, Landlord and Tenant shall file all personal property tax returns in such jurisdictions where they may legally so file with respect to their respective owned personal property. Landlord, to the extent it possesses the same, and Tenant, to the extent it possess the same, will provide the other party, upon request, with cost and depreciation records necessary for filing returns for any property so classified as personal property. Where Landlord is legally required to file personal property tax returns, Tenant will be provided with copies of assessment notices indicating a value in excess of the reported value in sufficient time for Tenant to file a protest. Tenant may, upon notice to Landlord, at Tenant's option and at Tenant's sole cost and expense, protest, appeal, or institute such other proceedings as Tenant may deem appropriate to effect a reduction of real estate or personal property assessments and Landlord, at Tenant's expense as aforesaid, shall fully cooperate with Tenant in such protest, appeal, or other action. Tenant shall provide Landlord copies of all materials filed or presented in connection with any such proceeding. Tenant shall promptly reimburse Landlord for all personal property taxes paid by Landlord upon receipt of billings accompanied by copies of a bill therefor and payments thereof which identify the personal property with respect to which such payments are made. Impositions imposed in respect to the tax-fiscal period during which the Term commences and terminates shall be adjusted and prorated between Landlord and Tenant on a per diem basis, with Tenant being obligated to pay its pro rata share from and including the Commencement Date to and including the expiration or termination date of the Term, whether or not such Imposition is imposed before or after such commencement or termination, and Tenant's obligation to pay its prorated share thereof shall survive such termination. Tenant shall also pay to Landlord a sum equal to the amount which Landlord may be caused to pay of any privilege tax, sales tax, gross receipts tax, rent tax, occupancy tax or like tax (excluding any tax based on net income), hereinafter levied, assessed, or imposed by any federal, state, county or

municipal governmental authority, or any subdivision thereof, upon or measured by rent or other consideration required to be paid by Tenant under this Agreement.

3.02 Definition of Impositions. "Impositions" means, collectively, (i) taxes (including without limitation, all real estate and personal property ad valorem (whether assessed as part of the real estate or separately assessed as unsecured personal property), sales and use, business or occupation, single business, gross receipts, transaction, privilege, rent or similar taxes, but not including income or franchise or excise taxes payable with respect to Landlord's receipt of Rent); (ii) assessments (including without limitation, all assessments for public improvements or benefits, whether or not commenced or completed prior to the date hereof and whether or not to be completed within the Term); (iii) ground rents, water, sewer or other rents and charges, excises, tax levies, and fees (including without limitation, license, permit, inspection, authorization and similar fees); (iv) to the extent they may become a lien on the Leased Property all taxes imposed on Tenant's operations of the Leased Property including without limitation, employee withholding taxes, income taxes and intangible taxes; and (v) all other governmental charges, in each case whether general or special, ordinary or extraordinary, or foreseen or unforseen, of every character in respect of the Leased Property or any part thereof and/or the Rent (including all interest and penalties thereon due to any failure in payment by Tenant), which at any time prior to, during or in respect of the Term hereof may be assessed or imposed on or in respect of or be a lien upon (a) Landlord or Landlord's interest in the Leased Property or any part thereof; (b) the Leased Property or any part thereof or any rent therefrom or any estate, right, title or interest therein; or (c) any occupancy, operation, use or possession of, or sales from, or activity conducted on, or in connection with the Leased Property or the leasing or use of the Leased Property or any part thereof. Tenant shall not, however, be required to pay (i) any tax based on net income (whether denominated as a franchise or capital stock or other tax) imposed on Landlord; or (ii) except as provided in Section 13.01, any tax imposed with respect to the sale, exchange or other disposition by Landlord of any Leased Property or the proceeds thereof; provided, however, that if any tax, assessment, tax levy or charge which Tenant is obligated to pay pursuant to the first sentence of this definition and which is in effect at any time during the Term hereof is totally or partially repealed, and a tax, assessment, tax levy or charge set forth in clause (i) or (ii) immediately above is levied, assessed or imposed expressly in lieu thereof Tenant shall then pay such tax, levy, or charge set forth in said clause (i) or (ii).

3.03 Utilities. Tenant shall contract for, in its own name, and will pay, as Other Additional Rent all taxes, assessments, charges/deposits, and bills for utilities, including without limitation charges for water, gas, oil, sanitary and storm sewer, electricity, telephone service, trash collection, and all other utilities which may be charged against the occupant of the Improvements during the Term. Tenant shall at all times maintain that amount of heat necessary to ensure against the freezing of water lines. Tenant hereby agrees to indemnify and hold Landlord harmless from and against any liability or damages to the utility systems and the Leased Property that may result from Tenant's failure to maintain sufficient heat in the Improvements.

3.04 Escrow of Impositions. In the event Tenant persistently fails to timely pay Impositions with respect to any Leased Facility, then, upon thirty (30) days written notice from Landlord to Tenant, Tenant shall thereafter deposit with Landlord on the first day of each month during the remaining Term hereof and any extended Term, a sum equal to one-twelfth (1/12th) of the

Impositions assessed against such Leased Property which sums shall be used by Landlord toward payment of such Impositions. If, at the end of any applicable tax year, any such funds held by Landlord are insufficient to make full payment of taxes or other Impositions for which such funds are held, Tenant, on demand, shall pay to Landlord any additional funds necessary to pay and discharge the obligations of Tenant pursuant to the provisions of this section. If, however, at the end of any applicable tax year, such funds held by Landlord are in excess of the total payment required to satisfy taxes or other Impositions for which such funds are held, Landlord shall apply such excess amounts to Tenant's tax and Imposition escrow fund for the next tax year. If any such excess exists following the expiration or earlier termination of any Lease, and subject to Section 9.08 below, Landlord shall promptly refund such excess amounts to Tenant. The receipt by Landlord of the payment of such Impositions by and from Tenant shall only be as an accommodation to Tenant and the taxing authorities, and shall not be construed as rent or income to Landlord, Landlord serving, if at all, only as a conduit for delivery purposes. All such deposits by Tenant shall be held in an interest-bearing account with one or more national banks having total assets of not less than $1,000,000,000, with all interest thereon accruing in favor of Tenant. In lieu of making escrow deposits as aforesaid, Tenant may elect to provide Landlord with a letter of credit, or a payment bond, in the face amount of one year's Impositions on the subject Leased Property, issued by a national bank or reputable bonding or surety company, in all respects reasonably acceptable to Landlord. Said letter of credit or payment bond shall be drawable or callable, as the case may be, upon Tenant's failure to timely pay any such Impositions, for the sole purpose of providing the funds necessary to pay such Impositions, and shall otherwise be in form and substance reasonably satisfactory to Landlord.

For purposes hereof, "persistently fails to timely pay Impositions" shall mean failure to timely pay any Imposition with respect to any Leased Premises for any two (2) Lease Years in any five (5) Lease Year Period, notwithstanding Tenant's subsequent payment of such Impositions.

3.05 Discontinuance of Utilities. Landlord will not be liable for damages to person or property or for injury to, or interruption of, business for any discontinuance of utilities nor will such discontinuance in any way be construed as an eviction of Tenant or cause an abatement of Rent or operate to release Tenant from any of Tenant's obligations under this Lease.

ARTICLE IV

INSURANCE

4.01 Property Insurance. Tenant shall, at Tenant's expense, keep the Improvements, Fixtures, and other components of the Leased Property insured against the following risks:

(a) Loss or damage by fire, vandalism and malicious mischief, sprinkler leakage and all other physical loss perils commonly covered by "All Risk" insurance in an amount not less than one hundred percent (100%) of the then full replacement cost thereof (as hereinafter defined). Such policy shall include an agreed amount endorsement if available at a reasonable cost. Such policy shall also include endorsements for contingent liability for operation of building laws, demolition costs, and increased cost of construction.

(b) Loss or damage by explosion of steam boilers, pressure vessels, or similar apparatus, now or hereafter installed on the Leased Property, in commercially reasonable amounts acceptable to Landlord.

(c) Loss of rent under a rental value or business interruption insurance policy covering risk of loss during the first six (6) months of reconstruction necessitated by the occurrence of any hazards described in Sections 4.01(a) or 4.01(b), above, and which causes an abatement of Rent as provided in Article X hereof, in an amount sufficient to prevent Landlord or Tenant from becoming a co-insurer, containing endorsements for extended period of indemnity and premium adjustment, and written with an agreed amount clause, if the insurance provided for in this clause (c) is available.

(d) If the Land is located in whole or in part within a designated flood plain area, loss or damage caused by flood in commercially reasonable amounts acceptable to Landlord.

(e) Loss or damage commonly covered by blanket crime insurance including employee dishonesty, loss of money orders or paper currency, depositor's forgery, and loss of property accepted by Tenant for safekeeping, in commercially reasonable amounts acceptable to Landlord.

(f) In connection with any repairs or rebuilding by Tenant under Article X hereof, Tenant shall maintain (or cause its contractor to maintain) appropriate builder's risk insurance covering any loss or casualty to the subject Improvements during the course of such repairs or rebuilding.

4.02 Liability Insurance. Tenant shall, at Tenant's expense, maintain liability insurance against the following:

(a) Claims for personal injury or property damage commonly covered by comprehensive general liability insurance with endorsements for blanket, contractual, personal injury, owner's protective liability, real property, fire damage, legal liability, broad form property damage, and extended bodily injury, with commercially reasonable amounts for bodily injury and property damage acceptable to Landlord, but with a combined single limit of not less than Five Million Dollars ($5,000,000.00) per occurrence and Ten Million Dollars ($10,000,000.00) in the aggregate. At Landlord's request, such $5,000,000.00 and $10,000,000.00 minimum requirements shall be increased by up to four percent (4%) per year.

(b) Claims commonly covered by worker's compensation insurance for all persons employed by Tenant on the Leased Property. Such worker's compensation insurance shall be in accordance with the requirements of all applicable local, state, and federal law.

4.03 Insurance Requirements. The following provisions shall apply to all insurance coverages required hereunder:

(a) The carriers of all policies shall have a Best's Rating of "A-" or better and a Best's Financial Category of XII or larger and shall be authorized to do insurance business in the state in which the Leased Property is located.

(b) Tenant shall be the "named insured" and Landlord and any mortgagee of Landlord shall be an "additional named insured" on each policy.

(c) Tenant shall deliver to Landlord certificates or policies showing the required coverages and endorsements. The policies of insurance shall provide that the policy may not be canceled or not renewed, and no material change or reduction in coverage may be made, without at least thirty (30) days' prior written notice to Landlord.

(d) The policies shall contain a severability of interest and/or cross-liability endorsement, provide that the acts or omissions of Tenant will not invalidate the Landlord's coverage, and provide that Landlord shall not be responsible for payment of premiums.

(e) All loss adjustment shall require the written consent of Landlord and Tenant, as their interests may appear.

(f) At least ten (10) days prior to the expiration of each policy, Tenant shall deliver to Landlord a certificate showing renewal of such policy and payment of the annual premium therefor.

Landlord shall have the right to review the insurance coverages required hereunder with Tenant from time to time, to obtain the input of third party professional insurance advisors (at Landlord's expense) with respect to such insurance coverages, and to consult with Tenant in Tenant's annual review and renewal of such insurance coverages. All insurance coverages hereunder shall be in such form, substance and amounts as are customary or standard in Tenant's industry.

4.04 Replacement Cost. The term "full replacement cost" means the actual replacement cost thereof from time to time including increased cost of construction, with no reductions or deductions. Tenant shall, not later than thirty (30) days after the anniversary of each policy of insurance, of the Term, increase the amount of the replacement cost endorsement for the Improvements. If Tenant makes any Permitted Alterations (as hereinafter defined) to the Leased Property, Landlord may have such full replacement cost redetermined at any time after such Permitted Alterations are made, regardless of when the full replacement cost was last determined.

4.05 Blanket Policy. Tenant may carry the insurance required by this Article under a blanket policy of insurance, provided that the coverage afforded Tenant will not be reduced or diminished or otherwise be different from that which would exist under a separate policy meeting all of the requirements of this Agreement.

4.06 No Separate Insurance. Tenant shall not take out separate insurance concurrent in form or contributing in the event of loss with that required in this Article, or increase the amounts of any then existing insurance by securing an additional policy or additional policies, unless all parties

having an insurable interest in the subject matter of the insurance, including Landlord and any mortgagees, are included therein as additional named insureds or loss payees, the loss is payable under said insurance in the same manner as losses are payable under this Agreement, and such additional insurance is not prohibited by the existing policies of insurance. Tenant shall immediately notify Landlord of the taking out of such separate insurance or the increasing of any of the amounts of the existing insurance by securing an additional policy or additional policies. The term "mortgages" as used in this Agreement includes Deeds of Trust and the term "mortgagees" includes trustees and beneficiaries under a Deed of Trust.

4.07 Waiver of Subrogation. Each party hereto hereby waives any and every claim which arises or may arise in its favor and against the other party hereto during the Term or any extension or renewal thereof, for any and all loss of, or damage to, any of its property located within or upon, or constituting a part of, the Leased Property, which loss or damage is covered by valid and collectible insurance policies, to the extent that such loss or damage is recoverable under such policies. Said mutual waiver shall be in addition to, and not in limitation or derogation of, any other waiver or release contained in this Lease with respect to any loss or damage to property of the parties hereto. Inasmuch as the said waivers will preclude the assignment of any aforesaid claim by way of subrogation (or otherwise) to an insurance company (or any other person), each party hereto agrees immediately to give each insurance company which has issued to it policies of insurance, written notice of the terms of said mutual waivers, and to have such insurance policies properly endorsed, if necessary, to prevent the invalidation of said insurance coverage by reason of said waivers, so long as such endorsement is available at a reasonable cost.

4.08 Mortgages. The following provisions shall apply if Landlord now or hereafter places a mortgage on the Leased Property or any part thereof: (i) Tenant shall obtain a standard form of mortgage clause insuring the interest of the mortgagee; (ii) Tenant shall deliver evidence of insurance to such mortgagee; (iii) loss adjustment shall require the consent of the mortgagee; and (iv) Tenant shall obtain such other coverages and provide such other information and documents as may be reasonably required by the mortgagee.

ARTICLE V

INDEMNITY; HAZARDOUS SUBSTANCES

5.01 Tenant's Indemnification. Subject to Section 4.07, Tenant hereby agrees to indemnify and hold harmless Landlord, its agents, and employees from and against any and all demands, claims, causes of action, fines, penalties, damages (including consequential damages), losses, liabilities (including strict liability), judgments, and expenses (including, without limitation, attorneys' fees, court costs, and the costs set forth in Section 9.06) incurred in connection with or arising from: (i) the use, condition, operation or occupancy of, or maintenance or repair by Tenant of, each Leased Property; (ii) any activity, work, or thing done, or permitted or suffered by Tenant in or about the Leased Property; (iii) any acts, omissions, or negligence of Tenant or any person claiming under Tenant, or the contractors, agents, employees, invitees, or visitors of Tenant or any such person; (iv) any claim of any person incarcerated in the Leased Premises, including claims alleging breach or violation of such person's civil or legal rights; (v) any breach, violation, or nonperformance by Tenant

or any person claiming under Tenant or the employees, agents, contractors, invitees, or visitors of Tenant or of any such person, of any term, covenant, or provision of this Agreement or any Lease or any law, ordinance, or governmental requirement of any kind; (vi) any injury or damage to the person, property or business of Tenant, its employees, agents, contractors, invitees, visitors, or any other person entering upon the Leased Property under the express or implied invitation of Tenant; (vii) and any accident, injury to or death of persons or loss or damage to any item of property occurring at the Leased Property; and (viii) any Impositions; (x) any liability Landlord may incur or suffer as a result of any permitted contest by Tenant under any Lease. If any action or proceeding is brought against Landlord, its employees, or agents by reason of any such claim, Tenant, upon notice from Landlord, will defend the claim at Tenant's expense with counsel reasonably satisfactory to Landlord. In the event Landlord reasonably determines that its interests and the interests of Tenant in any such action or proceeding are not substantially the same and that Tenant's counsel cannot adequately represent the interests of Landlord therein, Landlord shall have the right to hire separate counsel in any such action or proceeding and the reasonable costs thereof shall be paid for by Tenant.

5.02 Hazardous Substances or Materials. Tenant shall not, either with or without negligence, injure, overload, deface, damage or otherwise harm any Leased Property or any part or component thereof; commit any nuisance; permit the emission of any hazardous agents or substances; allow the release or other escape of any biologically or chemically active or other hazardous substances or materials so as to impregnate, impair or in any manner affect, even temporarily, any element or part of any Leased Property, or allow the storage or use of such substances or materials in any manner not sanctioned by law or by the highest standards prevailing in the industry for the storage and use of such substances or materials; nor shall Tenant bring onto any Leased Property any such materials or substances; permit the occurrence of objectionable noise or odors; or make, allow or suffer any waste whatsoever to any Leased Property. Landlord may inspect the Leased Property from time to time, and Tenant will cooperate with such inspections. Without limitation, "hazardous substances" for the purpose of this Section 5.02 shall include any substances regulated by any local, state or federal law relating to environmental conditions and industrial hygiene, including, without limitation, the Resource Conservation and Recovery Act of 1976 ("RCRA"), the Comprehensive Environmental Response, Compensation and Liability Act of 1980 ("CERCLA"), as amended by the Superfund Amendments and Reauthorization Act of 1986 ("SARA"), the Hazardous Materials Transportation Act, the Federal Water Pollution Control Act, the Clean Air Act, the Clean Water Act, the Toxic Substances Control Act, the Safe Drinking Water Act, and all similar federal, state and local environmental statutes, ordinances and the regulations, orders, or decrees now or hereafter promulgated thereunder. Notwithstanding the foregoing, Tenant anticipates using, storing and disposing of certain hazardous substances in connection with operation of correctional or detention facilities which are not in violation of the foregoing laws. Such substances include, but are not limited to the following: medical wastes, diesel fuel, maintenance and janitorial supplies, and waste from reprographic activities. Upon request by Landlord, Tenant shall submit to Landlord annual reports regarding Tenant's use, storage, and disposal of any of the foregoing materials, said reports to include information regarding continued hazardous materials inspections, personal interviews, and federal, state and local agency listings. In addition, Tenant shall execute affidavits, representations and the like from time to time at Landlord's request concerning Tenant's best knowledge and belief regarding the presence or absence of hazardous materials on the Leased Property. Other than for circumstances involving Landlord's gross negligence or intentional misconduct, Tenant shall

indemnify and hold harmless Landlord and any holder of a mortgage, deed of trust or other security agreement on the Lease Property from and against all liabilities (including punitive damages), costs and expenses (including reasonable attorneys' fees) imposed upon or asserted against the Landlord or the Leased Property on account of, among other things, any applicable federal, state or local law, ordinance, regulation, order, permit, decree or similar items relating to hazardous substances, human health or the environment (collectively, "Environmental Laws") (irrespective of whether there has occurred any violation of any Environmental Law), in respect of the Leased Property, including (a) liability for response costs and for costs of removal and remedial action incurred by the United States Government, any state or local governmental unit to any other person or entity, or damages from injury to or destruction or loss of natural resources, including the reasonable costs of assessing such injury, destruction or loss, incurred pursuant to any Environmental Law, (b) liability for costs and expenses of abatement, investigation, removal, remediation, correction or clean-up, fines, damages, response costs or penalties which arise from the provisions of any Environmental Law, (c) liability for personal injury or property damage arising under any statutory or common-law tort theory, including damages assessed for the maintenance of a public or private nuisance or for carrying on of a dangerous activity or (d) by reason of a breach of an environmental representation or warranty by Tenant.

5.03 Limitation of Landlord's Liability. Landlord, its agents and employees, will not be liable for any loss, injury, death, or damage (including consequential damages) to persons, property, or Tenant's business occasioned by theft, act of God, public enemy, injunction, riot, strike, insurrection, war, court order, requisition, order of governmental body or authority, fire, explosion, falling objects, steam, water, rain or snow, leak or flow of water (including water from the elevator system), rain or snow from any Leased Property or into any Leased Property or from the roof, street, subsurface or from any other place, or by dampness or from the breakage, leakage, obstruction, or other defects of the pipes, sprinklers, wires, appliances, plumbing, air conditioning, or lighting fixtures of the Leased Property, or from construction, repair, or alteration of the Leased Property or from any acts or omissions of any other occupant or visitor of the Leased Property, or from the presence or release of any hazardous substance or material on or from the Leased Property or from any other cause beyond Landlord's control.

ARTICLE VI

USE AND ACCEPTANCE OF PREMISES

6.01 Use of Leased Property. Tenant shall use and occupy each Leased Property exclusively as a correctional or detention facility or other purpose for which the Leased Property is being used at the Commencement Date of the Term, and for no other purpose without the prior written consent of the Landlord. Tenant shall obtain and maintain all approvals, licenses, and consents needed to use and operate each Leased Property for such purposes. Tenant shall promptly deliver to Landlord complete copies of surveys, examinations, certification and licensure inspections, compliance certificates, and other similar reports issued to Tenant by any governmental agency.

6.02 Acceptance of Leased Property. Except as otherwise specifically provided in this Agreement or in any individual Lease, Tenant acknowledges that (i) Tenant and its agents have had

an opportunity to inspect the Leased Property; (ii) Tenant has found the Leased Property fit for Tenant's use; (iii) delivery of the Leased Property to Tenant is in an "as-is" condition; (iv) Landlord is not obligated to make any improvements or repairs to the Leased Property; and (v) the roof, walls, foundation, heating, ventilating, air conditioning, telephone, sewer, electrical, mechanical, utility, plumbing, and other portions of the Leased Property are in good working order. Tenant waives any claim or action against Landlord with respect to the condition of the Leased Property. LANDLORD MAKES NO WARRANTY OR REPRESENTATION, EXPRESS OR IMPLIED, IN RESPECT OF THE LEASED PROPERTY OR ANY PART THEREOF, EITHER AS TO ITS FITNESS FOR USE, DESIGN OR CONDITION FOR ANY PARTICULAR USE OR PURPOSE OR OTHERWISE, AS TO QUALITY OR THE MATERIAL OR WORKMANSHIP THEREIN, LATENT OR PATENT, IT BEING AGREED THAT ALL SUCH RISKS ARE TO BE BORNE BY TENANT.

6.03 Conditions of Use and Occupancy. Tenant agrees that during the Term it shall use and keep the Leased Property in a careful, safe and proper manner; not commit or suffer waste thereon; not use or occupy the Leased Property for any unlawful purposes; not use or occupy the Leased Property or permit the same to be used or occupied, for any purpose or business deemed extra hazardous on account of fire or otherwise; keep the Leased Property in such repair and condition as may be required by the local board of health, or other city, state or federal authorities, free of all cost to Landlord; not permit any acts to be done which will cause the cancellation, invalidation, or suspension of any insurance policy; and permit Landlord and its agents to enter upon the Leased Property at all reasonable times after notice to Tenant to examine the condition thereof.

6.04 Financial Statements and Other Information. Tenant shall provide Landlord certain financial information and other information as follows:

(a) As soon as practicable and in any event within forty-five (45) days after the end of each fiscal quarter, an unaudited consolidated balance sheet of the Tenant and its subsidiaries as of the close of such fiscal quarter and unaudited consolidated statements of income and cash flows for the fiscal quarter then ended and that portion of the fiscal year then ended, all in reasonable detail setting forth in comparative form the corresponding figures for the preceding fiscal year and prepared by the Tenant in accordance with generally accepted accounting principles consistently applied ("GAAP") and, if applicable, containing disclosure of the effect on the financial position or results of operations of any change in the application of accounting principles and practices during the period, and certified by the chief financial officer of Tenant to present fairly in all material respects the financial condition of the Tenant as of their respective dates and the results of operations of the Tenant for the respective periods then ended, subject to normal year-end adjustments.

(b) Additionally, as soon as practicable and in any event within ninety (90) days after the end of each fiscal year, an audited consolidated balance sheet of the Tenant and its subsidiaries as of the close of such fiscal year and audited consolidated statements of income, retained earnings and cash flows for the fiscal year then ended, including the notes thereto, all in reasonable detail setting forth in comparative form the corresponding figures for the preceding fiscal year and prepared by an independent certified public accounting firm acceptable to the Landlord in accordance with GAAP and, if applicable, containing disclosure of the effect of the financial position or results of operation of any change in the application of accounting principles and practices during the year, and

accompanied by a report thereon by such certified public accountants that is not qualified with respect to scope or limitations imposed by Tenant with respect to accounting principles followed by Tenant not in accordance with GAAP.

(c) Tenant shall provide Landlord at the same time Tenant provides copies of its quarterly and annual reports as aforesaid (or more often as may be reasonably requested by Landlord in writing), the following additional financial information for each calendar quarter hereafter, with respect to each Leased Property: gross revenues, average occupancy rates and total cash flow (i.e., operating income plus depreciation and amortization plus Base Rent plus Additional Rent hereunder).

(d) Prompt (but in no event later than ten (10) days after an officer of Tenant obtains knowledge thereof) telephonic and written notice of:

(i) any notice of any violation relative to the Leased Property received by Tenant or any subsidiary of Tenant from any governmental authority including, without limitation, any notice of violation of Environmental Laws;

(ii) any attachment, judgment, lien, levy or order relating to the Leased Property that may be assessed against or threatened against Tenant or any subsidiary thereof;

(iii) any Event of Default or any event which constitutes or which with the passage of time or giving of notice or both would constitute an Event of Default; and

(iv) any event which makes any of the representations or warranties of Tenant set forth herein inaccurate in any material respect.

(e) Within ten (10) days after each fiscal quarter, a certificate of the Tenant's chief financial officer or president certifying (A) the occupancy rates for each Leased Facility and (B) whether (i) an Event of Default or event which constitutes or which with the passage of time or giving of notice or both would constitute an Event of Default has occurred and is continuing or (ii) any default, breach or event of default, or event which constitutes or which with the passage of time or the giving of notice or both would constitute a default, breach, or event of default, has occurred under or with respect to any credit agreement, commitment to extend credit, loan agreement or loan document to which Tenant or any of its affiliates is a party.

(f) All written information, reports, statements and other papers and data furnished by or on behalf of Tenant to the Landlord whether pursuant to this Article VI or any other provision of this Agreement, shall be, at the time the same is so furnished, complete and correct in all material respects to the extent necessary to give the Landlord or any lender for Landlord complete, true and accurate knowledge of the subject matter based on the Tenant's knowledge thereof. Further, Tenant hereby authorizes Landlord to furnish any such information, reports, statements and other papers and data to any lender or to investor in Landlord, as Landlord deems necessary or appropriate.

ARTICLE VII

REPAIRS, COMPLIANCE WITH LAWS, AND MECHANICS' LIENS

7.01 Maintenance. Tenant shall maintain each Leased Property in good order, repair and appearance, and repair each Leased Property, including without limitation, all interior and exterior, structural and nonstructural repairs and replacements to the roof, foundations, exterior walls, building systems, HVAC systems, parking areas, sidewalks, water, sewer and gas connections, pipes, and mains. Tenant shall pay as Other Additional Rent the full cost of maintenance, repairs, and replacements. Tenant shall maintain all drives, sidewalks, parking areas, and lawns on or about the Leased Property in a clean and orderly condition, free of accumulations of dirt, rubbish, snow and ice. Tenant shall permit Landlord to inspect the Leased Property at all reasonable times, and shall implement all reasonable suggestions of the Landlord as to the maintenance and replacement of the Leased Property.

7.02 Compliance with Laws. Tenant shall comply with all laws, ordinances, orders, rules, regulations, and other governmental requirements relating to the use, condition, or occupancy of each Leased Property, whether now or hereafter enacted and in force including without limitation, (i) licensure requirements for operation as a correctional or detention facility, (ii) requirements of any board of casualty insurance underwriters or insurance service office for any other similar body having jurisdiction over the Leased Property, and (iii) all zoning and building codes and Environmental Laws. At Landlord's request, from time to time, Tenant shall deliver to Landlord copies of certificates or permits evidencing compliance with such laws, including without limitation, copies of the correctional or detention facility licenses, certificates of occupancy and building permits. Tenant shall provide Landlord with copies of any notice from any governmental authority alleging any non-compliance by Tenant or any Leased Facility with any of the foregoing requirements and such evidence as Landlord may reasonably require of Tenant's remediation thereof. Tenant hereby agrees to defend, indemnify and hold Landlord harmless from and against any loss, liability (including strict liability), claim, damage (including consequential damages), cost and expense (including attorneys' fees) resulting from any failure by Tenant to comply with any laws, ordinances, rules, regulations, and other governmental requirements.

7.03 Required Alterations. Tenant shall, at Tenant's sole cost and expense, make any additions, changes, improvements or alterations to each Leased Property, including structural alterations, which may be required by any governmental authorities, including those required to continue licensure requirements as a correctional or detention facility, whether such changes are required by Tenant's use, changes in the law, ordinances, or governmental regulations, defects existing as of the date of this Lease, or any other cause whatsoever. Tenant shall provide prior written notice to Landlord of any changes to each Leased Property pursuant to this Section 7.03 which involve changes to the structural integrity of such Leased Property or materially affect the operational capabilities or rated capacity of the Leased Facility. All such additions, changes, improvements or alterations shall be deemed to be a Tenant Improvement and shall comply with all laws requiring such alterations and with the provisions of Section 8.01.

7.04 Mechanics' Liens. Tenant shall have no authority to permit or create a lien against Landlord's interest in the Leased Property, and Tenant shall post notices or file such documents as may be required to protect Landlord's interest in the Leased property against liens. Tenant hereby agrees to defend, indemnify, and hold Landlord harmless from and against any mechanics' liens against the Leased Property by reason of work, labor services or materials supplied or claimed to have been supplied on or to the Leased Property. Tenant shall immediately remove, bond-off, or otherwise obtain the release of any mechanics' lien filed against the Leased Property. Tenant shall pay all expenses in connection therewith, including without limitation, damages, interest, court costs and reasonable attorneys' fees.

7.05 Replacements of Fixtures. Tenant shall not remove Fixtures from any Leased Property except to replace the Fixtures by other similar items of equal quality and value. Items being replaced by Tenant may be removed and shall become the property of Tenant and items replacing the same shall be and remain the property of the Landlord. Tenant shall execute, upon written request from Landlord, any and all documents necessary to evidence Landlord's ownership of the Fixtures and replacements therefor. Tenant may finance replacements for the Fixtures by equipment lease or by a security agreement and financing statement; provided, however, that for any item of Fixtures or Personal Property having a cost greater than or equal to Twenty Thousand Dollars ($20,000.00), Tenant may not finance replacements by security agreement or equipment lease unless (i) Landlord has consented to the terms and conditions of the equipment lease or security agreement; (ii) the equipment lessor or lender has entered into a nondisturbance agreement with the Landlord upon terms and conditions acceptable to Landlord, including without limitation, the following: (a) Landlord shall have the right (but not the obligation) to assume such security agreement or equipment lease upon the occurrence of an Event of Default by Tenant under any Lease; (b) the equipment lessor or lender shall notify Landlord of any default by Tenant under the equipment lease or security agreement and give Landlord a reasonable opportunity to cure such default; and (c) Landlord shall have the right to assign its rights under the equipment lease, security agreement, or nondisturbance agreement; and (iii) Tenant shall, within thirty (30) days after receipt of an invoice from Landlord, reimburse Landlord for all costs and expenses incurred in reviewing and approving the equipment lease, security agreement, and nondisturbance agreement, including without limitation, reasonable attorneys' fees and costs.

ARTICLE VIII

ALTERATIONS AND SIGNS; TENANT'S PROPERTY; CAPITAL ADDITIONS TO THE LEASED PROPERTY

8.01 Tenant's Right to Construct. During the Term of this Agreement, so long as no Event of Default shall have occurred and be continuing as to the Leased Property that is the subject of such improvements, Tenant may make Capital Additions (as defined herein), or other alterations, additions, changes and/or improvements to any Leased Property as deemed necessary or useful to operate the Leased Property as a correction or detention facility (the "Primary Intended Use") (individually, a "Tenant Improvement," or collectively, "Tenant Improvements") with the prior written consent of the Landlord, which will not be unreasonably withheld or delayed. "Capital Additions" shall mean the construction of one or more new buildings or one or more additional structures annexed to any portion

of any of the Improvements on a particular Leased Property, which are constructed on any parcel of land or portion of the Land of a particular Leased Property during the Term of any individual Lease, including the construction of a new floor, or the repair, replacement, restoration, remodeling or rebuilding of the Improvements or any portion thereof on any Leased Property which are not normal, ordinary or recurring to maintain the Leased Property. Except as otherwise agreed to by Landlord in writing, any such Tenant Improvement shall be made at Tenant's sole expense and shall become the property of Landlord upon termination of this Lease. Unless made on an emergency basis to prevent injury to person or property, Tenant will submit plans to Landlord for Landlord's prior approval, such approval not to be unreasonably withheld or delayed, for any Tenant Improvement which is not a Capital Addition and which has a cost of more than $500,000 or a cost which, when aggregated with the costs of all such Tenant Improvements for any individual Leased Facility in the same Lease Year, would cause the total costs of all such Tenant Improvements to exceed $1,000,000. Such $500,000 and $1,000,000 amounts shall be increased by four percent (4%) per annum, cumulatively for each subsequent Lease Year. Additionally, in connection with any Tenant Improvement, including any Capital Addition, Tenant shall provide Landlord with copies of any plans and specification therefor, Tenant's budget relating thereto, any required government permits or approvals, any construction contracts or agreements relating thereto, and any other information relating to such Tenant Improvement as Landlord shall reasonably request.

8.02 Scope of Right. Subject to Section 8.01 herein and Section 7.03 concerning required alterations, at Tenant's cost and expense, Tenant shall have the right to:

(a) seek any governmental approvals, including building permits, licenses, conditional use permits and any certificates of need that Tenant requires to construct any Tenant Improvement;

(b) erect upon the Leased Property such Tenant Improvements as Tenant deems desirable;

(c) make additions, alterations, changes and improvements in any Tenant Improvement so erected; and

(d) engage in any other lawful activities that Tenant determines are necessary or desirable for the development of the Leased Property in accordance with its Primary Intended Use;

provided, however, Tenant shall not make any Tenant Improvement which would, in Landlord's reasonable judgment, impair the value or Primary Intended Use of any Leased Property without Landlord's prior written consent and provided, further that Tenant shall not be permitted to create a mortgage, lien or any other encumbrance on any individual Leased Property without Landlord's prior written consent.

8.03 Cooperation of Landlord. Landlord shall cooperate with Tenant and take such actions, including the execution and delivery to Tenant of any applications or other documents, reasonably requested by Tenant in order to obtain any governmental approvals sought by Tenant to construct any

Tenant Improvement within ten (10) business days following the later of (a) the date Landlord receives Tenant's request, or (b) the date of delivery of any such application or document to Landlord, so long as the taking of such action, including the execution of said applications or documents, shall be without cost to Landlord (or if there is a cost to Landlord, such cost shall be reimbursed by Tenant), and will not cause Landlord to be in violation of any law, ordinance or regulation.

8.04 Commencement of Construction. Tenant agrees that:

(a) Tenant shall diligently seek all governmental approvals relating to the construction of any Tenant Improvement;

(b) Once Tenant begins the construction of any Tenant Improvement, Tenant shall diligently prosecute any such construction to completion in accordance with applicable insurance requirements and the laws, rules and regulations of all governmental bodies or agencies having jurisdiction over the Leased Property;

(c) Landlord shall have the right at any time and from time to time to post and maintain upon the Leased Property such notices as may be necessary to protect Landlord's interest from mechanics' liens, material men's liens or liens of a similar nature;

(d) Tenant shall not suffer or permit any mechanics' liens or any other claims or demands arising from the work or construction of any Tenant Improvement to be enforced against the Leased Property or any part thereof, and Tenant agrees to hold Landlord and said Leased Property free and harmless from all liability from any such liens, claims or demands, together with all costs and expenses in connection therewith;

(e) All work shall be performed in a good and workmanlike manner consistent with standards in the industry; and

(f) Subject to Section 8.09 in the case of Capital Additions, Tenant shall not secure any construction or other financing for the Tenant Improvements which is secured by a portion of the Leased Property without Landlord's prior written consent, and any such financing (i) shall not exceed the cost of the Tenant Improvements, (ii) shall be subordinate to any mortgage or encumbrance now existing or hereinafter created with respect to the Leased Property, and (iii) shall be limited solely to Tenant's interest in the Leased Property that is the subject of the improvements.

8.05 Rights in Tenant Improvements. Notwithstanding anything to the contrary in this Lease, all Tenant Improvements constructed pursuant to Section 8.01, any and all subsequent additions thereto and alterations and replacements thereof, shall be the sole and absolute property of Tenant during the Term of the particular Lease. Upon the expiration or early termination of any Lease, all such Tenant Improvements shall become the property of Landlord. Without limiting the generality of the foregoing, Tenant shall be entitled to all federal and state income tax benefits associated with any Tenant Improvement during the Term of this Agreement.

8.06 Personal Property. Tenant shall install, place, and use on the Leased Property such fixtures, furniture, equipment, inventory and other personal property in addition to the Fixtures as may be required or as Tenant may, from time to time, deem necessary or useful to operate the Leased Property as a correctional or detention facility.

8.07 Requirements for Personal Property. Tenant shall comply with all of the following requirements in connection with Personal Property:

(a) With respect to each Leased Property, Tenant shall notify Landlord within one hundred twenty (120) days after each Lease Year of any additions, substitutions, or replacements of an item of Personal Property at such Leased Property which individually has a cost of more than $25,000.00 and shall furnish Landlord with such other information as Landlord may reasonably request from time to time.

(b) The Personal Property shall be installed in a good and workmanlike manner, in compliance with all governmental laws, ordinances, rules, and regulations and all insurance requirements, and be installed free and clear of any mechanics' liens.

(c) Tenant shall, at Tenant's sole cost and expense, maintain, repair, and replace the Personal Property.

(d) Tenant shall, at Tenant's sole cost and expense, keep Personal Property insured against loss or damage by fire, vandalism and malicious mischief, sprinkler leakage, and other physical loss perils commonly covered by fire and extended coverage, boiler and machinery, and difference in conditions insurance in an amount not less than ninety percent (90%) of the then full replacement cost thereof. Tenant shall use the proceeds from any such policy for the repair and replacement of Personal Property. The insurance shall meet the requirements of Section 4.03.

(e) Tenant shall pay all taxes applicable to Personal Property.

(f) If Personal Property is damaged or destroyed by fire or any other case, Tenant shall promptly repair or replace Personal Property unless Tenant is entitled to and elects to terminate the Lease pursuant to Section 10.05.

(g) Unless an Event of Default (or any event which, with the giving of notice of lapse of time, or both, would constitute an Event of Default) has occurred and remains uncured beyond any applicable grace period, Tenant may remove Personal Property from the Leased Property from time to time provided that (i) the items removed are not required to operate the Leased Property as a licensed correctional or detention facility (unless such items are being replaced by Tenant); and (ii) Tenant repairs any damage to the Leased Property resulting from the removal of Personal Property.

(h) Tenant shall remove any of Tenant's personal property which does not constitute Personal Property hereunder, upon the termination or expiration of the Lease and

shall repair any damage to the Leased Property resulting from the removal of Tenant's personal property. If Tenant fails to remove Tenant's personal property within ninety (90) days after the termination or expiration of the Lease, then Tenant shall be deemed to have abandoned Tenant's personal property, Tenant's personal property shall become the property of Landlord, and Landlord may remove, store and dispose of Tenant's personal property. In such event, Tenant shall have no claim or right against Landlord for such property or the value thereof regardless of the disposition thereof by Landlord. Tenant shall pay Landlord, upon demand, all expenses incurred by Landlord in removing, storing, and disposing of Tenant's personal property and repairing any damage caused by such removal. Tenant's obligations hereunder shall survive the termination or expiration of the Lease. Notwithstanding the foregoing, it is understood and agreed that all property constituting Personal Property hereunder shall be and/or become the sole and exclusive property of Landlord upon the expiration or termination of the Lease.

(i) Tenant shall perform its obligations under any equipment lease or security agreement for Personal Property.

8.08 Signs. Tenant may, at its own expense, erect and maintain identification signs at the Leased Property, provided such signs comply with all laws, ordinances, and regulations. Upon the occurrence of an Event of Default or the termination or expiration of a Lease, Tenant shall, within thirty (30) days after notice from Landlord, remove the signs and restore the applicable Leased Property to its original condition.

8.09 Financings of Capital Additions to a Leased Property.

(a) Landlord may, but shall be under no obligation to, provide or arrange construction, permanent or other financing for a Capital Addition proposed to be made to any Leased Property by Tenant. Within thirty (30) days of receipt of such a request by Tenant, Landlord shall notify Tenant as to whether it will finance the proposed Capital Addition and, if so, the terms and conditions upon which it would do so, including the terms of any amendment to an individual Lease or a new lease agreement for such proposed Capital Addition.

(b) If Landlord agrees to finance the proposed Capital Addition of Tenant, Tenant shall provide Landlord with the following:

(i) all customary or other required loan documentation which may be required by the Landlord;

(ii) any information, certificates, licenses, permits or documents requested by either Landlord or any lender with whom Landlord has agreed or may agree to provide financing which are necessary to confirm that Tenant will be able to use the Capital Addition upon completion thereof in accordance with the Primary Intended Use (as defined in Section 8.01), including all required federal, state or local government licenses and approvals;

(iii) a certificate from Tenant's architect, setting forth in reasonable detail the projected (or actual, if available) cost of the proposed Capital Addition;

(iv) an amendment to this Lease, or a new lease agreement, duly executed and acknowledged, in form and substance satisfactory to Landlord and Tenant, and containing such provisions as may be necessary or appropriate, including without limitation, any appropriate changes in the legal description of the Land, the Rent, and other changes with respect to the Capital Addition;

(v) a deed conveying title to Landlord to any land acquired for the purpose of constructing the Capital Addition, free and clear of any liens or encumbrances except those approved by Landlord and, both prior to and following completion of the Capital Addition, an as-built survey thereof satisfactory to Landlord;

(vi) endorsements to any outstanding policy of title insurance covering the Leased Property or a supplemental policy of title insurance covering the Leased Property satisfactory in form and substance to Landlord (a) updating the same without any additional exceptions, except as may be permitted by Landlord; and (b) increasing the coverage thereof by an amount equal to the fair market value of the Capital Addition;

(vii) if required by Landlord, (a) an owner's policy of title insurance insuring fee simple title to any land conveyed to Landlord pursuant to subparagraph (v), free and clear of all liens and encumbrances except those approved by Landlord and (b) a lender's policy of title insurance satisfactory in form and substance to Landlord and any lending institution advancing a portion of the cost of the Capital Addition;

(viii) if required by Landlord, upon completion of the Capital Addition, an M.A.I. appraisal of the Leased Property indicating that the value of the Leased Property upon completion of the Capital Addition exceeds the fair market value of the Leased Property prior thereto by an amount not less than ninety-five percent (95%) of the cost of such Capital Addition; and

(ix) such other certificates (including, but not limited to, endorsements, increasing the insurance coverage, if any, at the time required), documents, opinions of counsel, appraisals, surveys, certified copies of duly adopted resolutions of the board of directors of Tenant authorizing the execution and delivery of any amendment to an individual Lease or new lease agreement and any other instruments as may be reasonably required by Landlord and any lending institution advancing any portion of the cost of the Capital Addition.

(c) Upon making a request to finance a Capital Addition, whether or not such financing is actually consummated, Tenant shall pay or agree to pay, upon demand, all reasonable costs and expenses of Landlord and any lending institution which has committed to finance such Capital Addition which have been paid or incurred by them in connection with

the financing of the Capital Addition, including, but not limited to, (i) the fees and expenses of their respective counsel, (ii) all printing expenses, (iii) the amount of any filing, registration and recording taxes and fees, (iv) documentary stamp taxes, if any, (v) title insurance charges, appraisal fees, if any, rating agency fees, if any, (vi) commitment fees, if any, and (vii) costs of obtaining regulatory and governmental approvals for the construction, operation, use or occupancy of the Capital Addition.

(d) (i) If Landlord and Tenant are unable to agree on the terms of the financing of a Capital Addition by Landlord, Tenant may undertake the cost of any such Capital Addition and seek construction, permanent or other financing from other sources.

(ii) In the event Tenant shall construct any Capital Addition and shall have obtained construction, permanent or other financing in connection therewith from sources other than Landlord, as set forth in the foregoing Section 8.09(d)(i), Landlord shall have the option to acquire such Capital Addition for a period of ten (10) years following the date Tenant first receives inmates in such Capital Addition ("Service Commencement Date"). The price at which Landlord may acquire such Capital Addition shall be the fair market value of the Capital Addition, as reasonably and mutually determined by Landlord and Tenant, provided, Landlord and Tenant agree that for the first two (2) years following the Service Commencement Date, the fair market value of such Capital Addition shall be deemed to be equal to Tenant's actual costs and expenses to acquire, develop, design, construct and equip such Capital Addition ("Tenant's Cost"), as reflected on the books of Tenant, plus five percent (5%) of Tenant's Cost. Landlord's exercise of such option shall require Landlord to acquire such Capital Addition on such terms and conditions as Landlord and Tenant shall reasonably agree, which shall be generally consistent with the terms and conditions of Landlord's initial acquisition of the related Leased Property from Tenant. Upon such acquisition, Landlord shall lease such Capital Addition to Tenant on the terms and conditions set forth herein, and Landlord and Tenant shall execute a new Lease, or an amendment to the existing Lease, with respect thereto. In such case, for acquisitions of Capital Additions within five (5) years of the date hereof, the annual Base Rent shall be the greater of (i) the fair market rental value of the Capital Addition, as reasonably and mutually determined by Landlord and Tenant and (ii) eleven percent (11%) of the purchase price of such Capital Addition. For Capital Additions thereafter, the Base Rent shall be the fair market rental value of the Capital Addition, as reasonably and mutually determined by Landlord and Tenant. Regardless of whether the foregoing option is exercised, all Capital Additions shall become the property of Landlord upon the expiration or termination of this Lease.

ARTICLE IX

DEFAULTS AND REMEDIES

9.01 Events of Default. The occurrence of any one or more of the following shall be an event of default ("Event of Default") hereunder:

(a) Tenant fails to pay in full any installment of Rent, or any other monetary obligation payable by Tenant to Landlord under a Lease, within sixty (60) days after notice of nonpayment from Landlord;

(b) Tenant fails to observe and perform any other covenant, condition or agreement under this Agreement or a Lease to be performed by Tenant (except those described in Section 9.01(a) of this Agreement) and such failure continues for a period of ninety (90) days after written notice thereof is given to Tenant by Landlord; or if, by reason of the nature of such default, the same cannot with due diligence be remedied within said ninety (90) days, such failure will not be deemed to continue if Tenant proceeds promptly and with due diligence to remedy the failure and diligently completes the remedy thereof; provided, however, said cure period will not extend beyond sixty (60) days if the facts or circumstances giving rise to the default are creating a further harm to Landlord or the Leased Property and Landlord makes a good faith determination that Tenant is not undertaking remedial steps that Landlord would cause to be taken if such Lease were then to terminate;

(c) If Tenant (a) admits in writing its inability to pay its debts generally as they become due, (b) files a petition in bankruptcy or a petition to take advantage of any insolvency act, (c) makes an assignment for the benefit of its creditors, (d) is unable to pay its debts as they mature, (e) consents to the appointment of a receiver of itself or of the whole or any substantial part of its property, or (f) files a petition or answer seeking reorganization or arrangement under the federal bankruptcy laws or any other applicable law or statute of the United States of America or any state thereof;

(d) If Tenant, on a petition in bankruptcy filed against it, is adjudicated as bankrupt or a court of competent jurisdiction enters an order or decree appointing, without the consent of Tenant, a receiver of Tenant of the whole or substantially all of its property, or approving a petition filed against it seeking reorganization or arrangement of Tenant under the federal bankruptcy laws or any other applicable law or statute of the United States of America or any state thereof, and such judgment, order or decree is not vacated or set aside or stayed within ninety (90) days from the date of the entry thereof;

(e) If the estate or interest of Tenant in any Leased Property or any part thereof is levied upon or attached in any proceeding and the same is not vacated or discharged within the later of ninety (90) days after commencement thereof or sixty (60) days after receipt by Tenant of notice thereof from Landlord (unless Tenant is contesting such lien or attachment in accordance with this Agreement);

(f) Any representation or warranty made by Tenant in the Agreement or any Lease or in any certificate, demand or request made pursuant to any Lease proves to be incorrect, in any material respect and any adverse effect on Landlord of any such misrepresentation or breach of warranty has not been corrected to Landlord's satisfaction within ninety (90) days after Tenant becomes aware of, or is notified by the Landlord of the fact of, such misrepresentation or breach of warranty;

(g) A default by Tenant in any payment of principal or interest on any obligations for borrowed money having a principal balance of Fifteen Million Dollars ($15,000,000) or more in the aggregate (excluding obligations which are limited in recourse to specific property of Tenant provided that such property is not a substantial portion of the assets of Tenant and excluding any debt which is denominated as "subordinated debt") and such default is not discharged within ninety (90) days, or in the performance of any other provision contained in any instrument under which any such obligation is created or secured (including the breach of any covenant thereunder), if an effect of such default is that the holder(s) of such obligation cause such obligation to become due prior to its stated maturity and such default is not discharged within ninety (90) days; or

(h) A final, non-appealable judgment or judgments for the payment of money in excess of Five Million Dollars ($5,000,000) in the aggregate not fully covered (excluding deductibles) by insurance is rendered against Tenant and the same remains undischarged, unvacated, unbonded or unstayed for a period of one hundred twenty (120) consecutive days.

(i) The failure of Landlord to qualify as a real estate investment trust under the Internal Revenue Code of 1986, as amended.

(j) Tenant ceases operations at a Leased Property for a period in excess of forty-five (45) days during the Term.

(k) If, at any time prior to January 1, 2004, Tenant: (i) completes a public offering of its common stock or securities convertible into common stock of Tenant; (ii) transfers or sells an amount of Tenant's common stock resulting in 20% or more of Tenant's outstanding common stock being held by persons other than shareholders (including holders of securities convertible into or exercisable for common stock) of Tenant as of the date hereof, provided, however, that all wardens of correctional and detention facilities managed by Tenant holding common stock of Tenant shall constitute a single person for purposes of this Section 9.01(k); or (iii) transfers or sells all or substantially all of Tenant's total assets.

Notwithstanding the foregoing, an Event of Default under the foregoing subsections (a), (c), (d), (g), (h), (i) and (k) shall constitute an Event of Default under all of the Leases and an Event of Default under the foregoing subsections (b), (e), (f) and (j) shall constitute an Event of Default only with respect to the specific Lease and Leased Property to which such Event of Default applies. Provided, with respect to the Events of Default under the foregoing subsections (b), (e), (f) and (j), if such Events of Default shall at any time be applicable to Leased Properties for which the monthly Base Rent constitutes, in the aggregate, greater than twenty-five percent (25%) of the monthly Base Rent for all of the Leased Properties, then such Events of Default shall constitute Events of Default under all of the Leases.

9.02 Remedies. To the extent any Event of Default is applicable only to a specific Lease or Leases, or a specific Leased Property or Leased Properties (in accordance with Section 9.01 above), the remedies set forth herein shall be exercisable solely with respect to such Lease or Leases, or Leased Property or Leased Properties, and shall not be exercisable with respect to any other Leases

or Leased Property. To the extent any Event of Default constitutes an Event of Default under all of the Leases (in accordance with Section 9.01 above), the remedies set forth herein shall be exercisable with respect to all of the Leases and all of the Leased Properties. Subject to the foregoing provisions, Landlord may exercise any one or more of the following remedies upon the occurrence of an Event of Default:

(a) Landlord may terminate the applicable Lease, exclude Tenant from possession of the subject Leased Property and use reasonable efforts to lease such Leased Property to others. If any Lease is terminated pursuant to the provisions of this subparagraph (a), Tenant will remain liable to Landlord for damages in an amount equal to the Rent and other sums which would have been owing by Tenant under such Lease for the balance of the Term if the Lease had not been terminated, less the net proceeds, if any, of any re-letting of the subject Leased Property by Landlord subsequent to such termination, after deducting all Landlord's expenses in connection with such re-letting, including without limitation, the expenses set forth in Section 9.02(b)(2) below. Landlord will be entitled to collect such damages from Tenant monthly on the days on which the Rent and other amounts would have been payable under the subject Lease if such Lease had not been terminated, and Landlord will be entitled to receive such damages from Tenant on each such day. Alternatively, at the option of Landlord, if such Lease is terminated, Landlord will be entitled to recover from Tenant (a) all unpaid Rent then due and payable, and (b) the worth at the time of the award (as hereafter defined) of the Rent which would have been due and payable from the date of termination through the Expiration Date as if the Lease had not been terminated. The "worth at the time of award" of the amount referred to in clause (b) is computed at "present value" using New York Prime Rate. For purposes of this Agreement, "New York Prime Rate" shall mean that rate of interest identified as prime or national prime by the Wall Street Journal, or if not published or found, then the rate of interest charged by the American bank with the greatest number of assets on ninety (90) day unsecured notes to its preferred customers. For the purpose of determining unpaid Rent under clause (b), the Rent reserved in the Lease will be deemed to be the sum of the following: (i) the Base Rent computed pursuant to Section 2.01; (ii) the Additional Rent computed pursuant to Section 2.02; and (iii) the Other Additional Rent computed pursuant to Section 2.02.01. Such computation of Other Additional Rent shall be based on the Other Additional Rent paid for the Lease Year preceding the date of termination, increased by 4% per year thereafter. Following payments by Tenant of the foregoing amounts, Landlord shall deliver and pay over to Tenant all rent, income, and other proceeds of any nature realized from the sale, lease or other disposition or utilization of the Leased Premises, if any, actually received by Landlord, up to the amounts so paid by Tenant less Landlord's reasonably incurred costs and expenses of maintaining and re-leasing or selling the Leased Premises.

(b) (1) Without demand or notice, Landlord may re-enter and take possession of the applicable Leased Property or any part of such Leased Property; and repossess such Leased Property as of the Landlord's former estate; and expel the Tenant and those claiming through or under Tenant from such Leased Property; and, remove the effects of both or either, without being deemed guilty of any manner of trespass and without prejudice to any remedies for arrears of Rent or preceding breach of covenants or conditions. If Landlord elects to

re-enter, as provided in this paragraph (b) or if Landlord takes possession of such Leased Property pursuant to legal proceedings or pursuant to any notice provided by law, Landlord may, from time to time, without terminating the subject Lease, re-let such Leased Property or any part of such Leased Property, either alone or in conjunction with other portions of the Improvements of which such Leased Property are a part, in Landlord's name but for the account of Tenant, for such term or terms (which may be greater or less than the period which would otherwise have constituted the balance of the Term of this Lease) and on such terms and conditions (which may include concessions of free rent, and the alteration and repair of such Leased Property) as Landlord, in its uncontrolled discretion, may determine. Landlord may collect and receive the Rents for such Leased Property. Landlord will not be responsible or liable for any failure to re-let such Leased Property, or any part of such Leased Property, or for any failure to collect any Rent due upon such re-letting. No such re-entry or taking possession of such Leased Property by Landlord will be construed as an election on Landlord's part to terminate this Lease unless a written notice of such intention is given to Tenant. No notice from Landlord under this Lease or under a forcible entry and detainer statute or similar law will constitute an election by Landlord to terminate this Lease unless such notice specifically says so. Landlord reserves the right following any such re-entry or re-letting, or both, to exercise its right to terminate this Lease by giving Tenant such written notice, and, in that event such Lease will terminate as specified in such notice.

(2) If Landlord elects to take possession of such Leased Property according to this subparagraph (b) without terminating such Lease, Tenant will pay Landlord (i) the Rent, Additional Rent and other sums which would be payable under such Lease if such repossession had not occurred, less (ii) the net proceeds, if any, of any re-letting of such Leased Property after deducting all of Landlord's expenses incurred in connection with such re-letting, including without limitation, all repossession costs, brokerage commissions, legal expense, attorneys' fees, expense of employees, alteration, remodeling, repair costs, and expense of preparation for such re-letting. If, in connection with any re-letting, the new Lease term extends beyond the existing Term or such Leased Property covered by such re-letting includes areas which are not part of such Leased Property, a fair apportionment of the Rent received from such re-letting and the expenses incurred in connection with such re-letting will be made in determining the net proceeds received from such re-letting. In addition, in determining the net proceeds from such re-letting, any rent concessions will be apportioned over the term of the new Lease. Tenant will pay such amounts to Landlord monthly on the days on which the Rent and all other amounts owing under this Agreement or such Lease would have been payable if possession had not been retaken, and Landlord will be entitled to receive the rent and other amounts from Tenant on each such day.

(c) Landlord may re-enter the applicable Leased Property and have, repossess and enjoy such Leased Property as if such Lease had not been made, and in such event, Tenant and its successors and assigns shall remain liable for any contingent or unliquidated obligations or sums owing at the time of such repossession.

(d) Landlord may take whatever action at law or in equity as may appear necessary or desirable to collect the Rent and other amounts payable under the applicable Lease then due

and thereafter to become due, or to enforce performance and observance of any obligations, agreements or covenants of Tenant under such Lease.

9.03 Right of Set-Off. Landlord may, and is hereby authorized by Tenant, at any time and from time to time, after advance notice to Tenant, to set-off and apply any and all sums held by Landlord, including all sums held in any escrow for Impositions, any indebtedness of Landlord to Tenant, and any claims by Tenant against Landlord, against any obligations of Tenant under this Agreement or any Lease and against any claims by Landlord against Tenant, whether or not Landlord has exercised any other remedies hereunder. The rights of Landlord under this Section are in addition to any other rights and remedies Landlord may have against Tenant.

9.04 Performance of Tenant's Covenants. Landlord may perform any obligation of Tenant which Tenant has failed to perform within two (2) days after Landlord has sent a written notice to Tenant informing it of its specific failure (provided no such notice shall be required if Landlord has previously notified Tenant of such failure under the provisions of Section 9.01). Tenant shall reimburse Landlord on demand, as Other Additional Rent, for any expenditures thus incurred by Landlord and shall pay interest thereon at the New York Prime Rate (as herein defined).

9.05 Late Charge. Any payment not made by Tenant for more than ten (10) days after the due date shall be subject to a late charge payable by Tenant as Rent of three percent (3%) of the amount of such overdue payment.

9.06 Litigation; Attorneys' Fees. Within ten (10) days after Tenant has knowledge of any litigation or other proceeding that may be instituted against Tenant, against any Leased Property to secure or recover possession thereof, or that may affect the title to or the interest of Landlord in such Leased Property, Tenant shall give written notice thereof to Landlord. Within thirty (30) days of Landlord's presentation of an invoice, Tenant shall pay all reasonable costs and expenses incurred by Landlord in enforcing or preserving Landlord's rights under this Agreement and each Lease, whether or not an Event of Default has actually occurred or has been declared and thereafter cured, including without limitation, (i) the fees, expenses, and costs of any litigation, receivership, administrative, bankruptcy, insolvency or other similar proceeding; (ii) reasonable attorney, paralegal, consulting and witness fees and disbursements; and (iii) the expenses, including without limitation, lodging, meals, and transportation, of Landlord and its employees, agents, attorneys, and witnesses in preparing for litigation, administrative, bankruptcy, insolvency or other similar proceedings and attendance at hearings, depositions, and trials in connection therewith. All such costs, charges and fees as incurred shall be deemed to be Other Additional Rent under this Agreement.

9.07 Remedies Cumulative. The remedies of Landlord herein are cumulative to and not in lieu of any other remedies available to Landlord at law or in equity. The use of any one remedy shall not be taken to exclude or waive the right to use any other remedy.

9.08 Escrows and Application of Payments. As security for the performance of its obligations hereunder, Tenant hereby assigns to Landlord all its right, title and interest in and to all monies escrowed with Landlord under this Agreement or under any Lease and all deposits with utility companies, taxing authorities, and insurance companies; provided, however, that Landlord shall not

exercise its rights hereunder until an Event of Default has occurred. Any payments received by Landlord under any provisions of this Agreement or under any Lease during the existence, or continuance of an Event of Default shall be applied to Tenant's obligations in the order which Landlord may determine.

9.09 Power of Attorney. Tenant hereby irrevocably and unconditionally appoints Landlord, or Landlord's authorized officer, agent, employee or designee, as Tenant's true and lawful attorney-in-fact, to act, after an Event of Default, for Tenant in Tenant's name, place, and stead, and for Tenant's and Landlord's use and benefit, to execute, deliver and file all applications and any and all other necessary documents or things, to effect a transfer, reinstatement, renewal and/or extension of any and all licenses and other governmental authorizations issued to Tenant in connection with Tenant's operation of any Leased Property, and to do any and all other acts incidental to any of the foregoing. Tenant irrevocably and unconditionally grants to Landlord as its attorney-in-fact full power and authority to do and perform, after an Event of Default, every act necessary and proper to be done in the exercise of any of the foregoing powers as fully as Tenant might or could do if personally present or acting, with full power of substitution, hereby ratifying and confirming all that said attorney shall lawfully do or cause to be done by virtue hereof. This power of attorney is coupled with an interest and is irrevocable prior to the full performance of the Tenant's obligations under this Agreement and each Lease.

ARTICLE X

DAMAGE AND DESTRUCTION

10.01 General. Tenant shall notify Landlord if any of the Leased Property is damaged or destroyed by reason of fire or any other cause. Tenant shall promptly repair, rebuild, or restore the Leased Property, at Tenant's expense, so as to make the Leased Property at least equal in value to the Leased Property existing immediately prior to such occurrence and as nearly similar to it in character as is practicable and reasonable. Before beginning such repairs or rebuilding, or letting any contracts in connection with such repairs or rebuilding, Tenant will submit for Landlord's approval, which approval Landlord will not unreasonably withhold or delay, complete and detailed plans and specifications for such repairs or rebuilding. Promptly after receiving Landlord's approval of the plans and specifications, Tenant will begin such repairs or rebuilding and will prosecute the repairs and rebuilding to completion with diligence, subject, however, to strikes, lockouts, acts of God, embargoes, governmental restrictions, and other causes beyond Tenant's reasonable control. Landlord will make available to Tenant the net proceeds of any fire or other casualty insurance paid to Landlord for such repair or rebuilding as the same progresses, after deduction of any costs of collection, including attorneys' fees. Payment will be made against properly certified vouchers of a competent architect in charge of the work and approved by Landlord. Prior to commencing the repairing or rebuilding, Tenant shall deliver to Landlord for Landlord's approval a schedule setting forth the estimated monthly draws for such work. Landlord will contribute to such payments out of the insurance proceeds an amount equal to the proportion that the total net amount received by Landlord from insurers bears to the total estimated cost of the rebuilding or repairing, multiplied by the payment by Tenant on account of such work. Landlord may, however, withhold ten percent (10%) from each payment until (i) the work of repairing or rebuilding is completed and proof has been

furnished to Landlord that no lien or liability has attached or will attach to the Leased Property or to Landlord in connection with such repairing or rebuilding, (ii) Tenant has obtained a certificate of use and occupancy (or its functional equivalent) for the portion of the Leased Premises repaired or rebuilt and (iii) if Tenant has an agreement with any governmental authority for the detention of inmates at such Leased Property which requires such governmental authority to approve such repairs or rebuilding, such approval shall have been obtained. Upon the completion of rebuilding or repairing and the furnishing of such proof, the balance of the net proceeds of such insurance payable to Tenant on account of such repairing or rebuilding will be paid to Tenant. Tenant will obtain and deliver to Landlord a temporary or final certificate of occupancy before the Leased Property is reoccupied for any purpose. Tenant shall complete such repairs or rebuilding free and clear of mechanic's or other liens, and in accordance with the building codes and all applicable laws, ordinances, regulations, or orders of any state, municipal, or other public authority affecting the repairs or rebuilding, and also in accordance with all requirements of the insurance rating organization, or similar body. Any remaining proceeds of insurance after such restoration will be Tenant's property.

10.02 Landlord's Inspection. During the progress of such repairs or rebuilding, Landlord and its architects and engineers may, from time to time, inspect the Leased Property and will be furnished, if required by them, with copies of all plans, shop drawings, and specifications relating to such repairs or rebuilding. Tenant will keep all plans, shop drawings, and specifications available, and Landlord and its architects and engineers may examine them at all reasonable times. If, during such repairs or rebuilding, Landlord and its architects and engineers determine that the repairs or rebuilding are not being done in accordance with the approved plans and specifications, Landlord will give prompt notice in writing to Tenant, specifying in detail the particular deficiency, omission, or other respect in which Landlord claims such repairs or rebuilding do not accord with the approved plans and specifications. Upon the receipt of any such notice, Tenant will cause corrections to be made to any deficiencies, omissions, or such other respect. Tenant's obligations to supply insurance, according to Article IV, will be applicable to any repairs or rebuilding under this Section.

10.03 Landlord's Costs. Tenant shall, within thirty (30) days after receipt of an invoice from Landlord, pay the reasonable costs, expenses, and fees of any architect or engineer employed by Landlord to review any plans and specifications and to supervise and approve any construction, or for any services rendered by such architect or engineer to Landlord as contemplated by any of the provisions of this Agreement, or for any services performed by Landlord's attorneys in connection therewith; provided, however, that Landlord will consult with Tenant and notify Tenant of the estimated amount of such expenses.

10.04 Rent Abatement. In the event that the provisions of Section 10.01 above shall become applicable, the Rent, real estate taxes and other Impositions shall be abated or reduced proportionately during any period in which, by reason of such damage or destruction, there is substantial interference with the operation of the business of Tenant in the Leased Property, having regard to the extent to which Tenant may be required to discontinue its business in the Leased Property, and such abatement or reduction shall continue for the period commencing with such destruction or damage and ending with the substantial completion (defined below) by Tenant of such work or repair and/or reconstruction. In the event that only a portion of any Leased Property is rendered untenantable or incapable of such use, the Base Rent and all real estate taxes and other Impositions payable hereunder

shall be reduced on a pro rata basis for the amount that the correctional or detention facility at a particular Leased Property is rendered incapable of occupancy because of such damage or destruction in proportion to the total size of the Leased Property prior to such damage or destruction. For purposes of this paragraph, substantial completion shall occur upon the earlier of (i) nine (9) months from the date of the first disbursement of insurance proceeds, or (ii) the issuance of a certificate of occupancy for the Leased Property. Notwithstanding any other provision hereof, such rental abatement shall be limited to the amount of any rental or business interruption insurance proceeds actually received by Landlord.

10.05 Substantial Damage During Lease Term. Provided Tenant has fully complied with Section 4.01 hereof (including actually maintaining in effect rental value insurance or business interruption insurance provided for in clause (c) thereof) and has satisfied the conditions of the last sentence of this Section 10.05, if, at any time during the Term of the particular Lease, the Leased Property is so damaged by fire or otherwise that more than fifty percent (50%) of the correctional or detention facility at the Leased Property is rendered unusable, Tenant may, within thirty (30) days after such damage, give notice of its election to terminate the Lease subject to the particular Leased Property and, subject to the further provisions of this Section, such Lease will cease on the tenth (10th) day after the delivery of such notice. If the Lease is so terminated, Tenant will have no obligation to repair, rebuild or replace the Leased Property, and the entire insurance proceeds will belong to Landlord. If the Lease is not so terminated, Tenant shall rebuild the Leased Property in accordance with Section 10.01. If Tenant elects to terminate any Lease pursuant to this Section 10.05, Tenant will pay (or cause to be paid) to Landlord, an amount equal to the difference between the amount of all insurance proceeds received by Landlord, and the net book value of such Leased Property as shown in Landlord's financial statements as of the date of such termination.

10.06 Damage Near End of Term. Notwithstanding any provisions of Section 10.01 to the contrary, if damage to or destruction of the Leased Property occurs during the last twenty-four (24) months of the Term, and if such damage or destruction cannot be fully repaired and restored within six (6) months immediately following the date of loss, either party shall have the right to terminate this Lease by giving notice to the other within thirty (30) days after the date of damage or destruction, in which event Landlord shall be entitled to retain the insurance proceeds and Tenant shall pay to Landlord on demand the amount of any deductible or uninsured loss arising in connection therewith; provided, however, that any such notice given by Landlord shall be void and of no force and effect if Tenant exercises an available option to extend the Term pursuant to provisions of the Lease for such Leased Property within thirty (30) days following receipt of such termination notice.

ARTICLE XI

CONDEMNATION

11.01 Total Taking. If at any time during the Term any Leased Property is totally and permanently taken by right of eminent domain or by conveyance made in response to the threat of the exercise of such right ("Condemnation"), the applicable Lease shall terminate on the Date of Taking (which shall mean the date the condemning authority has the right to possession of the property being condemned), and Tenant shall promptly pay all outstanding rent and other charges through the date

of termination, provided, however the applicable Lease shall not so terminate if the Condemnation occurred due to the failure of Tenant to maintain the Leased Property as required by Article VII of this Agreement or other applicable provision of this Agreement, whether or not such failure on the part of Tenant constituted an Event of Default under an individual Lease at the time of the Condemnation.

11.02 Partial Taking. If a portion of any Leased Property is taken by Condemnation, the subject Lease shall remain in effect if such Leased Property is not thereby rendered Unsuitable for its Primary Intended Use (which shall mean that the Leased Property is in such a state or condition such that in the good faith judgment of Tenant, reasonably exercised, the Leased Property cannot be operated on a commercially practicable basis as a correctional or detention facility), but if such Leased Property is thereby rendered Unsuitable for its Primary Intended Use, such Lease shall terminate on the Date of Taking, provided such Condemnation was not as a result of Tenant's failure to maintain the Leased Property as provided for in Section 11.01.

11.03 Restoration. If there is a partial taking of any Leased Property and the subject Lease remains in full force and effect pursuant to Section 11.02, Landlord shall furnish to Tenant the amount of the Award payable to Landlord, as provided herein, in order for Tenant to accomplish all necessary restoration. If Tenant receives an Award under Section 11.05, Tenant shall repair or restore any Tenant Improvements up to but not exceeding the amount of the Award payable to Tenant therefor. Before beginning such restoration, or letting any contracts in connection with such restoration, Tenant will submit for Landlord's approval, which approval Landlord will not unreasonably withhold or delay, complete and detailed plans and specifications for such restoration. Promptly after receiving Landlord's approval of the plans and specifications, Tenant will begin such restoration and will prosecute the repairs and rebuilding to completion with diligence, subject, however, to strikes, lockouts, acts of God, embargoes, governmental restrictions, and other causes beyond Tenant's reasonable control. Landlord will make available to Tenant the net proceeds of any Award paid to Landlord for such restoration, after deduction of any costs of collection, including attorneys' fees. Payment will be made against properly certified vouchers of a competent architect in charge of the work and approved by Landlord. Prior to commencing the restoration, Tenant shall deliver to Landlord for Landlord's approval a schedule setting forth the estimated monthly draws for such work. Landlord may, however, withhold ten percent (10%) from each payment until the work of restoration is completed and proof has been furnished to Landlord that no lien or liability has attached or will attach to the Leased Property or to Landlord in connection with such restoration. Upon the completion of restoration and the furnishing of such proof, the balance of the Award will be paid to Tenant. Tenant will obtain and deliver to Landlord a temporary or final certificate of occupancy before the Leased Property is reoccupied for any purpose. Tenant shall complete such restoration free and clear of mechanic's or other liens, and in accordance with the building codes and all applicable laws, ordinances, regulations, or orders of any state, municipal, or other public authority affecting the restoration, and also in accordance with all requirements of the insurance rating organization, or similar body. Any remaining proceeds of the Award after such restoration will be Tenant's property.

11.04 Landlord's Inspection. During the progress of such restoration, Landlord and its architects and engineers may, from time to time, inspect the Leased Property and will be furnished,

if required by them, with copies of all plans, shop drawings, and specifications relating to such restoration. Tenant will keep all plans, shop drawings, and specifications available, and Landlord and its architects and engineers may examine them at all reasonable times. If, during such restoration, Landlord and its architects and engineers determine that the restoration is not being done in accordance with the approved plans and specifications, Landlord will give prompt notice in writing to Tenant, specifying in detail the particular deficiency, omission, or other respect in which Landlord claims such restoration does not accord with the approved plans and specifications. Upon the receipt of any such notice, Tenant will cause corrections to be made to any deficiencies, omissions, or such other respect. Tenant's obligations to supply insurance, according to Article IV, will be applicable to any restoration under this Section.

11.05 Award Distribution. The entire compensation, sums or anything of value awarded, paid or received on a total or partial Condemnation (the "Award") shall belong to and be paid to Landlord, except that, subject to the rights of any mortgagee of Tenant, Tenant shall be entitled to receive from the Award, if and to the extent such Award specifically includes such items, a sum attributable to the value, if any, of: (i) any Tenant Improvements, and (ii) the leasehold interest of Tenant under the subject Lease; provided, however, that if the amount received by Landlord and said mortgagee is less than the Condemnation Threshold (which shall mean, as of any given date, an amount equal to the net book value of such Leased Property as shown on the financial statements of Landlord as of the date of the Condemnation), then the amount of the Award otherwise payable to Tenant for the value of its leasehold interest under this Lease (and not any other funds of Tenant) shall instead be paid over to Landlord up to the amount of the shortfall.

11.06 Temporary Taking. The taking of any Leased Property, or any part thereof, by military or other public authority shall constitute a taking by Condemnation only when the use and occupancy by the taking authority has continued for longer than six (6) months. During any such six (6) month period, which shall be a temporary taking, all the provisions of the subject Lease shall remain in full force and effect with no abatement of rent payable by Tenant hereunder. In the event of any such temporary taking, the entire amount of any such Award made for such temporary taking allocable to the Term of such Lease, whether paid by way of damages, rent or otherwise, shall be paid to Tenant.

ARTICLE XII

ASSIGNMENT AND SUBLETTING; ATTORNMENT

12.01 Prohibition Against Subletting and Assignment. Subject to Section 12.03, Tenant shall not, without the prior written consent of Landlord (which consent Landlord may grant or withhold in its sole and absolute discretion), assign, sublease, mortgage, pledge, hypothecate, encumber or otherwise transfer this Agreement or any Lease or any interest herein or therein, or all or any part of the Leased Property, or suffer or permit any Lease or the leasehold estate created thereby or any other rights arising under any Lease to be assigned, transferred, mortgaged, pledged, hypothecated or encumbered, in whole or in part, whether voluntarily, involuntarily or by operation of law. For purposes of this Section 12.01, an assignment of any Lease shall be deemed to include any Change of Control of Tenant, as if such Change of Control were an assignment of the Lease. No assignment shall in any way impair the continuing primary liability of Tenant hereunder.

An "Affiliate" shall mean any Person directly or indirectly controlling, controlled by, or under common control with that Person.

A "Person" shall mean and include natural persons, corporations, limited partnerships, general partnerships, joint stock companies, joint ventures, associations, companies, trusts, banks, trust companies, land trusts, business trusts, Indian tribes or other organizations, whether or not legal entities, and governments and agencies and political subdivisions thereof.

12.02 Changes of Control. A Change of Control requiring the consent of Landlord shall mean:

(a) the issuance and/or sale by Tenant or the sale by any stockholder of Tenant of a Controlling (which shall mean, as applied to any Person, the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of such Person, whether through the ownership of voting securities, by contract or otherwise) interest in Tenant to a Person other than an Affiliate of Tenant, other than in either case a distribution to the public pursuant to an effective registration statement under the Securities Act of 1933, as amended (a "Registered Offering");

(b) the sale, conveyance or other transfer of all or substantially all of the assets of Tenant (whether by operation of law or otherwise); or

(c) any transaction pursuant to which Tenant is merged with or consolidated into another entity (other than an entity owned and Controlled by an Affiliate of Tenant), and Tenant is not the surviving entity.

12.03 Operating/Service Agreements.

12.03.01 Permitted Agreements. Tenant shall, without Landlord's prior approval, be permitted to enter into certain operating/service agreements for portions of any Leased Property to various licensees in connection with Tenant's operation of correctional or detention facilities as is customarily associated with or incidental to the operation of such Leased Property, which agreements may be in the nature of a sublease agreement.

12.03.02 Terms of Agreements. Each operating/service agreement concerning any of the Leased Property shall be subject and subordinate to the provisions of the applicable Lease. No agreement made as permitted by Section 13.03.01 shall affect or reduce any of the obligations of Tenant hereunder, and all such obligations shall continue in full force and effect as if no agreement had been made. No agreement shall impose any additional obligations on Landlord under the applicable Lease.

12.03.03 Copies. Tenant shall, within ten (10) days after the execution and delivery of any operating/service agreement permitted by Section 12.03.01, deliver a duplicate original thereof to Landlord.

12.03.04 Assignment of Rights in Agreements. As security for performance of its obligations under each Lease, Tenant hereby grants, conveys and assigns to Landlord all right, title and interest of Tenant in and to all operating/service agreements now in existence or hereinafter entered into for any or all of the applicable Leased Property, and all extensions, modifications and renewals thereof and all rents, issues and profits therefrom, to the extent the same are assignable by Tenant. Landlord hereby grants to Tenant a license to collect and enjoy all rents and other sums of money payable under any such agreement concerning any of such Leased Property; provided, however, that Landlord shall have the absolute right at any time after the occurrence and continuance of an Event of Default upon notice to Tenant and any vendors or licensees to revoke said license and to collect such rents and sums of money and to retain the same. Tenant shall not (i) after the occurrence and continuance of an Event of Default, consent to, cause or allow any material modification or alteration of any of the terms, conditions or covenants of any of the agreements or the termination thereof, without the prior written approval of Landlord nor (ii) accept any rents (other than customary security deposits) more than ninety (90) days in advance of the accrual thereof nor permit anything to be done, the doing of which, nor omit or refrain from doing anything, the omission of which, will or could be a breach of or default in the terms of any of the agreements.

12.03.05 Licenses, Etc. For purposes of Section 12.03, the operating/service agreements shall mean any licenses, concession arrangements, or other arrangements relating to the possession or use of all or any part of any Leased Property but specifically excluding any management agreement, facility operating agreement or other agreement for the housing or detention of inmates.

12.04 Assignment. No assignment shall in any way impair the continuing primary liability of Tenant hereunder, and no consent to any assignment in a particular instance shall be deemed to be a waiver of the prohibition set forth in Article XII. Any assignment shall be solely of Tenant's entire interest in the subject Lease. Any assignment or other transfer of all or any portion of Tenant's interest in any Lease in contravention of Article XII shall be voidable at Landlord's option.

12.05 REIT Limitations. Anything contained in this Agreement to the contrary notwithstanding, Tenant shall not (i) sublet or assign any Leased Property or any Lease on any basis such that the rental or other amounts to be paid by the sublessee or assignee thereunder would be based, in whole or in part, on the income or profits derived by the business activities of the sublessee or assignee; (ii) sublet or assign any Leased Property or any Lease to any person that Landlord owns, directly or indirectly (by applying constructive ownership rules set forth in Section 856(d) (5) of the Code), a ten percent (10%) or greater interest; or (iii) sublet or assign any Leased Property or any Lease in any other manner or otherwise derive any income which could cause any portion of the amounts received by Landlord pursuant to any Lease or any sublease to fail to qualify as "rents from real property" within the meaning of Section 856(d) of the Code, or which could cause any other income received by Landlord to fail to qualify as income described in Section 856(c) (2) of the Code. The requirements of this Section 12.05 shall likewise apply to any further subleasing by any subtenant.

12.06 Attornment. Tenant shall insert in each sublease permitted under Section 12.03.01 provisions to the effect that (a) such sublease is subject and subordinate to all of the terms and provisions of the applicable Lease (including this Agreement) and to the rights of Landlord hereunder,

(b) in the event such Lease shall terminate before the expiration of such sublease, the sublessee thereunder will, at Landlords' option, attorn to Landlord and waive any right the sublessee may have to terminate the sublease or to surrender possession thereunder, as a result of the termination of such Lease, and (c) in the event the sublessee receives a written notice from Landlord or Landlord's assignees, if any, stating that Tenant is in default under such Lease, the sublessee shall thereafter be obligated to pay all rentals accruing under said sublease directly to the party giving such notice, or as such party may direct. All rentals received from the sublessee by Landlord or Landlord's assignees, if any, as the case may be, shall be credit against the amounts owing by Tenant under such Lease.

ARTICLE XIII

ARBITRATION

13.01 Controversies. Except with respect to the payment of Rent hereunder, which shall be subject to the provisions of Section 9.02, in the case a controversy arises between the parties as to any of the requirements of this Agreement or of any individual Lease or the performance thereunder which the parties are unable to resolve, the parties agree to waive the remedy of litigation (except for extraordinary relief in an emergency situation) and agree that such controversy or controversies shall be determined by arbitration as hereafter provided in this Article.

13.02 Appointment of Arbitrators. The party or parties requesting arbitration shall serve upon the other a demand therefor, in writing, specifying in detail the controversy and matter(s) to be submitted to arbitration. The selection of arbitrators shall be conducted pursuant to the rules for resolution of commercial disputes promulgated by the American Arbitration Association. The party or parties giving notice shall request a listing of available arbitrators from the American Arbitration Association, and each party shall respond in the selection process within fifteen (15) days after each receipt of such listings until a panel of three (3) arbitrators has been designated. If either party fails to respond within fifteen (15) days, it is agreed that the American Arbitration Association may make such selections as are necessary to complete the panel of three (3) arbitrators.

13.03 Arbitration Procedure. Within fifteen (15) days after the selection of the arbitration panel, the arbitrators shall give written notice to each party as to the time and the place of each meeting, which shall be held in Nashville, Tennessee, at which the parties may appear and be heard, which shall be no later than sixty (60) days after certification of the arbitration panel. The parties specifically waive discovery, and further waive the applicability of rules of evidence or rules of procedure in the proceedings. The applicable rules shall be those in effect at the time for the resolution of commercial disputes promulgated by the American Arbitration Association. Notwithstanding the foregoing, the substantive law governing the arbitration shall be the laws of the State of Tennessee. The arbitrators shall take such testimony and make such examination and investigations as the arbitrators reasonably deem necessary. The decision of the arbitrators shall be in writing signed by a majority of the panel which decision shall be final and binding upon the parties to the controversy. Provided, however, in rendering their decisions and making awards, the arbitrators shall not add to, subtract from or otherwise modify the provisions of this Agreement.

13.04 Expenses. The expenses of the arbitration shall be assessed by the arbitrators and specified in the written decision. In the absence of a determination or assessment of expenses of the arbitration procedure in the award, all of the expenses of such arbitration shall be divided equally between Landlord and Tenant. Each party in interest shall be responsible for and pay the fees, costs and expenses of its own counsel, unless the arbitration award provides for an assessment of reasonable attorneys' fees and costs.

13.05 Enforcement of the Arbitration Award. There shall be no appeal from the decision of the arbitrators, and upon the rendering of an award, any party thereto may file the arbitrators' decision in the United States District Court for the Middle District of Tennessee for enforcement as provided by applicable law.

ARTICLE XIV

QUIET ENJOYMENT, SUBORDINATION, ATTORNMENT, ESTOPPEL CERTIFICATES

14.01 Quiet Enjoyment. So long as Tenant performs all of its obligations under this Agreement and each Lease, Tenant's possession of the Leased Property will not be disturbed by or through Landlord.

14.02 Landlord Mortgages; Subordination. Subject to Section 14.03, without the consent of Tenant, Landlord may, from time to time, directly or indirectly, create or otherwise cause to exist any lien, encumbrances or title retention agreement on the Leased Properties, or any portion thereof or any interest therein, whether to secure any borrowing or other means of financing or refinancing. This Agreement and each Lease and Tenant's rights under this Agreement and each Lease are subordinate to any ground lease or underlying lease, first mortgage, first deed of trust, or other first lien against any Leased Property, together with any renewal, consolidation, extension, modification or replacement thereof, which now or at any subsequent time affects any Leased Property or any interest of Landlord in any Leased Property, except to the extent that any such instrument expressly provides that this Agreement and each Lease is superior. This provision will be self-operative, and no further instrument or subordination will be required in order to effect it. However, Tenant shall execute, acknowledge and deliver to Landlord, at any time and from time to time upon demand by Landlord, such documents as may be requested by Landlord or any mortgagee or any holder of any mortgage or other instrument described in this Section, to confirm or effect any such subordination. If Tenant fails or refuses to execute, acknowledge, and deliver any such document within twenty (20) days after written demand, Landlord may execute, acknowledge and deliver any such document on behalf of Tenant as Tenant's attorney-in-fact. Tenant hereby constitutes and irrevocably appoints Landlord, its successors and assigns, as Tenant's attorney-in-fact to execute, acknowledge, and deliver on behalf of Tenant any documents described in this Section. This power of attorney is coupled with an interest and is irrevocable.

14.03 Attornment; Non-Disturbance. If any holder of any mortgage, indenture, deed of trust, or other similar instrument described in Section 14.02 succeeds to Landlord's interest in any Leased Property, Tenant will pay to such holder all Rent subsequently payable under the subject Lease.

Tenant shall, upon request of anyone succeeding to the interest of Landlord, automatically become the tenant of, and attorn to, such successor in interest without changing such Lease. The successor in interest will not be bound by (i) any payment of Rent for more than one (1) month in advance; (ii) any amendment or modification of such Lease made without its written consent; (iii) any claim against Landlord arising prior to the date on which the successor succeeded to Landlord's interest; or (iv) any claim or offset of Rent against the Landlord. Upon request by Landlord or such successor in interest and without cost to Landlord or such successor in interest, Tenant will execute, acknowledge and deliver an instrument or instruments confirming the attornment. If Tenant fails or refuses to execute, acknowledge and deliver any such instrument within twenty (20) days after written demand, then Landlord or such successor in interest will be entitled to execute, acknowledge, and deliver any document on behalf of Tenant as Tenant's attorney-in-fact. Tenant hereby constitutes and irrevocably appoints Landlord, its successors and assigns, as Tenant's attorney-in-fact to execute, acknowledge, and deliver on behalf of Tenant any such document. This power of attorney is coupled with an interest and is irrevocable.

Landlord shall use reasonable efforts to obtain a non-disturbance agreement from any such party referred to above which provides that in the event such party succeeds to Landlord's interest under the Lease and provided that no Event of Default by Tenant exists, such party will not disturb Tenant's possession, use or occupancy of the Leased Property.

14.04 Estoppel Certificates. At the request of Landlord or any mortgagee or purchaser of any Leased Property, Tenant shall execute, acknowledge, and deliver an estoppel certificate, in recordable form, in favor of Landlord or any mortgagee or purchaser of such Leased Property certifying the following: (i) that the subject Lease is unmodified and in full force and effect, or if there have been modifications that the same is in full force and effect as modified and stating the modifications; (ii) the date to which Rent and other charges have been paid; (iii) that neither Tenant nor Landlord is in default nor is there any fact or condition which, with notice or lapse of time, or both, would constitute a default, if that be the case, or specifying any existing default; (iv) that Tenant has accepted and occupies such Leased Property; (v) that Tenant has no defenses, set-offs, deductions, credits, or counterclaims against Landlord, if that be the case, or specifying such that exist; (vi) that the Landlord has no outstanding construction or repair obligations; and (vii) such other information as may reasonably be requested by Landlord or any mortgagee or purchaser. Any purchaser or mortgagee may rely on this estoppel certificate. If Tenant fails to deliver the estoppel certificates to Landlord within ten (10) days after the request of the Landlord, then Tenant shall be deemed to have certified that (a) such Lease is in full force and effect and has not been modified, or that such Lease has been modified as set forth in the certificate delivered to Tenant; (b) Tenant has not prepaid any Rent or other charges except for the current month; (c) Tenant has accepted and occupies such Leased Property; (d) neither Tenant nor Landlord is in default nor is there any fact or condition which, with notice or lapse of time, or both, would constitute a default; (e) Landlord has no outstanding construction or repair obligation; and (f) Tenant has no defenses, set-offs, deductions, credits, or counterclaims against Landlord. Tenant hereby irrevocably appoints Landlord as Tenant's attorney-in-fact to execute, acknowledge and deliver on Tenant's behalf any estoppel certificate which Tenant does not object to within twenty (20) days after Landlord sends the certificate to Tenant. This power of attorney is coupled with an interest and is irrevocable.

ARTICLE XV

MISCELLANEOUS

15.01 Notices. Landlord and Tenant hereby agree that all notices, demands, requests, and consents (hereinafter "Notices") required to be given pursuant to the terms of this Lease shall be in writing and shall be addressed as follows:

If to Tenant:	Correctional Management Services Corporation 10 Burton Hills Boulevard Nashville, Tennessee 37215 Attention: Darrell K. Massengale, Chief Financial Officer
If to Landlord:	Prison Realty Corporation 10 Burton Hills Boulevard Nashville, Tennessee 37215 Attention: Michael W. Devlin
With a copy to:	Stokes & Bartholomew, P.A. 424 Church Street, Suite 2800 Nashville, Tennessee 37219 Attention: Elizabeth E. Moore

and shall be served by (i) personal delivery, (ii) certified mail, return receipt requested, postage prepaid, or (iii) nationally recognized overnight courier. All notices shall be deemed to be given upon the earlier of actual receipt or three (3) days after mailing, or one (1) business day after deposit with the overnight courier. Any Notices meeting the requirements of this Section shall be effective, regardless of whether or not actually received. Landlord or Tenant may change its notice address at any time by giving the other party Notice of such change.

15.02 Advertisement of Leased Property. In the event the parties hereto have not executed a renewal lease of any Leased Property within one (1) year prior to the expiration of the Term, then Landlord or its agent shall have the right to enter such Leased Property at all reasonable times for the purpose of exhibiting such Leased Property to others and to place upon such Leased Property for and during the period commencing two hundred ten (210) days prior to the expiration of the Term "for sale" or "for rent" notices or signs.

15.03 Landlord's Access. Landlord shall have the right to enter upon the Leased Property, upon reasonable prior notice to Tenant, for purposes of inspecting the same and assuring Tenant's compliance with this Agreement provided, any such entry by Landlord shall be subject to all rules, guidelines and procedures prescribed by Tenant in connection therewith. Landlord shall not be allowed entry to the Leased Premises unless accompanied by such of Tenant's personnel as Tenant shall require.

15.04 Entire Agreement. This Agreement and the individual Leases contain the entire agreement between Landlord and Tenant with respect to the subject matter hereof and thereof. No representations, warranties, and agreements have been made by Landlord except as set forth in this Agreement and the Leases.

15.05 Severability. If any term or provision of this Agreement or any Lease is held or deemed by Landlord to be invalid or unenforceable, such holding shall not affect the remainder of this Agreement or any Lease and the same shall remain in full force and effect, unless such holding substantially deprives Tenant of the use of the Leased Property or Landlord of the Rents therefor, in which event the Lease for such Leased Property shall forthwith terminate as if by expiration of the Term.

15.06 Captions and Headings. The captions and headings are inserted only as a matter of convenience and for reference and in no way define, limit or describe the scope of this Agreement or the intent of any provision hereof.

15.07 Governing Law. This Agreement and each of the Leases shall be construed under the laws of the State of Tennessee.

15.08 Memorandum of Lease. Landlord and Tenant agree that a record of this Agreement or any Lease may be recorded by either party in a memorandum of lease approved by Landlord and Tenant with respect to each Leased Property.

15.09 Waiver. No waiver by Landlord of any condition or covenant herein contained, or of any breach of any such condition or covenant, shall be held or take to be a waiver of any subsequent breach of such covenant or condition, or to permit or excuse its continuance or any future breach thereof or of any condition or covenant, nor shall the acceptance of Rent by Landlord at any time when Tenant is in default in the performance or observance of any condition or covenant herein be construed as a waiver of such default, or of Landlord's right to terminate this Agreement or any Lease or exercise any other remedy granted herein on account of such existing default.

15.10 Binding Effect. This Agreement and each Lease will be binding upon and inure to the benefit of the heirs, successors, personal representatives, and permitted assigns of Landlord and Tenant.

15.11 Authority. The persons executing this Agreement or any Lease on behalf of Tenant warrant that (i) Tenant has the power and authority to enter into this Agreement or such Lease; (ii) Tenant is qualified to do business in the state in which the Leased Property is located; and (iii) they are authorized to execute this Agreement and each Lease on behalf of Tenant. Tenant shall, at the request of Landlord, provide evidence satisfactory to Landlord confirming these representation.

15.12 Transfer of Permits, Etc. Upon the expiration or earlier termination of the Term of any Lease (whether pursuant to the provisions of this Agreement or of such Lease), Tenant shall, at the option of Landlord, transfer to and relinquish to Landlord or Landlord's nominee and to cooperate with Landlord or Landlords' nominee in connection with the processing by Landlord or such nominee

of all licenses, operating permits, and other governmental authorization and all contracts, including without limitation, the correctional or detention facility license, and any other contracts with governmental or quasi-governmental entities which may be necessary or appropriate for the operation by Landlord or such nominee of the subject Leased Property for the purposes of operating a correctional or detention facility; provided that the costs and expenses of any such transfer or the processing of any such application shall be paid by Landlord or Landlord's nominee; and provided further that any management agreement, facility operating agreement or other agreement for the housing or detention of inmates shall be expressly excluded. Any such permits, licenses, certificates and contracts which are held in Landlord's name now or at the termination of such Lease shall remain the property of Landlord. To the extent permitted by law, Tenant hereby irrevocably appoints Landlord, its successors and assigns and any nominee or nominees specifically designated by Landlord or any successor or assign as Tenant's attorney-in-fact to execute, acknowledge, deliver and file all documents appropriate to such transfer or processing of any such application on behalf of Tenant; this power of attorney is coupled with an interest and is irrevocable.

15.13 Modification. This Agreement and any Lease may only be modified by a writing signed by both Landlord and Tenant.

15.14 Incorporation by Reference. All schedules and exhibits referred to in this Agreement are incorporated into this Agreement, and all schedules and exhibits referred to in any Lease (as well as the provisions of this Agreement, except to the extent specifically excluded from or inconsistent with the terms of such Lease) are incorporated into such Lease.

15.15 No Merger. The surrender of this Agreement or of any Lease by Tenant or the cancellation of this Agreement or of any Lease by agreement of Tenant and Landlord or the termination of this Agreement or of any Lease on account of Tenant's default will not work a merger, and will, at Landlord's option, terminate any subleases or operate as an assignment to Landlord of any subleases. Landlord's option under this paragraph will be exercised by notice to Tenant and all known subtenants of any applicable Leased Property.

15.16 Laches. No delay or omission by either party hereto to exercise any right or power accruing upon any noncompliance or default by the other party with respect to any of the terms hereof shall impair any such right or power or be construed to be a waiver thereof.

15.17 Waiver of Jury Trial. To the extent that there is any claim by one party against the other that is not to be settled by arbitration as provided in Article XIII hereof, Landlord and Tenant waive trial by jury in any action, proceeding or counterclaim brought by either of them against the other on all matters arising out of this Agreement or the use and occupancy of the Leased Property (except claims for personal injury or property damage). If Landlord commences any summary proceeding for nonpayment of Rent, Tenant will not interpose, and waives the right to interpose, any counterclaim in any such proceeding.

15.18 Permitted Contests. Tenant, on its own or on Landlord's behalf (or in Landlord's name), but at Tenant's expense, may contest, by appropriate legal proceedings conducted in good faith and with due diligence, the amount or validity or application, in whole or in part, of any Imposition

or any legal requirement or insurance requirement or any lien, attachment, levy, encumbrance, charge or claim provided that (i) in the case of an unpaid Imposition, lien, attachment, levy, encumbrance, charge or claim, the commencement and continuation of such proceedings shall suspend the collection thereof from Landlord and from the Leased Property; (ii) neither the Leased Property nor any Rent therefrom nor any part thereof or interest therein would be in any immediate danger of being sold, forfeited, attached or lost; (iii) in the case of a legal requirement, Landlord would not be in any immediate danger of civil or criminal liability for failure to comply therewith pending the outcome of such proceedings; (iv) in the event that any such contest shall involve a sum of money or potential loss in excess of Fifty Thousand Dollars ($50,000.00), Tenant shall deliver to Landlord and its counsel an opinion of Tenant's counsel to the effect set forth in clauses (i), (ii) and (iii), to the extent applicable; (v) in the case of a legal requirement and/or an Imposition, lien, encumbrance, or charge, Tenant shall give such reasonable security as may be demanded by Landlord to insure ultimate payment of the same and to prevent any sale or forfeiture of the affected Leased Property or the Rent by reason of such nonpayment or noncompliance; provided, however, the provisions of this Section shall not be construed to permit Tenant to contest the payment of Rent (except as to contests concerning the method of computation or the basis of levy of any Imposition or the basis for the assertion of any other claim) or any other sums payable by Tenant to Landlord hereunder; (vi) in the case of an insurance requirement, the coverage required by Article IV shall be maintained; and (vii) if such contest be finally resolved against Landlord or Tenant, Tenant shall, as Other Additional Rent due hereunder, promptly pay the amount required to be paid, together with all interest and penalties accrued thereon, or comply with the applicable legal requirement or insurance requirement. Landlord, at Tenant's expense, shall execute and deliver to Tenant such authorizations and other documents as may be reasonably required in any such contest, and, if reasonably requested by Tenant or if Landlord so desires, Landlord shall join as a party therein. Tenant hereby agrees to indemnify and save Landlord harmless from and against any liability, cost or expense of any kind that may be imposed upon Landlord in connection with any such contest and any loss resulting therefrom.

15.19 Construction of Lease. This Agreement and each of the Leases for Leased Properties have been reviewed by Landlord and Tenant and their respective professional advisors. Landlord, Tenant, and their advisors believe that this Agreement and such Leases are the product of all their efforts, that they express their agreement, and agree that they shall not be interpreted in favor of either Landlord or Tenant or against either Landlord or Tenant merely because of any party's efforts in preparing such documents.

15.20 Counterparts. This Agreement and each Lease may be executed in duplicate counterparts, each of which shall be deemed an original hereof or thereof.

15.21 Relationship of Landlord and Tenant. The relationship of Landlord and Tenant is the relationship of lessor and lessee. Landlord and Tenant are not partners, joint venturers, or associates.

15.22 Landlord's Status as a REIT. Tenant acknowledges that Landlord intends to elect to be taxed as a real estate investment trust ("REIT") under the Code. Tenant shall not do anything which would adversely affect Landlord's status as a REIT. Tenant hereby agrees to modifications of this Agreement which do not materially adversely affect Tenant's rights and liabilities if such modifications are required to retain or clarify Landlord's status as a REIT.

15.23 Sale of Real Estate Assets. Notwithstanding any other provision of this Agreement or of any Lease, Landlord shall not be required to sell or transfer Leased Property, or any portion thereof, which is a real estate asset as defined in Section 856(c)(6) of the Code, to Tenant if Landlord's counsel advises Landlord that such sale or transfer may not be a sale of property described in Section 857(b)(6)(C) of the Code. If Landlord determines not to sell such property pursuant to the above sentence, Tenant's right, if any, to purchase the Leased Property shall continue and be exercisable at such time as the transaction, upon the advice of Landlord's counsel, would be a sale of property described in Section 857(b)(6)(C) of the Code.

ARTICLE XVI

NONDISCLOSURE AND RELATED MATTERS

16.01 Covenant Not to Disclose. Landlord agrees that, by virtue of the relationship of trust and confidence between Landlord and Tenant, it possesses and will possess certain data and knowledge of operations of the Tenant which are proprietary in nature and confidential. Landlord covenants and agrees that it will not knowingly, at any time, directly or indirectly, for whatever reason, without Tenant's prior written consent, which may be given or withheld in Tenant's sole discretion, reveal, divulge or make known to any person or entity, any confidential or proprietary record, data, trade secret, pricing policy, bid amount, pricing strategy, personnel policy, method or practice of obtaining or doing business, or any other confidential or proprietary information whatever (the "Confidential Information"), whether or not obtained with the knowledge and permission of the Tenant and whether or not developed, devised or otherwise created in whole or in part by the efforts of Landlord, nor shall Landlord use such Confidential Information for its own account. Confidential Information shall not include any information generally available to the public other than as a result of a disclosure of such information by Landlord. Notwithstanding anything to the contrary provided herein, a disclosure of Confidential Information by Landlord will not be considered a violation of this Article XVI in the event such disclosure is involuntarily compelled by a final, non-appealable, order from a court of competent jurisdiction.

16.02 Non-Interference Covenant. Landlord covenants and agrees that it will not, at any time, directly or indirectly, for whatever reason, whether for its own account or for the account of any other person, firm, corporation or other organization, without Tenant's prior written consent, which may be given or withheld in Tenant's sole discretion: (i) solicit, employ, deal with or otherwise interfere with any of the Tenant's contracts or relationships with any employee, officer, director or any independent contractor, whether the person is employed by or associated with the Tenant on the date of this Agreement or at any time hereafter; or (ii) solicit, accept, deal with or otherwise interfere with any of the Tenant's contracts or relationships with any independent contractor, customer, client or supplier. Notwithstanding the foregoing, (i) Landlord may offer employment to the current employees of the Tenant who are terminated by the Tenant subsequent to the date hereof, (ii) Landlord shall in no way be liable for any actions by any entity leasing or managing any facility owned by Landlord, and (iii) nothing provided herein shall prevent Landlord from soliciting relationships with an entity or entities to lease, license, manage or otherwise use any facility leased to the Tenant subsequent to the termination of such lease with the Tenant.

16.03 Business Materials and Property Disclosure. All written materials, records and documents made by Landlord or coming into its possession concerning the business or affairs of the Tenant shall be the sole property of the Tenant and, upon request by the Tenant, Landlord shall deliver the same to the Tenant and shall retain no copies. The foregoing restrictions shall not be applicable to any written materials, records and documents generally available to the public other than as a result of a disclosure of such written materials, records and documents by Landlord.

16.04 Breach by Landlord. It is expressly understood, acknowledged and agreed by Landlord that: (i) the restrictions contained in this Article XVI represent a reasonable and necessary protection of the legitimate interests of the Tenant and that its failure to observe and comply with its covenants and agreements in this Article XVI will cause irreparable harm to the Tenant; (ii) it is and will continue to be difficult to ascertain the nature, scope and extent of the harm; and (iii) a remedy at law for such failure by Landlord will be inadequate. Accordingly, it is the intention of the parties that, in addition to any other rights and remedies which the Tenant may have in the event of any breach by Landlord of this Article XVI, the Tenant shall be entitled, and is expressly and irrevocably authorized by Landlord, to demand and obtain specific performance, including, without limitation, temporary and permanent injunctive relief, and all other appropriate equitable relief against Landlord in order to enforce against Landlord any of the covenants and agreements contained in this Article XVI, and/or to prevent any breach or any threatened breach by Landlord of the covenants and agreements of Landlord contained in this Article XVI. Should the Tenant prevail in any action to enforce this Article XVI, the Tenant shall be entitled to recover all of its costs and expenses relating thereto, including reasonable attorney's fees and expenses.

IN WITNESS WHEREOF, the parties hereto have executed this Lease or caused the same to be executed by their respective duly authorized officers as of the date first set forth above.

LANDLORD:

PRISON REALTY CORPORATION

By: /s/ Doctor R. Crants

Title: Chairman

USCC, INC.

By: /s/ D. Robert Crants, III

Title: President

TRANSCOR, INC.

By: /s/ D. Robert Crants, III

Title: President

TENANT:

CORRECTIONAL MANAGEMENT SERVICES CORPORATION

By: /s/ Darrell K. Massengale

Title: Secretary

SCHEDULE A

THE FACILITIES

FACILITY NAME	LOCATION (CITY, STATE)
Bent County Correctional Facility	Las Animas, Colorado
Bridgeport Pre-Parole Transfer Facility	Bridgeport, Texas
Central Arizona Detention Center	Florence, Arizona
Cibola County Corrections Facility	Milan, New Mexico
Cimarron Correctional Facility	Cushing, Oklahoma
Coffee Correctional Facility	Nicholls, Georgia
Davis Correctional Facility	Holdenville, Oklahoma
Diamondback Correctional Facility	Watonga, Oklahoma
Eloy Detention Center	Eloy, Arizona
Houston Processing Center	Houston, Texas
Huerfano County Correctional Facility	Walsenburg, Colorado
Kit Carson Correctional Center	Burlington, Colorado
Laredo Processing Center	Laredo, Texas
Leavenworth Detention Center	Leavenworth, Kansas
Lee Adjustment Center	Beatyville, Kentucky
Marion Adjustment Center	St. Mary, Kentucky
Mineral Wells Pre-Parole Transfer Facility	Mineral Wells, Texas
New Mexico Women's Correctional Facility	Grants, New Mexico
North Fork Correctional Center	Sayre, Oklahoma

Northeast Ohio Correction Center	Youngstown, Ohio
Otter Creek Correctional Center	Wheelwright, Kentucky
Prairie Correctional Facility	Appleton, Minnesota
River City Correctional Center	Louisville, Kentucky
Shelby Training Center	Memphis, Tennessee
T. Don Hutto Correctional Center	Taylor, Texas
Torrance County Detention Facility	Estancia, New Mexico
West Tennessee Detention Center	Mason, Tennessee
Wheeler Correctional Facility	Alamo, Georgia
Whiteville Correctional Facility	Whiteville, Tennessee
CCA Headquarters Building	Nashville, Tennessee

EXHIBIT 10.2

FORM OF
LEASE AGREEMENT
(_____)

THIS LEASE AGREEMENT ("Lease") dated as of the 1st day of January, 1999, by and between PRISON REALTY CORPORATION, a Maryland corporation ("Landlord"), and CORRECTIONAL MANAGEMENT SERVICES CORPORATION, a Tennessee corporation ("Tenant").

RECITALS

WHEREAS, Landlord currently owns a certain correctional and detention facility which Tenant desires to lease; and

WHEREAS, Landlord and Tenant have entered into a Master Agreement to Lease of even date herewith (the "Master Agreement") which sets forth certain agreements of the parties with respect to the lease of various properties including the property that is the subject of this Lease.

NOW, THEREFORE, in consideration of the premises and of their respective agreements and undertakings herein, Landlord and Tenant agree as follows:

ARTICLE I

PREMISES AND TERM

1.1 Leased Property. Landlord hereby leases to Tenant and Tenant leases from Landlord the Land located in _____, described in Exhibit A hereto, and all Improvements, Fixtures, and Personal Property thereon or thereto (each as defined in the Master Agreement, and, together with said Land, the "Leased Property"); such Leased Property collectively known and described at the date hereof as [Name of Correctional or Detention Facility];

SUBJECT, HOWEVER, to all easements, liens, encumbrances, restrictions, agreements, and other title matters existing as of the date hereof (collectively "Permitted Exceptions").

1.2 Term. The initial term (the "Fixed Term") of the Lease shall be for a fixed term of twelve (12) years commencing on January 1, 1999 (the "Commencement Date") and expiring on December 31, 2010 (the "Expiration Date"). The Term of this Lease may be renewed on the mutual agreement of Landlord and Tenant as follows: (i) provided that Tenant gives Landlord notice on or before the date which is six (6) months prior to the Expiration Date, upon the mutual agreement of Landlord and Tenant, the Lease shall be renewed for one (1) additional five (5) year term (the "Extended Term") on the same terms and provisions (other than with respect to renewal) as the Fixed Term, as set forth in the Lease; (ii) provided that Tenant gives Landlord notice on or before the date which is six (6) months prior to the expiration of the Extended Term, upon the mutual agreement of Landlord and Tenant, the Lease shall be renewed for one (1) additional five (5) year term (the "Second Extended Term") on the same terms and provisions (other than with respect to

renewal) as the Fixed Term, as set forth in the Lease; and (iii) provided that Tenant gives Landlord notice on or before the date which is six (6) months prior to the expiration of the Second Extended Term, upon the mutual agreement of Landlord and Tenant, the Lease shall be renewed for one (1) additional five (5) year term (the "Third Extended Term") on the same terms and provisions (other than with respect to renewal) as the Fixed Term, as set forth in the Lease. Tenant's right to so extend the Term of the Lease is conditioned on Landlord's prior approval of the Extended Term, Second Extended Term, or Third Extended Term, as the case may be. The term "Term" used in this Agreement means the Fixed Term, Extended Term, Second Extended Term and Third Extended Term, as appropriate. The term "Lease Year" means each twelve (12) month period during the Term commencing on January 1 and ending on December 31, except the first Lease Year of each Lease shall be the period from the Commencement Date through the following December 31, and the last Lease Year shall end on the date of termination of the Lease if a day other than December 31. Landlord may terminate this Lease prior to the expiration of the Term hereof, at any time following the date which is five (5) years from the date hereof, upon written notice to Tenant not less than eighteen (18) months prior to the effective date of such termination.

ARTICLE II

RENT

2.1 Base Rent. Tenant shall pay Landlord Base Rent for the Term in advance in consecutive monthly installments payable on the first day of each month during the Term, the Extended Term, Second Extended Term and the Third Extended Term, commencing on the Commencement Date provided for in Section 1.03 of the Master Agreement, in accordance with the Base Rent Schedule attached hereto as Exhibit B.

2.2 Additional Rent. The Base Rent shall be subject to such increases over the Term as determined pursuant to Section 2.02 of the Master Agreement.

2.3 Other Additional Rent. Tenant shall also pay all Other Additional Rent with respect to the Leased Property, as set forth in the Master Agreement.

ARTICLE III

OTHER TERMS AND CONDITIONS

3.1 Master Agreement Incorporated Herein. All provisions of the Master Agreement (except any provisions expressly therein not to be a part of an individual lease of leased property) are hereby incorporated in and are a part of this Lease of the Leased Property.

3.2 Recordation. At the request of Landlord or Tenant, a short form memorandum of this Lease may be recorded in the real estate records of any county which Landlord or Tenant deems appropriate in order to provide legal notice of the existence hereof.

IN WITNESS WHEREOF, the Landlord and the Tenant have executed this Lease or caused the same to be executed by their respective duly authorized officers as of the date first set forth above.

LANDLORD:

PRISON REALTY CORPORATION

By:

Title:

TENANT:

CORRECTIONAL MANAGEMENT SERVICES CORPORATION

By:

Title:

EXHIBIT A

[LEGAL DESCRIPTION OF LEASED PROPERTY]

EXHIBIT B

BASE RENT SCHEDULE

(Property: _____)

Tenant will pay to Landlord annual Base Rent of $_____ payable in equal monthly installments beginning on the Commencement Date of $_____.

The Rent Escalation Date is _____ 1st.

Base Rent for the Extended Term, Second Extended Term and Third Extended Term shall be equal to the fair market rental value of the Leased Property as of the respective commencement dates thereof.

EXHIBIT 10.3

RIGHT TO PURCHASE AGREEMENT

THIS RIGHT TO PURCHASE AGREEMENT (the "Agreement"), dated as of January 1, 1999, is made and entered into by and between CORRECTIONAL MANAGEMENT SERVICES CORPORATION, a Tennessee corporation (hereinafter referred to as "CMSC") and PRISON REALTY CORPORATION, a Maryland corporation (hereinafter referred to as the "Company").

RECITALS

WHEREAS, CMSC may have an ownership interest in certain existing correctional or detention facilities in the future and may develop or acquire additional correctional and detention facilities in the future; and

WHEREAS, CMSC desires to grant to the Company herewith a right of first refusal under certain circumstances to purchase all Future Facilities (as defined herein) pursuant to the terms of this Agreement; and

WHEREAS, CMSC further desires to grant the Company herewith a right of first refusal to finance CMSC's future acquisition of certain facilities, pursuant to the terms of this Agreement; and

WHEREAS, CMSC desires to grant to the Company herewith an option under certain circumstances to purchase Future Facilities (as defined herein).

NOW, THEREFORE, in consideration of the sum of Ten Dollars ($10.00) and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, CMSC and the Company hereby agree as follows:

1. Right of First Refusal (Purchase). The Company shall have a right of first refusal to purchase (hereinafter referred to as the "Purchase Refusal Right") any correctional or detention facility which is acquired or developed, and owned, by CMSC or any of its Affiliates (as defined herein) in the future (hereinafter referred to as the "Future Facilities"), subject to the terms and conditions hereof. If, following the date hereof, CMSC shall receive a bona fide third party offer to Transfer(as hereinafter defined) any Future Facilities, then, prior to accepting such third party offer, CMSC shall send written notice and a copy thereof to the Company ("CMSC's Sale Notice"). The Company shall have ninety (90) days after receipt of CMSC's Sale Notice to exercise the Company's Purchase Refusal Right, by giving CMSC written notice thereof. Failure of the Company to exercise the Purchase Refusal Right within such time period set forth above shall be deemed to extinguish the Purchase Refusal Right for a period of one hundred eighty (180) days. Thereafter, prior to the expiration of such one hundred eighty (180) days, CMSC may Transfer (as hereinafter defined) such Future Facility provided, however, that the Transfer (as hereinafter defined) of the Future Facility is at a price equal to or greater than the price contained in CMSC's Sale Notice, and otherwise consistent in all material respects with the terms and conditions set forth in CMSC's Sale Notice. The Company's Purchase Refusal Right shall revive in the event that CMSC fails to Transfer (as

hereinafter defined) the Future Facility within said one hundred eighty (180) days. In the event that the Company elects to exercise the Purchase Refusal Right and to acquire the Future Facility thereby, the Company shall acquire such Future Facility on the same terms and conditions and subject to all time periods and other limitations as provided in CMSC's Sale Notice (provided, however, the Company shall in all events have not less than ninety (90) days to close its acquisition of the Future Facility following its written notice exercising its Purchase Refusal Right).

Notwithstanding the foregoing provisions, the Purchase Refusal Right shall not be applicable to any Transfer (as hereinafter defined) of a Future Facility to any Affiliate (as hereinafter defined) of CMSC.

2. Right of First Refusal (Financing). The Company shall have a right of first refusal to provide CMSC with first mortgage financing for CMSC's costs of acquiring, developing or financing any correctional or detention facility (the "Financed Facilities"), subject to the terms and conditions hereof. If, following the date hereof, CMSC determines to acquire, develop or finance any Financed Facility and receives a proposal or commitment from a third party lender to provide financing for at least ninety percent (90%) of the costs of such acquisition or development (or 90% of the value of the Financed Facility in the case of a financing of a facility not being acquired or developed) secured by a first mortgage on such Financed Facility, CMSC shall send written notice and a copy thereof to the Company (the "Financing Notice") and further setting forth in reasonable detail the anticipated terms and conditions of such acquisition, development or financing and such other information regarding the Financed Facility as is reasonably available to CMSC. If the Company, within thirty (30) days after receipt of such Financing Notice, provides a financing commitment on terms substantially similar or more favorable to CMSC than that set forth in such Financing Notice (the "Financing Commitment"), CMSC shall accept the Financing Commitment and acquire, develop or finance the subject Financed Facility, and the financing shall proceed to close in accordance with terms of the Financing Commitment. If the Company does not provide a Financing Commitment, CMSC may proceed to acquire, develop or finance the Financed Facility and may obtain such alternative first mortgage financing for such acquisition, development or financing as it shall desire provided, the terms, conditions and costs of any such alternative first mortgage financing shall be no less favorable to CMSC than those contained in such Financing Notice, unless CMSC shall have again presented the Company with a Financing Notice and complied with the provisions of this Section 2 with respect thereto.

3. Option. The Company shall have an option to acquire any Future Facility for a period of ten (10) years following the date CMSC first receives inmates in such Future Facility (the "Service Commencement Date"). The price at which the Company may acquire such Future Facility shall be the fair market value of the Future Facility, as reasonably and mutually determined by the Company and CMSC, provided, the Company and CMSC agree that for the first two (2) years following the Service Commencement Date the fair market value of any such Future Facility shall be deemed to be equal to CMSC's actual costs and expenses to acquire, develop, design, construct and equip such Future Facility ("CMSC's Cost"), as reflected on the books of CMSC, plus five percent (5%) of CMSC's Cost. The Company's exercise of such option shall require the Company to acquire such

Future Facility on such terms and conditions as the Company and CMSC shall reasonably agree. Upon such acquisition, the Company shall lease such Future Facility to CMSC, and the Company and CMSC shall execute a new lease, or an amendment to the existing lease, with respect thereto (any such new lease or amendment to an existing lease shall constitute an "operating lease" for all tax and accounting purposes). For Future Facilities acquired pursuant to this Paragraph 3, the Base Rent shall be the fair market rental value of such Future Facility, as reasonably and mutually determined by the Company and CMSC.

4. Definitions. An "Affiliate" as used herein shall mean any Person directly or indirectly controlling, controlled by, or under common control with that Person.

A "Person" as used herein shall mean and include natural persons, corporations, limited partnerships, general partnerships, joint stock companies, joint ventures, associations, companies, trusts, banks, trust companies, land trusts, business trusts, Indian tribes or other organizations, whether or not legal entities, and governments and agencies and political subdivisions thereof.

A "Transfer" is any direct or indirect sale, conveyance or other disposition, including any transfer of a controlling ownership interest in any owning Person, and including any lease with a term in excess of five (5) years.

5. Term of the Agreement. This Agreement shall be effective upon the consummation of the merger by and between Corrections Corporation of America, a Tennessee corporation, CCA Prison Realty Trust, a Maryland real estate investment trust, and the Company, and shall expire on the earlier to occur of (i) the expiration or termination of all of the Leases relating to any Future Facilities or (ii) fifteen (15) years from the effective date hereof.

6. Remedies. In the event CMSC breaches this Agreement, the Company shall have all rights and remedies available at law or in equity and the Company shall be entitled, and is expressly and irrevocably authorized by CMSC, to demand and obtain specific performance, including, without limitation, temporary and permanent injunctive relief, and all other appropriate and equitable relief against CMSC in order to enforce against CMSC any of the covenants and agreements contained in this Agreement and/or to prevent any breach or threat of breach by CMSC of the covenants and agreements of CMSC contained in this Agreement. Should the Company prevail in any action to enforce this Agreement, the Company shall be entitled to recover all of its costs and expenses relating thereto, including reasonable attorney's fees and expenses.

7. Notices. CMSC and the Company hereby agree that all notices, demands, requests and consents (hereinafter "Notices") required to be given pursuant to the terms of this Agreement shall be in writing and shall be addressed as follows:

If to CMSC: Correctional Management Services Corporation
10 Burton Hills Boulevard.
Nashville, Tennessee 37215
Attention: Darrell K. Massengale, Chief Financial Officer

With a copy to: Stokes & Bartholomew, P.A.
424 Church Street, Suite 2800
Nashville, Tennessee 37219
Attention: Elizabeth E. Moore, Esq.

If to the Company: Prison Realty Corporation
10 Burton Hills Boulevard
Nashville, Tennessee 37215
Attention: Michael W. Devlin, Chief Operating Officer

With a copy to: Stokes & Bartholomew, P.A.
424 Church Street, Suite 2800
Nashville, Tennessee 37219
Attention: Elizabeth E. Moore, Esq.

and shall be served by (i) personal delivery, (ii) certified mail, return receipt requested, postage prepaid, or (iii) nationally recognized overnight courier. All Notices shall be deemed to be given upon the earlier of actual receipt or three (3) days after mailing, or one (1) business day after deposit with the overnight courier. Any Notices meeting the requirements of this Section shall be effective, regardless of whether or not actually received. CMSC or the Company may change its notice address at any time by giving the other party Notice of such change.

8. Captions and Headings. The captions and headings are inserted only as a matter of convenience and for reference and in no way define, limit or describe the scope of this Agreement or the intent of any provision hereof.

9. Governing Law. This Agreement shall be construed under the laws of the State of Tennessee.

10. Binding Effect. This Agreement shall be binding upon and shall inure to the benefit of the parties hereto and their respective heirs, executors, administrators, legal representatives, successors, and assigns.

11. Time is of the Essence. With respect to all provisions of this Agreement, time is of the essence.

12. Recordation. At the option of CMSC or the Company, this Agreement, or a memorandum hereof, may be recorded in the real estate records of any county which the Company or CMSC deems appropriate in order to provide legal notice of the existence hereof.

[remainder of page left intentionally blank]

IN WITNESS WHEREOF, CMSC and the Company have executed this Agreement or caused the same to be executed by their respective duly authorized officers as of the date set forth above.

CMSC:

CORRECTIONAL MANAGEMENT SERVICES CORPORATION

By: /s/ Darrell K. Massengale

Title: Chief Financial Officer

COMPANY:

PRISON REALTY CORPORATION

By: /s/ D. Robert Crants, III

Title: President

STATE OF TENNESSEE)
COUNTY OF DAVIDSON)

Before me, Aree H. Southall, a Notary Public of the State and County aforesaid, personally appeared Darrell K. Massengale, with whom I am personally acquainted (or proved to me on the basis of satisfactory evidence), and who, upon oath, acknowledged himself to be Chief Financial Officer of CORRECTIONAL MANAGEMENT SERVICES CORPORATION, the within named bargainor, a Tennessee corporation, and that he as such Chief Financial Officer being authorized so to do, executed the foregoing instrument for the purposes therein contained, by signing the name of the corporation by himself as Chief Financial Officer.

WITNESS my hand and official seal at Nashville, Davidson County, Tennessee, this 1st day of January, 1999

Aree H. Southall

Notary Public

My Commission Expires: 9/29/01

STATE OF TENNESSEE)
COUNTY OF DAVIDSON)

Before me, Aree H. Southall, a Notary Public of the State and County aforesaid, personally appeared D. Robert Crants, III, with whom I am personally acquainted (or proved to me on the basis of satisfactory evidence), and who, upon oath, acknowledged himself to be President of PRISON REALTY CORPORATION, the within named bargainor, a Maryland corporation, and that he as such President being authorized so to do, executed the foregoing instrument for the purposes therein contained, by signing the name of the real estate investment trust by himself as President.

WITNESS my hand and official seal at Nashville, Davidson County, Tennessee, this 1st day of January, 1999.

Aree H. Southall

Notary Public

My Commission Expires: 9/29/01

EXHIBIT 10.4

SERVICE MARK AND TRADE NAME USE AGREEMENT

This SERVICE MARK AND TRADE NAME USE AGREEMENT (the "Agreement"), dated as of this 31st day of December, 1998, is by and between Corrections Corporation of America, a Tennessee corporation (the "Grantor"), and Correctional Management Services Corporation, a Tennessee corporation (the "Grantee").

W I T N E S S E T H:

WHEREAS, Grantor is the owner of the sole and exclusive service mark and trade name "Corrections Corporation of America", its abbreviation "CCA", and the logo and/or designs incorporating the same and included on Exhibit A attached hereto (collectively, the "Service Mark and Trade Name"); and

WHEREAS, in connection with the transfer of all right, title and interest to and in certain contracts and assets relating to the management and operation of correction and detention facilities by the Grantor (the "Management Contracts") to the Grantee, and certain other transactions relating to the merger of the Grantor and CCA Prison Realty Trust, a Maryland real estate investment trust ("Prison Realty"), into a newly formed entity, Prison Realty Corporation (the "Merger"), Grantor desires to grant, and Grantee desires to obtain, the non-exclusive, non-transferable right to use the Service Mark and Trade Name pursuant to the terms and condition of this Agreement.

NOW, THEREFORE, in consideration of the premises and the mutual promises and undertakings contained herein, and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties hereto hereby agree as follows:

1. Grant of Use of Service Mark and Trade Name. Grantor grants to Grantee the non-exclusive right to use the Service Mark and Trade Name in the United States in connection with its business as a manager and operator of correction and detention facilities.

2. Term. This Agreement shall commence on the date above written and terminate on the earlier of (i) the date on which Grantee ceases to manage and operate any correction or detention facility, and (ii) a date which is ten (10) years from the date of this Agreement (the "Term"). This Agreement may be renewed thereafter upon the agreement of the parties under such terms and conditions as they may agree; provided, however, that no renewal of this Agreement shall be valid unless in writing and signed by both parties.

3. Consideration for Grant. As consideration for the right to use the Service Mark and Trade Name, Grantee will pay Grantor a fee equal to (i) 2.75% of gross revenues of Grantee for the first three (3) years of this Agreement, (ii) 3.25% of Grantee's gross revenues for the following two (2) years of this Agreement, and (iii) 3.625% of Grantee's gross revenues for the remaining term of this Agreement, provided that after completion of the Merger the amount of such fee may not exceed (x) 2.75% of the gross revenues of Prison Realty Corporation for the first three (3) years of this

Agreement, (y) 3.5% of the gross revenues of Prison Realty Corporation for the following two (2) years of this Agreement, and (z) 3.875% of the gross revenues of Prison Realty Corporation for the remaining term of this Agreement. The fee due hereunder shall be paid to Grantor by Grantee on a quarterly basis in arrears, such payments to be made on or before the 30th calendar day of the calendar quarter following the quarter for which such payment is due, with the first such payment being due on or before January 30, 1999 for the partial quarterly period ending December 31, 1998. The limitations described in clauses (x), (y) and (z) of the first sentence of this section 3 shall be applied on a quarterly basis, so that the amount of the quarterly fee payable hereunder shall equal the applicable percentage of Grantee's gross revenues for the preceding quarter as limited by the applicable percentage of Grantor's gross revenues for the preceding quarter. For purposes hereof, gross revenues means gross income as determined under Sections 856(c)(2) and (3) of the Internal Revenue Code of 1986, as amended. The parties agree to provide to each other upon request such financial and other information as may be reasonably required to determine or confirm the amount of the fee to be paid hereunder.

4. Termination.

4.1 This Agreement may be terminated upon ten (10) days' written notice from Grantor to Grantee upon occurrence of any of the following events:

(a) A change in control of Grantee;

(b) The liquidation or bankruptcy of Grantee or Grantee has a receiver or trustee appointed to administer either its property or affairs, or makes a general assignment of its property for the benefit of creditors or in any other manner takes advantage of the laws of bankruptcy or insolvency or the like;

(c) Any failure of the Grantee to pay the consideration due Grantor under Section 3. herein or to comply with the quality control provisions of Section 6. herein; or

(d) The discovery of any breach of the representations and warranties made by Grantee under Section 11. herein.

4.2 This Agreement may be terminated upon ten (10) days' written notice from Grantee to Grantor upon the discovery of any breach of the representations and warranties made by Grantor under Section 11. herein.

4.3 For purposes of this Section 4 hereof, the term "change in control" shall mean:

(i) the acquisition by an 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 (the "Exchange Act")) of beneficial ownership (within the meaning of Rule 13d-3 promulgated under the Exchange Act) of 50% or more of the

combined voting power of the then outstanding voting securities of the Grantee entitled to vote generally in the election of directors;

(ii) approval by the stockholders of the Grantee of a reorganization, merger or consolidation, in each case, with respect to which all or substantially all the individuals and entities who were the beneficial owners of the voting securities of the Grantee immediately prior to such reorganization, merger or consolidation do not, following such reorganization, merger or consolidation beneficially own, directly or indirectly, more than 50% of the combined voting power of the then outstanding voting securities entitled to vote generally in the election of directors of the Grantee resulting from such reorganization, merger or consolidation; or

(iii) the sale or other disposal of all or substantially all the assets or property of the Grantee in one transaction or series of related transactions.

5. Reservation of Rights. Except for the limited rights herein expressly granted to Grantee, all rights in the Service Mark and Trade Name are reserved to Grantor for the sale and exclusive use or other by Grantor at any time, and from time to time, without any obligation to Grantee.

6. Maintenance of Quality Standards. Grantee agrees that the nature and quality of all services rendered by Grantee hereunder, all goods sold by Grantee hereunder, and all related advertising, promotional, and other related uses of the Service Mark and Trade Name by Grantee shall conform to standards reasonably set by Grantor. Grantee agrees to cooperate with Grantor in facilitating Grantor's control of such nature and quality, and to supply Grantor with specimens of all uses of the Service Mark and Trade Name upon request. Grantee represents, warrants, covenants, and agrees that it will conduct its business in a manner designed to protect and enhance the reputation and integrity of the Service Mark and Trade Name, and the goodwill associated therewith, and Grantor reserves all rights of approval which are necessary to achieve this result.

7. Transfer Prohibited. The rights in the Service Mark and Trade Name granted hereunder shall not be assigned, sublicensed, or otherwise transferred without the prior written consent of Grantor; provided, however, that Grantor expressly consents to the sublicense by Grantee of the rights hereunder to Prison Management Services, LLC, a Delaware limited liability company, and Juvenile and Jail Facility Management Services, LLC, a Delaware limited liability company (collectively, the "Sublicensees"). In the event of a prohibited transfer, Grantor shall have the right to terminate this Agreement forthwith by written notice to Grantee.

8. Rights Upon Termination. Upon the termination (by expiration or otherwise) of this Agreement, for any reason, all rights granted to Grantee hereunder shall automatically revert to Grantor for its use or disposition. Upon termination, Grantee shall promptly cease use of the Service Mark and Trade Name, and shall promptly deliver to Grantor all materials previously supplied by

Grantor to Grantee and all copies thereof, in whole or in part, relating to or containing the Service Mark and Trade Name. At Grantor's option, Grantor may, in lieu of return, require that Grantee destroy said materials and copies and provide to Grantor satisfactory evidence of destruction. Grantor shall not be liable to Grantee for damages of any kind on account of the termination or expiration of this Agreement. Without limiting the foregoing, upon termination or expiration of this Agreement for any reason, Grantor shall have no liability for reimbursement or for damages for loss of goodwill, or on account of any expenditures, investments, leases, or other commitments made by Grantee. Grantee acknowledges and agrees that Grantee has no expectation and has received no assurances that its business relationship with Grantor will continue beyond the stated term of this Agreement or its earlier termination, that any investment by Grantee will be recovered or recouped, or that Grantee shall obtain any anticipated amount of profits by virtue of this Agreement.

9. No Franchise or Joint Venture. The parties expressly acknowledge that this Agreement shall not be deemed to create an agency, partnership, franchise, employment, or joint venture relationship between Grantor and Grantee. Nothing in this Agreement shall be construed as a grant of authority to Grantee to waive any right, incur any obligation or liability, enter into any agreement, grant any release or otherwise purport to act in the name of Grantor.

10. Indemnification.

10.1 Grantee shall indemnify and hold harmless Grantor, its affiliates, directors, officers, employees, representatives, agents, successors and assigns from and against any and all losses, damages, costs and expenses, including attorney's fees, resulting from or arising out of Grantee's breach of the promises, covenants, representations and warranties made by it herein or Grantee's unpermitted use of the Service Mark and Trade Name hereunder.

10.2 Grantor shall indemnify and hold harmless Grantee, its affiliates, directors, officers, employees, representatives, agents, successors and assigns from and against any and all losses, damages, costs and expenses, including attorney's fees, resulting from or arising out of Grantor's breach of the promises, covenants, representations and warranties made by it herein or Grantee's permitted use of the Service Mark and Trade Name hereunder.

11. Representations and Warranties.

11.1 Grantee hereby represents and warrants that: (a) it is a corporation duly organized and validly existing under the laws of the State of Tennessee; (b) the execution and delivery by the Grantee of this Agreement, the performance by Grantee of all the terms and conditions thereof to be performed by it and the consummation of the transactions contemplated hereby have been duly authorized by all necessary action, and no other act or approval of any person or entity is required to authorize such execution, delivery, and performance; (c) the Agreement constitutes a valid and binding obligation of Grantee, enforceable in accordance with its terms; (d) this Agreement and the execution and delivery thereof by Grantee, does not, and the fulfillment and compliance with the terms and conditions hereof and the consummation of the transactions

contemplated hereby will not, (i) conflict with any of, or require the consent of any person or entity under, the terms, conditions or provisions of the organizational documents of Grantee, (ii) violate any provision of, or require any consent, authorization or approval under, any law or administrative regulation or any judicial, administrative or arbitration order, award, judgment, writ, injunction or decree applicable to Grantee, or (iii) conflict with, result in a breach of, or constitute a default under, any material agreement or obligation to which Grantee is a party.

11.2 Grantor hereby represents and warrants that (a) it is a corporation duly organized and validly existing under the laws of the State of Tennessee; (b) the execution and delivery by the Grantor of this Agreement, the performance by Grantor of all the terms and conditions thereof to be performed by it and the consummation of the transactions contemplated hereby have been duly authorized by all necessary action, and no other act or approval of any person or entity is required to authorize such execution, delivery, and performance; (c) the Agreement constitutes a valid and binding obligation of Grantor, enforceable in accordance with its terms; (d) this Agreement and the execution and delivery thereof by Grantor, does not, and the fulfillment and compliance with the terms and conditions hereof and the consummation of the transactions contemplated hereby will not, (i) conflict with any of, or require the consent of any person or entity under, the terms, conditions or provisions of the organizational documents of Grantor, (ii) violate any provision of, or require any consent, authorization or approval under, any law or administrative regulation or any judicial, administrative or arbitration order, award, judgment, writ, injunction or decree applicable to Grantor, or (iii) conflict with, result in a breach of, or constitute a default under, any material agreement or obligation to which Grantor is a party; (e) Grantor, it is the owner of and has exclusive rights to the use of the Service Mark and Trade Name and has the right to grant the right to use the Service Mark and Trade Name to Grantee under the terms of this Agreement; and (f) has not been subject to any third party claims for infringement due to the use of the Service Mark and Trade Name.

12. Ownership; Form of Use. Grantee acknowledges that Grantor owns all right, title, and interest in and to the Service Mark and Trade Name and agrees that it will do nothing inconsistent with such ownership. Any and all use of the Service Mark and Trade Name by Grantee, and the goodwill arising therefrom, shall inure to the benefit of Grantor. Grantee agrees that nothing in this Agreement shall give Grantee any right, title, or interest in the Service Mark and Trade Name other than the right to use it in accordance with this Agreement, and Grantee agrees that it will not attack the title of Grantor to the Service Mark and Trade Name or attack the validity of this Agreement. Grantee agrees to use the Service Mark and Trade Name only in the form and manner as prescribed from time to time by Grantor and to so limit any party to whom it assigns, sublicenses or otherwise transfers the right to the use of the Service Mark and Trade Name and agrees to use such designations as may be requested by Grantor to indicate Grantor's exclusive rights to the Service Mark and Trade Name. Grantee agrees that it shall not adopt or use for any purpose any variation of the Service Mark and Trade Name likely to be confused with the Service Mark and Trade Name.

13. Protection of Grantor's Proprietary Rights. Grantee agrees to assist Grantor in the registration, renewal, and enforcement of Grantor's rights in and to the Service Mark and Trade

Name, including, but not limited to, the prosecution of any pending or future applications for trade and/or service mark registration with the United States Patent and Trademark Office or other domestic or international government authority.

14. Confidentiality. Grantee agrees to keep strictly confidential all information relating to Grantor that may be obtained by Grantee as the result of the relationship between Grantor and Grantee under this Agreement other than information which is publicly available or made known to Grantee by a third party authorized to disclose such information.

15. Disclaimer of Warranties. EXCEPT AS MAY BE EXPRESSLY PROVIDED IN THIS AGREEMENT, GRANTOR MAKES NO REPRESENTATION OR WARRANTY, EXPRESS OR IMPLIED, IN RESPECT OF THE SERVICE MARK AND TRADE NAME.

16. Negation of Consequential Damages. IN NO EVENT SHALL GRANTOR BE LIABLE FOR ANY CONSEQUENTIAL OR INCIDENTAL DAMAGES WHATSOEVER HEREUNDER, REGARDLESS OF WHETHER GRANTOR HAS BEEN INFORMED OF THE POSSIBILITY OF SUCH DAMAGES.

17. Governmental Licenses, Permits and Approvals. Grantee, at its expense, shall be responsible for obtaining and maintaining all licenses, permits, approvals, authorizations, and clearances which are required by governmental authorities with respect to this Agreement and for compliance with any requirements of governmental authorities for the registration or recordation of this Agreement and for making any payments required in connection therewith. Grantee shall furnish to Grantor, promptly upon Grantor's request, written evidence from such governmental authorities of the due issuance and continuing validity of any such licenses, permits, clearances, authorizations, approvals, registration or recordation.

18. Notices.

18.1 Notices and other communications required or permitted to be given under this Agreement shall be in writing and delivered by hand or overnight delivery, or placed in certified or registered mail, return receipt requested, at the addresses specified below or such other address as either party may, by notice to the other, designate:

If to Grantor: Corrections Corporation of America
10 Burton Hills Boulevard
Nashville, Tennessee 37215
Attn: Doctor R. Crants, Chief Executive Officer

with a copy to: Elizabeth E. Moore, Esq.
Stokes & Bartholomew, P.A.
424 Church Street, Suite 2800
Nashville, Tennessee 37219

If to Grantee: Correctional Management Services Corporation
10 Burton Hills Boulevard
Nashville, Tennessee 37215
Attn: Darrell K. Massengale, Chief
Financial Officer

18.2 Notices and other communications shall be deemed given when delivered by hand or overnight delivery to the proper address or the date of the return receipt, as provided above.

19. Governing Laws. This Agreement shall be construed in accordance with the laws of Tennessee, excluding the choice of law provisions thereof. The parties hereby submit to the jurisdiction of the courts of Tennessee in respect to all disputes arising out of or in connection with this Agreement.

20. Enforcement. It is expressly understood, acknowledged and agreed by Grantee that: (a) the restrictions contained in this Agreement represent a reasonable and necessary protection of the legitimate interests of Grantor and its affiliates, and that Grantee's failure to observe and comply with the covenants and agreements in this Agreement will cause irreparable harm to Grantor and its affiliates; (b) it is and will continue to be difficult to ascertain the nature, scope and extent of the harm; and (c) a remedy at law for such failure by Grantee will be inadequate. Accordingly, it is the intention of the parties that, in addition to any other rights and remedies which Grantor and its affiliates may have in the event of any breach or threatened breach of the Agreement, Grantor and its affiliates shall be entitled, and are expressly and irrevocably authorized by Grantee, to demand and obtain specific performance, including, without limitation, temporary and permanent injunctive relief and all other appropriate equitable relief against Grantee in order to enforce against Grantee the covenants and agreements contained in this Agreement. Such right to obtain injunctive relief may be exercised concurrently with, prior to, after, or in lieu of, any other rights resulting from any such breach or threatened breach. Grantee shall account for and pay over to Grantor all compensation, profits, and other benefits, after taxes, enuring to Grantee's benefit, which are derived or received by Grantee or any person or business entity controlled by Grantee resulting from any action or transaction constituting breach of the Agreement.

21. Successors. This Agreement shall be binding upon each of the parties and shall also be binding upon their respective successors and assigns, including a transferee of all or substantially all of its assets.

22. Waiver; Modification. No waiver or modification of any of the terms of this Agreement shall be valid unless in writing. No waiver by either party of a breach hereof or a default hereunder shall be deemed a waiver by such party of a subsequent breach or default of like or similar nature.

23. Severability. If any provision in this Agreement contravenes or is otherwise invalid under the law of any jurisdiction, then such provision shall be deemed eliminated from this Agreement and the Agreement shall, as so modified, remain valid and binding on the parties hereto and in full force and effect.

24. Counterparts. This Agreement may be executed in one or more counterparts, each of which shall constitute an original.

25. Entire Agreement. This Agreement contains the entire understanding of the parties. There are no representations, warranties, promises, covenants or undertakings other than those contained herein.

[Remainder of page intentionally left blank]

IN WITNESS WHEREOF, the parties hereto have caused these presents to be signed by their duly authorized officers on the date set forth above.

GRANTOR:

CORRECTIONS CORPORATION OF AMERICA,
a Tennessee corporation

By: /s/ Doctor R. Crants

Its: Chief Executive Officer

GRANTEE:

CORRECTIONAL MANAGEMENT SERVICES
CORPORATION, a Tennessee corporation

By: /s/ Darrell K. Massengale

Its: Chief Financial Officer

EXHIBIT A

[CCA LOGOS]

EXHIBIT 10.5

SERVICE MARK AND TRADE NAME USE AGREEMENT

This SERVICE MARK AND TRADE NAME USE AGREEMENT (the "Agreement"), dated as of this 31st day of December, 1998, is by and between Correctional Management Services Corporation, a Tennessee corporation (the "Grantor"), and Prison Management Services, LLC, a Delaware limited liability company (the "Grantee").

W I T N E S S E T H:

WHEREAS, Grantor has obtained the non-exclusive right to use the service mark and trade name "Corrections Corporation of America", its abbreviation "CCA", and the logo and/or designs incorporating the same and included on Exhibit A attached hereto (collectively, the "Service Mark and Trade Name") pursuant to the terms and conditions of that certain Service Mark and Trade Name Use Agreement by and between Grantor and Corrections Corporation of America, a Tennessee corporation ("CCA"), of even date herewith (the "Grantor Service Mark and Trade Name Use Agreement");

WHEREAS, Section 6. of the Grantor Service Mark and Trade Name Use Agreement permits the grant to use of the Service Mark and Trade Name to Grantee hereunder;

WHEREAS, CCA is transferring all right, title and interest in and to certain contracts and assets relating to the management and operation of correction and detention facilities by CCA (the "Management Contracts") to the Grantee; and

WHEREAS, in connection with the performance of administrative services by the Grantor for the Grantee relating to such Management Contracts, Grantor desires to grant, and Grantee desires to obtain, the non-exclusive, non-transferable right to use the Service Mark and Trade Name pursuant to the terms and condition of this Agreement.

NOW, THEREFORE, in consideration of the premises and the mutual promises and undertakings contained herein, and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties hereto hereby agree as follows:

1. Grant of Use of Service Mark and Trade Name. Grantor grants to Grantee the non-exclusive, non-transferrable right to use the Service Mark and Trade Name with respect to, and only with respect to, the correction and detention facilities operated by Grantee pursuant to the Management Contracts.

2. Term. This Agreement shall commence on the date above written and terminate on the earlier of (i) the termination or expiration of the Grantor Service Mark and Trade Name Use Agreement, (ii) the date on which Grantee ceases to manage and operate any correction or detention facility, and (iii) a date which is ten (10) years from the date of this Agreement (the "Term"). With respect to (iii) hereof, this Agreement may be renewed thereafter upon the agreement of the parties under such terms and conditions as they may agree; provided, however, that no renewal of this Agreement shall be valid unless in writing and signed by both parties.

3. Termination. This Agreement may be terminated by Grantor for any reason upon ten (10) days' written notice from Grantor to Grantee.

4. Reservation of Rights. Except for the limited rights herein expressly granted to Grantee, all rights in and to the use of the Service Mark and Trade Name are reserved to CCA and Grantor throughout the United States for the sale and exclusive use or other disposition by CCA and Grantor at any time, and from time to time, without any obligation to Grantee.

5. Maintenance of Quality Standards. Grantee agrees that the nature and quality of all services rendered by Grantee hereunder, all goods sold by Grantee hereunder, and all related advertising, promotional, and other related uses of the Service Mark and Trade Name by Grantee shall conform to standards reasonably set by CCA and Grantor. Grantee agrees to cooperate with Grantor in facilitating CCA's and Grantor's control of such nature and quality, and to supply CCA and Grantor with specimens of all uses of the Service Mark and Trade Name upon request. Grantee represents, warrants, covenants, and agrees that it will conduct its business in a manner designed to protect and enhance the reputation and integrity of the Service Mark and Trade Name, and the goodwill associated therewith, and Grantor reserves all rights of approval which are necessary to achieve this result.

6. Transfer Prohibited. The right to use of the Service Mark and Trade Name granted hereunder shall not be assigned, sublicensed, or otherwise transferred without the prior written consent of Grantor. In the event of a prohibited transfer, Grantor shall have the right to terminate this Agreement forthwith by written notice to Grantee.

7. Rights Upon Termination. Upon the termination (by expiration or otherwise) of this Agreement, for any reason, all rights granted to Grantee hereunder shall automatically revert to Grantor for its use or disposition. Upon termination, Grantee shall promptly cease use of the Service Mark and Trade Name, and shall promptly deliver to Grantor all materials previously supplied by Grantor to Grantee and all copies thereof, in whole or in part, relating to or containing the Service Mark and Trade Name. At Grantor's option, Grantor may, in lieu of return, require that Grantee destroy said materials and copies and provide to Grantor satisfactory evidence of destruction. Grantor shall not be liable to Grantee for damages of any kind on account of the termination or expiration of this Agreement. Without limiting the foregoing, upon termination or expiration of this Agreement for any reason, Grantor shall have no liability for reimbursement or for damages for loss of goodwill, or on account of any expenditures, investments, leases, or other commitments made by Grantee. Grantee acknowledges and agrees that Grantee has no expectation and has received no assurances that its business relationship with Grantor will continue beyond the stated term of this Agreement or its earlier termination, that any investment by Grantee will be recovered or recouped, or that Grantee shall obtain any anticipated amount of profits by virtue of this Agreement.

8. No Franchise or Joint Venture. The parties expressly acknowledge that this Agreement shall not be deemed to create an agency, partnership, franchise, employment, or joint

venture relationship between Grantor and Grantee. Nothing in this Agreement shall be construed as a grant of authority to Grantee to waive any right, incur any obligation or liability, enter into any agreement, grant any release or otherwise purport to act in the name of Grantor.

9. Indemnification.

9.1 Grantee shall indemnify and hold harmless Grantor, its affiliates, directors, officers, employees, representatives, agents, successors and assigns from and against any and all losses, damages, costs and expenses, including attorney's fees, resulting from or arising out of Grantee's breach of the promises, covenants, representations and warranties made by it herein or from the Grantee's unpermitted use of the Service Mark and Trade Name.

9.2 Grantor shall indemnify and hold harmless Grantee, its affiliates, directors, officers, employees, representatives, agents, successors and assigns from and against any and all losses, damages, costs and expenses, including attorney's fees, resulting from or arising out of Grantor's breach of the promises, covenants, representations and warranties made by it herein or from the Grantee's permitted use of the Service Mark and Trade Name.

10. Representations and Warranties.

10.1 Grantee hereby represents and warrants that: (a) it is a limited liability company duly organized and validly existing under the laws of the State of Delaware; (b) the execution and delivery by the Grantee of this Agreement, the performance by Grantee of all the terms and conditions thereof to be performed by it and the consummation of the transactions contemplated hereby have been duly authorized by all necessary action, and no other act or approval of any person or entity is required to authorize such execution, delivery, and performance; (c) the Agreement constitutes a valid and binding obligation of Grantee, enforceable in accordance with its terms; (d) this Agreement and the execution and delivery thereof by Grantee, does not, and the fulfillment and compliance with the terms and conditions hereof and the consummation of the transactions contemplated hereby will not, (i) conflict with any of, or require the consent of any person or entity under, the terms, conditions or provisions of the organizational documents of Grantee, (ii) violate any provision of, or require any consent, authorization or approval under, any law or administrative regulation or any judicial, administrative or arbitration order, award, judgment, writ, injunction or decree applicable to Grantee, or (iii) conflict with, result in a breach of, or constitute a default under, any material agreement or obligation to which Grantee is a party.

10.2 Grantor hereby represents and warrants that (a) it is a corporation duly organized and validly existing under the laws of the State of Tennessee; (b) the execution and delivery by the Grantor of this Agreement, the performance by Grantor of all the terms and conditions thereof to be performed by it and the consummation of the transactions contemplated hereby have been duly authorized by all necessary action, and no other act or approval of any person or entity is required to authorize such execution, delivery, and performance; (c) the Agreement constitutes a valid and binding obligation of Grantor, enforceable in accordance with its terms; (d) this Agreement and the

execution and delivery thereof by Grantor, does not, and the fulfillment and compliance with the terms and conditions hereof and the consummation of the transactions contemplated hereby will not, (i) conflict with any of, or require the consent of any person or entity under, the terms, conditions or provisions of the organizational documents of Grantor, (ii) violate any provision of, or require any consent, authorization or approval under, any law or administrative regulation or any judicial, administrative or arbitration order, award, judgment, writ, injunction or decree applicable to Grantor, or (iii) conflict with, result in a breach of, or constitute a default under, any material agreement or obligation to which Grantor is a party; (e) Grantor has the non-exclusive right to the use of the Service Mark and Trade Name and has the right to grant the right to use the Service Mark and Trade Name to Grantee under the terms of this Agreement; and (f) has not been subject to any third party claims for infringement due to the use of the Service Mark and Trade Name.

11. Ownership; Form of Use. Grantee acknowledges that (i) Grantor has obtained a non-exclusive right to the use of the Service Mark and Trade Name from CCA and agrees that it will do nothing inconsistent with such rights and (ii) CCA is the exclusive owner of the right to use the Service Mark and Trade Name in the United States, subject to the rights conferred to Grantor under the Grantor Service Mark and Trade Name Use Agreement. Grantee agrees that nothing in this Agreement shall give Grantee any right, title, or interest in the Service Mark and Trade Name other than the right to use it in accordance with this Agreement, and Grantee agrees that it will not attack (i) the rights of Grantor to use the Service Mark and Trade Name, (ii) the title of CCA to the Service Mark and Trade Name or (iii) the validity of this Agreement. Grantee agrees to use the Service Mark and Trade Name only in the form and manner as prescribed from time to time by Grantor and CCA and agrees to use such designations as may be requested by Grantor or CCA to indicate Grantor's rights to use of the Service Mark and Trade Name and CCA's ownership of the Service Mark and Trade Name. Grantee agrees that it shall not adopt or use for any purpose any variation of the Service Mark and Trade Name likely to be confused with the Service Mark and Trade Name.

12. Protection of CCA's and Grantor's Proprietary Rights. Grantee agrees to assist CCA and Grantor in the registration, renewal, and enforcement of CCA's rights in and to the Service Mark and Trade Name, including, but not limited to, the prosecution of any pending or future applications for trade and/or service mark registration with the United States Patent and Trademark Office or other domestic or international government authority.

13. Confidentiality. Grantee agrees to keep strictly confidential all information relating to Grantor that may be obtained by Grantee as the result of the relationship between Grantor and Grantee under this Agreement other than information which is publicly available or made known to Grantee by a third party authorized to disclose such information.

14. Disclaimer of Warranties. EXCEPT AS MAY BE EXPRESSLY PROVIDED IN THIS AGREEMENT, GRANTOR MAKES NO REPRESENTATION OR WARRANTY, EXPRESS OR IMPLIED, IN RESPECT OF THE SERVICE MARK AND TRADE NAME.

15. Negation of Consequential Damages. IN NO EVENT SHALL GRANTOR BE

LIABLE FOR ANY CONSEQUENTIAL OR INCIDENTAL DAMAGES WHATSOEVER HEREUNDER, REGARDLESS OF WHETHER GRANTOR HAS BEEN INFORMED OF THE POSSIBILITY OF SUCH DAMAGES.

16. Governmental Licenses, Permits and Approvals. Grantee, at its expense, shall be responsible for obtaining and maintaining all licenses, permits, approvals, authorizations, and clearances which are required by governmental authorities with respect to this Agreement and for compliance with any requirements of governmental authorities for the registration or recordation of this Agreement and for making any payments required in connection therewith. Grantee shall furnish to Grantor, promptly upon Grantor's request, written evidence from such governmental authorities of the due issuance and continuing validity of any such licenses, permits, clearances, authorizations, approvals, registration or recordation.

17. Notices.

17.1 Notices and other communications required or permitted to be given under this Agreement shall be in writing and delivered by hand or overnight delivery, or placed in certified or registered mail, return receipt requested, at the addresses specified below or such other address as either party may, by notice to the other, designate:

If to Grantor: Correctional Management Services Corporation
10 Burton Hills Boulevard
Nashville, Tennessee 37215
Attn: Darrell K. Massengale, Chief Financial Officer

with a copy to: Elizabeth E. Moore, Esq.
Stokes & Bartholomew, P.A.
424 Church Street, Suite 2800
Nashville, Tennessee 37219

If to Grantee: Prison Management Services, LLC
10 Burton Hills Boulevard
Nashville, Tennessee 37215
Attn: Darrell K. Massengale, Chief Financial Officer

with a copy to: Elizabeth E. Moore, Esq.
Stokes & Bartholomew, P.A.
424 Church Street, Suite 2800
Nashville, Tennessee 37219

17.2 Notices and other communications shall be deemed given when delivered by hand or overnight delivery to the proper address or the date of the return receipt, as provided above.

18. Governing Laws. This Agreement shall be construed in accordance with the laws of Tennessee, excluding the choice of law provisions thereof. The parties hereby submit to the jurisdiction of the courts of Tennessee in respect to all disputes arising out of or in connection with this Agreement.

19. Enforcement. It is expressly understood, acknowledged and agreed by Grantee that: (a) the restrictions contained in this Agreement represent a reasonable and necessary protection of the legitimate interests of Grantor and CCA and their affiliates, and that Grantee's failure to observe and comply with the covenants and agreements in this Agreement will cause irreparable harm to Grantor and CCA and their affiliates; (b) it is and will continue to be difficult to ascertain the nature, scope and extent of the harm; and (c) a remedy at law for such failure by Grantee will be inadequate. Accordingly, it is the intention of the parties that, in addition to any other rights and remedies which Grantor and CCA and their affiliates may have in the event of any breach or threatened breach of the Agreement, Grantor and CCA and their affiliates shall be entitled, and are expressly and irrevocably authorized by Grantee, to demand and obtain specific performance, including, without limitation, temporary and permanent injunctive relief and all other appropriate equitable relief against Grantee in order to enforce against Grantee the covenants and agreements contained in this Agreement. Such right to obtain injunctive relief may be exercised concurrently with, prior to, after, or in lieu of, any other rights resulting from any such breach or threatened breach. Grantee shall account for and pay over to Grantor all compensation, profits, and other benefits, after taxes, enuring to Grantee's benefit, which are derived or received by Grantee or any person or business entity controlled by Grantee resulting from any action or transaction constituting breach of the Agreement.

20. Successors. This Agreement shall be binding upon each of the parties and shall also be binding upon their respective successors and assigns, including a transferee of all or substantially all of its assets.

21. Waiver; Modification. No waiver or modification of any of the terms of this Agreement shall be valid unless in writing. No waiver by either party of a breach hereof or a default hereunder shall be deemed a waiver by such party of a subsequent breach or default of like or similar nature.

22. Severability. If any provision in this Agreement contravenes or is otherwise invalid under the law of any jurisdiction, then such provision shall be deemed eliminated from this Agreement and the Agreement shall, as so modified, remain valid and binding on the parties hereto and in full force and effect.

23. Counterparts. This Agreement may be executed in one or more counterparts, each of which shall constitute an original.

24. Entire Agreement. This Agreement contains the entire understanding of the parties. There are no representations, warranties, promises, covenants or undertakings other than those contained herein.

IN WITNESS WHEREOF, the parties hereto have caused these presents to be signed by their duly authorized officers on the date set forth above.

GRANTOR:

CORRECTIONAL MANAGEMENT SERVICES CORPORATION, a Tennessee corporation

By: /s/ Doctor R. Crants

Its: Chief Executive Officer

GRANTEE:

PRISON MANAGEMENT SERVICES, LLC, a Delaware limited liability company

By: /s/ Darrell K. Massengale

Its: Chief Manager

EXHIBIT A

[CCA LOGOS]

EXHIBIT 10.6

SERVICE MARK AND TRADE NAME USE AGREEMENT

This SERVICE MARK AND TRADE NAME USE AGREEMENT (the "Agreement"), dated as of this 31st day of December, 1998, is by and between Correctional Management Services Corporation, a Tennessee corporation (the "Grantor"), and Juvenile and Jail Facility Management Services, LLC, a Delaware limited liability company (the "Grantee").

W I T N E S S E T H:

WHEREAS, Grantor has obtained the non-exclusive right to use the service mark and trade name "Corrections Corporation of America", its abbreviation "CCA", and the logo and/or designs incorporating the same and included on Exhibit A attached hereto (collectively, the "Service Mark and Trade Name") pursuant to the terms and conditions of that certain Service Mark and Trade Name Use Agreement by and between Grantor and Corrections Corporation of America, a Tennessee corporation ("CCA"), of even date herewith (the "Grantor Service Mark and Trade Name Use Agreement");

WHEREAS, Section 6. of the Grantor Service Mark and Trade Name Use Agreement permits the grant to use of the Service Mark and Trade Name to Grantee hereunder;

WHEREAS, CCA is transferring all right, title and interest in and to certain contracts and assets relating to the management and operation of correction and detention facilities by CCA (the "Management Contracts") to the Grantee; and

WHEREAS, in connection with the performance of administrative services by the Grantor for the Grantee relating to such Management Contracts, Grantor desires to grant, and Grantee desires to obtain, the non-exclusive, non-transferable right to use the Service Mark and Trade Name pursuant to the terms and condition of this Agreement.

NOW, THEREFORE, in consideration of the premises and the mutual promises and undertakings contained herein, and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties hereto hereby agree as follows:

1. Grant of Use of Service Mark and Trade Name. Grantor grants to Grantee the non-exclusive, non-transferrable right to use the Service Mark and Trade Name with respect to, and only with respect to, the correction and detention facilities operated by Grantee pursuant to the Management Contracts.

2. Term. This Agreement shall commence on the date above written and terminate on the earlier of (i) the termination or expiration of the Grantor Service Mark and Trade Name Use Agreement, (ii) the date on which Grantee ceases to manage and operate any correction or detention facility, and (iii) a date which is ten (10) years from the date of this Agreement (the "Term"). With respect to (iii) hereof, this Agreement may be renewed thereafter upon the agreement of the parties under such terms and conditions as they may agree; provided, however, that no renewal of this

Agreement shall be valid unless in writing and signed by both parties.

3. Termination. This Agreement may be terminated by Grantor for any reason upon ten (10) days' written notice from Grantor to Grantee.

4. Reservation of Rights. Except for the limited rights herein expressly granted to Grantee, all rights in and to the use of the Service Mark and Trade Name are reserved to CCA and Grantor throughout the United States for the sale and exclusive use or other disposition by CCA and Grantor at any time, and from time to time, without any obligation to Grantee.

5. Maintenance of Quality Standards. Grantee agrees that the nature and quality of all services rendered by Grantee hereunder, all goods sold by Grantee hereunder, and all related advertising, promotional, and other related uses of the Service Mark and Trade Name by Grantee shall conform to standards reasonably set by CCA and Grantor. Grantee agrees to cooperate with Grantor in facilitating CCA's and Grantor's control of such nature and quality, and to supply CCA and Grantor with specimens of all uses of the Service Mark and Trade Name upon request. Grantee represents, warrants, covenants, and agrees that it will conduct its business in a manner designed to protect and enhance the reputation and integrity of the Service Mark and Trade Name, and the goodwill associated therewith, and Grantor reserves all rights of approval which are necessary to achieve this result.

6. Transfer Prohibited. The right to use of the Service Mark and Trade Name granted hereunder shall not be assigned, sublicensed, or otherwise transferred without the prior written consent of Grantor. In the event of a prohibited transfer, Grantor shall have the right to terminate this Agreement forthwith by written notice to Grantee.

7. Rights Upon Termination. Upon the termination (by expiration or otherwise) of this Agreement, for any reason, all rights granted to Grantee hereunder shall automatically revert to Grantor for its use or disposition. Upon termination, Grantee shall promptly cease use of the Service Mark and Trade Name, and shall promptly deliver to Grantor all materials previously supplied by Grantor to Grantee and all copies thereof, in whole or in part, relating to or containing the Service Mark and Trade Name. At Grantor's option, Grantor may, in lieu of return, require that Grantee destroy said materials and copies and provide to Grantor satisfactory evidence of destruction. Grantor shall not be liable to Grantee for damages of any kind on account of the termination or expiration of this Agreement. Without limiting the foregoing, upon termination or expiration of this Agreement for any reason, Grantor shall have no liability for reimbursement or for damages for loss of goodwill, or on account of any expenditures, investments, leases, or other commitments made by Grantee. Grantee acknowledges and agrees that Grantee has no expectation and has received no assurances that its business relationship with Grantor will continue beyond the stated term of this Agreement or its earlier termination, that any investment by Grantee will be recovered or recouped, or that Grantee shall obtain any anticipated amount of profits by virtue of this Agreement.

8. No Franchise or Joint Venture. The parties expressly acknowledge that this Agreement shall not be deemed to create an agency, partnership, franchise, employment, or joint venture relationship between Grantor and Grantee. Nothing in this Agreement shall be construed as a grant of authority to Grantee to waive any right, incur any obligation or liability, enter into any agreement, grant any release or otherwise purport to act in the name of Grantor.

9. Indemnification.

9.1 Grantee shall indemnify and hold harmless Grantor, its affiliates, directors, officers, employees, representatives, agents, successors and assigns from and against any and all losses, damages, costs and expenses, including attorney's fees, resulting from or arising out of Grantee's breach of the promises, covenants, representations and warranties made by it herein or from the Grantee's unpermitted use of the Service Mark and Trade Name.

9.2 Grantor shall indemnify and hold harmless Grantee, its affiliates, directors, officers, employees, representatives, agents, successors and assigns from and against any and all losses, damages, costs and expenses, including attorney's fees, resulting from or arising out of Grantor's breach of the promises, covenants, representations and warranties made by it herein or from the Grantee's permitted use of the Service Mark and Trade Name.

10. Representations and Warranties.

10.1 Grantee hereby represents and warrants that: (a) it is a limited liability company duly organized and validly existing under the laws of the State of Delaware; (b) the execution and delivery by the Grantee of this Agreement, the performance by Grantee of all the terms and conditions thereof to be performed by it and the consummation of the transactions contemplated hereby have been duly authorized by all necessary action, and no other act or approval of any person or entity is required to authorize such execution, delivery, and performance; (c) the Agreement constitutes a valid and binding obligation of Grantee, enforceable in accordance with its terms; (d) this Agreement and the execution and delivery thereof by Grantee, does not, and the fulfillment and compliance with the terms and conditions hereof and the consummation of the transactions contemplated hereby will not, (i) conflict with any of, or require the consent of any person or entity under, the terms, conditions or provisions of the organizational documents of Grantee, (ii) violate any provision of, or require any consent, authorization or approval under, any law or administrative regulation or any judicial, administrative or arbitration order, award, judgment, writ, injunction or decree applicable to Grantee, or (iii) conflict with, result in a breach of, or constitute a default under, any material agreement or obligation to which Grantee is a party.

10.2 Grantor hereby represents and warrants that (a) it is a corporation duly organized and validly existing under the laws of the State of Tennessee; (b) the execution and delivery by the Grantor of this Agreement, the performance by Grantor of all the terms and conditions thereof to be performed by it and the consummation of the transactions contemplated hereby have been duly authorized by all necessary action, and no other act or approval of any person or entity is required

to authorize such execution, delivery, and performance; (c) the Agreement constitutes a valid and binding obligation of Grantor, enforceable in accordance with its terms; (d) this Agreement and the execution and delivery thereof by Grantor, does not, and the fulfillment and compliance with the terms and conditions hereof and the consummation of the transactions contemplated hereby will not, (i) conflict with any of, or require the consent of any person or entity under, the terms, conditions or provisions of the organizational documents of Grantor, (ii) violate any provision of, or require any consent, authorization or approval under, any law or administrative regulation or any judicial, administrative or arbitration order, award, judgment, writ, injunction or decree applicable to Grantor, or (iii) conflict with, result in a breach of, or constitute a default under, any material agreement or obligation to which Grantor is a party; (e) Grantor has the non-exclusive right to the use of the Service Mark and Trade Name and has the right to grant the right to use the Service Mark and Trade Name to Grantee under the terms of this Agreement; and (f) has not been subject to any third party claims for infringement due to the use of the Service Mark and Trade Name.

11. Ownership; Form of Use. Grantee acknowledges that (i) Grantor has obtained a non-exclusive right to the use of the Service Mark and Trade Name from CCA and agrees that it will do nothing inconsistent with such rights and (ii) CCA is the exclusive owner of the right to use the Service Mark and Trade Name in the United States, subject to the rights conferred to Grantor under the Grantor Service Mark and Trade Name Use Agreement. Grantee agrees that nothing in this Agreement shall give Grantee any right, title, or interest in the Service Mark and Trade Name other than the right to use it in accordance with this Agreement, and Grantee agrees that it will not attack (i) the rights of Grantor to use the Service Mark and Trade Name, (ii) the title of CCA to the Service Mark and Trade Name or (iii) the validity of this Agreement. Grantee agrees to use the Service Mark and Trade Name only in the form and manner as prescribed from time to time by Grantor and CCA and agrees to use such designations as may be requested by Grantor or CCA to indicate Grantor's rights to use of the Service Mark and Trade Name and CCA's ownership of the Service Mark and Trade Name. Grantee agrees that it shall not adopt or use for any purpose any variation of the Service Mark and Trade Name likely to be confused with the Service Mark and Trade Name.

12. Protection of CCA's and Grantor's Proprietary Rights. Grantee agrees to assist CCA and Grantor in the registration, renewal, and enforcement of CCA's rights in and to the Service Mark and Trade Name, including, but not limited to, the prosecution of any pending or future applications for trade and/or service mark registration with the United States Patent and Trademark Office or other domestic or international government authority.

13. Confidentiality. Grantee agrees to keep strictly confidential all information relating to Grantor that may be obtained by Grantee as the result of the relationship between Grantor and Grantee under this Agreement other than information which is publicly available or made known to Grantee by a third party authorized to disclose such information.

14. Disclaimer of Warranties. EXCEPT AS MAY BE EXPRESSLY PROVIDED IN THIS AGREEMENT, GRANTOR MAKES NO REPRESENTATION OR WARRANTY, EXPRESS OR IMPLIED, IN RESPECT OF THE SERVICE MARK AND TRADE NAME.

15. Negation of Consequential Damages. IN NO EVENT SHALL GRANTOR BE LIABLE FOR ANY CONSEQUENTIAL OR INCIDENTAL DAMAGES WHATSOEVER HEREUNDER, REGARDLESS OF WHETHER GRANTOR HAS BEEN INFORMED OF THE POSSIBILITY OF SUCH DAMAGES.

16. Governmental Licenses, Permits and Approvals. Grantee, at its expense, shall be responsible for obtaining and maintaining all licenses, permits, approvals, authorizations, and clearances which are required by governmental authorities with respect to this Agreement and for compliance with any requirements of governmental authorities for the registration or recordation of this Agreement and for making any payments required in connection therewith. Grantee shall furnish to Grantor, promptly upon Grantor's request, written evidence from such governmental authorities of the due issuance and continuing validity of any such licenses, permits, clearances, authorizations, approvals, registration or recordation.

17. Notices.

17.1 Notices and other communications required or permitted to be given under this Agreement shall be in writing and delivered by hand or overnight delivery, or placed in certified or registered mail, return receipt requested, at the addresses specified below or such other address as either party may, by notice to the other, designate:

If to Grantor: Correctional Management Services Corporation
10 Burton Hills Boulevard
Nashville, Tennessee 37215
Attn: Darrell K. Massengale, Chief Financial Officer

with a copy to: Elizabeth E. Moore, Esq.
Stokes & Bartholomew, P.A.
424 Church Street, Suite 2800
Nashville, Tennessee 37219

If to Grantee: Juvenile and Jail Facility Management Services, LLC
10 Burton Hills Boulevard
Nashville, Tennessee 37215
Attn: Darrell K. Massengale, Chief Financial Officer

with a copy to: Elizabeth E. Moore, Esq.
Stokes & Bartholomew, P.A.
424 Church Street, Suite 2800
Nashville, Tennessee 37219

17.2 Notices and other communications shall be deemed given when delivered by hand or overnight delivery to the proper address or the date of the return receipt, as provided above.

18. Governing Laws. This Agreement shall be construed in accordance with the laws of Tennessee, excluding the choice of law provisions thereof. The parties hereby submit to the jurisdiction of the courts of Tennessee in respect to all disputes arising out of or in connection with this Agreement.

19. Enforcement. It is expressly understood, acknowledged and agreed by Grantee that: (a) the restrictions contained in this Agreement represent a reasonable and necessary protection of the legitimate interests of Grantor and CCA and their affiliates, and that Grantee's failure to observe and comply with the covenants and agreements in this Agreement will cause irreparable harm to Grantor and CCA and their affiliates; (b) it is and will continue to be difficult to ascertain the nature, scope and extent of the harm; and (c) a remedy at law for such failure by Grantee will be inadequate. Accordingly, it is the intention of the parties that, in addition to any other rights and remedies which Grantor and CCA and their affiliates may have in the event of any breach or threatened breach of the Agreement, Grantor and CCA and their affiliates shall be entitled, and are expressly and irrevocably authorized by Grantee, to demand and obtain specific performance, including, without limitation, temporary and permanent injunctive relief and all other appropriate equitable relief against Grantee in order to enforce against Grantee the covenants and agreements contained in this Agreement. Such right to obtain injunctive relief may be exercised concurrently with, prior to, after, or in lieu of, any other rights resulting from any such breach or threatened breach. Grantee shall account for and pay over to Grantor all compensation, profits, and other benefits, after taxes, enuring to Grantee's benefit, which are derived or received by Grantee or any person or business entity controlled by Grantee resulting from any action or transaction constituting breach of the Agreement.

20. Successors. This Agreement shall be binding upon each of the parties and shall also be binding upon their respective successors and assigns, including a transferee of all or substantially all of its assets.

21. Waiver; Modification. No waiver or modification of any of the terms of this Agreement shall be valid unless in writing. No waiver by either party of a breach hereof or a default hereunder shall be deemed a waiver by such party of a subsequent breach or default of like or similar nature.

22. Severability. If any provision in this Agreement contravenes or is otherwise invalid under the law of any jurisdiction, then such provision shall be deemed eliminated from this Agreement and the Agreement shall, as so modified, remain valid and binding on the parties hereto and in full force and effect.

23. Counterparts. This Agreement may be executed in one or more counterparts, each of which shall constitute an original.

24. Entire Agreement. This Agreement contains the entire understanding of the parties. There are no representations, warranties, promises, covenants or undertakings other than those contained herein.

IN WITNESS WHEREOF, the parties hereto have caused these presents to be signed by their duly authorized officers on the date set forth above.

GRANTOR:

CORRECTIONAL MANAGEMENT SERVICES CORPORATION, a Tennessee corporation

By: /s/ Doctor R. Crants

Its: Chief Executive Officer

GRANTEE:

JUVENILE AND JAIL FACILITY MANAGEMENT SERVICES, LLC, a Delaware limited liability company

By: /s/ Darrell K. Massengale

Its: Chief Manager

EXHIBIT A

[CCA LOGOS]

EXHIBIT 10.7

PROMISSORY NOTE

Nashville, Tennessee
$137,000,000.00 December 31, 1998

FOR VALUE RECEIVED, undersigned, Correctional Management Services Corporation, a Tennessee corporation ("Maker"), as partial consideration for the transfer of certain non-real estate assets to Maker by Corrections Corporation of America, a Tennessee corporation ("CCA"), hereby promises to pay to the order of CCA and its successors and assigns the principal sum of One Hundred Thirty-Seven Million and No/100 Dollars ($137,000,000.00), plus interest at the rate of twelve percent (12.0%) per annum. In no event shall the interest rate charged herein exceed the maximum rate of interest permitted to be charged under the laws in effect from time to time.

Payments of accrued interest shall be due and payable annually on each anniversary date of this Note with the first such payment being due on December 31, 1999. Beginning on the fifth (5th) anniversary date of this Note and continuing on each anniversary date thereafter, equal annual payments of principal shall be due and payable in an amount equal to one-sixth of the outstanding principal balance hereof on December 31, 2003 such that the principal balance thereof is amortized in six (6) equal annual payments. To the extent that the Maker generates available cash flow from operations in excess of amounts required to make payments under any bank credit facility obtained by the Maker, any such funds shall be used to prepay outstanding principal due under this Note, and the amortization schedule of this Note shall be adjusted accordingly. The entire remaining principal balance, together with all accrued and unpaid interest and all unpaid costs and expenses of CCA, shall be due and payable in full on December 31, 2008, without grace.

Principal, interest and fees, if any, shall be payable in lawful money of the United States of America, to CCA at its main office or at such other location as CCA may designate in writing from time to time to Maker.

Ten percent (10.0%) of the outstanding principal amount due under this Note is personally guaranteed by Doctor R. Crants, Jr. pursuant to the terms of that certain Guarantee Agreement of even date herewith.

In the event there is a default in the payment of any part of interest or principal in accordance with the terms hereof, or upon failure of the undersigned to keep and perform all the covenants, promises, agreements, conditions and promises of this Note; or if any obligor hereon makes a general assignment for the benefit of creditors, or files a voluntary petition in bankruptcy or a petition for reorganization under the bankruptcy laws; or if a petition in bankruptcy is filed against any obligor; or if a receiver or trustee is appointed for all or any part of the property and assets of any obligor; or should any levy, attachment or garnishment be issued, or any lien filed against the property of any obligor and not be satisfied or released within forty-five (45) days after such filing; then, in any such case, the entire unpaid principal sum evidenced by this Note, together with all accrued interest, shall,

at the option of any holder, without notice, become due and payable forthwith, and shall thereafter bear interest until paid at the highest rate of interest permitted to be charged under the laws in effect from time to time. Failure of the holder to exercise this right of accelerating the maturity of the debt, or indulgence granted from time to time, shall in no event be considered as a waiver of said right of acceleration or stop the holder from exercising said right. Notwithstanding anything herein to the contrary, the Maker shall have a period of twenty (20) days from the date of receipt of notice of a default to cure any such default.

All persons or corporations now or at any time liable, whether primarily or secondarily, for the payment of the indebtedness hereby evidenced, for themselves, their heirs, legal representatives and assigns, waive demand, presentment for payment, notice of dishonor, protest, notice of protest, diligence in collection, and all other notices or demands whatsoever with respect to this Note or the enforcement hereof, and consent that the time of said payments or any part thereof may be extended by the holder hereof, and assent to any substitution, exchange, or release of collateral permitted by the holder hereof, all without in any way modifying, altering, releasing, affecting or limiting their respective liability.

The term "obligor," as used in this Note, shall mean all parties and each of them, directly or indirectly obligated for the indebtedness that this Note evidences, whether as principal, maker, endorser, surety, guarantor or otherwise.

Time is of the essence in respect to this Note, and it is expressly understood and agreed by all parties hereto, including obligors, that if it is necessary to enforce payment of this Note through an attorney-at-law, or under advice therefrom, whether or not suit is brought, Maker or any obligor shall pay all costs of collection, including reasonable attorney's fees.

This Note is intended as a contract and an obligation under the laws of the State of Tennessee and shall be construed and enforceable in accordance with the laws of said state.

ALL INDEBTEDNESS EVIDENCED BY THIS NOTE IS SUBORDINATED TO OTHER INDEBTEDNESS PURSUANT TO, AND TO THE EXTENT PROVIDED IN, AND IS OTHERWISE SUBJECT TO THE TERMS OF, THE INTERCREDITOR AND SUBORDINATION AGREEMENT, DATED AS OF DECEMBER 31, 1998, AS THE SAME MAY BE AMENDED, MODIFIED OR OTHERWISE SUPPLEMENTED FROM TIME TO TIME (THE "SUBORDINATION AGREEMENT"), BY AND AMONG CORRECTIONAL MANAGEMENT SERVICES CORPORATION, PRISON REALTY CORPORATION AND GENERAL ELECTRIC CAPITAL CORPORATION, AS AGENT FOR THE LENDERS UNDER THE SENIOR CREDIT AGREEMENT REFERRED TO IN THE SUBORDINATION AGREEMENT. THE TERMS OF THE SUBORDINATION AGREEMENT ARE HEREBY INCORPORATED BY REFERENCE INTO THIS NOTE AS IF SET FORTH IN FULL HEREIN. BY MAKING AVAILABLE TO THE BORROWER THE INDEBTEDNESS EVIDENCED BY THIS NOTE (AND WHETHER OR NOT THE PROMISEE HAS

EXECUTED AND DELIVERED THE SUBORDINATION AGREEMENT), THE PROMISEE HEREBY AGREES THAT IT SHALL BE DEEMED TO HAVE EXECUTED AND DELIVERED THE SUBORDINATION AGREEMENT AND TO BE BOUND BY ALL THE TERMS OF THE SUBORDINATION AGREEMENT APPLICABLE TO THE "SUBORDINATED NOTEHOLDER" (AS DEFINED THEREIN). THIS NOTE HAS NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR ANY STATE SECURITIES LAW, AND MAY NOT BE SOLD, ASSIGNED, MORTGAGED, PLEDGED, HYPOTHECATED OR OTHERWISE TRANSFERRED IN THE ABSENCE OF SUCH REGISTRATION OR AN EXEMPTION THEREFROM UNDER THE ACT AND APPLICABLE STATE SECURITIES LAWS AND THE OTHER RESTRICTIONS SET FORTH HEREIN AND IN THE SUBORDINATION AGREEMENT.

[Remainder of page intentionally left blank]

IN WITNESS WHEREOF, this Note has been duly executed by the undersigned as of the date first set forth above.

CORRECTIONAL MANAGEMENT SERVICES CORPORATION

BY: /s/ Doctor R. Crants

TITLE: Chief Executive Officer

STATE OF TENNESSEE
COUNTY OF DAVIDSON

Before me, the undersigned, a Notary Public of the State and County aforesaid, personally appeared Doctor R. Crants, with whom I am personally acquainted (or proved to me on the basis of satisfactory evidence), and who, upon oath, acknowledged himself to be President and CEO of CORRECTIONAL MANAGEMENT SERVICES CORPORATION, the within named bargainor, a Tennessee corporation, and that he, as such President and CEO, being authorized to do so, executed the foregoing instrument for the purposes therein contained, by signing the name of the corporation by himself as President and CEO.

WITNESS my hand and official seal at office in Nashville, Tennessee, this 31st day of December, 1998.

/s/ Aree H. Southall
NOTARY PUBLIC

My Commission Expires:

9/29/01

EXHIBIT 10.8

GUARANTY AGREEMENT

FOR VALUE RECEIVED, and in consideration of that certain Promissory Note dated December 31, 1998 (the "Note") executed by Correctional Management Services Corporation, a Tennessee corporation, as Maker, in favor of Corrections Corporation of America, a Tennessee corporation, and its successors and assigns (collectively, "CCA"), the undersigned, for himself and his heirs and assigns, hereby guarantees the full and prompt payment to CCA when due, whether by acceleration or otherwise, and at all times thereafter, of ten percent (10%) of the outstanding principal amount due under the Note (the "Indebtedness").

THIS GUARANTY SHALL BE CONTINUING, ABSOLUTE AND UNCONDITIONAL. The undersigned hereby expressly waives all applicable statutes of limitation which may exist at any time in favor of undersigned, as well as presentment, diligence in collection, and all other notices or demands whatsoever with respect to this Guaranty Agreement and the enforcement hereof, and all rights of setoff undersigned may have against CCA. Any claims against Maker accruing to the undersigned by reason of payments made hereunder shall be subordinate to the Indebtedness.

CCA is hereby expressly authorized to make from time to time, without notice to anyone, any extensions, renewals, sales, pledges, surrenders, compromises, settlements, releases, indulgences, alterations, substitutions, exchanges, modifications, or other dispositions, of or to all or any part of the Indebtedness, or any contracts or instruments evidencing any thereof, or any security or collateral therefor, and to take any security for or other guarantees of any of the Indebtedness, and the liability of the undersigned hereunder shall not be in any manner affected, diminished or impaired thereby, or by any lack of diligence, failure, neglect or omission by CCA to make any demand or protest, or give any notice of dishonor or default, or to realize upon or protect any of the Indebtedness, or any collateral or security therefor, or to exercise any lien upon or right of appropriation or set-off against any moneys, accounts, credits, or property of Maker, possessed by CCA, towards the liquidation of the Indebtedness, or by any application of payments or credits thereon. CCA shall have the exclusive right to determine how, when and what application of payments and credits, if any, shall be made on the Indebtedness, or any part thereof, and shall be under no obligation, at any time, to first resort to, make demand on, file claim against, or exhaust its remedies against Maker, the undersigned, or other persons or corporations, their properties or estates, or to resort to or exhaust its remedies against any collateral, security, property, liens or other rights whatsoever. CCA may at any time make demand for payment on, or bring suit against, the undersigned, and may compromise with the undersigned for such sums or on such terms as it may see fit and release the undersigned from all further liability to CCA hereunder, without thereby impairing CCA's rights in any respect to demand, sue for and collect the balance of the Indebtedness from any other entity liable thereon.

In the event of insolvency (however evidenced) of, or the institution of bankruptcy or receivership proceedings by or against, Maker, all of the Indebtedness shall, for the purposes hereof and at CCA's option, become immediately due and payable from the undersigned. In such event, any and all sums or payments of any nature which may be or become due and payable by Maker to the undersigned are hereby assigned to CCA, and shall be collectible by CCA, without necessity for other authority than this instrument, until all of the Indebtedness shall be fully paid and discharged,

but such collection by CCA shall not in any respect affect, impair or diminish any other rights of CCA hereunder.

CCA may, without any notice whatsoever to anyone, sell, assign or transfer all or any part of the Indebtedness, and in that event each and every immediate and successive assignee, transferee or holder of all or any part of the Indebtedness shall have the right to enforce this Guaranty Agreement, by suit or otherwise, for the benefit of such assignee, transferee or holder, as fully as though such assignee, transferee or holder were herein by name given such rights, powers and benefits; provided, however, that CCA shall have an unimpaired right, prior and superior to that of any assignee, transferee or holder, to enforce this Guaranty Agreement for its benefit as to so much of the Indebtedness as CCA has not sold, assigned or transferred.

This Guaranty Agreement shall remain in full force and effect until written notice of its discontinuance, addressed to Corrections Corporation of America, 10 Burton Hills Boulevard, Nashville, Tennessee 37215, shall actually be received by CCA (the burden of proof of receipt being upon undersigned), and also until all Indebtedness existing before receipt of such notice, and interest and expenses in connection therewith, shall be fully paid.

The death of the undersigned shall not terminate this Guaranty Agreement until notice of such death, given as above provided, shall actually be received by CCA (the burden of proof of receipt being upon the representatives of undersigned), nor until all Indebtedness existing before receipt of such notice, and interest and expenses in connection therewith, shall be fully paid.

No act of commission or omission of any kind, or at any time, on the part of CCA in respect to any matter whatsoever shall in any way affect or impair this Guaranty Agreement. This Guaranty Agreement is in addition to and not in substitution for or discharge of any other guaranty held by CCA.

In the event CCA is required at any time to refund or repay to any person for any reason any sums collected by it on account of the obligations subject to this Guaranty Agreement, undersigned agrees that all such sums shall be subject to the terms of this Guaranty Agreement, and that CCA shall be entitled to recover such sums from undersigned notwithstanding the fact that this Guaranty Agreement may have previously been returned to undersigned or that undersigned may have previously been discharged from further liability under this Guaranty Agreement. The undersigned further agrees to indemnify and hold CCA harmless from and against any and all liability, loss, actions, claims, costs and expenses arising from or in connection with any action taken by a trustee or debtor-in-possession, under the bankruptcy laws, against CCA to recover, as a preferential or post-petition transfer, payments by or on behalf of Maker to CCA. This indemnity shall also survive return of this Guaranty Agreement or discharge of the undersigned hereunder.

This Guaranty Agreement has been negotiated, made, executed and delivered in Nashville, Tennessee. The validity and construction hereof shall be determined in all respects in accordance with the laws of the State of Tennessee. All disputes or controversies which may arise from or in

connection with this Guaranty Agreement, its construction, interpretation, effect, performance or the consequences thereof, shall be determined exclusively by the courts of the State of Tennessee and the federal courts sitting in the State of Tennessee.

[remainder of page intentionally left blank]

IN WITNESS WHEREOF, the undersigned has executed and delivered this Guaranty Agreement as of the 31st day of December, 1998.

/s/ Doctor R. Crants

Doctor R. Crants

STATE OF TENNESSEE
COUNTY OF DAVIDSON

Personally appeared before me, Doctor R. Crants, a Notary Public in and for said County and State, the within named bargainor, with whom I am personally acquainted (or proved to me on the basis of satisfactory evidence), and who acknowledged that he executed the within instrument for the purposes therein contained.

WITNESS my hand and official seal at Nashville, Davidson County, Tennessee, this 31st day of December, 1998.

/s/ Aree H. Southall

Notary Public

My Commission Expires: 9/29/01

EXHIBIT 10.9

ASSIGNMENT AGREEMENT

THIS ASSIGNMENT AGREEMENT (the "Assignment Agreement") is executed and delivered as of this 31st day of December, 1998, by and between CORRECTIONS CORPORATION OF AMERICA, a Tennessee corporation ("CCA") and CORRECTIONS PARTNERS, INC., a Delaware corporation ("CPI") and.

1. Assignment of Assets. CCA hereby assigns to CPI, any and all of its right, title and interest in and to the management contracts relating to government-owned adult detention facilities listed on Schedule A attached hereto, provided that such right, title and interest expressly does not include the possessory interest in the real property used in connection with the management contract relating to the Huerfano County Correctional Facility.

2. Further Assurances. Each party hereto shall execute, acknowledge and deliver to the other party all documents, and shall take all actions, reasonably requested by such other party from time to time to confirm or effect the matters set forth herein, or to otherwise carry out the purpose of this Assignment Agreement.

3. Counterparts. This Assignment Agreement may be executed in counterparts, each of which shall be deemed to be an original but all of which together shall constitute a single agreement.

4. Governing Law. This Assignment Agreement shall be governed by and construed in accordance with the laws of the State of Tennessee.

[remainder of this page intentionally left blank]

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

CORRECTIONS CORPORATION OF AMERICA

By: /s/ Doctor R. Crants

Its: Chief Executive Officer

CORRECTIONS PARTNERS, INC.

By: /s/ Darrell K. Massengale

Its: President

SCHEDULE A

FACILITIES COVERED BY ASSIGNMENT

FACILITY	LOCATION	BED CAPACITY
Bent County Correctional Facility	Las Animas, Colorado	700
Bridgeport Pre-Parole Transfer Facility	Bridgeport, Texas	200
California City Correctional Facility	California City, California	2,304
Central Arizona Detention Center	Florence, Arizona	2,048
Cibola County Corrections Center	Milan, New Mexico	376
Cimarron Correctional Facility	Cushing, Oklahoma	960
*Coffee Correctional Facility	Nicholls, Georgia	508
Davis Correctional Facility	Holdenville, Oklahoma	960
D.C. Correctional Treatment Facility	Washington, D.C.	866
*Diamondback Correctional Facility	Watonga, Oklahoma	1,440
Eden Detention Center	Eden, Texas	1,225
Houston Processing Center	Houston, Texas	411
*Kit Carson Correctional Center	Burlington, Colorado	768
Laredo Processing Center	Laredo, Texas	258
Leavenworth Detention Center	Leavenworth, Kansas	327
*Maurice Sigler Detention Facility/ Polk County Jail Annex	Frostproof, Florida	1,008
*Mendota Correctional Facility	Mendota, California	1,024
Mineral Wells Pre-Parole Transfer Facility	Mineral Wells, Texas	2,103
*Montana Correctional Facility	Shelby, Montana	512
*Mountainview Correctional Institution	Spruce Pine, North Carolina	528
New Mexico Women's Correctional Facility	Grants, New Mexico	322
North Fork Correctional Center	Sayre, Oklahoma	1,440
Northeast Ohio Correctional Center	Youngstown, Ohio	2,016
Prairie Correctional Facility	Appleton, Minnesota	1,338
San Diego Correctional Facility	San Diego, California	1,000
San Diego Jail	San Diego, California	200
Shelby Training Center	Memphis, Tennessee	200
Southern Nevada Women's Correctional Facility	Las Vegas, Nevada	500
T. Don Hutto Correctional Center	Taylor, Texas	480
Torrance County Detention Facility	Estancia, New Mexico	910
Webb County Correctional Center	Laredo, Texas	500
West Tennessee Detention Center	Mason, Tennessee	600
*Wheeler Correctional Facility	Alamo, Georgia	508
Whiteville Correctional Facility	Whiteville, Tennessee	1,536

* Facilities currently under construction.

BILL OF SALE

For good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, CORRECTIONS CORPORATION OF AMERICA, a Tennessee corporation, ("CCA") has bargained and contributed, and by these presents does bargain and contribute unto CORRECTIONS PARTNERS, INC., a Delaware corporation ("CPI") all of its right, title and interest in the following:

1) Any and all equipment and other personal property used in connection with the management and operation of the Correctional Treatment Facility in Washington, D.C., the Eden Detention Center, the San Diego Jail and the Southern Nevada Women's Correctional Facility.

2) Any and all leasehold improvements relating to the Correctional Treatment Facility in Washington, D.C., the Eden Detention Center and the Southern Nevada Women's Correctional Facility.

3) Any and all equipment and other personal property located at the CCA Corporate Headquarters, 10 Burton Hills Boulevard, Nashville, Tennessee, 37215.

This Bill of Sale is being delivered pursuant to that certain Assignment Agreement dated as of the 31st day of December, 1998 (the "Assignment Agreement"), between CCA and CPI.

Dated this 31st day of December, 1998.

CORRECTIONS CORPORATION OF AMERICA

By: /s/ Doctor R. Crants

Its: Chief Executive Officer

EXHIBIT 10.10

ASSIGNMENT AGREEMENT

THIS ASSIGNMENT AGREEMENT (the "Assignment Agreement") is executed and delivered as of this 31st day of December, 1998, by and between CORRECTIONS PARTNERS, INC., a Delaware corporation ("CPI"), CONCEPT, INCORPORATED, a Delaware corporation ("Concept"), TRANSCOR AMERICA, INC., a Tennessee corporation ("TransCor") certain other subsidiaries, as listed on the signature pages hereto, (the "Subsidiaries") of CORRECTIONS CORPORATION OF AMERICA, a Tennessee corporation ("CCA"), and CORRECTIONAL MANAGEMENT SERVICES CORPORATION, a Tennessee corporation ("Operating Company"). This Agreement is being delivered pursuant to that certain Contribution Agreement dated as of the 31st day of December, 1998 (the "Contribution Agreement"), between CCA (and certain of its subsidiaries) and Operating Company. Capitalized terms used herein without definition are used herein as defined in the Contribution Agreement.

1. Assignment of Assets. CPI, Concept, TransCor and the Subsidiaries hereby assign to Operating Company, any and all of their right, title and interest in and to the management contracts listed on Exhibit B and Exhibit C to the Contribution Agreement.

2. Further Assurances. Each party hereto shall execute, acknowledge and deliver to the other party all documents, and shall take all actions, reasonably requested by such other party from time to time to confirm or effect the matters set forth herein, or to otherwise carry out the purpose of the Contribution Agreement and this Assignment Agreement.

3. Contribution Agreement. This Assignment Agreement is entered into pursuant to and is subject to all of the terms of the Contribution Agreement, and nothing herein shall be deemed to modify any of the representations, warranties, covenants and obligations of the parties thereunder.

4. Interpretation. In the event of any conflict or inconsistency between the terms, provisions and conditions of this Assignment Agreement and the Contribution Agreement, the terms, provisions and conditions of the Contribution Agreement shall govern.

5. Counterparts. This Assignment Agreement may be executed in counterparts, each of which shall be deemed to be an original but all of which together shall constitute a single agreement.

6. Governing Law. This Assignment Agreement shall be governed by and construed in accordance with the laws of the State of Tennessee.

[remainder of this page intentionally left blank]

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

CPI:

CORRECTIONS PARTNERS, INC.

By: /s/ Darrell K. Massengale

Its: President

CONCEPT:

CONCEPT, INCORPORATED

By: /s/ Darrell K. Massengale

Its: President

TRANSCOR:

TRANSCOR AMERICA, INC.

By: /s/ Darrell K. Massengale

Its: Secretary

SUBSIDIARIES:

LEE ADJUSTMENT CENTER, INC., a Kentucky corporation

By: /s/ Darrell K. Massengale

Its: President

MARION ADJUSTMENT CENTER, INC., a Kentucky corporation

By: /s/ Darrell K. Massengale

Its: President

OTTER CREEK CORRECTIONAL CENTER, INC.,
a Kentucky corporation

By: /s/ Darrell K. Massengale

Its: President

RIVER CITY CORRECTIONAL CENTER, INC., a
Kentucky corporation

By: /s/ Darrell K. Massengale

Its: President

USCC AVERY/MITCHELL MANAGEMENT
COMPANY, INC., a North Carolina corporation

By: /s/ Darrell K. Massengale

Its: President

USCC PAMLICO MANAGEMENT COMPANY,
INC., a North Carolina corporation

By: /s/ Darrell K. Massengale

Its: President

OPERATING COMPANY:

CORRECTIONAL MANAGEMENT
SERVICES CORPORATION

By: /s/ Darrell K. Massengale

Its: Chief Financial Officer & Secretary

BILL OF SALE

For good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, certain subsidiaries of CORRECTIONS CORPORATION OF AMERICA, a Tennessee corporation ("CCA"), as listed on the signature lines below, have bargained and contributed, and by these presents do bargain and contribute unto CORRECTIONAL MANAGEMENT SERVICES CORPORATION, a Tennessee corporation ("Operating Company") all of their right, title and interest in and to the equipment, leasehold improvements and other assets listed in Exhibit B, Exhibit C, and Exhibit D to that certain Contribution Agreement dated as of the 31st day of December, 1998 (the "Contribution Agreement"), between CCA (and certain of its subsidiaries) and Operating Company.

This Bill of Sale is being delivered pursuant to that certain Assignment Agreement dated as of the 31st day of December, 1998 (the "Assignment Agreement"), by and between CORRECTIONS PARTNERS, INC., a Delaware corporation ("CPI"), CONCEPT, INCORPORATED, a Delaware corporation ("Concept"), TRANSCOR AMERICA, INC., a Tennessee corporation ("TransCor"), certain other subsidiaries of CCA and Operating Company

Dated this 31st day of December, 1998.

SUBSIDIARIES:

CORRECTIONS PARTNERS, INC.

By: /s/ Darrell K. Massengale

Its: President

CONCEPT, INCORPORATED

By: /s/ Darrell K. Massengale

Its: President

TRANSCOR AMERICA, INC.

By: /s/ Darrell K. Massengale

Its: Secretary

LEE ADJUSTMENT CENTER, INC., a Kentucky corporation

By: /s/ Darrell K. Massengale

Its: President

[signatures continue on the following page]

MARION ADJUSTMENT CENTER, INC., a Kentucky corporation

By: /s/ Darrell K. Massengale

Its: President

OTTER CREEK CORRECTIONAL CENTER, INC., a Kentucky corporation

By: /s/ Darrell K. Massengale

Its: President

RIVER CITY CORRECTIONAL CENTER, INC., a Kentucky corporation

By: /s/ Darrell K. Massengale

Its: President

USCC AVERY/MITCHELL MANAGEMENT COMPANY, INC., a North Carolina corporation

By: /s/ Darrell K. Massengale

Its: President

USCC PAMLICO MANAGEMENT COMPANY, INC., a North Carolina corporation

By: /s/ Darrell K. Massengale

Its: President

EXHIBIT 10.11

CONTRIBUTION AGREEMENT

This CONTRIBUTION AGREEMENT (the "Agreement"), dated as of the 31st day of December, 1998, is by and among Corrections Corporation of America, a Tennessee corporation ("CCA"), certain of its subsidiaries listed on the signature pages hereto (collectively, the "Subsidiaries"), and Correctional Management Services Corporation, a Tennessee corporation ("Correctional Management").

WHEREAS, CCA is a party to that certain Amended and Restated Agreement and Plan of Merger, dated as of September 29, 1998 (the "Merger Agreement"), by and among Prison Realty Corporation, a Maryland corporation ("New Prison Realty"), CCA and CCA Prison Realty Trust, a Maryland real estate investment trust ("Prison Realty"), pursuant to which CCA will merge with and into New Prison Realty, with New Prison Realty being the surviving corporation, and Prison Realty will merge with and into New Prison Realty with New Prison Realty being the surviving corporation (collectively, the "Merger");

WHEREAS, pursuant to the terms of the Merger and in order that New Prison Realty may comply with the rules and regulations governing the qualification and operation of a real estate investment trust (a "REIT"), at the Closing (as hereinafter defined), prior to the consummation of the Merger, CCA desires to (i) sell to Correctional Management all of the issued and outstanding shares of capital stock of certain of its wholly-owned corporate subsidiaries, and (ii) transfer, convey, and assign, and/or shall cause its Subsidiaries to transfer, convey and assign, all right, title and interest in and to certain contracts with government entities related to the management and operation of correction and detention facilities by CCA together with certain accounts receivable and accounts payable related thereto and certain other net assets used in connection therewith to Correctional Management in exchange for the consideration described herein, and will enter into certain other agreements and undertake certain other actions all related thereto;

WHEREAS, pursuant to the terms of the Merger and in order that New Prison Realty may comply with the rules and regulations governing the qualification and operation of a real estate investment trust (a "REIT"), at the Closing (as hereinafter defined), prior to the consummation of the Merger, various subsidiaries of CCA desire to sell to Correctional Management certain of their equipment and assets;

WHEREAS, the parties now wish to confirm certain of the transactions contemplated by the Merger and described herein and certain other matters.

NOW, THEREFORE, in consideration of these premises and the mutual promises set forth herein, and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, each of the parties hereto hereby agrees as follows:

1. Transfer of Assets.

1.1. Sale of Capital Stock. CCA shall, at the Closing (as hereinafter defined), sell all of the issued and outstanding shares of capital stock of each of the wholly owned corporate

subsidiaries of CCA listed on Exhibit A attached hereto and incorporated herein by this reference (collectively, the "Purchased Subsidiaries").

1.2. Transfer and Assignment of Management Contracts and Related Assets. Subject to the terms and conditions of this Agreement, at the Closing (as hereinafter defined), CCA shall transfer, convey and assign, and/or shall cause its Subsidiaries to transfer, convey and assign, to Correctional Management all of CCA's and/or its Subsidiaries' right, title and interest in and to those certain management contracts (the "Management Contracts") and those certain accounts receivable and accounts payable and other net assets exclusively related to the management and operation of the correction and detention facilities listed on Exhibit B attached hereto, including but not limited to those specific Management Contracts and related agreements set forth on Exhibit C attached hereto, and incorporated herein by this reference (the Management Contracts, together with the accounts receivable and accounts payable and other net assets are defined, collectively, as the "Management Contract Assets"). It is expressly agreed, however, that CCA and/or its Subsidiaries shall retain the possessory interest in real property granted pursuant to the Management Contract relating to the management and operation of the Huerfano County Correctional Facility.

1.3 Transfer of Assets. At the Closing (as hereinafter defined), Corrections Partners, Inc., a Delaware corporation, TransCor America, Inc., a Tennessee corporation, USCC Avery/Mitchell Management Company, Inc., a North Carolina corporation, and USCC Pamlico Management Company, Inc., a North Carolina corporation, shall transfer, convey and assign to Correctional Management any and all of their respective right, title and interest in and to certain equipment and other personal property listed on Exhibit D attached hereto.

2. Rights to Trade Name Use. At the Closing (as hereinafter defined), CCA shall grant to Correctional Management a non-exclusive, non-transferrable license to use the name "Corrections Corporation of America," the initials "CCA" and all derivatives thereof (collectively, the "Trade Name") in conformance with standards reasonably set by CCA. The terms and conditions of such license shall be set forth in a Trade Name Use Agreement between CCA and Correctional Management (the "Trade Name Use Agreement"). Under the Trade Name Use Agreement, Correctional Management will pay to CCA a fee equal to (i) 2.75% of Correctional Management's gross revenues for the first three years of the Trade Name Use Agreement, (ii) 3.25% of Correctional Management's gross revenues for the following two years of the Trade Name Use Agreement, and (iii) 3.625% of Correctional Management's gross revenues for the remaining term of the Trade Name Use Agreement, provided that after completion of the Merger the amount of such fee may not exceed (iv) 2.75% of the gross revenues of New Prison Realty for the first three years of the Trade Name Use Agreement, (v) 3.5% of the gross revenues of New Prison Realty for the following two years of the Trade Name Use Agreement, and (vi) 3.875% of the gross revenues of New Prison Realty for the remaining term of the Trade Name Use Agreement.

3. Consideration. As consideration for sale of the Purchased Subsidiaries and for the transfer, conveyance and assignment of the Management Contract Assets to Correctional Management by CCA and/or its Subsidiaries and the grant of the right to use the Trade Name by

CCA, CCA shall receive from Correctional Management (i) an installment note in the principal amount of $137.0 million (the "Note"), and (ii) one hundred percent (100%) of the non-voting common stock of Correctional Management (the "Common Stock"). The terms of the Note shall be substantially as follows:

a. Term. The Note shall be payable over ten (10) years.

b. Interest and Payments. The Note shall bear interest at the rate of twelve percent (12%) per annum. Interest only shall be payable for the first four (4) years of the Note, with the principal being amortized over the following six (6) year period.

c. Pre-Payment. To the extent Correctional Management generates available cash flow from operations in excess of amounts required to make payments under any Correctional Management credit facility or other similar financing arrangement, such funds shall be used to prepay the principal due under the Note.

d. Security. Doctor R. Crants, the Chief Executive Officer of Correctional Management, shall guarantee payment of ten percent (10%) of the outstanding principal amount due under the Note.

4. Liabilities to be Assumed by Correctional Management. Correctional Management shall assume at the Closing (as hereinafter defined) all liabilities related to the Management Contract Assets, including the related accounts payable, as additional consideration to CCA.

5. Closing. The closing of the transactions contemplated hereby (the "Closing") shall occur prior to the Merger on a date designated by CCA acceptable to Correctional Management. At the Closing, CCA shall deliver the Management Contract Assets and the rights set forth in paragraph 2 hereof shall take effect. Correctional Management shall deliver the Common Stock to CCA.

6. Conditions to Closing. The following shall be a condition of CCA's obligation to close the transactions contemplated hereby:

The fulfillment or waiver of all conditions to CCA's and Prison Realty's obligations under the Merger Agreement (except section 6.01(h) of the Merger Agreement).

7. Accounts Receivable. If CCA and/or its Subsidiaries shall receive payment for accounts billed before the Closing or otherwise, then CCA and/or its Subsidiaries shall pay the same to Correctional Management by check endorsement to Correctional Management, delivered in three business days after the receipt of such payment. If an endorsement is not possible, CCA and/or its Subsidiaries shall pay appropriate sums to Correctional Management promptly after receipt.

8. Further Assurances. The parties agree that this Agreement should be supplemented by such further documents in form and substance reasonably satisfactory to the parties and as may

be reasonably requested by the parties or their counsel to give effect to the foregoing and the general intent thereof. Such agreements will contain, in addition to the terms and conditions set forth in this Agreement, such terms and conditions deemed necessary to effectuate the transactions contemplated thereby. The parties hereto hereby agree to act in good faith and use reasonable efforts to consummate the transactions contemplated herein and to take such other actions as may be required to facilitate the consummation of the Merger and to ensure that New Prison Realty shall continue to qualify and operate as a REIT after the Merger.

9. Termination. This Agreement shall cease to be effective if the Merger is not consummated on or before December 31, 1999. This Agreement may be terminated at any time prior to the Closing by mutual agreement of CCA and Correctional Management.

10. Confidentiality. Except as required by applicable law or legal process or as approved by CCA, Correctional Management and its representatives shall maintain in confidence and not disclose to any third party any information related to CCA or Correctional Management or its representatives obtained in the course of the transaction. The above restrictions shall not apply to information that (i) is or becomes public (other than by reason of this paragraph) or (ii) was known or available to Correctional Management or its representatives from a third party having a lawful right to disclose such information.

11. Successors. This Agreement shall be binding upon each of the parties and shall also be binding upon their respective successors or assigns, including a transferee of all or substantially all its assets.

12. Governing Law. This Agreement shall be governed by the laws of the State of Tennessee as to interpretation, construction and performance, regardless of the choice of law provisions of Tennessee or any other jurisdiction.

13. Amendments. This Agreement may not be modified or amended except by a duly executed instrument in writing signed by CCA and Correctional Management.

14. Severability. If any provision of this Agreement shall be held illegal, invalid or unenforceable, such illegality, invalidity or unenforceability shall attach only to such provision and shall not in any manner affect or render illegal, invalid or unenforceable any other provision of this Agreement, and this Agreement shall be carried out as if any such illegal, invalid or unenforceable provision were not contained herein.

15. Counterparts. This Agreement may be executed in two or more counterparts, each of which shall be deemed to be an original, but all of which together shall constitute one and the same instrument. Delivery of an executed counterpart of this Agreement by facsimile shall be equally effective as delivery of a manually executed counterpart. Any party delivering an unexecuted counterpart of this Agreement by facsimile shall also deliver a manually executed

counterpart, but the failure to deliver a manually executed counterpart shall not affect the validity, enforceability and binding effect of this Agreement.

16. Interpretation. The provisions of this Agreement shall be interpreted in a reasonable manner to effect the intentions of the parties and this Agreement.

[remainder of this page intentionally left blank]

IN WITNESS WHEREOF, each of the parties has caused this Agreement to be executed by its duly authorized officer on the day first above written.

CCA:

CORRECTIONS CORPORATION OF AMERICA,
a Tennessee corporation

By: /s/ Doctor R. Crants

Its: Chief Executive Officer

SUBSIDIARIES:

CONCEPT, INCORPORATED, a Delaware corporation

By: /s/ Darrell K. Massengale

Its: President

CORRECTIONS PARTNERS, INC., a Delaware corporation

By: /s/ Darrell K. Massengale

Its: President

LEE ADJUSTMENT CENTER, INC. a Kentucky corporation

By: /s/ Darrell K. Massengale

Its: President

MARION ADJUSTMENT CENTER, INC., a Kentucky corporation

By: /s/ Darrell K. Massengale

Its: President

[signatures continue on following page]

OTTER CREEK CORRECTIONAL CENTER, INC., a Kentucky corporation

By: /s/ Darrell K. Massengale

Its: President

RIVER CITY CORRECTIONAL CENTER, INC., a Kentucky corporation

By: /s/ Darrell K. Massengale

Its: President

TRANSCOR AMERICA, INC., a Tennessee corporation

By: /s/ Darrell K. Massengale

Its: Secretary

USCC AVERY/MITCHELL MANAGEMENT COMPANY, INC., a North Carolina corporation

By: /s/ Darrell K. Massengale

Its: President

USCC PAMLICO MANAGEMENT COMPANY, INC., a North Carolina corporation

By: /s/ Darrell K. Massengale

Its: President

CORRECTIONAL MANAGEMENT:

CORRECTIONAL MANAGEMENT SERVICES CORPORATION, a Tennessee corporation

By: /s/ Darrell K. Massengale

Its: CFO and Secretary

EXHIBIT A

Purchased Subsidiaries

Domestic

CCA International, Inc., a Delaware corporation
Technical and Business Institute of America, Inc., a Tennessee corporation

International

Corrections Corporation of Australia, PTY. LTD., a Queensland, Australian corporation
Viccor Investments PTY. LTD., a Victoria, Australian corporation
Corrections Corporation of Canada, a Canadian corporation

EXHIBIT B

Correction and Detention Facilities

BENT COUNTY CORRECTIONAL FACILITY
BRIDGEPORT PRE-PAROLE TRANSFER FACILITY
CALIFORNIA CITY CORRECTIONAL FACILITY
CENTRAL ARIZONA DETENTION CENTER
CIBOLA COUNTY CORRECTIONS CENTER
CIMARRON CORRECTIONAL FACILITY
COFFEE CORRECTIONAL FACILITY
DAVIS CORRECTIONAL FACILITY
D.C. CORRECTIONAL TREATMENT FACILITY
DIAMONDBACK CORRECTIONAL FACILITY
EDEN DETENTION CENTER
ELOY DETENTION CENTER
HOUSTON PROCESSING CENTER
HUERFANO COUNTY CORRECTIONAL FACILITY
KIT CARSON CORRECTIONAL CENTER
LAREDO PROCESSING CENTER
LEAVENWORTH DETENTION CENTER
LEE ADJUSTMENT CENTER
MARION ADJUSTMENT CENTER
MAURICE SIGLER DETENTION FACILITY
MENDOTA CORRECTIONAL FACILITY
MINERAL WELLS PRE-PAROLE TRANSFER FACILITY
MONTANA CORRECTIONAL FACILITY
MOUNTAINVIEW CORRECTIONAL FACILITY
NEW MEXICO WOMEN'S CORRECTIONAL FACILITY
NORTH FORK CORRECTIONAL CENTER
NORTHEAST OHIO CORRECTIONAL CENTER
OTTER CREEK CORRECTIONAL CENTER
PAMLICO CORRECTIONAL INSTITUTION
PRAIRIE CORRECTIONAL FACILITY
RIVER CITY CORRECTIONAL CENTER
SAN DIEGO CORRECTIONAL FACILITY
SAN DIEGO JAIL
SHELBY TRAINING CENTER
SOUTHERN NEVADA WOMEN'S CORRECTIONAL FACILITY
T. DON HUTTO CORRECTIONAL CENTER
TORRANCE COUNTY DETENTION FACILITY
WEBB COUNTY CORRECTIONAL CENTER
WEST TENNESSEE DETENTION CENTER
WHEELER CORRECTIONAL FACILITY
WHITEVILLE CORRECTIONAL FACILITY

EXHIBIT C

Management Contracts and Related Agreements

BENT COUNTY CORRECTIONAL FACILITY, LAS ANIMAS, COLORADO

Management Agreement between Bent County, Colorado and Corrections Corporation of America, dated August 20, 1996, as amended.

BRIDGEPORT PPT FACILITY, BRIDGEPORT, TEXAS

Management and Operations Agreement between Corrections Corporation of America and Texas Department of Criminal Justice, Parole Division, effective date January 1, 1996, as amended.

CALIFORNIA CITY CORRECTIONAL FACILITY, CALIFORNIA, CITY, CALIFORNIA

None

CENTRAL ARIZONA DETENTION CENTER, FLORENCE, ARIZONA

i. Management Services Contract between Pinal County, Arizona and Corrections Corporation of America, effective date January 6, 1994, as amended.

ii. Amended Sole Source and Emergency Agreement and Contract between the New Mexico Corrections Department and Corrections Corporation of America, dated September 23, 1997.

iii. Inmate Housing Agreement between Montana Department of Corrections and Corrections Corporation of America, dated October 1, 1997.

iv. Memorandum of Agreement for Adult Detention between Department of Interior, Bureau of Indian Affairs Salt River Agency and Corrections Corporation of America, Florence Facility, dated March 18, 1997.

v. Standard Form Agreement, Agency Contract Number 2094863 between State of Alaska, Department of Corrections and Corrections Corporation of America, dated July 1, 1998.

vi. Agreement KR 98-0494 between Corrections Corporation of America and State of Arizona, Department of Corrections, dated May 22, 1998.

vii. Contract between the Pascua Yaqui Tribe of Arizona and Corrections Corporation of America, Central Arizona Detention Center, effective December 5, 1996.

EXHIBIT C (CONTINUED)

viii. Agreement 1GA 08-94-0008 between the United States Marshals Service and Corrections Corporation of America, effective January 1, 1996.

CIBOLA COUNTY CORRECTIONS CENTER, MILAN, NEW MEXICO

Residential Services Agreement between the County of Cibola and Corrections Corporation of America, commencing April 17, 1998.

CIMARRON CORRECTIONAL FACILITY, CUSHING, OKLAHOMA

Correctional Services Contract between Corrections Corporation of America and State of Oklahoma, Department of Corrections, dated July 1, 1997, as amended.

COFFEE CORRECTIONAL FACILITY, NICHOLLS, GEORGIA

Agency Contract No. 467-019-955259-1 between Corrections Corporation of America and Georgia Department of Corrections, dated July 24, 1997, as amended.

DAVIS CORRECTIONAL FACILITY, HOLDENVILLE, OKLAHOMA

Correctional Services Contract between Corrections Corporation of America and State of Oklahoma, Department of Corrections, dated July 1, 1998.

D.C. CORRECTIONAL TREATMENT FACILITY, WASHINGTON, D.C.

Operation and Management Agreement by and between the District of Columbia and Corrections Corporation of America, dated January 30, 1997.

DIAMONDBACK CORRECTIONAL FACILITY, WATONGA, OKLAHOMA

i. State of Hawaii Agreement for Services between the Department of Public Safety, State of Hawaii, Watonga Economic Development Authority and Corrections Corporation of America, dated October 9, 1998.

ii. Residential Services Agreement between Watonga Economic Development Authority and Corrections Corporation of America, effective August 1, 1998

EDEN DETENTION CENTER, EDEN, TEXAS

Operation and Maintenance Services Agreement by and between the City of Eden, Texas, Eden Correctional Facilities Corporation and Corrections Corporation of America, dated October 24, 1995.

EXHIBIT C (CONTINUED)

ELOY DETENTION CENTER, ELOY, ARIZONA

Contract J1PCc-003 between U.S. Department of Justice, Federal Bureau of Prisons and Corrections Corporation of America, dated March 1, 1999, as amended.

HOUSTON PROCESSING CENTER, HOUSTON, TEXAS

Contract DLS-94-D-0001 between Corrections Corporation of America and U.S. Department of Justice, Immigration and Naturalization Service, effective date October 1, 1993, as amended.

HUERFANO COUNTY CORRECTIONAL FACILITY, WALSENBURG, COLORADO

Management Agreement between Corrections Corporation of America and Huerfano County Correctional Facilities Authority, dated November 1, 1997, provided that CCA shall retain the possessory interest with respect to the property as provided in Section 1.2 of the Management Agreement.

KIT CARSON CORRECTIONAL FACILITY, BURLINGTON, COLORADO

Residential Services Agreement between Kit Carson County, Colorado, and Corrections Corporation of America

LAREDO PROCESSING CENTER, LAREDO, TEXAS

Contract ACD-8-C-009 between Corrections Corporation of America and Immigration and Naturalization Service, effective date October 1, 1998, as amended.

LEAVENWORTH DETENTION CENTER, LEAVENWORTH, KANSAS

Letter Contract No. MS-98-D-0013 between CCA and the U.S. Department of Justice, U.S. Marshals Service, dated December 29, 1997, as amended.

LEE ADJUSTMENT CENTER, BEATTYVILLE, KENTUCKY

Contract No. BP901205 between the Finance and Administration Cabinet, Division of Purchases of the Commonwealth of Kentucky and U.S. Corrections Corporation, effective date December 9, 1993, as assigned to Lee Adjustment Center, Inc., dated October 31, 1997, as amended.

EXHIBIT C (CONTINUED)

MARION ADJUSTMENT CENTER, INC., ST. MARY, KENTUCKY

Contract No. BP901205 between the Finance and Administration Cabinet, Division of Purchases of the Commwealth of Kentucky and U.S. Corrections Corporation, effective date December 9, 1993, as assigned to Marion Adjustment Center, Inc., dated October 31, 1997, as amended.

MAURICE SIGLER DETENTION FACILITY, FROSTPROOF, FLORIDA

Management Services Contract between Polk County, Florida and Corrections Corporation of America, dated October 1, 1996.

MENDOTA CORRECTIONAL FACILITY, MENDOTA, CALIFORNIA

None

MINERAL WELLS PPT FACILITY, MINERAL WELLS, TEXAS

Mineral Wells Pre-Parole Transfer Facility Management and Operations Agreement between Texas Department of Criminal Justice and Corrections Corporation of America , Mineral Wells, effective date January 1, 1996, as amended.

MONTANA CORRECTIONAL FACILITY, SHELBY, MONTANA

Contract for Operation and Management Services by and between Montana Department of Corrections and Corrections Corporation of America, dated July 22, 1998.

MOUNTAIN VIEW CORRECTIONAL INSTITUTION, SPRUCE PINE, NORTH CAROLINA

Correctional Services Contract between North Carolina Department of Correction and Corrections Corporation of America for Mountain View Correctional Facility, dated November 23, 1998.

NEW MEXICO WOMEN'S CORRECTIONAL FACILITY, GRANTS, NEW MEXICO

Management Services Agreement No. 77-40 between New Mexico Corrections Department and Corrections Corporation of America, effective date July 1, 1988.

NORTH FORK CORRECTIONAL FACILITY, SAYRE, OKLAHOMA

i. Residential Services Contract between Sayre Industrial Authority and Corrections Corporation of America, dated May 19, 1998.

EXHIBIT C (CONTINUED)

ii. State of Hawaii Agreement for Services between the Department of Public Safety, State of Hawaii and Corrections Corporation of America, dated July 14, 1998.

NORTHEAST OHIO CORRECTIONAL CENTER, YOUNGSTOWN, OHIO

Contract No. 7349-AA-03-1-HT awarded September 9, 1997 by the Government of the District of Columbia Office of Contracting and Procurement to Corrections Corporation of America, effective date September 9, 1997, as assigned and amended.

OTTER CREEK CORRECTIONAL CENTER, WHEELWRIGHT, KENTUCKY

Contract No. BP901205 between the Finance and Administration Cabinet, Division of Purchases of the Commonwealth of Kentucky and U.S. Corrections Corporation, effective date December 9, 1993, as assigned to Otter Creek Correctional Center, Inc., dated October 31, 1997, as amended.

PAMLICO CORRECTIONAL INSTITUTION, BAYBORO, NORTH CAROLINA

Correctional Services Contract between North Carolina Department of Correction and Corrections Corporation of America, dated September 1, 1998.

PRAIRIE CORRECTIONAL FACILITY, APPLETON, MINNESOTA

i. Inmate Housing Agreement between North Dakota Department of Corrections and Rehabilitation and the City of Appleton Economic Development Authority dated July 29, 1998.

ii. State of Minnesota Department of Corrections Contract for (non-state employee) Services between State of Minnesota and Corrections Corporation of America.

iii. Contract Routing Number 98CCA01086 between State of Colorado and Appleton Economic Development Authority, dated September 3, 1997.

iv. Order No. MS-99-M-00050 between the U.S. Marshals Services and Corrections Corporation of America, effective date, December 4, 1998.

v. Management Agreement between Appleton Prison Corporation and Corrections Corporation of America, effective August 1, 1996, as amended.

EXHIBIT C (CONTINUED)

RIVER CITY CORRECTIONAL CENTER, LOUISVILLE, KENTUCKY

Contract between Jefferson County, Kentucky, and U.S. Corrections Corporation, effective date December 12, 1996.

SAN DIEGO CORRECTIONAL FACILITY, SAN DIEGO, CALIFORNIA

None

SAN DIEGO JAIL, SAN DIEGO, CALIFORNIA

i. Standard Form Lease Agreement (Ground Lease of Undeveloped Property), East Mesa Detention Facility, between County of San Diego, as Lessor, and Corrections Corporation of America, as Lessee, dated December 2, 1997.

ii. Solicitation Number: ACL-8-R-0066, San Diego Detention Center, San Diego, California, between Immigration and Naturalization Service and Corrections Corporation of America, dated October 1, 1998, as amended.

SHELBY TRAINING CENTER, MEMPHIS, TENNESSEE

i. Lease Agreement between County of Shelby, Tennessee, for the Juvenile Court of Memphis and Shelby County, as Lessor, and Corrections Corporation of America, as Lessee, dated April 15, 1985.

ii. Contract between the Tennessee Department of Finance and Administration and Corrections Corporation of America, dated March 3, 1986.

iii. Professional Service Contract between State of Idaho, Department of Juvenile Corrections and Corrections Corporation of America, effective date, December 1, 1998.

iv. Contract between the County of Shelby, Tennessee for the Juvenile Court of Memphis and Shelby County and Corrections Corporation of America, dated March 14, 1985.

v. Contract for Juvenile Confinement between Tipton County, Tennessee and Corrections Corporation of America.

vi. Contract for Services of Independent Contractor between the State of Nevada, Department of Human Resources, Division of Child and Family Services and Corrections Corporation of America, effective date, July 1, 1997.

EXHIBIT C (CONTINUED)

vii. Contract Number YRS (COR-SC) FY99-2654 between the State of Delaware Department of Services for Children, Youth and their Families and Corrections Corporation of America, dated July 1, 1998, as it relates to the provision of services at the Shelby Training Center.

viii. Contract Number J200c-251 between the U.S. Department of Justice, Federal Bureau of Prisons and Corrections Corporation of America, effective January 1, 1999, as amended.

SOUTHERN NEVADA WOMEN'S CORRECTIONAL FACILITY, LAS VEGAS, NEVADA

Construction, Lease Purchase and Management Services Contract between State of Nevada, Nevada Department of Prisons and Corrections Corporation of America, dated October 14, 1996.

T. DON HUTTO CORRECTIONAL CENTER, TAYLOR, TEXAS

i. Management Services Contract between Williamson County, Texas, and Corrections Corporation of America, dated December 17, 1996, as amended.

TORRANCE COUNTY DETENTION FACILITY, ESTANCIA, NEW MEXICO

i. Contract for Inmate Confinement between Torrance County and Corrections Corporation of America, dated May 10, 1993.

ii. Management Services Contract between the County of Torrance and Corrections Corporation of America, effective date November 1, 1990, as amended.

WEBB COUNTY CORRECTIONAL CENTER

Operations Contract between Webb County, Texas and Corrections Corporation of America, dated December 29, 1998.

WEST TENNESSEE DETENTION CENTER, MASON, TENNESSEE

i. Management Services Contract between the City of Mason and Corrections Corporation of America, dated June 30, 1990, as amended.

ii. Inmate Housing Agreement between Montana Department of Corrections and Corrections Corporation of America, dated September 1, 1997.

iii. Contract No. MS-96-D-0019 issued by U.S. Marshals Service Procurement Division to Corrections Corporation of America, dated August 5, 1996, as amended.

iv. Contract for Inmate Confinement between Madison County, Tennessee and Corrections Corporation of America, effective date, March 1, 1997.

EXHIBIT C (CONTINUED)

WHEELER CORRECTIONAL FACILITY, ALAMO, GEORGIA

Contract No. 467-019-955259-2 between Corrections Corporation of America and the Georgia Department of Corrections, dated July 1, 1998, as amended.

WHITEVILLE CORRECTIONAL FACILITY, WHITEVILLE, TENNESSEE

Contractual Services Contract between Corrections Corporation of America and State of Wisconsin Department of Corrections dated March 6, 1998, as amended.

EXHIBIT D

CORRECTIONS PARTNERS, INC.

Corrections Partners, Inc. shall transfer, convey and assign to Correctional Management any and all of its rights, title and interest in and to the following:

- Any and all equipment and other personal property relating to the Eden Detention Center and any and all leasehold improvements relating to the Eden Detention Center.

- Any and all equipment and other personal property relating to the Correctional Treatment Facility in Washington, D.C. and any and all leasehold improvements relating to the Correctional Treatment Facility in Washington, D.C.

- Any and all equipment and other personal property relating to the San Diego Jail.

- Any and all equipment and other personal property relating to the Southern Nevada Women's Correctional Facility and any and all leasehold improvements relating to the Southern Nevada Women's Correctional Facility.

- Any and all equipment and other personal property relating to the Corrections Corporation of America Corporate Headquarters located at 10 Burton Hills Boulevard, Nashville, Tennessee 37215.

TRANSCOR AMERICA, INC.

TransCor America, Inc. shall transfer, convey and assign to Correctional Management any and all of its rights, title and interest in and to the following:

- All equipment and personal property located at the corporate headquarters of TransCor America, Inc., 440 Business Park, Melrose Avenue, Nashville, Tennessee 37211.

- Any and all motor vehicles and related equipment owned by TransCor America, Inc.

- Any and all equipment and other personal property owned by TransCor America, Inc., whether tangible or intangible, including but not limited to, all of the issued and outstanding shares of the capital stock of TransCor Puerto Rico, a Puerto Rican corporation, and the name "TransCor America, Inc.", including all derivatives thereof.

USCC AVERY/MITCHELL MANAGEMENT COMPANY, INC.

- Any and all equipment and other personal property relating to the Mountainview Correctional Institution.

EXHIBIT D (CONTINUED)

USCC PAMLICO MANAGEMENT COMPANY, INC.

- Any and all equipment and other personal property, whether tangible or intangible, relating to the Pamlico Correctional Institution.

EXHIBIT 10.12

CONTRIBUTION AGREEMENT

THIS CONTRIBUTION AGREEMENT (the "Agreement"), dated as of the 31st day of December, 1998, is by and among Corrections Corporation of America, a Tennessee corporation ("CCA"), certain of its subsidiaries listed on the signature pages hereto (the "Subsidiaries"), and Prison Management Services, LLC, a Delaware limited liability company ("Prison Management").

WHEREAS, CCA is a party to that certain Amended and Restated Agreement and Plan of Merger, dated as of September 29, 1998 (the "Merger Agreement"), by and between CCA and CCA Prison Realty Trust, a Maryland real estate investment trust ("Prison Realty"), pursuant to which CCA will merge with and into Prison Realty Corporation, a newly formed Maryland corporation ("New Prison Realty"), with New Prison Realty being the surviving corporation, and Prison Realty will merge with and into New Prison Realty with New Prison Realty being the surviving corporation (collectively, the "Merger");

WHEREAS, pursuant to the terms of the Merger and in order that New Prison Realty may comply with the rules and regulations governing the qualification and operation of a real estate investment trust (a "REIT"), at the Closing (as hereinafter defined), prior to the consummation of the Merger, CCA desires to transfer, convey, and assign all right, title and interest in and to certain contracts with government entities related to the management and operation of correction and detention facilities by CCA together with certain accounts receivable and accounts payable related thereto and certain other net assets used in connection therewith to Prison Management in exchange for the consideration described herein, and will enter into certain other agreements and undertake certain other actions all related thereto;

WHEREAS, the parties intend that the foregoing transactions qualify for non-recognition treatment under Section 721 of the Internal Revenue Code of 1986, as amended; and

WHEREAS, the parties wish to confirm certain of the transactions contemplated by the Merger and described herein and certain other matters.

NOW, THEREFORE, in consideration of these premises and the mutual promises set forth herein, and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, each of the parties hereto hereby agrees as follows:

1. Transfer and Assignment of Management Contracts and Related Assets. Subject to the terms and conditions of this Agreement, at the Closing (as hereinafter defined), CCA shall transfer, convey, and assign, and/or shall cause the Subsidiaries to transfer, convey or assign to Prison Management, all of CCA's or the Subsidiaries' right, title and interest in and to those certain management contracts (the "Management Contracts") and those certain accounts receivable and accounts payable and other net assets exclusively related to the management and operation of the correction and detention facilities listed on Exhibit A attached hereto and incorporated herein by this reference (the Management Contracts, together with the accounts receivable and accounts payable and other net assets are defined, collectively, as the "Management Contract Assets").

2. Consideration. As consideration for the transfer, conveyance and assignment of the Management Contract Assets to Prison Management by CCA and/or its Subsidiaries, CCA shall receive from Prison Management one hundred percent (100%) of the non-voting limited liability company membership interest of Prison Management (the "Membership Interest"). The Membership Interest shall obligate Prison Management to distribute to the holder thereof ninety-five percent (95%) of Prison Management's net income, as determined in accordance with generally accepted accounting principles.

3. Liabilities to be Assumed by Prison Management. Prison Management shall assume at the Closing (as hereinafter defined) all liabilities related to the Management Contract Assets, including the related accounts payable, as additional consideration to CCA hereunder. Prison Management shall also assume such liabilities as shall be designated in that certain Assignment and Assumption Agreement by and between CCA and Prison Management.

4. Closing. The closing of the transactions contemplated hereby (the "Closing") shall occur prior to the Merger on a date designated by CCA and acceptable to Prison Management. At the Closing, CCA shall deliver the Management Contract Assets and the rights set forth in paragraph 2 hereof shall take effect. Prison Management shall deliver evidence of ownership of the Membership Interest to CCA.

5. Conditions to Closing. The following shall be a condition of CCA's obligation to close the transactions contemplated hereby:

The fulfillment or waiver of all conditions to CCA's and Prison Realty's obligations under the Merger Agreement (except section 6.01(h) of the Merger Agreement).

6. Accounts Receivable. If CCA shall receive payment for accounts billed before the Closing or otherwise, then CCA shall pay the same to Prison Management by check endorsement to Prison Management, delivered in three business days after the receipt by CCA. If an endorsement is not possible, CCA shall pay appropriate sums to Prison Management promptly after receipt.

7. Further Assurances. The parties agree that this Agreement should be supplemented by such further documents in form and substance reasonably satisfactory to the parties and as may be reasonably requested by the parties or their counsel to give effect to the foregoing and the general intent thereof. Such agreements will contain, in addition to the terms and conditions set forth in this Agreement, such terms and conditions deemed necessary to effectuate the transactions contemplated thereby. The parties hereto hereby agree to act in good faith and use reasonable efforts to consummate the transactions contemplated herein and to take such other actions as may be required to facilitate the consummation of the Merger and to ensure that New Prison Realty shall continue to qualify and operate as a REIT after the Merger.

8. Termination. This Agreement shall cease to be effective if the Merger is not consummated on or before December 31, 1999. This Agreement may be terminated at any time prior to the Closing by mutual agreement of CCA and Prison Management.

9. Confidentiality. Except as required by applicable law or legal process or as approved by CCA, Prison Management and its representatives shall maintain in confidence and not disclose to any third party any information related to CCA, its subsidiaries, or Prison Management or its representatives obtained in the course of the transaction. The above restrictions shall not apply to information that (i) is or becomes public (other than by reason of this paragraph) or (ii) was known or available to Prison Management or its representatives from a third party having a lawful right to disclose such information.

10. Successors. This Agreement shall be binding upon each of the parties and shall also be binding upon their respective successors or assigns, including a transferee of all or substantially all its assets.

11. Governing Law. This Agreement shall be governed by laws of the State of Tennessee as to interpretation, construction and performance, regardless of the choice of law provisions of Tennessee or any other jurisdiction.

12. Amendments. This Agreement may not be modified or amended except by a duly executed instrument in writing signed by CCA and Prison Management.

13. Severability. If any provision of this Agreement shall be held illegal, invalid or unenforceable, such illegality, invalidity or unenforceability shall attach only to such provision and shall not in any manner affect or render illegal, invalid or unenforceable any other provision of this Agreement, and this Agreement shall be carried out as if any such illegal, invalid or unenforceable provision were not contained herein.

14. Counterparts. This Agreement may be executed in two or more counterparts, each of which shall be deemed to be an original, but all of which together shall constitute one and the same instrument. Delivery of an executed counterpart of this Agreement by facsimile shall be equally effective as delivery of a manually executed counterpart. Any party delivering an unexecuted counterpart of this Agreement by facsimile shall also deliver a manually executed counterpart, but the failure to deliver a manually executed counterpart shall not affect the validity, enforceability and binding effect of this Agreement.

15. Interpretation. The provisions of this Agreement shall be interpreted in a reasonable manner to effect the intentions of the parties and this Agreement.

[Remainder of the page intentionally left blank]

IN WITNESS WHEREOF, each of the parties has caused this Agreement to be executed by its duly authorized officer on the day first above written.

CCA:

CORRECTIONS CORPORATION OF AMERICA,
a Tennessee corporation

By: /s/ Doctor R. Crants

Its: Chief Executive Officer

SUBSIDIARIES:

CONCEPT, INCORPORATED, a Delaware
Corporation

By: /s/ Darrell K. Massengale

Its: President

CORRECTIONS PARTNERS, INC.,
a Delaware corporation

By: /s/ Darrell K. Massengale

Its: President

GADSDEN CORRECTIONAL INSTITUTION, INC.,
a Kentucky corporation

By: /s/ Darrell K. Massengale

Its: President

PRISON MANAGEMENT:

PRISON MANAGEMENT SERVICES, LLC,
a Delaware limited liability company

By: /s/ Darrell K. Massengale

Its: Chief Manager

EXHIBIT A

Management Contracts

Bay Correctional Facility
Delta Correctional Facility
Gadsden Correctional Institution
Guayama Correctional Center
Hardeman County Correctional Facility
Idaho Correctional Facility
Lawrenceville Correctional Center
Ponce Adult Correctional Facility
South Central Correctional Facility
Wilkinson County Correctional Facility
Winn Correctional Center

EXHIBIT 10.13

CONTRIBUTION AGREEMENT

THIS CONTRIBUTION AGREEMENT (the "Agreement"), dated as of the 31st day of December, 1998, is by and among Corrections Corporation of America, a Tennessee corporation ("CCA"), certain of its subsidiaries listed on the signature pages hereto (the "Subsidiaries"), (collectively, "CCA"), and Juvenile and Jail Facility Management Services, LLC, a Delaware limited liability company ("Juvenile and Jail Management").

WHEREAS, CCA is a party to that certain Amended and Restated Agreement and Plan of Merger, dated as of September 29, 1998 (the "Merger Agreement"), by and between CCA and CCA Prison Realty Trust, a Maryland real estate investment trust ("Prison Realty"), pursuant to which CCA will merge with and into Prison Realty Corporation, a newly formed Maryland corporation ("New Prison Realty"), with New Prison Realty being the surviving corporation, and Prison Realty will merge with and into New Prison Realty with New Prison Realty being the surviving corporation (collectively, the "Merger");

WHEREAS, pursuant to the terms of the Merger and in order that New Prison Realty may comply with the rules and regulations governing the qualification and operation of a real estate investment trust (a "REIT"), at the Closing (as hereinafter defined), prior to the consummation of the Merger, CCA desires to transfer, convey, and assign all right, title and interest in and to certain contracts with government entities related to the management and operation of correction and detention facilities by CCA together with certain accounts receivable and accounts payable related thereto and certain other net assets used in connection therewith to Juvenile and Jail Management in exchange for the consideration described herein, and will enter into certain other agreements and undertake certain other actions all related thereto;

WHEREAS, the parties intend that the foregoing transactions qualify for non-recognition treatment under Section 721 of the Internal Revenue Code of 1986, as amended; and

WHEREAS, the parties wish to confirm certain of the transactions contemplated by the Merger and described herein and certain other matters.

NOW, THEREFORE, in consideration of these premises and the mutual promises set forth herein, and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, each of the parties hereto hereby agrees as follows:

1. Transfer and Assignment of Management Contracts and Related Assets. Subject to the terms and conditions of this Agreement, at the Closing (as hereinafter defined), CCA shall transfer, convey, and assign, and/or shall cause the Subsidiaries to transfer, convey or assign, to Juvenile and Jail Management all of CCA's or the Subsidiaries' right, title and interest in and to those certain management contracts (the "Management Contracts") and those certain accounts receivable and accounts payable and other net assets exclusively related to the management and operation of the correction and detention facilities listed on Exhibit A attached hereto and

incorporated herein by this reference (the Management Contracts, together with the accounts receivable and accounts payable and other net assets are defined, collectively, as the "Management Contract Assets").

2. Consideration. As consideration for the transfer, conveyance and assignment of the Management Contract Assets to Juvenile and Jail Management by CCA and/or its Subsidiaries, CCA shall receive from Juvenile and Jail Management one hundred percent (100%) of the non-voting limited liability company membership interest of Juvenile and Jail Management (the "Membership Interest"). The Membership Interest shall obligate Juvenile and Jail Management to distribute to the holder thereof ninety-five percent (95%) of Juvenile and Jail Management's net income, as determined in accordance with generally accepted accounting principles.

4. Liabilities to be Assumed by Juvenile and Jail Management. Juvenile and Jail Management shall assume at the Closing (as hereinafter defined) all liabilities related to the Management Contract Assets, including the related accounts payable, as additional consideration to CCA hereunder. Juvenile and Jail Management shall also assume such liabilities as shall be designated in that certain Assignment and Assumption Agreement by and between CCA and Juvenile and Jail Management.

5. Closing. The closing of the transactions contemplated hereby (the "Closing") shall occur prior to the Merger on a date designated by CCA and acceptable to Juvenile and Jail Management. At the Closing, CCA shall deliver the Management Contract Assets and the rights set forth in paragraph 2 hereof shall take effect. Juvenile and Jail Management shall deliver evidence of ownership of the Membership Interest to CCA.

6. Conditions to Closing. The following shall be a condition of CCA's obligation to close the transactions contemplated hereby:

The fulfillment or waiver of all conditions to CCA's and Prison Realty's obligations under the Merger Agreement (except section 6.01(h) of the Merger Agreement).

7. Accounts Receivable. If CCA shall receive payment for accounts billed before the Closing or otherwise, then CCA shall pay the same to Juvenile and Jail Management by check endorsement to Juvenile and Jail Management, delivered in three business days after the receipt by CCA. If an endorsement is not possible, CCA shall pay appropriate sums to Juvenile and Jail Management promptly after receipt.

8. Further Assurances. The parties agree that this Agreement should be supplemented by such further documents in form and substance reasonably satisfactory to the parties and as may be reasonably requested by the parties or their counsel to give effect to the foregoing and the general intent thereof. Such agreements will contain, in addition to the terms and conditions set forth in this Agreement, such terms and conditions deemed necessary to effectuate the transactions contemplated thereby. The parties hereto hereby agree to act in good faith and use reasonable efforts to

consummate the transactions contemplated herein and to take such other actions as may be required to facilitate the consummation of the Merger and to ensure that New Prison Realty shall continue to qualify and operate as a REIT after the Merger.

9. Termination. This Agreement shall cease to be effective if the Merger is not consummated on or before December 31, 1999. This Agreement may be terminated at any time prior to the Closing by mutual agreement of CCA and Juvenile and Jail Management.

10. Confidentiality. Except as required by applicable law or legal process or as approved by CCA, Juvenile and Jail Management and its representatives shall maintain in confidence and not disclose to any third party any information related to CCA, its subsidiaries, or Juvenile and Jail Management or its representatives obtained in the course of the transaction. The above restrictions shall not apply to information that (i) is or becomes public (other than by reason of this paragraph) or (ii) was known or available to Juvenile and Jail Management or its representatives from a third party having a lawful right to disclose such information.

11. Successors. This Agreement shall be binding upon each of the parties and shall also be binding upon their respective successors or assigns, including a transferee of all or substantially all its assets.

12. Governing Law. This Agreement shall be governed by laws of the State of Tennessee as to interpretation, construction and performance, regardless of the choice of law provisions of Tennessee or any other jurisdiction.

13. Amendments. This Agreement may not be modified or amended except by a duly executed instrument in writing signed by CCA and Juvenile and Jail Management.

14. Severability. If any provision of this Agreement shall be held illegal, invalid or unenforceable, such illegality, invalidity or unenforceability shall attach only to such provision and shall not in any manner affect or render illegal, invalid or unenforceable any other provision of this Agreement, and this Agreement shall be carried out as if any such illegal, invalid or unenforceable provision were not contained herein.

15. Counterparts. This Agreement may be executed in two or more counterparts, each of which shall be deemed to be an original, but all of which together shall constitute one and the same instrument. Delivery of an executed counterpart of this Agreement by facsimile shall be equally effective as delivery of a manually executed counterpart. Any party delivering an unexecuted counterpart of this Agreement by facsimile shall also deliver a manually executed counterpart, but the failure to deliver a manually executed counterpart shall not affect the validity, enforceability and binding effect of this Agreement.

16. Interpretation. The provisions of this Agreement shall be interpreted in a reasonable manner to effect the intentions of the parties and this Agreement.

IN WITNESS WHEREOF, each of the parties has caused this Agreement to be executed by its duly authorized officer on the day first above written.

CCA:

CORRECTIONS CORPORATION OF AMERICA,
a Tennessee corporation

By: /s/ Doctor R. Crants

Its: Chief Executive Officer

SUBSIDIARIES:

CONCEPT INCORPORATED, a Delaware corporation

By: /s/ Darrell K. Massengale

Its: President

CORRECTIONS PARTNERS, INC., a Delaware
corporation

By: /s/ Darrell K. Massengale

Its: President

JUVENILE AND JAIL MANAGEMENT:

+ JUVENILE AND JAIL FACILITY MANAGEMENT
SERVICES, LLC, a Delaware limited liability
company

By: /s/ Darrell K. Massengale

Its: Chief Manager

EXHIBIT A

Management Contracts

Bartlett State Jail
Bay County Jail
Bay County Jail Annex
Brownfield Intermediate Sanction Facility
Citrus County Detention Facility
David L. Moss Criminal Justice Center
Davidson County Juvenile Detention Center
Elizabeth Detention Center
Hernando County Jail
Lake City Correctional Center
Liberty County Jail
Marion County Jail II
Metro-Davidson County Detention Facility
Ockeechobee Juvenile Offender Correction Center
Ponce Youthful Offender Correctional Facility
Silverdale Facilities
Southwest Indiana Youth Village
Tall Trees
Venus Pre-Release Center

EXHIBIT 10.14

ASSIGNMENT AND ASSUMPTION AGREEMENT

THIS ASSIGNMENT AND ASSUMPTION AGREEMENT (the "Assignment and Assumption Agreement") is executed and delivered as of this 31st day of December, 1998, by and among CORRECTIONS CORPORATION OF AMERICA, a Tennessee corporation ("CCA"), CORRECTIONS PARTNERS, INC., a Delaware corporation ("CPI"), GADSDEN CORRECTIONAL INSTITUTE, INC., a Kentucky corporation ("GCI") and PRISON MANAGEMENT SERVICES, LLC, a Delaware limited liability company ("Prison Management"). This Assignment and Assumption Agreement is being delivered pursuant to that certain Contribution Agreement dated as of the 31st day of December, 1998 (the "Contribution Agreement"), among CCA, CPI, GCI and Prison Management. Capitalized terms used herein without definition are used herein as defined in the Contribution Agreement.

1. Assignment of Assets. CCA, CPI and GCI hereby assign to Prison Management, any and all of their right, title and interest in and to the management contracts relating to the government-owned adult detention facilities listed on Schedule A attached hereto, and all accounts receivable relating to such facilities.

2. Assumption of Liabilities. Prison Management hereby assumes and undertakes to pay, perform and otherwise discharge, all of the liabilities described in Schedule B (the "Assumed Liabilities") attached hereto.

3. Further Assurances. Each party hereto shall execute, acknowledge and deliver to the other party all documents, and shall take all actions, reasonably requested by such other party from time to time to confirm or effect the matters set forth herein, or to otherwise carry out the purpose of the Contribution Agreement and this Assignment and Assumption Agreement.

4. Contribution Agreement. This Assignment and Assumption Agreement is entered into pursuant to and is subject to all of the terms of the Contribution Agreement, and nothing herein shall be deemed to modify any of the representations, warranties, covenants and obligations of the parties thereunder.

5. Interpretation. In the event of any conflict or inconsistency between the terms, provisions and conditions of this Assignment and Assumption Agreement and the Contribution Agreement, the terms, provisions and conditions of the Contribution Agreement shall govern.

6. Counterparts. This Assignment and Assumption Agreement may be executed in counterparts, each of which shall be deemed to be an original but all of which together shall constitute a single agreement.

7. Governing Law. This Assignment and Assumption Agreement shall be governed by and construed in accordance with the laws of the State of Tennessee.

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

CORRECTIONS CORPORATION OF AMERICA

By: /s/ Doctor R. Crants

Its: Chief Executive Officer

CORRECTIONS PARTNERS, INC.

By: /s/ Darrell K. Massengale

Its: President

GADSDEN CORRECTIONAL INSTITUTE, INC.

By: /s/ Darrell K. Massengale

Its: President

PRISON MANAGEMENT SERVICES, LLC

By: /s/ Darrell K. Massengale

Its: Chief Manager

SCHEDULE A

FACILITIES COVERED BY ASSIGNMENT

CCA

FACILITY	LOCATION	BED CAPACITY
Bay Correctional Facility.....	Panama City, Florida	750
Guayama Correctional Center.....	Guayama, Puerto Rico	1,000
Hardeman County Correctional Facility.....	Whiteville, Tennessee	2,016
Idaho Correctional Facility.....	Boise, Idaho	1,250
Lawrenceville Correctional Center.....	Lawrenceville, Virginia	1,500
Ponce Adult Correctional Facility.....	Ponce, Puerto Rico	1,000
South Central Correctional Facility.....	Clifton, Tennessee	1,506
Wilkinson County Correctional Facility.....	Woodville, Mississippi	850
Winn Correctional Center.....	Winnfield, Louisiana	1,474

CPI

FACILITY	LOCATION	BED CAPACITY
Delta Correctional Facility.....	Greenwood, Mississippi	1,016

GCI

FACILITY	LOCATION	BED CAPACITY
Gadsden Correctional Institution.....	Gadsden, Florida	800

SCHEDULE B

ASSUMED LIABILITIES

The liability to be assumed by Prison Management consists of $5,000,000 of indebtedness outstanding under the $125,000,000 REVOLVING CREDIT FACILITY Pursuant to Credit Agreement among CORRECTIONS CORPORATION OF AMERICA, the Lenders Party thereto and FIRST UNION NATIONAL BANK OF TENNESSEE, as Agent, dated September 6, 1996.

EXHIBIT 10.15

ASSIGNMENT AND ASSUMPTION AGREEMENT

THIS ASSIGNMENT AND ASSUMPTION AGREEMENT (the "Assignment and Assumption Agreement") is executed and delivered as of this 31st day of December, 1998, by and among CORRECTIONS CORPORATION OF AMERICA, a Tennessee corporation ("CCA"), CONCEPT INCORPORATED, a Delaware corporation ("Concept"), CORRECTIONS PARTNERS, INC., a Delaware corporation ("CPI") and JUVENILE AND JAIL FACILITY MANAGEMENT SERVICES, LLC, a Delaware limited liability company ("JJFMS, LLC"). This Assignment and Assumption Agreement is being delivered pursuant to that certain Contribution Agreement dated as of the 31st day of December, 1998 (the "Contribution Agreement"), among CCA, Concept, CPI and JJFMS, LLC. Capitalized terms used herein without definition are used herein as defined in the Contribution Agreement.

1. Assignment of Assets. CCA, Concept and CPI hereby assign to JJFMS, LLC, any and all of their right, title and interest in and to the management contracts relating to the government-owned jails and juvenile detention facilities listed on Schedule A attached hereto, and all accounts receivable relating to such facilities.

2. Assumption of Liabilities. JJFMS, LLC hereby assumes and undertakes to pay, perform and otherwise discharge, all of the liabilities described in Schedule B (the "Assumed Liabilities") attached hereto.

3. Further Assurances. Each party hereto shall execute, acknowledge and deliver to the other party all documents, and shall take all actions, reasonably requested by such other party from time to time to confirm or effect the matters set forth herein, or to otherwise carry out the purpose of the Contribution Agreement and this Assignment and Assumption Agreement.

4. Contribution Agreement. This Assignment and Assumption Agreement is entered into pursuant to and is subject to all of the terms of the Contribution Agreement, and nothing herein shall be deemed to modify any of the representations, warranties, covenants and obligations of the parties thereunder.

5. Interpretation. In the event of any conflict or inconsistency between the terms, provisions and conditions of this Assignment and Assumption Agreement and the Contribution Agreement, the terms, provisions and conditions of the Contribution Agreement shall govern.

6. Counterparts. This Assignment and Assumption Agreement may be executed in counterparts, each of which shall be deemed to be an original but all of which together shall constitute a single agreement.

7. Governing Law. This Assignment and Assumption Agreement shall be governed by and construed in accordance with the laws of the State of Tennessee.

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

CORRECTIONS CORPORATION OF AMERICA

By: /s/ Doctor R. Crants

Its: Chief Executive Officer

CONCEPT INCORPORATED

By: /s/ Darrell K. Massengale

Its: President

CORRECTIONS PARTNERS, INC.

By: /s/ Darrell K. Massengale

Its: President

JUVENILE AND JAIL FACILITY
MANAGEMENT SERVICES, LLC

By: /s/ Darrell K. Massengale

Its: Chief Manager

SCHEDULE A

FACILITIES COVERED BY ASSIGNMENT

CCA

FACILITY	LOCATION	BED CAPACITY(1)
Bay County Jail	Panama City, Florida	276
Bay County Jail Annex	Panama City, Florida	401
Brownfield Intermediate Sanction Facility	Brownfield, Texas	200
Citrus County Detention Facility	Lecanto, Florida	300
David L. Moss Criminal Justice Center	Tulsa, Oklahoma	1,440
Elizabeth Detention Center	Elizabeth, New Jersey	300
Hernando County Jail	Brooksville, Florida	302
Lake City Correctional Center	Lake City, Florida	350
Liberty County Jail	Liberty, Texas	382
Marion County Jail II	Indianapolis, Indiana	670
Metro-Davidson County Detention Facility	Nashville, Tennessee	1,092
Ponce Youthful Offender Correctional Facility	Ponce, Puerto Rico	500
Silverdale Facilities	Chattanooga, Tennessee	503
Tall Trees	Memphis, Tennessee	63
Venus Pre-Release Center	Venus, Texas	1,000

CONCEPT

FACILITY	LOCATION	BED CAPACITY(1)
Bartlett State Jail	Bartlett, Texas	962

CPI

FACILITY	LOCATION	BED CAPACITY(1)
Davidson County Juvenile Detention Center	Nashville, Tennessee	100
Okeechobee Juvenile Offender Correction Center	Okeechobee, Florida	96
Southwest Indiana Youth Village	Vincennes, Indiana	132

(1) Listed bed capacity does not include 128 beds currently under expansion at the Silverdale Facilities.

SCHEDULE B

ASSUMED LIABILITIES

The liability to be assumed by JJFMS, LLC consists of $5,000,000 of indebtedness outstanding under the $125,000,000 REVOLVING CREDIT FACILITY Pursuant to Credit Agreement among CORRECTIONS CORPORATION OF AMERICA, the Lenders Party thereto and FIRST UNION NATIONAL BANK OF TENNESSEE, as Agent, dated September 6, 1996.

EXHIBIT 10.16

SERVICES AGREEMENT

THIS SERVICES AGREEMENT (the "Agreement") is entered into on this 1st day of January, 1999, by and between PRISON REALTY CORPORATION, a Maryland corporation (the "Company"), and CORRECTIONAL MANAGEMENT SERVICES CORPORATION, a Tennessee corporation ("CMSC").

WITNESSETH:

WHEREAS, the Company is the owner of various correctional and detention facilities and related real properties which it leases to CMSC for the use of CMSC in its ordinary course of business;

WHEREAS, the Company may from time to time construct additional correctional and detention facilities ("New Facilities"), which it may lease to CMSC, and construct additions to its existing correctional and detention facilities (collectively with the New Facilities, the "Facilities");

WHEREAS, the Company wishes to engage the services of CMSC to facilitate the construction and development of one or more of the Facilities, and CMSC wishes to provide such services to the Company.

NOW, THEREFORE, in consideration for the foregoing and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties hereto agree as follows:

1. Services; Consideration.

(a) Services. CMSC agrees to serve as the facilitator of the construction and development of one or more of the Facilities (as designated by the Company) and in such capacity shall perform at the direction of the Company such services as are customarily rendered in the construction and development of correctional and detention facilities. CMSC shall make such capital or other expenditures and take such other actions as the Company deems necessary or desirable to carry out the performance of such services.

(b) Consideration. In consideration for the performance of services by CMSC, the Company shall pay, and CMSC is entitled to receive, (i) a fee equal to five percent (5%) of the total capital expenditures (excluding the amount of the tenant incentive fee as described in that certain Tenant Incentive Agreement between the parties of even date herewith and the 5% fee herein referred to) incurred in connection with the construction and development of a Facility, plus (ii) an additional fee equal to $560 multiplied by the total number of new beds at the Facility for Facility preparation services provided by CMSC prior to the date on which inmates are first received at such Facility. Notwithstanding the foregoing, the Company shall not be obligated to pay the additional fee described in clause (ii) of the preceding sentence with respect to any Facility unless CMSC leases such Facility

and the rent payable under such lease is determined based on the fair market value of the Facility determined in a manner consistent with the determination made with respect to the initial leases between the Company and CMSC with an applicable lease rate of 11.0%. The fees payable hereunder shall be payable in cash or by such other means as approved by CMSC.

2. Term. This Agreement shall terminate on the fifth (5th) anniversary of the date first above written, unless extended upon the written agreement of the parties.

3. Authorization. Each party to the Agreement hereby represents and warrants that the execution, delivery, and performance of the Agreement are within the powers of each party and have been duly authorized by the party and its shareholders; the execution and performance of this Agreement by each party have been duly authorized by all applicable laws and regulations, and this Agreement constitutes the valid and enforceable obligation of each party in accordance with its terms.

4. Amendment. This Agreement may be amended only with the written consent of both parties hereto.

5. Notices. Any notice required or permitted herein to be given shall be given in writing and shall be delivered by United States mail, first class postage prepaid return receipt requested, as set forth below:

If to the Company:

Prison Realty Corporation
10 Burton Hills Boulevard
Nashville, TN 37215
Attn: Michael W. Devlin, Chief Operating Officer

If to CMSC:

Correctional Management Services Corporation
10 Burton Hills Boulevard
Nashville, TN 37215
Attn: Darrell K. Massengale, Chief Financial Officer

6. Counterparts. This Agreement may be executed in any number of counterparts, each of which shall be an original, and all of which shall together constitute one agreement.

7. Headings. Section headings are for convenience or reference only and shall not be used to construe the meaning of any provision in this Agreement.

8. Law. This Agreement shall be construed in accordance with the laws of the State of Tennessee.

9. Severability. Should any part of this Agreement be invalid or unenforceable, such invalidity or unenforceability shall not affect the validity and enforceability of the remaining portion.

10. Successors. This Agreement shall be binding upon and inure to the benefit of the respective parties and their permitted assigns and successors in interest.

11. Waivers. No waiver of any breach of any of the terms or conditions of this Agreement shall be held to be a waiver of any other or subsequent breach; nor shall any waiver be valid or binding unless the same shall be in writing and signed by the party alleged to have granted the waiver.

12. Entire Agreement. This Agreement constitutes the entire agreement of the parties hereto and supersedes all prior agreements and presentations with respect to the subject matter hereof.

[remainder of page left intentionally blank]

IN WITNESS WHEREOF, the parties have executed this Agreement dated this 1st day of January, 1999.

PRISON REALTY CORPORATION, a Maryland corporation

By: /s/ Doctor R. Crants

Its: Chief Executive Officer

CORRECTIONAL MANAGEMENT SERVICES CORPORATION, a Tennessee corporation

By: /s/ Darrell K. Massengale

Its: Chief Financial Officer

EXHIBIT 10.17

TENANT INCENTIVE AGREEMENT

THIS TENANT INCENTIVE AGREEMENT (the "Agreement") is entered into on this 1st day of January, 1999, by and between PRISON REALTY CORPORATION, a Maryland corporation (the "Company"), and CORRECTIONAL MANAGEMENT SERVICES CORPORATION, a Tennessee corporation ("CMSC").

WHEREAS, the Company is the owner of various correctional and detention facilities and related real properties which it leases to CMSC for the use of CMSC in its ordinary course of business;

WHEREAS, the Company may from time to time construct additional correctional and detention facilities ("Facilities"), which it may lease to CMSC;

WHEREAS, CMSC has agreed to serve as developer and facilitator of the Facilities (in such capacity, the "Facilitator") on the terms and conditions set forth in that certain Services Agreement between the parties of even date herewith; and

WHEREAS, the Company desires to continue leasing the Facilities to CMSC and wishes to encourage CMSC to continue to rent the Facilities from the Company.

NOW, THEREFORE, in consideration for the foregoing and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties hereto agree as follows:

1. Tenant Incentive. As an incentive to CMSC to lease from the Company Facilities with respect to which it performs services as a Facilitator, the Company agrees to pay to CMSC a fee equal to $840 multiplied by the total number of new beds at each such Facility, provided that CMSC leases such Facility from the Company. Notwithstanding the foregoing, the Company shall not be obligated to pay to CMSC any amounts with respect to any Facility leased by CMSC unless the rent payable under such lease agreement is determined based on the fair market value of the Facility determined in a manner consistent with the determination made with respect to the initial leases between the Company and CMSC with an applicable lease rate of 11.0%. The amount of such fee shall be payable in cash out of the funds which Company shall receive as rental income from CMSC. No payment shall be made in respect of additions to Facilities or additions to other Facilities leased to CMSC.

2. Authorization. Each party to the Agreement hereby represents and warrants that the execution, delivery, and performance of the Agreement are within the powers of each party and have been duly authorized by the party and its shareholders; the execution and performance of this Agreement by each party have been duly authorized by all applicable laws and regulations, and this Agreement constitutes the valid and enforceable obligation of each party in accordance with its terms.

3. Amendment. This Agreement may be amended only with the written consent of both parties hereto.

4. Notices. Any notice required or permitted herein to be given shall be given in writing and shall be delivered by United States mail, first class postage prepaid return receipt requested, as set forth below:

If to the Company:

Prison Realty Corporation
10 Burton Hills Boulevard
Nashville, TN 37215
Attn: Michael W. Devlin, Chief Operating Officer

If to CMSC:

Correctional Management Services Corporation
10 Burton Hills Boulevard
Nashville, TN 37215
Attn: Darrell K. Massengale, Chief Financial Officer

5. Counterparts. This Agreement may be executed in any number of counterparts, each of which shall be an original, and all of which shall together constitute one agreement.

6. Headings. Section headings are for convenience or reference only and shall not be used to construe the meaning of any provision in this Agreement.

7. Law. This Agreement shall be construed in accordance with the laws of the State of Tennessee.

8. Severability. Should any part of this Agreement be invalid or unenforceable, such invalidity or unenforceability shall not affect the validity and enforceability of the remaining portion.

9. Successors. This Agreement shall be binding upon and inure to the benefit of the respective parties and their permitted assigns and successors in interest.

10. Waivers. No waiver of any breach of any of the terms or conditions of this Agreement shall be held to be a waiver of any other or subsequent breach; nor shall any waiver be valid or binding unless the same shall be in writing and signed by the party alleged to have granted the waiver.

11. Entire Agreement. This Agreement constitutes the entire agreement of the parties hereto and supersedes all prior agreements and presentations with respect to the subject matter hereof.

[remainder of page left intentionally blank]

IN WITNESS WHEREOF, the parties have executed this Agreement dated this 1st day of January, 1999.

PRISON REALTY CORPORATION, a Maryland corporation

By: /s/ Doctor R. Crants

Its: Chief Executive Officer

CORRECTIONAL MANAGEMENT SERVICES CORPORATION, a Tennessee corporation

By: /s/ Darrell K. Massengale

Its: Chief Financial Officer

EXHIBIT 10.22

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PRISON REALTY CORPORATION

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NOTE PURCHASE AGREEMENT

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7.5% Convertible, Subordinated Notes
due February 28, 2005
($30,000,000)

Dated as of December 31, 1998

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This NOTE PURCHASE AGREEMENT (this "Agreement"), dated as of December 31, 1998, between PMI MEZZANINE FUND, L.P., a Delaware limited partnership ("PMI"), and PRISON REALTY CORPORATION, a Maryland corporation (the "Corporation").

WHEREAS, the Corporation has duly authorized the issuance of convertible, subordinated notes in the aggregate principal amount of $30,000,000 that are to be convertible into shares of the Corporation's common stock;

WHEREAS, Purchaser wishes to purchase the convertible, subordinated notes from the Corporation, and the Corporation wishes to sell such convertible, subordinated notes to Purchaser; and

WHEREAS, Purchaser and the Corporation are entering into this Agreement to provide for such purchase and sale and to establish various rights and obligations in connection therewith.

NOW, THEREFORE, in consideration of the premises and the mutual covenants herein set forth, the parties hereto agree as follows:

1. AUTHORIZATION OF ISSUE OF THE NOTES.

The Corporation has duly authorized the issuance of convertible, subordinated notes (the "Notes") in the aggregate principal amount of $30,000,000, to be dated the date of issuance thereof, to bear interest on the unpaid balance thereof from the date thereof quarterly at the Coupon Rate and, upon the occurrence of a Triggering Event and until the date on which such Triggering Event is cured or waived or until the date that is ninety (90) days from the initial occurrence of Triggering Event, whichever is later, at the Triggering Event Rate, until the principal thereof shall become due and payable. The indebtedness evidenced by the Notes shall be convertible into shares of the Corporation's common stock, $0.01 par value, upon such terms and at a conversion rate as set forth in the Notes. The Notes shall be substantially in the form attached hereto as Exhibit N-1 and shall be issued to Purchaser on the Closing Date.

2. SALE AND PURCHASE OF THE NOTES; CLOSING DATE; CONDITIONS FOR CLOSING.

2.1 Sale and Purchase of the Notes. Subject to the terms and conditions of this Agreement, Purchaser agrees to purchase, and the Corporation agrees to sell and issue to Purchaser, on the Closing Date, the Notes for an aggregate purchase price of Thirty Million Dollars ($30,000,000).

2.2 Closing Date. The closing of the sale and purchase of the Notes shall take place at the offices of Stokes & Bartholomew, P.A., 424 Church Street, Suite 2800, Nashville, Tennessee 37215, counsel to the Corporation, on or before 9:00 a.m., local time, on January 1, 1999 or at such other time, date, or place as the Corporation and Purchaser

shall mutually agree (which time, date, and place are referred to in this Agreement as the "Closing Date").

2.3 Conditions for Closing. Purchaser's obligation to purchase the Notes on the Closing Date shall be subject to the performance by the Corporation of its agreements hereunder that by the terms hereof are to be performed at or prior to the time of delivery of the Notes and to the following further conditions precedent:

(i) Closing Date. The Closing Date shall occur on or before January 4, 1999;

(ii) Closing Certificate. Purchaser shall have received a certificate dated the Closing Date, signed by the President or a Vice President of the Corporation, to the effect that: (i) the representations and warranties of the Corporation set forth in Sections 4.1 through 4.22 are true and correct in all material respects on and with respect to the Closing Date; (ii) the Corporation has performed all of its obligations hereunder that are to be performed on or prior to the Closing Date; and (iii) no Unmatured Event of Default or Event of Default has occurred and is continuing;

(iii) Legality. The Notes shall qualify as a legal investment for Purchaser under the laws and regulations of each jurisdiction to which Purchaser is subject (without reference to any so-called "basket" provision which permits the making of an investment without restrictions to the character of the particular investment being made) and the purchase of and payment for the Notes shall not be prohibited by any applicable law or governmental regulation.

(iv) Satisfactory Proceedings. All corporate proceedings taken in connection with the transactions contemplated by this Agreement, and all documents necessary to the consummation thereof, shall be satisfactory in form and substance to Purchaser and special counsel to Purchaser, and Purchaser shall have received a copy (executed or certified as may be appropriate) of all documents or corporate proceedings taken in connection with the consummation of said transactions, including the following:

a. Certified copies of the Certificate of Incorporation and By-laws of the Corporation;

b. Certified copies of resolutions of the Board of Directors of the Corporation authorizing the execution, delivery, and performance of the Transaction Documents, and any other documents provided for in this Agreement; and

c. A certificate of the Secretary of the Corporation certifying the names of the officer or officers of the Corporation authorized to

sign the Transaction Documents and any other documents provided for in this Agreement, together with a sample of the true signature of each such officer;

(v) Legal Opinion. Purchaser shall have received from Stokes & Bartholomew, counsel to the Corporation, an opinion letter dated the Closing Date, in form and substance satisfactory to Purchaser and its counsel, and covering the matters set forth in Exhibit L-1 hereto;

(vi) Issuance of the Notes. The Corporation shall have executed and delivered the Notes to Purchaser or its nominee;

(vii) Registration Rights Agreement. The Corporation and Purchaser shall have entered into a registration rights agreement in the form of Exhibit R-1 hereto (the "Registration Rights Agreement");

(viii) [Intentionally Omitted];

(ix) No Material Adverse Change. No material adverse change in the business, condition, or operations (financial or otherwise) of the Corporation and its Subsidiaries taken as a whole from that set forth in the pro forma combined balance sheet as of June 30, 1998, included in the Proxy, other than changes disclosed to Purchaser in writing prior to the execution and delivery by Purchaser of this Agreement, shall have occurred;

(x) Approvals and Consents. The Corporation shall have duly received all authorizations, consents, approvals, licenses, franchises, permits, and certificates by or of all federal, state, and local governmental authorities necessary for the effectiveness of the Mergers and the issuance of the Notes;

(xi) Payment of Legal Fees. The Corporation shall have reimbursed Purchaser in full for the fees and expenses of its counsel, Brobeck, Phleger & Harrison LLP, incurred in connection with the preparation, negotiation, and execution of the Transaction Documents, and any other documents executed in connection herewith;

(xii) Representations and Warranties. The representations and warranties of the Corporation contained in this Agreement shall be true and correct in all respects on and as of the Closing Date, as though made on and as of such date (except to the extent that such representations and warranties relate solely to an earlier date);

(xiii) Events of Default. No Unmatured Event of Default or Event of Default shall have occurred and be continuing on the Closing Date, nor shall either result from the purchase and sale of the Notes;

(xiv) [Intentionally Omitted];

(xv) Mergers. The Mergers shall have become effective in the manner described in the Proxy;

(xvi) Operating Company Letter. Operating Company shall have executed and delivered a letter to Purchaser, such letter to be in form and substance acceptable to Purchaser, whereby Operating Company agrees to provide to Purchaser such financial statements and reports as are required of the Corporation.

2.4 Waiver of Conditions. If, on the Closing Date, the Corporation fails to deliver the Notes to Purchaser or if any of the other conditions specified in Section 2.3 have not been satisfied, Purchaser shall be relieved of all further obligations under this Agreement. Without limiting the foregoing, if the conditions specified in Section 2.3 have not been satisfied, Purchaser may waive compliance by the Corporation with any such condition to such extent as it may in its sole discretion determine. Nothing in this Section 2.4 shall operate to relieve the Corporation of any of its obligations hereunder or to waive any of Purchaser's rights against the Corporation occasioned by any such breach.

3. DEFINITIONS; CONSTRUCTION.

3.1 Definitions. For purposes of this Agreement, the following terms shall have the following meanings:

"Affiliate" has the meaning set forth in Rule 12b-2 under the Exchange Act (as in effect on the date of this Agreement), it being understood that any limited partner of a partnership shall not be an Affiliate of such partnership solely by virtue of its status as such a limited partner.

"Agreement" shall have the meaning ascribed thereto in the preamble.

"Business Day" means each Monday, Tuesday, Wednesday, Thursday, or Friday that is not a day on which banking institutions in Los Angeles, California are authorized or obligated by law or executive order to close.

"CCA" means Corrections Corporation of America, a Tennessee corporation.

"Closing Date" shall have the meaning ascribed thereto in Section 2.2 hereof.

"Code" means the Internal Revenue Code of 1986, or any successor statute thereto, as the same may be amended from time to time.

"Commission" means the United States Securities and Exchange Commission.

"Common Stock" means the common stock of the Corporation, par value $0.01 per share.

"Compliance Certificate" shall mean a certificate substantially in the form attached hereto as Exhibit C-2.

"Confidential Information" shall have the meaning ascribed thereto in Section 9.1 hereof.

"Conversion Shares" means the shares of Common Stock issuable upon conversion of the indebtedness evidenced by the Notes.

"Convertible Notes" means the Corporation's (a) $7,000,000 aggregate principal amount 8.5% Convertible Subordinated Notes due November 7, 1999, (b) option to purchase the Floating Rate Notes, and (c) the Floating Rate Notes when issued.

"Convertible Subordinated Notes" means those certain 7.5% Convertible, Subordinated Notes, in the original aggregate amount of $30,000,000, due February 28, 2005, issued by the Corporation.

"Corporation" shall have the meaning ascribed thereto in the preamble to this Agreement and shall include the Corporation's permitted successors and assigns.

"Coupon Rate" means seven and one-half percent (7.5%) per annum.

"ERISA" means the Employee Retirement Income Security Act of 1974.

"Event of Default" shall have the meaning set forth in Section 7.1.

"Exchange Act" means the Securities Exchange Act of 1934, as amended, or any similar federal statute, and the rules and regulations of the Commission thereunder, all as the same shall be in effect at the time. Reference to a particular section of the Exchange Act shall include reference to the comparable section, if any, of any successor federal statute.

"Federal Government Contract" means a contract between the Corporation and the federal government of the United States of America or any subdivision or agency thereof.

"Floating Rate Notes" shall have the meaning set forth in the Sodexho Agreement.

"Foreign Government Contract" means a contract between the Corporation and any foreign (other nation) government or any subdivision or agency thereof.

"Funded Debt" means and includes without duplication (a) any obligation payable more than one year from the date of the creation thereof (including the current portion of Funded Debt), that under generally accepted accounting principles is shown on the balance sheet as a liability (including obligations under Capital Leases and excluding reserves for deferred income taxes and other reserves to the extent that such reserves do not constitute an obligation), (b) guarantees, endorsements (other than endorsements of

negotiable instruments for collection in the ordinary course of business), and other contingent liabilities (whether direct or indirect) in connection with the obligations, stock, or dividends of any Person, including obligations under contracts to supply funds to or in any other manner invest in any Person, (c) obligations under any contract to purchase, sell, or lease (as lessee or lessor) property or to purchase or sell services, primarily for the purpose of enabling a Person to make payment of obligations or to assure the holder of such obligations against loss including obligations under any contract for the purchase of materials, supplies, or other property or services if such contract (or any related document) requires that payment for such materials, supplies, or other property or services shall be made regardless of whether delivery of such materials, supplies, or other property or services is ever made or tendered, (d) obligations under any contract to pay or purchase obligations of a Person, or to advance or supply funds for the payment or purchase of such obligations, and (e) any agreement to assure a creditor of a Person against loss.

"Government Contract" means any Federal Government Contract, Foreign Government Contract, or any State Government Contract.

"indemnified party" shall have the meaning ascribed thereto in Section 10.1 hereof.

"indemnifying party" shall have the meaning ascribed thereto in Section 10.1 hereof.

"Margin Stock" shall have the meaning given such term in Regulation U (12 CFR part 221) of the Board of Governors of the Federal Reserve System.

"Mergers" means, collectively, the merger of CCA into the Corporation and the merger of Prison Realty into the Corporation.

"Notes" shall have the meaning ascribed thereto in Section 1 hereof.

"Operating Company" means Correctional Management Services Corporation, a Tennessee corporation.

"Operating Lease" means any lease of real, personal, or mixed property that is not a Capital Lease.

"Permitted Businesses" means the design, construction, and ownership of detention and correctional facilities.

"Person" means any individual, partnership, joint venture, corporation, trust, unincorporated organization, government, or department or agency of a government.

"PMI" shall have the meaning ascribed thereto in the preamble to this Agreement.

"Prison Realty" means CCA Prison Realty Trust, a Maryland real estate investment trust.

"Proxy" means the Joint Proxy Statement - Prospectus, dated October 30, 1998, furnished in connection with the solicitation of proxies by the Board of Directors of CCA and the Board of Trustees of Prison Realty, with respect to the Mergers.

"Purchaser" shall mean PMI and shall include PMI's permitted successors and assigns.

"Registration Rights Agreement" shall have the meaning ascribed thereto in Section 2.3(vii) hereof.

"REIT" shall have the meaning ascribed thereto in Section 4.21 hereof.

"Representative" shall have the meaning ascribed thereto in Section 7.1 hereof.

"Security" or "Securities" means the Notes or the Conversion Shares.

"SEC Reports" shall have the meaning ascribed thereto in Section 4.4 hereof.

"Securities Act" means the Securities Act of 1933.

"Senior Credit Agreement" means that certain Credit Agreement, dated as of January 1, 1999, by and among the Corporation, the Subsidiary Guarantors (as defined therein), the Lenders (as defined therein), NationsBank, N.A., as administrative agent, Lehman Commercial Paper Inc., as documentation agent, and The Bank of Nova Scotia, as syndication agent.

"Senior Indebtedness" shall have the meaning ascribed to such term in the Notes.

"Sodexho Agreement" means that certain Securities Purchase Agreement, dated as of June 23, 1994, between Sodexho S.A., a French corporation, or its designee and the Corporation, as amended by that certain Amendment No. 1 to Securities Purchase Agreement, dated as of July 11, 1995, and that certain Amendment No. 2 to Corrections Corporation of America/Sodexho S.A. 1994 Securities Purchase Agreement and Note and Warrant Modification Agreement, dated as of February 26, 1996.

"State Government Contract" means a contract between the Corporation or any of its Subsidiaries and the government of any state, county, or municipality or any political subdivision or agency thereof.

"Subsidiary" means any corporation, partnership, or other entity of which a majority of the total combined voting power of all classes of Voting Stock at the time as of

which any determination is being made, is owned by a Person either directly, through one or more Subsidiaries, or both.

"Transaction Documents" means this Agreement, the Notes, and the Registration Rights Agreement.

"Transfer" shall have the meaning ascribed thereto in Section 8.4 hereof.

"Triggering Event" means the occurrence of any Unmatured Event of Default or Event of Default described in Section 7.1. For purposes of determining the period during which the Triggering Event Rate shall be in effect, a Triggering Event shall not be deemed to have occurred until the date on which Purchaser shall have given notice of the occurrence thereof to the Corporation.

"Triggering Event Rate" means nine and one-half percent (9.5%) per annum.

"Unmatured Event of Default" shall mean any event or condition, the occurrence of which would, with the lapse of time or the giving of notice, or both, constitute an Event of Default.

"Voting Stock" means, when used with respect to any Person, any shares of stock or other ownership interests of such Person having general voting power under ordinary circumstances to elect a majority of the board of directors of such Person (irrespective of whether at the time stock or ownership interests of any other class or classes shall have or might have voting power by reason of the happening of any contingency).

3.2 Construction. Unless the context of this Agreement clearly requires otherwise, references to the plural include the singular and to the singular include the plural, the part includes the whole, the terms "include" and "including" are not limiting, and the term "or" has, except where otherwise indicated, the inclusive meaning represented by the phrase "and/or". The words "hereof," "herein," "hereby," "hereunder" and similar terms in this Agreement refer to this Agreement as a whole and not to any particular provision of this Agreement. Section, subsection, clause, exhibit, and schedule references are to this Agreement unless otherwise specified. Any reference herein to the Transaction Documents includes any and all alterations, amendments, changes, extensions, modifications, renewals, or supplements thereto or thereof, as applicable.

3.3 Changes in Accounting Principles. If any changes in accounting principles from those in effect at the time of preparation of the financial statements referred to in Section 4.5 are hereafter occasioned by the promulgation of rules, regulations, pronouncements, and opinions by or required by the Financial Accounting Standards Board or the American Institute of Certified Public Accountants (or successors thereto or organizations with similar functions) result in a change in the method of calculation of financial covenants, standards, or terms found in this Agreement or there is any change in the Corporation's fiscal quarters or fiscal year, the parties hereto agree to enter into negotiations

to amend this Agreement so as to equitably reflect such changes with the desired result that the criteria for evaluating the financial condition of the Corporation shall be the same after such changes as if such changes had not been made.

4. REPRESENTATIONS AND WARRANTIES OF THE CORPORATION. The Corporation represents and warrants to Purchaser, as of the date hereof and as of the Closing Date, that:

4.1 Organization and Qualification. Each of the Corporation and its Subsidiaries is a corporation duly organized and existing in good standing under the laws of the jurisdiction in which it is incorporated and has the power to own its respective property and to carry on its respective business as now being conducted. Each of the Corporation and its Subsidiaries is duly qualified as a foreign corporation to do business and in good standing in every jurisdiction in which the nature of the respective business conducted or property owned by it makes such qualification necessary and where the failure so to qualify would have a material adverse effect on the business or financial position of the Corporation and its Subsidiaries taken as a whole.

4.2 Due Authorization. The execution and delivery of this Agreement, the Registration Rights Agreement, and the other Transaction Documents, and the issuance and sale of the Notes and the Conversion Shares by the Corporation and compliance by the Corporation with all the provisions of the Transaction Documents and the Conversion Shares (i) are within the corporate power and authority of the Corporation; (ii) do not require the approval or consent of any stockholders of the Corporation; and (iii) have been authorized by all requisite corporate proceedings on the part of the Corporation. The Transaction Documents have been duly executed and delivered by the Corporation and constitute valid and binding agreements of the Corporation enforceable in accordance with their respective terms, except that (i) such enforcement may be subject to bankruptcy, insolvency, reorganization, moratorium, or other similar laws now or hereafter in effect relating to creditors rights, and (ii) the remedy of specific performance and injunctive and other form of equitable relief may be subject to equitable defenses and to the discretion of the court before which any proceeding therefor may be brought. The Corporation has furnished to Purchaser true and correct copies of the Corporation's current Certificate of Incorporation and By-laws.

4.3 Subsidiaries. The Subsidiaries of the Corporation, together with their jurisdiction of incorporation, are set forth on Schedule 4.3 hereto.

4.4 SEC Reports. The Corporation, CCA and Prison Realty have filed all proxy and registration statements, reports, and other documents required to be filed by them under the Securities Act and the Exchange Act to effect the Mergers, and the Corporation has furnished Purchaser copies of all final proxy and effective registration statements and reports under the Securities Act and the Exchange Act filed by the Corporation, CCA or Prison Realty in connection with the Mergers and the other transactions contemplated by the Proxy, each as filed with the Commission (collectively, the "SEC Reports"). Each SEC Report was in substantial compliance with the requirements of its respective report form and did not, on the date of filing, contain any untrue statement of a material fact or omit to state a material

fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading.

4.5 Financial Statements. The pro forma combined balance sheet (including any related notes) included in the SEC Reports has been prepared in accordance with generally accepted accounting principles consistently followed (except as indicated in the notes thereto) throughout the periods involved and fairly presents the pro forma combined financial condition of the Corporation as of the date thereof, and the Corporation has no material liabilities, contingent or otherwise, not reflected in the pro forma balance sheet as of June 30, 1998 included in the SEC Reports or otherwise referred to in the SEC Reports or otherwise disclosed to Purchaser in writing prior to the execution by Purchaser of this Agreement, other than any such liabilities incurred in the ordinary course of business since June 30, 1998. There has been no material adverse change in the business, condition, or operations (financial or otherwise) of the Corporation and its Subsidiaries taken as a whole from that set forth in the pro forma balance sheet as of June 30, 1998 included in the SEC Reports, other than changes disclosed or referred to in the SEC Reports, or otherwise disclosed to Purchaser in writing prior to the execution by Purchaser of this Agreement.

4.6 Actions Pending; Compliance with Law. Except as disclosed on Schedule 4.6 hereto, there is no action, suit, criminal investigation, or proceeding pending or, to the knowledge of the Corporation, threatened by any public official or governmental authority, against the Corporation or any of its Subsidiaries or any of their respective properties or assets by or before any court, arbitrator, or governmental body, department, commission, board, bureau, agency, or instrumentality, which questions the validity of the Mergers, the Transaction Documents or the Conversion Shares or any action taken or to be taken pursuant hereto or thereto, or, except as set forth in the SEC Reports, that are reasonably likely to result in any material adverse change in the business or financial condition of the Corporation, and neither the Corporation nor any of its Subsidiaries is in default in any material respect with respect to any judgment, order, writ, injunction, decree, or award, and, except as disclosed in the SEC Reports, the businesses of the Corporation and its Subsidiaries are in compliance in all material respects with applicable federal, state, local, and foreign governmental laws and regulations and all Government Contracts, all to the extent necessary to avoid any material adverse effect on the business, properties, or condition (financial or otherwise) of the Corporation and its Subsidiaries, taken as a whole.

4.7 Title to Properties; Insurance. The Corporation and its Subsidiaries have good and valid title to their respective properties and assets, free of all liens and encumbrances other than those referred to in the financial statements of CCA and Prison Realty (or the notes thereto) for the quarter ended September 30, 1998, included in the SEC Reports, except in each case for such defects in title and such other liens and encumbrances that are otherwise disclosed or referred to in the SEC Reports or that do not in the aggregate materially detract from the value to the Corporation of the properties and assets of the Corporation and its Subsidiaries taken as a whole. The Corporation and its Subsidiaries maintain insurance in such amounts (to the extent available in the public market), including

self-insurance, retainage, and deductible arrangements, and of such a character as the Corporation believes is reasonable for companies engaged in the same or similar business.

4.8 Governmental Consents, Etc. The Corporation is not required to obtain any consent, approval, or authorization of, or to make any declaration or filing with, any governmental authority as a condition to or in connection with the valid execution, delivery, and performance of the Transaction Documents and the valid offer, issue, sale, or delivery of the Notes or the Conversion Shares, or the performance by the Corporation of its obligations in respect thereof, except for any filings required to effect any registration pursuant to the Registration Rights Agreement, and filings required pursuant to state and federal securities laws that have been made or will be timely made after the Closing Date.

4.9 Holding Corporation Act and Investment Corporation Act Status. The Corporation is not a "holding company" or a "public utility company" as such terms are defined in the Public Utility Holding Corporation Act of 1935. The Corporation is not an "investment company," or a company "controlled" by an "investment company," within the meaning of the Investment Corporation Act of 1940.

4.10 Taxes. The Corporation and its Subsidiaries have filed or caused to be filed all income tax returns that are required to be filed and have paid or caused to be paid all taxes as shown on said returns and on all assessments received by it to the extent that such taxes have become due, except taxes the validity or amount of which is being contested in good faith by appropriate proceedings and with respect to which adequate reserves have been set aside. The Corporation and its Subsidiaries have paid or caused to be paid, or have established reserves that the Corporation reasonably believes to be adequate in all material respects, for all federal income tax liabilities and state income tax liabilities applicable to the Corporation and its Subsidiaries for all fiscal years that have not been examined and reported on by the taxing authorities (or closed by applicable statutes).

4.11 Conflicting Agreements and Charter Provisions. Neither the Corporation nor its Subsidiaries is a party to any contract or agreement or subject to any charter or other corporate restriction that materially and adversely affects its business, property, or assets or financial condition. Except as set forth on Schedule 4.11 attached hereto, neither the execution and delivery of the Transaction Documents nor the issuance of the Conversion Shares nor fulfillment of or compliance with the terms and provisions hereof or thereof or the prepayment of the Notes as contemplated hereby and by the Notes, and the conversion of the indebtedness evidenced by the Notes into the Conversion Shares as contemplated hereby and by the Notes will conflict with or result in a breach of the terms, conditions, or provisions of, or give rise to a right of termination under, or constitute a default under, or result in any violation of, the Certificate of Incorporation or By-laws of the Corporation or any mortgage, agreement, instrument, order, judgment, decree, statute, law, rule, or regulations to which the Corporation or any of its Subsidiaries or any of their respective properties is subject. Neither the Corporation nor any of its Subsidiaries is in default under any outstanding indenture or other debt instrument or with respect to the payment of the principal of or interest on any outstanding obligations for borrowed money,

or is in default under any of their respective contracts or agreements, or under any instrument by which the Corporation or any of its Subsidiaries is bound, in each case that materially and adversely affects the business, operations, or financial condition of the Corporation and its Subsidiaries, taken as a whole.

4.12 Capitalization. As of the effective date of the Mergers, the authorized capital stock of the Corporation consists of (i) 300,000,000 shares of Common Stock, $0.01 par value, of which 105,236,215 shares will be outstanding and no shares will be held in its treasury; and (ii) 20,000,000 shares of preferred stock, $0.01 par value, of which 4,300,000 shares of Series A Preferred Stock will be outstanding; all of such outstanding shares have been validly issued and are fully paid and nonassessable. Except as set forth on Schedule 4.12 hereto, no shares of Common Stock of the Corporation are entitled to preemptive rights. Except for the options and warrants listed on Schedule 4.12 hereto and except for the Convertible Notes, there are no outstanding options, warrants, scrip, rights to subscribe to, calls, or commitments of any character whatsoever relating to, or securities or rights convertible into, shares of any capital stock of the Corporation, or contracts, commitments, understandings, or arrangements by which the Corporation is or may become bound to issue additional shares of its capital stock. The Corporation has not changed the amount of its authorized capital stock or subdivided or otherwise changed any shares of any class of its capital stock, whether by way of reclassification, recapitalization, stock split, or otherwise, or issued or reissued, or agreed to issue or reissue, any of its capital stock, except as disclosed in this Section 4.12 and has not declared or paid any dividend in cash or stock or made any other distribution of assets to its stockholders.

4.13 Disclosure. Neither this Agreement nor the SEC Reports nor the financial statements included in the SEC Reports nor any certificate or written disclosure statement referred to herein and furnished to Purchaser by or on behalf of the Corporation in connection with the transactions contemplated hereby contains any untrue statement of a material fact or omits to state a material fact necessary in order to make the statements contained herein and therein not misleading. There is no fact peculiar to the Corporation or any of its Subsidiaries that the Corporation has not disclosed to Purchaser in writing that materially affects adversely or, so far as the Corporation can now reasonably foresee, will materially affect adversely the properties, business, or condition (financial or otherwise) of the Corporation and its Subsidiaries, taken as a whole, or the ability of the Corporation to perform this Agreement, the Notes, the Registration Rights Agreement, or its obligations in respect of the Conversion Shares.

4.14 Status of Conversion Shares. The Conversion Shares have been duly authorized by all necessary corporate action on the part of the Corporation (no consent or approval of stockholders being required by law, the Certificate of Incorporation or the By-laws of the Corporation, or otherwise), and such shares of Common Stock have been validly reserved for issuance, and upon issuance, will be validly issued and outstanding, fully paid, and nonassessable.

4.15 Registration Under Exchange Act. The Conversion Shares will not be registered as a class pursuant to Section 12 of the Exchange Act and such registration is not required except as otherwise required by the provisions of the Registration Rights Agreement.

4.16 ERISA. No accumulated funding deficiency (as defined in Section 302 of ERISA and Section 412 of the Code), irrespective of whether waived, exists with respect to any Plan (as defined below) (other than a Multiemployer Plan (as defined below)). No liability to the Pension Benefit Guaranty Corporation has been incurred with respect to any Plan (other than a Multiemployer Plan) by the Corporation or any of its Subsidiaries that is or would be materially adverse to the Corporation and its Subsidiaries, taken as a whole. Neither the Corporation nor any of its Subsidiaries has incurred any withdrawal liability under Title IV of ERISA with respect to any Multiemployer Plan that is or would be materially adverse to the Corporation and its Subsidiaries, taken as a whole. The execution and delivery of this Agreement and the Registration Rights Agreement and the issuance and sale of the Notes and the conversion of the indebtedness evidenced by the Notes into the Conversion Shares will not involve any transaction that is subject to the prohibitions of Section 406 of ERISA or in connection with which a tax could be imposed pursuant to Section 4975 of the Code. The representation by the Corporation in the immediately preceding sentence is made in reliance upon and subject to the accuracy of Purchaser's representation in Section 5.3 as to the source of the funds to be used to pay the purchase price of the Conversion Shares. As used in this Section 4.16, the term "Plan" shall mean an "employee pension benefit plan" (as defined in Section 3(2) of ERISA) that is or has been established or maintained, or to which contributions are or have been made, by the Corporation or by any trade or business, irrespective of whether incorporated, that, together with the Corporation, is under common control, as described in Section 414(b) or (c) of the Code, and the term "Multiemployer Plan" shall mean any Plan that is a "multiemployer plan" (as such term is defined in Section 4001 (a) (3) of ERISA).

4.17 Possession of Franchises, Licenses, Etc. The Corporation and its Subsidiaries possess all franchises, certificates, licenses, permits, and other authorizations from governmental or political subdivisions or regulatory authorities and all patents, trademarks, service marks, trade names, copyrights, licenses, and other rights, free from burdensome restrictions, that are necessary in any material respect to the Corporation and its Subsidiaries, taken as a whole for the ownership, maintenance, and operation of their respective properties and assets, and neither the Corporation nor any of its Subsidiaries is in violation of any thereof in any material respect.

4.18 Environmental and Other Regulations. The Corporation and its Subsidiaries are in compliance in all material respects with all laws and regulations, including those relating to environmental control, equal employment opportunity, and employee safety, in all jurisdictions in which the Corporation and its Subsidiaries are presently doing business and where the failure to effect such compliance would have a material adverse effect on the business, operations, or financial condition of the Corporation and its Subsidiaries, taken as a whole.

4.19 Offering of Securities. Neither the Corporation nor any Person acting on its behalf has offered the Notes or any similar securities of the Corporation for sale to, solicited any offers to buy the Notes or any similar securities of the Corporation from, or otherwise approached or negotiated with respect to the Corporation with any Person other than Purchaser and a limited number of other "accredited investors" (as defined in Rule 501(a) under the Securities Act). Neither the Corporation nor any Person acting on its behalf has taken or will take any action (including any offering of any securities of the Corporation under circumstances that would require the integration of such offering with the offering of the Securities under the Securities Act and the rules and regulations of the Commission thereunder) that might subject the offering, issuance, or sale of the Securities to the registration requirements of Section 5 of the Securities Act or violate the provisions of any securities, "blue sky", or similar law of any applicable jurisdiction.

4.20 Brokers or Finders. No agent, broker, investment banker, or other firm or Person is or will be entitled to any broker's fee or any other commission or similar fee as a result of the activities of the Corporation or its Subsidiaries, agents, or employees undertaken in connection with any of the transactions contemplated by this Agreement or the Registration Rights Agreement.

4.21 REIT Status. (A) The Corporation is organized in conformity with the requirements for qualification as a real estate investment trust ("REIT") under Sections 856 through 860 of the Code, has duly elected to be taxed as a REIT commencing with the taxable year ending December 31, 1998, and such election has not been terminated or revoked, (B) the Corporation is operated in such a manner that it continues to qualify as a REIT and is taxed as a REIT, (C) each Subsidiary constitutes a "qualified REIT subsidiary" within the meaning of Section 856(i) of the Code and (D) the Corporation has not received any net income from prohibited transactions within the meaning of Section 852 (b) (6) (B) of the Code.

4.22 Regulations T, U, and X. Neither the Corporation nor any of its Subsidiaries owns or has any present intention of acquiring any Margin Stock. Neither the Corporation, any of its Subsidiaries, nor any agent acting on its behalf has taken any action that might cause this Agreement to violate Regulations T, U, or X or any other regulation of the Board of Governors of the Federal Reserve System or to violate the Exchange Act.

5. REPRESENTATIONS AND WARRANTIES OF PURCHASER. Purchaser represents and warrants to the Corporation, as of the date hereof and as of the Closing Date, as follows:

5.1 Due Authorization. Purchaser has all right, power, and authority to enter into the Transaction Documents to which it is a party and to consummate the transactions contemplated hereby and thereby. The execution and delivery by Purchaser of the Transaction Documents to which it is a party and the consummation by Purchaser of the transactions contemplated hereby and thereby have been duly authorized by all necessary corporate action on behalf of Purchaser. The Transaction Documents to which Purchaser is a party have been duly executed and delivered by Purchaser and constitute valid and binding agreements of Purchaser enforceable in accordance with their terms, except that (i) such

enforcement may be subject to bankruptcy, insolvency, reorganization, moratorium, or other similar laws now or hereafter in effect relating to creditors' rights, and (ii) the remedy of specific performance and injunctive and other forms of equitable relief may be subject to equitable defenses and to the discretion of the court before which any proceeding therefor may be brought.

5.2 Conflicting Agreements and Other Matters. Neither the execution and delivery of the Transaction Documents to which Purchaser is a party nor the performance by Purchaser of its obligations hereunder or thereunder will conflict with, result in a breach of the terms, conditions, or provisions of, constitute a default under, result in the creation of any mortgage, security interest, encumbrance, lien, or charge of any kind upon any of the properties or assets of Purchaser pursuant to, or require any consent, approval, or other action by or any notice to or filing with any court or administrative or governmental body pursuant to the organizational documents or agreements of Purchaser or any agreement, instrument, order, judgment, decree, statute, law, rule, or regulation by which Purchaser is bound, except, possibly, for filings after the Closing Date, as applicable, under Section 13(d) of the Exchange Act.

5.3 Acquisition for Investment; Source of Funds. PMI is acquiring the Notes (and its rights with respect to the Conversion Shares) for its own account for the purpose of investment and not with a view to or for sale in connection with any distribution thereof, and PMI has no present intention or plan to effect any distribution of the Conversion Shares. No portion of the funds to be used by PMI to purchase the Notes, as of the Closing Date, are "plan assets," within the meaning of 29 CFR Section 2510.3-101, of an "employee benefit plan," as defined in Section 3(3) of ERISA, subject to Part 4 of Title I of ERISA, or a "plan," as defined in Section 4975(e)(1) of the Code, subject to Section 4975 of the Code.

5.4 Brokers or Finders. No agent, broker, investment banker, or other firm or Person is or will be entitled to any broker's fee or any other commission or similar fee as a result of the activities of Purchaser or its Subsidiaries, agents, or employees undertaken in connection with any of the transactions contemplated by this Agreement or the Registration Rights Agreement.

5.5 Accredited Investor. Purchaser is an "accredited investor" within the meaning of Regulation D under the Securities Act.

6. COVENANTS.

The Corporation covenants that so long as any amount due or to become due under the Notes or this Agreement remains unpaid:

6.1 Financial Statements and Other Reports.

(i) it will, as soon as practicable and in any event within 45 days after the end of each quarterly period (other than the last quarterly period) in each

fiscal year, furnish to Purchaser statements of consolidated net income and cash flows and a statement of changes in consolidated stockholders equity of the Corporation and its Subsidiaries for the period from the beginning of the then current fiscal year to the end of such quarterly period, and a consolidated balance sheet of the Corporation and its Subsidiaries as of the end of such quarterly period, setting forth in each case in comparative form figures for the corresponding period or date in the preceding fiscal year, all in reasonable detail and certified by an authorized financial officer of the Corporation, subject to changes resulting from year-end adjustments; provided, however, that delivery pursuant to clause (iii) below of a copy of the Quarterly Report on Form 10-Q of the Corporation for such quarterly period filed with the Commission shall be deemed to satisfy the requirements of this clause (i);

(ii) it will, as soon as practicable and in any event within 90 days after the end of each fiscal year, furnish to Purchaser statements of consolidated net income and cash flows and a statement of changes in consolidated stockholders' equity of the Corporation and its Subsidiaries for such year, and a consolidated balance sheet of the Corporation and its Subsidiaries as of the end of such year, setting forth in each case in comparative form the corresponding figures from the preceding fiscal year, all in reasonable detail and examined and reported on by independent public accountants of recognized standing selected by the Corporation; provided, however, that delivery pursuant to clause (iii) below of a copy of the Annual Report on Form 10-K of the Corporation for such fiscal year filed with the Commission shall be deemed to satisfy the requirements of this clause (ii);

(iii) it will, promptly upon transmission thereof, furnish to Purchaser copies of all financial statements, proxy statements, notices, and reports as it shall send to its stockholders and copies of all registration statements (without exhibits), other than registration statements relating to employee benefit or dividend reinvestment plans, and all regular and periodic reports as it shall file with the Commission; and

(iv) it will, with reasonable promptness, furnish to Purchaser such other financial and other data of the Corporation and its Subsidiaries as Purchaser may request, including operating financial information for each facility owned by the Corporation or any of its Subsidiaries.

Together with each delivery of financial statements required by clauses (i) and (ii) above, the Corporation will deliver to Purchaser a Compliance Certificate of an authorized financial officer of the Corporation demonstrating in reasonable detail compliance during and at the end of such accounting periods with the financial covenants contained in Section 6.15 of this Agreement in the manner set forth in such Compliance Certificate. At such other time or times that the Corporation delivers a compliance certificate to any other holder of Funded Debt, the Corporation will deliver such certificate, and any supporting detail, to Purchaser.

6.2 Inspection of Property. The Corporation will permit representatives of Purchaser to visit and inspect, at Purchaser's expense, any of the properties of the Corporation and its Subsidiaries, to examine the corporate books and make copies or extracts therefrom and to discuss the affairs, finances, and accounts of the Corporation and its Subsidiaries with the principal officers of the Corporation, all at such reasonable times, upon reasonable notice, and as often as Purchaser may reasonably request; provided, however, that the foregoing shall be subject to compliance with reasonable safety requirements and shall not require the Corporation or any of its Subsidiaries to permit any inspection that, in the reasonable judgment of the Corporation, would result in the violation of any statute or regulation with respect to confidentiality or security. Purchaser agrees that the information received pursuant to this Section 6.2 or Section 6.1(iv) is subject to Section 9 hereof.

6.3 Use of Proceeds; Regulations T, U, and X. All of the proceeds of the sale of the Notes will be used by the Corporation to prepay the Convertible Subordinated Notes. None of such proceeds will be used, directly or indirectly, for the purpose of purchasing or carrying any Margin Stock or for the purpose of reducing or retiring any indebtedness that was originally incurred to purchase or carry Margin Stock or for any other purpose that might constitute this transaction a "purpose credit" within the meaning of Regulations T, U, or X.

6.4 Attendance at Board Meeting. The designee of Purchaser (such individual to be identified to the Corporation in a writing signed by Purchaser) shall have the right (i) to consult with and advise management of the Corporation, at such times and under such circumstances as are approved by the Board of Directors of the Corporation in its reasonable discretion, on significant business issues, including management's proposed annual operating plans, and management will make itself available to meet with such designee during each year at the Corporation's facilities at mutually agreeable times, (ii) to examine the books and records of the Corporation and inspect its facilities and to receive information at reasonable times and intervals concerning the general status of the Corporation's financial condition and operations; and (iii) to attend all meetings of the Board of Directors of the Corporation in a nonvoting observer capacity, to receive notice of such meetings, and to receive the information provided by the Corporation to the Board of Directors; provided, however, that the Corporation may exclude any designee of the Purchaser from access to any material or meeting or portion thereof if the Corporation believes upon advice of counsel that such exclusion is reasonably necessary to preserve the attorney-client privilege, to protect highly confidential proprietary information, or for other similar reasons. The Corporation agrees to provide Purchaser with the same notice provided to any director with respect to any proposed meeting of the Board of Directors of the Corporation. The reasonable out-of-pocket costs and expenses of any such individual attending a Board of Directors meeting of the Corporation shall be reimbursed by the Corporation.

6.5 Compliance with Laws. The Corporation at all times will, and will cause each of its Subsidiaries to, observe and comply in all material respects with all laws (including environmental laws applicable to the Corporation and its Subsidiaries),

ordinances, orders, judgments, rules, regulations, certifications, franchises, permits, licenses, directions, and requirements of all governmental authorities that are now and may at any time be applicable to the Corporation or its Subsidiaries, a violation of which could reasonably be expected to have a material adverse effect on the business, assets, operations, prospects, or condition (financial or otherwise) of the Corporation and its Subsidiaries, taken as a whole, except such thereof as shall be contested in good faith and by appropriate proceedings promptly instituted and diligently conducted by the Corporation or its Subsidiaries, as the case may be, so long as adequate reserves or other appropriate provisions as shall be required in accordance with generally accepted accounting principles shall have been made therefor.

6.6 Maintenance of Properties; Insurance. The Corporation will maintain and will cause its Subsidiaries to maintain in good repair, working order, and condition (normal wear and tear excepted) all properties used or useful in the business of the Corporation and its Subsidiaries and from time to time will make or cause to be made all appropriate repairs, renewals, and replacements thereof. The Corporation will maintain and will cause its Subsidiaries to maintain in full force and effect, with financially sound and reputable insurers acceptable to Purchaser, insurance (subject to customary deductibles and retentions) with respect to its properties and business and the properties and business of its Subsidiaries against hazards, contingencies, loss, or damage of the kinds customarily insured against by corporations of established reputation or similar size engaged in the same or similar business and similarly situated, of such types and in such amounts as are customarily carried under similar circumstances by such other corporations; provided, however, in no event shall the coverage and amount of such insurance be less than the coverage and amount of insurance in force on the Closing Date. Without limiting the generality of the foregoing, the Corporation will maintain (i) public liability insurance against claims for personal injury, death, or property damage occurring upon, in, about, or in connection with the use of any property owned, occupied, or controlled by the Corporation or any of its Subsidiaries in an amount per occurrence of at least $10,000,000, (ii) workers' compensation and business interruption insurance covering loss of rents and builders' all risk insurance, and (iii) such other insurance for the Corporation and its Subsidiaries as may be required by law.

6.7 Performance of Government Contracts. The Corporation will and will cause each of its Subsidiaries to perform each and every term and condition of the Government Contracts relating to the facilities owned by the Corporation or such Subsidiary and will not, and will not permit any Subsidiary to consent to any termination, cancellation, or material amendment, modification, or supplement to any Government Contract relating to the facilities owned by the Corporation or any of its Subsidiaries which termination, cancellation, amendment, modification, or supplement could reasonably be expected to have a material adverse effect on the business, assets, operations, prospects, or condition (financial or otherwise) of the Corporation and its Subsidiaries, taken as a whole.

6.8 Notice to Purchaser. When any Unmatured Event of Default or Event of Default has occurred, the Corporation agrees to give written notice thereof to Purchaser within three (3) days of the Corporation's discovery of such event.

6.9 Waiver of Stay, Extension, or Usury Laws. The Corporation covenants (to the extent that it may lawfully do so) that it will not at any time insist upon, plead, or in any manner whatsoever claim or take the benefit or advantage of any stay or extension law or any usury law or other law which would prohibit or forgive the Corporation from paying all or any portion of the principal of, or interest, or premium, if any, on the Notes as contemplated herein, wherever enacted, now or at any time hereafter in force, or which may affect the covenants or the performance of this Agreement; and (to the extent that it may lawfully do so) the Corporation hereby expressly waives all benefit or advantage of any such law, and covenants that it will not hinder, delay, or impede the execution of any power herein granted to the holders of the Notes, but will suffer and permit the execution of every such power as though no such law had been enacted.

6.10 Conduct of Business. The Corporation will, and will cause each of its Subsidiaries to, operate in a manner so that the Corporation will become qualified and shall maintain its status as a real estate investment trust for federal income tax purposes focused on owning and acquiring correctional and detention facilities.

6.11 Amendments or Waivers of Certain Documents. The Corporation will not agree to any material amendment, modification, supplement to, or waiver of any agreement related to the Convertible Notes that would increase the interest rates thereof, shorten the average maturities thereof, or alter financial covenants contained therein in a manner that could be expected to be materially adverse to the interests of Purchaser.

6.12 Limitation on Issuance of Other Subordinated Indebtedness Senior to the Notes. The Corporation will not create, incur, assume, guarantee, or in any other manner become liable with respect to any indebtedness that is subordinate in right of payment to any Senior Indebtedness unless such indebtedness is also pari passu with, or subordinate pursuant to provisions substantially similar to those contained in the Notes, in right of payment to the Notes.

6.13 Financial Statements and Other Reports of Operating Company.

(i) it will cause Operating Company, as soon as practicable and in any event within 45 days after the end of each quarterly period (other than the last quarterly period) in each fiscal year, to furnish to Purchaser statements of consolidated net income and cash flows and a statement of changes in consolidated stockholders equity of Operating Company and its Subsidiaries for the period from the beginning of the then current fiscal year to the end of such quarterly period, and a consolidated balance sheet of Operating Company and its Subsidiaries as of the end of such quarterly period, setting forth in each case in comparative form figures for the corresponding period or date in the preceding fiscal year, all in reasonable detail and certified by an authorized financial officer of Operating Company, subject to changes resulting from year-end adjustments; provided, however, that delivery pursuant to clause (iii) below of a copy of the Quarterly Report on Form 10-Q of Operating

Company for such quarterly period filed with the Commission shall be deemed to satisfy the requirements of this clause (i);

(ii) it will cause Operating Company, as soon as practicable and in any event within 90 days after the end of each fiscal year, to furnish to Purchaser statements of consolidated net income and cash flows and a statement of changes in consolidated stockholders' equity of Operating Company and its Subsidiaries for such year, and a consolidated balance sheet of Operating Company and its Subsidiaries as of the end of such year, setting forth in each case in comparative form the corresponding figures from the preceding fiscal year, all in reasonable detail and examined and reported on by independent public accountants of recognized standing selected by Operating Company; provided, however, that delivery pursuant to clause (iii) below of a copy of the Annual Report on Form 10-K of Operating Company for such fiscal year filed with the Commission shall be deemed to satisfy the requirements of this clause (ii);

(iii) it will cause Operating Company, promptly upon transmission thereof, to furnish to Purchaser copies of all financial statements, proxy statements, notices, and reports as it shall send to its stockholders and copies of all registration statements (without exhibits), other than registration statements relating to employee benefit or dividend reinvestment plans, and all regular and periodic reports as it shall file with the Commission; and

(iv) it will cause Operating Company, with reasonable promptness, to furnish to Purchaser such other financial and other data of Operating Company and its Subsidiaries as Purchaser may request, including operating financial information for each facility owned or operated by Operating Company or any of its Subsidiaries.

6.14 Maintenance of REIT Status. The Corporation shall conduct its operations in a manner so as to continue to qualify as a REIT under the Code.

6.15 Financial Covenants. For purposes of this subsection only, all capitalized terms not otherwise defined herein shall have the meaning ascribed thereto in the Senior Credit Agreement as in effect as of the effective date hereof.

(i) Debt Service Coverage Ratio. The Debt Service Coverage Ratio, as of the last day of each fiscal quarter of the Consolidated Parties, shall be greater than or equal to 1.6 to 1.0.

(ii) Interest Coverage Ratio. The Interest Coverage Ratio, as of the last day of each fiscal quarter of the Consolidated Parties, shall be greater than or equal to 2.4 to 1.0.

(iii) Total Indebtedness to Total Capitalization. At all times the ratio of Total Indebtedness to Total Capitalization shall be equal to or less than .60 to 1.0.

7. EVENTS OF DEFAULT; REMEDIES THEREFOR.

7.1 Events of Default. Any one or more of the following shall constitute an "Event of Default":

(i) default in the payment of any interest due under the Notes when it becomes due and payable, and continuance of such default for a period of ten (10) days; or

(ii) default in the payment of the principal of the Notes when due (whether at scheduled maturity, as a result of a mandatory prepayment requirement, by acceleration, or otherwise); or

(iii) default under any bond, debenture, note, or other evidence of indebtedness for money borrowed in excess of $1,000,000 by the Corporation or any of its Subsidiaries, whether such indebtedness now exists or shall hereafter be created, which default (i) shall consist of a failure to pay such indebtedness at final maturity and after the expiration of any applicable grace period, or (ii) shall have resulted in such indebtedness (A) becoming or being declared due and payable prior to the date on which it would otherwise have become due and payable, without such acceleration having been rescinded or annulled, or (B) having been discharged within a period of ten (10) days after there shall have been given, by registered or certified mail, to the Corporation or such Subsidiary, as applicable, by any holder of such indebtedness a written notice specifying such default and requiring the Corporation or such Subsidiary, as applicable, to cause such indebtedness to be discharged; or

(iv) default shall occur in the observance or performance of any covenant or agreement or any other provision of this Agreement or the Notes that is not remedied within twenty (20) days after receipt by the Corporation of written notice of such default from Purchaser;

(v) any representation or warranty made by the Corporation herein, or made by the Corporation in any statement or certificate furnished by the Corporation in connection with the consummation of the issuance and delivery of the Notes or thereafter pursuant to the terms of this Agreement, is untrue in any material respect as of the date of the issuance or making thereof; or

(vi) a final judgment or judgments entered by a court of competent jurisdiction for the payment of money aggregating in excess of $1,000,000 is or are outstanding against the Corporation or any of its Subsidiaries and any one such judgment in excess of $1,000,000 has, or such judgments aggregating in excess of $1,000,000 have remained unpaid, unvacated, unbonded, or unstayed by appeal or otherwise for a period of thirty (30) days from the date of entry; or

(vii) a court or other governmental authority or agency having jurisdiction in the premises shall enter a decree or order (a) for the appointment of a receiver, liquidator, assignee, trustee, sequestrator, or other similar official of the Corporation or any Subsidiary of the Corporation or of a material portion of the assets of either, or for the winding-up or liquidation of its affairs, and such decree or order shall remain in force, undischarged and unstayed for a period of more than thirty (30) days, or (b) for the sequestration or attachment of any material portion of the assets of the Corporation or any Subsidiary of the Corporation, without its unconditional return to the possession of the Corporation or such Subsidiary, or its unconditional release from such sequestration or attachment, within thirty (30) days thereafter; or

(viii) the Corporation or any Subsidiary of the Corporation makes an assignment for the benefit of creditors, or the Corporation or any Subsidiary of the Corporation applies for or consents to the appointment of a custodian, liquidator, trustee, or receiver for the Corporation or such Subsidiary or for a material portion of the assets of either; or

(ix) the entry of a decree or order by a court having jurisdiction in the premises adjudging the Corporation or any of its Subsidiaries a bankrupt or insolvent, or approving as properly filed a petition seeking reorganization, arrangement, adjustment, or composition of or in respect of the Corporation under federal bankruptcy law or any other applicable federal or state law, or appointing a receiver, liquidator, assignee, trustee, sequestrator, or other similar official for the Corporation or any of its Subsidiaries or of any substantial part of its property, or ordering the winding up or liquidation of its affairs, and the continuance of any such decree or order unstayed and in effect for a period of sixty (60) consecutive days or until an order for relief has been entered; or

(x) the institution by the Corporation or any of its Subsidiaries of proceedings to be adjudicated a debtor or insolvent, or the consent by it to the institution of bankruptcy or insolvency proceedings against it, or the filing by it of a petition or answer or consent seeking reorganization or relief under federal bankruptcy law or any other applicable federal or state law or the consent by it to the filing such petition or to the appointment of a receiver, liquidator, assignee, trustee, sequestrator, or similar official for the Corporation or any of its Subsidiaries or of any substantial part of its property, or the making by it of an assignment for the benefit of creditors, or the admission by it in writing of its inability to pay its debts generally as they become due, or the taking of corporate action by the Corporation or any of its Subsidiaries in furtherance of any such action.

7.2 Acceleration of Maturities. When any Event of Default described in clauses (i) through (vi), inclusive, of Section 7.1 has occurred and is continuing, Purchaser may, by notice in writing sent to the Corporation, declare the entire principal and all interest accrued on the Notes to be, and the Notes shall thereupon become, forthwith due and payable, without any presentment, demand, protest, or other notice of any kind, all of which

are hereby expressly waived. When any Event of Default described in clauses (vii) through (x), inclusive, of Section 7.1 has occurred, then the Notes shall immediately become due and payable without presentment, demand, protest, or notice of any kind. When any Event of Default described in clause (iv) of Section 7.1 has occurred and is continuing as a result of the Corporation's breach of its obligation to convert the indebtedness evidenced by the Notes into Conversion Shares in accordance with the terms and conditions of the Notes, Purchaser shall be entitled to specific performance of such obligation of the Corporation; it being expressly acknowledged and agreed by the Corporation that no adequate remedy at law exists for any such breach and that Purchaser will be irreparably harmed by any such breach by the Corporation. Upon the Notes becoming due and payable as a result of any Event of Default as aforesaid, the Corporation shall forthwith pay to Purchaser the entire principal and interest accrued on the Notes. No course of dealing on the part of Purchaser nor any delay or failure on the part of Purchaser to exercise any right shall operate as a waiver of such right or otherwise prejudice Purchaser's rights, powers, and remedies. The Corporation further agrees, to the extent permitted by law, to pay to Purchaser all costs and expenses (including attorneys' fees) incurred by it in the collection of the Notes upon any default hereunder or thereon (including such costs and expenses incurred in connection with a workout or an insolvency or bankruptcy proceeding).

8. AGREEMENTS OF PURCHASER. Purchaser agrees with the Corporation as follows:

8.1 Transfer of the Notes. Purchaser will not attempt to sell, transfer, convey, exchange, or otherwise dispose of all or any part of the Notes, except in accordance with applicable law.

8.2 No General Solicitation. Purchaser acknowledges and agrees that it has not received nor is it aware of any general solicitation or general advertising of the Notes, including any advertisement, article, notice, or other communication published in any newspaper, magazine, or similar media or broadcast over television or radio, and that it was not invited to attend any seminar or meeting by means of any such general solicitation or general advertising.

8.3 No Registration. Purchaser understands and agrees that, neither the Notes nor, except as provided in the Registration Rights Agreement, any Conversion Shares will be registered under the Securities Act or any state securities law, that the Notes and Conversion Shares may be required to be held until they are subsequently registered under the Securities Act and any applicable state securities law, or any corresponding provisions of succeeding laws, unless an exemption from the registration requirements of such laws is available, and that the Corporation is under no obligation to register the Notes or, except as provided in the Registration Rights Agreement, any Conversion Shares, for resale.

8.4 Transfer Restrictions; Legends. Purchaser understands and agrees that the Notes and, when issued, the Conversion Shares have not been registered under the Securities Act or the securities laws of any state and that they may be sold or otherwise disposed of only in one or more transactions registered under the Securities Act and, where

applicable, such laws unless an exemption from the registration requirements of the Securities Act and, where applicable, such laws is available. Purchaser acknowledges that, except as provided in the Registration Rights Agreement, Purchaser has no right to require the Corporation to register the Conversion Shares. Purchaser understands and agrees that each certificate representing Conversion Shares shall bear the following legends:

"THE TRANSFER OF THE SECURITIES REPRESENTED BY THIS CERTIFICATE IS RESTRICTED BY AN AGREEMENT ON FILE AT THE OFFICES OF THE CORPORATION."

"THE SECURITIES REPRESENTED BY THIS CERTIFICATE HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933 OR THE SECURITIES LAWS OF ANY STATE AND MAY NOT BE SOLD OR OTHERWISE DISPOSED OF EXCEPT PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER SUCH ACT AND APPLICABLE STATE SECURITIES LAWS OR AN APPLICABLE EXEMPTION TO THE REGISTRATION REQUIREMENTS OF SUCH ACT OR SUCH LAWS."

Purchaser will not, directly or indirectly, sell, transfer, pledge, encumber, or otherwise dispose of (collectively, "Transfers") any Conversion Shares except for (i) Transfers to any Affiliate of Purchaser, (ii) Transfers to other institutional investors that are not competitors of the Corporation in blocks of not less than 10,000 shares (or such lesser number as may then be outstanding), (iii) Transfers pursuant to any bona fide tender or exchange offer to acquire Voting Stock of the Corporation or pursuant to any merger, consolidation, or other business combination of the Corporation with any other Person; or (iv) the redemption of the Conversion Shares.

8.5 Restrictions on Conversion. Purchaser further understands and agrees that any conversion of the indebtedness evidenced by the Notes into Conversion Shares must comply with all applicable securities laws, including the Securities Act and any applicable state securities laws, as such laws exist on the date hereof and on such future dates that the indebtedness evidenced by the Notes, or any portion thereof, may be converted into Conversion Shares.

8.6 Further Cooperation. Purchaser will do all acts and things reasonably requested of it by the Corporation in connection with any attempt by the Corporation to achieve compliance with federal and state securities laws in connection with the offering and sale of the Notes or the conversion of all or any portion of the indebtedness evidenced by the Notes into Conversion Shares.

9. NONDISCLOSURE OF CONFIDENTIAL INFORMATION.

9.1 Without the prior written consent of the Corporation, any information relating to the Corporation provided to Purchaser in connection with this Agreement or its acquisition of the Notes or the Conversion Shares that is either confidential, proprietary, or otherwise not generally available to the public (but excluding information Purchaser has obtained independently from third-party sources without Purchaser's knowledge that the source has violated any fiduciary or other duty not to disclose such information (the "Confidential Information") will be kept confidential by Purchaser and their directors, officers, employees, agents, auditors, participants, transferees, assignees, and representatives (collectively, "Representatives"), using the same standard of care in safeguarding the Confidential Information as Purchaser employs in protecting its own proprietary information that Purchaser desires not to disseminate or publish. It is understood (a) that such Representatives shall be informed by Purchaser of the confidential nature of the Confidential Information, (b) that such Representatives shall be bound by the provisions of this Section 9.1 as a condition of receiving the Confidential Information, and (c) that, in any event, Purchaser shall be responsible for any breach of Sections 9.1, 9.2, or 9.3 of this Agreement by any of its Representatives (other than Purchaser's participants, transferees, or assignees).

9.2 Without the prior consent of the Corporation, other than as required by applicable law, Purchaser will not, and will direct its Representatives not to disclose to any Person (other than its Representatives) either the fact that the Confidential Information has been made available to Purchaser or that Purchaser has inspected any portion of the Confidential Information.

9.3 If Purchaser or its Representatives are requested or required (by oral question, interrogatories, requests for information or documents, subpoena, civil investigative demand, or similar process) to disclose any Confidential Information, Purchaser will, as soon as practicable, notify the Corporation of such request or requirement so that the Corporation may seek an appropriate protective order. If, in the absence of a protective order or the receipt of a waiver hereunder, Purchaser or its Representatives are, in the opinion of Purchaser's counsel, compelled to disclose the Confidential Information or else stand liable for contempt or suffer other censure or significant penalty, Purchaser, or its Representative, as the case may be, may disclose only such of the Confidential Information to the party compelling disclosure as is required by law. Purchaser shall not be liable for the disclosure of Confidential Information pursuant to the preceding sentence. Purchaser will exercise all reasonable efforts to assist the Corporation in obtaining a protective order or other reliable assurance that confidential treatment will be accorded the Confidential Information.

10. MISCELLANEOUS.

10.1 Indemnification. Each party (an "indemnifying party") hereto agrees to indemnify and hold harmless the other parties (an "indemnified party") against and in respect of any and all claims, demands, losses, costs, expenses, obligations, liabilities, damages, recoveries, and deficiencies, including reasonable attorneys' fees, that such indemnified

party and each of its officers and directors shall incur or suffer, that arise, result from, or relate to any breach of, or failure by such indemnifying party to perform, any of its representations, warranties, covenants, or agreements set forth in the Transaction Documents.

10.2 Survival of Covenants, Representations, and Warranties. All covenants, representations, and warranties contained herein and in any certificates delivered pursuant hereto in connection with the transactions occurring on the Closing Date shall survive the closing and the delivery of the Transaction Documents, regardless of any investigation made by or on behalf of any party.

10.3 Successors and Assigns. This Agreement shall be binding upon the Corporation and its successors and assigns and shall inure to Purchaser's benefit and to the benefit of its successors and assigns, including each successive holder or holders of the Notes or any interest therein.

10.4 Notices. Unless otherwise provided in this Agreement, all notices or demands by any party relating to this Agreement or any other agreement entered into in connection herewith shall be in writing and (except for financial statements and other informational documents which may be sent by first-class mail, postage prepaid) shall be personally delivered or sent by registered or certified mail, postage prepaid, return receipt requested, or by prepaid telex, telefacsimile, or telegram (with messenger delivery specified) to the Corporation or to Purchaser, as the case may be, at the addresses set forth below:

If to PMI, to:	PMI MEZZANINE FUND, L.P. 610 Newport Center Drive, Suite 1100 1100 Newport Beach, CA 92660 Attention: Mr. Robert Bartholomew
With a copy to:	BROBECK, PHLEGER & HARRISON LLP 550 South Hope Street Los Angeles, CA 90071 Attention: John Francis Hilson, Esq.
If to the Corporation, to:	PRISON REALTY CORPORATION 10 Burton Hills Boulevard Nashville, Tennessee 37215 Attention: Doctor R. Crants, Jr.
With a copy to:	STOKES & BARTHOLOMEW, P.A. 424 Church Street, Suite 2800 Nashville, Tennessee 37219 Attention: Elizabeth Enoch Moore, Esq

The parties hereto may change the address at which they are to receive notices hereunder, by notice in writing in the foregoing manner given to the other. The failure of the Corporation or Purchaser to send a copy of any notice to the individuals who are shown above as being required to receive such copies shall not invalidate or otherwise affect the validity of a notice that is otherwise effectively given. All notices or demands sent in accordance with this Section 10.4 shall be deemed received on the earlier of the date of actual receipt or three (3) days after the deposit thereof in the mail or the transmission thereof by telefacsimile or other similar method as set forth above.

10.5 Expenses. In addition to the payments provided for in Section 2.3(xi), the Corporation agrees to pay Purchaser for all fees and all out-of-pocket expenses incurred by Purchaser arising in connection with the Transaction Documents and the transactions hereby and thereby contemplated, including the conversion of the indebtedness evidenced by the Notes into Conversion Shares, all stamp and other taxes payable (other than taxes based on income) with respect to the issuance of the Conversion Shares, filing fees, reasonable fees and expenses of counsel, and all such expenses incurred with respect to the preparation, execution, delivery, or enforcement of any provision of such agreement or instrument, or any amendment or waivers requested by the Corporation (irrespective of whether the same become effective) under or in respect of any such agreement, including costs and expenses in any bankruptcy proceeding.

10.6 Descriptive Headings. The descriptive headings of the various Sections or parts of this Agreement are for convenience only and shall not affect the meaning or construction of any of the provisions hereof.

10.7 Satisfaction Requirement. If any agreement, certificate, or other writing, or any action taken or to be taken, is by the terms of this Agreement required to be satisfactory to Purchaser, the determination of such satisfaction shall be made by Purchaser in its sole and exclusive judgment exercised reasonably and in good faith.

10.8 Remedies. In case any one or more of the covenants or agreements set forth in the Transaction Documents shall have been breached by the Corporation or Purchaser, the Corporation or Purchaser, as applicable, may proceed to protect and enforce its rights either by suit in equity or by action at law, including an action for damages as a result of any such breach or an action for specific performance of any such covenant or agreement contained in the Transaction Documents.

10.9 Entire Agreement. The Transaction Documents and the other writings referred to herein or delivered pursuant hereto contain the entire agreement among the parties with respect to the subject matter hereof and supersede all prior and contemporaneous arrangements or understandings with respect thereto.

10.10 Amendments. This Agreement may be amended, and the observance of any term of this Agreement may be waived, with (and only with) the written consent of the Corporation and Purchaser.

10.11 Severability. Should any part of this Agreement, for any reason, be determined to be invalid or unenforceable, such determination shall not affect the validity or enforceability of any remaining portion, which remaining portion shall remain in full force and effect as if this Agreement had been executed with the invalid or unenforceable part hereof eliminated, and it is hereby declared the intention of the parties hereto that they would have executed the remaining portion of this Agreement without including therein any such part which may, for any reason, be hereafter declared invalid or unenforceable.

10.12 Execution in Counterparts; Telecopy Execution. This Agreement may be executed in any number of counterparts and by different parties on separate counterparts, each of which counterparts, when so executed and delivered, shall be deemed to be an original and all of which counterparts, taken together, shall constitute but one and the same Agreement. This Agreement shall become effective upon the execution of a counterpart hereof by each of the parties hereto. Delivery of an executed counterpart of the signature page(s) of this Agreement by telecopier shall be equally effective as delivery of a manually executed counterpart. Any party delivering an executed counterpart of the signature page(s) of this Agreement by telecopier shall thereafter also promptly deliver a manually executed counterpart, but the failure to deliver such manually executed counterpart shall not affect the validity, enforceability, and binding effect of this Agreement.

10.13 Governing Law. The Transaction Documents shall be governed by, and construed and enforced in accordance with, the laws of the State of New York.

10.14 Consent to Jurisdiction. The Corporation irrevocably submits to the non-exclusive jurisdiction of any New York state or federal court sitting in the City of New York, New York over any suit, action, or proceeding arising out of or relating to the Transaction Documents. To the fullest extent it may effectively do so under applicable law, the Corporation irrevocably waives and agrees not to assert, by way of motion, as a defense, or otherwise, any claim that it is not subject to the jurisdiction of any such court, any objection that it may now or hereafter have to the laying of the venue of any such suit, action, or proceeding brought in any such court, and any claim that any such suit, action, or proceeding brought in any such court has been brought in an inconvenient forum.

10.15 Enforcement of Judgments; Service of Process; Jury Trial Waiver. The Corporation agrees, to the fullest extent it may effectively do so under applicable law, that a judgment in any suit, action, or proceeding of the nature referred to in Section 10.14 brought in any such court shall be conclusive and binding upon the Corporation and may be enforced in the courts of the United States of America or the State of New York (or any other court to the jurisdiction of which the Corporation is or may be subject) by a suit upon such judgment.

THE CORPORATION AGREES THAT SERVICE OF PROCESS SUFFICIENT FOR PERSONAL JURISDICTION IN ANY ACTION, SUIT, OR PROCEEDING OF THE NATURE REFERRED TO IN SECTION 10.14 MAY BE MADE BY REGISTERED OR CERTIFIED MAIL TO THE CORPORATION'S ADDRESS SET FORTH IN SECTION 10.4.

EACH PARTY HERETO HEREBY EXPRESSLY WAIVES ITS RESPECTIVE RIGHTS TO A JURY TRIAL OF ANY CLAIM OR CAUSE OF ACTION BASED UPON OR ARISING OUT OF THE TRANSACTION DOCUMENTS, OR ANY OTHER RELATED DOCUMENT TO BE DELIVERED PURSUANT HERETO, OR ANY DEALINGS BETWEEN THEM RELATING TO THE SUBJECT MATTER OF THIS TRANSACTION AND THE CONTRACTUAL RELATIONSHIP THAT IS BEING ESTABLISHED. THE SCOPE OF THIS WAIVER IS INTENDED TO BE ALL-ENCOMPASSING OF ANY AND ALL DISPUTES THAT MAY BE FILED IN ANY COURT AND THAT RELATE TO THE SUBJECT MATTER OF THIS TRANSACTION, INCLUDING CONTRACT CLAIMS, TORT CLAIMS, BREACH OF DUTY CLAIMS, AND ALL OTHER COMMON LAW AND STATUTORY CLAIMS. EACH PARTY HERETO ACKNOWLEDGES THAT THIS WAIVER IS A MATERIAL INDUCEMENT TO ENTER INTO A BUSINESS RELATIONSHIP, THAT EACH HAS ALREADY RELIED ON THIS WAIVER IN ENTERING INTO THIS AGREEMENT, AND THAT EACH WILL CONTINUE TO RELY ON THIS WAIVER IN THEIR RELATED FUTURE DEALINGS. EACH PARTY HERETO FURTHER WARRANTS AND REPRESENTS THAT EACH HAS REVIEWED THIS WAIVER WITH ITS LEGAL COUNSEL, AND THAT EACH KNOWINGLY AND VOLUNTARILY WAIVES ITS JURY TRIAL RIGHTS FOLLOWING CONSULTATION WITH LEGAL COUNSEL. THIS WAIVER IS IRREVOCABLE, MEANING THAT IT MAY NOT BE MODIFIED EITHER ORALLY OR IN WRITING, AND THIS WAIVER SHALL APPLY TO ANY SUBSEQUENT AMENDMENTS, RENEWALS, SUPPLEMENTS, OR MODIFICATIONS TO THE TRANSACTION DOCUMENTS, OR THE RELATED DOCUMENTS TO BE DELIVERED PURSUANT HERETO. IN THE EVENT OF LITIGATION, THIS AGREEMENT MAY BE FILED AS A WRITTEN CONSENT TO A TRIAL BY THE COURT.

10.16 No Limitation on Service or Suit. Nothing herein shall affect the right of Purchaser to serve process in any manner permitted by law, or limit any right that Purchaser may have to bring proceedings against the Corporation in the courts of any jurisdiction or to enforce in any lawful manner a judgment obtained in one jurisdiction in any other jurisdiction.

10.17 Direct Payment. Anything in this Agreement or the Notes to the contrary notwithstanding, the Corporation will punctually pay when due the principal of the Notes, and any interest thereon, without any presentment thereof, directly to Purchaser or to the nominee of Purchaser at the address set forth in Schedule 10.17 or such other address as Purchaser or Purchaser's nominee may from time to time designate in writing to the Corporation, or, if a bank account with a United States bank is designated for Purchaser or Purchaser's nominee on Schedule 10.17 hereto or in any written notice to the Corporation from Purchaser or Purchaser's nominee, the Corporation will make such payments in

immediately available funds to such bank account, marked for attention as indicated. Purchaser agrees that in the event that it shall sell or transfer any Notes, it will, prior to the delivery of such Notes, make a notation thereon of all principal, if any, prepaid on such Notes and will also note thereon the date to which interest has been paid on such Notes. The Corporation agrees that transferees of Notes shall be entitled to the benefits of this Section 10.17 so long as any such transferee has made the same agreements relating to the transferred Notes as Purchaser has made in this Section 10.17. The Corporation shall be entitled to presume conclusively that Purchaser or any subsequent noteholders remain the holders of the Notes until such Notes shall have been presented to the Corporation as evidence of the transfer of such Notes.

[Remainder of page intentionally left blank]

The execution hereof by the Corporation and PMI shall constitute a contract between them for the uses and purposes hereinabove set forth.

PRISON REALTY CORPORATION,
a Maryland corporation

By: /s/ Doctor R. Crants

Title: Chief Executive Officer and Chairman

PMI MEZZANINE FUND, L.P.,
a Delaware limited partnership

By: Pacific Mezzanine Investors, LLC,
a Delaware limited liability company,
its General Partner

By: /s/ Robert Bartholomew

Title: Managing Principal

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PRISON REALTY CORPORATION

REGISTRATION RIGHTS AGREEMENT

This Agreement is made and dated as of December 31, 1998, by and between PRISON REALTY CORPORATION, a Maryland corporation with its principal office located at 10 Burton Hills Boulevard, Nashville, Tennessee 37215 (the "Corporation"), and PMI MEZZANINE FUND, L.P., a Delaware limited partnership with its principal office at 610 Newport Center Drive, Newport Beach, California 92660 (the "Investor").

The parties hereby agree as follows:

1. Definitions. As used in this Agreement, the following terms have the following meanings:

"Act" means the Securities Act of 1933, as amended, or any federal statute or code which is a successor thereto.

"Commission" means the Securities and Exchange Commission.

"Exchange Act" means the Securities and Exchange Act of 1934, as amended, or any federal statute or code which is a successor thereto.

"Holder" means a holder of Registrable Stock and any person holding Registrable Stock to whom registration rights have been transferred pursuant to this Agreement.

"Initiating Holders" has the meaning specified in Section 2.

"Register, Registered, and Registration" refer to a registration effected by filing a registration statement in compliance with the Act and the declaration or ordering by the Commission of the effectiveness of such registration statement.

"Registrable Stock" means all shares of the Corporation's common stock, $0.01 par value (the "Common Stock"), issued or issuable upon conversion of the Convertible, Subordinated Notes, originally due February 28, 2005 (the "Notes"), issued by the Corporation pursuant to that certain Note Purchase Agreement of even date herewith between the Investor and the Corporation (the "Note Purchase Agreement"), and held by the original purchaser of such Notes or by a person to whom Registration rights have been transferred pursuant to the provisions of this Agreement, all shares of Common Stock issued in lieu of such shares in any reorganization of the Corporation and all shares of Common Stock issued in respect of such shares as a result of a stock split, stock dividend, recapitalization, or combination.

"Rule 144" means Rule 144 issued by the Commission under the Act, as may be amended from time to time, or any subsequent rule pertaining to the disposition of securities without registration.

2. Required Registration.

(a) At any time and from time to time, if the Holder or Holders of the then Registrable Stock propose to dispose of at least twenty-five percent (25%) of the then Registrable Stock (such Holder or Holders being herein called the "Initiating Holders"), the Initiating Holders may request the Corporation in writing to effect such Registration, stating the number of shares of Registrable Stock to be disposed of by such Initiating Holders (which shall be not less than twenty-five percent (25%) of the then Registrable Stock). Any such Registration will be a registration of a delayed and continuous offering pursuant to Rule 415 under the Act (a "Shelf Registration"). Upon receipt of such request, the Corporation will give prompt written notice thereof to all other Holders whereupon such other Holders shall give written notice to the Corporation and the Initiating Holders within fifteen (15) days after receipt of the Corporation's notice (the "Notice Period") if they propose to dispose of any shares of Registrable Stock pursuant to such Registration, stating the number of shares of Registrable Stock they propose to dispose of pursuant thereto, which number shall, subject to the provisions hereof, be allocated on a pro rata basis to any offerings and sales of Registrable Stock made pursuant to the Shelf Registration.

(b) Subject to Section 4(c), the Corporation will use its best efforts to effect promptly after the Notice Period (but in any event within sixty (60) days following receipt of the request for Registration) the Registration under the Act of all the shares of Registrable Stock specified in the requests of the Initiating Holders and the requests of such other Holders, notice of which is respectively subject, however, to the limitations set forth in Section 4. If such Registration is a Shelf Registration, the Corporation shall take all necessary actions, at its expense, to permit each offer and sale of Registrable Stock requested by the Initiating Holders (including the offer and sale of any shares of Registrable Stock of such other Holders) within three (3) Business Days of receipt of written request therefor, or as soon thereafter as is reasonably practicable and without unreasonable expense, prior to the expiration of the Shelf Registration as provided in Section 3(b).

3. Registration Procedures. Whenever the Corporation is required by the provisions of Sections 2 or 5 to use its best efforts to effect the Registration of shares of Registrable Stock under the Act, the Corporation will:

(a) prepare and file with the Commission a registration statement with respect to such shares and use its best efforts to cause such registration statement to become and remain effective as provided herein;

(b) prepare and file with the Commission such amendments and supplements to such registration statement and the prospectus and any prospectus supplement used in connection therewith as may be necessary to keep such registration statement effective and current and to comply with the provisions of the Act with respect to the disposition of all shares of Common Stock covered by such registration statement, but for no longer than six (6) months subsequent to the initial effective date of such registration statement; provided, however, that any Shelf Registration shall be kept effective until the earlier of (i) the sale of all Registrable Stock registered thereunder and (ii) such time as, in the reasonable opinion of counsel to the

Corporation, further offers and sales under the Shelf Registration are no longer permissible pursuant to Rule 415 under the Act and the pronouncements of the Commission thereunder.

(c) enter into and perform its obligations under an underwriting agreement with respect to any underwritten offering, in usual and customary form, with the managing underwriter of such offering, and each Holder participating in such Registration shall, subject to the terms and conditions of this Section 3 set forth below, also enter into and perform its obligations under such an agreement;

(d) furnish to each underwriter and each Holder participating in a Registration pursuant to Sections 2 or 5 such number of copies of a prospectus, including a preliminary prospectus and any prospectus supplement, a registration statement, the exhibits thereto, and all documents incorporated therein by reference, in conformity with the requirements of the Act, and such other documents as such underwriter or Holder may reasonably request in order to facilitate the public sale of the shares of Common Stock by such underwriter or Holder, as the case may be, and promptly furnish to each underwriter and Holder notice of any stop order or similar notice issued by the Commission or state agency charged with the regulation of securities, and notice of any New York Stock Exchange or other listing of the shares of Common Stock covered by such Registration Statement;

(e) use its best efforts (i) to register or qualify the shares of Common Stock covered by such registration statement under such other securities or blue sky or other applicable laws of such jurisdictions within the United States as each Holder selling shares shall reasonably request, (ii) to keep such registration or qualification in effect for so long as such registration statement remains in effect, and (iii) to take any other action which may be reasonably necessary or advisable to enable such Holder to consummate the disposition in such jurisdictions of the shares of Common Stock owned by such Holder; provided, however, that in no event shall the Corporation be obligated to qualify to do business as a foreign corporation in any jurisdiction wherein it would not but for the requirements of this paragraph (e) be obligated to be so qualified or to consent to general service of process in any such jurisdiction;

(f) use its best efforts to furnish to each Holder selling shares a signed counterpart, addressed to the Holder selling shares, of (i) an opinion of counsel to the Corporation, dated the effective date of the registration statement, and (ii) a "comfort" letter, dated the effective date of the registration statement, signed by the independent public accountants who have certified the Corporation's financial statements included in the registration statement, covering substantially the same matters with respect to the registration statement (and the prospectus and any prospectus supplement included therein) and (in the case of the "comfort" letter) with respect to events subsequent to the date of the financial statements and with respect to financial data contained in the prospectus that is not extracted from the Corporation's audited financial statements, as are customarily covered (at the time of such Registration) in opinions of issuer's counsel and in "comfort" letters delivered to underwriters in underwritten public offerings of securities;

(g) furnish to each Holder participating in a Registration pursuant to Sections 2 or 5, upon request of such Holder, copies of all correspondence between the Corporation, the Commission and any applicable state securities regulatory agencies relating to such Registration;

(h) permit each Holder participating in a Registration pursuant to Sections 2 and 5 and the designated representatives of such Holder to inspect and copy all records of the Corporation reasonably related to such Registration; provided, however, the Corporation shall not be required to permit the examination of any portion of its records for which the Commission has granted a request for confidentiality;

(i) use its best efforts to obtain all approvals required from the National Association of Securities Dealers, Inc., if any;

(j) during the period referred to in Section 3(b) that the Corporation is required to keep such registration statement effective, promptly notify each Holder of Registrable Stock covered by such registration statement at any time when a prospectus relating thereto is required to be delivered under the Act, of the happening of any event as a result of which the prospectus or any prospectus supplement included in such registration statement, as then in effect, or any material incorporated by reference therein, includes an untrue statement of a material fact or omits to state any material fact required to be stated therein or necessary to make the statements therein not misleading in the light of the circumstances then existing, or if it is necessary to amend or supplement such prospectus or any prospectus supplement or registration statement or material incorporated by reference therein to comply with the law, and at the request of any such Holder, prepare and furnish to such Holder a reasonable number of copies of a supplement to or an amendment of such prospectus or any prospectus supplement or material incorporated by reference therein as may be necessary so that, as thereafter delivered to the purchasers of such Registrable Stock, such prospectus or any prospectus supplement or material incorporated by reference therein shall not include an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein not misleading in the light of the circumstances then existing and so that such prospectus or prospectus supplement or registration statement or material incorporated by reference therein, as amended or supplemented, will comply with the law;

(k) upon delivery of the certificates with respect to the Registrable Stock to be Registered pursuant hereto, issue to any underwriter to which the Holder may sell such Registrable Stock in connection with any such Registrations (and to any direct or indirect transferee or any such underwriter) certificates evidencing such Registrable Stock without any legend restricting the transferability of the Registrable Stock;

(l) make available, as soon as reasonably practicable, an earnings statement satisfying the provisions of Section 11(a) of the Act and Rule 158 promulgated thereunder; and

(m) that in conjunction with any Registration pursuant to Section 2 or 5, it will, at its expense, use its best efforts to cause the Registrable Stock covered by such Registration to be listed on the New York Stock Exchange or such other national securities exchange on which the Common Stock is listed, subject to notice of issuance, and will provide prompt notice to such exchange of the issuance thereof from time to time.

If the Corporation fails to keep a Registration requested pursuant to Section 2 effective for such period as is required by Section 3(b) and all of the shares of Registrable Stock subject to such Registration are not sold, the rights of the Holders to request Registration

pursuant to Section 2 will not be deemed to have been affected by operation of the provisions of Section 4(a).

Any Holder dissatisfied with the terms and conditions of the underwriting agreement referred to in Section 3(c) may withdraw from the request for Registration made pursuant to Section 5 and may refuse to execute such underwriting agreement.

4. Limitations on Required Registration.

(a) The Corporation shall not be required to effect more than three (3) Registrations pursuant to Section 2. A Registration requested pursuant to Section 2 shall not be deemed to have been effected (i) unless a registration statement with respect thereto has become effective or (ii) if after it has become effective, such Registration is interfered with by any stop order, injunction or other order or requirement of the Commission or other governmental agency or court for any reason not attributable to the Holders participating in such Registration and has not thereafter become effective.

(b) The Corporation shall not Register securities for sale for its own account in any Registration requested pursuant to Section 2 unless permitted to do so by the written consent of Holders who hold at least a majority of the Registrable Stock as to which Registration has been requested.

(c) The Corporation shall be entitled to postpone for a reasonable period of time (but not exceeding 90 days) the filing of any registration statement otherwise required to be prepared and filed by it pursuant to Section 2(a) if the Corporation determines, in its reasonable judgment, that such registration and offering would interfere with any financing, acquisition, corporate reorganization or other material transaction involving the Corporation or any of its Affiliates or would require premature disclosure thereof, and promptly gives the holders of Registrable Stock requesting registration thereof pursuant to Section 2(a) written notice of such determination, containing a general statement of the reasons for such postponement and an approximation of the anticipated delay. If the Corporation shall so postpone the filing of a registration statement, such holders of Registrable Stock requesting registration thereof pursuant to Section 2(a) shall have the right to withdraw the request for registration by giving written notice to the Corporation within 30 days after receipt of the notice of postponement and, in the event of such withdrawal, such request shall not be counted for purposes of the requests for registration to which holders of Registrable Stock are entitled pursuant to Section 2(a) hereof.

5. Incidental Registration. If the Corporation at any time proposes to Register any of its securities under the Act (other than a Registration effected to implement an employee benefit plan, a transaction to which Rule 145 of the Commission is applicable, or a Registration required pursuant to Section 2), it will each such time give written notice to all Holders of its intention to do so not less than thirty (30) days prior to the intended filing date of such Registration, together with a list of all jurisdictions in which the Corporation intends to register the securities to be offered. Upon the written request of a Holder or Holders given within fifteen (15) days after receipt of any such notice (stating the number of shares of Registrable Stock to be disposed of by such Holder or Holders and the intended method of disposition), the Corporation will use its best efforts to cause all such shares of Registrable Stock intended to be sold by Holders who or which

have requested Registration thereof, to be Registered under the Act so as to permit the disposition by such Holder or Holders of the shares so Registered, subject, however, to the limitations set forth in Section 6.

6. Limitations on Incidental Registration.

(a) If the Registration of which the Corporation gives notice pursuant to Section 5 is for an underwritten offering, only securities (including, without limitation, Registrable Stock) which are to be included in the underwriting may be included in the Registration.

(b) If the managing underwriter of any underwritten offering shall inform the Corporation by letter of its belief that the number or type of Registrable Stock requested to be included in a Registration pursuant to Section 5 would materially adversely affect such offering, then the Corporation will include in such Registration, to the extent of the number and type which the Corporation is so advised can be sold in (or during the time of) such offering, first, all securities proposed by the Corporation to be sold for its own account and, second, all other registered securities of the Corporation requested to be included in such Registration pro rata among such holders on the basis of the estimated gross proceeds of the securities of such holders requested to be so included.

(c) Subject to the Corporation's complying with the priorities set forth in Section 6(b), nothing contained in this Section 6 shall prevent the Corporation from withdrawing any securities requested to be included for its own account in such a Registration either before or after the effectiveness of such Registration.

(d) The Corporation shall not be required to effect any registration of Registrable Stock pursuant to Section 5 if it shall deliver to the Holder or Holders requesting such registration an opinion (which opinion shall be reasonably satisfactory to such Holder or Holders) of Stokes and Bartholomew (or other counsel reasonably satisfactory to such Holder or Holders) to the effect that all Registrable Stock held by such Holder or Holders may be sold in the public market without registration under the Securities Act and any applicable State securities laws.

7. Designation of Managing Underwriter. In the case of any Registration which is intended to be an underwritten public offering, the Corporation shall have the right to designate a managing underwriter of such underwritten offering, which shall be a nationally recognized investment banking firm.

8. Cooperation of Prospective Sellers.

(a) Each Holder that is a prospective seller of Registrable Stock will furnish to the Corporation such information regarding such Holder and the distribution of such Registrable Stock as the Corporation may from time to time reasonably request in writing. Such Holder shall not be required to make any representations or warranties to or agreements with the Corporation or the underwriters, if any, other than representations, warranties or agreements regarding such Holder, such Holder's intended method of distribution and any other representations required by law.

(b) Failure of a Holder that is a prospective seller of Registrable Stock to furnish the information and agreements described in this Section 8 shall be deemed sufficient reason to exclude any shares of Registrable Stock to be sold by such Holder. However, such failure shall not affect the obligations of the Corporation under this Agreement to remaining Holders who furnish such information and agreements unless, in the opinion of counsel to the Corporation or the managing underwriter, such failure impairs or may impair the legality of the registration statement or the underlying offering.

(c) The Holders of Registrable Stock included in the registration statement will not (until receipt of a supplemental or amended prospectus or prospectus supplement) effect sales thereof after receipt of telegraphic or written notice from the Corporation to suspend sales to permit the Corporation to correct or update a registration statement or prospectus or prospectus supplement; but the obligations of the Corporation with respect to maintaining any registration statement current and effective shall be extended by a period of days equal to the period such suspension is in effect.

(d) At the end of the period during which the Corporation is obligated to keep the registration statement current and effective as described in paragraph (b) of Section 3 (and any extensions thereof required by the preceding paragraph), the Holders of Registrable Stock included in the registration statement shall discontinue sales of Registrable Stock pursuant to such registration statement upon receipt of notice from the Corporation of its intention to remove from Registration the Registrable Stock covered by such registration statement which remain unsold, and such Holders shall notify the Corporation of the number of Registered shares of Registrable Stock which remain unsold immediately upon receipt of such notice from the Corporation.

9. Expenses of Registration. All expenses (other than underwriting discounts and commissions incurred pursuant to this Agreement in effecting any Registration), including, without limitation, all registration and filing fees, printing and engraving expenses, expenses of compliance with blue sky laws, registrar, transfer agent, and escrow fees, fees and disbursements of counsel and public accountants to the Corporation, and reasonable fees and expenses of a single legal counsel for all selling Holders shall be borne by the Corporation, provided that any additional registration and qualification fees and expenses that directly result from the inclusion of securities held by the Holders in the case of any Registration effected pursuant to Section 5 shall be borne pro rata by the Holders in proportion to the number of shares of Registrable Stock being offered by them.

10. Indemnification.

(a) The Corporation will indemnify each Holder requesting or joining in a Registration, each officer, director, agent, or partner thereof, and such Holder's legal counsel and independent accountants, and each person, if any, who controls any thereof within the meaning of Section 15 of the Act or Section 20 of the Exchange Act, and each underwriter of the securities so Registered, and their respective successors (collectively, "Indemnitees"), against all claims, losses, damages and liabilities, joint or several, or actions in respect thereof, arising out of or based on any untrue statement (or alleged untrue statement) of a material fact contained in any registration statement, prospectus, prospectus supplement, offering circular or other

document prepared by or at the direction of the Corporation incident to any Registration, qualification or compliance (or in any related registration statement, notification or the like) or 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 in the light of the circumstances in which they were made, or any violation of any rule or regulation promulgated under the Act or any state securities law applicable to the Corporation or relating to action or inaction required of the Corporation in connection with any such Registration, qualification, or compliance, and will reimburse each such Indemnitee for any legal and any other expenses reasonably incurred in connection with investigating, settling or defending any such claim, loss, damage, liability, or action; provided, however, that the indemnity agreement contained in this Section 10(a) shall not apply to amounts paid in settlement of any such claim, loss, damage, liability, or action if such settlement is effected without the consent of the Corporation (which consent shall not be unreasonably withheld) nor shall the Corporation be liable in any such case to the extent that any such claim, loss, damage or liability arises out of or is based on any untrue statement or omission in any such document made in reliance on and in conformity with information furnished to the Corporation in writing by such Indemnitee(s) specifically for use therein and except that the foregoing indemnity agreement is subject to the condition that, insofar as it relates to any such untrue statement (or alleged untrue statement) or omission (or alleged omission) made in the preliminary prospectus but eliminated or remedied in an amended prospectus on file with the Commission at the time the registration statement becomes effective or in an amended or supplemented prospectus filed with the Commission pursuant to Rule 424(b) (a "Final Prospectus"), such indemnity agreement shall not inure to the benefit of any underwriter, or any Indemnitee if there is no underwriter, if a copy of such Final Prospectus was not furnished to the person or entity asserting the loss, liability, claim, or damage at or prior to the time such furnishing is required by the Act so long as such Final Prospectus has been furnished to such underwriter or such Indemnitee prior to such time; provided, further, that this indemnity shall not be deemed to relieve any underwriter of any of its due diligence obligations.

(b) Each Holder of shares of Registrable Stock included in a Registration which is effected will, severally, but not jointly, indemnify (and the Corporation and each such Holder will use its best efforts to cause each underwriter of the securities so registered so to indemnify) the Corporation and its officers and directors and its legal counsel, and each person, if any, who controls any of the foregoing within the meaning of Section 15 of the Act or Section 20 of the Exchange Act, and their respective successors, against all claims, losses, damages, and liabilities, joint or several, or actions in respect thereof, arising out of or based on any untrue statement (or alleged untrue statement) of a material fact contained in any registration statement, prospectus, prospectus supplement, offering circular or other document prepared by or at the direction of the Holder or underwriter incident to any registration, qualification or compliance (or in any related registration statement, notification or the like) or 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 in the light of the circumstances in which they were made and will reimburse the Corporation and each other person indemnified pursuant to this paragraph (b) for any legal and any other expenses reasonably incurred in connection with investigating, settling, or defending any such claim, loss, damage, liability or action; provided, however, that this paragraph (b) shall apply only if such statement, alleged statement, omission, or alleged omission was made in reliance upon and in conformity with information (including, without limitation, written negative responses to inquiries) furnished to the Corporation by such

Holder or underwriter in writing, specifically for use therein, and except that the foregoing indemnity agreement is subject to the condition that, insofar as it relates to any such untrue statement (or alleged untrue such statement) or omission (or alleged omission) made in the preliminary prospectus but eliminated or remedied in a Final Prospectus, such indemnity agreement shall not inure to the benefit of the Corporation, if a copy of such Final Prospectus was not furnished to the person or entity asserting the loss, liability, claim, or damage at or prior to the time such furnishing is required by the Act so long as such Final Prospectus has been furnished to such Holder or underwriter prior to such time; provided, further, that this indemnity shall not be deemed to relieve any underwriter of any of its obligations, as to any Holder; provided, further, that the indemnity agreement contained in this Section 10(b) shall not apply, as to any Holder, to amounts paid in settlement of any such claim, loss, damage, liability, or action if such settlement is effected without the consent of such Holder, which consent shall not be unreasonably withheld; provided, further, that the liability of any such holder under this Section 10(b) and Section 10(e) shall be limited in the aggregate to the total public offering price of the Registrable Stock sold by such Holder.

(c) Each party entitled to indemnification hereunder (the "Indemnified Party") shall give notice to the party required to provide indemnification (the "Indemnifying Party") promptly after such Indemnified Party has actual knowledge of any claim as to which indemnity may be sought, and shall permit the Indemnifying Party (at its expense) to assume the defense of any claim or any litigation resulting therefrom; provided, however, that counsel for the Indemnifying Party, who shall conduct the defense of such claim or litigation, shall be satisfactory to the Indemnified Party, and the Indemnified Party may participate in such defense at such party's expense; provided, further, that the omission by any Indemnified Party to give notice as provided herein shall not relieve the Indemnifying Party of its obligations under this Section 10 except to the extent that the omission is materially prejudicial to the ability of the Indemnifying Party to defend such claim or litigation. No Indemnifying Party, in defense of any such claim or litigation, shall, except with the consent of each Indemnified Party, consent to entry of any judgment or enter into any settlement which does not include as an unconditional term thereof the giving by the claimant or plaintiff to such Indemnified Party of a release from all liability in respect to such claim or litigation.

(d) If the indemnification provided for in this Section 10 is held by a court of competent jurisdiction to be unavailable to an Indemnified Party with respect to any loss, liability, claim, damage, or expense referred to herein, then the Indemnifying Party hereunder shall contribute to the amount paid or payable by such Indemnified Party as a result of such loss, liability, claim, damage or expense, in such proportion as is appropriate to reflect the relative benefit of the Indemnifying Party on the one hand and of the Indemnified Party on the other in connection with the statements or omissions which resulted in such loss, liability, claim, damage, or expense. If the allocation provided above is held by a court of competent jurisdiction to be unavailable, then each Indemnifying Party shall contribute to the amount paid or payable by such Indemnified Party as a result of such loss, liability, claim, damage, or expense, in such proportion as is appropriate to reflect the relative fault of the Indemnifying Party on the one hand and the Indemnified Party on the other hand in connection with the statements or omissions which resulted in such loss, liability, claim, damage, or expense as well as any other relevant equitable considerations. The relative fault of the Indemnifying Party and of the Indemnified Party shall be determined by reference to, among other things, whether the untrue or alleged

untrue statement of a material fact or the omission to state a material fact relates to information supplied by the Indemnifying Party or by the Indemnified Party and the parties' relevant intent, knowledge, access to information and opportunities to correct or prevent such statement or omission.

The parties agree that it would not be just and equitable if contribution pursuant to this Section 10 were determined by pro rata allocation or by any other method of allocation that does not take account of the equitable considerations referred to above. The amount paid or payable by an Indemnified Party as a result of the claims, losses, damages, and liabilities referred to above 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 such action or claim.

(e) No Holder that is a seller of Registrable Stock covered by such registration statement or person controlling such seller other than the Corporation shall be obligated to make contribution hereunder that in the aggregate exceeds the total public offering price of the Registrable Stock sold by such Holder, less the aggregate amount of any damages that such Holder and its controlling persons have otherwise been required to pay pursuant to this Section 10. The obligations of such Holders to contribute are several in proportion to their respective ownership of the securities covered by such registration statement and not joint.

(f) The indemnity and contribution provided herein shall be in addition to, and not in lieu of, any other liability that one party may have to another.

(g) The obligation of the Corporation under this Section 10 shall survive the prepayment and/or conversion, if any, of the Notes, the completion of any offering of Registrable Stock in a registration statement under this Agreement, or otherwise.

11. Rule 144 Requirements. The Corporation shall take all actions reasonably necessary to enable Holders of Registrable Stock to sell such securities without registration under the Act within the limitation of the exemptions provided by Rule 144 including, without limiting the generality of the foregoing, filing on a timely basis all reports required to be filed by the Exchange Act. Upon the request of any Holder of Registrable Stock, the Corporation will deliver to such Holder a written statement as to whether it has complied with such requirements.

12. "Stand-Off" Agreement. In consideration for the Corporation performing its obligations under this Agreement, each Holder severally agrees for a period of time (not to exceed ninety (90) days) from the effective date of the Registration of securities of the Corporation (upon the written request of the Corporation or the underwriters managing any underwritten offering of the Corporation's securities) not to sell, make any short sale of, loan, grant any option for the purchase of, or otherwise dispose of any Registrable Stock, other than shares of Registrable Stock included in the Registration, without the prior written consent of the Corporation or of such underwriters, as the case may be.

13. Delay of Registration. Unless jointly exercised by the Holders of at least 66-2/3% of the Registrable Stock, no Holder shall have any right to take any action to restrain, enjoin or

otherwise delay any Registration as the result of any controversy that might arise with respect to the interpretation or implementation of this Agreement.

14. Miscellaneous.

(a) Amendment. This Agreement shall not be amended without the written consent of the Corporation and the Holders of at least 66-2/3% of the Registrable Stock.

(b) Governing Law. This Agreement shall be governed in all respects by and construed in accordance with the local laws of the State of Delaware and not the choice of law rules of such state. Any legal action or proceeding with respect to this Agreement may be brought in the courts of the State of Delaware or of the United States of America for the District of Delaware, and, by execution and delivery of this Agreement, each of the Corporation and the Purchaser hereby accepts for itself and in respect of its property, generally and unconditionally, the jurisdiction of the aforesaid courts. The Corporation irrevocably consents to the service of process out of any of the aforementioned courts in any such action or proceeding by the mailing of copies thereof by registered or certified mail, postage prepaid, to the Corporation at its address set forth herein, such service to become effective thirty (30) days after such mailing.

(c) Successors and Assigns. This Agreement shall be binding upon and inure to the benefit of and be enforceable by the parties hereto and, with respect to the Corporation, its respective successors and assigns, and, with respect to the Investor, any holder of any Registrable Stock, subject to the provisions respecting the minimum numbers of percentages of shares of Registrable Stock required in order to be entitled to certain rights, or take certain actions, contained herein. The Investor (and not any other Holder or any other Person) shall be permitted, in connection with a transfer or disposition of Registrable Stock permitted by the Note Purchase Agreement, to impose conditions or constraints on the ability of the transferee, as a Holder, to request a Registration pursuant to Section 2 and shall provide the Corporation with copies of such conditions or constraints and the identity of such transferees.

(d) Notices, Etc. All notices, requests, consents, and other communications hereunder shall be in writing and shall be mailed, certified mail, return receipt requested, postage prepaid, or delivered by overnight courier service, or by telex or telefacsimile transmission, addressed as follows:

if to the Corporation to the address set forth on the first page of this Agreement (telefacsimile number (615) 263-0212);

if to a Holder, to the address and telex or telefacsimile transmission number set forth below such Holder's signature on this Agreement;

if to any subsequent Holder, to it at such address as may have been furnished to the Corporation in writing by such Holder;

or, in any such case, at such other address or addresses as shall have been furnished in writing to the Corporation (in the case of a Holder of Registrable Stock) or to the Holders of Registrable Stock (in the case of the Corporation) in accordance with the provisions of this Section; and shall be deemed to have been given three (3) days after mailing, if mailed, or one (l) business day after

delivery to the courier, if delivered by overnight courier service or after transmission, if sent by telex or telefacsimile transmission.

(e) Severability. In case any provision of this Agreement shall be held to be invalid, illegal, or unenforceable, it shall, to the extent practicable, be modified so as to make it valid, legal, and enforceable and to retain, as nearly as practicable, the intent of the parties, and the validity, legality, and enforceability of the remaining provisions of this Agreement shall not in any way be affected or impaired thereby.

(f) Titles and Subtitles; Sections. The titles and subtitles of this Agreement are intended for reference and shall not by themselves determine the construction or interpretation of this Agreement. References to Sections herein are to Sections of this Agreement unless otherwise specified.

(g) Counterparts. This Agreement may be executed in any number of counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

(h) Entire Agreement. This Agreement and the other document delivered pursuant hereto constitute the full and entire understanding and agreement between the parties with regard to the subjects hereof and thereof.

[Remainder of page intentionally left blank]

IN WITNESS WHEREOF, the parties have caused this Agreement to be executed themselves or by their respective representatives thereunto duly authorized as of the day and year first above written.

PRISON REALTY CORPORATION, a
Maryland corporation

By: /s/ Doctor R. Crants

Its: Chief Executive Officer and Chairman

PMI MEZZANINE FUND, L.P., a Delaware
limited partnership

By Pacific Mezzanine Investors, LLC, a
Delaware limited liability company,
its General Partner

By: /s/ Robert Bartholomew

Its: Managing Principal

Address:

610 Newport Center Drive, Suite 1100
Newport Beach, California 92660
Attention: Mr. Robert Bartholomew
Telefacsimile: (714) 721-5446

EXHIBIT 10.26

ADMINISTRATIVE SERVICES AGREEMENT
BY AND BETWEEN
CORRECTIONAL MANAGEMENT SERVICES CORPORATION
AND
PRISON MANAGEMENT SERVICES, INC.

THIS ADMINISTRATIVE SERVICES AGREEMENT (the "Agreement") is made and entered into as of the 1st day of January, 1999, by and between Correctional Management Services Corporation, a Tennessee corporation (the "Company") and Prison Management Services, Inc., a Tennessee corporation (the "Service Company").

RECITALS:

A. The Company is a corporation duly organized and validly existing under the laws of the State of Tennessee and engaged in the business of operating and managing correction and detention facilities for both private prison owners and government entities.

B. The Service Company is a corporation duly organized and validly existing under the laws of the State of Tennessee and engaged in the business of operating and managing correction and detention facilities for government entities.

C. The Company and the Service Company desire that the Company undertake the duties and responsibilities hereinafter set forth on behalf of and subject to the supervision of the Board of Directors of the Service Company (the "Board").

D. The Company also desires to grant to the Service Company the non-exclusive right to the use of the "Service Mark and Trade Name" (as defined hereinafter) in connection with the performance of such duties;

NOW, THEREFORE, in consideration of the premises and of the mutual covenants herein contained, the Company and the Service Company hereby agree as follows:

1. Duties of the Company.

(a) General. The Company shall perform each of the duties set forth in this Agreement and shall have the authority to take all actions and to execute all documents and instruments that it deems necessary or advisable in connection with the management of the Service Company and the fulfillment of its duties as set forth herein, subject in each matter to the supervision of the Board and the investment policies of the Service Company, and, as appropriate, to the prior approval of the Board.

(b) General Administrative Duties. The Company shall perform, or supervise the performance of, the necessary administrative functions in the day-to-day management of the Service Company and its operations, including, without limitation, internal and external financial reporting, property accounting, shareholder relations, supervision of stock registrar and transfer services and

other necessary services, all in a manner consistent with the Service Company's current practice, subject to changes approved by the Board.

(c) Agency. The Company shall act as agent of the Service Company in making, disbursing and collecting the Service Company's funds, paying the debts and fulfilling the obligations of the Service Company, handling, prosecuting and settling any claims of, or against, the Service Company, the Board, holders of the Service Company's securities or the Service Company's representatives or properties.

(d) Office and Personnel. The Company shall maintain on behalf of the Service Company such office space, equipment and personnel, including officers and employees of the Company, as it deems necessary or advisable in connection with the management and operations of the correctional and detention facilities managed by the Service Company and the fulfillment of the Company's duties as set forth herein.

(e) Bank Accounts. The Company may establish one or more bank accounts in the name of each of the Service Company or its own name and may deposit into and disburse from such accounts any monies on behalf of the Service Company, and the Company shall as requested by the Board render appropriate accountings to the Board of such deposits and disbursements.

(f) Books And Records. The Company shall maintain all accounting and reporting systems, books and records of the Service Company, including books of account and records relating to services performed by the Company, in form and quality at least equivalent to the Service Company's current practice, and shall make such books and records accessible for inspection by the Board at any time during ordinary business hours.

(g) Reports, Etc. The Company shall prepare, or cause to be prepared, all reports and other communications to the holders of the Service Company's securities, including, without limitation, proxy solicitation materials, and all tax returns and any other reports or other materials to be filed with any governmental body or agency, and shall prepare, or cause to be prepared, all materials and data necessary to complete such reports and other materials including, without limitation, an annual audit of the Service Company's books of account.

(h) Financing And Securities Issuances. The Company shall provide services to the Service Company in connection with negotiations by the Service Company with investment banking firms, securities brokers or dealers and other institutions or investors in connection with the sale of securities of the Service Company and the securing of loans for the Service Company, provided, however, that the Company shall not share in any fees paid by the Service Company to third parties for such services.

(i) Additional Services. The Company shall perform such additional services as from time to time may be requested by the Board and agreed to by the Company, provided, however,

that nothing herein shall require the Company to agree to any such request or to perform any additional services to which it has not previously agreed.

(j) License. The Company shall enter into a separate agreement with the Service Company in which the Company shall grant to the Service Company the non-exclusive right to the use of the service mark and trade name "Corrections Corporation of America", its abbreviation "CCA", and the logo and/or designs incorporating the same with respect to, and only with respect to, the correction and detention facilities operated by the Company.

2. Compensation.

(a) Management Fee. For and in consideration of the Company's performance of its duties under this Agreement, and the granting of the license described in subparagraph (j) of Section 1, the Service Company shall pay to the Company, no later then the tenth (10th) day following the first (1st) day of each calendar quarter, a management fee equal to two hundred fifty thousand dollars ($250,000) per month. Such management fee shall be escalated annually at the rate of four percent (4.0%) per annum.

(b) Payment for Additional Services. If the Board shall request the Company to render services to the Service Company other than those required to be rendered by the Company hereunder, such additional services, if performed, shall be compensated separately on terms to be agreed upon from time to time between the Company and the Service Company.

(c) Reimbursable Expenses. If the Company pays on behalf of the Service Company interest expense, regulatory filing fees, legal and accounting fees or other similar expenses, it shall be entitled to reimbursement by the Service Company therefor.

3. Termination; Term.

(a) Termination. Notwithstanding any other provision to the contrary, this Agreement may be terminated with or without cause by either party upon 30 days written notice to the other. In the event of termination of this Agreement, the Company will cooperate with the Service Company and take all reasonable steps requested to assist the Board in making an orderly transition of the management function.

(b) Term. This Agreement shall continue in force for an initial term beginning on the date hereof and ending on December 31, 2004, and shall be renewable upon agreement of the Company and the Service Company annually thereafter.

4. Miscellaneous Provisions.

(a) Entire Agreement. This Agreement constitutes the entire agreement between the parties with respect to the subject matter hereof. Any modification or amendment of this Agreement shall be in writing executed by each of the parties.

(b) Assignment. This Agreement may not be assigned by either party except with the written consent of the other.

(c) Severability. If any term or provision of this Agreement or the application thereof to any person or circumstance shall, to any extent, be invalid or unenforceable, the remainder of this Agreement, or the application of that term or provision to persons or circumstances other than those as to which the term or provision is held invalid or unenforceable, shall not be affected thereby, and each term or provision of this Agreement shall be valid and be enforced to the fullest extent permitted by law.

(d) Notices. Any notices and other communications to be given by any party hereunder shall be in writing delivered at the address of the respective party set forth on the signature page hereof, or at such other address as a party shall have specified to the other party in writing as the address for notices hereunder. Any such notice or other communication shall be deemed to have been given when personally delivered or one business day after being forwarded by overnight courier or five days after being sent by registered or certified United States mail, postage prepaid.

(e) Headings. The section headings used herein have been inserted for convenience of reference only and shall not be considered in interpreting this Agreement.

(f) Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the State of Tennessee, without giving effect to the principles of conflict of laws thereof.

(g) Counterparts. This Agreement may be executed in any number of counterparts and by each of the parties hereto on separate counterparts; all such counterparts shall together constitute but one and the same instrument.

[signatures on following page]

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

COMPANY:

CORRECTIONAL MANAGEMENT SERVICES CORPORATION, a Tennessee corporation

By: /s/ Doctor R. Crants

Its: Chief Executive Officer

SERVICE COMPANY:

PRISON MANAGEMENT SERVICES, INC., a Tennessee corporation

By: /s/ Darrell K. Massengale

Its: Chief Executive Officer

EXHIBIT 10.27

ADMINISTRATIVE SERVICES AGREEMENT
BY AND BETWEEN
CORRECTIONAL MANAGEMENT SERVICES CORPORATION
AND
JUVENILE AND JAIL FACILITY MANAGEMENT SERVICES, INC.

THIS ADMINISTRATIVE SERVICES AGREEMENT (the "Agreement") is made and entered into as of this 1st day of January, 1999, by and between Correctional Management Services Corporation, a Tennessee corporation (the "Company") and Juvenile and Jail Facility Management Services, Inc., a Tennessee corporation (the "Service Company").

RECITALS:

A. The Company is a corporation duly organized and validly existing under the laws of the State of Tennessee and engaged in the business of operating and managing correction and detention facilities for both private prison owners and government entities.

B. The Service Company is a corporation duly organized and validly existing under the laws of the State of Tennessee and engaged in the business of operating and managing correction and detention facilities for government entities.

C. The Company and the Service Company desire that the Company undertake the duties and responsibilities hereinafter set forth on behalf of and subject to the supervision of the Board of Directors of the Service Company (the "Board").

D. The Company also desires to grant to the Service Company the non-exclusive right to the use of the "Service Mark and Trade Name" (as defined hereinafter) in connection with the performance of such duties;

NOW, THEREFORE, in consideration of the premises and of the mutual covenants herein contained, the Company and the Service Company hereby agree as follows:

1. Duties of the Company.

(a) General. The Company shall perform each of the duties set forth in this Agreement and shall have the authority to take all actions and to execute all documents and instruments that it deems necessary or advisable in connection with the management of the Service Company and the fulfillment of its duties as set forth herein, subject in each matter to the supervision of the Board and the investment policies of the Service Company, and, as appropriate, to the prior approval of the Board.

(b) General Administrative Duties. The Company shall perform, or supervise the performance of, the necessary administrative functions in the day-to-day management of the Service Company and its operations, including, without limitation, internal and external financial reporting, property accounting, shareholder relations, supervision of stock registrar and transfer services and

other necessary services, all in a manner consistent with the Service Company's current practice, subject to changes approved by the Board.

(c) Agency. The Company shall act as agent of the Service Company in making, disbursing and collecting the Service Company's funds, paying the debts and fulfilling the obligations of the Service Company, handling, prosecuting and settling any claims of, or against, the Service Company, the Board, holders of the Service Company's securities or the Service Company's representatives or properties.

(d) Office and Personnel. The Company shall maintain on behalf of the Service Company such office space, equipment and personnel, including officers and employees of the Company, as it deems necessary or advisable in connection with the management and operations of the correctional and detention facilities managed by the Service Company and the fulfillment of the Company's duties as set forth herein.

(e) Bank Accounts. The Company may establish one or more bank accounts in the name of each of the Service Company or its own name and may deposit into and disburse from such accounts any monies on behalf of the Service Company, and the Company shall as requested by the Board render appropriate accountings to the Board of such deposits and disbursements.

(f) Books And Records. The Company shall maintain all accounting and reporting systems, books and records of the Service Company, including books of account and records relating to services performed by the Company, in form and quality at least equivalent to the Service Company's current practice, and shall make such books and records accessible for inspection by the Board at any time during ordinary business hours.

(g) Reports, Etc. The Company shall prepare, or cause to be prepared, all reports and other communications to the holders of the Service Company's securities, including, without limitation, proxy solicitation materials, and all tax returns and any other reports or other materials to be filed with any governmental body or agency, and shall prepare, or cause to be prepared, all materials and data necessary to complete such reports and other materials including, without limitation, an annual audit of the Service Company's books of account.

(h) Financing And Securities Issuances. The Company shall provide services to the Service Company in connection with negotiations by the Service Company with investment banking firms, securities brokers or dealers and other institutions or investors in connection with the sale of securities of the Service Company and the securing of loans for the Service Company, provided, however, that the Company shall not share in any fees paid by the Service Company to third parties for such services.

(i) Additional Services. The Company shall perform such additional services as from time to time may be requested by the Board and agreed to by the Company, provided, however,

that nothing herein shall require the Company to agree to any such request or to perform any additional services to which it has not previously agreed.

(j) License. The Company shall enter into a separate agreement with the Service Company in which the Company shall grant to the Service Company the non-exclusive right to the use of the service mark and trade name "Corrections Corporation of America", its abbreviation "CCA", and the logo and/or designs incorporating the same with respect to, and only with respect to, the correction and detention facilities operated by the Company.

2. Compensation.

(a) Management Fee. For and in consideration of the Company's performance of its duties under this Agreement, and the granting of the license described in subparagraph (j) of Section 1, the Service Company shall pay to the Company, no later then the tenth (10th) day following the first (1st) day of each calendar quarter, a management fee equal to two hundred fifty thousand dollars ($250,000) per month. Such management fee shall be escalated annually at the rate of four percent (4.0%) per annum.

(b) Payment for Additional Services. If the Board shall request the Company to render services to the Service Company other than those required to be rendered by the Company hereunder, such additional services, if performed, shall be compensated separately on terms to be agreed upon from time to time between the Company and the Service Company.

(c) Reimbursable Expenses. If the Company pays on behalf of the Service Company interest expense, regulatory filing fees, legal and accounting fees or other similar expenses, it shall be entitled to reimbursement by the Service Company therefor.

3. Termination; Term.

(a) Termination. Notwithstanding any other provision to the contrary, this Agreement may be terminated with or without cause by either party upon 30 days written notice to the other. In the event of termination of this Agreement, the Company will cooperate with the Service Company and take all reasonable steps requested to assist the Board in making an orderly transition of the management function.

(b) Term. This Agreement shall continue in force for an initial term beginning on the date hereof and ending on December 31, 2004, and shall be renewable upon agreement of the Company and the Service Company annually thereafter.

4. Miscellaneous Provisions.

(a) Entire Agreement. This Agreement constitutes the entire agreement between the parties with respect to the subject matter hereof. Any modification or amendment of this Agreement shall be in writing executed by each of the parties.

(b) Assignment. This Agreement may not be assigned by either party except with the written consent of the other.

(c) Severability. If any term or provision of this Agreement or the application thereof to any person or circumstance shall, to any extent, be invalid or unenforceable, the remainder of this Agreement, or the application of that term or provision to persons or circumstances other than those as to which the term or provision is held invalid or unenforceable, shall not be affected thereby, and each term or provision of this Agreement shall be valid and be enforced to the fullest extent permitted by law.

(d) Notices. Any notices and other communications to be given by any party hereunder shall be in writing delivered at the address of the respective party set forth on the signature page hereof, or at such other address as a party shall have specified to the other party in writing as the address for notices hereunder. Any such notice or other communication shall be deemed to have been given when personally delivered or one business day after being forwarded by overnight courier or five days after being sent by registered or certified United States mail, postage prepaid.

(e) Headings. The section headings used herein have been inserted for convenience of reference only and shall not be considered in interpreting this Agreement.

(f) Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the State of Tennessee, without giving effect to the principles of conflict of laws thereof.

(g) Counterparts. This Agreement may be executed in any number of counterparts and by each of the parties hereto on separate counterparts; all such counterparts shall together constitute but one and the same instrument.

[signatures on following page]

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

COMPANY:

CORRECTIONAL MANAGEMENT SERVICES CORPORATION, a Tennessee corporation

By: /s/ Doctor R. Crants

Its: Chief Executive Officer

SERVICE COMPANY:

JUVENILE AND JAIL FACILITY MANAGEMENT SERVICES, INC., a Tennessee corporation

By: /s/ Darrell K. Massengale

Its: Chief Financial Officer

EXHIBIT 10.28

EMPLOYMENT AGREEMENT WITH DOCTOR R. CRANTS

This Employment Agreement with Doctor R. Crants (the "Agreement"), entered into this 1st day of January, 1999, by and between PRISON REALTY CORPORATION, a Maryland corporation with its principal place of business at 10 Burton Hills Boulevard, Nashville, Tennessee 37215 (the "Company"), and DOCTOR R. CRANTS, JR., a resident of Nashville, Tennessee ("Crants").

W I T N E S S E T H:

1. Employment. Company hereby employs Crants and Crants hereby accepts employment under the terms and conditions hereinafter set forth.

2. Duties. Crants is engaged as Chief Executive Officer of the Company. His powers and duties in that capacity shall be those normally associated with the position of Chief Executive Officer. During the term of this Agreement, Crants shall also serve without additional compensation in such other offices of the Company to which he may be elected or appointed by the Board of Directors.

3. Term. Subject to provisions of termination as hereinafter provided, the initial term of Crants' employment under this Agreement shall begin on January 1, 1999 and shall terminate on December 31, 2002 (the "Initial Term"). Unless the Company notifies Crants that his employment under this Agreement will not be extended, the term of his employment under this Agreement shall automatically be extended for an additional three (3) year period on the same terms and conditions as set forth herein (the "Renewal Term").

If Company elects not to extend Crants' employment under this Agreement, it shall do so by notifying Crants in writing not less than ninety (90) days prior to the expiration of the Initial Term. If Company does not elect to extend Crants' employment under this Agreement, Crants shall be considered to have been terminated without just cause upon the expiration of his employment, and Crants will receive the payments and benefits set forth in Section 7 hereof. Crants' date of termination, for the purposes of Section 7 hereof, shall be the date of the Company's last payment to Crants.

4. Compensation.

4.1. Base Salary. For all duties rendered by Crants, the Company shall pay Crants a salary in such amount as the Board of the Directors of the Company may determine, payable according to the customary payroll practices of the Company, but in no event less frequently than once each month. During each year of this Agreement, Crants' compensation will be reviewed by the Board of Directors of the Company, or such subcommittee to which compensation review has been delegated, and after taking into consideration both the Company and personal performance, the Committee may increase Crants' compensation to any amount it may deem appropriate.

4.2. Bonus. The Company will pay Crants annual incentive compensation awards, in cash and/or in equity, as may be granted by the Board of Directors, or such subcommittee to which incentive compensation awards have been delegated, under any executive bonus plan or incentive plan in effect from time to time.

4.3. Benefits.

4.3.1. General. Crants shall be entitled to an annual paid vacation as established by the Board of Directors of the Company. In addition, Crants 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. Crants 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. Except as may be provided for in Section 4.3.2. herein, 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.

4.3.2. Life, Health and Disability Insurance. Notwithstanding the benefit provisions of Section 4.3.1. herein, and in addition to the benefit provisions contained therein, the Company agrees to the following:

(i) To provide and maintain term life insurance on Crants' life in the amount of a minimum of $3,000,000, such policy being payable, upon Crants' death, to Crants' designated beneficiary;

(ii) To provide and maintain, during the term of this Agreement and thereafter, if Crants is terminated without just cause or the Agreement naturally expires upon the completion of the Renewal Term and no subsequent extensions are entered into, until Crants and his spouse reach the age of sixty-five (65) or become otherwise eligible to receive coverage by Medicare or another similar governmental program, health insurance on Crants and his spouse in such amounts as are customary for or available to executives of the Company; and

(iii) To provide and maintain, through insurance or on its own account, coverage for Crants, relating to illness or incapacity resulting in Crants being unable to perform his services, that will provide payment of Crants full salary and benefits for twelve (12) months. For the period beyond twelve (12) months, the Company shall provide and maintain, through insurance or on its own account, coverage for Crants that will provide salary at seventy percent (70%) of Crants' current level plus full benefits to age sixty-five (65). To the extent that payments are received from any

worker's compensation or other Company paid plans, Company's obligations will be reduced by amounts so received.

4.4. Expenses. The Company shall promptly reimburse Crants for all reasonable travel and other business expenses incurred by Crants 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 by Crants. Crants' employment hereunder may be terminated by Crants upon ninety (90) days written notice to the Company. Subject to the Company's continuing obligations under Section 4.3.2. of this Agreement, Crants' death or disability shall constitute termination of Crants' employment hereunder.

6. Termination by Company for Just Cause. The Company may terminate Crants' employment pursuant to the terms hereunder for just cause. For the purposes of this Agreement, Company shall have "cause" upon (i) theft or dishonesty in the conduct of the Company's business, (ii) conviction of a felony or of a misdemeanor involving moral turpitude, or (iii) willful and continued neglect or gross negligence by Crants after a written demand for substantial performance is delivered to Crants by the Board of Directors of the Company, which demand specifies and identifies the manner in which Crants was willfully neglectful or grossly negligent, and Crants fails to comply with such demand within a reasonable time as established by the Company's Board of Directors. For purposes of this section, "willful" shall be determined in the exclusive discretion of the Board of Directors of the Company. In making such determination, the Board of Directors of the Company shall not act unreasonably or arbitrarily.

Notwithstanding the foregoing, Crants shall not be deemed to have been terminated for cause unless and until there shall have been delivered to him a copy of a resolution duly adopted by the affirmative vote of not less than a majority of the entire membership of the Board of Directors of the Company at a meeting of the Board called and held for that purpose (after reasonable notice to Crants, and an opportunity for Crants, together with counsel of his choice, to be heard before the Board), finding that Crants was, in the good faith opinion of the Board, guilty of conduct set forth above in clauses (i) or (ii) of this section, and specifying the particulars thereof in reasonable detail.

7. Termination by Company Without Just Cause. Crants' employment under this Agreement may be terminated by the Company at any time without just cause provided the Company shall pay Crants on a monthly basis for a total period of three (3) years from the date of termination, the amount due to Crants as his compensation, based upon the annual rate payable as of the date of termination, without any cost of living adjustments, subject to the following:

(i) Crants shall continue to be covered, for the three year period, under health, life and disability insurance plans of the Company as may be set forth in Section 4.3.2. herein. Crants' benefits shall be reduced, however, by any such coverage that Crants receives incident to any employment during said three year period;

(ii) The Company shall be entitled to receive as off-set and thereby reduce its payments, the amount earned by Crants in any active employment that he may receive during the three year period from any other source whatsoever, except said sums shall not include income from dividends, investments or passive income. As a condition for Crants receiving his compensation from the Company, he agrees to furnish the Company annually with full information regarding such other employment and to permit inspection of his records at any such employment and copy of his federal income tax returns;

(iii) The Company shall receive credit for unemployment insurance, social security insurance or like amounts received by Crants during the three year period; and

(iv) The payments will cease upon death of Crants regardless of term remaining.

8. Restrictive Covenants.

8.1. Confidential Information. Crants agrees not to disclose, either during the time he is employed by the Company or following the termination of his employment by him or the Company, any confidential 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.

8.2. Non-Compete. The Company and Crants recognize and acknowledge that the Company's business has a national scope and the Company is contemplating doing business in every state in the United States and has reasonably anticipated that Crants will perform his duties under this Agreement in every state in the United States. During the term of Crants' employment with the Company, Crants agrees not to directly or indirectly, own, manage, operate, control, be employed by, participate in, or be connected in any manner with the ownership, management, operation, or control of a real estate investment trust or any other entity engaged in the ownership, development, financing or acquisition of correctional and detention facilities or otherwise compete, directly or indirectly, with the Company. Upon Crants' voluntary termination of employment, upon termination of Crants' employment by the Company for just cause, or upon termination of Crants' employment without just cause as long as Crants is receiving payments or benefits from Company under Section 7 hereof, Crants agrees not to enter into or engage in the business of owning, developing, financing or acquiring private correctional and detention facilities, either as an individual for his own account, as a partner or joint venturer, or as an employee, agent, officer, director, or substantial shareholder of a corporation or otherwise for a period of one (1) year following the date of Crants' termination of employment with the Company. Notwithstanding the foregoing, in the event Crants is terminated for just cause, if Crants reasonably shows that his proposed employment is not directly competitive

with the Company's business, Crants may enter into such employment. Furthermore, none of the provisions of this section 8.2 shall be deemed to prohibit Crants' employment with Correctional Management Services Corporation.

8.3. Non-Solicitation. Upon termination or expiration of his employment, whether voluntary or involuntary, Crants agrees not to directly or indirectly solicit business from any entity, organization or person which has contracted with the Company, which has been doing business with the Company, from which the Company was soliciting business at the time of Crants' termination, or from which Crants knew or had reason to know that the Company was going to solicit business at the time of Crants' termination, for a one year period from the date of Crants' termination of his employment with the Company.

8.4. Enforcement. Crants and the Company hereby expressly acknowledge and agree that the covenants contained in this Section 8 may be specifically enforced through injunctive relief, but such right to injunctive relief shall not preclude the Company from other remedies which may be available to it by law.

8.5. Termination. Notwithstanding any provision to the contrary otherwise contained in this Agreement, the agreements and covenants contained in this Section 8 shall not terminate upon Crants' termination of his employment with the Company or upon the termination of this Agreement under any other provision of this Agreement.

9. Notices. Any notice required or permitted to be given under this Agreement shall be deemed given if in writing, sent by registered or certified mail to his current residence in the case of Crants, or to its principal office in the case of the Company.

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. Crants acknowledges that the services to be rendered by him are unique and personal, and Crants 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. 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.

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

DOCTOR R. CRANTS, JR.:

/s/ Doctor R. Crants, Jr.

DOCTOR R. CRANTS, JR.

COMPANY:

PRISON REALTY CORPORATION, a Maryland corporation

By: /s/ D. Robert Crants, III

Its: President

EXHIBIT 10.29

EMPLOYMENT AGREEMENT WITH DOCTOR R. CRANTS

This Employment Agreement with Doctor R. Crants (the "Agreement"), entered into this 1st day of January, 1999, by and between CORRECTIONAL MANAGEMENT SERVICES CORPORATION, a Tennessee corporation with its principal place of business at 10 Burton Hills Boulevard, Nashville, Tennessee 37215 (the "Company"), and DOCTOR R. CRANTS, JR., a resident of Nashville, Tennessee ("Crants").

W I T N E S S E T H:

1. Employment. Company hereby employs Crants and Crants hereby accepts employment under the terms and conditions hereinafter set forth.

2. Duties. Crants is engaged as Chief Executive Officer of the Company. His powers and duties in that capacity shall be those normally associated with the position of Chief Executive Officer. During the term of this Agreement, Crants shall also serve without additional compensation in such other offices of the Company to which he may be elected or appointed by the Board of Directors.

3. Term. Subject to provisions of termination as hereinafter provided, the initial term of Crants' employment under this Agreement shall begin on January 1, 1999 and shall terminate on December 31, 2002 (the "Initial Term"). Unless the Company notifies Crants that his employment under this Agreement will not be extended, the term of his employment under this Agreement shall automatically be extended for an additional three (3) year period on the same terms and conditions as set forth herein (the "Renewal Term").

If Company elects not to extend Crants' employment under this Agreement, it shall do so by notifying Crants in writing not less than ninety (90) days prior to the expiration of the Initial Term. If Company does not elect to extend Crants' employment under this Agreement, Crants shall be considered to have been terminated without just cause upon the expiration of his employment, and Crants will receive the payments and benefits set forth in Section 7 hereof. Crants' date of termination, for the purposes of Section 7 hereof, shall be the date of the Company's last payment to Crants.

4. Compensation.

4.1. Base Salary. For all duties rendered by Crants, the Company shall pay Crants a salary in such amount as the Board of the Directors of the Company may determine, not to be less than $160,000 per year, payable according to the customary payroll practices of the Company, but in no event less frequently than once each month. During each year of this Agreement, Crants' compensation will be reviewed by the Board of Directors of the Company, or such subcommittee to which compensation review has been delegated, and after taking into consideration both the Company and personal performance, the Committee may increase Crants' compensation to any amount it may deem appropriate.

4.2. Bonus. The Company will pay Crants annual incentive compensation awards, in cash and/or in equity, as may be granted by the Board of Directors, or such subcommittee to which incentive compensation awards have been delegated, under any executive bonus plan or incentive plan in effect from time to time.

4.3. Benefits.

4.3.1. General. Crants shall be entitled to an annual paid vacation as established by the Board of Directors of the Company. In addition, Crants 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. Crants 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. Except as may be provided for in Section 4.3.2. herein, 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.

4.3.2. Life, Health and Disability Insurance. Notwithstanding the benefit provisions of Section 4.3.1. herein, and in addition to the benefit provisions contained therein, the Company agrees to the following:

(i) To provide and maintain term life insurance on Crants' life in the amount of a minimum of $3,000,000, such policy being payable, upon Crants' death, to Crants' designated beneficiary;

(ii) To provide and maintain, during the term of this Agreement and thereafter, if Crants is terminated without just cause or the Agreement naturally expires upon the completion of the Renewal Term and no subsequent extensions are entered into, until Crants and his spouse reach the age of sixty-five (65) or become otherwise eligible to receive coverage by Medicare or another similar governmental program, health insurance on Crants and his spouse in such amounts as are customary for or available to executives of the Company; and

(iii) To provide and maintain, through insurance or on its own account, coverage for Crants, relating to illness or incapacity resulting in Crants being unable to perform his services, that will provide payment of Crants full salary and benefits for twelve (12) months. For the period beyond twelve (12) months, the Company shall provide and maintain, through insurance or on its own account, coverage for Crants that will provide salary at seventy percent (70%) of Crants' current level plus full benefits to age sixty-five (65). To the extent that payments are received from any

worker's compensation or other Company paid plans, the Company's obligations will be reduced by amounts so received.

4.4. Expenses. The Company shall promptly reimburse Crants for all reasonable travel and other business expenses incurred by Crants 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 by Crants. Crants' employment hereunder may be terminated by Crants upon ninety (90) days written notice to the Company. Subject to the Company's continuing obligations under Section 4.3.2. of this Agreement, Crants' death or disability shall constitute termination of Crants' employment hereunder.

6. Termination by Company for Just Cause. The Company may terminate Crants' employment pursuant to the terms hereunder for just cause. For the purposes of this Agreement, Company shall have "cause" upon (i) theft or dishonesty in the conduct of the Company's business, (ii) conviction of a felony or of a misdemeanor involving moral turpitude, or (iii) willful and continued neglect or gross negligence by Crants after a written demand for substantial performance is delivered to Crants by the Board of Directors of the Company, which demand specifies and identifies the manner in which Crants was willfully neglectful or grossly negligent, and Crants fails to comply with such demand within a reasonable time as established by the Company's Board of Directors. For purposes of this section, "willful" shall be determined in the exclusive discretion of the Board of Directors of the Company. In making such determination, the Board of Directors of the Company shall not act unreasonably or arbitrarily.

Notwithstanding the foregoing, Crants shall not be deemed to have been terminated for cause unless and until there shall have been delivered to him a copy of a resolution duly adopted by the affirmative vote of not less than a majority of the entire membership of the Board of Directors of the Company at a meeting of the Board called and held for that purpose (after reasonable notice to Crants, and an opportunity for Crants, together with counsel of his choice, to be heard before the Board), finding that Crants was, in the good faith opinion of the Board, guilty of conduct set forth above in clauses (i) or (ii) of this section, and specifying the particulars thereof in reasonable detail.

7. Termination by Company Without Just Cause. Crants' employment under this Agreement may be terminated by the Company at any time without just cause provided the Company shall pay Crants on a monthly basis for a total period of three (3) years from the date of termination, the amount due to Crants as his compensation, based upon the annual rate payable as of the date of termination, without any cost of living adjustments, subject to the following:

(i) Crants shall continue to be covered, for the three year period, under health, life and

disability insurance plans of the Company as may be set forth in Section 4.3.2. herein. Crants' benefits shall be reduced, however, by any such coverage that Crants receives incident to any employment during said three year period;

(ii) The Company shall be entitled to receive as off-set and thereby reduce its payments, the amount earned by Crants in any active employment that he may receive during the three year period from any other source whatsoever, except said sums shall not include income from dividends, investments or passive income. As a condition for Crants receiving his compensation from the Company, he agrees to furnish the Company annually with full information regarding such other employment and to permit inspection of his records at any such employment and copy of his federal income tax returns;

(iii) The Company shall receive credit for unemployment insurance, social security insurance or like amounts received by Crants during the three year period; and

(iv) The payments will cease upon death of Crants regardless of term remaining.

8. Restrictive Covenants.

8.1. Confidential Information. Crants agrees not to disclose, either during the time he is employed by the Company or following the termination of his employment by him or the Company, any confidential 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.

8.2. Non-Compete. The Company and Crants recognize and acknowledge that the Company's business has a national scope and the Company is contemplating doing business in every state in the United States and has reasonably anticipated that Crants will perform his duties under this Agreement in every state in the United States. During the term of Crants' employment with the Company, Crants agrees not to, directly or indirectly, own, manage, operate, control, be employed by, participate in, or be connected in any manner with the ownership, management, operation, or control of a real estate investment trust or any other entity engaged in the ownership, development, financing or acquisition of correctional and detention facilities or otherwise compete, directly or indirectly, with the Company. Upon Crants' voluntary termination of employment, upon termination of Crants' employment by the Company for just cause, or upon termination of Crants' employment without just cause as long as Crants is receiving payments or benefits from Company under Section 7 hereof, Crants agrees not to enter into or engage in the business of owning, developing, financing or acquiring private correctional and detention facilities, either as an individual for his own account, as a partner or joint venturer, or as an employee, agent, officer, director, or substantial shareholder of a corporation or otherwise for a period of one (1) year following the date of Crants' termination of employment with the Company. Notwithstanding the foregoing, in the event Crants is terminated for just cause, if Crants reasonably shows that his proposed employment is not directly competitive with the Company's business, Crants may enter into such employment. Furthermore, none of the

provisions of this section 8.2 shall be deemed to prohibit Crants' employment with Prison Realty Corporation.

8.3. Non-Solicitation. Upon termination or expiration of his employment, whether voluntary or involuntary, Crants agrees not to directly or indirectly solicit business from any entity, organization or person which has contracted with the Company, which has been doing business with the Company, from which the Company was soliciting business at the time of Crants' termination, or from which Crants knew or had reason to know that the Company was going to solicit business at the time of Crants' termination, for a one year period from the date of Crants' termination of his employment with the Company.

8.4. Enforcement. Crants and the Company hereby expressly acknowledge and agree that the covenants contained in this Section 8 may be specifically enforced through injunctive relief, but such right to injunctive relief shall not preclude the Company from other remedies which may be available to it by law.

8.5. Termination. Notwithstanding any provision to the contrary otherwise contained in this Agreement, the agreements and covenants contained in this Section 8 shall not terminate upon Crants' termination of his employment with the Company or upon the termination of this Agreement under any other provision of this Agreement.

9. Notices. Any notice required or permitted to be given under this Agreement shall be deemed given if in writing, sent by registered or certified mail to his current residence in the case of Crants, or to its principal office in the case of the Company.

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. Crants acknowledges that the services to be rendered by him are unique and personal, and Crants 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. 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.

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

DOCTOR R. CRANTS, JR.:

/s/ Doctor R. Crants, Jr.

DOCTOR R. CRANTS, JR.

COMPANY:

CORRECTIONAL MANAGEMENT SERVICES CORPORATION, a Tennessee corporation

By: /s/ Darrell K. Massengale

Its: Chief Financial Officer

EXHIBIT 10.30

EMPLOYMENT AGREEMENT

THIS AGREEMENT, made on this 1st day of January, 1999, by and between PRISON REALTY CORPORATION, a Maryland corporation (the "Company"), and J. MICHAEL QUINLAN (the "Employee").

W I T N E S S E T H:

WHEREAS, the Company desires to retain the services of the Employee, and the Employee desires to be employed by the Company, on the terms and conditions set forth herein.

NOW, THEREFORE, in consideration of the foregoing and of the respective covenants and conditions set forth below, the parties hereto agree as follows:

1. Employment. The Company hereby employs the Employee as its Vice-Chairman of the Board of Directors of the Company (the "Board") (or, if the Employee is not serving as a member of the Board of Directors, in such comparable office as the Board shall deem proper) and the Employee hereby accepts such employment upon the terms and conditions of this Agreement. In such capacity, the Employee shall have such duties, functions, responsibilities and authority as are consistent with the Employee's position, subject to the general direction, approval and control of the Board. The duties of the Employee may be expanded, restricted or otherwise altered from time to time by the Board, consistent with the general duties, authority, and responsibilities set forth herein.

2. Compensation.

(a) Base Salary. In consideration of the services rendered by the Employee pursuant to Section 1 hereof, the Company shall pay the Employee a base salary (the "Base Salary") of $157,500 per annum payable in accordance with the Company's normal payment practices but in no event less frequently than monthly. At the end of each year during the term hereof, the Base Salary shall be reviewed by the Compensation Committee of the Board (the "Compensation Committee") and may be increased (but not decreased) in the Compensation Committee's absolute discretion.

(b) Bonus. In the absolute discretion of the Compensation Committee, the Employee may receive a bonus in an amount to be determined by the Compensation Committee.

(c) Benefits. The Employee shall also be entitled:

(i) to receive, in the absolute discretion of the Compensation Committee, share options (incentive or non-qualified), restricted shares, deferred shares and other awards under the CCA Prison Realty Trust 1997 Employee Share Incentive Plan, such plan having been assumed by the Company (the "Share Incentive Plan");

(ii) to participate in any executive deferred compensation plan or qualified retirement plan adopted by the Company, subject to and on a basis consistent with the terms, conditions and overall administration of such plans; and

(iii) to participate in or receive benefits under any employee benefit plan or other arrangement including, but not limited to, any medical, dental, retirement, disability, life insurance, sick leave and vacation plans or arrangements made available by the Company to any of its employees, subject to and on a basis consistent with the terms, conditions and overall administration of such plans or arrangements.

(d) Expenses. The Company shall promptly reimburse the Employee for all reasonable travel and other business expenses incurred by the Employee in the performance of his duties under this Agreement upon evidence of receipt.

3. Covenants of Employee.

(a) Non-Competition. The Company and the Employee recognize and acknowledge that the Company's business has a national scope and the Company is contemplating doing business in every state in the United States and that it is reasonably anticipated that the Employee will perform his duties under this Agreement in every state in the United States. During the term of this Agreement (and thereafter for a period of three (3) years), the Employee will not, within the United States, directly or indirectly, own, manage, operate, control, be employed by, participate in, or be connected in any manner with the ownership, management, operation, or control of a real estate investment trust or any other entity engaged in the ownership, development, financing or acquisition of correctional and detention facilities or otherwise compete, directly or indirectly, with the Company. The Employee acknowledges that the provisions of this paragraph are essential to the continued goodwill and profitability of the Company. Should any court determine that the provisions of this paragraph shall be unenforceable in respect to scope, duration, or geographic area, such court may substitute to the extent enforceable, provisions similar hereto or other provisions so as to provide the Company, to the fullest extent permitted by applicable law, the benefits intended by this paragraph.

(b) Non-Disclosure. The Employee acknowledges that the Company's knowledge of its business, its development plans, its method of operation and managing the business, its cost control methods, its financial or other performance data, its trade secrets, its methods for bidding on projects, confidential information of the Company, its subsidiaries, affiliates, and franchises and the Company's list of customers and prospective customers (as it may exist from time to time) are valuable, special, and unique assets of the Company and are proprietary to the Company. The Employee will not, during or after the term of his employment, disclose any part thereof to any person, firm, corporation, association, or other entity for any reason or purpose whatsoever.

(c) Remedies. In addition to any other rights and remedies available under this Agreement, at law or otherwise, the Company shall be entitled to an injunction to be issued by any

court of competent jurisdiction enjoining and restraining the Employee from committing any violation of subsections (a) and (b) above. Any provisions of subsections (a) and (b) above which are deemed invalid, illegal or unenforceable in any jurisdiction shall, as to that jurisdiction and subject to this paragraph be ineffective to the extent of such invalidity, illegality or unenforceability, without affecting in any way the remaining provisions hereof in such jurisdiction or rendering that or any other provisions of this Agreement invalid, illegal, or unenforceable in any other jurisdiction. If any covenant should be deemed invalid, illegal or unenforceable because its scope is considered excessive, such covenant shall be modified so that the scope of the covenant is reduced only to the minimum extent necessary to render the modified covenant valid, legal and enforceable.

4. Working Facilities. The Employee shall have such facilities and services as are suitable to his position and appropriate for the performance of his duties, as the Company may determine.

5. Term and Termination.

(a) Term. The term of this Agreement shall begin on the date first written above, and shall terminate on the fourth anniversary date thereof. The term of this Agreement may be extended for an additional period of time by mutual written agreement of the Company and the Employee.

(b) Termination. The Company may terminate the Employee's employment upon thirty (30) days prior written notice to the Employee upon the happening of any of the following events (i) any act of the Employee which constitutes fraud, gross misconduct, gross negligence or a material breach of this Agreement, (ii) frequent and repeated failure to perform services which have been reasonably requested of the Employee by the Board and which are consistent with the terms of this Agreement, (iii) the death of the Employee, (iv) disability by the Employee (as determined under the Share Incentive Plan), or (v) a decision by the Company to terminate its business and liquidate; provided, however, that the Company shall not terminate the employment of the Employee pursuant to clause (i) or (ii) hereof unless the Company (A) provides the Employee with at least 15 days prior written notice of its intention to terminate the Employee's employment hereunder, which notice shall describe the reasons for such termination, and (B) allows the Employee a reasonable opportunity and a reasonable period of time to cure any curable acts or omissions on which its decision to terminate is based.

6. Notices. Any notice required or desired to be given under this Agreement shall be deemed given if in writing sent by certified mail to his residence in the case of the Employee, or to its principal office in the case of the Company.

7. Waiver of Breach. The waiver by the Company of a breach of any provision of this Agreement by the Employee shall not operate or be construed as a waiver of any subsequent breach by the Employee. No waiver shall be valid unless in writing and signed by an authorized officer of the Company.

8. Assignment. The Employee acknowledges that the services to be rendered by him are unique and personal. Accordingly, the Employee may not assign any of his rights or delegate any of his duties or obligations under this Agreement. 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.

9. Entire Agreement. This Agreement contains the entire understanding of the parties. 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.

10. Counterparts. This Agreement may be executed in two counterparts, each of which may be considered an original but which taken together shall constitute the same instrument.

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

[Remainder of the page intentionally left blank]

IN WITNESS WHEREOF, the parties have executed this Agreement this the same day and date first written above.

COMPANY:

PRISON REALTY CORPORATION

By: /s/ Doctor R. Crants

Its: Chief Executive Officer

EMPLOYEE:

/s/ J. Michael Quinlan

J. Michael Quinlan

EXHIBIT 10.31

AMENDED AND RESTATED CHARTER

OF

PRISON MANAGEMENT SERVICES, INC,

PRISON MANAGEMENT SERVICES, INC. (the "Corporation"), a corporation organized and existing under and by virtue of the Tennessee Business Corporation Act, as amended (the "Act"), does hereby certify:

I. That the Board of Directors of the Corporation, by written consent executed in accordance with Section 48-18-202 of the Act on December 23, 1998, recommended the amendments included in the Amended and Restated Charter ("Restated Charter") set forth below as the Charter of Corporation.

II. That, by written consent, executed in accordance with Section 48-17-104 of the Act, on December 28, 1998, all of the voting shareholders of the Corporation approved and adopted the amendments included in the Restated Charter set forth below.

III. That the Restated Charter has been duly adopted in accordance with Sections 48-20-103 and 48-20-107 of the Act.

The adopted Restated Charter of Prison Management Services, Inc. is as follows:

1. The name of the corporation is Prison Management Services, Inc..

2. The Corporation is for profit.

3. The street address of the Corporation's principal office is:

10 Burton Hills Boulevard
Nashville, Tennessee 37215
County of Davidson

4. (a) The name of the Corporation's initial registered agent is Linda G. Cooper.

(b) The street address of the Corporation's initial registered office in Tennessee is:

10 Burton Hills Boulevard
Nashville, Tennessee 37215
County of Davidson

5. The name and address of the incorporator is:

Albert J. Bart, Esq.
Stokes & Bartholomew, P.A.
424 Church Street, Suite 2800
Nashville, Tennessee 37215

6. The total number of shares which the Corporation is authorized to issue is Two Hundred Fifty Million (250,000,000) of which Two Hundred Million (200,000,000) shares shall be Common Stock having $0.01 par value per share (the "Common Stock") and Fifty Million (50,000,000) shares shall be Preferred Stock having $0.01 par value per share (the "Preferred Stock").

A. The Common Stock shall be divided into two classes, of which One Hundred Million (100,000,000) shares shall be designated and constitute Class A Common Stock (the "Class A Common Stock") and One Hundred Million (100,000,000) shares shall be designated and constitute Class B Common Stock (the "Class B Common Stock"). Unless otherwise provided by law or provided for herein, each share of Class A Common Stock shall have all rights, powers and privileges accorded common stock under the Tennessee Business Corporation Act, as amended, and the Charter and Bylaws, each as amended, of the Corporation. The shares of Class B Common Stock, when issued, shall have the voting powers, preferences and other special rights of the shares of such series and the qualifications, limitations and restrictions thereof as follows:

(1) Voting Rights. The Class B Common Stock shall have no voting rights except as might otherwise be required by law.

(2) Dividends. The Corporation shall pay dividends, as and if declared by the Board of Directors, out of the assets of the Corporation legally available therefor, to the holders of the Class B Common Stock, and the holders of the Class B Common Stock shall be entitled to receive, on a pro-rata basis, cumulative cash dividends equal to ninety-five percent (95%) of the Corporation's net income, as determined in accordance with generally accepted accounting principles. Dividends shall accrue from the date of original issue of each share and shall be paid on a quarterly basis in arrears, such payments to be made on or before the 30th calendar day of the calendar quarter following the quarter for which such payment is due, (the "Dividend Payment Date") to the persons who are registered holders of the Class B Common Stock on the last calendar day of the quarter for which such payment is due. Dividends of the Class B Common Stock will be cumulative from the date of original issue of the respective share.

(3) Liquidation Preference. In the event of any voluntary or involuntary liquidation, dissolution, or winding up with the Corporation, the remaining assets of the Corporation shall be distributed pro-rata among the holders of both the Class A

Common Stock and Class B Common Stock. Neither the consolidation, merger, or other business combination of the Corporation with or into any other individual, partnership, corporation, trust, joint venture, unincorporated organization in government or any department or agency thereof, nor the sale of all respective assets of the Corporation, shall be deemed to be a liquidation, dissolution or winding up of the Corporation for the purposes of this section.

B. The shares of Preferred Stock may be issued from time to time in one or more series, each such series to be so designated as to distinguish the shares thereof from the shares of all other series and classes. The Board of Directors is hereby vested with the authority to divide any or all classes of Preferred Stock into series and to fix and determine the relative rights and preferences of the shares of any series so established.

C. The Corporation may not issue or sell shares of Common Stock of the Corporation, shares of Preferred Stock of the Corporation or debt securities convertible into shares of either Common Stock of the Corporation or Preferred Stock of the Corporation without the express written agreement of the Board of Directors of Prison Realty Corporation, a Maryland corporation, or any successor in interest thereto ("Prison Realty"), provided, however, that the express written consent of Prison Realty shall not be required for such issuance or sale if the Corporation provides Prison Realty with an opportunity to purchase, on substantially similar terms, an amount of Class B Common Stock sufficient to maintain Prison Realty's ownership interest in the capital stock of the Corporation, measured as of the date of such proposed issuance or sale.

7. The Corporation reserves the right to amend, alter, change or repeal any provision contained in this Charter in the manner now or hereafter prescribed by the laws of the State of Tennessee. All rights herein conferred to the shareholders are granted subject to this reservation.

8. The purpose for which the Corporation is organized is to engage in any lawful act or activity for which corporations may be organized under the laws of the State of Tennessee.

9. To the fullest extent permitted by the Tennessee Business Corporation Act as in effect on the date hereof and as hereafter amended from time to time, a director of the Corporation shall not be liable to the Corporation or its shareholders for monetary damages for breach of fiduciary duty as a director. If the Tennessee Business Corporation Act or any successor statute is amended after adoption of this provision to authorize corporate action further eliminating or limiting the personal liability of directors, then the liability of a director of the Corporation shall be eliminated or limited to the fullest extent permitted by the Tennessee Business Corporation Act, as so amended from time to time. Any repeal or modification of this Paragraph 9 by the shareholders of the corporation shall not adversely affect any right or protection of a director of the Corporation existing at the time of such repeal or modification with respect to events occurring prior to such time.

10. The Corporation's duration is perpetual.

Dated this 31st day of December, 1998.

By:/s/ Darrell K. Massengale

President

Attest:

By:/s/ Brent Turner

Secretary

EXHIBIT 10.32

AMENDED AND RESTATED CHARTER

OF

JUVENILE AND JAIL FACILITY MANAGEMENT SERVICES, INC.

JUVENILE AND JAIL FACILITY MANAGEMENT SERVICES, INC. (the "Corporation"), a corporation organized and existing under and by virtue of the Tennessee Business Corporation Act, as amended (the "Act"), does hereby certify:

I. That the Board of Directors of the Corporation, by written consent executed in accordance with Section 48-18-202 of the Act on December 23, 1998, recommended the amendments included in the Amended and Restated Charter ("Restated Charter") set forth below as the Charter of Corporation.

II. That, by written consent, executed in accordance with Section 48-17-104 of the Act, on December 28, 1998, all of the voting shareholders of the Corporation approved and adopted the amendments included in the Restated Charter set forth below.

III. That the Restated Charter has been duly adopted in accordance with Sections 48-20-103 and 48-20-107 of the Act.

The adopted Restated Charter of Juvenile and Jail Facility Management Services, Inc. is as follows:

1. The name of the corporation is Juvenile and Jail Facility Management Services, Inc..

2. The Corporation is for profit.

3. The street address of the Corporation's principal office is:

10 Burton Hills Boulevard
Nashville, Tennessee 37215
County of Davidson

4. (a) The name of the Corporation's initial registered agent is Linda G. Cooper.

(b) The street address of the Corporation's initial registered office in Tennessee is:

10 Burton Hills Boulevard
Nashville, Tennessee 37215
County of Davidson

5. The name and address of the incorporator is:

Albert J. Bart, Esq.
Stokes & Bartholomew, P.A.
424 Church Street, Suite 2800
Nashville, Tennessee 37215

6. The total number of shares which the Corporation is authorized to issue is Two Hundred Fifty Million (250,000,000) of which Two Hundred Million (200,000,000) shares shall be Common Stock having $0.01 par value per share (the "Common Stock") and Fifty Million (50,000,000) shares shall be Preferred Stock having $0.01 par value per share (the "Preferred Stock").

A. The Common Stock shall be divided into two classes, of which One Hundred Million (100,000,000) shares shall be designated and constitute Class A Common Stock (the "Class A Common Stock") and One Hundred Million (100,000,000) shares shall be designated and constitute Class B Common Stock (the "Class B Common Stock"). Unless otherwise provided by law or provided for herein, each share of Class A Common Stock shall have all rights, powers and privileges accorded common stock under the Tennessee Business Corporation Act, as amended, and the Charter and Bylaws, each as amended, of the Corporation. The shares of Class B Common Stock, when issued, shall have the voting powers, preferences and other special rights of the shares of such series and the qualifications, limitations and restrictions thereof as follows:

(1) Voting Rights. The Class B Common Stock shall have no voting rights except as might otherwise be required by law.

(2) Dividends. The Corporation shall pay dividends, as and if declared by the Board of Directors, out of the assets of the Corporation legally available therefor, to the holders of the Class B Common Stock, and the holders of the Class B Common Stock shall be entitled to receive, on a pro-rata basis, cumulative cash dividends equal to ninety-five percent (95%) of the Corporation's net income, as determined in accordance with generally accepted accounting principles. Dividends shall accrue from the date of original issue of each share and shall be paid on a quarterly basis in arrears, such payments to be made on or before the 30th calendar day of the calendar quarter following the quarter for which such payment is due, (the "Dividend Payment Date") to the persons who are registered holders of the Class B Common Stock on the last calendar day of the quarter for which such payment is due. Dividends of the Class B Common Stock will be cumulative from the date of original issue of the respective share.

(3) Liquidation Preference. In the event of any voluntary or involuntary liquidation, dissolution, or winding up with the Corporation, the remaining assets of the Corporation shall be distributed pro-rata among the holders of both the Class A

Common Stock and Class B Common Stock. Neither the consolidation, merger, or other business combination of the Corporation with or into any other individual, partnership, corporation, trust, joint venture, unincorporated organization in government or any department or agency thereof, nor the sale of all respective assets of the Corporation, shall be deemed to be a liquidation, dissolution or winding up of the Corporation for the purposes of this section.

B. The shares of Preferred Stock may be issued from time to time in one or more series, each such series to be so designated as to distinguish the shares thereof from the shares of all other series and classes. The Board of Directors is hereby vested with the authority to divide any or all classes of Preferred Stock into series and to fix and determine the relative rights and preferences of the shares of any series so established.

C. The Corporation may not issue or sell shares of Common Stock of the Corporation, shares of Preferred Stock of the Corporation or debt securities convertible into shares of either Common Stock of the Corporation or Preferred Stock of the Corporation without the express written agreement of the Board of Directors of Prison Realty Corporation, a Maryland corporation, or any successor in interest thereto ("Prison Realty"), provided, however, that the express written consent of Prison Realty shall not be required for such issuance or sale if the Corporation provides Prison Realty with an opportunity to purchase, on substantially similar terms, an amount of Class B Common Stock sufficient to maintain Prison Realty's ownership interest in the capital stock of the Corporation, measured as of the date of such proposed issuance or sale.

7. The Corporation reserves the right to amend, alter, change or repeal any provision contained in this Charter in the manner now or hereafter prescribed by the laws of the State of Tennessee. All rights herein conferred to the shareholders are granted subject to this reservation.

8. The purpose for which the Corporation is organized is to engage in any lawful act or activity for which corporations may be organized under the laws of the State of Tennessee.

9. To the fullest extent permitted by the Tennessee Business Corporation Act as in effect on the date hereof and as hereafter amended from time to time, a director of the Corporation shall not be liable to the Corporation or its shareholders for monetary damages for breach of fiduciary duty as a director. If the Tennessee Business Corporation Act or any successor statute is amended after adoption of this provision to authorize corporate action further eliminating or limiting the personal liability of directors, then the liability of a director of the Corporation shall be eliminated or limited to the fullest extent permitted by the Tennessee Business Corporation Act, as so amended from time to time. Any repeal or modification of this Paragraph 9 by the shareholders of the corporation shall not adversely affect any right or protection of a director of the Corporation existing at the time of such repeal or modification with respect to events occurring prior to such time.

10. The Corporation's duration is perpetual.

Dated this 31st day of December, 1998.

By: /s/ Darrell K. Massengale

President

Attest:

By: /s/ Brent Turner

Secretary

EXHIBIT 10.33

CREDIT AGREEMENT

Dated as of January 1, 1999

among

PRISON REALTY CORPORATION,
as Borrower,

AND

CERTAIN SUBSIDIARIES OF THE BORROWER
FROM TIME TO TIME PARTY HERETO,
as Guarantors,

THE SEVERAL LENDERS
FROM TIME TO TIME PARTY HERETO

AND

NATIONSBANK, N. A.,
as Administrative Agent

AND

LEHMAN COMMERCIAL PAPER INC.,
as Documentation Agent

AND

THE BANK OF NOVA SCOTIA,
as Syndication Agent

AND

NATIONSBANC MONTGOMERY SECURITIES LLC
LEHMAN BROTHERS INC.
THE BANK OF NOVA SCOTIA
as Co-Arrangers and Co-Book Managers

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CREDIT AGREEMENT

THIS CREDIT AGREEMENT, dated as of January 1, 1999 (as amended, modified, restated or supplemented from time to time, the "Credit Agreement"), is by and among PRISON REALTY CORPORATION, a Maryland corporation (the "Borrower"), the Subsidiary Guarantors (as defined herein), the Lenders (as defined herein), NATIONSBANK, N.A., as Administrative Agent for the Lenders (in such capacity, the "Administrative Agent"), LEHMAN COMMERCIAL PAPER INC., as Documentation Agent (in such capacity, the "Documentation Agent") and THE BANK OF NOVA SCOTIA, as Syndication Agent (in such capacity, the "Syndication Agent").

W I T N E S S E T H

WHEREAS, the Borrower has requested that the Lenders provide a $650,000,000 credit facility for the purposes hereinafter set forth; and

WHEREAS, the Lenders have agreed to make the requested credit facility available to the Borrower on the terms and conditions hereinafter set forth;

NOW, THEREFORE, IN CONSIDERATION of the premises and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties hereto agree as follows:

SECTION 1

DEFINITIONS

1.1 DEFINITIONS.

As used in this Credit Agreement, the following terms shall have the meanings specified below unless the context otherwise requires:

"Additional Credit Party" means each Person that becomes a Subsidiary Guarantor after the Closing Date by execution of a Joinder Agreement.

"Adjusted Base Rate" means the Base Rate plus the Applicable Percentage.

"Adjusted Cash Flow" means, with respect to any Real Property, as of the end of each fiscal quarter of the Consolidated Parties for the fiscal quarter ending on such date, the lesser of:

(a) the sum of (i) cash lease payments received with respect to such Real Property for such period under all leases that require the lessee to pay all utilities, insurance and property tax costs ("Gross Lease Revenues") less (ii) a capital reserve

equal to the greater of (A) actual capital expenditures for such period, with respect to such Real Property and (B) four percent (4%) of Gross Lease Revenues for such period less (iii) a management fee equal to the greater of (A) actual management fees paid with respect to such Real Property during such period and (B) four percent (4%) of Gross Lease Revenues for such period, all as determined in accordance with GAAP, and

(b) the sum of (i) operating income for such period less (ii) non-cash operating income for such period after giving effect to the deduction resulting from the Straight-Lining of Rents less (iii) real estate taxes for such period less (iv) property insurance premiums for such period less (v) ground lease payments made with respect to such Real Property for such period less (vi) a capital reserve equal to the greater of (A) actual capital expenditures for such period, and (B) four percent (4%) of Gross Lease Revenues for such period, less (vii) a management fee equal to the greater of (A) actual management fees paid with respect to such Real Property during such period and (B) four percent (4%) of Gross Lease Revenues for such period, all as determined in accordance with GAAP.

Notwithstanding the foregoing, for purposes of calculating the Borrowing Base Value of the Borrowing Base Properties on the Closing Date, Adjusted Cash Flow of each Borrowing Base Property shall be based on the projections of the Borrower in a form satisfactory to the Lenders for the fiscal quarter subsequent to the Closing Date for those components of Adjusted Cash Flow of such Borrowing Base Property.

"Adjusted Eurodollar Rate" means the Eurodollar Rate plus the Applicable Percentage.

"Affiliate" means, with respect to any Person, any other Person (i) directly or indirectly controlling or controlled by or under direct or indirect common control with such Person or (ii) directly or indirectly owning or holding five percent (5%) or more of the Capital Stock in such Person. For purposes of this definition, "control" when used with respect to any Person means the power to direct the management and policies of such Person, directly or indirectly, whether through the ownership of voting securities, by contract or otherwise; and the terms "controlling" and "controlled" have meanings correlative to the foregoing.

"Agency Services Address" means NationsBank, N.A., NC1-001-15-04, 101 South Tryon Street, Charlotte, NC 28255, Attn: Agency Services, or such other address as may be identified by written notice from the Administrative Agent to the Borrower.

"Aggregate Committed Amount" means the aggregate of the Revolving Committed Amount and the Term Loan Committed Amount.

"Administrative Agent" shall have the meaning assigned to such term in the heading hereof, together with any successors or assigns.

"Administrative Agent's Fee Letter" means that certain letter agreement, dated as of October 30, 1998, between the Administrative Agent and the Borrower, as amended, modified, restated or supplemented from time to time.

"Administrative Agent's Fees" shall have the meaning assigned to such term in Section 3.5(d).

"Applicable Lending Office" means, for each Lender, the office of such Lender (or of an Affiliate of such Lender) as such Lender may from time to time specify to the Administrative Agent and the Borrower by written notice as the office by which its Eurodollar Loans are made and maintained.

"Applicable Percentage" means, for purposes of calculating the applicable interest rate for any day for any Revolving Loan, the applicable rate of the Unused Fee for any day for purposes of Section 3.5(b), or the applicable rate of the Standby Letter of Credit Fee for any day for purposes of Section 3.5(c)(i), the appropriate applicable percentage set forth below opposite the applicable Senior Debt Rating then in effect as of the most recent Ratings Date. The Applicable Percentage shall be determined based on the Senior Debt Rating; provided that (a) for the first six (6) months following the Closing Date the Applicable Percentages shall be based on Pricing Level V (regardless of whether a Senior Debt Rating has been issued), (b) if the Borrower shall not have a rating for its Senior Debt by S&P and Moody's, then the Applicable Percentages shall be based on Pricing Level VI and (c) if the Borrower shall have a split Senior Debt Rating the lower of the two ratings shall apply.

Applicable Percentage for Revolving Loans

Pricing Level	S&P Rating	Moody's Rating	Eurodollar Loans	Base Rate Loans	Applicable Percentage for Unused Fee	Applicable Percentage for Standby Letter of Credit Fee
I	>BBB+ -	>Baa1 -	1.375%	.25%	.50%	1.375%
II	>BBB -	>Baa2 -	1.50%	.25%	.50%	1.50%
III	>BBB- -	>Baa3 -	1.75%	.25%	.55%	1.75%
IV	>BB+ -	>Ba1 -	2.25%	.75%	.620%	2.25%
V	>BB -	>Ba2 -	2.50%	1.0%	.70%	2.50%
VI	9					

"Asset Disposition" means the disposition of any or all of the assets (including without limitation the Capital Stock of a Subsidiary) of any Consolidated Party whether by sale, lease, transfer or otherwise (including pursuant to any casualty or condemnation event). The term "Asset Disposition" shall not include (a) the sale of inventory in the ordinary course of business and (b) any single disposition of assets which does not exceed $100,000.

"Bankruptcy Code" means the Bankruptcy Code in Title 11 of the United States Code, as amended, modified, succeeded or replaced from time to time.

"Bankruptcy Event" means, with respect to any Person, the occurrence of any of the following with respect to such Person: (i) a court or governmental agency having jurisdiction in the premises shall enter a decree or order for relief in respect of such Person in an involuntary case under any applicable bankruptcy, insolvency or other similar law now or hereafter in effect, or appointing a receiver, liquidator, assignee, custodian, trustee, sequestrator (or similar official) of such Person or for any substantial part of its Property or ordering the winding up or liquidation of its affairs; or (ii) there shall be commenced against such Person an involuntary case under any applicable bankruptcy, insolvency or other similar law now or hereafter in effect, or any case, proceeding or other action for the appointment of a receiver, liquidator, assignee, custodian, trustee, sequestrator (or similar official) of such Person or for any substantial part of its Property or for the winding up or liquidation of its affairs, and such involuntary case or other case, proceeding or other action shall remain undismissed, undischarged or unbonded for a period of sixty (60)

consecutive days; or (iii) such Person shall commence a voluntary case under any applicable bankruptcy, insolvency or other similar law now or hereafter in effect, or consent to the entry of an order for relief in an involuntary case under any such law, or consent to the appointment or taking possession by a receiver, liquidator, assignee, custodian, trustee, sequestrator (or similar official) of such Person or for any substantial part of its Property or make any general assignment for the benefit of creditors; or (iv) such Person shall be unable to, or shall admit in writing its inability to, pay its debts generally as they become due.

"Base Rate" means, for any day, the rate per annum equal to the higher of (a) the Federal Funds Rate for such day plus one-half of one percent (0.5%) and (b) the Prime Rate for such day. Any change in the Base Rate due to a change in the Prime Rate or the Federal Funds Rate shall be effective on the effective date of such change in the Prime Rate or Federal Funds Rate.

"Base Rate Loan" means any Loan bearing interest at a rate determined by reference to the Base Rate.

"Borrower" means the Person identified as such in the heading hereof, together with any permitted successors and assigns.

"Borrowing Base" means, as of any day, the sum of the Borrowing Base Values of each Borrowing Base Property, in each case as set forth in the most recent Borrowing

Base Certificate delivered to the Administrative Agent and the Lenders in accordance with the terms of Section 7.1(d); provided, however, so long as any First Union Letters of Credit are outstanding, the Borrowing Base shall be deemed reduced by the aggregate face amount of such First Union Letters of Credit that remain outstanding except to the extent any amount borrowed hereunder (and not repaid) is used to cash collateralize the Borrower's obligations under the First Union Letters of Credit.

"Borrowing Base Certificate" means a Borrowing Base Certificate substantially in the form of Exhibit 7.1(d).

"Borrowing Base Properties" means (i) each of the Existing Properties identified on Schedule 1.1(a) that satisfies each of the following conditions and (ii) each New Property of a Credit Party that satisfies each of the following conditions:

(a) The property shall qualify as Eligible Real Estate.

(b) The Administrative Agent shall have received a pro forma compliance certificate with respect to the property which includes an annualized calculation of the projected quarterly Consolidated Adjusted EBITDA of such property and the projected quarterly Adjusted Cash Flow of such property in form and substance satisfactory to the Lenders.

(c) The Administrative Agent shall have received and be satisfied with, in its sole discretion, the lease or sub-lease, as appropriate, entered into by the Borrower (as lessor or sublessor, as applicable) in leasing such property.

(d) The Administrative Agent shall have received, in form and substance satisfactory to the Administrative Agent, a fully executed and notarized Mortgage in favor of the Administrative Agent encumbering the ownership interest of the Borrower in the property, together with such UCC-1 financing statements as the Administrative Agent shall deem appropriate with respect to the property.

(e) The Administrative Agent shall have received, in form and substance reasonably satisfactory to the Administrative Agent, an opinion of counsel in the state in which the property is located with respect to the enforceability of the form of Mortgage and sufficiency of the form of UCC-1 financing statements to be recorded or filed in such state and such other matters as the Administrative Agent may request, in form and substance reasonably satisfactory to the Administrative Agent.

(f) The Administrative Agent shall have received, in form and substance reasonably satisfactory to the Administrative Agent, a Mortgage Policy issued by the Title Insurance Company in an amount satisfactory to the Administrative Agent with respect to the property, assuring the Administrative Agent that the applicable Mortgage creates a valid and enforceable first priority mortgage lien on the property, free and clear of all defects and encumbrances except Permitted Liens,

which Mortgage Policy shall contain such coverage and endorsements as shall be reasonably satisfactory to the Administrative Agent and for any other matters that the Administrative Agent may request and provide affirmative insurance and such reinsurance as the Administrative Agent may request, all of the foregoing in form and substance reasonably satisfactory to the Administrative Agent.

(g) The Administrative Agent shall have received, in form and substance satisfactory to the Administrative Agent, map or plat of a survey of the site of the property certified to the Administrative Agent and the Title Insurance Company in a manner satisfactory to them, dated a date satisfactory to the Administrative Agent and the Title Insurance Company by an independent professional licensed land surveyor reasonably satisfactory to the Administrative Agent and the Title Insurance Company, and otherwise in form and substance satisfactory to the Administrative Agent.

(h) The Administrative Agent shall have received, in form and substance reasonably satisfactory to the Administrative Agent, a current certification from the Borrower's registered engineer land surveyor in a form acceptable to the Administrative Agent as to whether any of the improvements on the property are located within any area designated by the Director of the Federal Emergency Management Agency as a "special flood hazard" area and if any improvements on such parcel are located within a "special flood hazard" area, evidence of a flood insurance policy from a company and in an amount satisfactory to the Administrative Agent for the applicable portion of the premises, naming the Administrative Agent, for the benefit of the Lenders, as mortgagee.

(i) The Administrative Agent shall have received, in form and substance satisfactory to the Administrative Agent, a copy of the management agreement between the lessee (or sublessee) of the property and the appropriate governmental entity.

(j) The Administrative Agent shall have received, in form and substance satisfactory to the Administrative Agent, (i) for the twelve month period preceding the date of such property's admittance as a Borrowing Base Property (or if such property has not been in operation for twelve months, for the period from the date of its opening through the date of its admittance as a Borrowing Base Property) historical operating statements and occupancy reports with respect to such property (and, if available, historical operating statements and occupancy reports with respect to such property for the three year period preceding the date of such property's admittance as a Borrowing Base Property), together with (ii) operating statements and occupancy reports with respect to such property for the first projected year following the property's admittance as a Borrowing Base Property.

(k) The Administrative Agent shall have received, in form and substance satisfactory to the Administrative Agent, an environmental site

assessment report for the property dated not more than twelve (12) months prior to the date of the date of the admittance of such property as a Borrowing Base Property; provided, however, with respect to the Existing Properties identified on Schedule 7.19, the Lenders agree that such Existing Properties may be admitted as a Borrowing Base Property prior to the Administrative Agent's receipt of a satisfactory environmental site assessment report so long as the Borrower complies with the terms of Section 7.19.

(l) With respect to each Real Property owned by the Borrower and leased to Management Opco, the Administrative Agent shall have received, in form and substance satisfactory to the Administrative Agent, a subordination of lease agreement from Management Opco with respect to such property (subject, in each case, to the Standstill Agreement).

(m) With respect to each Real Property which has been in operation for at least five (5) years, the Administrative Agent shall have received, in form and substance satisfactory to the Administrative Agent, a current engineering report for the property.

(n) With respect to each New Property, the Borrower shall provide the Lenders with each of the items identified in subsections (b) through (n) above and the Required Lenders shall have approved the admittance of such New Property as a Borrowing Base Property; provided, however, a Lender's failure to notify the Administrative Agent of its objection to the admittance of such New Property as a Borrowing Base Property within ten (10) days of such Lender's receipt of all of the items identified in subsections (b) through (n) above shall be deemed to constitute such Lender's consent to such New Property's admittance as a Borrowing Base Property.

Notwithstanding the foregoing, the Credit Parties hereby acknowledge and agree that (i) any property which fails to maintain an occupancy rate of at least 75% for two consecutive fiscal quarters shall no longer be considered a Borrowing Base Property and (ii) the sum of the Borrowing Base Values of the justice facilities of the Borrower shall not constitute more than five percent (5%) of the sum of the Borrowing Base Values of the Borrowing Base Properties. In the event the aggregate value of the justice facilities of the Borrower included in the Borrowing Base exceeds five percent (5%) of the Borrowing Base, the Borrowing Base will be reduced by an amount equal to such excess.

With respect to the Existing Properties identified on Schedule 1.1(a), the Lenders acknowledge and agree that certain of the conditions identified in subsection (a) through (o) above have not been satisfied on the Closing Date. Such conditions remaining to be satisfied with respect to each applicable Existing Property are identified on Schedule 1.1(a). The Credit Parties agree that unless the Credit Parties satisfy the conditions identified on Schedule 1.1(a) with respect to an Existing Property within 120 days of the Closing Date, such Existing Property shall be removed from the Borrowing Base and no longer considered a Borrowing Base Property.

"Borrowing Base Value" means, at any date of determination with respect to each Borrowing Base Property, an amount for such Borrowing Base Property equal to the lesser of:

(a) 45% of the Implied Value of such Borrowing Base Property.

(b) the amount of indebtedness which payments could be covered 2 times by the Adjusted Cash Flow of such Borrowing Base Property assuming (i) an interest rate equal to the greater of (A) the Seven Year Treasury Rate plus two percent (2%) per annum and (B) nine percent (9%) per annum and (ii) a principal mortgage amortization of 20 years.

"Business Day" means a day other than a Saturday, Sunday or other day on which commercial banks in Charlotte, North Carolina and New York, New York are authorized or required by law to close, except that, when used in connection with a Eurodollar Loan, such day shall also be a day on which dealings between banks are carried on in U.S. dollar deposits in London, England.

"Capitalization Rate" means eleven and one-half percent (11.5%); provided, however, such rate shall be subject to an annual adjustment on each anniversary of the Closing Date (positive or negative) not to exceed 125 basis points per adjustment, as determined by the Required Lenders in their sole discretion (based on then existing market conditions for comparable property types).

"Capital Lease" means, as applied to any Person, any lease of any Property (whether real, personal or mixed) by that Person as lessee which, in accordance with GAAP, is or should be accounted for as a capital lease on the balance sheet of that Person.

"Capital Stock" means (i) in the case of a corporation, capital stock, (ii) in the case of an association or business entity, any and all shares, interests, participations, rights or other equivalents (however designated) of capital stock, (iii) in the case of a partnership, partnership interests (whether general or limited), (iv) in the case of a limited liability company, membership interests and (v) any other interest or participation that confers on a Person the right to receive a share of the profits and losses of, or distributions of assets of, the issuing Person.

"Cash Equivalents" means (a) securities issued or directly and fully guaranteed or insured by the United States of America or any agency or instrumentality thereof (provided that the full faith and credit of the United States of America is pledged in support thereof) having maturities of not more than twelve months from the date of acquisition, (b) U.S. dollar denominated time deposits and certificates of deposit of (i) any Lender, (ii) any domestic commercial bank of recognized standing having capital and surplus in excess of $500,000,000 or (iii) any bank whose short-term commercial paper rating from S&P is at least A-1 or the equivalent thereof or from Moody's is at least P-1 or the equivalent thereof (any such bank being an "Approved Bank"), in each case with maturities of not more than

270 days from the date of acquisition, (c) commercial paper and variable or fixed rate notes issued by any Approved Bank (or by the parent company thereof) or any variable rate notes issued by, or guaranteed by, any domestic corporation rated A-1 (or the equivalent thereof) or better by S&P or P-1 (or the equivalent thereof) or better by Moody's and maturing within six months of the date of acquisition, (d) repurchase agreements entered into by any Person with a bank or trust company (including any of the Lenders) or recognized securities dealer having capital and surplus in excess of $500,000,000 for direct obligations issued by or fully guaranteed by the United States of America in which such Person shall have a perfected first priority security interest (subject to no other Liens) and having, on the date of purchase thereof, a fair market value of at least 100% of the amount of the repurchase obligations and (e) Investments, classified in accordance with GAAP as current assets, in money market investment programs registered under the Investment Company Act of 1940, as amended, which are administered by reputable financial institutions having capital of at least $500,000,000 and the portfolios of which are limited to Investments of the character described in the foregoing subdivisions (a) through (d).

"CCA" means Corrections Corporation of America, a Tennessee corporation.

"Change of Control" means the occurrence of any of the following events: (i) any Person or two or more Persons acting in concert shall have acquired "beneficial ownership," directly or indirectly, of, or shall have acquired by contract or otherwise, or shall have entered into a contract or arrangement that, upon consummation, will result in its or their acquisition of, control over, Voting Stock of the Borrower (or other securities convertible into such Voting Stock) representing 9% or more of the combined voting power of all Voting Stock of the Borrower, (ii) during any period of up to 24 consecutive months, commencing after the Closing Date, individuals who at the beginning of such 24 month period were directors of the Borrower (together with any new director whose election by the Borrower's Board of Directors or whose nomination for election by the Borrower's shareholders was approved by a vote of at least two-thirds of the directors then still in office who either were directors at the beginning of such period or whose election or nomination for election was previously so approved) cease for any reason to constitute a majority of the directors of the Borrower then in office, (iii) there shall have occurred under any indenture or other instrument evidencing any Indebtedness in excess of $250,000 any "change of control" (as defined in such indenture or other evidence of Indebtedness) obligating a Credit Party to repurchase, redeem or repay all or part of the Indebtedness or capital stock provided for therein, or (iv) any of the Chairman of the Board of Directors, Chief Executive Officer, President or Chief Development Officer of the Borrower as of the Closing Date ceases to continue to hold such office or continue with management responsibilities substantially similar to those existing on the Closing Date and a replacement for such Person reasonably satisfactory to the Required Lenders and possessing substantially similar qualifications and reputation to the Person being replaced is not employed by the Borrower within ninety (90) days after such first Person ceases to hold such office or continue to have such management responsibilities. As used herein, "beneficial ownership" shall have the meaning provided in Rule 13d-3 of the Securities and Exchange Commission under the Securities Act of 1934.

"Closing Date" means the date hereof.

"Code" means the Internal Revenue Code of 1986, as amended, and any successor statute thereto, as interpreted by the rules and regulations issued thereunder, in each case as in effect from time to time. References to sections of the Code shall be construed also to refer to any successor sections.

"Collateral" means a collective reference to the collateral which is identified in, and at any time will be covered by, the Collateral Documents.

"Collateral Documents" means a collective reference to the Security Agreement, the Pledge Agreement, the Mortgage Documents and such other documents executed and delivered in connection with the attachment and perfection of the Administrative Agent's security interests and liens arising thereunder, including without limitation, UCC financing statements and patent and trademark filings.

"Commitment" means the Revolving Commitment, the Swingline Commitment, the LOC Commitment and the Term Loan Commitment.

"Consolidated Adjusted EBITDA" means, for any period, the amount equal to the sum of (a) Consolidated Net Income for such period, plus (b) an amount which, in the determination of Consolidated Net Income for such period, has been deducted for (i) Consolidated Interest Expense, (ii) total federal, state, local and foreign income, value added and similar taxes and (iii) depreciation and amortization expense, all as determined in accordance with GAAP less (c) the greater of (i) actual management fees paid by the Consolidated Parties during such period and (ii) four percent (4%) of gross lease revenues of the Consolidated Parties on a consolidated basis for such period less (c) the greater of (i) Consolidated Capital Expenditures for such period with respect to Real Properties in operation and (ii) four percent (4%) of gross lease revenues of the Consolidated Parties on a consolidated basis for such period less (d) an amount which, in the determination of Consolidated Net Income for such period, is attributable to interest that has accrued and has not been paid in cash with respect to Management Opco Note less (e) an amount which, in the determination of Consolidated Net Income for such period, is attributable to rent payments earned under the Lease Agreements but not yet paid in cash, all as determined in accordance with GAAP. For purposes of calculating the Interest Coverage Ratio and Leverage Ratio, with respect to any Real Property which has not been operational for an entire twelve month period, Consolidated Adjusted EBITDA attributable to such Real Property shall be deemed to be the result obtained by the annualizing the components of the actual Consolidated Adjusted EBITDA attributable to such Real Property.

"Consolidated Capital Expenditures" means, for any period, all capital expenditures of the Consolidated Parties on a consolidated basis for such period, as determined in accordance with GAAP.

"Consolidated Interest Expense" means, for any period, interest expense (including the amortization of debt discount and premium, the amortization of fees

(including without limitation any fees payable in respect of any Hedging Agreement), the interest component under Capital Leases, the implied interest component under Synthetic Leases and dividends paid on preferred stock) of the Consolidated Parties on a consolidated basis for such period, as determined in accordance with GAAP.

"Consolidated Net Income" means, for any period, net income (excluding extraordinary items) after taxes for such period of the Consolidated Parties on a consolidated basis, as determined in accordance with GAAP.

"Consolidated Parties" means a collective reference to the Borrower and its Subsidiaries, and "Consolidated Party" means any one of them. For purposes of this Credit Agreement, Service Company A, Service Company B and any other Special Affiliates of the Borrower shall not be considered a Consolidated Party, notwithstanding the treatment of such Special Affiliates under GAAP (including without limitation any requirement that such Special Affiliates be accounted for as a Subsidiary for purposes of consolidated financial statements under GAAP).

"Credit Documents" means a collective reference to this Credit Agreement, the Notes, the LOC Documents, each Joinder Agreement, the Administrative Agent's Fee Letter, the Documentation Agent's Fee Letter, any related commitment letters, the Collateral Documents and all other related agreements and documents issued or delivered hereunder or thereunder or pursuant hereto or thereto (in each case as the same may be amended, modified, restated, supplemented, extended, renewed or replaced from time to time), and "Credit Document" means any one of them.

"Credit Parties" means a collective reference to the Borrower and the Guarantors, and "Credit Party" means any one of them.

"Credit Party Obligations" means, without duplication, (i) all of the obligations of the Credit Parties to the Lenders (including the Issuing Lender), the Administrative Agent and the Documentation Agent, whenever arising, under this Credit Agreement, the Notes, the Collateral Documents or any of the other Credit Documents (including, but not limited to, any interest accruing after the occurrence of a Bankruptcy Event with respect to any Credit Party, regardless of whether such interest is an allowed claim under the Bankruptcy Code) and (ii) all liabilities and obligations, whenever arising, owing from any Credit Party to any Lender, or any Affiliate of a Lender, arising under any Hedging Agreement.

"Debt Service Coverage Ratio" means, as of the end of each fiscal quarter of the Consolidated Parties for the fiscal quarter ending on such date, the ratio of (a) the sum of the Adjusted Cash Flow for each of the Borrowing Base Properties for the applicable period to (b) Implied Debt Service for the applicable period.

"Default" means any event, act or condition which with notice or lapse of time, or both, would constitute an Event of Default.

"Defaulting Lender" means, at any time, any Lender that (a) has failed to make a Loan or purchase a Participation Interest required pursuant to the term of this Credit Agreement within one Business Day of when due, (b) other than as set forth in (a) above, has failed to pay to the Administrative Agent or any Lender an amount owed by such Lender pursuant to the terms of this Credit Agreement within one Business Day of when due, unless such amount is subject to a good faith dispute or (c) has been deemed insolvent or has become subject to a bankruptcy or insolvency proceeding or with respect to which (or with respect to any of assets of which) a receiver, trustee or similar official has been appointed.

"Documentation Agent" shall have the meaning assigned to such term in the heading hereof, together with any successors and assigns.

"Documentation Agent's Fee Letter" means that certain Term Loan Fee Letter dated December 22, 1998 by and among Lehman Brothers Inc., Lehman Commercial Paper Inc., the Borrower and PZN.

"Documentation Agent's Fees" shall have the meaning assigned to such term in Section 3.5(e).

"Dollars" and "$" means dollars in lawful currency of the United States of America.

"Domestic Subsidiary" means, with respect to any Person, any Subsidiary of such Person which is incorporated or organized under the laws of any State of the United States or the District of Columbia.

"Duff & Phelps" means Duff & Phelps Credit Rating Co., or any successor or assignee of the business of such entity in the business of rating securities.

"Effective Date" means the date on which the conditions set forth in Section 5.1 shall have been fulfilled (or waived in the sole discretion of the Lenders) and on which the initial loans shall have been made and/or the initial Letters of Credit shall have been issued.

"Eligible Assignee" means (i) a Lender; (ii) an Affiliate of a Lender; and (iii) any other Person approved by the Administrative Agent (such approval not to be unreasonably withheld or delayed) and, unless an Event of Default has occurred and is continuing at the time any assignment is effected in accordance with Section 11.3, the Borrower (such approval not to be unreasonably withheld or delayed by the Borrower and such approval to be deemed given by the Borrower if no objection is received by the assigning Lender and the Administrative Agent from the Borrower within two Business Days after notice of such proposed assignment has been provided by the assigning Lender to the Borrower); provided, however, that the approval of the Administrative Agent and the Borrower with respect to any proposed Eligible Assignee of a Term Loan is not required and provided, further, that neither the Borrower nor an Affiliate of the Borrower shall qualify as an Eligible Assignee.

"Eligible Real Estate" means, as of any date of determination, any correctional, justice or detention property that satisfies the following criteria: (a) the property must be located in the United States or a United States territory, (b) the property must be wholly owned by the Borrower (which may include a leasehold property of the Borrower subject to a lease acceptable to the Required Lenders in their reasonable discretion), (c) the property must be unencumbered other than any lien securing the Credit Party Obligations, (d) the property must be free of structural and title defects and have passed a structural inspection conducted by an architect or engineer engaged by the Administrative Agent or the Borrower shall have provided to the Lenders other written evidence of structural integrity with respect to the property acceptable in form and substance to the Required Lenders, (e) the Lenders must have received an environmental site assessment report for the property in form and substance satisfactory to the Required Lenders dated not more than twelve (12) months prior to the admittance of such property as a Borrowing Base Property, (f) the property must be fully operating and generating revenue, (g) the lessee leasing the property from the Borrower must be in compliance with all material terms of the facility management agreement between such lessee and the appropriate governmental entity, (h) the Borrower must have leased the property to a lessee or sublessee (where applicable) acceptable to the Required Lenders pursuant to the terms and conditions of a lease agreement acceptable in form and substance to the Required Lenders and (i) the Borrower and lessee or sublessee (where applicable) of the property must be in compliance with all material terms and conditions contained in the lease or sublease (where applicable) agreement between the Borrower and such lessee or sublessee (where applicable). For purposes of this definition, the parties hereby agree that a Lender's failure to notify the Administrative Agent of its objection to any of the items identified in this definition within ten (10) days of its receipt of all items identified in this definition shall be deemed to constitute such Lender's approval of such items.

"Environmental Laws" means any and all lawful and applicable Federal, state, local and foreign statutes, laws, regulations, ordinances, rules, judgments, orders, decrees, permits, concessions, grants, franchises, licenses, agreements or other governmental restrictions relating to the environment or to emissions, discharges, releases or threatened releases of pollutants, contaminants, chemicals, or industrial, toxic or hazardous substances or wastes into the environment including, without limitation, ambient air, surface water, ground water, or land, or otherwise relating to the manufacture, processing, distribution, use, treatment, storage, disposal, transport, or handling of pollutants, contaminants, chemicals, or industrial, toxic or hazardous substances or wastes.

"Equity Issuance" means any issuance by any Consolidated Party to any Person which is not a Credit Party of (a) shares of its Capital Stock, (b) any shares of its Capital Stock pursuant to the exercise of options or warrants or (c) any shares of its Capital Stock pursuant to the conversion of any debt securities to equity.

"ERISA" means the Employee Retirement Income Security Act of 1974, as amended, and any successor statute thereto, as interpreted by the rules and regulations thereunder, all as the same may be in effect from time to time. References to sections of ERISA shall be construed also to refer to any successor sections.

"ERISA Affiliate" means an entity which is under common control with any Consolidated Party within the meaning of Section 4001(a)(14) of ERISA, or is a member of a group which includes any Consolidated Party and which is treated as a single employer under Sections 414(b) or (c) of the Code.

"ERISA Event" means (i) with respect to any Plan, the occurrence of a Reportable Event or the substantial cessation of operations (within the meaning of Section 4062(e) of ERISA); (ii) the withdrawal by any Consolidated Party or any ERISA Affiliate from a Multiple Employer Plan during a plan year in which it was a substantial employer (as such term is defined in Section 4001(a)(2) of ERISA), or the termination of a Multiple Employer Plan; (iii) the distribution of a notice of intent to terminate or the actual termination of a Plan pursuant to Section 4041(a)(2) or 4041A of ERISA; (iv) the institution of proceedings to terminate or the actual termination of a Plan by the PBGC under Section 4042 of ERISA; (v) any event or condition which might constitute grounds under Section 4042 of ERISA for the termination of, or the appointment of a trustee to administer, any Plan; (vi) the complete or partial withdrawal of any Consolidated Party or any ERISA Affiliate from a Multiemployer Plan; (vii) the conditions for imposition of a lien under Section 302(f) of ERISA exist with respect to any Plan; or (viii) the adoption of an amendment to any Plan requiring the provision of security to such Plan pursuant to Section 307 of ERISA.

"Eurodollar Loan" means any Loan that bears interest at a rate based upon the Eurodollar Rate.

"Eurodollar Rate" means, for any Eurodollar Loan for any Interest Period therefor, the rate per annum (rounded upwards, if necessary, to the nearest 1/100 of 1%) determined by the Administrative Agent to be equal to the quotient obtained by dividing (a) the Interbank Offered Rate for such Eurodollar Loan for such Interest Period by (b) 1 minus the Eurodollar Reserve Requirement for such Eurodollar Loan for such Interest Period.

"Eurodollar Reserve Requirement" means, at any time, the maximum rate at which reserves (including, without limitation, any marginal, special, supplemental, or emergency reserves) are required to be maintained under regulations issued from time to time by the Board of Governors of the Federal Reserve System (or any successor) by member banks of the Federal Reserve System against "Eurodollar liabilities" (as such term is used in Regulation D). Without limiting the effect of the foregoing, the Eurodollar Reserve Requirement shall reflect any other reserves required to be maintained by such member banks with respect to (i) any category of liabilities which includes deposits by reference to which the Adjusted Eurodollar Rate is to be determined, or (ii) any category of extensions of credit or other assets which include Eurodollar Loans. The Adjusted Eurodollar Rate shall be adjusted automatically on and as of the effective date of any change in the Eurodollar Reserve Requirement.

"Event of Default" shall have the meaning as defined in Section 9.1.

"Executive Officer" of any Person means any of the chief executive officer, chief operating officer, president, vice president, chief financial officer or treasurer of such Person.

"Existing Properties" has the meaning assigned to such term in Section 5.1(f)(i).

"Fees" means all fees payable pursuant to Section 3.5.

"Federal Funds Rate" means, for any day, the rate per annum (rounded upwards, if necessary, to the nearest 1/100 of 1%) equal to the weighted average of the rates on overnight Federal funds transactions with members of the Federal Reserve System arranged by Federal funds brokers on such day, as published by the Federal Reserve Bank of New York on the Business Day next succeeding such day; provided that (a) if such day is not a Business Day, the Federal Funds Rate for such day shall be such rate on such transactions on the next preceding Business Day as so published on the next succeeding Business Day, and (b) if no such rate is so published on such next succeeding Business Day, the Federal Funds Rate for such day shall be the average rate charged to the Administrative Agent (in its individual capacity) on such day on such transactions as determined by the Administrative Agent.

"First Union Letters of Credit" means (a) the letters of credit issued by First Union National Bank for the account of the Borrower identified on Schedule 8.1 and (b) the guaranty obligations of the Borrower in favor of First Union National Bank in the amount of $6,684,902 in connection with that certain Forward Delivery Deficits Agreement dated as of September 25, 1997 between CCA and First Union National Bank.

"Fitch" means Fitch Investors Service, or any successor or assignee of the business of such entity in the business of rating securities.

"Funds from Operations" for any period, with respect to any Person, shall have the meaning given to such term, and shall be calculated in accordance with, standards promulgated by the Board of Governors of the National Association of Real Estate Investment Trusts in effect from time to time.

"GAAP" means generally accepted accounting principles in the United States applied on a consistent basis and subject to the terms of Section 1.3.

"GECC" means, General Electric Capital Corporation, a New York corporation.

"Governmental Authority" means any Federal, state, local or foreign court or governmental agency, authority, instrumentality or regulatory body.

"Gross Lease Revenue" shall have the meaning given to such term in the definition of Adjusted Cash Flow.

"Guarantors" means a collective reference to each of the Subsidiary Guarantors, together with their successors and permitted assigns, and "Guarantor " means any one of them.

"Guaranty Obligations" means, with respect to any Person, without duplication, any obligations of such Person (other than endorsements in the ordinary course of business of negotiable instruments for deposit or collection) guaranteeing or intended to guarantee any Indebtedness of any other Person in any manner, whether direct or indirect, and including without limitation any obligation, whether or not contingent, (i) to purchase any such Indebtedness or any Property constituting security therefor, (ii) to advance or provide funds or other support for the payment or purchase of any such Indebtedness or to maintain working capital, solvency or other balance sheet condition of such other Person (including without limitation keep well agreements, maintenance agreements, comfort letters or similar agreements or arrangements) for the benefit of any holder of Indebtedness of such other Person, (iii) to lease or purchase Property, securities or services primarily for the purpose of assuring the holder of such Indebtedness, or (iv) to otherwise assure or hold harmless the holder of such Indebtedness against loss in respect thereof. The amount of any Guaranty Obligation hereunder shall (subject to any limitations set forth therein) be deemed to be an amount equal to the outstanding principal amount (or maximum principal amount, if larger) of the Indebtedness in respect of which such Guaranty Obligation is made.

"Hedging Agreements" means any interest rate protection agreement or foreign currency exchange agreement between Borrower and any Lender, or any Affiliate of a Lender.

"Implied Debt Service" means, the scheduled debt payments that would have been due on the average outstanding loan balance under this Credit Agreement for the prior fiscal quarter assuming a principal mortgage amortization of 20 years and assuming an interest rate equal to the greater of (i) nine percent (9%) per annum and (b) the Seven Year Treasury Rate plus two percent (2.0%) per annum.

"Implied Value" means, with respect to any Real Property, an amount equal to the Adjusted Cash Flow of such Real Property divided by the Capitalization Rate in effect from time to time.

"Indebtedness" means, with respect to any Person, without duplication, (a) all obligations of such Person for borrowed money, (b) all obligations of such Person evidenced by bonds, debentures, notes or similar instruments, or upon which interest payments are customarily made, (c) all obligations of such Person under conditional sale or other title retention agreements relating to Property purchased by such Person (other than customary reservations or retentions of title under agreements with suppliers entered into in the ordinary course of business), (d) all obligations of such Person issued or assumed as the deferred purchase price of Property or services purchased by such Person (other than trade debt incurred in the ordinary course of business and due within six months of the incurrence thereof) which would appear as liabilities on a balance sheet of such Person, (e) all obligations of such Person under take-or-pay or similar arrangements or under commodities

agreements, (f) all Indebtedness of others secured by (or for which the holder of such Indebtedness has an existing right, contingent or otherwise, to be secured by) any Lien on, or payable out of the proceeds of production from, Property owned or acquired by such Person, whether or not the obligations secured thereby have been assumed, (g) all Guaranty Obligations of such Person, (h) the principal portion of all obligations of such Person under Capital Leases, (i) all obligations of such Person under Hedging Agreements and under similar arrangements whether or not permitted under this Credit Agreement and whether or not any Lender or any Affiliate of any Lender is a party thereto, (j) all obligations of such Person to repurchase any securities which repurchase obligation is related to the issuance thereof, (k) the maximum amount of all standby letters of credit issued, trade letters of credit issued or bankers' acceptances facilities created for the account of such Person and, without duplication, all drafts drawn thereunder (to the extent unreimbursed), (l) all preferred Capital Stock issued by such Person and required by the terms thereof to be redeemed, or for which mandatory sinking fund payments are due, by a fixed date, (m) all other obligations of such person under any arrangement or financing structure classified as debt (for tax purposes) by any nationally recognized rating agency, (n) the principal portion of all obligations of such Person under Synthetic Leases and (o) the Indebtedness of any partnership or unincorporated joint venture in which such Person is a general partner or a joint venturer.

"Interbank Offered Rate" means, for any Eurodollar Loan for any Interest Period therefor, the rate per annum (rounded upwards, if necessary, to the nearest 1/100 of 1%) appearing on Telerate Page 3750 (or any successor page) as the London interbank offered rate for deposits in Dollars at approximately 11:00 a.m. (London time) two Business Days prior to the first day of such Interest Period for a term comparable to such Interest Period. If for any reason such rate is not available, the term "Interbank Offered Rate" shall mean, for any Eurodollar Loan for any Interest Period therefor, the rate per annum (rounded upwards, if necessary, to the nearest 1/100 of 1%) appearing on Reuters Screen LIBO Page as the London interbank offered rate for deposits in Dollars at approximately 11:00 a.m. (London time) two Business Days prior to the first day of such Interest Period for a term comparable to such Interest Period; provided, however, if more than one rate is specified on Reuters Screen LIBO Page, the applicable rate shall be the arithmetic mean of all such rates (rounded upwards, if necessary, to the nearest 1/100 of 1%).

"Interest Coverage Ratio" means, as of the end of each fiscal quarter of the Consolidated Parties for the twelve month period ending on such date, Consolidated Adjusted EBITDA for such period to Consolidated Interest Expense for such period. Notwithstanding the foregoing, for purposes of calculating the Interest Coverage Ratio as of the end of any fiscal quarter ending within twelve months of the Closing Date, Interest Coverage Ratio shall mean, Consolidated EBITDA for the period from the Closing Date through such applicable fiscal quarter end to Consolidated Interest Expense for the period from the Closing Date through such applicable fiscal quarter end.

"Interest Payment Date" means (a) as to Base Rate Loans, the last day of each calendar month, the date of repayment of principal of such Loan and the Revolving Loan Maturity Date or Term Loan Maturity Date, as applicable, and (b) as to Eurodollar Loans,

the last day of each applicable Interest Period, the date of repayment of principal of such Loan and the Revolving Loan Maturity Date or Term Loan Maturity Date, as applicable, and in addition where the applicable Interest Period for a Eurodollar Loan is greater than three months, then also the date three months from the beginning of the Interest Period and each three months thereafter.

"Interest Period" means, as to Eurodollar Loans, a period of one, two, three or six months' duration, as the Borrower may elect, commencing, in each case, on the date of the borrowing (including continuations and conversions thereof); provided, however, (a) if any Interest Period would end on a day which is not a Business Day, such Interest Period shall be extended to the next succeeding Business Day (except that where the next succeeding Business Day falls in the next succeeding calendar month, then on the next preceding Business Day), (b) no Interest Period shall extend beyond the Revolving Loan Maturity Date or Term Loan Maturity Date, as applicable, (c) with regard to the Term Loans, no Interest Period shall extend beyond any Principal Amortization Payment Date unless the portion of the Term Loans comprised of Base Rate Loans together with the portion of Term Loans comprised of Eurodollar Loans with Interest Periods expiring on or prior to the date such Principal Amortization Payment is due is at least equal to the amount of such Principal Amortization Payment due on such date and (d) where an Interest Period begins on a day for which there is no numerically corresponding day in the calendar month in which the Interest Period is to end, such Interest Period shall end on the last Business Day of such calendar month.

"Investment" means (a) the acquisition (whether for cash, property, services, assumption of Indebtedness, securities or otherwise) of assets, Capital Stock, bonds, notes, debentures, partnership, joint ventures or other ownership interests or other securities of any Person or (b) any deposit with, or advance, loan or other extension of credit to, any Person (other than deposits made in connection with the purchase of equipment or other assets in the ordinary course of business) or (c) any other capital contribution to or investment in any Person, including, without limitation, any Guaranty Obligations (including any support for a letter of credit issued on behalf of such Person) incurred for the benefit of such Person.

"Issuing Lender" means NationsBank, any successor Administrative Agent or any other Lender designated by the Administrative Agent.

"Issuing Lender Fees" shall have the meaning assigned to such term in Section 3.5(c)(ii).

"Joinder Agreement" means a Joinder Agreement substantially in the form of Exhibit 7.12 hereto, executed and delivered by an Additional Credit Party in accordance with the provisions of Section 7.12.

"Lease Agreement" shall have the meaning assigned to such term in Section 9.1(l).

"Lender" means any of the Persons identified as a "Lender" on the signature pages hereto, and any Person which may become a Lender by way of assignment in accordance with the terms hereof, together with their successors and permitted assigns.

"Letter of Credit" means any letter of credit issued by the Issuing Lender for the account of the Borrower in accordance with the terms of Section 2.2.

"Leverage Ratio" means, with respect to the Consolidated Parties on a consolidated basis as of the last day of any fiscal quarter, the ratio of (a) Total Indebtedness on the last day of such fiscal quarter to (b) Consolidated Adjusted EBITDA for the twelve month period ending on the last day of such fiscal quarter; provided, however, for purposes of calculating the Leverage Ratio, as of the end of any fiscal quarter ending within twelve months of the Closing Date, Consolidated EBITDA for the applicable period shall be deemed to be the result obtained by annualizing the components of Consolidated EBITDA for the period commencing on the Closing Date and ending as of the end of such fiscal quarter.

"Lien" means any mortgage, pledge, hypothecation, assignment, deposit arrangement, security interest, encumbrance, lien (statutory or otherwise), preference, priority or charge of any kind (including any agreement to give any of the foregoing, any conditional sale or other title retention agreement, any financing or similar statement or notice filed under the Uniform Commercial Code as adopted and in effect in the relevant jurisdiction or other similar recording or notice statute, and any lease in the nature thereof).

"Loan" or "Loans" means the Revolving Loans and/or the Term Loans (or a portion of any Revolving Loan or Term Loan bearing interest at the Adjusted Base Rate or the Adjusted Eurodollar Rate) and/or any Swingline Loans individually or collectively, as appropriate.

"LOC Commitment" means the commitment of the Issuing Lender to issue Letters of Credit, and to honor payment obligations under, Letters of Credit hereunder in an aggregate face amount at any time outstanding (together with the amounts of any unreimbursed drawings thereon) of up to the LOC Committed Amount and with respect to each Lender, the commitment of each Lender to purchase participation interests in the Letters of Credit.

"LOC Committed Amount" shall have the meaning assigned to such term in Section 2.2.

"LOC Documents" means, with respect to any Letter of Credit, such Letter of Credit, any amendments thereto, any documents delivered in connection therewith, any application therefor, and any agreements, instruments, guarantees or other documents (whether general in application or applicable only to such Letter of Credit) governing or providing for (i) the rights and obligations of the parties concerned or at risk or (ii) any collateral security for such obligations.

"LOC Obligations" means, at any time, the sum of (i) the maximum amount which is, or at any time thereafter may become, available to be drawn under Letters of Credit then outstanding, assuming compliance with all requirements for drawings referred to in such Letters of Credit plus (ii) the aggregate amount of all drawings under Letters of Credit honored by the Issuing Lender but not theretofore reimbursed by the Borrower.

"Management Agreement" shall have the meaning assigned to such term in Section 9.1(l).

"Management Opco" means Correctional Management Services Corporation, a Tennessee corporation.

"Management Opco Credit Agreement" means that certain Credit Agreement dated as of December 31, 1998 among Management Opco, the other credit parties thereto, GECC and other lenders party thereto, as amended or modified.

"Management Opco Note" means that certain promissory note dated December 31, 1998 in the amount of $137,000,000 issued by Management Opco in favor of CCA.

"Master Lease" means that certain Master Agreement To Lease dated January 1, 1999 between the Borrower and Management Opco, as amended or modified from time to time.

"Material Adverse Effect" means a material adverse effect on (i) the condition (financial or otherwise), operations, business, assets, liabilities or prospects of any Consolidated Party, (ii) the ability of any Credit Party to perform any obligation under the Credit Documents to which it is a party or (iii) the rights and remedies of the Administrative Agent or the Lenders under the Credit Documents.

"Materials of Environmental Concern" means any gasoline or petroleum (including crude oil or any fraction thereof) or petroleum products or any hazardous or toxic substances, materials or wastes, defined or regulated as such in or under any Environmental Laws, including, without limitation, asbestos, polychlorinated biphenyls and urea-formaldehyde insulation.

"Merger" means that certain merger of CCA and PZN with and into the Borrower pursuant to the terms and conditions of the Merger Agreement.

"Merger Agreement" means that certain Amended and Restated Agreement and Plan of Merger among the Borrower, PZN and CCA dated September 29, 1998.

"Moody's" means Moody's Investors Service, Inc., or any successor or assignee of the business of such company in the business of rating securities.

"Mortgage" shall have the meaning given to such term in Section 5.1(f).

"Mortgage Policy" shall have the meaning given to such term in Section 5.1(f).

"Multiemployer Plan" means a Plan which is a multiemployer plan as defined in Sections 3(37) or 4001(a)(3) of ERISA.

"Multiple Employer Plan" means a Plan which any Consolidated Party or any ERISA Affiliate and at least one employer other than the Consolidated Parties or any ERISA Affiliate are contributing sponsors.

"NationsBank" means NationsBank, N.A. and its successors.

"Net Cash Proceeds" means the aggregate cash proceeds received by the Consolidated Parties in respect of any Equity Issuance or Asset Disposition, net of (a) direct costs (including, without limitation, legal, accounting and investment banking fees, and sales commissions) and (b) taxes paid or payable as a result thereof; it being understood that "Net Cash Proceeds" shall include, without limitation, any cash received upon the sale or other disposition of any non-cash consideration received by the Consolidated Parties in any Equity Issuance or Asset Disposition.

"Net Worth" means, as of any date, shareholders' equity or net worth of the Borrower minus the sum of (a) interest that has accrued and has not been paid in cash on the Management Opco Note (whether or not such accrued interest has been added to the principal balance of the Management Opco Note) and (b) the sum of all rent payments that have been earned under the Lease Agreements but not paid in cash as a result of an agreement to defer the payment of such rent until a later date.

"New Properties" means any real property asset owned by the Borrower or any leasehold estate of the Borrower which qualifies as a parcel of Eligible Real Estate and satisfies each of the conditions identified in the definition of "Borrowing Base Properties".

"NMS" means NationsBanc Montgomery Securities LLC.

"NationsBanc Montgomery Valuation" means that certain financial valuation of the Existing Properties conducted by NMS (such financial valuation of each such Existing Property being identified on Schedule 1.1(d)). Such valuation was based on standard valuation methodologies (including a comparable transactions analysis and a discounted cash flow analysis) and an analysis of publicly available lease rates paid on similar properties.

"Non-Conforming Investments" means Investments by a Consolidated Party in undeveloped land, non-income producing properties, properties not constituting correctional, detention or justice facilities or any other investments not related to the ownership of correctional, justice or detention facilities.

"Note" or "Notes" means the Revolving Notes, the Swingline Notes and/or the Term Notes, individually or collectively, as appropriate.

"Notice of Borrowing" means a written notice of borrowing in substantially the form of Exhibit 2.1(b)(i), as required by Section 2.1(b)(i) or Section 2.4(b).

"Notice of Extension/Conversion" means the written notice of extension or conversion in substantially the form of Exhibit 3.2, as required by Section 3.2.

"Obligations" means, collectively, the Revolving Loans, the Swingline Loans, the LOC Obligations and the Term Loans.

"Opco License Agreement" means that certain Service Mark and Trade Name Use Agreement dated as of December 31, 1998 between CCA and Management Opco, as amended or modified from time to time.

"Operating Lease" means, as applied to any Person, any lease (including, without limitation, leases which may be terminated by the lessee at any time) of any Property (whether real, personal or mixed) which is not a Capital Lease other than any such lease in which that Person is the lessor.

"Other Taxes" shall have the meaning assigned to such term in Section 3.11.

"Participation Interest" means a purchase by a Revolving Lender of a participation in Letters of Credit or LOC Obligations as provided in Section 2.2 or in any Loans as provided in Section 3.14.

"PBGC" means the Pension Benefit Guaranty Corporation established pursuant to Subtitle A of Title IV of ERISA and any successor thereof.

"Permitted Investments" means Investments which are either (i) cash and Cash Equivalents; (ii) accounts receivable created, acquired or made by any Consolidated Party in the ordinary course of business and payable or dischargeable in accordance with customary trade terms; (iii) Investments consisting of Capital Stock, obligations, securities or other property received by any Consolidated Party in settlement of accounts receivable (created in the ordinary course of business) from bankrupt obligors; (iv) Investments existing as of the Closing Date and set forth in Schedule 1.1(b), (v) Investments in any Credit Party, (vi) the acquisition of Real Properties and (vii) Investments subsequent to the Closing Date in Service Company A and Service Company B in an amount not to exceed $5,000,000 in the aggregate during the term of this Credit Agreement.

"Permitted Liens" means:

(i) Liens in favor of the Administrative Agent for the benefit of the Lenders to secure the Credit Party Obligations;

(ii) Liens (other than Liens created or imposed under ERISA) for taxes, assessments or governmental charges or levies not yet due or Liens for taxes being

contested in good faith by appropriate proceedings for which adequate reserves determined in accordance with GAAP have been established (and as to which the Property subject to any such Lien is not yet subject to foreclosure, sale or loss on account thereof);

(iii) statutory Liens of landlords and Liens of carriers, warehousemen, mechanics, materialmen and suppliers and other Liens imposed by law or pursuant to customary reservations or retentions of title arising in the ordinary course of business, provided that such Liens secure only amounts not yet due and payable or, if due and payable, are unfiled and no other action has been taken to enforce the same or are being contested in good faith by appropriate proceedings for which adequate reserves determined in accordance with GAAP have been established (and as to which the Property subject to any such Lien is not yet subject to foreclosure, sale or loss on account thereof);

(iv) Liens (other than Liens created or imposed under ERISA) incurred or deposits made by any Consolidated Party in the ordinary course of business in connection with workers' compensation, unemployment insurance and other types of social security, or to secure the performance of tenders, statutory obligations, bids, leases, government contracts, performance and return-of-money bonds and other similar obligations (exclusive of obligations for the payment of borrowed money);

(v) Liens in connection with attachments or judgments (including judgment or appeal bonds) provided that the judgments secured shall, within 30 days after the entry thereof, have been discharged or execution thereof stayed pending appeal, or shall have been discharged within 30 days after the expiration of any such stay;

(vi) easements, rights-of-way, restrictions (including zoning restrictions), minor defects or irregularities in title and other similar charges or encumbrances not, in any material respect, impairing the use of the encumbered Property for its intended purposes;

(vii) leases or subleases granted to others not interfering in any material respect with the business of any Consolidated Party;

(viii) normal and customary rights of setoff upon deposits of cash in favor of banks or other depository institutions;

(ix) Liens on cash held by First Union National Bank to secure the First Union Letters of Credit so long as such liens are released within sixty (60) days of the Closing Date; and

(x) Liens existing as of the Closing Date and set forth on Schedule 1.1(c); provided that (a) no such Lien shall at any time be extended to or cover any Property other than the Property subject thereto on the Closing Date and (b) the principal amount of the Indebtedness secured by such Liens shall not be increased, extended, renewed, refunded or refinanced.

"Person" means any individual, partnership, joint venture, firm, corporation, limited liability company, association, trust or other enterprise (whether or not incorporated) or any Governmental Authority.

"Plan" means any employee benefit plan (as defined in Section 3(3) of ERISA) which is covered by ERISA and with respect to which any Consolidated Party or any ERISA Affiliate is (or, if such plan were terminated at such time, would under Section 4069 of ERISA be deemed to be) an "employer" within the meaning of Section 3(5) of ERISA.

"Pledge Agreement" means the pledge agreement dated as of the Closing Date executed in favor of the Administrative Agent by each of the Credit Parties, as amended, modified, restated or supplemented from time to time.

"Prime Rate" means the per annum rate of interest established from time to time by NationsBank as its prime rate, which rate may not be the lowest rate of interest charged by NationsBank to its customers.

"Principal Amortization Payment" means a principal amortization payment on the Term Loans as set forth in Section 2.4(d).

"Principal Amortization Payment Date" means the date a Principal Amortization Payment is due.

"Property" means any interest in any kind of property or asset, whether real, personal or mixed, or tangible or intangible.

"PZN" means CCA Prison Realty Trust, a Maryland real estate investment trust.

"Real Properties" means each of the Existing Properties and New Properties, and "Real Property" means any one of them.

"Register" shall have the meaning given such term in Section 11.3(c).

"Regulation T, U, or X" means Regulation T, U or X, respectively, of the Board of Governors of the Federal Reserve System as from time to time in effect and any successor to all or a portion thereof.

"REIT" means a real estate investment trust as defined in Sections 856-860 of the Code.

"Release" means any spilling, leaking, pumping, pouring, emitting, emptying, discharging, injecting, escaping, leaching, dumping or disposing into the environment (including the abandonment or discarding of barrels, containers and other closed receptacles) of any Materials of Environmental Concern.

"Reportable Event" means any of the events set forth in Section 4043(c) of ERISA, other than those events as to which the notice requirement has been waived by regulation.

"Required Lenders" means, at any time, the Required Revolving Lenders and the Required Term Lenders, each voting as a separate class.

"Required Revolving Lenders" means, at any time, the Revolving Lenders which are then in compliance with their obligations hereunder (as determined by the Administrative Agent) and holding in the aggregate at least 66 2/3% of (i) the Revolving Commitments (and Participation Interests therein) or (ii) if the Revolving Commitments have been terminated, the outstanding Revolving Loans and Participation Interests (including the Participation Interests of the Issuing Lender in any Letters of Credit).

"Required Term Lenders" means, at any time, the Term Lenders which are then in compliance with their obligations hereunder (as determined by the Administrative Agent) and holding in the aggregate at least 66 2/3% of the outstanding Term Loans.

"Requirement of Law" means, as to any Person, the articles or certificate of incorporation and by-laws or other organizational or governing documents of such Person, and any law, treaty, rule or regulation or determination of an arbitrator or a court or other Governmental Authority, in each case applicable to or binding upon such Person or any of its material property is subject.

"Restricted Payment" means (i) any dividend or other payment or distribution, direct or indirect, on account of any shares of any class of Capital Stock of any Consolidated Party, now or hereafter outstanding (including without limitation any payment in connection with any merger or consolidation involving any Consolidated Party), or to the direct or indirect holders of any shares of any class of Capital Stock of any Consolidated Party, now or hereafter outstanding, in their capacity as such (other than dividends or distributions payable in the same class of Capital Stock of the applicable Person or to any Credit Party (directly or indirectly through Subsidiaries), (ii) any redemption, retirement, sinking fund or similar payment, purchase or other acquisition for value, direct or indirect, of any shares of any class of Capital Stock of any Consolidated Party, now or hereafter outstanding and (iii) any payment made to retire, or to obtain the surrender of, any outstanding warrants, options or other rights to acquire shares of any class of Capital Stock of any Consolidated Party, now or hereafter outstanding.

"Revolving Commitment" means, with respect to each Revolving Lender, the commitment of such Revolving Lender in an aggregate principal amount at any time outstanding of up to such Revolving Lender's Revolving Commitment Percentage of the Revolving Committed Amount, (i) to make Revolving Loans in accordance with the provisions of Section 2.1(a) and (ii) to purchase Participation Interests in Letters of Credit in accordance with the provisions of Section 2.2(c).

"Revolving Commitment Percentage" means, for any Revolving Lender, the percentage identified as its Revolving Commitment Percentage on Schedule 2.1(a), as such

percentage may be modified in connection with any assignment made in accordance with the provisions of Section 11.3.

"Revolving Committed Amount" means FOUR HUNDRED MILLION DOLLARS ($400,000,000) or such lesser amount as the Revolving Committed Amount may be reduced from time to time pursuant to Section 3.4.

"Revolving Lender" means Lenders holding Revolving Commitments, as identified on Schedule 2.1(a) and their successors and assigns.

"Revolving Loan Maturity Date" means January 1, 2002.

"Revolving Loans" shall have the meaning assigned to such term in Section 2.1(a).

"Revolving Note" or "Revolving Notes" means the promissory notes of the Borrower in favor of each of the Revolving Lenders evidencing the Revolving Loans provided pursuant to Section 2.1(e), individually or collectively, as appropriate, as such promissory notes may be amended, modified, restated, supplemented, extended, renewed or replaced from time to time.

"Revolving Obligations" means, collectively, the Revolving Loans, the Swingline Loans and the LOC Obligations.

"S&P" means Standard & Poor's Ratings Group, a division of McGraw Hill, Inc., or any successor or assignee of the business of such division in the business of rating securities.

"Sale and Leaseback Transaction" means any direct or indirect arrangement with any Person or to which any such Person is a party, providing for the leasing to any Consolidated Party of any Property, whether owned by such Consolidated Party as of the Closing Date or later acquired, which has been or is to be sold or transferred by such Consolidated Party to such Person or to any other Person from whom funds have been, or are to be, advanced by such Person on the security of such Property.

"Security Agreement" means the security agreement dated as of the Closing Date executed in favor of the Administrative Agent by each of the Credit Parties, as amended, modified, restated or supplemented from time to time.

"Senior Debt" shall have the meaning given such term in the definition of Senior Debt Rating.

"Senior Debt Rating" means the publicly announced ratings by S&P and Moody's for the senior secured (non-credit enhanced) long term debt of the Borrower ("Senior Debt").

"Service Company A" means Prison Management Services, Inc., a Tennessee corporation.

"Service Company A Credit Agreement" means that certain credit agreement dated as of the Closing Date among Service Company A, the subsidiaries of Service Company A, the lenders identified therein and NationsBank, as agent, as amended or modified from time to time.

"Service Company A License Agreement" means that certain Service Mark and Trade Name Use Agreement dated as of December 31, 1998 between Service Company A and Management Opco, as amended or modified from time to time.

"Service Company B" means Juvenile and Jail Facility Management Services, Inc., a Tennessee corporation.

"Service Company B Credit Agreement" means that certain credit agreement dated as of the Closing Date among Service Company B, the subsidiaries of Service Company B, the lenders identified therein and NationsBank as agent, as amended or modified from time to time.

"Service Company B License Agreement" means that certain Service Mark and Trade Name Use Agreement dated as of December 31, 1998 between Service Company B and Management Opco, as amended or modified from time to time.

"Seven Year Treasury Rate" means, for any date, a rate of interest equal to the yield to maturity for actively traded U.S. Treasury securities as determined by the Administrative Agent prior to 9:00 a.m. Charlotte, North Carolina time (based on the offer price for U.S. Treasury securities on such day as indicated on page 5 of the so-called "Telerate Screen") having a term to maturity as closely approximating seven (7) years as possible.

"Single Employer Plan" means any Plan which is covered by Title IV of ERISA, but which is not a Multiemployer Plan or a Multiple Employer Plan.

"Solvent" or "Solvency" means, with respect to any Person as of a particular date, that on such date (i) such Person is able to realize upon its assets and pay its debts and other liabilities, contingent obligations and other commitments as they mature in the normal course of business, (ii) such Person does not intend to, and does not believe that it will, incur debts or liabilities beyond such Person's ability to pay as such debts and liabilities mature in their ordinary course, (iii) such Person is not engaged in a business or a transaction, and is not about to engage in a business or a transaction, for which such Person's Property would constitute unreasonably small capital after giving due consideration to the prevailing practice in the industry in which such Person is engaged or is to engage, (iv) the fair value of the Property of such Person is greater than the total amount of liabilities, including, without limitation, contingent liabilities, of such Person and (v) the present fair salable value of the assets of such Person is not less than the amount that will be

required to pay the probable liability of such Person on its debts as they become absolute and matured. In computing the amount of contingent liabilities at any time, it is intended that such liabilities will be computed at the amount which, in light of all the facts and circumstances existing at such time, represents the amount that can reasonably be expected to become an actual or matured liability.

"Special Affiliate" means any corporation, association or other business entity formed for the purpose of earning income not qualified as "rents from real property" under applicable provisions of the Code, in which the Borrower owns substantially all of the economic interest but less than 10% of the voting interests, and the remaining economic and voting interests are subject to restrictions requiring that ownership of such interests be held by officers, directors or employees of the Borrower or any non-affiliated third parties. Service Company A and Service Company B are each Special Affiliates of the Borrower.

"Standby Letter of Credit Fee" shall have the meaning assigned to such term in Section 3.5(c)(i).

"Standstill Agreement" means that certain Standstill Agreement dated as of the Closing Date by and among GECC, the Borrower, NationsBank, as administrative agent for and on behalf of the Lenders and Management Opco.

"Straight-Lining of Rents" means, with respect to any lease, the method by which rent received with respect to such lease is considered earned equally over the term of such lease despite the existence of (i) any free rent periods under such lease or (ii) any rent step-up provisions under such lease.

"Subsidiary" means, as to any Person at any time, (a) any corporation more than 50% of whose Capital Stock of any class or classes having by the terms thereof ordinary voting power to elect a majority of the directors of such corporation (irrespective of whether or not at such time, any class or classes of such corporation shall have or might have voting power by reason of the happening of any contingency) is at such time owned by such Person directly or indirectly through Subsidiaries, and (b) any partnership, association, joint venture or other entity of which such Person directly or indirectly through Subsidiaries owns at such time more than 50% of the Capital Stock.

"Subsidiary Guarantor" means each of the Persons identified as a "Subsidiary Guarantor" on the signature pages hereto and each Additional Credit Party which may hereafter execute a Joinder Agreement, together with their successors and permitted assigns, and "Subsidiary Guarantor" means any one of them.

"Swingline Commitment" means the commitment of the Swingline Lender to make Swingline Loans in an aggregate principal amount at any time outstanding of up to the Swingline Committed Amount.

"Swingline Committed Amount" shall have the meaning assigned to such term in Section 2.3(a).

"Swingline Lender" means NationsBank.

"Swingline Loan" shall have the meaning assigned to such term in Section 2.3(a).

"Swingline Note" means the promissory note of the Borrower in favor of the Swingline Lender in the original principal amount of $25,000,000, as such promissory note may be amended, modified, restated or replaced from time to time.

"Syndication Agent" shall have the meaning assigned to such term in the heading hereof, together with any successors and assigns.

"Synthetic Lease" means any synthetic lease, tax retention operating lease, off-balance sheet loan or similar off-balance sheet financing product where such transaction is considered borrowed money indebtedness for tax purposes but is classified as an Operating Lease for purposes of GAAP.

"Taxes" shall have the meaning assigned to such term in Section 3.11.

"Term Lenders" means the Lenders holding Term Loan Commitments, as identified on Schedule 2.1(a) and their successors and assigns.

"Term Loan" shall have the meaning assigned to such term in Section 2.4(a).

"Term Loan Commitment" means, with respect to each Term Lender, the commitment of such Term Lender to make its portion of the Term Loan in a principal amount equal to such Lender's Term Loan Commitment Percentage (if any) of the Term Loan Committed Amount.

"Term Loan Commitment Percentage" means, for any Term Lender, the percentage identified as its Term Loan Commitment Percentage on Schedule 2.1(a), as such percentage may be modified in connection with any assignment made in accordance with the provisions of Section 11.3.

"Term Loan Committed Amount" means TWO HUNDRED FIFTY MILLION DOLLARS ($250,000,000).

"Term Loan Maturity Date" means January 1, 2003.

"Term Note" or "Term Notes" means the promissory notes of the Borrower in favor of each of the Term Lenders evidencing the Term Loans provided pursuant to Section 2.4(f), individually or collectively, as appropriate, as such promissory notes may be amended, modified, restated, supplemented, extended, renewed or replaced from time to time.

"Title Insurance Company" shall have the meaning given to such term in Section 5.1(g).

"Total Assets" means the total assets of the Consolidated Parties on a consolidated basis, as determined in accordance with GAAP.

"Total Capitalization" means, as of any date of determination, the sum of (a) Total Indebtedness plus (b) the shareholders' equity or net worth of the Consolidated Parties on a consolidated basis, as determined in accordance with GAAP.

"Total Indebtedness" means, as of any date of determination, all Indebtedness of the Consolidated Parties on a consolidated basis, as determined in accordance with GAAP.

"Total Value" means, as of any date of determination, an amount equal to the sum of (a) the aggregate Implied Value of all Real Properties plus (b) one hundred percent (100%) of all cash and Cash Equivalents of the Consolidated Parties.

"Trade Letter of Credit Fee" shall have the meaning assigned to such term in Section 3.5(c)(ii).

"Unused Fee" shall have the meaning assigned to such term in Section 3.5(b).

"Unused Fee Calculation Period" shall have the meaning assigned to such term in Section 3.5(b).

"Unused Revolving Committed Amount" means, for any period, the amount by which (a) the then applicable Revolving Committed Amount exceeds (b) the daily average sum for such period of (i) the outstanding aggregate principal amount of all Revolving Loans plus (ii) the outstanding aggregate principal amount of all LOC Obligations.

"Upfront Fee" shall have the meaning assigned to such term in Section 3.5(a).

"Voting Stock" means, with respect to any Person, Capital Stock issued by such Person the holders of which are ordinarily, in the absence of contingencies, entitled to vote for the election of directors (or persons performing similar functions) of such Person, even though the right so to vote has been suspended by the happening of such a contingency.

"Wholly Owned Subsidiary" of any Person means any Subsidiary 100% of whose Voting Stock is at the time owned by such Person directly or indirectly through other Wholly Owned subsidiaries.

1.2 COMPUTATION OF TIME PERIODS.

For purposes of computation of periods of time hereunder, the word "from" means "from and including" and the words "to" and "until" each mean "to but excluding."

1.3 ACCOUNTING TERMS.

Except as otherwise expressly provided herein, all accounting terms used herein shall be interpreted, and all financial statements and certificates and reports as to financial matters required to be delivered to the Lenders hereunder shall be prepared, in accordance with GAAP applied on a consistent basis. All calculations made for the purposes of determining compliance with this Credit Agreement shall (except as otherwise expressly provided herein) be made by application of GAAP applied on a basis consistent with the most recent annual or quarterly financial statements delivered pursuant to Section 7.1 (or, prior to the delivery of the first financial statements pursuant to Section 7.1, consistent with the financial statements as at December 31, 1997); provided, however, if (a) the Credit Parties shall object to determining such compliance on such basis at the time of delivery of such financial statements due to any change in GAAP or the rules promulgated with respect thereto or (b) the Administrative Agent or the Required Lenders shall so object in writing within 60 days after delivery of such financial statements, then such calculations shall be made on a basis consistent with the most recent financial statements delivered by the Credit Parties to the Lenders as to which no such objection shall have been made.

SECTION 2

CREDIT FACILITIES

2.1 REVOLVING LOANS.

(a) Revolving Commitment. Subject to the terms and conditions hereof and in reliance upon the representations and warranties set forth herein, each Revolving Lender severally agrees to make available to the Borrower such Revolving Lender's Revolving Commitment Percentage of revolving credit loans requested by the Borrower in Dollars ("Revolving Loans") from time to time from the Effective Date until the Revolving Loan Maturity Date, or such earlier date as the Revolving Commitments shall have been terminated as provided herein; provided, however, that (i) with regard to the Lenders collectively, the sum of the aggregate principal amount of the Obligations outstanding shall not exceed the lesser of (A) the Aggregate Committed Amount and (B) the Borrowing Base; provided, further, (ii) the aggregate amount of the Revolving Loans outstanding at any one time shall not exceed the Revolving Committed Amount and (iii) with regard to each Revolving Lender individually, the amount of such Revolving Lender's Revolving Commitment Percentage of the sum of the Revolving Loans outstanding plus LOC Obligations outstanding plus Swingline Loans outstanding shall not exceed such Revolving Lender's Revolving Commitment Percentage of the Revolving Committed Amount. Revolving Loans may consist of Base Rate Loans or Eurodollar Loans, or a combination thereof, as the Borrower may request; provided, however, that no more than six Eurodollar Loans shall be outstanding hereunder at any time (it being understood that, for purposes

hereof, Eurodollar Loans with different Interest Periods shall be considered as separate Eurodollar Loans, even if they begin on the same date, although borrowings, extensions and conversions may, in accordance with the provisions hereof, be combined at the end of existing Interest Periods to constitute a new Eurodollar Loan with a single Interest Period). Revolving Loans hereunder may be repaid and reborrowed in accordance with the provisions hereof.

(b) Revolving Loan Borrowings.

(i) Notice of Borrowing. The Borrower shall request a Revolving Loan borrowing by written notice (or telephonic notice promptly confirmed in writing) to the Administrative Agent not later than 11:00 A.M. (Charlotte, North Carolina time) on the Business Day prior to the date of the requested borrowing in the case of Base Rate Loans, and on the third Business Day prior to the date of the requested borrowing in the case of Eurodollar Loans. Each such request for borrowing shall be irrevocable and shall specify (A) that a Revolving Loan is requested, (B) the date of the requested borrowing (which shall be a Business Day), (C) the aggregate principal amount to be borrowed, and (D) whether the borrowing shall be comprised of Base Rate Loans, Eurodollar Loans or a combination thereof, and if Eurodollar Loans are requested, the Interest Period(s) therefor. If the Borrower shall fail to specify in any such Notice of Borrowing (I) an applicable Interest Period in the case of a Eurodollar Loan, then such notice shall be deemed to be a request for an Interest Period of one month, or (II) the type of Revolving Loan requested, then such notice shall be deemed to be a request for a Base Rate Loan hereunder. The Administrative Agent shall give notice to each Revolving Lender promptly upon receipt of each Notice of Borrowing pursuant to this Section 2.1(b)(i), the contents thereof and each such Revolving Lender's share of any borrowing to be made pursuant thereto.

(ii) Minimum Amounts. Each Eurodollar Loan or Base Rate Loan that is a Revolving Loan shall be in a minimum aggregate principal amount of $10,000,000 and integral multiples of $1,000,000 in excess thereof (or the remaining amount of the Revolving Committed Amount, if less).

(iii) Advances. Each Revolving Lender will make its Revolving Commitment Percentage of each Revolving Loan borrowing available to the Administrative Agent for the account of the Borrower as specified in Section 3.15(a), or in such other manner as the Administrative Agent may specify in writing, by 1:00 P.M. (Charlotte, North Carolina time) on the date specified in the applicable Notice of Borrowing in Dollars and in funds immediately available to the Administrative Agent. Such borrowing will then be made available to the Borrower by the Administrative Agent by crediting the account of the Borrower on the books of such office with the aggregate of the amounts made available to the Administrative Agent by the Revolving Lenders and in like funds as received by the Administrative Agent.

(c) Repayment. The principal amount of all Revolving Loans shall be due and payable in full on the Revolving Loan Maturity Date, unless accelerated sooner pursuant to Section 9.2.

(d) Interest. Subject to the provisions of Section 3.1,

(i) Base Rate Loans. During such periods as Revolving Loans shall be comprised in whole or in part of Base Rate Loans, such Base Rate Loans shall bear interest at a per annum rate equal to the Adjusted Base Rate.

(ii) Eurodollar Loans. During such periods as Revolving Loans shall be comprised in whole or in part of Eurodollar Loans, such Eurodollar Loans shall bear interest at a per annum rate equal to the Adjusted Eurodollar Rate.

Interest on Revolving Loans shall be payable in arrears on each applicable Interest Payment Date (or at such other times as may be specified herein).

(e) Revolving Notes. The Revolving Loans made by each Revolving Lender shall be evidenced by a duly executed promissory note of the Borrower to such Revolving Lender in an original principal amount equal to such Revolving Lender's Revolving Commitment Percentage of the Revolving Committed Amount and in substantially the form of Exhibit 2.1(e).

2.2 LETTER OF CREDIT SUBFACILITY.

(a) Issuance. Subject to the terms and conditions hereof and of the LOC Documents, if any, and any other terms and conditions which the Issuing Lender may reasonably require and in reliance upon the representations and warranties set forth herein, the Issuing Lender agrees to issue, and each Revolving Lender severally agrees to participate in the issuance by the Issuing Lender of Letters of Credit in Dollars from time to time from the Effective Date until the Revolving Loan Maturity Date as the Borrower may request, in a form acceptable to the Issuing Lender; provided, however, that (i) the LOC Obligations outstanding shall not at any time exceed ONE HUNDRED FIFTY MILLION DOLLARS ($150,000,000) (the "LOC Committed Amount"), (ii) LOC Obligations with respect to trade or commercial Letters of Credit shall not at any time exceed Ten Million Dollars ($10,000,000), (iii) with regard to the Lenders collectively, the sum of the aggregate principal amount of the Obligations outstanding shall not exceed the lesser of (A) the Aggregate Committed Amount and (B) the Borrowing Base; provided, further, (iv) with regard to each Revolving Lender individually, the amount of such Revolving Lender's Revolving Commitment Percentage of the sum of the Revolving Loans outstanding plus LOC Obligations outstanding plus Swingline Loans outstanding shall not exceed such Revolving Lender's Revolving Commitment Percentage of the Revolving Committed Amount. No Letter of Credit shall (x) have an original expiry date more than one year from the date of issuance or (y) as originally issued or as extended, have an expiry date extending beyond a date five Business Days prior to the Revolving Loan Maturity Date. Each letter

of Credit shall comply with the related LOC Documents. The issuance and expiry dates of each Letter of Credit shall be a Business Day.

(b) Notice and Reports. The request for the issuance of a Letter of Credit shall be submitted by the Borrower to the Issuing Lender at least three (3) Business Days prior to the requested date of issuance. The Issuing Lender will, at least quarterly and more frequently upon request, disseminate to each of the Revolving Lenders a detailed report specifying the Letters of Credit which are then issued and outstanding and any activity with respect thereto which may have occurred since the date of the prior report, and including therein, among other things, the beneficiary, the face amount and the expiry date, as well as any payment or expirations which may have occurred.

(c) Participation. Each Revolving Lender, upon issuance of a Letter of Credit, shall be deemed to have purchased without recourse a Participation Interest from the Issuing Lender in such Letter of Credit and the obligations arising thereunder and any collateral relating thereto, in each case in an amount equal to its pro rata share of the obligations under such Letter of Credit (based on the respective Revolving Commitment Percentages of the Revolving Lenders) and shall absolutely, unconditionally and irrevocably assume and be obligated to pay to the Issuing Lender and discharge when due, its pro rata share of the obligations arising under such Letter of Credit. Without limiting the scope and nature of each Revolving Lender's Participation Interest in any Letter of Credit, to the extent that the Issuing Lender has not been reimbursed as required hereunder or under any such Letter of Credit, each such Revolving Lender shall pay to the Issuing Lender its pro rata share of such unreimbursed drawing in same day funds on the day of notification by the Issuing Lender of an unreimbursed drawing pursuant to the provisions of subsection (d) below. The obligation of each Revolving Lender to so reimburse the Issuing Lender shall be absolute and unconditional and shall not be affected by the occurrence of a Default, an Event of Default or any other occurrence or event. Any such reimbursement shall not relieve or otherwise impair the obligation of the Borrower to reimburse the Issuing Lender under any Letter of Credit, together with interest as hereinafter provided.

(d) Reimbursement. In the event of any drawing under any Letter of Credit, the Issuing Lender will promptly notify the Borrower. Unless the Borrower shall immediately notify the Issuing Lender that the Borrower intends to otherwise reimburse the Issuing Lender for such drawing, the Borrower shall be deemed to have requested that the Revolving Lenders make a Revolving Loan in the amount of the drawing as provided in subsection (e) below on the related Letter of Credit, the proceeds of which will be used to satisfy the related reimbursement obligations. The Borrower promises to reimburse the Issuing Lender on the day of drawing under any Letter of Credit (either with the proceeds of a Revolving Loan obtained hereunder or otherwise) in same day funds. If the Borrower shall fail to reimburse the Issuing Lender as provided hereinabove, the unreimbursed amount of such drawing shall bear interest at a per annum rate equal to the Adjusted Base Rate plus 2%. The Borrower's reimbursement obligations hereunder shall be absolute and unconditional under all circumstances irrespective of any rights of setoff, counterclaim or defense to payment the Borrower may claim or have against the Issuing Lender, the Administrative Agent, the Revolving Lenders, the beneficiary of the Letter of Credit drawn

upon or any other Person, including without limitation any defense based on any failure of the Borrower or any other Credit Party to receive consideration or the legality, validity, regularity or unenforceability of the Letter of Credit. The Issuing Lender will promptly notify the other Revolving Lenders of the amount of any unreimbursed drawing and each Revolving Lender shall promptly pay to the Administrative Agent for the account of the Issuing Lender in Dollars and in immediately available funds, the amount of such Revolving Lender's pro rata share of such unreimbursed drawing. Such payment shall be made on the day such notice is received by such Revolving Lender from the Issuing Lender if such notice is received at or before 1:00 P.M. (Charlotte, North Carolina time) otherwise such payment shall be made at or before 12:00 Noon (Charlotte, North Carolina time) on the Business Day next succeeding the day such notice is received. If such Revolving Lender does not pay such amount to the Issuing Lender in full upon such request, such Revolving Lender shall, on demand, pay to the Administrative Agent for the account of the Issuing Lender interest on the unpaid amount during the period from the date of such drawing until such Revolving Lender pays such amount to the Issuing Lender in full at a rate per annum equal to, if paid within two (2) Business Days of the date that such Revolving Lender is required to make payments of such amount pursuant to the preceding sentence, the Federal Funds Rate and thereafter at a rate equal to the Base Rate. Each Revolving Lender's obligation to make such payment to the Issuing Lender, and the right of the Issuing Lender to receive the same, shall be absolute and unconditional, shall not be affected by any circumstance whatsoever and without regard to the termination of this Credit Agreement or the Commitments hereunder, the existence of a Default or Event of Default or the acceleration of the obligations of the Borrower hereunder and shall be made without any offset, abatement, withholding or reduction whatsoever. Simultaneously with the making of each such payment by a Revolving Lender to the Issuing Lender, such Revolving Lender shall, automatically and without any further action on the part of the Issuing Lender or such Revolving Lender, acquire a Participation Interest in an amount equal to such payment (excluding the portion of such payment constituting interest owing to the Issuing Lender) in the related unreimbursed drawing portion of the LOC Obligation and in the interest thereon and in the related LOC Documents, and shall have a claim against the Borrower with respect thereto.

(e) Repayment with Revolving Loans. On any day on which the Borrower shall have requested, or been deemed to have requested, a Revolving Loan advance to reimburse a drawing under a Letter of Credit, the Administrative Agent shall give notice to the Revolving Lenders that a Revolving Loan has been requested or deemed requested by the Borrower to be made in connection with a drawing under a Letter of Credit, in which case a Revolving Loan advance comprised of Base Rate Loans (or Eurodollar Loans to the extent the Borrower has complied with the procedures of Section 2.1(b)(i) with respect thereto) shall be immediately made to the Borrower by all Revolving Lenders (notwithstanding any termination of the Commitments pursuant to Section 9.2) pro rata based on the respective Revolving Commitment Percentages of the Revolving Lenders (determined before giving effect to any termination of the Commitments pursuant to Section 9.2) and the proceeds thereof shall be paid directly to the Issuing Lender for application to the respective LOC Obligations. Each such Revolving Lender hereby irrevocably agrees to make its pro rata share of each such Revolving Loan immediately upon any such request or deemed request

in the amount, in the manner and on the date specified in the preceding sentence notwithstanding (i) the amount of such borrowing may not comply with the minimum amount for advances of Revolving Loans otherwise required hereunder, (ii) whether any conditions specified in Section 5.2 are then satisfied, (iii) whether a Default or an Event of Default then exists, (iv) failure for any such request or deemed request for a Revolving Loan to be made by the time otherwise required hereunder, (v) whether the date of such borrowing is a date on which Revolving Loans are otherwise permitted to be made hereunder or (vi) any termination of the Commitments relating thereto immediately prior to or contemporaneously with such borrowing. In the event that any Revolving Loan cannot for any reason be made on the date otherwise required above (including, without limitation, as a result of the commencement of a proceeding under the Bankruptcy Code with respect to the Borrower or any other Credit Party), then each such Revolving Lender hereby agrees that it shall forthwith purchase (as of the date such borrowing would otherwise have occurred, but adjusted for any payments received from the Borrower on or after such date and prior to such purchase) from the Issuing Lender such Participation Interests in the outstanding LOC Obligations as shall be necessary to cause each such Revolving Lender to share in such LOC Obligations ratably (based upon the respective Revolving Commitment Percentages of the Revolving Lenders (determined before giving effect to any termination of the Commitments pursuant to Section 9.2)), provided that at the time any purchase of Participation Interests pursuant to this sentence is actually made, the purchasing Revolving Lender shall be required to pay to the Issuing Lender, to the extent not paid to the Issuing Lender by the Borrower in accordance with the terms of subsection (d) above, interest on the principal amount of Participation Interests purchased for each day from and including the day upon which such borrowing would otherwise have occurred to but excluding the date of payment for such Participation Interests, at the rate equal to, if paid within two (2) Business Days of the date of the Revolving Loan advance, the Federal Funds Rate, and thereafter at a rate equal to the Base Rate.

(f) Designation of Credit Parties as Account Parties. Notwithstanding anything to the contrary set forth in this Credit Agreement, including without limitation Section 2.2(a), a Letter of Credit issued hereunder may contain a statement to the effect that such Letter of Credit is issued for the account of a Credit Party other than the Borrower, provided that notwithstanding such statement, the Borrower shall be the actual account party for all purposes of this Credit Agreement for such Letter of Credit and such statement shall not affect the Borrower's reimbursement obligations hereunder with respect to such Letter of Credit.

(g) Renewal, Extension. The renewal or extension of any Letter of Credit shall, for purposes hereof, be treated in all respects the same as the issuance of a new Letter of Credit hereunder.

(h) Uniform Customs and Practices. The Issuing Lender may have the Letters of Credit be subject to The Uniform Customs and Practice for Documentary Credits, as published as of the date of issue by the International Chamber of Commerce (the "UCP"), in which case the UCP may be incorporated therein and deemed in all respects to be a part thereof.

(i) Indemnification; Nature of Issuing Lender's Duties.

(i) In addition to its other obligations under this Section 2.2, the Borrower hereby agrees to pay, and protect, indemnify and save each Revolving Lender harmless from and against, any and all claims, demands, liabilities, damages, losses, costs, charges and expenses (including reasonable attorneys' fees) that such Revolving Lender may incur or be subject to as a consequence, direct or indirect, of (A) the issuance of any Letter of Credit or (B) the failure of such Revolving Lender to honor a drawing under a Letter of Credit as a result of any act or omission, whether rightful or wrongful, of any present or future de jure or de facto government or Governmental Authority (all such acts or omissions, herein called "Government Acts").

(ii) As between the Borrower and the Revolving Lenders (including the Issuing Lender), the Borrower shall assume all risks of the acts, omissions or misuse of any Letter of Credit by the beneficiary thereof. No Revolving Lender (including the Issuing Lender) shall be responsible: (A) for the form, validity, sufficiency, accuracy, genuineness or legal effect of any document submitted by any party in connection with the application for and issuance of any Letter of Credit, even if it should in fact prove to be in any or all respects invalid, insufficient, inaccurate, fraudulent or forged; (B) for the validity or sufficiency of any instrument transferring or assigning or purporting to transfer or assign any Letter of Credit or the rights or benefits thereunder or proceeds thereof, in whole or in part, that may prove to be invalid or ineffective for any reason; (C) for errors, omissions, interruptions or delays in transmission or delivery of any messages, by mail, cable, telegraph, telex or otherwise, whether or not they be in cipher; (D) for any loss or delay in the transmission or otherwise of any document required in order to make a drawing under a Letter of Credit or of the proceeds thereof; and (E) for any consequences arising from causes beyond the control of such Revolving Lender, including, without limitation, any Government Acts. None of the above shall affect, impair, or prevent the vesting of the Issuing Lender's rights or powers hereunder.

(iii) In furtherance and extension and not in limitation of the specific provisions hereinabove set forth, any action taken or omitted by any Revolving Lender (including the Issuing Lender), under or in connection with any Letter of Credit or the related certificates, if taken or omitted in good faith, shall not put such Revolving Lender under any resulting liability to the Borrower or any other Credit Party. It is the intention of the parties that this Credit Agreement shall be construed and applied to protect and indemnify each Revolving Lender (including the Issuing Lender) against any and all risks involved in the issuance of the Letters of Credit, all of which risks are hereby assumed by the Borrower (on behalf of itself and each of the other Credit Parties), including, without limitation, any and all Government Acts. No Revolving Lender (including the Issuing Lender) shall, in any way, be liable for any failure by such Revolving Lender or anyone else to pay any drawing

under any Letter of Credit as a result of any Government Acts or any other cause beyond the control of such Revolving Lender.

(iv) Nothing in this subsection (i) is intended to limit the reimbursement obligations of the Borrower contained in subsection (d) above. The obligations of the Borrower under this subsection (i) shall survive the termination of this Credit Agreement. No act or omission of any current or prior beneficiary of a Letter of Credit shall in any way affect or impair the rights of the Revolving Lenders (including the Issuing Lender) to enforce any right, power or benefit under this Credit Agreement.

(v) Notwithstanding anything to the contrary contained in this subsection (i), the Borrower shall have no obligation to indemnify any Revolving Lender (including the Issuing Lender) in respect of any liability incurred by such Revolving Lender (A) arising solely out of the gross negligence or willful misconduct of such Revolving Lender, as determined by a court of competent jurisdiction, or (B) caused by such Revolving Lender's failure to pay under any Letter of Credit after presentation to it of a request strictly complying with the terms and conditions of such Letter of Credit, as determined by a court of competent jurisdiction, unless such payment is prohibited by any law, regulation, court order or decree.

(j) Responsibility of Issuing Lender. It is expressly understood and agreed that the obligations of the Issuing Lender hereunder to the Revolving Lenders are only those expressly set forth in this Credit Agreement and that the Issuing Lender shall be entitled to assume that the conditions precedent set forth in Section 5.2 have been satisfied unless it shall have acquired actual knowledge that any such condition precedent has not been satisfied; provided, however, that nothing set forth in this Section 2.2 shall be deemed to prejudice the right of any Revolving Lender to recover from the Issuing Lender any amounts made available by such Revolving Lender to the Issuing Lender pursuant to this Section 2.2 in the event that it is determined by a court of competent jurisdiction that the payment with respect to a Letter of Credit constituted gross negligence or willful misconduct on the part of the Issuing Lender.

(k) Conflict with LOC Documents. In the event of any conflict between this Credit Agreement and any LOC Document (including any letter of credit application), this Credit Agreement shall control.

2.3 SWINGLINE LOAN SUBFACILITY.

(a) Swingline Commitment. Subject to the terms and conditions hereof, the Swingline Lender, in its individual capacity, agrees to make certain revolving credit loans to the Borrower (each a "Swingline Loan" and, collectively, the "Swingline Loans") from time to time from the Effective Date until the Revolving Loan Maturity Date for the purposes hereinafter set forth; provided, however, (i) the aggregate amount of Swingline Loans outstanding at any time shall not exceed TWENTY FIVE MILLION DOLLARS

($25,000,000.00) (the "Swingline Committed Amount"), and (ii) with regard to the Lenders collectively, the amount of outstanding Obligations outstanding shall not exceed the lesser of (x) the Aggregate Committed Amount and (y) the Borrowing Base. Swingline Loans hereunder shall be made in accordance with the provisions of this Section 2.3, and may be repaid and reborrowed in accordance with the provisions hereof.

(b) Swingline Loan Advances.

(i) Notices; Disbursement. Whenever the Borrower desires a Swingline Loan advance hereunder it shall give written notice (or telephone notice promptly confirmed in writing) to the Swingline Lender not later than 11:00 A.M. (Charlotte, North Carolina time) on the Business Day of the requested Swingline Loan advance. Each such notice shall be irrevocable and shall specify (A) that a Swingline Loan advance is requested, (B) the date of the requested Swingline Loan advance (which shall be a Business Day) and (C) the principal amount of the Swingline Loan advance requested. Each Swingline Loan shall be made as a Base Rate Loan and shall have such maturity date as the Swingline Lender and the Borrower shall agree upon receipt by the Swingline Lender of any such notice from the Borrower. The Swingline Lender shall initiate the transfer of funds representing the Swingline Loan advance to the Borrower by 3:00 P.M. (Charlotte, North Carolina time) on the Business Day of the requested borrowing.

(ii) Minimum Amounts. Each Swingline Loan advance shall be in a minimum principal amount of $1,000,000 and in integral multiples of $1,000,000 in excess thereof.

(iii) Repayment of Swingline Loans. The principal amount of all Swingline Loans shall be due and payable on the Revolving Loan Maturity Date. The Swingline Lender may, at any time, in its sole discretion, by written notice to the Borrower and the Revolving Lenders, demand repayment of its Swingline Loans by way of a Revolving Loan advance, in which case the Borrower shall be deemed to have requested a Revolving Loan advance comprised solely of Base Rate Loans in the amount of such Swingline Loans; provided, however, that any such demand shall be deemed to have been given one Business Day prior to the Revolving Loan Maturity Date and on the date of the occurrence of any Event of Default described in Section 9.1 and upon acceleration of the indebtedness hereunder and the exercise of remedies in accordance with the provisions of Section 9.2. Each Revolving Lender hereby irrevocably agrees to make its pro rata share of each such Revolving Loan in the amount, in the manner and on the date specified in the preceding sentence notwithstanding (I) the amount of such borrowing may not comply with the minimum amount for advances of Revolving Loans otherwise required hereunder, (II) whether any conditions specified in Section 5.2 are then satisfied, (III) whether a Default or an Event of Default then exists, (IV) failure of any such request or deemed request for a Revolving Loan to be made by the time otherwise required hereunder, (V) whether the date of such borrowing is a date on which Revolving Loans are otherwise permitted to be made hereunder or (VI) any

termination of the Commitments relating thereto immediately prior to or contemporaneously with such borrowing. In the event that any Revolving Loan cannot for any reason be made on the date otherwise required above (including, without limitation, as a result of the commencement of a proceeding under the Bankruptcy Code with respect to the Borrower or any other Credit Party), then each Revolving Lender hereby agrees that it shall forthwith purchase (as of the date such borrowing would otherwise have occurred, but adjusted for any payments received from the Borrower on or after such date and prior to such purchase) from the Swingline Lender such participations in the outstanding Swingline Loans ratably based upon its Revolving Commitment Percentage of the Revolving Committed Amount (determined before giving effect to any termination of the Commitments pursuant to Section 3.4), provided that (A) all interest payable on the Swingline Loans shall be for the account of the Swingline Lender until the date as of which the respective participation is purchased and (B) at the time of any purchase of participations pursuant to this sentence is actually made, the purchasing Revolving Lender shall be required to pay to the Swingline Lender, to the extent not paid to the Swingline Lender by the Borrower in accordance with the terms of subsection (c) below, interest on the principal amount of participation purchased for each day from and including the day upon which such borrowing would otherwise have occurred to but excluding the date of payment for such participation, at the rate equal to the Federal Funds Rate.

(c) Interest on Swingline Loans. Subject to the provisions of Section 3.1, each Swingline Loan shall bear interest at per annum rate equal to the Adjusted Base Rate. Interest on Swingline Loans shall be payable in arrears on each applicable Interest Payment Date (or at such other times as may be specified herein).

(d) Swingline Note. The Swingline Loans shall be evidenced by a duly executed promissory note of the Borrower to the Swingline Lender in substantially the form of Exhibit 2.3(d).

2.4 TERM LOAN.

(a) Term Commitment. Subject to the terms and conditions hereof and in reliance upon the representations and warranties set forth herein each Term Lender severally agrees to make available to the Borrower on the Effective Date such Term Lender's Term Loan Commitment Percentage of a term loan in Dollars (the "Term Loan") in the aggregate principal amount of the Term Loan Committed Amount; provided, however, that (i) with regard to the Lenders collectively, the sum of the aggregate principal amount of the Obligations outstanding shall not exceed the lesser of (A) the Aggregate Committed Amount and (B) the Borrowing Base. The Term Loan may consist of Base Rate Loans or Eurodollar Loans, or a combination thereof, as the Borrower may request; provided, however, that no more than six Eurodollar Loans shall be outstanding hereunder at any time (it being understood that, for purposes hereof, Eurodollar Loans with different Interest Periods shall be considered as separate Eurodollar Loans, even if they begin on the same date, although borrowings, extensions

and conversions may, in accordance with the provisions hereof, be combined at the end of existing Interest Periods to constitute a new Eurodollar Loan with a single Interest period). Amounts repaid on the Term Loan may not be reborrowed.

(b) Borrowing Procedures. The Borrower shall submit an appropriate Notice of Borrowing to the Administrative Agent not later than 11:00 A.M. (Charlotte, North Carolina time) on the Effective Date, with respect to the portion of the Term Loan initially consisting of a Base Rate Loan, or on the third Business Day prior to the Effective Date, with respect to the portion of the Term Loan initially consisting of one or more Eurodollar Loans, which Notice of Borrowing shall be irrevocable and shall specify (i) that the funding of a Term Loan is requested and (ii) whether the funding of the Term Loan shall be comprised of Base Rate Loans, Eurodollar Loans or a combination thereof, and if Eurodollar Loans are requested, the Interest Period(s) therefor. If the Borrower shall fail to deliver such Notice of Borrowing to the Administrative Agent by 11:00 A.M. (Charlotte, North Carolina time) on the third Business Day prior to the Effective Date, then the full amount of the Term Loan shall be disbursed on the Effective Date as a Base Rate Loan. Each Term Lender shall make its Term Loan Commitment Percentage of the Term Loan available to the Administrative Agent for the account of the Borrower at the office of the Administrative Agent specified in Schedule 2.1(a), or at such other office as the Administrative Agent may designate in writing, by 1:00 P.M. (Charlotte, North Carolina time) on the Effective Date in Dollars and in funds immediately available to the Administrative Agent.

(c) Minimum Amounts. Each Eurodollar Loan or Base Rate Loan that is part of the Term Loan shall be in an aggregate principal amount that is not less than $10,000,000 and integral multiples of $1,000,000 (or the then remaining principal balance of the Term Loan, if less).

(d) Repayment of Term Loan. The principal amount of the Term Loan shall be repaid in sixteen (16) consecutive quarterly installments as follows unless accelerated sooner pursuant to Section 9.2:

PRINCIPAL AMORTIZATION PAYMENT DATES	TERM LOAN PRINCIPAL AMORTIZATION PAYMENT
March 31, 1999	$625,000
June 30, 1999	$625,000
September 30, 1999	$625,000
December 31, 1999	$625,000
March 31, 2000	$625,000
June 30, 2000	$625,000
September 30, 2000	$625,000
December 31, 2000	$625,000
March 31, 2001	$625,000
June 30, 2001	$625,000

September 30, 2001	$625,000
March 31, 2002	$625,000
June 30, 2002	$625,000
September 30, 2002	$625,000
December 31, 2002	$241,250,000
Total	$250,000,000

(e) Interest. Subject to the provisions of Section 3.1, the Term Loan shall bear interest at a per annum rate equal to the Eurodollar Rate plus 3.25%; provided, however, if any adoption of or any change in any Requirement of Law or in the interpretation or application thereof occurring after the Closing Date shall make it unlawful for any Term Lender to make or maintain Eurodollar Loans, the Term Loan shall bear interest at a per annum rate equal to the Base Rate plus 1.75%. Interest on the Term Loan shall be payable in arrears on each applicable Interest Payment Date (or at such other times as may be specified herein); provided, however, if (i) any adoption of or any change in any Requirement of Law or in the interpretation or application thereof occurring after the Closing Date shall make it unlawful for any Term Lender to make or maintain Eurodollar Loans, (ii) the Required Term Lenders determine that reasonable means for ascertaining the Eurodollar Rate do not exist or (iii) the Required Term Lenders determine that the Eurodollar Rate will not adequately and fairly reflect the cost of the Term Lenders of funding Eurodollar Loans, the Term Loan shall bear interest at a per annum rate equal to the Base Rate plus 1.75%.

(f) Term Notes. The portion of the Term Loan made by each Term Lender shall be evidenced by a duly executed promissory note of the Borrower to such Term Lender in an original principal amount equal to such Term Lender's Term Loan commitment Percentage of the Term Loan and substantially in the form of Exhibit 2.4(f).

SECTION 3

OTHER PROVISIONS RELATING TO CREDIT FACILITIES

3.1 DEFAULT RATE.

Upon the occurrence, and during the continuance, of an Event of Default, the principal of and, to the extent permitted by law, interest on the Loans and any other amounts owing hereunder or under the other Credit Documents shall bear interest, payable on demand, at a per annum rate 2% greater than the rate which would otherwise be applicable (or if no rate is applicable, whether in respect of interest, fees or other amounts, then the Adjusted Base Rate plus 2%).

3.2 EXTENSION AND CONVERSION.

The Borrower shall have the option, on any Business Day, to extend existing Loans into a subsequent permissible Interest Period or to convert Revolving Loans into Revolving Loans of another interest rate type; provided, however, that (i) except as provided in Section 3.8, Eurodollar Loans may be converted into Base Rate Loans or extended as Eurodollar Loans for new Interest Periods only on the last day of the Interest Period applicable thereto, (ii) without the consent of the Required Lenders, Eurodollar Loans may be extended, and Base Rate Loans may be converted into Eurodollar Loans, only if the conditions precedent set forth in Section 5.2 are satisfied on the date of extension or conversion, (iii) Loans extended as, or converted into, Eurodollar Loans shall be subject to the terms of the definition of "Interest Period" set forth in Section 1.1 and shall be in such minimum amounts as provided in, with respect to the Revolving Loans, Section 2.1(b)(ii) or with respect to the Term Loan, Section 2.4(c), (iv) no more than six Eurodollar Loans shall be outstanding hereunder at any time (it being understood that, for purposes hereof, Eurodollar Loans with different Interest Periods shall be considered as separate Eurodollar Loans, even if they begin on the same date, although borrowings, extensions and conversions may, in accordance with the provisions hereof, be combined at the end of existing Interest Periods to constitute a new Eurodollar Loan with a single Interest Period) and (v) any request for extension or conversion of a Eurodollar Loan which shall fail to specify an Interest Period shall be deemed to be a request for an Interest Period of one month. Each such extension or conversion shall be effected by the Borrower by giving a Notice of Extension/Conversion (or telephonic notice promptly confirmed in writing) to the office of the Administrative Agent specified in specified in Schedule 2.1(a), or at such other office as the Administrative Agent may designate in writing, prior to 11:00 A.M. (Charlotte, North Carolina time) on the Business Day of, in the case of the conversion of a Eurodollar Loan into a Base Rate Loan, and on the third Business Day prior to, in the case of the extension of a Eurodollar Loan as, or conversion of a Base Rate Loan into, a Eurodollar Loan, the date of the proposed extension or conversion, specifying the date of the proposed extension or conversion, the Loans to be so extended or converted, the types of Loans into which such Loans are to be converted and, if appropriate, the applicable Interest Periods with respect thereto. Each request for extension or conversion shall be irrevocable and shall constitute a representation and warranty by the Borrower of the matters specified in subsections (b), (c), (d), (e) and (f) of Section 5.2. In the event the Borrower fails to request extension or conversion of any Eurodollar Loan in accordance with this Section, or any such conversion or extension is not permitted or required by this Section, then such Eurodollar Loan shall be automatically converted into a Base Rate Loan at the end of the Interest Period applicable thereto. The Administrative Agent shall give each affected Lender notice as promptly as practicable of any such proposed extension or conversion affecting any Loan.

3.3 PREPAYMENTS.

(a) Voluntary Prepayments. The Borrower shall have the right to prepay Loans in whole or in part from time to time; provided, however, that (i) each partial prepayment of Loans shall be in a minimum principal amount of $10,000,000 and integral multiples of $5,000,000 and (ii) any voluntary prepayment of the Term Loans shall be subject to the prepayment penalty provisions of Section 3.3(c). Subject to the foregoing terms, amounts prepaid under this Section 3.3(a) shall be applied as the Borrower may elect; provided that if the Borrower elects to make a voluntary prepayment with respect to the Term Loans, the

Borrower shall be required to make a pro rata voluntary prepayment (and corresponding permanent reduction in the Revolving Committed Amount) with respect to the Revolving Loans. Any amounts so prepaid shall be applied, in the case of the Term Loans (in the inverse order of maturity thereof) and in the case of Revolving Loans and Term Loans in each case first to Base Rate Loans and then to Eurodollar Loans in direct order of Interest Period maturities. All prepayments under this Section 3.3(a) shall be subject to Section 3.12 and all prepayments of Term Loans shall be subject to Section 3.3(c), but otherwise prepayments shall be made without premium or penalty.

(b) Mandatory Prepayments.

(i) Aggregate Committed Amount. If at any time, (A) the sum of the aggregate principal amount of Revolving Loans outstanding plus LOC Obligations outstanding plus Swingline Loans outstanding plus Term Loans outstanding shall exceed the lesser of (x) the Aggregate Committed Amount and (y) the Borrowing Base, (B) the amount of LOC Obligations outstanding shall exceed the LOC Committed Amount or (C) the amount of Swingline Loans outstanding shall exceed the Swingline Committed Amount, the Borrower shall immediately make payment on the Revolving Loans and/or to a cash collateral account in respect of the LOC Obligations, in an amount sufficient to eliminate the deficiency; provided, however, to the extent payment on the Revolving Loans and/or to a cash collateral account in respect of the LOC Obligations is not sufficient to eliminate such deficiency, the Borrower shall make payment on the Term Loans in an amount sufficient to eliminate the deficiency and a corresponding permanent reduction in the Revolving Committed Amount.

(ii) Asset Disposition. Immediately upon receipt by any Consolidated Party of proceeds from any Asset Disposition, the Borrower shall prepay the Loans in an aggregate amount equal to the Net Cash Proceeds of the related Asset Disposition (such prepayment to be applied as set forth in clause (iii) below).

Notwithstanding the foregoing, the Borrower shall not be required to make a prepayment pursuant to this Section 3.3(b)(ii) with respect to the Net Cash Proceeds from any Asset Disposition until 120 days after the date of such Asset Disposition in the event that the Borrower advises the Administrative Agent at the time the Net Cash Proceeds from such Asset Disposition are received that it intends to reinvest such Net Cash Proceeds into replacement assets (including pursuant to any acquisition) within such 120 day period; provided, however, if such Net Cash Proceeds are not so reinvested within such 120 day period, the Borrower shall be obligated to apply such Net Cash Proceeds to the prepayment of the Loans at the end of such 120 day period in accordance with the terms of Section 3.3(b)(iii).

(iii) Application of Mandatory Prepayments. All amounts required to be paid pursuant to Section 3.3(b)(ii) shall be applied ratably to the Revolving Obligations and Term Loans in accordance with the respective amounts thereof as follows: (A) to the Revolving Obligations (first to Revolving Loans and second to

Swingline Loans and (after all Revolving Loans and Swingline Loans have been repaid) then to a cash collateral account to secure LOC Obligations) (with a corresponding reduction in the Revolving Committed Amount in an amount equal to all amounts applied to the Revolving Obligations pursuant to this Section (b)(iii)) and (B) the Term Loans (in the inverse order of maturity thereof). One or more holders of the Term Loans may decline to accept a mandatory prepayment under Section 3.3(b)(ii) to the extent there are sufficient Revolving Loans outstanding to be paid with such prepayment, in which case such declined prepayments shall be split evenly, with fifty percent (50%) of such declined prepayment allocated toward a prepayment of the Revolving Loans (with a corresponding reduction in the Revolving Committed Amount in an amount equal to the amount prepaid pursuant to such prepayment) and fifty percent (50%) of such declined prepayment being returned to the Borrower. Within the parameters of the applications set forth above, prepayments shall be applied first to Base Rate Loans and then to Eurodollar Loans in direct order of Interest Period maturities. All prepayments under this Section 3.3(b) shall be subject to Section 3.12.

(c) Prepayment Penalty. In the event the Borrower voluntarily elects to prepay the Term Loan within one year of the Effective Date as permitted by Section 3.3(a), the Borrower shall be obligated to pay a prepayment equal to two percent (2.0%) of the principal amount prepaid, and in the event the Borrower voluntarily elects to prepay the Term Loan between December 31, 1999 and December 31, 2000 as permitted by Section 3.3(a), the Borrower shall be obligated to pay a prepayment fee equal to one percent (1.0%) of the principal amount prepaid. After two years from the Effective Date, the Borrower may prepay the Term Loan without a prepayment penalty or fee.

3.4 TERMINATION AND REDUCTION OF REVOLVING COMMITTED AMOUNT.

The Borrower may from time to time permanently reduce or terminate the Revolving Committed Amount in whole or in part (in minimum aggregate amounts of $10,000,000 or in integral multiples of $5,000,000 in excess thereof (or, if less, the full remaining amount of the then applicable Revolving Committed Amount)) upon five Business Days' prior written notice to the Administrative Agent; provided, that, (i) no such termination or reduction shall be made which would cause the sum of the aggregate outstanding principal amount of the Obligations to exceed the lesser of (A) the Aggregate Committed Amount and (B) the Borrowing Base, unless, concurrently with such termination or reduction, the Loans are repaid to the extent necessary to eliminate such excess and (ii) no such termination or reduction shall be made which would cause the sum of the aggregate outstanding principal amount of the Revolving Obligations to exceed the Revolving Committed Amount. The Administrative Agent shall promptly notify each affected Lender of receipt by the Administrative Agent of any notice from the Borrower pursuant to this Section 3.4.

3.5 FEES.

(a) Upfront Fees. The Borrower agrees to pay to the Administrative Agent for the benefit of the Revolving Lenders in immediately available funds on or before the Effective Date an upfront fee (the "Upfront Fee") in the amount provided in the Administrative Agent's Fee Letter.

(b) Unused Fee. In consideration of the Revolving Commitments of the Revolving Lenders hereunder, the Borrower agrees to pay to the Administrative Agent for the account of each Revolving Lender a fee (the "Unused Fee") on the Unused Revolving Committed Amount computed at a per annum rate for each day during the applicable Unused Fee Calculation Period (hereinafter defined) equal to the Applicable Percentage in effect from time to time. The Unused Fee shall commence to accrue on the Effective Date and shall be due and payable in arrears on the last business day of each March, June, September and December (and any date that the Revolving Committed Amount is reduced as provided in Section 3.4 and the Revolving Loan Maturity Date) for the immediately preceding quarter (or portion thereof) (each such quarter or portion thereof for which the Unused Fee is payable hereunder being herein referred to as an "Unused Fee Calculation Period"), beginning with the first of such dates to occur after the Effective Date. For purposes of computation of the Unused Fee, the Swingline Loans shall not be counted toward or considered usage under the Revolving Loan Facility.

(c) Letter of Credit Fees.

(i) Letter of Credit Issuance Fee. In consideration of the issuance of standby or any other performance related Letters of Credit hereunder, the Borrower promises to pay to the Administrative Agent for the account of each Revolving Lender a fee (the "Standby Letter of Credit Fee") on such Revolving Lender's Revolving Commitment Percentage of the average daily maximum amount available to be drawn under each such standby Letter of Credit computed at a per annum rate for each day from the date of issuance to the date of expiration equal to the Applicable Percentage for Eurodollar Loans. The Standby Letter of Credit Fee will be payable quarterly in arrears on the last Business Day of each March, June, September and December for the immediately preceding quarter (or a portion thereof).

(ii) Trade Letter of Credit Fee. In consideration of the issuance of trade Letters of Credit hereunder, the Borrower promises to pay to the Administrative Agent for the account of each Revolving Lender a fee (the "Trade Letter of Credit Fee") on such Revolving Lender's Revolving Commitment Percentage of the amount of each drawing under any such trade Letter of Credit equal to .125%. The Trade Letter of Credit Fee will be payable on each date of drawing under a trade Letter of Credit.

(iii) Issuing Lender Fees. In addition to the Standby Letter of Credit Fee payable pursuant to clause (i) above and the Trade Letter of Credit Fee payable

pursuant to clause (ii) above, the Borrower promises to pay to the Issuing Lender for its own account without sharing by the other Revolving Lenders (A) a letter of credit fronting fee of one-eighth percent (1/8%) per annum on the average daily maximum amount available to be drawn under outstanding Letters of Credit payable quarterly in arrears with the Standby Letter of Credit Fee and the Trade Letter of Credit Fee, and (B) customary charges from time to time of the Issuing Lender with respect to the issuance, amendment, transfer, administration, cancellation and conversion of, and drawings under, such Letters of Credit (collectively, the "Issuing Lender Fees").

(d) Administrative Fees. The Borrower agrees to pay to the Administrative Agent, for its own account and NationsBanc Montgomery Securities LLC, as applicable, the fees referred to in the Administrative Agent's Fee Letter (collectively, the "Administrative Agent's Fees").

(e) Documentation Agent Fees. The Borrower agrees to pay to the Documentation Agent, for its own account, the fees referred to in the Documentation Agent's Fee Letter (collectively, the "Documentation Agent's Fees").

3.6 CAPITAL ADEQUACY.

If any Lender has determined, after the date hereof, that the adoption or the becoming effective of, or any change in, or any change by any Governmental Authority, central bank or comparable agency charged with the interpretation or administration thereof in the interpretation or administration of, any applicable law, rule or regulation regarding capital adequacy, or compliance by such Lender with any request or directive regarding capital adequacy (whether or not having the force of law) of any such authority, central bank or comparable agency, has or would have the effect of reducing the rate of return on such Lender's capital or assets as a consequence of its commitments or obligations hereunder to a level below that which such Lender could have achieved but for such adoption, effectiveness, change or compliance (taking into consideration such Lender's policies with respect to capital adequacy), then, upon notice from such Lender to the Borrower, the Borrower shall be obligated to pay to such Lender such additional amount or amounts as will compensate such Lender for such reduction. Each determination by any such Lender of amounts owing under this Section shall, absent manifest error, be conclusive and binding on the parties hereto.

3.7 LIMITATION ON EURODOLLAR LOANS.

If on or prior to the first day of any Interest Period for any Eurodollar Loan:

(a) the Administrative Agent determines (which determination shall be conclusive) that by reason of circumstances affecting the relevant market, adequate and reasonable means do not exist for ascertaining the Eurodollar Rate for such Interest Period; or

(b) the Required Lenders determine (which determination shall be conclusive) and notify the Administrative Agent that the Eurodollar Rate will not adequately and fairly reflect the cost to the Lenders of funding Eurodollar Loans for such Interest Period;

then the Administrative Agent shall give the Borrower prompt notice thereof, and so long as such condition remains in effect, the Lenders shall be under no obligation to make additional Eurodollar Loans, continue Eurodollar Loans, or to convert Base Rate Loans into Eurodollar Loans and the Borrower shall, on the last day(s) of the then current Interest Period(s) for the outstanding Eurodollar Loans, either prepay such Eurodollar Loans or convert such Eurodollar Loans into Base Rate Loans in accordance with the terms of this Credit Agreement.

3.8 ILLEGALITY.

Notwithstanding any other provision herein, if the adoption of or any change in any Requirement of Law or in the interpretation or application thereof occurring after the Closing Date shall make it unlawful for any Lender to make or maintain Eurodollar Loans as contemplated by this Credit Agreement, (a) such Lender shall promptly give written notice of such circumstances to the Borrower and the Administrative Agent (which notice shall be withdrawn whenever such circumstances no longer exist), (b) the commitment of such Lender hereunder to make Eurodollar Loans, continue Eurodollar Loans as such and convert a Base Rate Loan to Eurodollar Loans, shall forthwith be canceled and, until such time as it shall no longer be unlawful for such Lender to make or maintain Eurodollar Loans, such Lender shall then have a commitment only to make a Base Rate Loan when a Eurodollar Loan is requested and (c) such Lender's Loans then outstanding as Eurodollar Loans, if any, shall be converted automatically to Base Rate Loans on the respective last days of the then current Interest Periods with respect to such Loans or within such earlier period as required by law. If any such conversion of a Eurodollar Loan occurs on a day which is not the last day of the then current Interest Period with respect thereto, the Borrower shall pay to such Lender such amounts, if any, as may be required pursuant to Section 3.13.

3.9 REQUIREMENTS OF LAW.

If, after the date hereof, the adoption of any applicable law, rule, or regulation, or any change in any applicable law, rule, or regulation, or any change in the interpretation or administration thereof by any Governmental Authority, central bank, or comparable agency charged with the interpretation or administration thereof, or compliance by any Lender (or its Applicable Lending Office) with any request or directive (whether or not having the force of law) of any such Governmental Authority, central bank, or comparable agency:

(i) shall subject such Lender (or its Applicable Lending Office) to any tax, duty, or other charge with respect to any Eurodollar Loans, its Notes, or its obligation to make Eurodollar Loans, or change the basis of taxation of any amounts payable to such Lender (or its Applicable Lending Office) under this Credit Agreement or its Notes in respect of any Eurodollar Loans (other than taxes imposed on the overall net income of such Lender by the jurisdiction in which such Lender has its principal office or such Applicable Lending Office);

(ii) shall impose, modify, or deem applicable any reserve, special deposit, assessment, or similar requirement (other than the Eurodollar Reserve Requirement utilized in the determination of the Adjusted Eurodollar Rate) relating to any extensions of credit or other assets of, or any deposits with or other liabilities or commitments of, such Lender (or its Applicable Lending Office), including the Commitment of such Lender hereunder; or

(iii) shall impose on such Lender (or its Applicable Lending Office) or the London interbank market any other condition affecting this Credit Agreement or its Notes or any of such extensions of credit or liabilities or commitments;

and the result of any of the foregoing is to increase the cost to such Lender (or its Applicable Lending Office) of making, converting into, continuing, or maintaining any Eurodollar Loans or to reduce any sum received or receivable by such Lender (or its Applicable Lending Office) under this Credit Agreement or its Notes with respect to any Eurodollar Loans, then the Borrower shall pay to such Lender on demand such amount or amounts as will compensate such Lender for such increased cost or reduction. If any Lender requests compensation by the Borrower under this Section 3.9, the Borrower may, by notice to such Lender (with a copy to the Administrative Agent), suspend the obligation of such Lender to make or continue Eurodollar Loans, or to convert Base Rate Loans into Eurodollar Loans, until the event or condition giving rise to such request ceases to be in effect (in which case the provisions of Section 3.10 shall be applicable); provided that such suspension shall not affect the right of such Lender to receive the compensation so requested. Each Lender shall promptly notify the Borrower and the Administrative Agent of any event of which it has knowledge, occurring after the date hereof, which will entitle such Lender to compensation pursuant to this Section 3.9 and will designate a different Applicable Lending Office if such designation will avoid the need for, or reduce the amount of, such compensation and will not, in the judgment of such Lender, be otherwise disadvantageous to it. Any Lender claiming compensation under this Section 3.9 shall furnish to the Borrower and the Administrative Agent a statement setting forth the additional amount or amounts to be paid to it hereunder which shall be conclusive in the absence of manifest error. In determining such amount, such Lender may use any reasonable averaging and attribution methods.

3.10 TREATMENT OF AFFECTED LOANS.

If the obligation of any Lender to make any Eurodollar Loan or to continue, or to convert Base Rate Loans into, Eurodollar Loans shall be suspended pursuant to Section 3.8 or 3.9 hereof, such Lender's Eurodollar Loans shall be automatically converted into Base Rate Loans on the last day(s) of the then current Interest Period(s) for such Eurodollar Loans (or, in the case of a conversion required by Section 3.8 hereof, on such earlier date as such Lender may specify to the Borrower with a copy to the Administrative Agent) and, unless and until such Lender gives notice as provided below that the circumstances specified in Section 3.8 or 3.9 hereof that gave rise to such conversion no longer exist:

(a) to the extent that such Lender's Eurodollar Loans have been so converted, all payments and prepayments of principal that would otherwise be applied to such Lender's Eurodollar Loans shall be applied instead to its Base Rate Loans; and

(b) all Loans that would otherwise be made or continued by such Lender as Eurodollar Loans shall be made or continued instead as Base Rate Loans, and all Base Rate Loans of such Lender that would otherwise be converted into Eurodollar Loans shall remain as Base Rate Loans.

If such Lender gives notice to the Borrower (with a copy to the Administrative Agent) that the circumstances specified in Section 3.8 or 3.9 hereof that gave rise to the conversion of such Lender's Eurodollar Loans pursuant to this Section 3.10 no longer exist (which such Lender agrees to do promptly upon such circumstances ceasing to exist) at a time when Eurodollar Loans made by other Lenders are outstanding, such Lender's Base Rate Loans shall be automatically converted, on the first day(s) of the next succeeding Interest Period(s) for such outstanding Eurodollar Loans, to the extent necessary so that, after giving effect thereto, all Loans held by the Lenders holding Eurodollar Loans and by such Lender are held pro rata (as to principal amounts, interest rate basis, and Interest Periods) in accordance with their respective Commitments.

3.11 TAXES.

(a) Any and all payments by any Credit Party to or for the account of any Lender or the Administrative Agent hereunder or under any other Credit Document shall be made free and clear of and without deduction for any and all present or future taxes, duties, levies, imposts, deductions, charges or withholdings, and all liabilities with respect thereto, excluding, in the case of each Lender and the Administrative Agent, taxes imposed on its income, and franchise taxes imposed on it, by the jurisdiction under the laws of which such Lender (or its Applicable Lending Office) or the Administrative Agent (as the case may be) is organized or any political subdivision thereof (all such non-excluded taxes, duties, levies, imposts, deductions, charges, withholdings, and liabilities being hereinafter referred to as "Taxes"). If any Credit Party shall be required by law to deduct any Taxes from or in respect of any sum payable under this Credit Agreement or any other Credit Document to any Lender or the Administrative Agent, (i) the sum payable shall be increased as necessary so that after making all required deductions (including deductions applicable to additional sums payable under this Section 3.11) such Lender or the Administrative Agent receives an amount equal to the sum it would have received had no such deductions been made, (ii) such Credit Party shall make such deductions, (iii) such Credit Party shall pay the full amount deducted to the relevant taxation authority or other authority in accordance with applicable law, and (iv) such Credit Party shall furnish to the Administrative Agent, at its address referred to in Section 11.1, the original or a certified copy of a receipt evidencing payment thereof.

(b) In addition, the Borrower agrees to pay any and all present or future stamp or documentary taxes and any other excise or property taxes or charges or similar levies which arise from any payment made under this Credit Agreement or any other Credit Document or from the execution or delivery of, or otherwise with respect to, this Credit Agreement or any other Credit Document (hereinafter referred to as "Other Taxes").

(c) The Borrower agrees to indemnify each Lender and the Administrative Agent for the full amount of Taxes and Other Taxes (including, without limitation, any Taxes or Other Taxes imposed or asserted by any jurisdiction on amounts payable under this Section 3.11) paid by such Lender or the Administrative Agent (as the case may be) and any liability (including penalties, interest, and expenses) arising therefrom or with respect thereto.

(d) Each Lender that is not a United States person under Section 7701(a)(30) of the Code, on or prior to the date of its execution and delivery of this Credit Agreement in the case of each Lender listed on the signature pages hereof and on or prior to the date on which it becomes a Lender in the case of each other Lender, and from time to time thereafter if requested in writing by the Borrower or the Administrative Agent (but only so long as such Lender remains lawfully able to do so), shall provide the Borrower and the Administrative Agent with (i) Internal Revenue Service Form 1001 or 4224, as appropriate, or any successor form prescribed by the Internal Revenue Service, certifying that such Lender is entitled to benefits under an income tax treaty to which the United States is a party which reduces the rate of withholding tax on payments of interest or certifying that the income receivable pursuant to this Credit Agreement is effectively connected with the conduct of a trade or business in the United States, (ii) Internal Revenue Service Form W-8 or W-9, as appropriate, or any successor form prescribed by the Internal Revenue Service, and (iii) any other form or certificate required by any taxing authority (including any certificate required by Sections 871(h) and 881(c) of the Internal Revenue Code), certifying that such Lender is entitled to an exemption from or a reduced rate of tax on payments pursuant to this Credit Agreement or any of the other Credit Documents.

(e) For any period with respect to which a Lender has failed to provide the Borrower and the Administrative Agent with the appropriate form pursuant to Section 3.11(d) (unless such failure is due to a change in treaty, law, or regulation occurring subsequent to the date on which a form originally was required to be provided), such Lender shall not be entitled to indemnification under Section 3.11(a) or 3.11(b) with respect to Taxes imposed by the United States; provided, however, that should a Lender, which is otherwise exempt from or subject to a reduced rate of withholding tax, become subject to Taxes because of its failure to deliver a form required hereunder, the Borrower shall take such steps as such Lender shall reasonably request to assist such Lender to recover such Taxes.

(f) If any Credit Party is required to pay additional amounts to or for the account of any Lender pursuant to this Section 3.11, then such Lender will agree to use reasonable efforts to change the jurisdiction of its Applicable Lending Office so as to eliminate or reduce any such additional payment which may thereafter accrue if such change, in the judgment of such Lender, is not otherwise disadvantageous to such Lender.

(g) Within thirty (30) days after the date of any payment of Taxes, the applicable Credit Party shall furnish to the Administrative Agent the original or a certified copy of a receipt evidencing such payment.

(h) Without prejudice to the survival of any other agreement of the Credit Parties hereunder, the agreements and obligations of the Credit Parties contained in this Section 3.11 shall survive the repayment of the Loans, LOC Obligations and other obligations under the Credit Documents and the termination of the Commitments hereunder.

3.12 COMPENSATION.

Upon the request of any Lender, the Borrower shall pay to such Lender such amount or amounts as shall be sufficient (in the reasonable opinion of such Lender) to compensate it for any loss, cost, or expense (including loss of anticipated profits) incurred by it as a result of:

(a) any payment, prepayment, or conversion of a Eurodollar Loan for any reason (including, without limitation, the acceleration of the Loans pursuant to Section 9.2) on a date other than the last day of the Interest Period for such Loan; or

(b) any failure by the Borrower for any reason (including, without limitation, the failure of any condition precedent specified in Section 5 to be satisfied) to borrow, convert, continue, or prepay a Eurodollar Loan on the date for such borrowing, conversion, continuation, or prepayment specified in the relevant notice of borrowing, prepayment, continuation, or conversion under this Credit Agreement.

With respect to Eurodollar Loans, such indemnification may include an amount equal to the excess, if any, of (a) the amount of interest which would have accrued on the amount so prepaid, or not so borrowed, converted or continued, for the period from the date of such prepayment or of such failure to borrow, convert or continue to the last day of the applicable Interest Period (or, in the case of a failure to borrow, convert or continue, the Interest Period that would have commenced on the date of such failure) in each case at the applicable rate of interest for such Eurodollar Loans provided for herein (excluding, however, the Applicable Percentage included therein, if any) over (b) the amount of interest (as reasonably determined by such Lender) which would have accrued to such Lender on such amount by placing such amount on deposit for a comparable period with leading banks in the interbank Eurodollar market. The covenants of the Borrower set forth in this Section 3.12 shall survive the repayment of the Loans, LOC Obligations and other obligations under the Credit Documents and the termination of the Commitments hereunder.

3.13 PRO RATA TREATMENT.

Except to the extent otherwise provided herein:

(a) Loans. Each Revolving Loan, each payment or (subject to the terms of Section 3.3) prepayment of principal of any Revolving Loan (other than Swingline Loans) or reimbursement obligations arising from drawings under Letters of Credit, each payment of interest on the Revolving Loans or reimbursement obligations arising from drawings under Letters of Credit, each payment of Unused Fees, each payment of the Standby Letter of Credit Fee, each payment of the Trade Letter of Credit Fee, each reduction in Revolving Commitments and LOC Commitments and each conversion or extension of any Revolving

Loan, shall be allocated pro rata among the Revolving Lenders in accordance with the respective principal amounts of their outstanding Revolving Loans or Swingline Loans and Participation Interests. With respect to the Term Loan, each payment or prepayment of principal on the Term Loan, each payment of interest thereon, and each conversion or extension of any Loan comprising the Term Loan, shall be allocated pro rata among the Term Lenders in accordance with the respective principal amounts of their outstanding Term Loan and Participation Interests therein.

(b) Advances. No Lender shall be responsible for the failure or delay by any other Lender in its obligation to make its ratable share of a borrowing hereunder; provided, however, that the failure of any Lender to fulfill its obligations hereunder shall not relieve any other Lender of its obligations hereunder. Unless the Administrative Agent shall have been notified in writing by any Lender prior to the date of any requested borrowing that such Lender does not intend to make available to the Administrative Agent its ratable share of such borrowing to be made on such date, the Administrative Agent may assume that such Lender has made such amount available to the Administrative Agent on the date of such borrowing, and the Administrative Agent in reliance upon such assumption, may (in its sole discretion but without any obligation to do so) make available to the Borrower a corresponding amount. If such corresponding amount is not in fact made available to the Administrative Agent, the Administrative Agent shall be able to recover such corresponding amount from such Lender. If such Lender does not pay such corresponding amount forthwith upon the Administrative Agent's demand therefor, the Administrative Agent will promptly notify the Borrower, and the Borrower shall immediately pay such corresponding amount to the Administrative Agent. The Administrative Agent shall also be entitled to recover from the Lender or the Borrower, as the case may be, interest on such corresponding amount in respect of each day from the date such corresponding amount was made available by the Administrative Agent to the Borrower to the date such corresponding amount is recovered by the Administrative Agent at a per annum rate equal to (i) from the Borrower at the applicable rate for the applicable borrowing pursuant to the Notice of Borrowing and (ii) from a Lender at the Federal Funds Rate.

3.14 SHARING OF PAYMENTS.

The Lenders agree among themselves that, in the event that any Lender shall obtain payment in respect of any Loan, LOC Obligations or any other obligation owing to such Lender under this Credit Agreement through the exercise of a right of setoff, banker's lien or counterclaim, or pursuant to a secured claim under Section 506 of Title 11 of the United States Code or other security or interest arising from, or in lieu of, such secured claim, received by such Lender under any applicable bankruptcy, insolvency or other similar law or otherwise, or by any other means, in excess of its pro rata share of such payment as provided for in this Credit Agreement, such Lender shall promptly purchase from the other Lenders a Participation Interest in such Loans, LOC Obligations and other obligations in such amounts, and make such other adjustments from time to time, as shall be equitable to the end that all Lenders share such payment in accordance with their respective ratable shares as provided for in this Credit Agreement. The Lenders further agree among themselves that if payment to a Lender obtained by such Lender through the exercise of a right of setoff, banker's lien, counterclaim or other event as aforesaid shall be rescinded or must

otherwise be restored, each Lender which shall have shared the benefit of such payment shall, by repurchase of a Participation Interest theretofore sold, return its share of that benefit (together with its share of any accrued interest payable with respect thereto) to each Lender whose payment shall have been rescinded or otherwise restored. The Borrower agrees that any Lender so purchasing such a Participation Interest may, to the fullest extent permitted by law, exercise all rights of payment, including setoff, banker's lien or counterclaim, with respect to such Participation Interest as fully as if such Lender were a holder of such Loan, LOC Obligations or other obligation in the amount of such Participation Interest. Except as otherwise expressly provided in this Credit Agreement, if any Lender or the Administrative Agent shall fail to remit to the Administrative Agent or any other Lender an amount payable by such Lender or the Administrative Agent to the Administrative Agent or such other Lender pursuant to this Credit Agreement on the date when such amount is due, such payments shall be made together with interest thereon for each date from the date such amount is due until the date such amount is paid to the Administrative Agent or such other Lender at a rate per annum equal to the Federal Funds Rate. If under any applicable bankruptcy, insolvency or other similar law, any Lender receives a secured claim in lieu of a setoff to which this Section 3.14 applies, such Lender shall, to the extent practicable, exercise its rights in respect of such secured claim in a manner consistent with the rights of the Lenders under this Section 3.14 to share in the benefits of any recovery on such secured claim.

3.15 PAYMENTS, COMPUTATIONS, ETC.

(a) Except as otherwise specifically provided herein, all payments hereunder shall be made to the Administrative Agent in Dollars in immediately available funds, without setoff, deduction, counterclaim or withholding of any kind, at the Administrative Agent's office specified in Schedule 2.1(a) not later than 2:00 P.M. (Charlotte, North Carolina time) on the date when due. Payments received after such time shall be deemed to have been received on the next succeeding Business Day. The Administrative Agent may (but shall not be obligated to) debit the amount of any such payment which is not made by such time to any ordinary deposit account of the Borrower or any other Credit Party maintained with the Administrative Agent (with notice to the Borrower or such other Credit Party). The Borrower shall, at the time it makes any payment under this Credit Agreement, specify to the Administrative Agent the Loans, LOC Obligations, Fees, interest or other amounts payable by the Borrower hereunder to which such payment is to be applied (and in the event that it fails so to specify, or if such application would be inconsistent with the terms hereof, the Administrative Agent shall distribute such payment to the Lenders in such manner as the Administrative Agent may determine to be appropriate in respect of obligations owing by the Borrower hereunder, subject to the terms of Section 3.13(a)). The Administrative Agent will distribute such payments to such Lenders, if any such payment is received prior to 12:00 Noon (Charlotte, North Carolina time) on a Business Day in like funds as received prior to the end of such Business Day and otherwise the Administrative Agent will distribute such payment to such Lenders on the next succeeding Business Day. Whenever any payment hereunder shall be stated to be due on a day which is not a Business Day, the due date thereof shall be extended to the next succeeding Business Day (subject to accrual of interest and Fees for the period of such extension), except that in the case of Eurodollar Loans, if the extension would cause the payment to be made in the next following calendar month, then such payment shall instead

be made on the next preceding Business Day. Except as expressly provided otherwise herein, all computations of interest and fees shall be made on the basis of actual number of days elapsed over a year of 360 days, except with respect to computation of interest on Base Rate Loans which (unless the Base Rate is determined by reference to the Federal Funds Rate) shall be calculated based on a year of 365 or 366 days, as appropriate. Interest shall accrue from and include the date of borrowing, but exclude the date of payment.

(b) Allocation of Payments After Event of Default. Notwithstanding any other provisions of this Credit Agreement to the contrary, after the occurrence and during the continuance of an Event of Default, all amounts collected or received by the Administrative Agent or any Lender on account of the Credit Party Obligations or any other amounts outstanding under any of the Credit Documents or in respect of the Collateral shall be paid over or delivered as follows:

FIRST, to the payment of all reasonable out-of-pocket costs and expenses (including without limitation reasonable attorneys' fees) of the Administrative Agent in connection with enforcing the rights of the Lenders under the Credit Documents and any protective advances made by the Administrative Agent with respect to the Collateral under or pursuant to the terms of the Collateral Documents;

SECOND, to payment of any fees owed to the Administrative Agent;

THIRD, to the payment of all reasonable out-of-pocket costs and expenses (including without limitation, reasonable attorneys' fees) of each of the Lenders in connection with enforcing its rights under the Credit Documents or otherwise with respect to the Credit Party Obligations owing to such Lender;

FOURTH, to the payment of all of the Credit Party Obligations consisting of accrued fees and interest;

FIFTH, to the payment of the outstanding principal amount of the Credit Party Obligations (including the payment or cash collateralization of the outstanding LOC Obligations);

SIXTH, to all other Credit Party Obligations and other obligations which shall have become due and payable under the Credit Documents or otherwise and not repaid pursuant to clauses "FIRST" through "FIFTH" above; and

SEVENTH, to the payment of the surplus, if any, to whoever may be lawfully entitled to receive such surplus.

In carrying out the foregoing, (i) amounts received shall be applied in the numerical order provided until exhausted prior to application to the next succeeding category; (ii) each of the Lenders shall receive an amount equal to its pro rata share (based on the proportion that the then outstanding Loans and LOC Obligations held by such Lender bears to the aggregate then outstanding Loans and LOC Obligations) of amounts available to be

applied pursuant to clauses "THIRD", "FOURTH", "FIFTH" and "SIXTH" above; and (iii) to the extent that any amounts available for distribution pursuant to clause "FIFTH" above are attributable to the issued but undrawn amount of outstanding Letters of Credit, such amounts shall be held by the Administrative Agent in a cash collateral account and applied (A) first, to reimburse the Issuing Lender from time to time for any drawings under such Letters of Credit and (B) then, following the expiration of all Letters of Credit, to all other obligations of the types described in clauses "FIFTH" and "SIXTH" above in the manner provided in this Section 3.15(b).

3.16 EVIDENCE OF DEBT.

(a) Each Lender shall maintain an account or accounts evidencing each Loan made by such Lender to the Borrower from time to time, including the amounts of principal and interest payable and paid to such Lender from time to time under this Credit Agreement. Each Lender will make reasonable efforts to maintain the accuracy of its account or accounts and to promptly update its account or accounts from time to time, as necessary.

(b) The Administrative Agent shall maintain the Register pursuant to Section 11.3(c), and a subaccount for each Lender, in which Register and subaccounts (taken together) shall be recorded (i) the amount, type and Interest Period of each such Loan hereunder, (ii) the amount of any principal or interest due and payable or to become due and payable to each Lender hereunder and (iii) the amount of any sum received by the Administrative Agent hereunder from or for the account of any Credit Party and each Lender's share thereof. The Administrative Agent will make reasonable efforts to maintain the accuracy of the subaccounts referred to in the preceding sentence and to promptly update such subaccounts from time to time, as necessary.

(c) The entries made in the accounts, Register and subaccounts maintained pursuant to subsection (b) of this Section 3.16 (and, if consistent with the entries of the Administrative Agent, subsection (a)) shall be prima facie evidence of the existence and amounts of the obligations of the Credit Parties therein recorded; provided, however, that the failure of any Lender or the Administrative Agent to maintain any such account, such Register or such subaccount, as applicable, or any error therein, shall not in any manner affect the obligation of the Credit Parties to repay the Credit Party obligations owing to such Lender.

SECTION 4

GUARANTY

4.1 THE GUARANTY.

Each of the Guarantors hereby jointly and severally guarantees to each Lender, each Affiliate of a Lender that enters into a Hedging Agreement, the Administrative Agent and the

Documentation Agent as hereinafter provided, as primary obligor and not as surety, the prompt payment of the Credit Party Obligations in full when due (whether at stated maturity, as a mandatory prepayment, by acceleration, as a mandatory cash collateralization or otherwise) strictly in accordance with the terms thereof. The Guarantors hereby further agree that if any of the Credit Party Obligations are not paid in full when due (whether at stated maturity, as a mandatory prepayment, by acceleration, as a mandatory cash collateralization or otherwise), the Guarantors will, jointly and severally, promptly pay the same, without any demand or notice whatsoever, and that in the case of any extension of time of payment or renewal of any of the Credit Party Obligations, the same will be promptly paid in full when due (whether at extended maturity, as a mandatory prepayment, by acceleration, as a mandatory cash collateralization or otherwise) in accordance with the terms of such extension or renewal.

Notwithstanding any provision to the contrary contained herein or in any other of the Credit Documents or Hedging Agreements, the obligations of each Guarantor hereunder shall be limited to an aggregate amount equal to the largest amount that would not render its obligations hereunder subject to avoidance under Section 548 of the Bankruptcy Code or any comparable provisions of any applicable state law.

4.2 OBLIGATIONS UNCONDITIONAL.

The obligations of the Guarantors under Section 4.1 are joint and several, absolute and unconditional, irrespective of the value, genuineness, validity, regularity or enforceability of any of the Credit Documents or Hedging Agreements, or any other agreement or instrument referred to therein, or any substitution, release, impairment or exchange of any Guarantor or other guarantee of or security for any of the Credit Party Obligations, and, to the fullest extent permitted by applicable law, irrespective of any other circumstance whatsoever which might otherwise constitute a legal or equitable discharge or defense of a surety or guarantor, it being the intent of this Section 4.2 that the obligations of the Guarantors hereunder shall be absolute and unconditional under any and all circumstances. Each Guarantor agrees that such Guarantor shall have no right of subrogation, indemnity, reimbursement or contribution against the Borrower or any other Guarantor for amounts paid under this Section 4 until such time as the Lenders (and any Affiliates of Lenders entering into Hedging Agreements) have been paid in full, all Commitments under this Credit Agreement have been terminated and no Person or Governmental Authority shall have any right to request any return or reimbursement of funds from the Lenders in connection with monies received under the Credit Documents or Hedging Agreements. Without limiting the generality of the foregoing, it is agreed that, to the fullest extent permitted by law, the occurrence of any one or more of the following shall not alter or impair the liability of any Guarantor hereunder which shall remain absolute and unconditional as described above:

(a) at any time or from time to time, without notice to any Guarantor, the time for any performance of or compliance with any of the Credit Party Obligations shall be extended, or such performance or compliance shall be waived;

(b) any of the acts mentioned in any of the provisions of any of the Credit Documents, any Hedging Agreement or any other agreement or instrument referred to in the Credit Documents or Hedging Agreements shall be done or omitted;

(c) the maturity of any of the Credit Party Obligations shall be accelerated, or any of the Credit Party Obligations shall be modified, supplemented or amended in any respect, or any right under any of the Credit Documents, any Hedging Agreement or any other agreement or instrument referred to in the Credit Documents or Hedging Agreements shall be waived or any other guarantee of any of the Credit Party Obligations or any security therefor shall be released, impaired or exchanged in whole or in part or otherwise dealt with;

(d) any Lien granted to, or in favor of, the Administrative Agent or any Lender or Lenders as security for any of the Credit Party Obligations shall fail to attach or be perfected;

(e) any of the Credit Party Obligations shall be determined to be void or voidable (including, without limitation, for the benefit of any creditor of any Guarantor) or shall be subordinated to the claims of any Person (including, without limitation, any creditor of any Guarantor); or

(f) the occurrence of any Bankruptcy Event with respect to any Consolidated Party.

With respect to its obligations hereunder, each Guarantor hereby expressly waives diligence, presentment, demand of payment, protest and all notices whatsoever, and any requirement that the Administrative Agent or any Lender exhaust any right, power or remedy or proceed against any Person under any of the Credit Documents, any Hedging Agreement or any other agreement or instrument referred to in the Credit Documents or Hedging Agreements, or against any other Person under any other guarantee of, or security for, any of the Credit Party Obligations.

4.3 REINSTATEMENT.

The obligations of the Guarantors under this Section 4 shall be automatically reinstated if and to the extent that for any reason any payment by or on behalf of any Person in respect of the Credit Party Obligations is rescinded or must be otherwise restored by any holder of any of the Credit Party Obligations, whether as a result of any proceedings in bankruptcy or reorganization or otherwise, and each Guarantor agrees that it will indemnify the Administrative Agent and each Lender on demand for all reasonable costs and expenses (including, without limitation, fees and expenses of counsel) incurred by the Administrative Agent or such Lender in connection with such rescission or restoration, including any such costs and expenses incurred in defending against any claim alleging that such payment constituted a preference, fraudulent transfer or similar payment under any bankruptcy, insolvency or similar law.

4.4 CERTAIN ADDITIONAL WAIVERS.

Each Guarantor agrees that such Guarantor shall have no right of recourse to security for the Credit Party Obligations, except through the exercise of rights of subrogation pursuant to Section 4.2 and through the exercise of rights of contribution pursuant to Section 4.6.

4.5 REMEDIES.

The Guarantors agree that, to the fullest extent permitted by law, as between the Guarantors, on the one hand, and the Administrative Agent and the Lenders, on the other hand, the Credit Party Obligations may be declared to be forthwith due and payable as provided in Section 9.2 (and shall be deemed to have become automatically due and payable in the circumstances provided in said Section 9.2) for purposes of Section 4.1 notwithstanding any stay, injunction or other prohibition preventing such declaration (or preventing the Credit Party Obligations from becoming automatically due and payable) as against any other Person and that, in the event of such declaration (or the Credit Party Obligations being deemed to have become automatically due and payable), the Credit Party Obligations (whether or not due and payable by any other Person) shall forthwith become due and payable by the Guarantors for purposes of Section 4.1. The Guarantors acknowledge and agree that their obligations hereunder are secured in accordance with the terms of the Security Agreements and the other Collateral Documents and that the Lenders may exercise their remedies thereunder in accordance with the terms thereof.

4.6 RIGHTS OF CONTRIBUTION.

The Guarantors hereby agree as among themselves that, if any Guarantor shall make an Excess Payment (as defined below), such Guarantor shall have a right of contribution from each other Guarantor in an amount equal to such other Guarantor's Contribution Share (as defined below) of such Excess Payment. The payment obligations of any Guarantor under this Section 4.6 shall be subordinate and subject in right of payment to the prior payment in full to the Administrative Agent and the Lenders of the Guaranteed Obligations, and none of the Guarantors shall exercise any right or remedy under this Section 4.6 against any other Guarantor until payment and satisfaction in full of all of such Guaranteed Obligations. For purposes of this Section 4.6, (a) "Guaranteed Obligations" shall mean any obligations arising under the other provisions of this Section 4; (b) "Excess Payment" shall mean the amount paid by any Guarantor in excess of its Pro Rata Share of any Guaranteed Obligations; (c) "Pro Rata Share" shall mean, for any Guarantor in respect of any payment of Guaranteed Obligations, the ratio (expressed as a percentage) as of the date of such payment of Guaranteed Obligations of (i) the amount by which the aggregate present fair salable value of all of its assets and properties exceeds the amount of all debts and liabilities of such Guarantor (including contingent, subordinated, unmatured, and unliquidated liabilities, but excluding the obligations of such Guarantor hereunder) to (ii) the amount by which the aggregate present fair salable value of all assets and other properties of all of the Credit Parties exceeds the amount of all of the debts and liabilities (including contingent, subordinated, unmatured, and unliquidated liabilities, but excluding the obligations of the Credit Parties hereunder) of the Credit Parties; provided, however, that, for purposes of calculating the Pro Rata Shares of the Guarantors in respect of any payment of Guaranteed Obligations, any Guarantor that became a Guarantor subsequent to the date of any such payment shall be deemed to have been a Guarantor on the date of such payment and the financial information for such Guarantor as of the date such Guarantor became a Guarantor shall be utilized for such Guarantor in connection with such payment; and (d) "Contribution Share" shall mean, for any Guarantor in respect of any Excess Payment made by any other Guarantor, the ratio (expressed as a percentage) as of the date of such Excess Payment of (i) the amount by which the aggregate present fair salable value of all of its assets and properties

exceeds the amount of all debts and liabilities of such Guarantor (including contingent, subordinated, unmatured, and unliquidated liabilities, but excluding the obligations of such Guarantor hereunder) to (ii) the amount by which the aggregate present fair salable value of all assets and other properties of the Credit Parties other than the maker of such Excess Payment exceeds the amount of all of the debts and liabilities (including contingent, subordinated, unmatured, and unliquidated liabilities, but excluding the obligations of the Credit Parties) of the Credit Parties other than the maker of such Excess Payment; provided, however, that, for purposes of calculating the Contribution Shares of the Guarantors in respect of any Excess Payment, any Guarantor that became a Guarantor subsequent to the date of any such Excess Payment shall be deemed to have been a Guarantor on the date of such Excess Payment and the financial information for such Guarantor as of the date such Guarantor became a Guarantor shall be utilized for such Guarantor in connection with such Excess Payment. This Section 4.6 shall not be deemed to affect any right of subrogation, indemnity, reimbursement or contribution that any Guarantor may have under applicable law against the Borrower in respect of any payment of Guaranteed Obligations.

4.7 GUARANTEE OF PAYMENT; CONTINUING GUARANTEE.

The guarantee in this Section 4 is a guaranty of payment and not of collection, is a continuing guarantee, and shall apply to all Credit Party Obligations whenever arising.

SECTION 5

CONDITIONS

5.1 CLOSING CONDITIONS.

The obligation of the Lenders to enter into this Credit Agreement and to make the initial Loans or the Issuing Lender to issue the initial Letter of Credit, whichever shall occur first, shall be subject to satisfaction of the following conditions (in form and substance acceptable to the Lenders):

(a) Executed Credit Documents. Receipt by the Administrative Agent of duly executed copies of: (i) this Credit Agreement, (ii) the Notes, (iii) the Collateral Documents and (iv) all other Credit Documents, each (other than the Documentation Agent's Fee Letter) in form and substance acceptable to the Administrative Agent in its sole discretion.

(b) Corporate Documents. Receipt by the Administrative Agent of the following:

(i) Charter Documents. Copies of the articles or certificates of incorporation or other charter documents of each Credit Party certified to be true and complete as of a recent date by the appropriate Governmental Authority of the state or other jurisdiction of its incorporation and certified by a secretary or assistant secretary of such Credit Party to be true and correct as of the Effective Date.

(ii) Bylaws. A copy of the bylaws of each Credit Party certified by a secretary or assistant secretary of such Credit Party to be true and correct as of the Effective Date.

(iii) Resolutions. Copies of resolutions of the Board of Directors of each Credit Party approving and adopting the Credit Documents to which it is a party, the transactions contemplated therein and authorizing execution and delivery thereof, certified by a secretary or assistant secretary of such Credit Party to be true and correct and in force and effect as of the Effective Date.

(iv) Good Standing. Copies of certificates of good standing, existence or its equivalent with respect to each Credit Party certified as of a recent date by the appropriate Governmental Authorities of the state or other jurisdiction of incorporation and each other jurisdiction in which the failure to so qualify and be in good standing could have a Material Adverse Effect.

(v) Incumbency. An incumbency certificate of each Credit Party certified by a secretary or assistant secretary to be true and correct as of the Effective Date.

(c) Financial Statements. Receipt by the Administrative Agent of (i) an opening balance sheet for the Borrower and its Subsidiaries as of January 1, 1999 after giving effect to the initial Loans hereunder, (ii) the consolidated financial statements of (A) PZN and its Subsidiaries and (B) CCA and its Subsidiaries, including balance sheets and income and cash flow statements for the fiscal years 1995, 1996 and 1997, in each case audited by nationally recognized independent public accountants and containing an unqualified opinion of such firm that such statements present fairly the consolidated financial position of PZN and its Subsidiaries and CCA and its Subsidiaries, respectively and are prepared in conformity with GAAP, (iii) quarterly working capital detail for the trailing twelve months for PZN and its Subsidiaries and CCA and its Subsidiaries and the first projected year of the Borrower and (iv) such other information as the Administrative Agent may reasonably require in connection with the structuring and syndication of credit facilities of the type described herein.

(d) Opinions of Counsel. The Administrative Agent shall have received a legal opinion in form and substance reasonably satisfactory to the Administrative Agent dated as of the Effective Date from counsel to the Credit Parties.

(e) Personal Property Collateral. The Administrative Agent shall have received:

(i) searches of Uniform Commercial Code filings in the jurisdiction of the chief executive office of each Credit Party and each jurisdiction where any Collateral is located or where a filing would need to be made in order to perfect the Administrative Agent's security interest in the Collateral, copies of the financing statements on file in such jurisdictions and evidence that no Liens exist other than Permitted Liens;

(ii) duly executed UCC financing statements for each appropriate jurisdiction as is necessary, in the Administrative Agent's sole discretion, to perfect the Administrative Agent's security interest in the Collateral;

(iii) searches of ownership of intellectual property in the appropriate governmental offices and such patent/trademark/copyright filings as requested by the Administrative Agent in order to perfect the Administrative Agent's security interest in the Collateral;

(iv) all stock certificates evidencing the Capital Stock pledged to the Administrative Agent pursuant to the Pledge Agreement, together with duly executed in blank, undated stock powers attached thereto (unless, with respect to the pledged Capital Stock of any Foreign Subsidiary, such stock powers are deemed unnecessary by the Administrative Agent in its reasonable discretion under the law of the jurisdiction of incorporation of such Person);

(v) such patent/trademark/copyright filings as requested by the Administrative Agent in order to perfect the Administrative Agent's security interest in the Collateral;

(vi) all instruments and chattel paper in the possession of any of the Credit Parties, together with allonges or assignments as may be necessary or appropriate to perfect the Administrative Agent's security interest in the Collateral;

(vii) duly executed consents as are necessary, in the Administrative Agent's sole discretion, to perfect the Administrative Agent's security interest in the Collateral; and

(viii) in the case of any personal property Collateral located at a premises leased by a Credit Party, such estoppel letters, consents and waivers from the landlords on such real property as may be required by the Administrative Agent.

(f) Real Property Collateral. The Administrative Agent shall have received, in form and substance satisfactory to the Administrative Agent:

(i) fully executed and notarized mortgages, deeds of trust or deeds to secure debt in favor of the Administrative Agent (each such mortgage, deed of trust and deed to secure debt referenced above shall be referred to herein as a "Mortgage" and collectively as "Mortgages") for (a) the real property assets owned by the Borrower set forth on Schedule 5.1(f)(i) and (b) each leasehold estate of the Borrower set forth on Schedule 5.1(f)(i) (each of those real property assets and leasehold estates on Schedule 5.1(f)(i) being an "Existing Property" and collectively the "Existing Properties"), together with such UCC-1 financing

statements, as the Administrative Agent shall deem appropriate with respect to each such Existing Property;

(ii) ALTA or other appropriate form mortgagee title insurance policies (the "Mortgage Policies") issued by a title insurer satisfactory to the Administrative Agent (the "Title Insurance Company"), in an amount satisfactory to the Administrative Agent with respect to each Existing Property, assuring the Administrative Agent that the applicable Mortgages create valid and enforceable first priority mortgage liens on the respective Existing Properties, free and clear of all defects and encumbrances except Permitted Liens which Mortgage Policies shall be in form and substance satisfactory to the Administrative Agent and containing such endorsements as shall be satisfactory to the Administrative Agent and for any other matters that the Administrative Agent may request, and providing affirmative insurance and such reinsurance as the Administrative Agent may request, all of the foregoing in form and substance reasonably satisfactory to the Administrative Agent;

(iii) maps or plats of a survey of the sites of the Existing Properties certified to the Administrative Agent and the Title Insurance Company in a manner reasonably satisfactory to them, dated a date satisfactory to the Administrative Agent and the Title Insurance Company by an independent professional licensed land surveyor reasonably satisfactory to the Administrative Agent and the Title Insurance Company, and otherwise in form and substance satisfactory to the Administrative Agent;

(iv) an opinion of counsel (which counsel shall be satisfactory to the Administrative Agent) in the state in which each Existing Property is located with respect to the enforceability of the Mortgages, standard remedies with respect thereto, and sufficiency of the form of UCC-1 financing statements to be recorded or filed in such state and such other matters as the Administrative Agent may request, in form and substance satisfactory to the Administrative Agent;

(v) certification from Bankers Hazard Determination Services or Borrower's land surveyor in a form reasonably satisfactory to the Administrative Agent or other evidence acceptable to the Administrative Agent that none of the improvements on the Existing Properties are located within any area designated by the Director of the Federal Emergency Management Agency as a "special flood hazard" area or if any improvements on the Existing Properties are located within a "special flood hazard" area, evidence of a flood insurance policy from a company and in an amount satisfactory to the Administrative Agent for the applicable portion of the premises, naming the Administrative Agent, for the benefit of the Lenders, as mortgagee;

(g) Subordination. With respect to each of the Existing Properties owned by the Borrower and leased to Management Opco, the Administrative Agent shall have

received, in form and substance satisfactory to the Administrative Agent, a subordination of lease agreement from Management Opco with respect to all such Existing Properties.

(h) Environmental Reports. Except for those Existing Properties identified on Schedule 7.19, the Administrative Agent shall have received, in form and substance satisfactory to the Administrative Agent, environmental site assessment reports and related documents with respect to all Existing Properties.

(i) Priority of Liens. The Administrative Agent shall have received satisfactory evidence that (i) the Administrative Agent, on behalf of the Lenders, holds a perfected, first priority Lien on all Collateral and (ii) none of the Collateral is subject to any other Liens other than Permitted Liens.

(j) Opening Borrowing Base. Receipt by the Administrative Agent of a Borrowing Base Certificate as of the Closing Date, substantially in the form of Exhibit 7.1(d) and certified by the chief financial officer of the Borrower to be true and correct as of the Closing Date.

(k) Evidence of Insurance. Receipt by the Administrative Agent of copies of insurance policies or certificates of insurance of the Consolidated Parties evidencing liability and casualty insurance meeting the requirements set forth in the Credit Documents, including, but not limited to, naming the Administrative Agent as sole loss payee or additional insured, as appropriate, on behalf of the Lenders.

(l) Corporate Structure. The corporate capital and ownership structure (including articles of incorporation and by-laws), equityholder agreements and management of (i) the Borrower and its Subsidiaries (both before and after giving effect to the Merger), (ii) PZN and its Subsidiaries (before giving effect to the Merger) and (iii) CCA and its Subsidiaries (before giving effect to the Merger), including without limitation employment contracts, shall be in form and substance reasonably satisfactory to the Administrative Agent.

(m) Government Consent. Receipt by the Administrative Agent of evidence that all material governmental, shareholder and material third party consents (including Hart-Scott-Rodino clearance, if applicable) and approvals necessary or desirable in connection with the Merger and the related financings and other transactions contemplated hereby and expiration of all applicable waiting periods without any action being taken by any authority that could reasonably be likely to restrain, prevent or impose any material adverse conditions on the Merger or such other transactions or that could reasonably be likely to seek or threaten any of the foregoing, and no law or regulation shall be applicable which in the judgment of the Administrative Agent could reasonably be likely to have such effect.

(n) Material Adverse Effect. No material adverse change shall have occurred since June 30, 1998 in the condition (financial or otherwise), business, assets, operations, management or prospects of (i) the Consolidated Parties taken as a whole, (ii) PZN and its Subsidiaries taken as a whole or (iii) CCA and its Subsidiaries taken as a whole.

(o) Litigation. There shall not exist any pending or threatened action, suit, investigation or proceeding against a Consolidated Party that could have a Material Adverse Effect.

(p) Material Contracts. The Administrative Agent shall have received and be satisfied, in its sole discretion, with (i) the Master Lease, (ii) the standard form of lease to be used by the Borrower in leasing the Real Properties to Management Opco, (iii) the Management Opco Note, (iv) the Opco License Agreement, (iv) the Service Company A License Agreement and (v) the Service Company B License Agreement.

(q) Officer's Certificates. The Administrative Agent shall have received a certificate or certificates executed by an Executive Officer of the Borrower as of the Effective Date stating that (A) each Credit Party is in compliance with all existing financial obligations, (B) all material governmental, shareholder and third party consents and approvals, if any, with respect to the Credit Documents and the transactions contemplated thereby have been obtained, (C) no action, suit, investigation or proceeding is pending or threatened in any court or before any arbitrator or governmental instrumentality that purports to affect any Credit Party or any transaction contemplated by the Credit Documents, if such action, suit, investigation or proceeding could have a Material Adverse Effect, and (D) immediately after giving effect to this Credit Agreement, the other Credit Documents and all the transactions contemplated therein to occur on such date, (1) each of the Credit Parties is Solvent, (2) no Default or Event of Default exists, (3) all representations and warranties contained herein and in the other Credit Documents are true and correct in all material respects, and (4) the Credit Parties are in compliance with each of the financial covenants set forth in Section 7.11.

(r) Compliance Certificate. The Administrative Agent shall have received a certificate executed by the chief financial officer of the Borrower, demonstrating compliance with the financial covenants contained in Section 7.11 (based on the projections (and annualized, where appropriate) of the Borrower for the first fiscal quarter following the Closing Date).

(s) Consummation of Merger. Evidence of consummation of the Merger substantially on the terms and conditions provided in the Merger Agreement. There shall not have been any material modification, amendment, supplement or waiver to the Merger Agreement without the prior written consent of the Administrative Agent, including, but not limited to, any modification, amendment, supplement or waiver relating to all disclosure schedules and exhibits, and the Merger shall have been consummated in accordance with the terms of the Merger Agreement. Receipt by the Administrative Agent of the final Merger Agreement, together with all exhibits and schedules thereto, certified by an officer of the Borrower.

(t) Additional Financings. Receipt by the Administrative Agent of evidence that conditions precedent to the effectiveness of the Service Company A Credit Agreement and Service Company B Credit Agreement shall have been satisfied. The Lenders shall be

satisfied, in their sole discretion, with the terms, conditions and provisions of the Service Company A Credit Agreement and the Service Company B Credit Agreement.

(u) Management Opco Financing. Receipt by the Administrative Agent of evidence that conditions precedent to the effectiveness of the Management Opco Credit Agreement shall have been satisfied. The Lenders shall be satisfied, in their sole discretion, (i) with the terms, conditions and provisions of the Management Opco Credit Agreement and (ii) that the financing committed to Management Opco is sufficient to meet the ongoing financing needs of Management Opco.

(v) Liquidity. After giving effect to the Loans made on the Closing Date, the Borrower shall have liquidity of at least $75 million (which liquidity may include any amounts available to be drawn under this Credit Agreement).

(w) Fees and Expenses. Payment by the Credit Parties of all fees and expenses owed by them to the Lenders and the Administrative Agent, including, without limitation, payment to the Administrative Agent of the fees set forth in the Administrative Agent's Fee Letter and payment to the Documentation Agent of the fees set forth in the Documentation Agent's Fee Letter.

(x) Payoff Letter. Receipt by the Administrative Agent of a payoff letter acceptable to the Administrative Agent in connection with the replacement of the First Union National Bank credit facilities.

(y) GECC Commitment. GECC shall have agreed to have a Revolving Commitment hereunder on terms acceptable to the Administrative Agent in an amount equal to at least $10,000,000.

(z) Other. Receipt by the Lenders of such other documents, instruments, agreements or information as reasonably requested by any Lender, including, but not limited to, information regarding litigation, tax, accounting, labor, insurance, pension liabilities (actual or contingent), real estate leases, material contracts, debt agreements, property ownership and contingent liabilities of the Consolidated Parties.

5.2 CONDITIONS TO ALL EXTENSIONS OF CREDIT.

The obligations of each Lender to make any Loan and of the Issuing Lender to issue or extend any Letter of Credit (including the initial Loans and the initial Letter of Credit) are subject to satisfaction of the following conditions in addition to satisfaction on the Closing Date of the conditions set forth in Section 5.1:

(a) The Borrower shall have delivered (i) in the case of any Revolving Loan or the Term Loan, a Notice of Borrowing or Notice of Extension/Conversion or (ii) in the case of any Letter of Credit, the Issuing Lender shall have received an appropriate request for issuance in accordance with the provisions of Section 2.2(b);

(b) The representations and warranties set forth in Section 6 shall, subject to the limitations set forth therein, be true and correct in all material respects as of such date (except for those which expressly relate to an earlier date);

(c) There shall not have been commenced against any Consolidated Party an involuntary case under any applicable bankruptcy, insolvency or other similar law now or hereafter in effect, or any case, proceeding or other action for the appointment of a receiver, liquidator, assignee, custodian, trustee, sequestrator (or similar official) of such Person or for any substantial part of its Property or for the winding up or liquidation of its affairs, and such involuntary case or other case, proceeding or other action shall remain undismissed, undischarged or unbonded;

(d) No Default or Event of Default shall exist and be continuing either prior to or after giving effect thereto;

(e) No circumstances, events or conditions shall have occurred since June 30, 1998 which would have a Material Adverse Effect; and

(f) Immediately after giving effect to the making of such Loan (and the application of the proceeds thereof) or to the issuance of such Letter of Credit, as the case may be, (i) the sum of the aggregate principal amount of outstanding Revolving Loans plus LOC Obligations outstanding plus outstanding Swingline Loans plus outstanding Term Loans shall not exceed the lesser of (A) the Aggregate Committed Amount and (B) the Borrowing Base and (ii) the LOC Obligations shall not exceed the LOC Committed Amount.

The delivery of each Notice of Borrowing, each Notice of Extension/Conversion, each request for a Swingline Loan pursuant to Section 2.3(b) and each request for a Letter of Credit pursuant to Section 2.2(b) shall constitute a representation and warranty by the Credit Parties of the correctness of the matters specified in subsections (b), (c), (d), (e) and (f) above.

SECTION 6

REPRESENTATIONS AND WARRANTIES

The Credit Parties hereby represent to the Administrative Agent and each Lender that:

6.1 FINANCIAL CONDITION.

The financial statements delivered to the Lenders pursuant to Section 5.1(c) and Section 7.1(a) and (b), (i) have been prepared in accordance with GAAP and (ii) present fairly (on the basis disclosed in the footnotes to such financial statements) the consolidated financial condition, results of operations and cash flows of the Consolidated Parties as of such date and for such periods.

6.2 NO MATERIAL CHANGE.

Since December 31, 1997 (a) there has been no development or event relating to or affecting a Consolidated Party which has had or could have a Material Adverse Effect and (b) except as otherwise permitted under this Credit Agreement, no dividends or other distributions have been declared, paid or made upon the Capital Stock in a Consolidated Party nor has any of the Capital Stock in a Consolidated Party been redeemed, retired, purchased or otherwise acquired for value.

6.3 ORGANIZATION AND GOOD STANDING.

Each of the Consolidated Parties (a) is duly organized, validly existing and is in good standing under the laws of the jurisdiction of its incorporation or organization, (b) has the corporate or other necessary power and authority, and the legal right, to own and operate its property, to lease the property it operates as lessee and to conduct the business in which it is currently engaged and (c) is duly qualified as a foreign entity and in good standing under the laws of each jurisdiction where its ownership, lease or operation of property or the conduct of its business requires such qualification, other than in such jurisdictions where the failure to be so qualified and in good standing could have a Material Adverse Effect. Furthermore, the Borrower has conducted its business so as to qualify as a REIT in 2000, and subsequent to qualifying as a REIT in 2000 the Borrower will maintain its status as a REIT.

6.4 POWER; AUTHORIZATION; ENFORCEABLE OBLIGATIONS.

Each of the Credit Parties has the corporate or other necessary power and authority, and the legal right, to make, deliver and perform the Credit Documents to which it is a party, and in the case of the Borrower, to obtain extensions of credit hereunder, and has taken all necessary corporate action to authorize the borrowings and other extensions of credit on the terms and conditions of this Credit Agreement and to authorize the execution, delivery and performance of the Credit Documents to which it is a party. No consent or authorization of, filing with, notice to or other similar act by or in respect of, any Governmental Authority or any other Person is required to be obtained or made by or on behalf of any Credit Party in connection with the borrowings or other extensions of credit hereunder or with the execution, delivery, performance, validity or enforceability of the Credit Documents to which such Credit Party is a party, except for filings to perfect the Liens created by the Collateral Documents. This Credit Agreement has been, and each other Credit Document to which any Credit Party is a party will be, duly executed and delivered on behalf of the Credit Parties. This Credit Agreement constitutes, and each other Credit Document to which any Credit Party is a party when executed and delivered will constitute, a legal, valid and binding obligation of such Credit Party enforceable against such party in accordance with its terms, except as enforceability may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or similar laws affecting the enforcement of creditors' rights generally and by general equitable principles (whether enforcement is sought by proceedings in equity or at law).

6.5 NO CONFLICTS.

Neither the execution and delivery of the Credit Documents, nor the consummation of the transactions contemplated therein, nor performance of and compliance with the terms and provisions thereof by such Credit Party will (a) violate or conflict with any provision of its articles or certificate of incorporation or bylaws or other organizational or governing documents of such Person, (b) violate, contravene or materially conflict with any Requirement of Law or any other law, regulation (including, without limitation, Regulation U or Regulation X), order, writ, judgment, injunction, decree or permit applicable to it, (c) violate, contravene or conflict with contractual provisions of, or cause an event of default under, any indenture, loan agreement, mortgage, deed of trust, contract or other agreement or instrument to which it is a party or by which it may be bound, the violation of which would have a Material Adverse Effect, or (d) result in or require the creation of any Lien (other than those contemplated in or created in connection with the Credit Documents) upon or with respect to its properties.

6.6 NO DEFAULT.

No Consolidated Party is in default in any respect under any contract, lease, loan agreement, indenture, mortgage, security agreement or other agreement or obligation to which it is a party or by which any of its properties is bound which default could have a Material Adverse Effect. No Default or Event of Default has occurred or exists except as previously disclosed in writing to the Lenders.

6.7 OWNERSHIP.

Each Consolidated Party is the owner of, and has good and marketable title to, all of its respective assets and none of such assets is subject to any Lien other than Permitted Liens.

6.8 INDEBTEDNESS.

Except as otherwise permitted under Section 8.1, the Consolidated Parties have no Indebtedness.

6.9 LITIGATION.

There are no actions, suits or legal, equitable, arbitration or administrative proceedings, pending or, to the knowledge of any Credit Party, threatened against any Consolidated Party which might have a Material Adverse Effect.

6.10 TAXES.

Each Consolidated Party has filed, or caused to be filed, all tax returns (federal, state, local and foreign) required to be filed and paid (a) all amounts of taxes shown thereon to be due (including interest and penalties) and (b) all other taxes, fees, assessments and other governmental charges (including mortgage recording taxes, documentary stamp taxes and intangibles taxes) owing by it, except for such taxes (i) which are not yet delinquent or (ii) that are being contested in

good faith and by proper proceedings, and against which adequate reserves are being maintained in accordance with GAAP. No Credit Party is aware as of the Closing Date of any proposed tax assessments against it or any other Consolidated Party.

6.11 COMPLIANCE WITH LAW.

Each Consolidated Party is in compliance with all Requirements of Law and all other laws, rules, regulations, orders and decrees (including without limitation Environmental Laws) applicable to it, or to its properties, unless such failure to comply could not have a Material Adverse Effect.

6.12 ERISA.

(a) During the five-year period prior to the date on which this representation is made or deemed made: (i) no ERISA Event has occurred, and, to the best knowledge of the Credit Parties, no event or condition has occurred or exists as a result of which any ERISA Event could reasonably be expected to occur, with respect to any Plan; (ii) no "accumulated funding deficiency," as such term is defined in Section 302 of ERISA and Section 412 of the Code, whether or not waived, has occurred with respect to any Plan; (iii) each Plan has been maintained, operated, and funded in compliance with its own terms and in material compliance with the provisions of ERISA, the Code, and any other applicable federal or state laws; and (iv) no lien in favor of the PBGC or a Plan has arisen or is reasonably likely to arise on account of any Plan.

(b) The actuarial present value of all "benefit liabilities" (as defined in Section 4001(a)(16) of ERISA), whether or not vested, under each Single Employer Plan, as of the last annual valuation date prior to the date on which this representation is made or deemed made (determined, in each case, in accordance with Financial Accounting Standards Board Statement 87, utilizing the actuarial assumptions used in such Plan's most recent actuarial valuation report), did not exceed as of such valuation date the fair market value of the assets of such Plan.

(c) Neither any Consolidated Party nor any ERISA Affiliate has incurred, or, to the best knowledge of the Credit Parties, could be reasonably expected to incur, any withdrawal liability under ERISA to any Multiemployer Plan or Multiple Employer Plan. Neither any Consolidated Party nor any ERISA Affiliate would become subject to any withdrawal liability under ERISA if any Consolidated Party or any ERISA Affiliate were to withdraw completely from all Multiemployer Plans and Multiple Employer Plans as of the valuation date most closely preceding the date on which this representation is made or deemed made. Neither any Consolidated Party nor any ERISA Affiliate has received any notification that any Multiemployer Plan is in reorganization (within the meaning of Section 4241 of ERISA), is insolvent (within the meaning of Section 4245 of ERISA), or has been terminated (within the meaning of Title IV of ERISA), and no Multiemployer Plan is, to the best knowledge of the Credit Parties, reasonably expected to be in reorganization, insolvent, or terminated.

(d) No prohibited transaction (within the meaning of Section 406 of ERISA or Section 4975 of the Code) or breach of fiduciary responsibility has occurred with respect to a Plan which has subjected or may subject any Consolidated Party or any ERISA Affiliate to any liability under Sections 406, 409, 502(i), or 502(l) of ERISA or Section 4975 of the Code, or under any agreement or other instrument pursuant to which any Consolidated Party or any ERISA Affiliate has agreed or is required to indemnify any Person against any such liability.

(e) Neither any Consolidated Party nor any ERISA Affiliates has any material liability with respect to "expected post-retirement benefit obligations" within the meaning of the Financial Accounting Standards Board Statement 106. Each Plan which is a welfare plan (as defined in Section 3(1) of ERISA) to which Sections 601-609 of ERISA and Section 4980B of the Code apply has been administered in compliance in all material respects of such sections.

(f) Neither the execution and delivery of this Credit Agreement nor the consummation of the financing transactions contemplated thereunder will involve any transaction which is subject to the prohibitions of Sections 404, 406 or 407 of ERISA or in connection with which a tax could be imposed pursuant to Section 4975 of the Code. The representation by the Credit Parties in the preceding sentence is made in reliance upon and subject to the accuracy of the Lenders' representation in Section 11.15 with respect to their source of funds and is subject, in the event that the source of the funds used by the Lenders in connection with this transaction is an insurance company's general asset account, to the application of Prohibited Transaction Class Exemption 95-60, 60 Fed. Reg. 35,925 (1995), compliance with the regulations issued under Section 401(c)(1)(A) of ERISA, or the issuance of any other prohibited transaction exemption or similar relief, to the effect that assets in an insurance company's general asset account do not constitute assets of an "employee benefit plan" within the meaning of Section 3(3) of ERISA of a "plan" within the meaning of Section 4975(e)(1) of the Code.

6.13 SUBSIDIARIES.

Set forth on Schedule 6.13 is a complete and accurate list of all Subsidiaries of each Consolidated Party. Information on Schedule 6.13 includes jurisdiction of incorporation, the number of shares of each class of Capital Stock outstanding, the number and percentage of outstanding shares of each class owned (directly or indirectly) by such Consolidated Party; and the number and effect, if exercised, of all outstanding options, warrants, rights of conversion or purchase and all other similar rights with respect thereto. The outstanding Capital Stock of all such Subsidiaries is validly issued, fully paid and non-assessable and is owned by each such Consolidated Party, directly or indirectly, free and clear of all Liens (other than those arising under or contemplated in connection with the Credit Documents). Other than as set forth in Schedule 6.13, no Consolidated Party has outstanding any securities convertible into or exchangeable for its Capital Stock nor does any such Person have outstanding any rights to subscribe for or to purchase or any options for the purchase of, or any agreements providing for the issuance (contingent or otherwise) of, or any calls, commitments or claims of any character relating to its Capital Stock.

6.14 GOVERNMENTAL REGULATIONS, ETC.

(a) No part of the Letters of Credit or proceeds of the Loans will be used, directly or indirectly, for the purpose of purchasing or carrying any "margin stock" within the meaning of Regulation U, or for the purpose of purchasing or carrying or trading in any securities. If requested by any Lender or the Administrative Agent, the Borrower will furnish to the Administrative Agent and each Lender a statement to the foregoing effect in conformity with the requirements of FR Form U-1 referred to in Regulation U. No indebtedness being reduced or retired out of the proceeds of the Loans was or will be incurred for the purpose of purchasing or carrying any margin stock within the meaning of Regulation U or any "margin security" within the meaning of Regulation T. "Margin stock" within the meaning of Regulation U does not constitute more than 25% of the value of the consolidated assets of the Consolidated Parties. None of the transactions contemplated by this Credit Agreement (including, without limitation, the direct or indirect use of the proceeds of the Loans) will violate or result in a violation of the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, or regulations issued pursuant thereto, or Regulation T, U or X.

(b) No Consolidated Party is subject to regulation under the Public Utility Holding Company Act of 1935, the Federal Power Act or the Investment Company Act of 1940, each as amended. In addition, no Consolidated Party is (i) an "investment company" registered or required to be registered under the Investment Company Act of 1940, as amended, and is not controlled by such a company, or (ii) a "holding company", or a "subsidiary company" of a "holding company", or an "affiliate" of a "holding company" or of a "subsidiary" of a "holding company", within the meaning of the Public Utility Holding Company Act of 1935, as amended.

(c) Each Consolidated Party has obtained and holds in full force and effect, all franchises, licenses, permits, certificates, authorizations, qualifications, accreditations, easements, rights of way and other rights, consents and approvals which are necessary for the ownership of its respective Property and to the conduct of its respective businesses as presently conducted.

(d) No Consolidated Party is in violation of any applicable statute, regulation or ordinance of the United States of America, or of any state, city, town, municipality, county or any other jurisdiction, or of any agency thereof (including without limitation, environmental laws and regulations), which violation could have a Material Adverse Effect.

(e) Each Consolidated Party is current with all material reports and documents, if any, required to be filed with any state or federal securities commission or similar agency and is in full compliance in all material respects with all applicable rules and regulations of such commissions.

6.15 PURPOSE OF LOANS AND LETTERS OF CREDIT.

The proceeds of the Loans hereunder shall be used solely by the Borrower (i) for working capital (ii) to provide funds for the development and construction of correctional, justice and detention centers, (iii) for refinancing existing Indebtedness of the Borrower, (iv) to acquire Real Properties, (v) for general corporate purposes and (vi) to make dividend payments to its shareholders necessary to maintain its status as a REIT. The Letters of Credit shall be used only for or in connection with appeal bonds, reimbursement obligations arising in connection with surety and reclamation bonds, reinsurance, domestic or international trade transactions, bid or proposal bonds and obligations not otherwise aforementioned relating to transactions entered into by the applicable account party in the ordinary course of business, including credit enhancement for financing incurred by the Borrower in connection with the acquisition, construction and development of real property.

6.16 ENVIRONMENTAL MATTERS.

(a) Each of the facilities and properties owned, leased or operated by the Consolidated Parties (the "Properties") and all operations at the Properties are in compliance with all applicable Environmental Laws, and there is no violation of any Environmental Law with respect to the Properties or the businesses operated by the Consolidated Parties (the "Businesses"), and there are no conditions relating to the Businesses or Properties that could give rise to liability under any applicable Environmental Laws.

(b) None of the Properties contains, or has previously contained, any Materials of Environmental Concern at, on or under the Properties in amounts or concentrations that constitute or constituted a violation of, or could give rise to liability under, Environmental Laws.

(c) No Consolidated Party has received any written or verbal notice of, or inquiry from any Governmental Authority regarding, any violation, alleged violation, non-compliance, liability or potential liability regarding environmental matters or compliance with Environmental Laws with regard to any of the Properties or the Businesses, nor does any Consolidated Party have knowledge or reason to believe that any such notice will be received or is being threatened.

(d) Materials of Environmental Concern have not been transported or disposed of from the Properties, or generated, treated, stored or disposed of at, on or under any of the Properties or any other location, in each case by or on behalf of any Consolidated Party in violation of, or in a manner that could give rise to liability under, any applicable Environmental Law.

(e) No judicial proceeding or governmental or administrative action is pending or, to the best knowledge of any Credit Party, threatened, under any Environmental Law to which any Consolidated Party is or will be named as a party, nor are there any consent decrees or other decrees, consent orders, administrative orders or other orders, or other

administrative or judicial requirements outstanding under any Environmental Law with respect to the Consolidated Parties, the Properties or the Businesses.

(f) There has been no release, or threat of release, of Materials of Environmental Concern at or from the Properties, or arising from or related to the operations (including, without limitation, disposal) of any Consolidated Party in connection with the Properties or otherwise in connection with the Businesses, in violation of or in amounts or in a manner that could give rise to liability under Environmental Laws.

6.17 INTELLECTUAL PROPERTY.

Each Consolidated Party owns, or has the legal right to use, all trademarks, tradenames, copyrights, technology, know-how and processes (the "Intellectual Property") necessary for each of them to conduct its business as currently conducted except for those the failure to own or have such legal right to use could not have a Material Adverse Effect. Set forth on Schedule 6.17 is a list of all Intellectual Property owned by each Consolidated Party or that any Consolidated Party has the right to use. Except as provided on Schedule 6.17, no claim has been asserted and is pending by any Person challenging or questioning the use of any such Intellectual Property or the validity or effectiveness of any such Intellectual Property, nor does any Credit Party know of any such claim, and to the Credit Parties' knowledge the use of such Intellectual Property by any Consolidated Party does not infringe on the rights of any Person, except for such claims and infringements that, in the aggregate, could not have a Material Adverse Effect.

6.18 SOLVENCY.

Each Credit Party is and, after consummation of the transactions contemplated by this Credit Agreement, will be Solvent.

6.19 INVESTMENTS.

All Investments of each Consolidated Party are Permitted Investments.

6.20 LOCATION OF COLLATERAL.

Set forth on Schedule 6.20(a) is a list of all Real Properties with street address, county and state where located. Set forth on Schedule 6.20(b) is a list of all locations where any personal property of a Consolidated Party is located, including county and state where located. Set forth on Schedule 6.20(c) is the chief executive office and principal place of business of each Consolidated Party. Schedules 6.20(a), 6.20(b) and 6.20(c) may be updated from time to time by the Borrower by giving written notice to the Administrative Agent.

6.21 DISCLOSURE.

Neither this Credit Agreement nor any financial statements delivered to the Lenders nor any other document, certificate or statement furnished to the Lenders by or on behalf of any Consolidated Party in connection with the transactions contemplated hereby contains any untrue

statement of a material fact or omits to state a material fact necessary in order to make the statements contained therein or herein not misleading.

6.22 NO BURDENSOME RESTRICTIONS.

No Consolidated Party is a party to any agreement or instrument or subject to any other obligation or any charter or corporate restriction or any provision of any applicable law, rule or regulation which, individually or in the aggregate, could have a Material Adverse Effect.

6.23 LABOR MATTERS.

There are no collective bargaining agreements or Multiemployer Plans covering the employees of a Consolidated Party as of the Closing Date and none of the Consolidated Parties has suffered any strikes, walkouts, work stoppages or other material labor difficulty within the last five years.

6.24 YEAR 2000 COMPLIANCE.

Each Credit Party has (i) initiated a review and assessment of all areas within its and each of its Subsidiaries' business and operations that could be adversely affected by the "Year 2000 Problem" (that is, the risk that computer applications used by such Credit Party or any of its Subsidiaries may be unable to recognize and perform properly date-sensitive functions involving certain dates prior to and any date after December 31, 1999), (ii) developed a plan and timeline for addressing the Year 2000 Problem on a timely basis, and (iii) to date, implemented that plan in accordance with the timetable. Based on the foregoing, each Credit Party believes that all computer applications that are material to its and any of its Subsidiaries' business and operations are reasonably expected on a timely basis to be able to perform properly date-sensitive functions for all dates before and after January 1, 2000 (that is, be "Year 2000 compliant"), except to the extent that a failure to do so could not reasonably be expected to have Material Adverse Effect.

6.25 FIRST PRIORITY LIEN.

The Administrative Agent, on behalf of the Lenders, holds a first priority lien, subject to no other liens other than Permitted Liens, in the Collateral.

6.26 LEASES.

Each of the leases entered into between a Credit Party and any lessee of real property owned by a Credit Party (a) is a triple-net lease, (b) is noncancelable by the lessee, (c) has a minimum initial lease term of five years (except for leases entered into with a governmental entity) and (d) requires that the lessee remain solely responsible for all operations and other liabilities with respect to the applicable property. Furthermore, (i) eighty percent (80%) of all lease revenues of the Credit Parties shall be derived from leases with Management Opco and with lessees (other than Management Opco) having a senior unsecured non-credit enhanced long term debt rating of at least BBB+ (or higher) from S&P or Baa1 (or higher) from Moody's or if such ratings from S&P and Moody's are unavailable, an equivalent rating from Fitch or Duff &

Phelps and (ii) at least ninety percent (90%) of all lease revenues of the Credit Parties are derived from leases with Management Opco and with lessees (other than Management Opco) having a senior unsecured non-credit enhanced long term debt rating of at least BBB- (or higher) from S&P or Baa3 (or higher) from Moody's or if such ratings from S&P and Moody's are unavailable, an equivalent rating from Fitch or Duff & Phelps.

SECTION 7

AFFIRMATIVE COVENANTS

Each Credit Party hereby covenants and agrees that, so long as this Credit Agreement is in effect or any amounts payable hereunder or under any other Credit Document shall remain outstanding, and until all of the Commitments hereunder shall have terminated:

7.1 INFORMATION COVENANTS.

The Credit Parties will furnish, or cause to be furnished, to the Administrative Agent and each of the Lenders:

(a) Annual Financial Statements. As soon as available, and in any event within 90 days after the close of each fiscal year of the Consolidated Parties, a consolidated balance sheet and income statement of the Consolidated Parties, as of the end of such fiscal year, together with related consolidated statements of operations and retained earnings and of cash flows for such fiscal year, setting forth in comparative form consolidated figures for the preceding fiscal year, all such financial information described above to be in reasonable form and detail and audited by independent certified public accountants of recognized national standing reasonably acceptable to the Administrative Agent and whose opinion shall be to the effect that such financial statements have been prepared in accordance with GAAP (except for changes with which such accountants concur) and shall not be limited as to the scope of the audit or qualified as to the status of the Consolidated Parties as a going concern.

(b) Quarterly Financial Statements. As soon as available, and in any event within 45 days after the close of each fiscal quarter of the Consolidated Parties (other than the fourth fiscal quarter, in which case 90 days after the end thereof) a consolidated balance sheet and income statement of the Consolidated Parties, as of the end of such fiscal quarter, together with related consolidated statements of operations and retained earnings and of cash flows for such fiscal quarter, in each case setting forth in comparative form consolidated figures for the corresponding period of the preceding fiscal year, all such financial information described above to be in reasonable form and detail and reasonably acceptable to the Administrative Agent, and accompanied by a certificate of the chief financial officer of the Borrower to the effect that such quarterly financial statements fairly present in all material respects the financial condition of the Consolidated Parties and have been prepared in accordance with GAAP, subject to changes resulting from audit and normal year-end audit adjustments.

(c) Officer's Certificate. At the time of delivery of the financial statements provided for in Sections 7.1(a) and 7.1(b) above, a certificate of the chief financial officer of the Borrower substantially in the form of Exhibit 7.1(c), (i) demonstrating compliance with the financial covenants contained in Section 7.11 by calculation thereof as of the end of each such fiscal period and (ii) stating that no Default or Event of Default exists, or if any Default or Event of Default does exist, specifying the nature and extent thereof and what action the Credit Parties propose to take with respect thereto.

(d) Borrowing Base Certificates. Within 15 days after the end of each fiscal quarter of the Consolidated Parties (or more frequently if elected by the Borrower), a Borrowing Base Certificate as of the end of the immediately preceding fiscal quarter, substantially in the form of Exhibit 7.1(d) and certified by the chief financial officer of the Borrower to be true and correct as of the date thereof.

(e) Annual Business Plan and Budgets. At least 30 days prior to the end of each fiscal year of the Borrower, beginning with the fiscal year ending December 31, 1999, an annual business plan and budget of the Consolidated Parties containing, among other things, pro forma financial statements for the next fiscal year.

(f) Auditor's Reports. Promptly upon receipt thereof, a copy of any other report or "management letter" submitted by independent accountants to any Consolidated Party in connection with any annual, interim or special audit of the books of such Consolidated Party.

(g) Reports. Promptly upon transmission or receipt thereof, (i) copies of any filings and registrations with, and reports to or from, the Securities and Exchange Commission, or any successor agency, and copies of all financial statements, proxy statements, notices and reports as any Consolidated Party shall send to its shareholders or to a holder of any Indebtedness owed by any Consolidated Party in its capacity as such a holder and (ii) upon the request of the Administrative Agent, all reports and written information to and from the United States Environmental Protection Agency, or any state or local agency responsible for environmental matters, the United States Occupational Health and Safety Administration, or any state or local agency responsible for health and safety matters, or any successor agencies or authorities concerning environmental, health or safety matters.

(h) Notices. Upon obtaining knowledge thereof, the Credit Parties will give written notice to the Administrative Agent immediately of (i) the occurrence of an event or condition consisting of a Default or Event of Default, specifying the nature and existence thereof and what action the Credit Parties propose to take with respect thereto and (ii) the occurrence of any of the following with respect to any Consolidated Party (A) the pendency or commencement of any litigation, arbitral or governmental proceeding against such Person which if adversely determined is likely to have a Material Adverse Effect, (B) the institution of any proceedings against such Person with respect to, or the receipt of notice by such Person of potential liability or responsibility for violation, or alleged violation of any

federal, state or local law, rule or regulation, including but not limited to, Environmental Laws, the violation of which could have a Material Adverse Effect, or (C) any notice or determination concerning the imposition of any withdrawal liability by a Multiemployer Plan against such Person or any ERISA Affiliate, the determination that a Multiemployer Plan is, or is expected to be, in reorganization within the meaning of Title IV of ERISA or the termination of any Plan.

(i) ERISA. Upon obtaining knowledge thereof, the Credit Parties will give written notice to the Administrative Agent promptly (and in any event within five business days) of: (i) of any event or condition, including, but not limited to, any Reportable Event, that constitutes, or might reasonably lead to, an ERISA Event; (ii) with respect to any Multiemployer Plan, the receipt of notice as prescribed in ERISA or otherwise of any withdrawal liability assessed against the Credit Parties or any ERISA Affiliates, or of a determination that any Multiemployer Plan is in reorganization or insolvent (both within the meaning of Title IV of ERISA); (iii) the failure to make full payment on or before the due date (including extensions) thereof of all amounts which any Consolidated Party or any ERISA Affiliate is required to contribute to each Plan pursuant to its terms and as required to meet the minimum funding standard set forth in ERISA and the Code with respect thereto; or (iv) any change in the funding status of any Plan that could have a Material Adverse Effect, together with a description of any such event or condition or a copy of any such notice and a statement by the chief financial officer of the Borrower briefly setting forth the details regarding such event, condition, or notice, and the action, if any, which has been or is being taken or is proposed to be taken by the Credit Parties with respect thereto. Promptly upon request, the Credit Parties shall furnish the Administrative Agent and the Lenders with such additional information concerning any Plan as may be reasonably requested, including, but not limited to, copies of each annual report/return (Form 5500 series), as well as all schedules and attachments thereto required to be filed with the Department of Labor and/or the Internal Revenue Service pursuant to ERISA and the Code, respectively, for each "plan year" (within the meaning of Section 3(39) of ERISA).

(j) Environmental.

(i) Upon the reasonable written request of the Administrative Agent, the Credit Parties will furnish or cause to be furnished to the Administrative Agent, at the Credit Parties' expense, a report of an environmental assessment of reasonable scope, form and depth, (including, where appropriate, invasive soil or groundwater sampling) by a consultant reasonably acceptable to the Administrative Agent as to the nature and extent of the presence of any Materials of Environmental Concern on any Properties (as defined in Section 6.16) and as to the compliance by any Consolidated Party with Environmental Laws at such Properties. If the Credit Parties fail to deliver such an environmental report within seventy-five (75) days after receipt of such written request then the Administrative Agent may arrange for same, and the Consolidated Parties hereby grant to the Administrative Agent and their representatives access to the Properties to reasonably undertake such an assessment (including, where appropriate, invasive soil or groundwater sampling). The reasonable cost of any assessment arranged for by the Administrative Agent

pursuant to this provision will be payable by the Credit Parties on demand and added to the obligations secured by the Collateral Documents.

(ii) The Consolidated Parties will conduct and complete all investigations, studies, sampling, and testing and all remedial, removal, and other actions necessary to address all Materials of Environmental Concern on, from or affecting any of the Properties to the extent necessary to be in compliance with all Environmental Laws and with the validly issued orders and directives of all Governmental Authorities with jurisdiction over such Properties to the extent any failure could have a Material Adverse Effect.

(k) Additional Patents and Trademarks. At the time of delivery of the financial statements and reports provided for in Section 7.1(a), the Credit Parties will deliver to the Administrative Agent, a report signed by the chief financial officer or treasurer of the Borrower setting forth (i) a list of registration numbers for all patents, trademarks, service marks, tradenames and copyrights awarded to any Consolidated Party since the last day of the immediately preceding fiscal year and (ii) a list of all patent applications, trademark applications, service mark applications, trade name applications and copyright applications submitted by any Consolidated Party since the last day of the immediately preceding fiscal year and the status of each such application, all in such form as shall be reasonably satisfactory to the Administrative Agent.

(l) Leases. At the time of delivery of the financial statements provided for in Sections 7.1(a) and (b) above, the Credit Parties will deliver to the Administrative Agent, copies of all new leases and/or modifications to existing leases for all of those Borrowing Base Properties for which any Credit Party receives annual rent payments equal to or in excess of $1,500,000, and at the time of delivery of the financial statements provided for in Section 7.1(a) above, copies of the annual financial statements of each lessee which (i) is not a governmental entity or public company and (ii) accounts for at least five percent (5%) of the annual rent payments made to any Credit Party.

(m) Construction Budget. Within fifteen (15) days after the close of each fiscal quarter of the Borrower, the Borrower shall deliver to the Administrative Agent, a construction budget detailing the construction planned by the Borrower or its Subsidiaries with respect to each of the Real Properties for the succeeding fiscal year, together with information detailing the amount of expenditures of the Borrower and its Subsidiaries for construction year to date.

(n) Other Information. With reasonable promptness upon any such request, such other information regarding the business, properties or financial condition of any Consolidated Party as the Administrative Agent or the Required Lenders may reasonably request.

7.2 PRESERVATION OF EXISTENCE AND FRANCHISES.

Except as a result of or in connection with a merger of a Subsidiary permitted under Section 8.4, each Credit Party will, and will cause each of its Subsidiaries to, do all things necessary to preserve and keep in full force and effect its existence, rights, franchises and authority. The Borrower will conduct its business so as to qualify as a REIT in 2000 and subsequent to qualifying as a REIT in 2000, will maintain its status as a REIT.

7.3 BOOKS AND RECORDS.

Each Credit Party will, and will cause each of its Subsidiaries to, keep complete and accurate books and records of its transactions in accordance with good accounting practices on the basis of GAAP (including the establishment and maintenance of appropriate reserves).

7.4 COMPLIANCE WITH LAW.

Each Credit Party will, and will cause each of its Subsidiaries to, comply with all laws, rules, regulations and orders, and all applicable restrictions imposed by all Governmental Authorities, applicable to it and its Property if noncompliance with any such law, rule, regulation, order or restriction could have a Material Adverse Effect.

7.5 PAYMENT OF TAXES AND OTHER INDEBTEDNESS.

Each Credit Party will, and will cause each of its Subsidiaries to, pay and discharge (a) all taxes, assessments and governmental charges or levies imposed upon it, or upon its income or profits, or upon any of its properties, before they shall become delinquent, (b) all lawful claims (including claims for labor, materials and supplies) which, if unpaid, might give rise to a Lien upon any of its properties, and (c) except as prohibited hereunder, all of its other Indebtedness as it shall become due; provided, however, that no Consolidated Party shall be required to pay any such tax, assessment, charge, levy, claim or Indebtedness which is being contested in good faith by appropriate proceedings and as to which adequate reserves therefor have been established in accordance with GAAP, unless the failure to make any such payment (i) could give rise to an immediate right to foreclose on a Lien securing such amounts or (ii) could have a Material Adverse Effect.

7.6 INSURANCE.

(a) Each Credit Party will, and will cause each of its Subsidiaries to, at all times maintain in full force and effect insurance (including worker's compensation insurance, liability insurance, casualty insurance and business interruption insurance) in such amounts, covering such risks and liabilities and with such deductibles or self-insurance retentions as are in accordance with normal industry practice (or as otherwise required by the Collateral Documents). The Administrative Agent shall be named as loss payee or mortgagee, as its interest may appear, and/or additional insured with respect to any such insurance providing coverage in respect of any Collateral, and each provider of any such insurance shall agree, by endorsement upon the policy or policies issued by it or by independent

instruments furnished to the Administrative Agent, that it will give the Administrative Agent thirty (30) days prior written notice before any such policy or policies shall be altered or canceled, and that no act or default of any Consolidated Party or any other Person shall affect the rights of the Administrative Agent or the Lenders under such policy or policies. The present insurance coverage of the Consolidated Parties is outlined as to carrier, policy number, expiration date, type and amount on Schedule 7.6.

(b) In case of any material loss, damage to or destruction of the Collateral of any Credit Party or any part thereof, such Credit Party shall promptly give written notice thereof to the Administrative Agent generally describing the nature and extent of such damage or destruction. In case of any loss, damage to or destruction of the Collateral of any Credit Party or any part thereof, such Credit Party, whether or not the insurance proceeds, if any, received on account of such damage or destruction shall be sufficient for that purpose, at such Credit Party's cost and expense, will promptly repair or replace the Collateral of such Credit Party so lost, damaged or destroyed. In the event a Credit Party shall receive any insurance proceeds as a result of any loss, damage or destruction with respect to the Collateral, such Credit Party will immediately pay over such proceeds to the Administrative Agent, as cash collateral for the Credit Party Obligations. The Administrative Agent agrees to release such insurance proceeds to such Credit Party for replacement or restoration of the portion of the Collateral of such Credit Party lost, damaged or destroyed if, but only if, (A) the value of the Borrowing Base Properties (not including the value of any Borrowing Base Property that was a part of the Collateral that was lost, damaged or destroyed) exceeds the lesser of (i) Revolving Committed Amount and (ii) the Borrowing Base, (B) within 30 days from the date the Administrative Agent receives such insurance proceeds, the Administrative Agent has received written application for such release from such Credit Party, together with evidence reasonably satisfactory to it that the Collateral lost, damaged or destroyed has been or will be replaced or restored to its condition immediately prior to the loss, destruction or other event giving rise to the payment of such insurance proceeds and (C) on the date of such release no Default or Event of Default exists. If the conditions in the preceding sentence are not met, the Administrative Agent shall, on the first Business Day subsequent to the date 30 days after it received such insurance proceeds, apply such insurance proceeds as a mandatory prepayment of the Credit Party Obligations for application in accordance with the terms of Section 3.3(b). All insurance proceeds shall be subject to the security interest of the Administrative Agent, for the benefit of the Lenders, under the Collateral Documents.

7.7 MAINTENANCE OF PROPERTY.

Each Credit Party will, and will cause each of its Subsidiaries to, maintain and preserve its properties and equipment material to the conduct of its business in good repair, working order and condition, normal wear and tear and casualty and condemnation excepted, and will make, or cause to be made, to such properties and equipment from time to time all repairs, renewals, replacements, extensions, additions, betterments and improvements thereto as may be needed or proper, to the extent and in the manner customary for companies in similar businesses.

7.8 PERFORMANCE OF OBLIGATIONS.

Each Credit Party will, and will cause each of its Subsidiaries to, perform in all material respects all of its obligations under the terms of all material agreements, indentures, mortgages, security agreements or other debt instruments to which it is a party or by which it is bound.

7.9 USE OF PROCEEDS.

The Borrower will use the proceeds of the Loans and will use the Letters of Credit solely for the purposes set forth in Section 6.15.

7.10 AUDITS/INSPECTIONS.

Upon reasonable notice and during normal business hours, each Credit Party will, and will cause each of its Subsidiaries to, permit representatives appointed by the Administrative Agent, including, without limitation, independent accountants, agents, attorneys, and appraisers to visit and inspect its property, including its books and records, its accounts receivable and inventory, its facilities and its other business assets, and to make photocopies or photographs thereof and to write down and record any information such representative obtains and shall permit the Administrative Agent or its representatives to investigate and verify the accuracy of information provided to the Lenders and to discuss all such matters with the officers, employees and representatives of such Person. The Credit Parties agree that the Administrative Agent, and its representatives, may conduct an annual audit of the Collateral, at the expense of the Credit Parties.

7.11 FINANCIAL COVENANTS.

(i) Debt Service Coverage Ratio. The Debt Service Coverage Ratio, as of the last day of each fiscal quarter of the Consolidated Parties, shall be greater than or equal to 2.0 to 1.0.

(ii) Interest Coverage Ratio. The Interest Coverage Ratio, as of the last day of each fiscal quarter of the Consolidated Parties, shall be greater than or equal to 3.0 to 1.0.

(iii) Leverage Ratio. The Leverage Ratio, as of the last day of each fiscal quarter of the Consolidated Parties, shall be less than or equal to 3.5 to 1.0.

(iv) Total Indebtedness to Total Value. The ratio of Total Indebtedness to Total Value, as of the last day of each fiscal quarter of the Consolidated Parties, shall be less than or equal to 0.50 to 1.0.

(v) Net Worth. At all times Net Worth shall be greater than or equal to the sum of an amount equal to 95% of the Net Worth of the Borrower (based on the audited December 31, 1998 financial statements of the Borrower), increased on a cumulative basis as of the end of each fiscal quarter of the Borrower, commencing with the fiscal quarter ending March 31, 1999 by an amount equal to 85% of the Net Cash Proceeds from any Equity Issuance subsequent to the Closing Date less an amount equal to the dividends paid

by the Borrower during the first twelve months subsequent to the Merger which are (i) based solely on the retained earnings of CCA prior to the Merger and (ii) required by the Borrower to be paid to maintain its status as a real estate investment trust; provided, however, notwithstanding the foregoing, at no time shall the Net Worth of the Borrower be less than $1,200,000,000.

(vi) Non-Conforming Investments. The Consolidated Parties shall at no time have Non-Conforming Investments which in the aggregate constitute more than 5% of Total Assets.

(vii) Total Indebtedness to Total Capitalization. At all times the ratio of Total Indebtedness to Total Capitalization shall be equal to or less than .50 to 1.0.

7.12 ADDITIONAL CREDIT PARTIES.

As soon as practicable and in any event within 30 days after any Person becomes a Subsidiary of any Credit Party, the Borrower shall provide the Administrative Agent with written notice thereof setting forth information in reasonable detail describing all of the assets of such Person and shall (a) if such Person is a Domestic Subsidiary of a Credit Party, cause such Person to execute a Joinder Agreement in substantially the same form as Exhibit 7.12, (b) cause 100% (if such Person is a Domestic Subsidiary of a Credit Party) or 65% (if such Person is a direct Foreign Subsidiary of a Credit Party) of the Capital Stock of such Person to be delivered to the Administrative Agent (together with undated stock powers signed in blank (unless, with respect to a Foreign Subsidiary, such stock powers are deemed unnecessary by the Administrative Agent in its reasonable discretion under the law of the jurisdiction of incorporation of such Person)) and pledged to the Administrative Agent pursuant to an appropriate pledge agreement(s) in form acceptable to the Administrative Agent and cause such Person to deliver such other documentation as the Administrative Agent may reasonably request in connection with the foregoing, including, without limitation, appropriate UCC-1 financing statements, real estate title insurance policies, environmental reports, landlord's waivers, certified resolutions and other organizational and authorizing documents of such Person, and favorable opinions of counsel to such Person all in form, content and scope reasonably satisfactory to the Administrative Agent.

7.13 ENVIRONMENTAL LAWS.

(a) The Consolidated Parties shall comply in all material respects with, and take reasonable actions to ensure compliance in all material respects by all tenants and subtenants, if any, with, all applicable Environmental Laws and obtain and comply in all material respects with and maintain, and take reasonable actions to ensure that all tenants and subtenants obtain and comply in all material respects with and maintain, any and all licenses, approvals, notifications, registrations or permits required by applicable Environmental Laws except to the extent that failure to do so would not reasonably be expected to have a Material Adverse Effect;

(b) The Consolidated Parties shall conduct and complete all investigations, studies, sampling and testing, and all remedial, removal and other actions required under

Environmental Laws and promptly comply in all material respects with all lawful orders and directives of all Governmental Authorities regarding Environmental Laws except to the extent that the same are being contested in good faith by appropriate proceedings and the failure to do or the pendency of such proceedings would not reasonably be expected to have a Material Adverse Effect; and

(c) The Consolidated Parties shall defend, indemnify and hold harmless the Administrative Agent and the Lenders, and their respective employees, agents, officers and directors, from and against any and all claims, demands, penalties, fines, liabilities, settlements, damages, costs and expenses of whatever kind or nature known or unknown, contingent or otherwise, arising out of, or in any way relating to the violation of, noncompliance with or liability under, any Environmental Law applicable to the operations of the Borrower or any of its Subsidiaries or the Properties, or any orders, requirements or demands of Governmental Authorities related thereto, including, without limitation, reasonable attorney's and consultant's fees, investigation and laboratory fees, response costs, court costs and litigation expenses, except to the extent that any of the foregoing arise out of the gross negligence or willful misconduct of the party seeking indemnification therefor. The agreements in this paragraph shall survive repayment of the Loans and all other amounts payable hereunder, and termination of the Commitments.

7.14 COLLATERAL.

If, subsequent to the Closing Date, a Credit Party shall acquire (a) any real property or (b) any intellectual property, securities instruments, chattel paper or other personal property required to be delivered to the Administrative Agent as Collateral hereunder or under any of the Collateral Documents, the Borrower shall notify the Administrative Agent of same in each case as soon as practicable after the acquisition thereof. Each Credit Party shall take such action as requested by the Administrative Agent and at its own expense, to ensure that the Administrative Agent shall have a first priority perfected Lien in (i) all owned and developed real property of the Credit Parties (whether now owned or hereafter acquired), (ii) to the extent deemed to be material by the Administrative Agent and the Required Lenders in their sole discretion, all owned and undeveloped real property of the Credit Parties (whether now owned or hereafter acquired) and (iii) all personal property of the Credit Parties (whether now owned or hereafter acquired), subject in each case only to Permitted Liens.

7.15 LEASES.

The Credit Parties hereby agree that all leases entered into between the Credit Party and any lessee of real property owned by the Credit Party will (a) be triple-net leases, (b) noncancelable by the lessee, (c) have a minimum initial lease term of five years (provided any leases entered into with a governmental entity may have a lease term of less than five years and be subject to other appropriations limitations satisfactory to the Required Lenders) and (d) require that the lessee remain solely responsible for all operations and other liabilities with respect to the applicable property; provided, however, with respect to all leases having annual rent payments (whether at the inception of such lease or otherwise) in excess of $1,500,000, such leases shall be provided to the Administrative Agent in accordance with Section 7.1(m) and be satisfactory in form and substance

to the Administrative Agent. The Credit Parties also agree that, at all times, (i) at least eighty percent (80%) of all lease revenues of the Credit Parties shall be derived from leases with Management Opco and with lessees other than Management Opco having a senior unsecured non-credit enhanced long term debt rating of at least BBB+ (or higher) from S&P or Baa1 (or higher) from Moody's (or if such ratings are unavailable from S&P and Moody's, an equivalent rating from either Fitch or Duff & Phelps) and (ii) at least ninety percent (90%) of all lease revenues of the Credit Parties shall be derived from leases with Management Opco and with lessees other than Management Opco having a senior unsecured non-credit enhanced long term debt rating of at least BBB- (or higher) from S&P and Baa3 (or higher) from Moody's (or if such ratings are unavailable from S&P and Moody's, an equivalent rating from either Fitch or Duff & Phelps).

7.16 YEAR 2000 COMPLIANCE.

Each Credit Party will promptly notify the Administrative Agent in the event such Credit Party discovers or determines that any computer application that is material to its or any of its Subsidiaries' business and operations will not be Year 2000 compliant, except to the extent that such failure could not reasonably be expected to have a Material Adverse Effect.

7.17 APPRAISALS.

If the Administrative Agent or the Required Lenders determine in its or their sole discretion that applicable law or regulation requires that appraisals of each Real Property be prepared for the benefit of the Administrative Agent, the Credit Parties agree that the Administrative Agent may order appraisals of each Real Property (at the expense of the Credit Parties). Such appraisals shall (i) be performed by a qualified appraiser engaged by the Administrative Agent, (ii) indicate a fair market value for each such Real Property acceptable to the Administrative Agent and otherwise be in form and substance satisfactory to the Administrative Agent and (iii) be delivered to the Administrative Agent within 120 days of such determination that such appraisals are necessary under applicable law or regulation by the Administrative Agent or the Required Lenders. The Credit Parties further agree that if the Administrative Agent or the Required Lenders make the determination that appraisals of each Real Property are required by applicable law or regulation, the Credit Parties shall, upon the purchase of a Real Property subsequent to the Closing Date, provide the Administrative Agent with a current appraisal of such Real Property (at the expense of the Credit Parties), which appraisals shall be prepared by a qualified appraiser engaged by the Administrative Agent, indicate a fair market value for each such Real Property acceptable to the Administrative Agent and otherwise be in form and substance satisfactory to the Administrative Agent.

7.18 HEDGING AGREEMENTS.

The Borrower shall, within 90 days of the Closing Date, enter into and maintain Hedging Agreements in a notional amount of at least $325,000,000 and otherwise in form and substance acceptable to the Administrative Agent.

7.19 ENVIRONMENTAL SITE ASSESSMENTS.

The Credit Parties hereby agree that they shall provide the Administrative Agent with a current environmental assessment report addressed to the Administrative Agent and otherwise in form and substance satisfactory to the Administrative Agent for each of the Existing Properties identified on Schedule 7.19 within ninety (90) days of the Closing Date.

SECTION 8

NEGATIVE COVENANTS

Each Credit Party hereby covenants and agrees that, so long as this Credit Agreement is in effect or any amounts payable hereunder or under any other Credit Document shall remain outstanding, and until all of the Commitments hereunder shall have terminated:

8.1 INDEBTEDNESS.

The Credit Parties will not permit any Consolidated Party to contract, create, incur, assume or permit to exist any Indebtedness, except:

(a) Indebtedness arising under this Credit Agreement and the other Credit Documents;

(b) Indebtedness of the Borrower set forth in Schedule 8.1 (and renewals, refinancings and extensions thereof on terms and conditions no less favorable to such Person than such existing Indebtedness);

(c) obligations of the Borrower in respect of Hedging Agreements entered into in order to manage existing or anticipated interest rate or exchange rate risks and not for speculative purposes;

(d) Indebtedness owing by a Credit Party to another Credit Party; and

(e) unsecured Indebtedness of the Borrower provided that (i) no part of the principal part of such Indebtedness shall have a maturity date earlier than the final maturity of the Loans hereunder, (ii) after giving effect to the incurrence of any such Indebtedness on a pro forma basis, as if such incurrence of Indebtedness had occurred on the first day of the twelve month period ending on the last day of the Borrower's most recently completed fiscal quarter, the Borrower and its Subsidiaries would have been in compliance with all the financial covenants set forth in Section 7.11 and the Borrower shall have delivered to the Administrative Agent a certificate of its chief financial officer to such effect setting forth in reasonable detail the computations necessary to determine such compliance and (iii) at the time of the issuance of such Indebtedness and after giving effect thereto, no Default or Event of Default shall exist or be continuing.

8.2 LIENS.

The Credit Parties will not permit any Consolidated Party to contract, create, incur, assume or permit to exist any Lien with respect to any of its Property, whether now owned or after acquired, except for Permitted Liens.

8.3 NATURE OF BUSINESS.

The Credit Parties will not permit any Consolidated Party to substantively alter the character or conduct of the business conducted by such Person as of the Closing Date. Specifically, the Borrower shall not engage in any business other than the ownership of correctional, justice and/or detention facilities (which may include secured charter schools) that are managed by the lessees of the Borrower (or agent of any such lessee in the event any lessee is a governmental entity).

8.4 CONSOLIDATION, MERGER, DISSOLUTION, ETC.

The Credit Parties will not permit any Consolidated Party to enter into any transaction of merger or consolidation or liquidate, wind up or dissolve itself (or suffer any liquidation or dissolution); provided that, notwithstanding the foregoing provisions of this Section 8.4, (a) the Borrower may merge or consolidate with any of its Subsidiaries provided that (i) the Borrower shall be the continuing or surviving corporation, (ii) the Credit Parties shall cause to be executed and delivered such documents, instruments and certificates as the Administrative Agent may request in order to maintain the perfection and priority of the Administrative Agent's liens on the assets of the Credit Parties as required by Section 7.14 after giving effect to such transaction and (iii) after giving effect to such transaction, no Default or Event of Default exists, (b) any Credit Party other than the Borrower may merge or consolidate with any other Credit Party other than the Borrower provided that (i) the Credit Parties shall cause to be executed and delivered such documents, instruments and certificates as the Administrative Agent may request in order to maintain the perfection and priority of the Administrative Agent's liens on the assets of the Credit Parties as required by Section 7.14 after giving effect to such transaction and (ii) after giving effect to such transaction, no Default or Event of Default exists, (c) any Consolidated Party which is not a Credit Party may be merged or consolidated with or into any Credit Party provided that (i) such Credit Party shall be the continuing or surviving corporation, (ii) the Credit Parties shall cause to be executed and delivered such documents, instruments and certificates as the Administrative Agent may request in order to maintain the perfection and priority of the Administrative Agent's liens on the assets of the Credit Parties as required by Section 7.14 after giving effect to such transaction and (iii) after giving effect to such transaction, no Default or Event of Default exists, and (d) any Consolidated Party which is not a Credit Party may be merged or consolidated with or into any other Consolidated Party which is not a Credit Party provided that, after giving effect to such transaction, no Default or Event of Default exists.

8.5 ASSET DISPOSITIONS.

The Credit Parties will not permit any Consolidated Party to make any Asset Disposition (including, without limitation, any Sale and Leaseback Transaction) unless no later than 30 days

prior to such Asset Disposition, the Administrative Agent, the Documentation Agent and the Lenders shall have received a certificate of an officer of the Borrower specifying the anticipated or actual date of such Asset Disposition, briefly describing the assets to be sold or otherwise disposed of and setting forth the net book value of such assets, the aggregate consideration and the Net Cash Proceeds to be received for such assets in connection with such Asset Disposition, and thereafter the Credit Parties shall, on the date of the consummation of such Asset Disposition, apply (or cause to be applied) an amount equal to the Net Cash Proceeds of such Asset Disposition to prepay the Loans (and cash collateralize of LOC Obligations) in accordance with the terms of Section 3.3(b)(ii) and (iii).

Notwithstanding the foregoing, the Borrower agrees that it shall not sell a Borrowing Base Property unless each of the following conditions is satisfied: (i) no Default or Event of Default exists, (ii) such Borrowing Base Property is sold pursuant to the terms and conditions of an arms length contract, (iii) either (a) the Borrower replaces such Borrowing Base Property with a substitute Borrowing Base Property acceptable to the Lenders or (b) the Obligations outstanding shall not exceed the lesser of the Aggregate Committed Amount and the Borrowing Base after giving effect to such disposition and (iv) after giving effect to such disposition, on a pro forma basis as if such disposition had occurred on the first day of the twelve month period ending on the last day of the Borrower's most recently completed fiscal quarter, the Consolidated Parties would have been in compliance with all the financial covenants set forth in Section 7.11.

8.6 INVESTMENTS.

The Credit Parties will not permit any Consolidated Party to make Investments in or to any Person, except for Permitted Investments.

8.7 RESTRICTED PAYMENTS.

The Credit Parties will not permit any Consolidated Party to, directly or indirectly, declare, order, make or set apart any sum for or pay any Restricted Payment, except (a) to make dividends payable solely in the same class of Capital Stock of such Person, (b) to make dividends or other distributions payable to the Borrower (directly or indirectly through Subsidiaries), (c) the Borrower may make a one-time dividend payment in fiscal year 1999 based solely on the retained earnings of CCA prior to the Merger necessary to maintain the Borrower's status as a REIT if, but only if, the Borrower is able to provide the Administrative Agent at least 90 days prior to declaring such dividend with evidence (in form and substance satisfactory to the Administrative Agent) indicating (i) that there will be sufficient availability under this Credit Agreement to make such dividend payment at the time such payment is required) and (ii) that the Borrower shall have liquidity of at least $75 million (which liquidity may include any amounts available to be drawn under the Credit Agreement) after giving effect to such one-time dividend payment and (d) so long as no Default or Event of Default exists or would result therefrom, the Borrower may make distributions on common or preferred stock in an aggregate amount not to exceed during any calendar year ninety five percent (95%) of Funds from Operations attributable to such calendar year period; provided, however, the Borrower may pay dividends or distributions that exceed the amount permitted by the preceding subclause if such larger distribution is required in order for the Borrower to maintain its status as a REIT.

8.8 PREPAYMENTS OF INDEBTEDNESS, ETC.

The Credit Parties will not permit any Consolidated Party to (a) after the issuance thereof, amend or modify (or permit the amendment or modification of) any of the terms of any other Indebtedness if such amendment or modification would add or change any terms in a manner adverse to the issuer of such Indebtedness, or shorten the final maturity or average life to maturity or require any payment to be made sooner than originally scheduled or increase the interest rate applicable thereto or change any subordination provision thereof, or (b) make (or give any notice with respect thereto) any voluntary or optional payment or prepayment or redemption or acquisition for value of (including without limitation, by way of depositing money or securities with the trustee with respect thereto before due for the purpose of paying when due), refund, refinance or exchange of any other Indebtedness.

8.9 TRANSACTIONS WITH AFFILIATES.

Except for (a) the Master Lease, (b) the Opco Note and (c) the Lease Agreements between Management Opco and the Borrower, the Credit Parties will not permit any Consolidated Party to enter into or permit to exist any transaction or series of transactions with any officer, director, shareholder, Subsidiary or Affiliate of such Person other than (i) normal compensation and reimbursement of expenses of officers and directors and (ii) except as otherwise specifically limited in this Credit Agreement, other transactions which are entered into in the ordinary course of such Person's business on terms and conditions substantially as favorable to such Person as would be obtainable by it in a comparable arms-length transaction with a Person other than an officer, director, shareholder, Subsidiary or Affiliate.

8.10 FISCAL YEAR; ORGANIZATIONAL DOCUMENTS.

The Credit Parties will not permit any Consolidated Party to (a) change its fiscal year without the prior written consent of the Required Lenders or (b) amend, modify or change its articles of incorporation (or corporate charter or other similar organizational document) or bylaws (or other similar document) in any manner that would reasonably be likely to adversely affect the Lenders.

8.11 LIMITATION ON RESTRICTED ACTIONS.

The Credit Parties will not permit any Consolidated Party to, directly or indirectly, create or otherwise cause or suffer to exist or become effective any encumbrance or restriction on the ability of any such Person to (a) pay dividends or make any other distributions to any Credit Party on its Capital Stock or with respect to any other interest or participation in, or measured by, its profits, (b) pay any Indebtedness or other obligation owed to any Credit Party, (c) make loans or advances to any Credit Party, (d) sell, lease or transfer any of its properties or assets to any Credit Party, or (e) act as a Guarantor and pledge its assets pursuant to the Credit Documents or any renewals, refinancings, exchanges, refundings or extension thereof, except (in respect of any of the matters referred to in clauses (a)-(d) above) for such encumbrances or restrictions existing

under or by reason of (i) this Credit Agreement and the other Credit Documents or (ii) applicable law.

8.12 OWNERSHIP OF SUBSIDIARIES.

Notwithstanding any other provisions of this Credit Agreement to the contrary, the Credit Parties will not permit any Consolidated Party to (i) permit any Person (other than the Borrower or any Wholly-Owned Subsidiary of the Borrower) to own any Capital Stock of any Subsidiary of the Borrower, (ii) permit any Subsidiary of the Borrower to issue Capital Stock (except to the Borrower or to a Wholly-Owned Subsidiary of the Borrower), (iii) permit, create, incur, assume or suffer to exist any Lien thereon, in each case except (A) to qualify directors where required by applicable law or to satisfy other requirements of applicable law with respect to the ownership of Capital Stock of Foreign Subsidiaries or (B) for Permitted Liens and (iv) notwithstanding anything to the contrary contained in clause (ii) above, permit any Subsidiary of the Borrower to issue any shares of preferred Capital Stock.

8.13 SALE LEASEBACKS.

The Credit Parties will not permit any Consolidated Party to, directly or indirectly, become or remain liable as lessee or as guarantor or other surety with respect to any lease, whether an Operating Lease or a Capital Lease, of any Property (whether real, personal or mixed), whether now owned or hereafter acquired, (a) which such Consolidated Party has sold or transferred or is to sell or transfer to a Person which is not a Consolidated Party or (b) which such Consolidated Party intends to use for substantially the same purpose as any other Property which has been sold or is to be sold or transferred by such Consolidated Party to another Person which is not a Consolidated Party in connection with such lease.

8.14 NO FURTHER NEGATIVE PLEDGES.

The Credit Parties will not permit any Consolidated Party to enter into, assume or become subject to any agreement prohibiting or otherwise restricting the creation or assumption of any Lien upon its properties or assets, whether now owned or hereafter acquired, or requiring the grant of any security for such obligation if security is given for some other obligation, except pursuant to this Credit Agreement and the other Credit Documents.

8.15 MASTER LEASE.

The rent provisions of the Master Lease and the rent provisions of the Lease Agreements may not be amended or modified in any material manner without the prior written consent of the Required Lenders.

SECTION 9

EVENTS OF DEFAULT

9.1 EVENTS OF DEFAULT.

An Event of Default shall exist upon the occurrence of any of the following specified events (each an "Event of Default"):

(a) Payment. Any Credit Party shall

(i) default in the payment when due of any principal of any of the Loans or of any reimbursement obligations arising from drawings under Letters of Credit, or

(ii) default, and such default shall continue for three (3) or more Business Days, in the payment when due of any interest on the Loans or on any reimbursement obligations arising from drawings under Letters of Credit, or of any Fees or other amounts owing hereunder, under any of the other Credit Documents or in connection herewith or therewith; or

(b) Representations. Any representation, warranty or statement made or deemed to be made by any Credit Party herein, in any of the other Credit Documents, or in any statement or certificate delivered or required to be delivered pursuant hereto or thereto shall prove untrue in any material respect on the date as of which it was deemed to have been made; or

(c) Covenants. Any Credit Party shall

(i) default in the due performance or observance of any term, covenant or agreement contained in Sections 7.2, 7.4, 7.9, 7.11, 7.12, 7.14, 7.15, 7.16, 7.17, 7.18 or 8.1 through 8.15, inclusive;

(ii) default in the due performance or observance of any term, covenant or agreement contained in Sections 7.1(a), (b), (c), (d) or (m) and such default shall continue unremedied for a period of at least 5 days after the earlier of a responsible officer of a Credit Party becoming aware of such default or notice thereof by the Administrative Agent; or

(iii) default in the due performance or observance by it of any term, covenant or agreement (other than those referred to in subsections (a), (b), (c)(i) or (c)(ii) of this Section 9.1) contained in this Credit Agreement and such default shall continue unremedied for a period of at least 30 days after the earlier of a responsible officer of a Credit Party becoming aware of such default or notice thereof by the Administrative Agent; or

(d) Other Credit Documents. (i) Any Credit Party shall default in the due performance or observance of any term, covenant or agreement in any of the other Credit Documents (subject to applicable grace or cure periods, if any), or (ii) except as a result of or in connection with a merger of a Subsidiary permitted under Section 8.4, any Credit Document shall fail to be in full force and effect or to give the Administrative Agent and/or the Lenders the Liens, rights, powers and privileges purported to be created thereby, or any Credit Party shall so state in writing; or

(e) Guaranties. Except as the result of or in connection with a merger of a Subsidiary permitted under Section 8.4, the guaranty given by any Guarantor hereunder (including any Additional Credit Party) or any provision thereof shall cease to be in full force and effect, or any Guarantor (including any Additional Credit Party) hereunder or any Person acting by or on behalf of such Guarantor shall deny or disaffirm such Guarantor's obligations under such guaranty, or any Guarantor shall default in the due performance or observance of any term, covenant or agreement on its part to be performed or observed pursuant to any guaranty; or

(f) Bankruptcy, etc. Any Bankruptcy Event shall occur with respect to any Consolidated Party; or

(g) Defaults under Other Agreements. With respect to any Indebtedness (other than Indebtedness outstanding under this Credit Agreement) in excess of $250,000 in the aggregate for the Consolidated Parties taken as a whole, (A) any Consolidated Party shall (1) default in any payment (beyond the applicable grace period with respect thereto, if any) with respect to any such Indebtedness, or (2) the occurrence and continuance of a default in the observance or performance relating to such Indebtedness or contained in any instrument or agreement evidencing, securing or relating thereto, or any other event or condition shall occur or condition exist, the effect of which default or other event or condition is to cause, or permit, the holder or holders of such Indebtedness (or trustee or agent on behalf of such holders) to cause (determined without regard to whether any notice or lapse of time is required), any such Indebtedness to become due prior to its stated maturity; or (B) any such Indebtedness shall be declared due and payable, or required to be prepaid other than by a regularly scheduled required prepayment, prior to the stated maturity thereof; or

(h) Judgments. One or more judgments or decrees shall be entered against one or more of the Consolidated Parties involving a liability of $1,000,000 or more in the aggregate (to the extent not paid or fully covered by insurance provided by a carrier who has acknowledged coverage and has the ability to perform) and any such judgments or decrees shall not have been vacated, discharged or stayed or bonded pending appeal within 30 days from the entry thereof; or

(i) ERISA. Any of the following events or conditions, if such event or condition could have a Material Adverse Effect: (i) any "accumulated funding deficiency," as such term is defined in Section 302 of ERISA and Section 412 of the Code, whether or not waived, shall exist with respect to any Plan, or any lien shall arise on the assets of any

Consolidated Party or any ERISA Affiliate in favor of the PBGC or a Plan; (ii) an ERISA Event shall occur with respect to a Single Employer Plan, which is, in the reasonable opinion of the Administrative Agent, likely to result in the termination of such Plan for purposes of Title IV of ERISA; (iii) an ERISA Event shall occur with respect to a Multiemployer Plan or Multiple Employer Plan, which is, in the reasonable opinion of the Administrative Agent, likely to result in (A) the termination of such Plan for purposes of Title IV of ERISA, or (B) any Consolidated Party or any ERISA Affiliate incurring any liability in connection with a withdrawal from, reorganization of (within the meaning of Section 4241 of ERISA), or insolvency or (within the meaning of Section 4245 of ERISA) such Plan; or (iv) any prohibited transaction (within the meaning of Section 406 of ERISA or Section 4975 of the Code) or breach of fiduciary responsibility shall occur which may subject any Consolidated Party or any ERISA Affiliate to any liability under Sections 406, 409, 502(i), or 502(l) of ERISA or Section 4975 of the Code, or under any agreement or other instrument pursuant to which any Consolidated Party or any ERISA Affiliate has agreed or is required to indemnify any person against any such liability;

(j) Service Company Documents. There shall occur (i) an Event of Default (as defined in the Service Company A Credit Agreement) under the Service Company A Credit Agreement, or (ii) an Event of Default (as defined in the Service Company B Credit Agreement) under the Service Company B Credit Agreement;

(k) Management Opco Credit Agreement. There shall occur an Event of Default (as defined in the Management Opco Credit Agreement) under the Management Opco Credit Agreement;

(l) Lease Agreements. There shall occur (i) an event of default under the Master Lease (subject to applicable grace or cure periods, if any), (ii) any payment default under any lease agreement (not including the Master Lease) between the Borrower and Management Opco (each such lease agreement (including the Master Lease), a "Lease Agreement") or (iii) any shortening or limitation on the term of any Lease Agreement;

(m) License Agreements. Any of the Opco License Agreement, the Service Company A License Agreement or the Service Company B License Agreement shall be terminated or cancelled;

(n) Ownership. There shall occur a Change of Control;

(o) Post-Closing Matters. Management Opco shall fail to satisfy all of the post-closing requirements contained in that certain letter (a copy of which is attached hereto as Schedule 9.1(o)) dated December 31, 1998 between Management Opco and GECC within 60 days of the Closing Date unless the indebtedness under the Management Opco Credit Agreement has been refinanced in accordance with the terms of Section 9.1(p) within such 60 day period; or

(p) Amendments. Management Opco shall (a) enter into any amendment of the Management Opco Credit Agreement which would (i) reduce the committed amount of

financing available under the Management Opco Credit Agreement, (ii) decrease or shorten the maturity date of the loans under the Management Opco Credit Agreement, (iii) increase the rate at which interest is payable on the loans under the Management Opco Credit Agreement, (iv) cause the financial covenants in the Management Opco Credit Agreement to be more restrictive with respect to Management Opco than those financial covenants in effect as of the Closing Date, or (b) refinance the indebtedness under the Management Opco Credit Agreement on terms and conditions less favorable to Management Opco or the Borrower than such existing indebtedness under the Management Opco Credit Agreement.

9.2 ACCELERATION; REMEDIES.

Upon the occurrence of an Event of Default, and at any time thereafter unless and until such Event of Default has been waived by the requisite Lenders (pursuant to the voting requirements of Section 11.6) or cured to the satisfaction of the requisite Lenders (pursuant to the voting procedures in Section 11.6), the Administrative Agent shall, upon the request and direction of the Required Lenders, by written notice to the Credit Parties, take one or more of the following actions:

(a) Termination of Commitments. Declare the Commitments terminated whereupon the Commitments shall be immediately terminated.

(b) Acceleration. Declare the unpaid principal of and any accrued interest in respect of all Loans, any reimbursement obligations arising from drawings under Letters of Credit and any and all other indebtedness or obligations of any and every kind owing by the Credit Parties to the Administrative Agent and/or any of the Lenders hereunder to be due whereupon the same shall be immediately due and payable without presentment, demand, protest or other notice of any kind, all of which are hereby waived by the Credit Parties.

(c) Cash Collateral. Direct the Credit Parties to pay (and the Credit Parties agree that upon receipt of such notice, or upon the occurrence of an Event of Default under Section 9.1(f), they will immediately pay) to the Administrative Agent additional cash, to be held by the Administrative Agent, for the benefit of the Revolving Lenders, in a cash collateral account as additional security for the LOC Obligations in respect of subsequent drawings under all then outstanding Letters of Credit in an amount equal to the maximum aggregate amount which may be drawn under all Letters of Credits then outstanding.

(d) Enforcement of Rights. Enforce any and all rights and interests created and existing under the Credit Documents including, without limitation, all rights and remedies existing under the Collateral Documents, all rights and remedies against a Guarantor and all rights of set-off.

Notwithstanding the foregoing, if an Event of Default specified in Section 9.1(f) shall occur with respect to the Borrower, then the Commitments shall automatically terminate and all Loans, all reimbursement obligations arising from drawings under Letters of Credit, all accrued interest in respect thereof, all accrued and unpaid Fees and other indebtedness or obligations owing to the Administrative Agent, the Documentation Agent and/or any of the Lenders hereunder automatically

shall immediately become due and payable without the giving of any notice or other action by the Administrative Agent, the Documentation Agent or the Lenders.

SECTION 10

AGENCY PROVISIONS

10.1 APPOINTMENT, POWERS AND IMMUNITIES.

(a) Each Lender hereby irrevocably appoints and authorizes the Administrative Agent to act as its agent under this Credit Agreement and the other Credit Documents with such powers and discretion as are specifically delegated to the Administrative Agent by the terms of this Credit Agreement and the other Credit Documents, together with such other powers as are reasonably incidental thereto. The Administrative Agent (which term as used in this sentence and in Section 10.5 and the first sentence of Section 10.6 hereof shall include its Affiliates and its own and its Affiliates' officers, directors, employees, and agents): (a) shall not have any duties or responsibilities except those expressly set forth in this Credit Agreement and shall not be a trustee or fiduciary for any Lender; (b) shall not be responsible to the Lenders for any recital, statement, representation, or warranty (whether written or oral) made in or in connection with any Credit Document or any certificate or other document referred to or provided for in, or received by any of them under, any Credit Document, or for the value, validity, effectiveness, genuineness, enforceability, or sufficiency of any Credit Document, or any other document referred to or provided for therein or for any failure by any Credit Party or any other Person to perform any of its obligations thereunder; (c) shall not be responsible for or have any duty to ascertain, inquire into, or verify the performance or observance of any covenants or agreements by any Credit Party or the satisfaction of any condition or to inspect the property (including the books and records) of any Credit Party or any of its Subsidiaries or Affiliates; (d) shall not be required to initiate or conduct any litigation or collection proceedings under any Credit Document; and (e) shall not be responsible for any action taken or omitted to be taken by it under or in connection with any Credit Document, except for its own gross negligence or willful misconduct. The Administrative Agent may employ agents and attorneys-in-fact and shall not be responsible for the negligence or misconduct of any such agents or attorneys-in-fact selected by it with reasonable care.

(b) Each Lender hereby consents to and approves the terms of the Standstill Agreement, a copy of which is attached hereto as Schedule 10.1(b). By execution hereof (whether by signature on this Credit Agreement or through the execution of an Assignment and Acceptance), the Lenders acknowledge the terms of the Standstill Agreement and agree to be bound by the terms thereof and further authorize and direct the Administrative Agent to enter into the Standstill Agreement on behalf of the Lenders.

10.2 RELIANCE BY ADMINISTRATIVE AGENT.

The Administrative Agent shall be entitled to rely upon any certification, notice, instrument, writing, or other communication (including, without limitation, any thereof by

telephone or telecopy) believed by it to be genuine and correct and to have been signed, sent or made by or on behalf of the proper Person or Persons, and upon advice and statements of legal counsel (including counsel for any Credit Party), independent accountants, and other experts selected by the Administrative Agent. The Administrative Agent may deem and treat the payee of any Note as the holder thereof for all purposes hereof unless and until the Administrative Agent receives and accepts an Assignment and Acceptance executed in accordance with Section 11.3(b) hereof. As to any matters not expressly provided for by this Credit Agreement, the Administrative Agent shall not be required to exercise any discretion or take any action, but shall be required to act or to refrain from acting (and shall be fully protected in so acting or refraining from acting) upon the instructions of the Required Lenders, and such instructions shall be binding on all of the Lenders; provided, however, that the Administrative Agent shall not be required to take any action that exposes the Administrative Agent to personal liability or that is contrary to any Credit Document or applicable law or unless it shall first be indemnified to its satisfaction by the Lenders against any and all liability and expense which may be incurred by it by reason of taking any such action.

10.3 DEFAULTS.

The Administrative Agent shall not be deemed to have knowledge or notice of the occurrence of a Default or Event of Default unless the Administrative Agent has received written notice from a Lender or a Credit Party specifying such Default or Event of Default and stating that such notice is a "Notice of Default". In the event that the Administrative Agent receives such a notice of the occurrence of a Default or Event of Default, the Administrative Agent shall give prompt notice thereof to the Lenders. The Administrative Agent shall (subject to Section 10.2 hereof) take such action with respect to such Default or Event of Default as shall reasonably be directed by the Required Lenders, provided that, unless and until the Administrative Agent shall have received such directions, the Administrative Agent may (but shall not be obligated to) take such action, or refrain from taking such action, with respect to such Default or Event of Default as it shall deem advisable in the best interest of the Lenders.

10.4 RIGHTS AS A LENDER.

With respect to its Commitment and the Loans made by it, NationsBank (and any successor acting as Administrative Agent) in its capacity as a Lender hereunder shall have the same rights and powers hereunder as any other Lender and may exercise the same as though it were not acting as the Administrative Agent, and the term "Lender" or "Lenders" shall, unless the context otherwise indicates, include the Administrative Agent in its individual capacity. NationsBank (and any successor acting as Administrative Agent) and its Affiliates may (without having to account therefor to any Lender) accept deposits from, lend money to, make investments in, provide services to, and generally engage in any kind of lending, trust, or other business with any Credit Party or any of its Subsidiaries or Affiliates as if it were not acting as Administrative Agent, and NationsBank (and any successor acting as Administrative Agent) and its Affiliates may accept fees and other consideration from any Credit Party or any of its Subsidiaries or Affiliates for services in connection with this Credit Agreement or otherwise without having to account for the same to the Lenders.

10.5 INDEMNIFICATION.

The Lenders agree to indemnify the Administrative Agent (to the extent not reimbursed under Section 11.5 hereof, but without limiting the obligations of the Credit Parties under such Section) ratably in accordance with their respective Commitments, for any and all liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses (including attorneys' fees), or disbursements of any kind and nature whatsoever that may be imposed on, incurred by or asserted against the Administrative Agent (including by any Lender) in any way relating to or arising out of any Credit Document or the transactions contemplated thereby or any action taken or omitted by the Administrative Agent under any Credit Document (including any of the foregoing arising from the negligence of the Administrative Agent); provided that no Lender shall be liable for any of the foregoing to the extent they arise from the gross negligence or willful misconduct of the Person to be indemnified. Without limitation of the foregoing, each Lender agrees to reimburse the Administrative Agent promptly upon demand for its ratable share of any costs or expenses payable by the Credit Parties under Section 11.5, to the extent that the Administrative Agent is not promptly reimbursed for such costs and expenses by the Credit Parties. The agreements in this Section 10.5 shall survive the repayment of the Loans, LOC Obligations and other obligations under the Credit Documents and the termination of the Commitments hereunder.

10.6 NON-RELIANCE ON AGENTS AND OTHER LENDERS.

Each Lender agrees that it has, independently and without reliance on the Administrative Agent, the Documentation Agent, the Syndication Agent or any other Lender, and based on such documents and information as it has deemed appropriate, made its own credit analysis of the Credit Parties and their Subsidiaries and decision to enter into this Credit Agreement and that it will, independently and without reliance upon the Administrative Agent, the Documentation Agent, the Syndication Agent or any other Lender, and based on such documents and information as it shall deem appropriate at the time, continue to make its own analysis and decisions in taking or not taking action under the Credit Documents. Except for notices, reports, and other documents and information expressly required to be furnished to the Lenders by the Administrative Agent hereunder, the Administrative Agent shall not have any duty or responsibility to provide any Lender with any credit or other information concerning the affairs, financial condition, or business of any Credit Party or any of its Subsidiaries or Affiliates that may come into the possession of the Administrative Agent or any of its Affiliates.

10.7 SUCCESSOR ADMINISTRATIVE AGENT.

(a) The Administrative Agent may resign at any time by giving notice thereof to the Lenders and the Credit Parties. Upon any such resignation, the Required Lenders shall have the right to appoint a successor Administrative Agent. If no successor Administrative Agent shall have been so appointed by the Required Lenders and shall have accepted such appointment within thirty (30) days after the retiring Administrative Agent's giving of notice of resignation, then the retiring Administrative Agent may, on behalf of the Lenders, appoint a successor Administrative Agent which shall be a commercial bank organized under the laws of the United States of America having combined capital and surplus of at least $100,000,000. Upon the

acceptance of any appointment as Administrative Agent hereunder by a successor, such successor shall thereupon succeed to and become vested with all the rights, powers, discretion, privileges, and duties of the retiring Administrative Agent, and the retiring Administrative Agent shall be discharged from its duties and obligations hereunder. After any retiring Administrative Agent's resignation hereunder as Administrative Agent, the provisions of this Section 10 shall continue in effect for its benefit in respect of any actions taken or omitted to be taken by it while it was acting as Administrative Agent.

(b) Lehman Commercial Paper Inc., in its capacity as Documentation Agent and The Bank of Nova Scotia, in its capacity as Syndication Agent shall have no duties or responsibilities and shall incur no liability under this Credit Agreement or any of the other Credit Documents.

(c) The Required Lenders may elect to remove NationsBank, as Administrative Agent, in the event NationsBank fails to maintain a Revolving Commitment in an amount equal to Ten Million Dollars ($10,000,000); provided that such Required Lenders shall have appointed a successor Administrative Agent.

SECTION 11

MISCELLANEOUS

11.1 NOTICES.

Except as otherwise expressly provided herein, all notices and other communications shall have been duly given and shall be effective (a) when delivered, (b) when transmitted via telecopy (or other facsimile device) to the number set out below, (c) the Business Day following the day on which the same has been delivered prepaid to a reputable national overnight air courier service, or (d) the third Business Day following the day on which the same is sent by certified or registered mail, postage prepaid, in each case to the respective parties at the address, in the case of the Credit Parties and the Administrative Agent, set forth below, and, in the case of the Lenders, set forth on Schedule 2.1(a), or at such other address as such party may specify by written notice to the other parties hereto:

if to any Credit Party:

Prison Realty Corporation
10 Burton Hills Boulevard, Suite 100
Nashville, Tennessee 37215
Attn: Doctor R. Crants
Telephone: (615) 263-0200
Telecopy: (615) 263-0212

with a copy to:

Stokes & Bartholomew
SunTrust Center
424 Church Street, 28th Floor
Nashville, Tennessee 37219
Attn: Elizabeth Moore
Telephone: (615) 259-1450
Telecopy: (615) 259-1470

if to the Administrative Agent:

NationsBank, N. A.
One Independence Center, 15th Floor
NC1-001-15-04
101 North Tryon Street
Charlotte, North Carolina 28255
Attn: Agency Services
Telephone: (704) 388-6483
Telecopy: (704) 409-0014

with a copy to:

NationsBank, N. A.
NationsBank Corporate Center
100 North Tryon Street, 8th Floor
Charlotte, North Carolina 28255
Attn: Richard Parkhurst
Telephone: (704) 386-1828
Telecopy: (704) 386-5726

11.2 RIGHT OF SET-OFF; ADJUSTMENTS.

Upon the occurrence and during the continuance of any Event of Default, each Lender (and each of its Affiliates) is hereby authorized at any time and from time to time, to the fullest extent permitted by law, to set off and apply any and all deposits (general or special, time or demand, provisional or final) at any time held and other indebtedness at any time owing by such Lender (or any of its Affiliates) to or for the credit or the account of any Credit Party against any and all of the obligations of such Person now or hereafter existing under this Credit Agreement, under the Notes, under any other Credit Document or otherwise, irrespective of whether such Lender shall have made any demand hereunder or thereunder and although such obligations may be unmatured. Each Lender agrees promptly to notify any affected Credit Party after any such set-off and application made by such Lender; provided, however, that the failure to give such notice shall not affect the validity of such set-off and application. The rights of each Lender under this Section 11.2 are in addition to other rights and remedies (including, without limitation, other rights of set-off) that such Lender may have.

11.3 BENEFIT OF AGREEMENT.

(a) This Credit Agreement shall be binding upon and inure to the benefit of and be enforceable by the respective successors and assigns of the parties hereto; provided that none of the Credit Parties may assign or transfer any of its interests and obligations without prior written consent of the Lenders; provided further that the rights of each Lender to transfer, assign or grant participations in its rights and/or obligations hereunder shall be limited as set forth in this Section 11.3.

(b) Each Lender may assign to one or more Eligible Assignees all or a portion of its rights and obligations under this Credit Agreement (including, without limitation, all or a portion of its Loans, its Notes, and its Commitment); provided, however, that

(i) each such assignment shall be to an Eligible Assignee;

(ii) except in the case of an assignment to another Lender or an assignment of all of a Lender's rights and obligations under this Credit Agreement, any such partial assignment shall be in an amount at least equal to $5,000,000 (or, if less, the remaining amount of the Commitment being assigned by such Lender) or an integral multiple of $1,000,000 in excess thereof;

(iii) each such assignment by a Lender shall be of a constant, and not varying, percentage of all of its rights and obligations under this Credit Agreement and the Notes; and

(iv) the parties to such assignment shall execute and deliver to the Administrative Agent for its acceptance an Assignment and Acceptance in the form of Exhibit 11.3(b) hereto, together with any Note subject to such assignment and a processing fee of $3,500 (except that no processing fee shall be payable (y) in connection with an assignment of the Term Loan by or to Lehman Commercial Paper Inc. or any Affiliate thereof or (z) with respect to any assignment of the Term Loan, in the case of an Assignee that is already a Term Lender or is an Affiliate of a Term Lender or a Person under common management with a Term Lender).

Upon execution, delivery, and acceptance of such Assignment and Acceptance, the assignee thereunder shall be a party hereto and, to the extent of such assignment, have the obligations, rights, and benefits of a Lender hereunder and the assigning Lender shall, to the extent of such assignment, relinquish its rights and be released from its obligations under this Credit Agreement. Upon the consummation of any assignment pursuant to this Section 11.3(b), the assignor, the Administrative Agent and the Credit Parties shall make appropriate arrangements so that, if required, new Notes are issued to the assignor and the assignee. If the assignee is not a United States person under Section 7701(a)(30) of the Code, it shall deliver to the Credit Parties and the Administrative Agent certification as to exemption from deduction or withholding of Taxes in accordance with Section 3.11.

(c) The Administrative Agent shall maintain at its address referred to in Section 11.1 a copy of each Assignment and Acceptance delivered to and accepted by it and a register for the recordation of the names and addresses of the Lenders and the Commitment of, and principal amount of the Loans owing to, each Lender from time to time (the "Register"). The entries in the Register shall be conclusive and binding for all purposes, absent manifest error, and the Credit Parties, the Administrative Agent and the Lenders may treat each Person whose name is recorded in the Register as a Lender hereunder for all purposes of this Credit Agreement. The Register shall be available for inspection by the Credit Parties or any Lender at any reasonable time and from time to time upon reasonable prior notice.

(d) Upon its receipt of an Assignment and Acceptance executed by the parties thereto, together with any Note subject to such assignment and payment of the processing fee, the Administrative Agent shall, if such Assignment and Acceptance has been completed and is in substantially the form of Exhibit 11.3(b) hereto, (i) accept such Assignment and Acceptance, (ii) record the information contained therein in the Register and (iii) give prompt notice thereof to the parties thereto.

(e) Each Lender may sell participations to one or more Persons in all or a portion of its rights, obligations or rights and obligations under this Credit Agreement (including all or a portion of its Commitment or its Loans); provided, however, that (i) such Lender's obligations under this Credit Agreement shall remain unchanged, (ii) such Lender shall remain solely responsible to the other parties hereto for the performance of such obligations, (iii) the participant shall be entitled to the benefit of the yield protection provisions contained in Sections 3.7 through 3.12, inclusive, and the right of set-off contained in Section 11.2, and (iv) the Credit Parties shall continue to deal solely and directly with such Lender in connection with such Lender's rights and obligations under this Credit Agreement, and such Lender shall retain the sole right to enforce the obligations of the Credit Parties relating to the Credit Party Obligations owing to such Lender and to approve any amendment, modification, or waiver of any provision of this Credit Agreement (other than amendments, modifications, or waivers decreasing the amount of principal of or the rate at which interest is payable on such Loans or Notes, extending any scheduled principal payment date or date fixed for the payment of interest on such Loans or Notes, or extending its Commitment).

(f) Notwithstanding any other provision set forth in this Credit Agreement, any Lender may at any time assign and pledge all or any portion of its Loans and its Notes to any Federal Reserve Bank as collateral security pursuant to Regulation A and any Operating Circular issued by such Federal Reserve Bank, and any Term Lender may otherwise create security interests in any Term Loan or Term Note in accordance with applicable law. No such assignment shall release the assigning Lender from its obligations hereunder.

(g) Any Lender may furnish any information concerning the Consolidated Parties in the possession of such Lender from time to time to assignees and participants

(including prospective assignees and participants), subject, however, to the provisions of Section 11.14 hereof.

11.4 NO WAIVER; REMEDIES CUMULATIVE.

No failure or delay on the part of the Administrative Agent or any Lender in exercising any right, power or privilege hereunder or under any other Credit Document and no course of dealing between the Administrative Agent or any Lender and any of the Credit Parties shall operate as a waiver thereof; nor shall any single or partial exercise of any right, power or privilege hereunder or under any other Credit Document preclude any other or further exercise thereof or the exercise of any other right, power or privilege hereunder or thereunder. The rights and remedies provided herein are cumulative and not exclusive of any rights or remedies which the Administrative Agent or any Lender would otherwise have. No notice to or demand on any Credit Party in any case shall entitle the Credit Parties to any other or further notice or demand in similar or other circumstances or constitute a waiver of the rights of the Administrative Agent or the Lenders to any other or further action in any circumstances without notice or demand.

11.5 EXPENSES; INDEMNIFICATION.

(a) The Credit Parties jointly and severally agree to pay on demand all costs and expenses of the Administrative Agent in connection with the syndication, preparation, execution, delivery, administration, modification, and amendment of this Credit Agreement, the other Credit Documents, and the other documents to be delivered hereunder, including, without limitation, the reasonable fees and expenses of counsel for the Administrative Agent with respect thereto and with respect to advising the Administrative Agent as to its rights and responsibilities under the Credit Documents. The Credit Parties further jointly and severally agree to pay on demand all costs and expenses of the Administrative Agent and the Lenders, if any (including, without limitation, reasonable attorneys' fees and expenses), in connection with the enforcement (whether through negotiations, legal proceedings, or otherwise) of the Credit Documents and the other documents to be delivered hereunder.

(b) The Credit Parties jointly and severally agree to indemnify and hold harmless the Administrative Agent and each Lender and each of their Affiliates and their respective officers, directors, employees, agents, and advisors (each, an "Indemnified Party") from and against any and all claims, damages, losses, liabilities, costs, and expenses (including, without limitation, reasonable attorneys' fees) that may be incurred by or asserted or awarded against any Indemnified Party, in each case arising out of or in connection with or by reason of (including, without limitation, in connection with any investigation, litigation, or proceeding or preparation of defense in connection therewith) the Credit Documents, any of the transactions contemplated herein or the actual or proposed use of the proceeds of the Loans (including any of the foregoing arising from the negligence of the Indemnified Party), except to the extent such claim, damage, loss, liability, cost, or expense is found in a final, non-appealable judgment by a court of competent jurisdiction to have resulted from such Indemnified Party's gross negligence or willful misconduct. In the case of an investigation, litigation or other proceeding to which the indemnity in this Section 11.5 applies, such indemnity shall be effective whether or not such investigation, litigation or proceeding is brought by any of the Credit Parties, their respective directors,

shareholders or creditors or an Indemnified Party or any other Person or any Indemnified Party is otherwise a party thereto and whether or not the transactions contemplated hereby are consummated. The Credit Parties agree not to assert any claim against the Administrative Agent, any Lender, any of their Affiliates, or any of their respective directors, officers, employees, attorneys, agents, and advisers, on any theory of liability, for special, indirect, consequential, or punitive damages arising out of or otherwise relating to the Credit Documents, any of the transactions contemplated herein or the actual or proposed use of the proceeds of the Loans.

(c) Without prejudice to the survival of any other agreement of the Credit Parties hereunder, the agreements and obligations of the Credit Parties contained in this Section 11.5 shall survive the repayment of the Loans, LOC Obligations and other obligations under the Credit Documents and the termination of the Commitments hereunder.

11.6 AMENDMENTS, WAIVERS AND CONSENTS.

Neither this Credit Agreement nor any other Credit Document nor any of the terms hereof or thereof may be amended, changed, waived, discharged or terminated unless such amendment, change, waiver, discharge or termination is in writing entered into by, or approved in writing by, the Required Lenders and the Borrower, provided, however, that:

(i) without the consent of the Required Lenders and each other Lender affected thereby, neither this Credit Agreement nor any other Credit Document may be amended to

(a) extend the final maturity of any Loan or of any reimbursement obligation, or any portion thereof, arising from drawings under Letters of Credit,

(b) reduce the rate or extend the time of payment of interest (other than as a result of waiving the applicability of any post-default increase in interest rates) thereon or Fees hereunder,

(c) reduce or waive the principal amount of any Loan or of any reimbursement obligation, or any portion thereof, arising from drawings under Letters of Credit,

(d) increase the Commitment of a Lender over the amount thereof in effect (it being understood and agreed that a waiver of any Default or Event of Default or mandatory reduction in the Commitments shall not constitute a change in the terms of any Commitment of any Lender),

(e) release all or substantially all of the Collateral securing the Credit Party Obligations hereunder (provided that the Administrative Agent may, without consent from any other Lender, release any Collateral that is sold or transferred by a Credit Party in conformance with Section 8.5),

(f) release the Borrower or substantially all of the other Credit Parties from its or their obligations under the Credit Documents,

(g) amend, modify or waive any provision of this Section 11.6 or Section 3.6, 3.7, 3.8, 3.9, 3.10, 3.11, 3.12, 3.13, 3.14, 3.15, 9.1(a), 11.2, 11.3, 11.5 or 11.9,

(h) reduce any percentage specified in, or otherwise modify, the definition of Required Lenders, or

(i) consent to the assignment or transfer by the Borrower or all or substantially all of the other Credit Parties of any of its or their rights and obligations under (or in respect of) the Credit Documents except as permitted thereby;

(ii) without the consent of the Administrative Agent, no provision of Section 10 may be amended;

(iii) without the consent of the Issuing Lender, no provision of Section 2.2 may be amended; and without the consent of the Swingline Lender, no provision of Section 2.3 may be amended; and

(iv) with the consent of the Borrower and either the Required Term Lenders or the Required Revolving Lenders, increase the rate of interest applicable to the Loans (such increase to be in an equal amount for the Term Loans and the Revolving Loans).

Notwithstanding the fact that the consent of all the Lenders is required in certain circumstances as set forth above, (x) each Lender is entitled to vote as such Lender sees fit on any bankruptcy reorganization plan that affects the Loans, and each Lender acknowledges that the provisions of Section 1126(c) of the Bankruptcy Code supersedes the unanimous consent provisions set forth herein and (y) the Required Lenders may consent to allow a Credit Party to use cash collateral in the context of a bankruptcy or insolvency proceeding.

11.7 COUNTERPARTS.

This Credit Agreement may be executed in any number of counterparts, each of which when so executed and delivered shall be an original, but all of which shall constitute one and the same instrument. It shall not be necessary in making proof of this Credit Agreement to produce or account for more than one such counterpart for each of the parties hereto. Delivery by facsimile by any of the parties hereto of an executed counterpart of this Credit Agreement shall be as effective as an original executed counterpart hereof and shall be deemed a representation that an original executed counterpart hereof will be delivered.

11.8 HEADINGS.

The headings of the sections and subsections hereof are provided for convenience only and shall not in any way affect the meaning or construction of any provision of this Credit Agreement.

11.9 SURVIVAL.

All indemnities set forth herein, including, without limitation, in Section 2.2(i), 3.11, 3.12, 10.5 or 11.5 shall survive the execution and delivery of this Credit Agreement, the making of the Loans, the issuance of the Letters of Credit, the repayment of the Loans, LOC Obligations and other obligations under the Credit Documents and the termination of the Commitments hereunder, and all representations and warranties made by the Credit Parties herein shall survive delivery of the Notes and the making of the Loans hereunder.

11.10 GOVERNING LAW; SUBMISSION TO JURISDICTION; VENUE.

(a) THIS CREDIT AGREEMENT AND, UNLESS OTHERWISE EXPRESSLY PROVIDED THEREIN, THE OTHER CREDIT DOCUMENTS AND THE RIGHTS AND OBLIGATIONS OF THE PARTIES HEREUNDER AND THEREUNDER SHALL BE GOVERNED BY AND CONSTRUED AND INTERPRETED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NORTH CAROLINA. Any legal action or proceeding with respect to this Credit Agreement or any other Credit Document may be brought in the courts of the State of North Carolina in Mecklenburg County, or of the United States for the Western District of North Carolina, and, by execution and delivery of this Credit Agreement, each of the Credit Parties hereby irrevocably accepts for itself and in respect of its property, generally and unconditionally, the nonexclusive jurisdiction of such courts. Each of the Credit Parties further irrevocably consents to the service of process out of any of the aforementioned courts in any such action or proceeding by the mailing of copies thereof by registered or certified mail, postage prepaid, to it at the address set out for notices pursuant to Section 11.1, such service to become effective three (3) days after such mailing. Nothing herein shall affect the right of the Administrative Agent or any Lender to serve process in any other manner permitted by law or to commence legal proceedings or to otherwise proceed against any Credit Party in any other jurisdiction.

(b) Each of the Credit Parties hereby irrevocably waives any objection which it may now or hereafter have to the laying of venue of any of the aforesaid actions or proceedings arising out of or in connection with this Credit Agreement or any other Credit Document brought in the courts referred to in subsection (a) above and hereby further irrevocably waives and agrees not to plead or claim in any such court that any such action or proceeding brought in any such court has been brought in an inconvenient forum.

(c) TO THE EXTENT PERMITTED BY LAW, EACH OF THE AGENT, THE LENDERS, EACH OF THE CREDIT PARTIES HEREBY IRREVOCABLY WAIVES ALL RIGHT TO TRIAL BY JURY IN ANY ACTION, PROCEEDING OR COUNTERCLAIM ARISING OUT OF OR RELATING TO THIS CREDIT AGREEMENT, ANY OF THE OTHER CREDIT DOCUMENTS OR THE TRANSACTIONS CONTEMPLATED HEREBY.

11.11 SEVERABILITY.

If any provision of any of the Credit Documents is determined to be illegal, invalid or unenforceable, such provision shall be fully severable and the remaining provisions shall remain in full force and effect and shall be construed without giving effect to the illegal, invalid or unenforceable provisions.

11.12 ENTIRETY.

This Credit Agreement together with the other Credit Documents represent the entire agreement of the parties hereto and thereto, and supersede all prior agreements and understandings, oral or written, if any, including any commitment letters or correspondence relating to the Credit Documents or the transactions contemplated herein and therein.

11.13 BINDING EFFECT; TERMINATION.

(a) This Credit Agreement shall become effective at such time when all of the conditions set forth in Section 5.1 have been satisfied or waived by the Lenders and it shall have been executed by each Credit Party and the Administrative Agent, and the Administrative Agent shall have received copies hereof (telefaxed or otherwise) which, when taken together, bear the signatures of each Lender, and thereafter this Credit Agreement shall be binding upon and inure to the benefit of each Credit Party, the Administrative Agent and each Lender and their respective successors and assigns.

(b) The term of this Credit Agreement shall be until no Loans, LOC Obligations or any other amounts payable hereunder or under any of the other Credit Documents shall remain outstanding, no Letters of Credit shall be outstanding, all of the Credit Party Obligations have been irrevocably satisfied in full and all of the Commitments hereunder shall have expired or been terminated.

11.14 CONFIDENTIALITY.

The Administrative Agent and each Lender (each, a "Lending Party") agrees to keep confidential any information furnished or made available to it by the Credit Parties pursuant to this Credit Agreement that is marked confidential; provided that nothing herein shall prevent any Lending Party from disclosing such information (a) to any other Lending Party or any Affiliate of any Lending Party, or any officer, director, employee, agent, or advisor of any Lending Party or Affiliate of any Lending Party, (b) to any other Person if reasonably incidental to the administration of the credit facility provided herein, (c) as required by any law, rule, or regulation, (d) upon the order of any court or administrative agency, (e) upon the request or demand of any regulatory agency or authority, (f) that is or becomes available to the public or that is or becomes available to any Lending Party other than as a result of a disclosure by any Lending Party prohibited by this Credit Agreement, (g) in connection with any litigation to which such Lending Party or any of its Affiliates may be a party, (h) to the extent necessary in connection with the exercise of any remedy under this Credit Agreement or any other Credit

Document, and (i) subject to provisions substantially similar to those contained in this Section 11.14, to any actual or proposed participant or assignee.

11.15 CONFLICT.

To the extent that there is a conflict or inconsistency between any provision hereof, on the one hand, and any provision of any Credit Document, on the other hand, this Credit Agreement shall control.

[Signature Page to Follow]

IN WITNESS WHEREOF, each of the parties hereto has caused a counterpart of this Credit Agreement to be duly executed and delivered as of the date first above written.

BORROWER:

PRISON REALTY CORPORATION,
a Maryland corporation

By: /s/ D. Robert Crants, III

Name: D. Robert Crants, III

Title: President

SUBSIDIARY
GUARANTORS:

CONCEPT INCORPORATED,
a Delaware corporation
CCA CAPITAL, INC.,
a Delaware corporation
CORRECTIONS PARTNERS, INC.,
a Kentucky corporation
DIBOLL CORRECTIONAL CENTER, INC.,
a Kentucky corporation
GASDEN CORRECTIONAL INSTITUTION, INC.,
a Kentucky corporation
LEE ADJUSTMENT CENTER, INC.,
a Kentucky corporation
MARION ADJUSTMENT CENTER, INC.,
a Kentucky corporation
OTTER CREEK CORRECTIONAL CENTER, INC.,
a Kentucky corporation
PRISON HOLDINGS, INC.,
a Delaware corporation
PRISON REALTY MANAGEMENT, INC.,
a Tennessee corporation
RIVER CITY CORRECTIONAL CENTER, INC.,
a Kentucky corporation
TRANSCOR AMERICA, INC.,
a Tennessee corporation

By: /s/ D. Robert Crants, III

Name: D. Robert Crants, III

Title: President
---
of each of the foregoing
Subsidiary Guarantors

USCC AVERY/MITCHELL MANAGEMENT COMPANY,
INC., a North Carolina corporation
USCC PAMLICO MANAGEMENT COMPANY, INC.,
a North Carolina corporation
U.S. CORRECTIONS CORPORATION,
a Kentucky corporation
USCC, INC.,
a Kentucky corporation
QUEENSGATE CORRECTIONAL CENTER, INC.,
a Kentucky corporation
U.S. CORRECTIONS LEASING (NC) AVERY/MITCHELL
FACILITY, INC., a North Carolina corporation
U.S. CORRECTIONS LEASING (NC) PAMLICO
FACILITY, INC., a North Carolina corporation

By: /s/ D. Robert Crants, III

Name: D. Robert Crants, III

Title: President
---
of each of the foregoing
Subsidiary Guarantors

CORRECTIONAL SERVICES GROUP, INC.,
a Missouri corporation

By: /s/ D. Robert Crants, III

Name: D. Robert Crants, III

Title: President

(SIGNATURES CONTINUE)

LENDERS:

NATIONSBANK, N. A.,
individually in its capacity as a
Lender and in its capacity as Administrative
Agent

By: /s/ Richard G. Parkhurst, Jr.

Name: Richard G. Parkhurst, Jr.

Title: Senior Vice President

(SIGNATURES CONTINUE)

LEHMAN COMMERCIAL PAPER INC., individually
in its capacity as a Lender and in its
capacity as Documentation Agent

By: /s/ Dana M. Archery

Name: Dana M. Archery

Title: Authorized Signatory

(SIGNATURES CONTINUE)

THE BANK OF NOVA SCOTIA, individually in its capacity as a Lender and in its capacity as Syndication Agent

By: /s/ Barbara J. Brown

Name: Barbara J. Brown

Title: Sr. Relationship Manager

(SIGNATURES CONTINUE)

CIBC INC.

By: /s/ Gerald Girardi

Name: Gerald Girardi

Title: Executive Director

(SIGNATURES CONTINUE)

UNION PLANTERS BANK, N.A.

By: /s/ Charles W. Cook, Jr.

Name: Charles W. Cook, Jr.

Title: President

(SIGNATURES CONTINUE)

SOUTHTRUST BANK, N.A.

By: /s/ Rett Dallas

Name: Rett Dallas

Title: Vice President

(SIGNATURES CONTINUE)

COMERICA BANK

By: /s/ James R. Grossett

Name: James R. Grossett

Title: First Vice President

(SIGNATURES CONTINUE)

BANK HAPOALIM

By: /s/ Frank McEnter & /s/ Rami Lador

Name: Frank McEntee & Rami Lador

Title: First Vice President & Vice President

(SIGNATURES CONTINUE)

SOCIETE GENERALE

By: /s/ Elizabeth Peck

Name: Elizabeth Peck

Title: Director, European Corporate Group

(SIGNATURES CONTINUE)

MERCANTILE BANK NATIONAL ASSOCIATION

By: /s/ Donald A. Adam

Name: Donald A. Adam

Title: Vice President

(SIGNATURES CONTINUE)

COMPAGNIE FINANCIERE DE CIC ET DE L'UNION EUROPEENNE

By: /s/ Sean Mounier

Name: Sean Mounier

Title: First Vice President

By: /s/ Marcus Edward

Name: Marcus Edward

Title: Vice President

(SIGNATURES CONTINUE)

GENERAL ELECTRIC CAPITAL CORPORATION

By: /s/ Abigail Wolf

Name: Abigail Wolf

Title: Duly Authorized Signatory

(SIGNATURES CONTINUE)

SYNDICATED LOAN FUNDING TRUST

By: Lehman Commercial Paper Inc.
Not in its individual capacity but
solely as Asset Manager

By: /s/ Dana M. Archery

Name: Dana M. Archery

Title: Authorized Signatory

(SIGNATURES CONTINUE)

EXHIBIT 10.34

STANDSTILL AGREEMENT

THIS STANDSTILL AGREEMENT, dated as of December 31, 1998, is made by and among EACH OF THE REIT PARTIES LISTED ON THE SIGNATURE PAGES HERETO and GENERAL ELECTRIC CAPITAL CORPORATION, a New York corporation, as agent (in such capacity "Senior Agent") for the lenders from time to time party to the Senior Credit Agreement referred to below (the "Lenders" and together with Senior Agent and their respective successors and assigns, the "Senior Lenders").

W I T N E S S E T H

WHEREAS, the Borrower, the other Credit Parties signatory thereto and the Senior Lenders have entered into the Senior Credit Agreement (such terms and all other capitalized terms used herein without definition have the meanings provided in Section 1 hereof) pursuant to which the Senior Lenders have agreed, among other things, to make the Loans and other extensions of credit to the Borrower; and

WHEREAS, the Senior Lenders are willing to make the Loans to the Borrower as and to the extent provided for in the Senior Credit Agreement, but only upon the condition, among others, that the REIT Parties shall have executed and delivered this Agreement;

NOW, THEREFORE, in consideration of the premises and the mutual covenants herein contained, the parties hereby agree as follows:

1. Definitions.

(a) Unless otherwise defined herein, terms defined in the Senior Credit Agreement and used herein shall have the meanings given to them in the Senior Credit Agreement.

(b) The following terms shall have the following respective meanings when used in this Agreement:

"Agreement" shall mean this Standstill Agreement, as the same may be amended, modified or otherwise supplemented from time to time.

"Blockage Period" means (A) any period of time commencing upon the Senior Agent giving to the Borrower written notice that a "Material Default" has occurred and is continuing and stating that such notice constitutes a blockage notice under this Agreement and ending on the earlier of (i) waiver in writing by the Senior Agent of such Material Default, (ii) termination in writing by the Senior Agent of such Blockage Period and (iii) the Termination Date, and (B) any period of time commencing upon the occurrence of any Insolvency Event and ending on the Termination Date.

"Borrower" shall mean Correctional Management Services Corporation, a Tennessee corporation, and its successors and assigns.

"Exercise of Remedies" means any exercise of rights or remedies against any Credit Party under or with respect to the REIT Agreements or the REIT Property, including any action to foreclose upon, take possession of, liquidate or proceed against any property or assets of any other Credit Party, the institution of any action or proceeding (including any Insolvency

Proceeding) in connection with any of the foregoing, any demand or efforts to collect or receive any Payment or Distribution or to enforce payment or performance of any provisions of the REIT Agreements, or any exercise of any right of set off or counterclaim which a REIT Party may have with respect to any amounts payable or to be paid by such REIT Party to any Credit Party (including any right of set off held by PRC with respect to any amounts payable or to be paid by PRC under the New PZN Services Agreement, the Tenant Incentive Agreement or the Right to Purchase Agreement). To "exercise any remedies" means to take or institute the taking of any Exercise of Remedies.

"Insolvency Event" shall mean (A) the Borrower or any other Credit Party commencing any case, proceeding or other action (1) under any existing or future law of any jurisdiction, domestic or foreign, relating to bankruptcy, insolvency, reorganization, conservatorship or relief of debtors, seeking to have an order for relief entered with respect to it, or seeking to adjudicate it a bankrupt or insolvent, or seeking reorganization, arrangement, adjustment, winding-up, liquidation, dissolution, composition or other relief with respect to it or its debts, (2) seeking appointment of a receiver, trustee, custodian, conservator or other similar official for it or for all or any substantial part of its assets, or (3) the Borrower or any other Credit Party making a general assignment for the benefit of its creditors; or (B) there being commenced against the Borrower or any other Credit Party any case, proceeding or other action of a nature referred to in clause (A) above which (1) results in the entry of an order for relief or any such adjudication or appointment or (2) remains undismissed, undischarged or unbonded for a period of 60 days; or (C) there being commenced against the Borrower or any other Credit Party any case, proceeding or other action seeking issuance of a warrant of attachment, execution, distraint or similar process against all or any substantial part of its assets which results in the entry of an order for any such relief which shall not have been vacated, discharged, or stayed or bonded pending appeal within 30 days from the entry thereof; or (D) the Borrower or any other Credit Party taking any action in furtherance of, or indicating its consent to, approval of, or acquiescence in, any of the acts set forth in clause (A), (B) or (C) above; or (E) the Borrower or any other Credit Party generally not paying, or being unable to pay, or admitting in writing its inability to pay, its debts as they become due.

"Leased Property" shall mean all real property leased by PRC to the Borrower or any other Credit Party pursuant to the Operating Company Leases or any other lease or other agreement.

"Material Default" shall mean (A) any Event of Default under Sections 8.1(a), 8.1(g), 8.1(h), 8.1(i), 8.1(k), 8.1(m), 8.1(n) or 8.1(o) of the Senior Credit Agreement, (B) any Event of Default under Section 8.1(b) of the Senior Credit Agreement resulting from a violation of Section 1.7, Annex C, Section 6.21 or paragraph (b) of Annex G of the Senior Credit Agreement, (C) any Event of Default under Section 8.1(c) of the Senior Credit Agreement resulting from a violation of paragraphs (b) or (d) of Annex E of the Senior Credit Agreement, (D) any Event of Default under Section 8.1(p) of the Senior Credit Agreement relating to REIT Agreements, or (E) any failure of this Agreement to be a legal, valid and binding obligation of any REIT Party.

"NationsBank Lenders" shall mean the lenders from time to time party to the NationsBank Loan Documents and NationsBank, N.A., a national banking association, in its capacity as administrative agent for such lenders, and their respective successors and assigns.

"NationsBank Loan Documents" shall mean the collective reference to the New PZN Credit Agreement, the other Loan Documents referred to therein and all other documents that from time to time evidence the indebtedness and other obligations thereunder.

"Payment or Distribution" shall mean any payment or distribution of assets of any kind or character, whether in cash, property or securities, by offset or otherwise, on or with respect to the REIT Obligations or the REIT Property, including any condemnation or casualty proceeds relating to the REIT Property.

"PRC" shall mean Prison Realty Corporation, a Maryland corporation.

"REIT Agreements" shall mean the collective reference to the Tradename Usage Agreement and the Operating Company Leases, as supplemented, amended or otherwise modified in accordance with the terms hereof.

"REIT Obligations" shall mean, collectively, all obligations and liabilities of the Borrower or any other Credit Party to the REIT Parties, whether direct or indirect, absolute or contingent, due or to become due, or now existing or hereafter incurred, which may arise under, out of, or in connection with the REIT Agreements or the REIT Property, in each case whether on account of rent, royalties, fees, indemnities, costs, expenses or otherwise (including all condemnation and casualty proceeds relating to the REIT Property and all fees and disbursements of counsel to the REIT Parties that are required to be paid by the Borrower or any other Credit Party pursuant to the terms of any REIT Agreement and further including any claims for recission, claims for damages or other claims in connection with the REIT Agreements or the REIT Property).

"REIT Parties" shall mean, collectively, (A) PRC and all other holders of any of the REIT Obligations from time to time and (B) the NationsBank Lenders and any other Person which shall at any time (i) have any right, title or interest in the REIT Property or the REIT Agreements or any Lien on or security interest in any of the REIT Property or any of PRC's right, title or interest in any of the REIT Agreements or (ii) lease or license any of the REIT Property to PRC or any Credit Party.

"REIT Property" shall mean the collective reference to the Leased Property and the Tradename Rights.

"Senior Agent" shall have the meaning provided in the first paragraph hereof and shall be deemed to include any agent for Persons providing replacement or refinancing indebtedness for the then outstanding Senior Obligations.

"Senior Credit Agreement" shall mean the Credit Agreement dated as of the date hereof by and among the Borrower, the other Credit Parties signatory thereto and the Senior Lenders, as such agreement may be amended, modified or supplemented from time to time, including amendments, modifications, supplements and restatements thereof giving effect to increases, renewals, extensions, refundings, deferrals, restructurings, replacements or refinancings (including any replacement or rollover debtor-in-possession financing) of, or additions to, the arrangements provided in such agreement (whether provided by the original Senior Lenders under such agreement or by successor assignee or refinancing lenders).

"Senior Lenders" shall have the meaning provided in the first paragraph hereof and shall be deemed to include any Persons providing replacement or refinancing indebtedness for the then outstanding Senior Obligations.

"Senior Loan Documents" shall mean the collective reference to the Senior Credit Agreement, the other Loan Documents and all other documents that from time to time evidence the Senior Obligations or secure or support payment or performance thereof.

"Senior Loan" shall mean collectively the Loans made by the Senior Lenders to the Borrower pursuant to the Senior Credit Agreement.

"Senior Obligations" shall mean the collective reference to the unpaid principal of and interest on the Senior Loan and all other Obligations of the Borrower or any other Credit Party to the Senior Lenders (including interest accruing at the then applicable rate provided in the Senior Credit Agreement after the maturity of the Senior Loan and interest accruing at the then applicable rate provided in the Senior Credit Agreement after the filing of any petition in bankruptcy, or the commencement of any insolvency, reorganization or like proceeding, relating to the Borrower or any other Credit Party, whether or not a claim for post-filing or post-petition interest is allowed in such proceeding), whether direct or indirect, absolute or contingent, due or to become due, or now existing or hereafter incurred, which may arise under, out of, or in connection with, this Agreement, the Senior Loan Documents or any other document made, delivered or given in connection herewith or therewith, in each case whether on account of principal, interest, reimbursement obligations, fees, indemnities, costs, expenses or otherwise (including all fees and disbursements of counsel to the Senior Lenders that are required to be paid by the Borrower or any other Credit Party pursuant to the terms of this Agreement or any Senior Loan Document). This term shall not include, for purposes of the definition of Termination Date and determining whether all Senior Obligations have been paid in full, contingent obligations for which no Claim then exists but which may arise in the future solely by virtue of the continued effectiveness after the Termination Date of indemnities and other obligations under the Senior Loan Documents which expressly survive termination thereof.

"Termination Date" shall mean the date on which the Senior Obligations are paid in full and the Senior Lenders have no further obligation to extend to any financial accommodations to the Borrower.

"Tradename Rights" shall mean all rights of the Borrower or any other Credit Party under and relating to the "Service Mark and Trade Name" as defined in the Tradename Usage Agreement.

(c) The words "hereof, "herein" and "hereunder" and words of similar import when used in this Agreement shall refer to this Agreement, and section and paragraph references are to this Agreement unless otherwise specified.

(d) The meanings given to terms defined herein shall be equally applicable to both the singular and plural forms of such terms. The words "including", "includes" and "include" shall be deemed to be followed by the words "without limitation".

(e) The expressions "prior payment in full," "payment in full," "paid in full," "pay in full" and any other similar terms or phrases when used herein with respect to the Senior Obligations shall mean (i) the indefeasible payment in full, in immediately available funds, of all of the Senior Obligations, (ii) the cash collateralization of all outstanding Letter of Credit Obligations and (iii) the termination of the Revolving Loan Commitment.

2. Standstill.

(a) Each of the Borrower and the other Credit Parties, and each REIT Party for itself and each future holder of the REIT Obligations, agrees that until the Termination Date, and notwithstanding the existence of any default or event of default under any of the REIT Agreements or any rights or remedies provided for therein (and regardless of whether any Credit Party may take any action to terminate any REIT Agreement following the occurrence of an Insolvency Event), the REIT Parties shall not (1) terminate any of the REIT Agreements or take any other action to deprive Borrower or any other Credit Party from the use, possession or enjoyment of any of the REIT Property, including by eviction from any of the Leased Property or termination of any of the Tradename Rights; or (2) otherwise exercise any remedies in a manner which would adversely affect the rights of the Borrower or any other Credit Party under the REIT Agreements or impair the ability of the Borrower or any other Credit Party to perform its obligations and duties under the Management Contracts.

(b) In addition, during any Blockage Period, the REIT Parties shall not exercise any remedies, except that, without limiting the provisions of Section 2(a) hereof (which provisions shall be complied with in all respects), the REIT Parties may take actions to enforce by specific performance only compliance by Borrower or any other Credit Party with covenants in the REIT Agreements (other than covenants providing for Payments or Distributions).

3. Subordination.

(a) Each of the Borrower and the other Credit Parties, and each REIT Party for itself and each future holder of the REIT Obligations, agrees that the REIT Obligations are expressly "subordinate and junior in right of payment" (as that phrase is defined in paragraph 3(b) hereof) to all Senior Obligations.

(b) "Subordinate and junior in right of payment" means that (1) no part of the REIT Obligations shall have any claim to the assets of the Borrower or any other Credit Party on a parity with or prior to the claim of the Senior Obligations; (2) upon the occurrence and during the continuance of any Insolvency Event, all Senior Obligations shall be paid in full before any Payment or Distribution is made or received by the REIT Parties; and (3) during any Blockage Period, without the express prior written consent of the Senior Agent, no REIT Party will take, demand, seek to collect, or receive (by setoff or otherwise) from the Borrower or any other Credit Party, and neither the Borrower nor any other Credit Party will make, give or permit, directly or indirectly, by redemption, purchase or in any other manner, any Payment or Distribution.

(c) Notwithstanding anything to the contrary contained in any REIT Agreement, until the Termination Date, the parties hereto acknowledge and agree that (1) the provisions of Sections 2 and 3 hereof shall be deemed to modify the provisions of the REIT Agreements (and are hereby incorporated therein by reference as if fully set forth therein) and (2) any failure of the Borrower or any other Credit Party to make any Payment or Distribution when due by reason of the operation of Section 3(b) hereof shall not constitute a default or event of default by the Borrower or any other Credit Party under any REIT Agreement.

4. Additional Provisions Concerning Subordination.

(a) The REIT Parties and the Credit Parties agree that upon the occurrence and during the continuance of any Insolvency Event, any Payment or Distribution to which any REIT Party would be entitled except for the provisions hereof, shall be paid or delivered by the Credit Party, or any receiver, trustee in bankruptcy, liquidating trustee, disbursing agent or other Person, making such Payment or Distribution, directly to the Senior Agent for the benefit of the Senior

Lenders to the extent necessary to pay in full all Senior Obligations, before any Payment or Distribution shall be made to such REIT Party.

(b) Upon the occurrence and during the continuance of any event or proceeding described in clause (A), (B) or (C) of the definition of "Insolvency Event": (1) if any REIT Party shall not file proper claims or proofs of claim as shall be necessary to have the claims of such REIT Party in respect of the REIT Obligations allowed in any Insolvency Proceeding, in the form required in such Insolvency Proceeding, at least 60 days prior to the last date fixed by statute, court rule or court order for the filing of such claims and proofs of claim, such REIT Party hereby irrevocably authorizes and empowers the Senior Agent to file such claims and proofs of claim, provided, however, that the foregoing authorization and empowerment imposes no obligation on the Senior Agent to take any such action; and (2) each REIT Party shall execute and deliver such further powers of attorney, assignments or proofs of claim or other instruments as the Senior Agent may request to enable the Senior Lenders to enforce any and all claims in respect of the REIT Obligations and to collect and receive any and all payments and distributions which may be payable or deliverable at any time upon or in respect of the REIT Obligations.

(c) If any Payment or Distribution shall be collected or received by the REIT Parties which is prohibited under Section 3(b), such REIT Party forthwith shall deliver the same to the Senior Agent for the benefit of the Senior Lenders, in the form received, duly indorsed to the Senior Agent, if required, to be applied in accordance with the Senior Credit Agreement to the payment or prepayment of the Senior Obligations until the Senior Obligations are paid in full. Until so delivered, such Payment or Distribution shall be held in trust by such REIT Party as the property of the Senior Lenders, segregated from other funds and property held by the REIT Parties.

5. Subrogation. On and after the Termination Date, each REIT Party shall be subrogated to the rights of the Senior Lenders to receive payments or distributions of assets of the Credit Parties in respect of the Senior Obligations until the Senior Obligations shall be paid in full. For the purposes of such subrogation, no Payments or Distributions to the Senior Lenders to which any REIT Party would be entitled except for the provisions of this Agreement shall be deemed, as between any Credit Party and its creditors other than the Senior Lenders and the REIT Parties, to be a payment by such Credit Party to or on account of the Senior Obligations, it being understood that the provisions of this Agreement are, and are intended solely, for the purpose of defining the relative rights of the REIT Parties, on the one hand, and the Senior Lenders, on the other hand.

6. Consent of REIT Parties.

(a) Each REIT Party consents that, without the necessity of any reservation of rights against it, and without notice to or further assent by such REIT Party which will remain bound under this Agreement, and all without impairing, abridging, releasing or affecting the standstill and other provisions hereof:

(1) any demand for payment of any Senior Obligations made by the Senior Lenders may be rescinded in whole or in part by the Senior Agent, and the Senior Obligations, or the liability of the Borrower or any other Credit Party or any other party upon or for any part thereof, or any collateral security or guarantee therefor or right of offset with respect thereto, or any obligation or liability of the Borrower or any other Credit Party or any other party under the Senior Credit Agreement or any other agreement, may, from time to time, in whole or in part, be increased, continued, renewed, extended, modified, accelerated, compromised, waived, surrendered, or released by the Senior Lenders, and

(2) any Senior Loan Document may be amended, modified, supplemented or terminated, in whole or in part, as the Senior Lenders may deem advisable from time to time, and any collateral security at any time held by the Senior Lenders for the payment of any of the Senior Obligations may be sold, exchanged, waived, surrendered or released

; provided that, without the prior written consent of the REIT Parties, the aggregate commitment under the Senior Credit Agreement, and principal amount of the loans included in the Senior Obligations (and not including other Senior Obligations), shall not exceed $35,000,000.

(b) Each REIT Party acknowledges and agrees that the Senior Lenders have relied upon the standstill and other provisions hereof in entering into the Senior Credit Agreement and in making funds available to the Borrower and the other Credit Parties thereunder. Each REIT Party waives any and all notice of the creation, renewal, increase, extension or accrual of any of the Senior Obligations and notice of or proof of reliance by the Senior Lenders upon this Agreement. The Senior Obligations, and any of them, shall be deemed conclusively to have been created, contracted or incurred in reliance upon this Agreement, and all dealings between any Credit Party and the Senior Lenders shall be deemed to have been consummated in reliance upon this Agreement. Each REIT Party waives notice of or proof of reliance on this Agreement and protests demand for payment and notice of default.

7. Negative Covenants of the REIT Parties. No REIT Party shall (and hereby releases and waives any right to), without the prior written consent of the Senior Agent:

(a) sell, assign, or otherwise transfer, in whole or in part, the REIT Obligations or any interest therein to any other Person (a "Transferee") or create, incur or suffer to exist any security interest, lien, charge or other encumbrance whatsoever upon the REIT Obligations in favor of any Transferee unless (1) such action is made expressly subject to this Agreement and (2) the Transferee expressly acknowledges to the Senior Agent, by a writing in form and substance satisfactory to the Senior Agent, the standstill and other provisions hereof and agrees to be bound by all of the terms hereof applicable to the REIT Parties;

(b) permit to exist any security interest, lien, charge or other encumbrance on any property or assets of any Credit Party to secure or provide for payment or performance of the REIT Obligations;

(c) except as otherwise permitted in the Senior Credit Agreement, permit any of the REIT Agreements to be amended, modified or supplemented;

(d) commence, or join with any creditors other than the Senior Lenders in commencing, any proceeding referred to in clause (A), (B) or (C) of the definition of "Insolvency Event"; or

(e) take any action which would interfere with, hinder, delay or adversely affect any Credit Party or the Senior Lenders in the collection of any Credit Party's Accounts.

8. Senior Obligations Unconditional. All rights and interests of the Senior Lenders hereunder, and all agreements and obligations of the REIT Parties and the Borrower or any other Credit Party hereunder, shall be absolute and irreversible notwithstanding (a) any lack of validity or enforceability of any Senior Loan Document; (b) any change in time, manner or place of payment of, or in any other term of, all or any of the Senior Obligations, any increase in the amount of the Senior Obligations, or any amendment or waiver or other modification, whether by course of conduct or otherwise, of the terms of any Senior Loan Document; (c) any exchange,

release or nonperfection of any security interest in any Collateral, or any release, amendment, waiver or other modification, whether in writing or by course of conduct or otherwise, of all or any of the Senior Obligations or any guarantee thereof; or (d) any other circumstances which otherwise might constitute a defense available to, or a discharge of, the Borrower or any other Credit Party in respect of the Senior Obligations, or of the REIT Parties or the Borrower or any other Credit Party in respect of this Agreement.

9. Status of Rights. This Agreement and the rights of the Senior Lenders hereunder (and by virtue hereof under the REIT Agreements) with respect to the REIT Property shall be superior to, and shall not be subordinated to, any rights of the REIT Parties with respect to the REIT Property under the REIT Agreements or under any ground lease, mortgage, deed of trust, instrument, document or agreement or by virtue of any Lien against the REIT Property, by statute or otherwise.

10. Representations and Warranties. Each REIT Party represents and warrants to the Senior Lenders that:

(a) this Agreement constitutes a legal, valid and binding obligation of such REIT Party enforceable against the REIT Parties in accordance with its terms, subject to applicable bankruptcy, insolvency, moratorium, reorganization or other similar laws affecting creditors' rights and to equitable principles of general applicability;

(b) the execution, delivery and performance of this Agreement by such REIT Party will not violate any law or regulation, or any order or decree of any court or governmental instrumentality applicable to such REIT Party; and

(c) no consent or authorization of, filing with, or other act by or in respect of, any arbitrator or Governmental Authority and no consent of any other Person (including any creditor of such REIT Party), is required in connection with the execution, delivery, and performance of this Agreement by such REIT Party.

11. No Representations by Senior Lenders. The Senior Lenders have not made and do not hereby or otherwise make to the REIT Parties, any representations or warranties, express, or implied, nor do the Senior Lenders assume any liability to the REIT Parties with respect to: (a) the financial or other condition of obligors under any instruments of guarantee, if any, with respect to the Senior Obligations, (b) the enforceability, validity, value or collectibility of the Senior Obligations or the REIT Obligations, any collateral therefor, or any guarantee or security which may have been granted in connection with any of the Senior Obligations or the REIT Obligations or the validity, priority or perfections of any Liens, or (c) the Borrower or any other Credit Party's title or right to transfer any collateral or security.

12. Waiver of Claims. To the maximum extent permitted by law, each REIT Party waives any claim it might have against the Senior Lenders with respect to, or arising out of, any action or failure to act on the part of the Senior Lenders or their respective directors, officers, employees or agents in connection with this Agreement, the Senior Loan Documents, any of the transactions contemplated hereby and thereby, any of the Senior Obligations or any of the Collateral. Neither the Senior Lenders nor any of their respective directors, officers, employees or agents shall be liable for failure to demand, collect or realize upon, or enforce any remedies under the Senior Loan Documents or otherwise in respect of, any of the Senior Obligations or Collateral or for any delay in doing so.

13. Bankruptcy. The provisions of this Agreement shall continue in full force and effect notwithstanding the occurrence of any Insolvency Event. Each REIT Party agrees that the Senior Lenders may consent to the use of cash collateral or provide financing to the Borrower or any other Credit Party on such terms and conditions and in such amounts as the Senior Lenders, in their sole discretion may decide and that, in connection with such cash collateral usage or such financing, each Credit Party (or a trustee appointed for the estate of such Credit Party) may grant to the Senior Lenders liens and security interests upon all or any part of its assets, which liens and security interests (i) shall secure payments of all Senior Obligations (whether such Senior Obligations arose prior to the filing of the petition for relief or arise thereafter); and (ii) shall be superior in priority to the liens on and security interests in the assets of any Credit Party, if any, held by the REIT Parties. All allocations of payments between the Senior Lenders and the REIT Parties shall, subject to any court order, continue to be made after the filing of a petition under the United States Bankruptcy Code, as amended (the "Bankruptcy Code"), or any similar proceeding on the same basis that the payments were to be allocated prior to the date of such filing. Each REIT Party agrees that it will not object to or oppose a sale or other disposition of any assets securing the Senior Obligations (or any portion thereof) free and clear of security interests, liens or other claims under Section 363 of the Bankruptcy Code or any other provision of the Bankruptcy Code if the Senior Lenders have consented to such sale or disposition of such assets. Each REIT Party waives any claim it may now or hereafter have arising out of the Senior Lenders' election, in any proceeding instituted under Chapter 11 of the Bankruptcy Code, of the application of Section 1111(b)(2) of the Bankruptcy Code, and/or any borrowing or grant of a security interest under Section 364 of the Bankruptcy Code by the Borrower or any other Credit Party, as debtor in possession. Each REIT Party (both in its capacity as a REIT Party and in its capacity as a party which may be obligated to any Credit Party and any Credit Party's Affiliates with respect to contracts which are part of the Senior Lender's Collateral) agrees not to initiate or prosecute or encourage any other Person to initiate or prosecute any claim, action or other proceeding (i) challenging the enforceability of the Senior Lenders' claim (ii) challenging the enforceability of any liens or security interests in assets securing the Senior Obligations or (iii) asserting any claims which the Borrower or any other Credit Party may hold with respect to the Senior Lenders.

14. Invalidated Payments. To the extent that the Senior Lenders receive payments on, or proceeds of Collateral for, the Senior Obligations which are subsequently invalidated, declared to be fraudulent or preferential, set aside and/or required to be repaid to a trustee, receiver or any other party under any bankruptcy law, state or federal law, common law, or equitable cause, then to the extent of such payment or proceeds received, the Senior Obligations, or part thereof, intended to be satisfied shall be revived and continue in full force and effect as if such payments or proceeds had not been received by the Senior Lenders.

15. Further Assurances. Each REIT Party and each Credit Party, at their own expense and at any time from time to time, upon the written request of the Senior Agent will promptly and duly execute and deliver such further instruments and documents and take such further actions as the Senior Agent reasonably may request for the purposes of obtaining or preserving the full benefits of this Agreement and of the rights and powers herein granted. Without limiting the foregoing, each REIT Party and each Credit Party, upon the written request of the Senior Agent, shall execute and deliver to the Senior Agent a memorandum or summary of this Agreement in form acceptable to the Senior Agent for filing or recording in any and all relevant land records relating to the Leased Property, and hereby consents to any such filing or recording.

16. Provisions Define Relative Rights. This Agreement is intended solely for the purpose of defining the relative rights of the Senior Lenders on the one hand and the REIT Parties

on the other, and no other Person shall have any right, benefit or other interest under this Agreement, except that each Credit Party shall be entitled to the benefits of Section 3(c) hereof.

17. Legend. PRC shall cause each REIT Agreement to conspicuously bear the following legend:

> THIS AGREEMENT IS SUBJECT TO THE TERMS OF THE STANDSTILL AGREEMENT, DATED AS OF DECEMBER , 1998, AS THE SAME MAY BE AMENDED, MODIFIED OR OTHERWISE SUPPLEMENTED FROM TIME TO TIME (THE "STANDSTILL AGREEMENT"), BY AND AMONG CORRECTIONAL MANAGEMENT SERVICES CORPORATION, GENERAL ELECTRIC CAPITAL CORPORATION, AS AGENT FOR THE LENDERS UNDER THE SENIOR CREDIT AGREEMENT REFERRED TO IN THE STANDSTILL AGREEMENT, AND THE REIT PARTIES REFERRED TO IN THE STANDSTILL AGREEMENT. THE TERMS OF THE STANDSTILL AGREEMENT ARE HEREBY INCORPORATED BY REFERENCE INTO THIS AGREEMENT AS IF SET FORTH IN FULL HEREIN.

18. Powers Coupled With An Interest. All powers, authorizations and agencies contained in this Agreement are coupled with an interest and are irrevocable until the Termination Date.

19. Specific Performance. The Senior Lenders are hereby authorized to demand specific performance of this Agreement at any time when any REIT Party shall have failed to comply with any of the provisions of this Agreement applicable to such REIT Party, whether or not the Credit Parties shall have complied with any of the provisions hereof applicable to the Credit Parties, and each REIT Party hereby irrevocably waives any defense based on the adequacy of a remedy at law which might be asserted as a bar to such remedy of specific performance.

20. Notices. Except as otherwise provided herein, whenever it is provided herein that any notice, demand, request, consent, approval, declaration or other communication shall or may be given to or served upon any of the parties by any other party, or whenever any of the parties desire to give or serve upon any other party any communication with respect to this Agreement, each such notice, demand, request, consent, approval, declaration or other communication shall be in writing and shall be given in the manner as provided for in Section 11.10 of the Senior Credit Agreement; provided that any notice to any REIT Party shall be at its respective address or transmission number for notices set forth under its signature below.

21. Counterparts. This Agreement may be executed by one or more of the parties on any number of separate counterparts, and all of said counterparts taken together shall be deemed to constitute one and the same instrument.

22. Severability. Any provision of this Agreement which is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof, and any such prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction.

23. Integration. This Agreement represents the agreement of the Senior Lenders and the REIT Parties with respect to the subject matter hereof and there are no promises or representations by the Senior Lenders or the REIT Parties relative to the subject matter hereof not reflected herein.

24. Amendments in Writing; No Waiver; Cumulative Remedies.

(a) None of the terms or provisions of this Agreement may be waived, amended, supplemented or otherwise modified, except by a written instrument executed by the Senior Agent and the REIT Parties; provided that any provision of this Agreement may be waived by the Senior Agent in a letter or agreement executed by the Senior Agent or by telex or facsimile transmission from the Senior Agent. Neither the Borrower nor any other Credit Party shall have any right to consent to or approve any of the foregoing.

(b) No failure to exercise, nor any delay in exercising, on the part of the Senior Agent, any right, power or privilege hereunder shall operate as a waiver thereof. No single or partial exercise of any right, power or privilege hereunder shall preclude any other or further exercise thereof or the exercise of any other right, power or privilege.

(c) The rights and remedies herein provided are cumulative, may be exercised singly or concurrently and are not exclusive of any other rights or remedies provided by law.

25. Section Headings. The section headings used in this Agreement are for convenience of reference only and are not to affect the construction hereof or be taken into consideration in the interpretation hereof.

26. Successors and Assigns. This Agreement shall be binding upon the successors and assigns of each Credit Party and the REIT Parties and shall inure to the benefit of the Senior Lenders and their respective successors and assigns. This Agreement and any memorandum or summary hereof which may be recorded in the land records with respect to the Leased Property shall run with the land.

27. GOVERNING LAW; CONSENT TO JURISDICTION AND VENUE. EXCEPT AS OTHERWISE EXPRESSLY PROVIDED IN ANY OF THE LOAN DOCUMENTS, IN ALL RESPECTS, INCLUDING ALL MATTERS OF CONSTRUCTION, VALIDITY AND PERFORMANCE, THIS AGREEMENT AND THE OBLIGATIONS ARISING HEREUNDER SHALL BE GOVERNED BY, AND CONSTRUED AND ENFORCED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK APPLICABLE TO CONTRACTS MADE AND PERFORMED IN SUCH STATE, AND ANY APPLICABLE LAWS OF THE UNITED STATES OF AMERICA WITHOUT REGARD TO CONFLICT OF LAWS PRINCIPLES. EACH OF THE CREDIT PARTIES, THE REIT PARTIES AND THE SENIOR LENDERS HEREBY CONSENTS AND AGREES THAT THE STATE OR FEDERAL COURTS LOCATED IN NEW YORK CITY SHALL HAVE EXCLUSIVE JURISDICTION TO HEAR AND DETERMINE ANY CLAIMS OR DISPUTES AMONG THE CREDIT PARTIES, THE REIT PARTIES AND THE SENIOR LENDERS PERTAINING TO THIS AGREEMENT OR TO ANY MATTER ARISING OUT OF OR RELATING TO THIS AGREEMENT OR ANY OF THE SENIOR LOAN DOCUMENTS, PROVIDED, THAT THE PARTIES HERETO ACKNOWLEDGE THAT ANY APPEALS FROM THOSE COURTS MAY HAVE TO BE HEARD BY A COURT LOCATED OUTSIDE OF NEW YORK CITY AND, PROVIDED, FURTHER, THAT NOTHING IN THIS AGREEMENT SHALL BE DEEMED OR OPERATE TO PRECLUDE THE SENIOR LENDERS FROM BRINGING SUIT OR TAKING OTHER LEGAL ACTION IN ANY OTHER JURISDICTION TO REALIZE ON THE COLLATERAL OR ANY OTHER SECURITY FOR THE SENIOR OBLIGATIONS, OR TO ENFORCE A JUDGMENT OR OTHER COURT ORDER IN FAVOR OF THE SENIOR LENDERS. EACH OF THE CREDIT PARTIES AND THE REIT PARTIES EXPRESSLY SUBMITS AND CONSENTS IN ADVANCE TO SUCH JURISDICTION IN ANY ACTION OR SUIT COMMENCED IN ANY SUCH COURT, AND EACH OF THE CREDIT PARTIES AND THE

REIT PARTIES HEREBY WAIVES ANY OBJECTION WHICH IT MAY HAVE BASED UPON LACK OF PERSONAL JURISDICTION, IMPROPER VENUE OR FORUM NON CONVENIENS. EACH OF THE CREDIT PARTIES AND THE REIT PARTIES HEREBY WAIVES PERSONAL SERVICE OF THE SUMMONS, COMPLAINT AND OTHER PROCESS ISSUED IN ANY SUCH ACTION OR SUIT AND AGREES THAT SERVICE OF SUCH SUMMONS, COMPLAINT AND OTHER PROCESS MAY BE MADE BY REGISTERED OR CERTIFIED MAIL ADDRESSED TO IT AT THE ADDRESS SET FORTH IN SECTION 11.10 OF THE SENIOR CREDIT AGREEMENT OR BENEATH ITS SIGNATURE LINE BELOW, AS THE CASE MAY BE, AND THAT SERVICE SO MADE SHALL BE DEEMED COMPLETED UPON THE EARLIER OF SUCH CREDIT PARTY'S OR SUCH REIT PARTY'S ACTUAL RECEIPT THEREOF OR THREE (3) DAYS AFTER DEPOSIT IN THE U.S. MAILS, PROPER POSTAGE PREPAID.

28. MUTUAL WAIVER OF JURY TRIAL. BECAUSE DISPUTES ARISING IN CONNECTION WITH COMPLEX FINANCIAL TRANSACTIONS ARE MOST QUICKLY AND ECONOMICALLY RESOLVED BY AN EXPERIENCED AND EXPERT PERSON AND THE PARTIES WISH APPLICABLE STATE AND FEDERAL LAWS TO APPLY (RATHER THAN ARBITRATION RULES), THE PARTIES DESIRE THAT THEIR DISPUTES BE RESOLVED BY A JUDGE APPLYING SUCH APPLICABLE LAWS. THEREFORE, TO ACHIEVE THE BEST COMBINATION OF THE BENEFITS OF THE JUDICIAL SYSTEM AND OF ARBITRATION, THE PARTIES HERETO WAIVE ALL RIGHT TO TRIAL BY JURY IN ANY ACTION, SUIT, OR PROCEEDING BROUGHT TO RESOLVE ANY DISPUTE, WHETHER SOUNDING IN CONTRACT, TORT, OR OTHERWISE, BETWEEN THE PARTIES ARISING OUT OF, CONNECTED WITH, RELATED TO, OR INCIDENTAL TO THE RELATIONSHIP ESTABLISHED BETWEEN THEM IN CONNECTION WITH, THIS AGREEMENT OR ANY OF THE SENIOR LOAN DOCUMENTS OR THE TRANSACTIONS RELATED THERETO.

29. Termination. This Agreement shall terminate on the Termination Date. At such time, at the expense of the REIT Parties, the Senior Lenders will promptly and duly execute and deliver such instruments and documents and take such actions as the REIT Parties may reasonably request for evidencing the termination of this Agreement.

[SIGNATURE PAGES FOLLOW]

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed and delivered as of the day and year first above written.

Senior Agent:

GENERAL ELECTRIC CAPITAL
CORPORATION, as Agent

By: /s/ John Hatherly

Name: John Hatherly
Its: Duly Authorized Signatory

REIT Parties:

PRISON REALTY CORPORATION

By: /s/ Doctor R. Crants

Name: Doctor R. Crants
Title: Chief Executive Officer

Address: 10 Burton Hills Blvd.

Nashville, TN 37215

Facsimile: 615-263-3010

NATIONSBANK, N.A.,
individually and as Administrative Agent
for the NationsBank Lenders

By: /s/ Richard G. Parkhurst, Jr.

Name: Richard G. Parkhurst, Jr.
Title: Senior Vice President

Address: One Independence Center, 15th Floor
---
101 North Tyron Street

Charlotte, NC 28255

Facsimile: 704-386-5726

The undersigned hereby (i) acknowledges and agrees to be bound by the provisions of the foregoing Standstill Agreement applicable to the undersigned and (ii) represents and warrants to the Senior Lenders that the REIT Parties signatory to such Standstill Agreement constitute all of the existing holders of the REIT Obligations.

ACKNOWLEDGED and AGREED to as of the date first written above.

CORRECTIONAL MANAGEMENT
SERVICES CORPORATION

By: /s/ Darrell K. Massengale

Name: Darrell K. Massengale
Title: Secretary

EXHIBIT 10.35

INTERCREDITOR AND SUBORDINATION AGREEMENT

INTERCREDITOR AND SUBORDINATION AGREEMENT, dated as of December 31, 1998, by and among PRISON REALTY CORPORATION, a Maryland corporation (together with any other holder of the Subordinated Obligations (as hereinafter defined) from time to time, collectively, the "Subordinated Noteholder"), CORRECTIONAL MANAGEMENT SERVICES CORPORATION, a Tennessee corporation (together with its successors and assigns, the "Borrower"), and GENERAL ELECTRIC CAPITAL CORPORATION, a New York corporation, as agent (in such capacity "Senior Agent") for the lenders from time to time party to the Senior Credit Agreement referred to below (the "Lenders" and together with Senior Agent and their respective successors and assigns, the "Senior Lenders").

W I T N E S S E T H

WHEREAS, the Borrower, the other Credit Parties signatory thereto and the Senior Lenders have entered into the Senior Credit Agreement (such terms and all other capitalized terms used herein without definition have the meanings provided in Section 1 hereof) pursuant to which the Senior Lenders have agreed, among other things, to make the Loans and other extensions of credit to the Borrower; and

WHEREAS, the Senior Lenders are willing to make the Loans to the Borrower as and to the extent provided for in the Senior Credit Agreement, but only upon the condition, among others, that the Borrower and the Subordinated Noteholder shall have executed and delivered this Agreement;

NOW, THEREFORE, in consideration of the premises and the mutual covenants herein contained, the parties hereby agree as follows:

1. Definitions.

(a) Unless otherwise defined herein, terms defined in the Senior Credit Agreement and used herein shall have the meanings given to them in the Senior Credit Agreement.

(b) The following terms shall have the following respective meanings when used in this Agreement:

"Agreement" shall mean this Intercreditor and Subordination Agreement, as the same may be amended, modified or otherwise supplemented from time to time.

"Contribution Agreement" shall mean that certain Contribution Agreement, dated as of December __, 1998, among Corrections Corporation of America, certain of its subsidiaries signatory thereto and the Borrower.

"Insolvency Event" shall mean (A) the Borrower commencing any case, proceeding or other action (1) under any existing or future law of any jurisdiction, domestic or foreign, relating to bankruptcy, insolvency, reorganization, conservatorship or relief of debtors, seeking to have an order for relief entered with respect to it, or seeking to adjudicate it a bankrupt or insolvent, or seeking reorganization, arrangement, adjustment, winding-up, liquidation, dissolution, composition or other relief with respect to it or its debts, (2) seeking appointment of a receiver, trustee, custodian, conservator or other similar official for it or for all or any

substantial part of its assets, or (3) the Borrower making a general assignment for the benefit of its creditors; or (B) there being commenced against the Borrower any case, proceeding or other action of a nature referred to in clause (A) above which (1) results in the entry of an order for relief or any such adjudication or appointment or (2) remains undismissed, undischarged or unbonded for a period of 60 days; or (C) there being commenced against the Borrower any case, proceeding or other action seeking issuance of a warrant of attachment, execution, distraint or similar process against all or any substantial part of its assets which results in the entry of an order for any such relief which shall not have been vacated, discharged, or stayed or bonded pending appeal within 30 days from the entry thereof; or (D) the Borrower taking any action in furtherance of, or indicating its consent to, approval of, or acquiescence in, any of the acts set forth in clause (A), (B) or (C) above; or (E) the Borrower generally not paying, or being unable to pay, or admitting in writing its inability to pay, its debts as they become due.

"Payment or Distribution" shall mean any payment or distribution of assets of any kind or character, whether in cash, property or securities, by offset or otherwise, on or with respect to the Subordinated Obligations, including without limitation any principal of or interest on the Subordinated Obligations.

"Senior Credit Agreement" shall mean the Credit Agreement dated as of the date hereof by and among the Borrower, the other Credit Parties signatory thereto and the Senior Lenders, as such agreement may be amended, modified or supplemented from time to time, including, without limitation, amendments, modifications, supplements and restatements thereof giving effect to increases, renewals, extensions, refundings, deferrals, restructurings, replacements or refinancings (including any replacement or rollover debtor-in-possession financing) of, or additions to, the arrangements provided in such agreement (whether provided by the original Senior Lenders under such agreement or by successor assignee or refinancing lenders).

"Senior Agent" shall have the meaning provided in the first paragraph hereof and shall be deemed to include any agent for Persons providing replacement or refinancing indebtedness for the then outstanding Senior Obligations.

"Senior Lenders" shall have the meaning provided in the first paragraph hereof and shall be deemed to include any Persons providing replacement or refinancing indebtedness for the then outstanding Senior Obligations.

"Senior Loan Documents" shall mean the collective reference to the Senior Credit Agreement, the other Loan Documents and all other documents that from time to time evidence the Senior Obligations or secure or support payment or performance thereof.

"Senior Loan" shall mean collectively the Loans made by the Senior Lenders to the Borrower pursuant to the Senior Credit Agreement.

"Senior Obligations" shall mean the collective reference to the unpaid principal of and interest on the Senior Loan and all other Obligations of the Borrower or any other Credit Party to the Senior Lenders (including, without limitation, interest accruing at the then applicable rate provided in the Senior Credit Agreement after the maturity of the Senior Loan and interest accruing at the then applicable rate provided in the Senior Credit Agreement after the filing of any petition in bankruptcy, or the commencement of any insolvency, reorganization or like proceeding, relating to the Borrower, whether or not a claim for post-filing or post-petition

interest is allowed in such proceeding), whether direct or indirect, absolute or contingent, due or to become due, or now existing or hereafter incurred, which may arise under, out of, or in connection with, this Agreement, the Senior Loan Documents or any other document made, delivered or given in connection herewith or therewith, in each case whether on account of principal, interest, reimbursement obligations, fees, indemnities, costs, expenses or otherwise (including, without limitation, all fees and disbursements of counsel to the Senior Lenders that are required to be paid by the Borrower pursuant to the terms of this Agreement or any Senior Loan Document). This term shall not include, for purposes of the definition of Termination Date and determining whether all Senior Obligations have been paid in full, contingent obligations for which no Claim then exists but which may arise in the future solely by virtue of the continued effectiveness after the Termination Date of indemnities and other obligations under the Senior Loan Documents which expressly survive termination thereof.

"Subordinated Loan Documents" shall mean the collective reference to the Subordinated Note and any other documents or instruments, if any, that from time to time evidence the Subordinated Obligations or secure or support payment or performance thereof, as amended, supplemented or otherwise modified in accordance with the terms hereof.

"Subordinated Note" shall mean that certain [Subordinated Promissory Note] in the original aggregate principal amount of $137,000,000 issued by the Borrower to the Subordinated Noteholder in connection with the Contribution Agreement, as amended, supplemented or otherwise modified in accordance with the terms hereof.

"Subordinated Obligations" shall mean, collectively, the unpaid principal of and interest on the Subordinated Note and all other obligations and liabilities of the Borrower and any other Credit Party to the Subordinated Noteholder (including, without limitation, interest accruing at the then applicable rate provided in the Subordinated Note after the maturity of the indebtedness evidenced thereby and interest accruing at the then applicable rate provided in the Subordinated Note after the filing of any petition in bankruptcy, or the commencement of any insolvency, reorganization or like proceeding, relating to the Borrower, whether or not a claim for post-filing or post-petition interest is allowed in such proceeding), whether direct or indirect, absolute or contingent, due or to become due, or now existing or hereafter incurred, which may arise under, out of, or in connection with, this Agreement, the Subordinated Note or any other Subordinated Loan Document, in each case whether on account of principal, interest, reimbursement obligations, fees, indemnities, costs, expenses or otherwise (including, without limitation, all fees and disbursements of counsel to the Subordinated Noteholder that are required to be paid by the Borrower pursuant to the terms of the Subordinated Note, this Agreement or any other Subordinated Loan Document), and further including any claims for recission, claims for damages or other claims in connection with the Subordinated Loan Documents.

"Termination Date" shall mean the date on which the Senior Obligations are paid in full and the Senior Lenders have no further obligation to extend to any financial accommodations to the Borrower.

(c) The words "hereof, "herein" and "hereunder" and words of similar import when used in this Agreement shall refer to this Agreement, and section and paragraph references are to this Agreement unless otherwise specified.

(d) The meanings given to terms defined herein shall be equally applicable to both the singular and plural forms of such terms. The words "including", "includes" and "include" shall be deemed to be followed by the words "without limitation."

(e) The expressions "prior payment in full," "payment in full," "paid in full", "pay in full" and any other similar terms or phrases when used herein with respect to the Senior Obligations shall mean (i) the indefeasible payment in full, in immediately available funds, of all of the Senior Obligations, (ii) the cash collateralization of all outstanding Letter of Credit Obligations and (iii) the termination of the Revolving Loan Commitment.

2. Subordination.

(a) The Borrower and the Subordinated Noteholder agrees, for itself and each future holder of the Subordinated Obligations, that the Subordinated Obligations are expressly "subordinate and junior in right of payment" (as that phrase is defined in paragraph 2(b)) to all Senior Obligations.

(b) "Subordinate and junior in right of payment" means that (1) no part of the Subordinated Obligations shall have any claim to the assets of the Borrower on a parity with or prior to the claim of the Senior Obligations; and (2) until the Termination Date without the express prior written consent of the Senior Lenders, no Subordinated Noteholder will take, demand, seek to collect, or receive (by setoff or otherwise) from the Borrower or any other Person, and the Borrower will not make, give or permit, directly or indirectly, by redemption, purchase or in any other manner, any Payment or Distribution; provided, however, that the Borrower may make, and the Subordinated Noteholder may receive, scheduled payments on account of interest (at the non-default rate) when due, without acceleration, on the Subordinated Note in accordance with the terms thereof, so long as (i) no Default or Event of Default under the Senior Credit Agreement has occurred and is continuing or would occur as a result thereof or with the giving of notice or passage of time or both and (ii) such scheduled payment is otherwise permitted under the Credit Agreement.

3. Additional Provisions Concerning Subordination.

(a) The Subordinated Noteholder and the Borrower agree that upon the occurrence and during the continuance of any Insolvency Event:

(1) all Senior Obligations shall be paid in full before any Payment or Distribution is made or received by the Subordinated Noteholder; and

(2) any Payment or Distribution to which the Subordinated Noteholder would be entitled except for the provisions hereof, shall be paid or delivered by the Borrower, or any receiver, trustee in bankruptcy, liquidating trustee, disbursing agent or other Person making such Payment or Distribution, directly to the Senior Agent for the benefit of the Senior Lenders to the extent necessary to pay in full all Senior Obligations, before any Payment or Distribution shall be made to the Subordinated Noteholder.

(b) Upon the occurrence and during the continuance of any Insolvency Event:

(1) the Subordinated Noteholder hereby irrevocably authorizes and empowers the Senior Lenders (A) to demand, sue for, collect and receive for and on behalf of the

Subordinated Noteholder every Payment or Distribution on account of the Subordinated Obligations payable or deliverable in connection with such Insolvency Event and give acquittance therefor, (B) if the Subordinated Noteholder shall not file proper claims or proofs of claim as shall be necessary to have the claims of the Subordinated Noteholder in respect of the Subordinated Obligations allowed in any Insolvency Proceeding, in the form required in such Insolvency Proceeding, at least [30/60] days prior to the last date fixed by statute, court rule or court order for the filing of such claims and proofs of claim, the Subordinated Noteholder hereby irrevocably authorizes and empowers the Senior Agent to file such claims and proofs of claim and (C) take such other actions, in its own name as the Senior Lenders, or in the name of the Subordinated Noteholder or otherwise, as the Senior Lenders may deem necessary or advisable for the enforcement of the provisions of this Agreement; provided, however, that the foregoing authorization and empowerment imposes no obligation on the Senior Lenders to take any such action;

(2) the Subordinated Noteholder shall take such action, duly and promptly, as the Senior Lenders may request from time to time (A) to demand, sue for, collect and receive the Subordinated Obligations for the account of the Senior Lenders and (B) to file appropriate proofs of claim in respect of the Subordinated Obligations; and

(3) the Subordinated Noteholder shall execute and deliver such further powers of attorney, assignments or proofs of claim or other instruments as the Senior Agent may request to enable the Senior Lenders to enforce any and all claims in respect of the Subordinated Obligations and to collect and receive any and all payments and distributions which may be payable or deliverable at any time upon or in respect of the Subordinated Obligations.

(c) If any Payment or Distribution shall be collected or received by the Subordinated Noteholder, except payments permitted to be made at the time of payment as provided in paragraph 2(b) hereof, the Subordinated Noteholder forthwith shall deliver the same to the Senior Agent, in the form received, duly indorsed to the Senior Agent, if required, to be applied in accordance with the Senior Credit Agreement to the payment or prepayment of the Senior Obligations until the Senior Obligations are paid in full. Until so delivered, such Payment or Distribution shall be held in trust by the Subordinated Noteholder as the property of the Senior Lenders, segregated from other funds and property held by the Subordinated Noteholder.

4. Subrogation. On and after the Termination Date, the Subordinated Noteholder shall be subrogated to the rights of the Senior Lenders to receive payments or distributions of assets of the Borrower in respect of the Senior Obligations. For the purposes of such subrogation, no Payments or Distributions to the Senior Lenders to which the Subordinated Noteholder would be entitled except for the provisions of this Agreement shall be deemed, as between the Borrower and its creditors other than the Senior Lenders and the Subordinated Noteholder, to be a payment by the Borrower to or on account of the Senior Obligations, it being understood that the provisions of this Agreement are, and are intended solely, for the purpose of defining the relative rights of the Subordinated Noteholder, on the one hand, and the Senior Lenders, on the other hand.

5. Consent of Subordinated Noteholder.

(a) The Subordinated Noteholder consents that, without the necessity of any reservation of rights against him, and without notice to or further assent by the Subordinated Noteholder:

(1) any demand for payment of any Senior Obligations made by the Senior Lenders may be rescinded in whole or in part by the Senior Lenders, and the Senior Obligations, or the liability of the Borrower or any other Credit Party or any other party upon or for any part thereof, or any collateral security or guarantee therefor or right of offset with respect thereto, or any obligation or liability of the Borrower or any other party under the Senior Credit Agreement or any other agreement, may, from time to time, in whole or in part, be increased, continued, renewed, extended, modified, accelerated, compromised, waived, surrendered, or released by the Senior Lenders; and

(2) any Senior Loan Document may be amended, modified, supplemented or terminated, in whole or in part, as the Senior Lenders may deem advisable from time to time, and any collateral security at any time held by the Senior Lenders for the payment of any of the Senior Obligations may be sold, exchanged, waived, surrendered or released, in each case all without notice to or further assent by the Subordinated Noteholder, which will remain bound under this Agreement, and all without impairing, abridging, releasing or affecting the subordination and other provisions hereof.

(b) The Subordinated Noteholder acknowledges and agrees that the Senior Lenders have relied upon the subordination and other provisions hereof in entering into the Senior Credit Agreement and in making funds available to the Borrower thereunder. The Subordinated Noteholder waives any and all notice of the creation, renewal, increase, extension or accrual of any of the Senior Obligations and notice of or proof of reliance by the Senior Lenders upon this Agreement. The Senior Obligations, and any of them, shall be deemed conclusively to have been created, contracted or incurred in reliance upon this Agreement, and all dealings between the Borrower and the Senior Lenders shall be deemed to have been consummated in reliance upon this Agreement. The Subordinated Noteholder waives notice of or proof of reliance on this Agreement and protests demand for payment and notice of default.

6. Negative Covenants of the Subordinated Noteholder. The Subordinated Noteholder shall not (and hereby releases and waives any right to), without the prior written consent of the Senior Agent:

(a) sell, assign, or otherwise transfer, in whole or in part, the Subordinated Obligations or any interest therein to any other Person (a "Transferee") or create, incur or suffer to exist any security interest, lien, charge or other encumbrance whatsoever upon the Subordinated Obligations in favor of any Transferee unless (1) such action is made expressly subject to this Agreement and (2) the Transferee expressly acknowledges to the Senior Agent, by a writing in form and substance satisfactory to the Senior Agent, the subordination and other provisions hereof and agrees to be bound by all of the terms hereof applicable to the Subordinated Noteholder;

(b) permit to exist any security interest, lien, charge or other encumbrance on any property or assets of any Credit Party to secure or provide for payment or performance of the Subordinated Obligations, permit the Subordinated Obligations to be Guaranteed Indebtedness of any Credit Party (other than Borrower), or exercise any right of set off or counterclaim which the Subordinated Noteholder may have with respect to any amounts payable or to be paid by the Subordinated Noteholder to any Credit Party;

(c) except as otherwise permitted in the Senior Credit Agreement, permit any of the Subordinated Loan Documents to be amended, modified or otherwise supplemented;

(d) commence, or join with any creditors other than the Senior Lenders in commencing, any proceeding referred to in clause (A), (B) or (C) of the definition of "Insolvency Event";

(e) assert, collect, or enforce all or any part of the Subordinated Obligations or any claims in respect thereof, except as specifically provided for herein (including as permitted by Section 2(b) hereof); or

(f) take any action to foreclose upon, take possession of, liquidate or proceed against any property or assets, or otherwise institute any action or proceeding, to secure or provide for payment of the Subordinated Obligations or otherwise exercise any rights or remedies under or with respect to the Subordinated Obligations or hinder or delay the Senior Lenders in the exercise of any rights and remedies under or in respect of the Senior Obligations.

7. Obligations Unconditional. All rights and interests of the Senior Lenders hereunder, and all agreements and obligations of the Subordinated Noteholder and the Borrower hereunder, shall be absolute and irreversible notwithstanding (a) any lack of validity or enforceability of any Senior Loan Document; (b) any change in time, manner or place of payment of, or in any other term of, all or any of the Senior Obligations, any increase in the amount of the Senior Obligations, or any amendment or waiver or other modification, whether by course of conduct or otherwise, of the terms of any Senior Loan Document; (c) any exchange, release or nonperfection of any security interest in any Collateral, or any release, amendment, waiver or other modification, whether in writing or by course of conduct or otherwise, of all or any of the Senior Obligations or any guarantee thereof; or (d) any other circumstances which otherwise might constitute a defense available to, or a discharge of, the Borrower in respect of the Senior Obligations, or of the Subordinated Noteholder or the Borrower in respect of this Agreement.

8. Representations and Warranties. Subordinated Noteholder represents and warrants to the Senior Lenders that:

(a) the Subordinated Note (1) is owned by the Subordinated Noteholder free and clear of any security interests, liens, charges or encumbrances whatsoever arising from, through or under such Subordinated Noteholder, other than the interest of the Senior Lenders under this Agreement, (2) is payable solely and exclusively to the Subordinated Noteholder and to no other Person, and (3) constitutes the only evidence of the obligations evidenced thereby;

(b) this Agreement constitutes a legal, valid and binding obligation of the Subordinated Noteholder enforceable against the Subordinated Noteholder in accordance with its terms, subject to applicable bankruptcy, insolvency, moratorium, reorganization or other similar laws affecting creditors' rights and to equitable principles of general applicability;

(c) the execution, delivery and performance of this Agreement by the Subordinated Noteholder will not violate any law or regulation, or any order or decree of any court or governmental instrumentality applicable to the Subordinated Noteholder; and

(d) no consent or authorization of, filing with, or other act by or in respect of, any arbitrator or Governmental Authority and no consent of any other Person (including, without

limitation, any creditor of the Subordinated Noteholder), is required in connection with the execution, delivery, and performance of this Agreement by the Subordinated Noteholder.

9. No Representation by Senior Lenders. The Senior Lenders have not made and do not hereby or otherwise make to the Subordinated Noteholder, any representations or warranties, express, or implied, nor do the Senior Lenders assume any liability to the Subordinated Noteholder with respect to: (a) the financial or other condition of obligors under any instruments of guarantee, if any, with respect to the Senior Obligations, (b) the enforceability, validity, value or collectibility of the Senior Obligations or the Subordinated Obligations, any collateral therefor, or any guarantee or security which may have been granted in connection with any of the Senior Obligations or the Subordinated Obligations or the validity, priority or perfections of any Liens, or (c) the Borrower's title or right to transfer any collateral or security.

10. Waiver of Claims. To the maximum extent permitted by law, the Subordinated Noteholder waives any claim it might have against the Senior Lenders with respect to, or arising out of, any action or failure to act on the part of the Senior Lenders or their respective directors, officers, employees or agents in connection with this Agreement, the Senior Loan Documents, any of the transactions contemplated hereby and thereby, any of the Senior Obligations or any of the Collateral. Neither the Senior Lenders nor any of their respective directors, officers, employees or agents shall be liable for failure to demand, collect or realize upon, or enforce any remedies under the Senior Loan Documents or otherwise in respect of, any of the Senior Obligations or Collateral or for any delay in doing so.

11. Bankruptcy. The provisions of this Agreement shall continue in full force and effect notwithstanding the occurrence of any Insolvency Event. The Subordinated Noteholder agrees that the Senior Lenders may consent to the use of cash collateral or provide financing to the Borrower on such terms and conditions and in such amounts as the Senior Lenders, in its sole discretion may decide and that, in connection with such cash collateral usage or such financing, the Borrower (or a trustee appointed for the estate of the Borrower) may grant to the Senior Lenders liens and security interests upon all or any part of the assets of the Borrower, which liens and security interests (i) shall secure payments of all Senior Obligations (whether such Senior Obligations arose prior to the filing of the petition for relief or arise thereafter); and (ii) shall be superior in priority to the liens on and security interests in the assets of the Borrower, if any, held by the Subordinated Noteholder. All allocations of payments between the Senior Lenders and the Subordinated Noteholder shall, subject to any court order, continue to be made after the filing of a petition under the United States Bankruptcy Code, as amended (the "Bankruptcy Code"), or any similar proceeding on the same basis that the payments were to be allocated prior to the date of such filing. The Subordinated Noteholder agrees that it will not object to or oppose a sale or other disposition of any assets securing the Senior Obligations (or any portion thereof) free and clear of security interests, liens or other claims under Section 363 of the Bankruptcy Code or any other provision of the Bankruptcy Code if the Senior Lenders have consented to such sale or disposition of such assets. In the event that the Subordinated Noteholder has or at any time acquires any security for the Subordinated Obligations, the Subordinated Noteholder agrees not to assert any right it may have to "adequate protection" of its interest in such security in any bankruptcy proceeding and agrees that it will not seek to have the automatic stay lifted with respect to such security, without the prior written consent of the Senior Lenders. The Subordinated Noteholder waives any claim it may now or hereafter have arising out of the Senior Lenders' election, in any proceeding instituted under Chapter 11 of the Bankruptcy Code, of the application of Section 1111(b)(2) of the Bankruptcy Code, and/or any borrowing or grant of a security interest under Section 364 of the Bankruptcy Code by the Borrower, as debtor in

possession. The Subordinated Noteholder (both in its capacity as Subordinated Noteholder and in its capacity as a party which may be obligated to the Borrower and the Borrower's Affiliates with respect to contracts which are part of the Senior Lender's Collateral) agrees not to initiate or prosecute or encourage any other Person to initiate or prosecute any claim, action or other proceeding (i) challenging the enforceability of the Senior Lenders' claim (ii) challenging the enforceability of any liens or security interests in assets securing the Senior Obligations or (iii) asserting any claims which the Borrower may hold with respect to the Senior Lenders.

12. Invalidated Payments. To the extent that the Senior Lenders receive payments on, or proceeds of Collateral for, the Senior Obligations which are subsequently invalidated, declared to be fraudulent or preferential, set aside and/or required to be repaid to a trustee, receiver or any other party under any bankruptcy law, state or federal law, common law, or equitable cause, then to the extent of such payment or proceeds received, the Senior Obligations, or part thereof, intended to be satisfied shall be revived and continue in full force and effect as if such payments or proceeds had not been received by the Senior Lenders.

13. Further Assurances. The Subordinated Noteholder and the Borrower, at their own expense and at any time from time to time, upon the written request of the Senior Agent will promptly and duly execute and deliver such further instruments and documents and take such further actions as the Senior Agent reasonably may request for the purposes of obtaining or preserving the full benefits of this Agreement and of the rights and powers herein granted.

14. Provisions Define Relative Rights. This Agreement is intended solely for the purpose of defining the relative rights of the Senior Lenders on the one hand and the Subordinated Noteholder on the other, and no other Person shall have any right, benefit or other interest under this Agreement.

15. Legend. The Subordinated Noteholder and the Borrower will cause the Subordinated Note to bear conspicuously the following legend:

> ALL INDEBTEDNESS EVIDENCED BY THIS NOTE IS SUBORDINATED TO OTHER INDEBTEDNESS PURSUANT TO, AND TO THE EXTENT PROVIDED IN, AND IS OTHERWISE SUBJECT TO THE TERMS OF, THE INTERCREDITOR AND SUBORDINATION AGREEMENT, DATED AS OF DECEMBER , 1998, AS THE SAME MAY BE AMENDED, MODIFIED OR OTHERWISE SUPPLEMENTED FROM TIME TO TIME (THE "SUBORDINATION AGREEMENT"), BY AND AMONG CORRECTIONAL MANAGEMENT SERVICES CORPORATION, PRISON REALTY CORPORATION AND GENERAL ELECTRIC CAPITAL CORPORATION, AS AGENT FOR THE LENDERS UNDER THE SENIOR CREDIT AGREEMENT REFERRED TO IN THE SUBORDINATION AGREEMENT. THE TERMS OF THE SUBORDINATION AGREEMENT ARE HEREBY INCORPORATED BY REFERENCE INTO THIS NOTE AS IF SET FORTH IN FULL HEREIN. BY MAKING AVAILABLE TO THE BORROWER THE INDEBTEDNESS EVIDENCED BY THIS NOTE (AND WHETHER OR NOT THE PROMISEE HAS EXECUTED AND DELIVERED THE SUBORDINATION AGREEMENT), THE PROMISEE HEREBY AGREES THAT IT SHALL BE DEEMED TO HAVE EXECUTED AND DELIVERED THE SUBORDINATION AGREEMENT AND TO BE BOUND BY ALL THE TERMS OF THE SUBORDINATION AGREEMENT APPLICABLE TO THE "SUBORDINATED NOTEHOLDER" (AS DEFINED

THEREIN). THIS NOTE HAS NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR ANY STATE SECURITIES LAW, AND MAY NOT BE SOLD, ASSIGNED, MORTGAGED, PLEDGED, HYPOTHECATED OR OTHERWISE TRANSFERRED IN THE ABSENCE OF SUCH REGISTRATION OR AN EXEMPTION THEREFROM UNDER THE ACT AND APPLICABLE STATE SECURITIES LAWS AND THE OTHER RESTRICTIONS SET FORTH HEREIN AND IN THE SUBORDINATION AGREEMENT.

16. Powers Coupled With An Interest. All powers, authorizations and agencies contained in this Agreement are coupled with an interest and are irrevocable until the Termination Date.

17. Specific Performance. The Senior Lenders are hereby authorized to demand specific performance of this Agreement at any time when the Subordinated Noteholder shall have failed to comply with any of the provisions of this Agreement applicable to the Subordinated Noteholder, whether or not the Borrower shall have complied with any of the provisions hereof applicable to the Borrower, and the Subordinated Noteholder hereby irrevocably waives any defense based on the adequacy of a remedy at law which might be asserted as a bar to such remedy of specific performance.

18. Notices. Except as otherwise provided herein, whenever it is provided herein that any notice, demand, request, consent, approval, declaration or other communication shall or may be given to or served upon any of the parties by any other party, or whenever any of the parties desire to give or serve upon any other party any communication with respect to this Agreement, each such notice, demand, request, consent, approval, declaration or other communication shall be in writing and shall be given in the manner as provided for in Section 11.10 of the Senior Credit Agreement; provided that any notice to the Subordinated Noteholder shall be at his address or transmission number for notices set forth under its signature below.

19. Counterparts. This Agreement may be executed by one or more of the parties on any number of separate counterparts, and all of said counterparts taken together shall be deemed to constitute one and the same instrument.

20. Severability. Any provision of this Agreement which is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof, and any such prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction.

21. Integration. This Agreement represents the agreement of the Senior Lenders and the Subordinated Noteholder with respect to the subject matter hereof and there are no promises or representations by the Senior Lenders or the Subordinated Noteholder relative to the subject matter hereof not reflected herein.

22. Amendments in Writing; No Waiver; Cumulative Remedies.

(a) None of the terms or provisions of this Agreement may be waived, amended, supplemented or otherwise modified, except by a written instrument executed by the Senior

Lenders, the Borrower and the Subordinated Noteholder; provided that any provision of this Agreement may be waived by the Senior Lenders in a letter or agreement executed by the Senior Lenders or by telex or facsimile transmission from the Senior Lenders.

(b) No failure to exercise, nor any delay in exercising, on the part of the Senior Lenders, any right, power or privilege hereunder shall operate as a waiver thereof. No single or partial exercise of any right, power or privilege hereunder shall preclude any other or further exercise thereof or the exercise of any other right, power or privilege.

(c) The rights and remedies herein provided are cumulative, may be exercised singly or concurrently and are not exclusive of any other rights or remedies provided by law.

23. Section Headings. The section headings used in this Agreement are for convenience of reference only and are not to affect the construction hereof or be taken into consideration in the interpretation hereof.

24. Successors and Assigns. This Agreement shall be binding upon the successors and assigns of the Borrower and the Subordinated Noteholder and shall inure to the benefit of the Senior Lenders and their successors and assigns.

25. GOVERNING LAW; CONSENT TO JURISDICTION AND VENUE. EXCEPT AS OTHERWISE EXPRESSLY PROVIDED IN ANY OF THE LOAN DOCUMENTS, IN ALL RESPECTS, INCLUDING ALL MATTERS OF CONSTRUCTION, VALIDITY AND PERFORMANCE, THIS AGREEMENT AND THE OBLIGATIONS ARISING HEREUNDER SHALL BE GOVERNED BY, AND CONSTRUED AND ENFORCED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK APPLICABLE TO CONTRACTS MADE AND PERFORMED IN SUCH STATE, AND ANY APPLICABLE LAWS OF THE UNITED STATES OF AMERICA WITHOUT REGARD TO CONFLICT OF LAWS PRINCIPLES. EACH OF THE BORROWER, THE SUBORDINATED NOTEHOLDER AND THE SENIOR LENDERS HEREBY CONSENTS AND AGREES THAT THE STATE OR FEDERAL COURTS LOCATED IN NEW YORK CITY SHALL HAVE EXCLUSIVE JURISDICTION TO HEAR AND DETERMINE ANY CLAIMS OR DISPUTES AMONG THE BORROWER, THE SUBORDINATED NOTEHOLDER AND THE SENIOR LENDERS PERTAINING TO THIS AGREEMENT OR TO ANY MATTER ARISING OUT OF OR RELATING TO THIS AGREEMENT OR ANY OF THE SENIOR LOAN DOCUMENTS, PROVIDED, THAT THE PARTIES HERETO ACKNOWLEDGE THAT ANY APPEALS FROM THOSE COURTS MAY HAVE TO BE HEARD BY A COURT LOCATED OUTSIDE OF NEW YORK CITY AND, PROVIDED, FURTHER, THAT NOTHING IN THIS AGREE MENT SHALL BE DEEMED OR OPERATE TO PRECLUDE THE SENIOR LENDERS FROM BRINGING SUIT OR TAKING OTHER LEGAL ACTION IN ANY OTHER JURISDICTION TO REALIZE ON THE COLLATERAL OR ANY OTHER SECURITY FOR THE SENIOR OBLIGATIONS, OR TO ENFORCE A JUDGMENT OR OTHER COURT ORDER IN FAVOR OF THE SENIOR LENDERS EACH OF THE BORROWER AND THE SUBORDINATED NOTEHOLDER EXPRESSLY SUBMITS AND CONSENTS IN ADVANCE TO SUCH JURISDICTION IN ANY ACTION OR SUIT COMMENCED IN ANY SUCH COURT, AND EACH OF THE BORROWER AND THE SUBORDINATED NOTEHOLDER HEREBY WAIVES ANY OBJECTION WHICH IT MAY HAVE BASED UPON LACK OF PERSONAL JURISDICTION, IMPROPER VENUE OR FORUM NON CONVENIENS. EACH OF THE BORROWER AND THE SUBORDINATED NOTEHOLDER HEREBY WAIVES PERSONAL SERVICE OF THE SUMMONS, COMPLAINT AND OTHER PROCESS ISSUED

IN ANY SUCH ACTION OR SUIT AND AGREES THAT SERVICE OF SUCH SUMMONS, COMPLAINT AND OTHER PROCESS MAY BE MADE BY REGISTERED OR CERTIFIED MAIL ADDRESSED TO IT AT THE ADDRESS SET FORTH IN SECTION 11.10 OF THE SENIOR CREDIT AGREEMENT OR BENEATH ITS SIGNATURE LINE BELOW, AS THE CASE MAY BE, AND THAT SERVICE SO MADE SHALL BE DEEMED COMPLETED UPON THE EARLIER OF THE BORROWER'S OR THE SUBORDINATED NOTEHOLDER'S ACTUAL RECEIPT THEREOF OR THREE (3) DAYS AFTER DEPOSIT IN THE U.S. MAILS, PROPER POSTAGE PREPAID.

26. MUTUAL WAIVER OF JURY TRIAL. BECAUSE DISPUTES ARISING IN CONNECTION WITH COMPLEX FINANCIAL TRANSACTIONS ARE MOST QUICKLY AND ECONOMICALLY RESOLVED BY AN EXPERIENCED AND EXPERT PERSON AND THE PARTIES WISH APPLICABLE STATE AND FEDERAL LAWS TO APPLY (RATHER THAN ARBITRATION RULES), THE PARTIES DESIRE THAT THEIR DISPUTES BE RESOLVED BY A JUDGE APPLYING SUCH APPLICABLE LAWS. THEREFORE, TO ACHIEVE THE BEST COMBINATION OF THE BENEFITS OF THE JUDICIAL SYSTEM AND OF ARBITRATION, THE PARTIES HERETO WAIVE ALL RIGHT TO TRIAL BY JURY IN ANY ACTION, SUIT, OR PROCEEDING BROUGHT TO RESOLVE ANY DISPUTE, WHETHER SOUNDING IN CONTRACT, TORT, OR OTHERWISE, BETWEEN THE PARTIES ARISING OUT OF, CONNECTED WITH, RELATED TO, OR INCIDENTAL TO THE RELATIONSHIP ESTABLISHED BETWEEN THEM IN CONNECTION WITH, THIS AGREEMENT OR ANY OF THE SENIOR LOAN DOCUMENTS OR THE TRANSACTIONS RELATED THERETO.

27. Termination. This Agreement shall terminate on the Termination Date. At such time, at the expense of the Subordinated Noteholder, the Senior Lenders will promptly and duly execute and deliver such instruments and documents and take such actions as the Subordinated Noteholder may reasonably request for evidencing the termination of this Agreement.

[Signature Page Follows]

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed and delivered as of the day and year first above written.

Borrower:

CORRECTIONAL MANAGEMENT
SERVICES CORPORATION

By: /s/ Darrell K. Massengale

Name: Darrell K. Massengale
Title: Secretary

Senior Agent:

GENERAL ELECTRIC CAPITAL
CORPORATION, as Agent

By: /s/ John Hatherly

Name: John Hatherly
Its: Duly Authorized Signatory

Subordinated Noteholder:

PRISON REALTY CORPORATION

By: /s/ Doctor R. Crants

Name: Doctor R. Crants
Title: Chief Executive Officer

Address: 10 Burton Hills Blvd.

Nashville, TN 37215

Facsimile: 615-263-3010

EXHIBIT 10.36

PRISON REALTY CORPORATION

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NOTE PURCHASE AGREEMENT

Dated as of December 31, 1998

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$40,000,000

9.5% Convertible Subordinated Notes
Due December 31, 2008

THIS NOTE PURCHASE AGREEMENT (this "Agreement") is made as of December 31, 1998 between PRISON REALTY CORPORATION, a Maryland corporation with its principal place of business located at 10 Burton Hills Boulevard, Suite 100, Nashville, Tennessee 37215 (the "Company"), as issuer, and MDP VENTURES IV LLC, a New York limited liability company with its principal place of business c/o Millennium Partners, 1995 Broadway, New York, New York 10023 ("Investor"). The definitions of certain capitalized terms used herein are set forth in Section 15.17.

In consideration of the mutual promises and agreements contained herein, the parties hereto agree as follows:

SECTION 1 AUTHORIZATION OF NOTES.

1.1 Authorization of Notes. The Company has duly authorized the sale and issuance of its convertible notes in the aggregate principal amount of $40,000,000, to be issued in equal amounts of $20,000,000 at each of the First Closing and the Second Closing, in substantially the form attached hereto as Exhibit A (each note delivered pursuant to this Agreement and each note delivered in substitution or exchange for any such note, being hereinafter referred to as the "Notes"). The Notes shall (i) be dated the date of issuance, (ii) bear interest (computed on the basis of a 360-day year of twelve 30-day months) from the date of issuance until the earlier of (A) Maturity, (B) the date such Notes are repaid in full or (C) the occurrence of a Termination Event at the rate of 9.5% per annum payable semi-annually, in arrears, on the last day of each June and December, commencing June 30, 1999, and at Maturity (each such date being hereinafter referred to as an "Interest Payment Date"), (iii) bear interest (computed as provided in clause (ii) above) from the earlier of (A) Maturity or (B) the occurrence of a Termination Event until the date such Notes are repaid in full at the rate of 20% per annum payable on demand (the "Default Rate") and (iv) mature (at which time all principal and interest payable hereunder shall be immediately due and payable) on the Maturity Date. The Notes shall be convertible into shares of the Company's common stock, par value $.01 per share ("Common Stock"),as provided in Section 13 of this Agreement and shall be redeemable as provided in Section 12 of this Agreement. Contingent Interest is payable on the Notes as set forth in Section 2.5.

SECTION 2 ISSUANCE OF NOTES.

2.1 Purchase and Sale of Notes. Subject to the terms and conditions of this Agreement, the Company shall issue and sell to Investor, and Investor shall purchase, Notes in an aggregate principal amount of $40,000,000, to be issued in equal amounts of $20,000,000 at each of the First Closing and the Second Closing.

2.2 Registration, Transfer or Exchange of Notes.

(a) The Notes are issuable only as registered Notes. The Company shall keep at its principal place of business a register in which the Company shall provide for the registration and registration of transfer of the Notes.

(b) Subject to Section 14.1 of this Agreement, the holder of a Note may, at its option and either in person or by duly authorized attorney, surrender the same at the principal place of business of the Company for registration of transfer or exchange, accompanied, if surrendered for transfer, by a written instrument of transfer duly executed by such holder or attorney. In case such holder shall request a transfer or exchange of a Note, the Company shall, at its expense, deliver to or upon such holder's order one or more Notes in the same aggregate unpaid principal amount as the Note surrendered for transfer, each dated the date of, or, if later, the date to which interest has been paid on, the Note, and registered in such name or names as shall be specified by such holder. Notes may not be transferred in denominations of less than $100,000, or increments of $1,000 in excess thereof (provided that if the aggregate unpaid principal amount of a Note is less than $100,000, the Company will deliver one Note in exchange for such Note).

(c) Prior to due presentation for registration of transfer of a Note, the Company may deem and treat the registered holder thereof as the absolute owner for the purpose of any notice, waiver or consent thereunder, and payment of the Note shall be made only to or upon the order of such holder.

2.3 Loss, Theft, Destruction or Mutilation of Notes. Upon receipt of evidence satisfactory to the Company of the loss, theft, destruction or mutilation of a Note, and, in the case of any such loss, theft or destruction, upon receipt of a bond of indemnity reasonably satisfactory to the Company or, in the case of any such mutilation, upon surrender and cancellation of the Note, the Company shall make and deliver, in lieu of such lost, stolen, destroyed or mutilated Note, a new Note of like tenor and unpaid principal amount and dated the date of, or, if later, the date to which interest has been paid on, the lost, stolen, destroyed or mutilated Note. In the case of a holder of the Notes which is an institutional investor, its own unsecured agreement of indemnity shall be deemed satisfactory to the Company.

2.4 Place of Payment. Payments of principal, premium, if any, and interest becoming due and payable on the Notes shall be made in New York, New York at the office of a bank or trust company in such jurisdiction. The Company may at any time, by notice to each holder of a Note, change the place of payment of the Notes so long as such place of payment shall be in New York, New York at the office of a bank or trust company in such jurisdiction. The foregoing notwithstanding, so long as any Investor or any nominee of such Investor shall be the holder of any Note, the Company shall pay all sums becoming due on such Note for principal, premium, if any, interest and Contingent Interest by wire transfer in immediately available funds pursuant to the instructions set forth on Exhibit B or by such other method as such Investor shall have from time to time specified to the Company in writing for such purpose, without the presentation or surrender of such Note or the making of any notation thereon, except that, upon written request of the Company made concurrently with or reasonably promptly after payment in full of any Note,

such Investor shall surrender such Note for cancellation, reasonably promptly after any such request, to the Company at its principal place of business or at the place of payment most recently designated by the Company as provided above. The Company shall afford the benefits of this Section 2.4 to any person that is the direct or indirect transferee of any Note purchased by any Investor.

2.5 Contingent Interest. Upon each of (x) December 31, 2003 and (y) repayment of the Notes (whether at Maturity, as a result of the occurrence of a Repurchase Right Event, optional prepayment, a Termination Event or otherwise) (each a "Contingent Interest Payment Date") Investor shall receive contingent interest ("Contingent Interest"), payable in cash, in an amount that would be sufficient to permit Investor to receive an IRR of 15% on the principal amount of the Notes (computed without regard to the payment of any interest that accrued at the Default Rate); provided, however, (i) Investor shall not be entitled to receive Contingent Interest in respect of the principal amount of any Notes that are converted into Common Stock pursuant to Section 13 on or before such Contingent Interest Payment Date and (ii) Investor shall not be entitled to receive any Contingent Interest in the event the Target Price Condition is satisfied on or before December 31, 2003 and no Termination Event or Potential Termination Event has occurred on or before such date.

SECTION 3 THE CLOSINGS.

3.1 The Closings. The closing of the purchase and sale of the Notes under this Agreement shall take place at the offices of Battle Fowler LLP, Park Avenue Tower, 75 East 55th Street, New York, New York 10022 in two parts. The first closing will take place, at 10:00 A.M. on December 31, 1998, or at such other time, date and place as are mutually agreeable to the Company and the Investor (the "First Closing") and the second closing, subject to the satisfaction of the conditions set forth in Section 6.2, will take place at 10:00 A.M. on January 29, 1999 (the "Second Closing", together with the First Closing, the "Closings"). The date of the First Closing is hereinafter referred to as the "First Closing Date." The date of the Second Closing is hereinafter referred to as the Second Closing Date." At each of the Closings, the Company shall deliver to Investor Notes in the aggregate principal amount, issued in the name of the Investor or its nominee and in such authorized denominations as Investor shall request, against payment to the Company of the purchase price therefor, by wire transfer, check, or other method acceptable to the Company. On the First Closing Date, the Company shall deliver or cause to be delivered to Investor the documents listed in Section 6.1, in form and substance reasonably satisfactory to Investor. On the Second Closing Date, the Company shall deliver or cause to be delivered to Investor the documents listed in Section 6.3, in form and substance reasonably satisfactory to Investor.

SECTION 4 REPRESENTATIONS AND WARRANTIES OF THE COMPANY.

The Company hereby represents and warrants to Investor as of each of the Closing as follows:

4.1 Organization and Powers. The Company is a corporation duly organized, validly existing and in good standing under the laws of the State of Maryland, and has all requisite power and authority to execute, deliver and perform its obligations under this Agreement, the Notes and the Registration Rights Agreement. Each of the Company, CCA and Prison Realty is qualified to do business in and is in good standing in each jurisdiction in which the failure so to qualify or be in good standing would result in a Material Adverse Effect and has all requisite power and authority to own its respective assets and carry on its respective business as presently conducted and as proposed to be conducted. Neither the Company, CCA nor Prison Realty is (i) in violation of its respective charter, articles or certificate of incorporation or bylaws, (ii) in breach or violation of any law, rule, regulation, order, judgment, decree or the like applicable to it or any of its respective properties or assets, except for any such breach or violation which would not, individually or in the aggregate, have a Material Adverse Effect, or (iii) in breach of or default under (nor has any event occurred which, with notice or passage of time or both, would constitute a default under) or in violation of any of the terms or provisions of any indenture, mortgage, deed of trust, loan agreement, note, lease, license, franchise agreement, permit, certificate, contract or other agreement or instrument to which any of them is a party or to which it or any of its respective properties or assets is subject, except for any such breach, default, violation or event which would not, individually or in the aggregate, have a Material Adverse Effect.

4.2 Authorization; No Conflict. The execution, delivery and performance by the Company of this Agreement, the Notes and the Registration Rights Agreement have been duly authorized by all necessary corporate action of the Company and do not and will not (i) contravene the terms of the charter or bylaws of the Company, or result in a breach of or constitute a default under any material lease, instrument, contract or other agreement to which the Company is a party or by which it or its properties or assets may be bound or affected; (ii) violate any provision, law, rule, regulation, order, judgment, decree or the like binding on or affecting the Company or any of its properties or assets; (iii) require the approval or consent of, or any filing with, any governmental authority or agency; or (iv) except as contemplated by this Agreement, result in, or require, the creation or imposition of any Lien upon or with respect to any of the properties, assets or revenues of the Company.

4.3 Binding Obligation. This Agreement, the Notes and the Registration Rights Agreement constitute, or when delivered under this Agreement will constitute, legal, valid and binding obligations of the Company, enforceable against the Company in accordance with their respective terms, except that (A) the enforcement thereof may be subject to (i) bankruptcy, insolvency, reorganization, moratorium or other similar laws now or hereafter in effect relating to creditors' rights generally, and (ii) general principles of equity and the discretion of the court before which any Proceeding therefor may be brought, and (B) any rights to indemnity or contribution under the Registration Rights Agreement may be limited by federal and state securities laws and public policy considerations.

4.4 Consents. The Company is not required to obtain any consent, approval, or authorization of, or to make any declaration or filing with, any governmental authority as a

condition to or in connection with the valid execution, delivery and performance of this Agreement, the Notes or the Registration Rights Agreement and the valid offer, issue, sale or delivery of the Notes or the Conversion Shares, or the performance by the Company of its obligations in respect thereof, except for any filings required to effect any registration pursuant to the Registration Rights Agreement, and filings required pursuant to state and federal securities laws that have been made or will be timely made after the First Closing Date.

4.5 No Defaults. Neither the Company, CCA nor Prison Realty is in default under any material contract, lease, agreement, judgment, decree or order to which it is a party or by which it or its properties may be bound.

4.6 Litigation. There are no actions, suits or Proceedings pending or, to the best of the Company's knowledge, threatened against or affecting the Company or the properties or assets of the Company before any governmental agency or authority or arbitrator which if determined adversely to the Company would or could reasonably be expected to result in a Material Adverse Effect or which seeks to restrain, enjoin, prevent the consummation of or otherwise challenge the transactions contemplated by this Agreement, the Notes or the Registration Rights Agreement.

4.7 Financial Statements. The pro forma combined Financial Statements (including any related notes) included in the SEC Reports have been prepared in accordance with GAAP (except as indicated in the notes thereto) throughout the periods involved and fairly presents the pro forma combined financial condition of the Company, CCA and Prison Realty as of the dates thereof and for the periods indicated, and the Company has no material liabilities, contingent or otherwise, not reflected in the pro forma balance sheet as of September 30, 1998 included in the SEC Reports or otherwise referred to in the SEC Reports or otherwise disclosed to Investor in writing prior to the execution by Investor of this Agreement, other than any such liabilities incurred in the ordinary course of business since September 30, 1998. There has been no material adverse change in the business, condition or operations (financial or otherwise) of the Company from that set forth in the pro forma Financial Statements as of September 30, 1998 included in the SEC Reports, other than changes disclosed or referred to in the SEC Reports, or otherwise disclosed to Investor in writing prior to the execution by Investor of this Agreement.

4.8 Taxes. The Company, CCA and Prison Realty have filed all tax and information and returns required to be filed, and have paid all taxes, fees, assessments and other governmental charges or levies that have become due and payable, except to the extent such taxes or other charges are being contested in good faith and are adequately reserved against in accordance with GAAP. The Company, CCA and Prison Realty have paid or caused to be paid, or have established reserves that the Company reasonably believes to be adequate in all material respects, for all federal income tax liabilities and state income tax liabilities applicable to the Company, CCA and Prison Realty for all fiscal years that have not been examined and reported on by the taxing authorities (or closed by applicable statutes). The Company will properly elect to be taxed as a real estate investment trust within the meaning of Sections 856-860 of the Code, commencing with its taxable year ending December 31, 1999, and is organized in conformity with the requirements for qualification as a real estate investment trust within the meaning of the Code and

its proposed method of operation will enable it to meet the requirements for qualification and taxation as a REIT under the Code.

4.9 Permits. The Company possesses all licenses permits, certificates, consents, orders, approvals and other authorizations from, and has made all declarations and filings with, all federal, state, local and other governmental authorities, all self-regulatory organizations and all courts and other tribunals presently required or necessary to own or lease, as the case may be, and to operate its respective properties and to carry on its respective businesses as now conducted and as proposed to be conducted ("Permits"), except as disclosed in the SEC Reports and except where the failure to obtain such Permits would not, individually or in the aggregate, have a Material Adverse Effect; the Company, CCA and Prison Realty have fulfilled and performed all of their respective obligations with respect to such Permits and no event has occurred which allows, or after notice or lapse of time would allow, revocation or termination thereof or results in any other material impairment of the rights of the holder of any such Permit; and neither the Company, CCA nor Prison Realty has received any notice of any Proceeding relating to revocation or modification of any such Permit, except where such revocation or modification would not, individually or in the aggregate, have a Material Adverse Effect.

4.10 Patents and Other Rights. The Company owns or possesses adequate licenses or other valid rights to use all patents and applications therefor, trademarks, service marks, trade names, trade dress, copyrights and know-how (collectively,"Proprietary Rights") necessary to conduct the businesses now or proposed to be conducted by it, except for such lack of or defects in ownership as would not, individually or in the aggregate, have a Material Adverse Effect. Neither the Company, CCA nor Prison Realty has received any notice that any Proprietary Rights have been declared unenforceable or otherwise invalid by any court or governmental agency other than notices relating to Proprietary Rights the loss of which would not, individually or in the aggregate, have a Material Adverse Effect. Neither the Company, CCA nor Prison Realty has received any notice of infringement of or conflict with, and the Company does not know of any such infringement of or conflict with, asserted rights of others with respect to any Proprietary Rights which, if such assertion of infringement or conflict were sustained, would have a Material Adverse Effect.

4.11 Insurance. The properties of the Company are insured under insurance policies issued by financially sound and reputable insurance companies, in such amounts, with such deductibles and covering such risks as are customarily carried by companies engaged in similar businesses and owning similar properties in the localities where the Company, CCA and Prison Realty Trust operate. All such policies are in full force and effect and all premiums thereunder have been paid to the extent due, and no notice of cancellation has been received with respect thereto and, to the best of the Company's knowledge, no cancellation is threatened.

4.12 Title to Properties; Liens. Each of the Company, CCA and Prison Realty has good and marketable title to all real property and good title to all personal property owned by it and good and marketable title to all leasehold estates in the real and personal property being leased by it free and clear of all Liens, except as set forth on Section 4.12 of the disclosure schedule

delivered by the Company to Investor together with, and made a part of, this Agreement (the "Disclosure Schedule"), and except to the extent the failure to have such title or the existence of such Liens would not, individually or in the aggregate, have a Material Adverse Effect. Except for such of the following as individually or in the aggregate could not reasonably be expected to have a Material Adverse Effect, policies of title insurance (or marked title insurance commitments having the same force and effect as title insurance policies) have been issued by national title insurance companies insuring the fee simple or leasehold, as applicable, title of the Company or its subsidiaries, as applicable, to each of the Real Properties in amounts at least equal to the portion of the purchase price thereof allocated to the Real Properties (the "Company Title Policies"), and, to the Company's knowledge, the Company Title Policies are valid and in full force and effect and no claim has been made under any such policy.

4.13 Environmental Laws. The Company, CCA and Prison Realty are in material compliance with all Environmental Laws, and there are no actions, suits, claims, notices of violations, hearings, investigations or Proceedings pending or, to the best of the Company's knowledge, threatened against or affecting the Company, CCA or Prison Realty, with respect to the ownership, use, maintenance and operation of their respective properties, relating to any Environmental Laws or Hazardous Substances, where any adverse determination with respect thereto or liability imposed therein would have a Material Adverse Effect.

4.14 ERISA. (a) The Company, CCA and Prison Realty are in compliance with ERISA in all material respects, and there is no condition or event under which the Company or any Plan maintained by the Company, CCA or Prison Realty or, to the best of the Company's knowledge, any ERISA Affiliate, could be subject to any risk of material liability under or in connection with ERISA.

(b) Neither the Company nor any ERISA Affiliate has contributed to, or been required to contribute to, any "multiemployer plan" (as defined in Section 3(37) and 4001(a)(3) of ERISA).

(c) With respect to each plan that is subject to Title IV or Section 302 of ERISA or Section 412 or 4971 of the Code: (i) there does not exist any accumulated funding deficiency within the meaning of Section 412 of the Code or Section 302 of ERISA, whether or not waived, (ii) the fair market value of the assets of such plan equals or exceeds the actuarial present value of all accrued benefits under plan (whether or not vested), on a termination basis, (iii) no reportable event within the meaning of Section 4043(c) of ERISA has occurred, and the consummation of the transactions contemplated by this agreement will not result in the occurrence of any such reportable event, and (iv) all premiums to the Pension Benefit Guaranty Corporation have been timely paid in full. The execution and delivery of this Agreement and the Registration Rights Agreement and the issuance of the Notes and the conversion of the indebtedness evidenced by the Notes into shares of Common Stock will not involve any transaction that is subject to Section 406 of ERISA or in connection with which a tax could be imposed pursuant to Section 4975 of the Code.

4.15 Capitalization. Section 4.15 of the Disclosure Schedule sets forth a complete and accurate list of all authorized, issued and outstanding equity securities of the Company (including securities that are exercisable, convertible or exchangeable for equity securities of the Company), and all commitments, written or otherwise, relating to the issuance in the future of any such securities; except as otherwise set forth on Section 4.15 of the Disclosure Schedule, there are no (i) options, warrants or other rights to purchase, (ii) agreements or other obligations to issue, or (iii) other rights to convert any obligation into, or exchange any securities for, shares of Capital Stock of or ownership interests in the Company. All outstanding securities of the Company have been duly authorized, validly issued and fully paid and are nonassessable and were not issued in violation of any preemptive or similar rights. The Conversion Shares that may be issued pursuant to Section 13 have been reserved for issuance and will, when issued to pursuant to Section 13, be duly authorized, validly issued, fully paid and nonassessable, and not subject to preemptive rights, and will be free of any Liens or restrictions on transfer other than those imposed by the Securities Act and applicable state securities or "blue sky" laws.

4.16 Subsidiaries. The Subsidiaries of the Company, together with their jurisdictions of incorporation, are set forth on Section 4.16 of the Disclosure Schedule.

4.17 Finder's Fee. The Company represents that neither it not, to the Company's knowledge, Investor is or will be obligated for any finder's fee or in connection with this transaction. The Company will pay, and hold Investor harmless against, any liability, loss or expense (including, without limitation, reasonable attorneys' fees and out-of-pocket expenses) arising in connection with any claim for any such commission, fee or other compensation.

4.18 Books and Records. Each of the Company, CCA and Prison Realty (i) makes and keeps accurate books and records, and (ii) maintains internal accounting controls which provide reasonable assurance that (A) transactions are executed in accordance with management's authorization, (B) transactions are recorded as necessary to permit preparation of its financial statements and to maintain accountability for its assets, (C) access to its assets is permitted only in accordance with management's authorization, and (D) the reported accountability for its assets is compared with existing assets at reasonable intervals.

4.19 Registration Rights. Except as provided in the Registration Rights Agreement and as otherwise set forth on Section 4.19 of the Disclosure Schedule, the Company has not granted or agreed to grant any registration rights to any Person.

4.20 Solvency. Immediately after the issuance of the Notes, the fair value and present fair saleable value of the assets of the Company (on a consolidated basis) will exceed the sum of its stated liabilities and identified contingent liabilities; the Company (on a consolidated basis) is not and will not be (on a consolidated basis) after giving effect to the issuance of the Notes, (a) left with unreasonably small capital with which to carry on its business as it is proposed to be conducted, (b) unable to pay its debts (contingent or otherwise) as they mature, or (c) otherwise insolvent.

4.21 SEC Reports. The Company, CCA and Prison Realty have filed with the Commission all proxy and registration statements, reports and other documents required to be filed by them under the Securities Act and the Exchange Act since the later of December 31, 1994 and the date that such entity became required to make such filings (collectively the "SEC Reports"), and the Company has furnished Investor with copies of all proxy and registration statements, reports and other documents under the Securities Act and the Exchange Act filed by the Company, CCA or Prison Realty in connection with the Mergers, each as filed with the Commission. Each SEC Report was in substantial compliance with the requirements of its respective report form and did not, on the date of filing, contain any untrue statement of a material fact or omit to state a material fact required to be state therein or necessary to make the statements therein, in light of the circumstances under which the were made, misleading.

4.22 Holding Corporation Act and Investment Corporation Act Status. The Company is not and, after giving effect to the issuance of the Notes and the application of the net proceeds thereof will not be, a "holding company" or a "public utility company" as such terms are defined in the Public Utility Holding Corporation Act of 1935, as amended. The Company is not and, after giving effect to the issuance of the Notes and the application of the net proceeds thereof will not be, an "investment company," or a company "controlled" by an "investment company," within the meaning of the Investment Corporation Act of 1940, as amended.

4.23 Offering Securities. Neither the Company, CCA nor Prison Realty, nor any Person acting on behalf of any of them, has offered the Notes or any similar securities of the Company, CCA or Prison Realty for sale to, solicited any offers to buy the Notes or any similar securities of the Company, CCA or Prison Realty from, or otherwise approached or negotiated with respect to the Company, CCA or Prison Realty with any person other than Investor and a limited number of other "accredited investors" (as defined in Rule 501(a) under the Securities Act). Neither the Company, CCA nor Prison Realty, nor any person acting on behalf of any of them, has taken or will take any action (including any offering of any securities of the Company, CCA or Prison Realty under circumstances that would require the integration of such offering with the offering of the Notes under the Securities Act) that might subject the offering, issuance or sale of the Notes to the registration requirements of Section 5 of the Securities Act or violate the provisions of any securities, "blue sky" or similar law of any applicable jurisdiction.

4.24 Company Debt. Section 4.24 of the Disclosure Schedule accurately describes and summarizes the approximate amount, term and interest rate of all Indebtedness for borrowed money of the Company and any Subsidiary. There are no material defaults thereunder by the Company or any Subsidiary with respect thereto, except as disclosed in Section 4.24 of the Disclosure Schedule.

4.25 Use of Proceeds; Margin Stock. None of the proceeds of the sale of the Notes will be used for the purpose of purchasing or carrying any "margin stock" as defined in Regulations U, T, X, or N of the Board of Governors of the Federal Reserve System, or for the purpose of reducing or retiring any Indebtedness which was originally incurred to purchase or carry "margin stock," or for any other purpose which might constitute transactions contemplated by this

Agreement a "purpose credit" within the meaning of Regulations U, T, X or N. Neither the Company is engaged in the business of extending credit for the purpose of purchasing or carrying margin stocks. Neither the Company nor any Person acting on its or their behalf has taken or will take any action which might cause any violation of Regulations U, T, X, N or any other regulations of the Board of Governors of the Federal Reserve System or any violation of Section 7 of the Exchange Act or any rule or regulation promulgated thereunder, in each case as now in effect or as the same may hereinafter be in effect.

4.26 State Takeover Statutes. The Company has taken all action necessary to exempt the transactions contemplated by this Agreement from the operation or triggering of any applicable "fair price," "moratorium," "control share acquisition" or any other applicable anti-takeover statute enacted under the state or federal laws of the United States or similar statute or regulation.

4.27 Disclosure. None of the representations or warranties made by the Company in this Agreement as of the date such representations and warranties are made or deemed made, and none of the statements contained in any other information with respect to the Company, CCA or Prison Realty including each exhibit or report, furnished by or on behalf of the Company, CCA and Prison Realty to Investor in connection with this Agreement and the Notes, contains any untrue statement of a material fact or omits any material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they are made, misleading.

SECTION 5 REPRESENTATIONS AND WARRANTIES OF THE INVESTOR.

Investor hereby represents and warrants that:

5.1 Authorization. Investor has the right, power and authority to execute, deliver and perform this Agreement and the Related Documents to which it is a party.

5.2 Purchase Entirely for Own Account. The Notes will be acquired for investment for Investor's own account, not as a nominee or agent, and not with a view to the resale or distribution of any part thereof, and Investor has no present intention of selling, granting any participation in, or otherwise distributing the same. Investor does not have any contract, undertaking or agreement with any person to sell, transfer or grant a participation to any person with respect to any of the Notes or the Conversion Shares; provided, however, Investor shall have the right to transfer or grant such a participation to any Affiliate(s) of Investor.

5.3 Accredited Investor. Investor is an "accredited investor" within the meaning of Rule 501 of Regulation D, under the Securities Act, as presently in effect.

5.4 Acknowledgments.

(a) Investment Experience. Investor acknowledges that it can bear the economic risk of its investment in the Notes and Conversion Shares and has such knowledge and experience in financial or business matters that it is capable of evaluating the merits and risks of the investment in the Notes and the Conversion Shares. Investor acknowledges that there is no public market for the Notes and that its investment in the Notes lacks liquidity.

(b) Restricted Securities. Investor understands that the Notes it is purchasing and the Conversion Shares issuable upon conversion thereof may be characterized as "restricted securities" under the Federal securities laws inasmuch as they are being acquired from the Company in a transaction not involving a public offering and that under such laws and applicable regulations such securities may be resold without registration under the Securities Act, only in certain limited circumstances. In this connection, such Investor represents that it is familiar with Rule 144 under the Securities Act ("Rule 144") and understands the resale limitations imposed thereby and by the Securities Act.

5.5 Legends. Unless determined otherwise by the Company in accordance with the applicable law, each certificate representing a Note will bear the following legends, and each certificate representing Conversion Shares will bear comparable legends, unless such Notes or Conversion Shares have been sold pursuant to a registration statement that has been declared effective under the Securities Act:

(a) "THE NOTE EVIDENCED HEREBY HAS NOT BEEN REGISTERED UNDER THE UNITED SATES SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR ANY STATE SECURITIES LAWS, AND, ACCORDINGLY, NEITHER THIS NOTE, THE SHARES OF COMMON STOCK ISSUABLE UPON CONVERSION OF THIS NOTE, NOR ANY INTEREST OR PARTICIPATION HEREIN OR THEREIN MAY BE TRANSFERRED OR OTHERWISE DISPOSED OF IN THE ABSENCE OF SUCH REGISTRATION OR UNLESS SUCH TRANSACTION IS EXEMPT FROM, OR NOT SUBJECT TO, REGISTRATION."

(b) Any legend required by applicable corporations or securities laws of any state.

5.6 Removal of Legend and Transfer Restrictions. Any legend endorsed on a Note or certificate representing Conversion Shares pursuant to Section 5.5 shall be removed and the Company shall issue a Note without such legend to the holder if (i) such Notice is or Conversion Shares are registered under the Securities Act, (ii) such legend may be properly removed under the terms of Rule 144(k) promulgated under the Securities Act, or (iii) such holder provides the Company with an opinion of counsel for such holder, reasonably satisfactory to legal counsel for the Company, that the legend may be removed from such Note or any certificate representing the Conversion Shares.

SECTION 6 CLOSING DELIVERIES.

6.1 Company Closing Deliveries at the First Closing. On the First Closing Date, the Company shall deliver or cause to be delivered to Investor the documents listed below, in form and substance satisfactory to Investor:

(i) The following agreements, duly executed by each of the parties thereto:

(A) this Agreement;

(B) the Note being purchased by such Investor at the First Closing, registered in such names and in such denominations as Investor shall have requested; and

(C) the Registration Rights Agreement;

(ii) A certificate duly executed on behalf of the Company by its Secretary or an Assistant Secretary, certifying as to the incumbency and signatures of each officer of the Company executing this Agreement and each of the Related Documents to which the Company is a party and to which is attached copies, certified to be true, correct, complete and in full force and effect of (A) the Company's Charter, (B) the Company's by-laws and (C) resolutions of the Company's Board of Directors authorizing the execution, delivery and performance by the Company of this Agreement and the Related Documents to which the Company is a party and the issuance and sale of the Notes, and the exemptions from the Maryland anti-takeover statutes referred to in Section 4.26;

(iii) A certificate duly executed by the Chief Executive Officer of the Company certifying as to the accuracy and completeness of the representations and warranties set forth in Section 4;

(iv) Good standing certificates for each of the Company and the Lessee from the Secretary of State of their respective jurisdictions of formation and each other jurisdiction in which they are required to be qualified to do business;

(v) Certified copy of the Articles of Merger as filed with and accepted for record by the State Department of Assessment and Taxation of Maryland with respect to the Merger;

(vi An opinion of Stokes & Bartholomew, P.A., counsel for the Company, addressed to Investor, substantially in form set forth in Exhibit C, except that Stokes & Bartholomew, P.A. shall be permitted to rely on the opinion of (i) Miles &

Stockbridge PC with respect to the matters involving Maryland law and (ii) Seward & Kissel with respect to the matters of New York law;

(vii Copies, certified to be true, correct and complete by the Company, of consents and approvals of any Governmental Authority or third party required in connection with the transactions to be consummated on the Closing Date (including, without limitation, any consents of any partners and lenders required in order to permit the issuance of the Notes); and

(viii Any and all other documents and instruments incident to the transactions contemplated by this Agreement shall be satisfactory in substance and form to Investor, and Investor shall have received all such counterpart originals or certified or other copies of such additional documents, instruments or opinions as it may request.

6.2 Conditions Precedent to Second Closing. The obligation of Investor to fund the purchase of the Notes at the Second Closing is subject to the fulfillment, at or before the Second Closing Date, of each of the following conditions by the Company (all or any of which may be waived in whole or in part by Investor in its sole discretion):

(i none of the Termination Events described in Sections 11.1(d), (e) and (f) shall have occurred; and

(ii the documents required to be delivered pursuant to Section 6.3 shall have been delivered to Investor.

6.3 Company Closing Deliveries at the Second Closing. On the Second Closing Date, the Company shall deliver or cause to delivered to Investor the documents listed below, in form and substance satisfactory to Investor:

(i the Note being purchased by such Investor at the Second Closing, registered in such names and in such denominations as Investor shall have requested;

(ii A certificate duly executed by the Chief Executive Officer of the Company certifying as to the fulfillment of all of the conditions set forth in Section 6.2; and

(iii An opinion of Stokes & Bartholomew, P.A., counsel for the Company, addressed to Investor, substantially in form set forth in Exhibit C, except that Stokes & Bartholomew, P.A. shall be permitted to rely on the opinion of (i) Miles & Stockbridge PC with respect to the matters involving Maryland law and (ii) Seward & Kissel with respect to the matters of New York law.

SECTION 7 AFFIRMATIVE COVENANTS.

7.1 Payment of Principal and Interest. The Company covenants and agrees that it will duly and promptly pay or cause to be paid the principal of and interest on each of the Notes at the place or places, at the respective times and in the manner provided in this Agreement and the Notes. Unless otherwise provided in this Agreement, all payments shall be made by electronic wire transfer of immediately available United States funds.

7.2 Maintenance of Existence and Rights; Conduct of Business. The Company shall, and shall cause each of Subsidiaries to, preserve and maintain their existence and all rights, privileges and franchises necessary or desirable in the normal conduct of their businesses, and conduct, and cause each of its Subsidiaries to conduct, their businesses in an orderly and efficient manner consistent with sound business practices and in accordance with all applicable laws and regulations.

7.3 SEC Filings and Other Information. (a) The Company shall deliver to the holders of the Notes the following:

(i SEC Filings. Promptly upon the filing thereof, copies of each report, document, form or other information which the Company is required to file with the Commission pursuant to the Exchange Act, documents incorporated by reference therein and any other document filed by the Company with any securities exchange. Whether or not the Company is subject to Section 13(a) or 15(d) of the Exchange Act, the Company will, to the extent permitted under the Exchange Act, file with the Commission the annual reports, quarterly reports and other documents which the Company would have been required to file with the Commission pursuant to Sections 13(a) or 15(d) if the Company were so subject, such documents to be filed with the Commission on or prior to the date (the "Required Filing Date") by which the Company would have been required so to file such documents if the Company were so subject. The Company will also in any event (x) within 15 days of each Required Filing Date transmit by mail to all holders of the Notes, without cost to such holders, copies of the annual reports, quarterly reports and other documents which the Company would have been required to file with the Commission pursuant to Sections 13(a) or 15(d) of the Exchange Act if the Company were subject to either of such Sections and (y) if filing such documents by the Company with the Commission is not permitted under the Exchange Act, promptly upon written request supply copies of such documents to any prospective holder at the Company's cost.

(ii Other Information. Such other information concerning the business, properties or financial condition of the Company or the holders of the Notes shall reasonably request.

7.4 Notices. Immediately upon becoming aware of the existence of any condition or event which constitutes a Termination Event or Potential Termination Event, the Company shall

furnish to the holders of the Notes written notice specifying the nature and period of existence thereof and the action which the Company is taking or propose to take with respect thereto.

7.5 Other Notices. The Company shall promptly notify the holders of the Notes of (i) any change which could reasonably be expected to have a Material Adverse Effect; (ii) the commencement of, or any material determination in, any litigation with any third party or any Proceeding before any Governmental Authority affecting the Company, any Lessee or any Subsidiary which could reasonably be expected to have a Material Adverse Effect; and (iii) any material adverse claim against or affecting any of the Company, any Lessee or Subsidiary or any of their respective properties.

7.6 Books and Records; Access. The Company, shall, and shall cause each of its Subsidiaries to, give reasonable access upon reasonable notice and during business hours to Investor, and permit the representatives or agents of Investor to examine, copy or make excerpts from, any and all books, records and documents in the possession of the Company and relating to its business affairs and to inspect any of the properties of the Company or any of its Subsidiaries and to discuss the business and operations of the Company and its Subsidiaries with its officers and employees. The Company shall, and shall cause each of its Subsidiaries to, maintain complete and accurate books and records of its business transactions in accordance with good accounting practices.

7.7 Compliance with Material Agreements. The Company shall, and shall cause each of its Subsidiaries to, comply in all material respects with all material Contracts binding on it or affecting its Properties or business.

7.8 Compliance with Law. The Company shall, and shall cause each of its Subsidiaries to, comply in all material respects with all applicable Laws, judgments, orders, decisions, rulings and decrees of any Governmental Authority applicable to it or to any of its Properties, business operations or transactions.

7.9 Payment of Taxes and Other Indebtedness. The Company shall, and shall cause each of the Subsidiaries to, pay and discharge: (i) all taxes, assessments and governmental charges or levies imposed upon it or upon its income or profits, or upon any property belonging to it, before delinquent, (ii) all lawful claims (including claims for labor, materials and supplies) and (iii) all of its Indebtedness as and when due; provided, however, that neither the Company nor any of its Subsidiaries shall be required to pay any such tax, assessment, charge, claim or levy, if and so long as the amount, applicability or validity thereof is at the time being contested in good faith by appropriate Proceedings and appropriate accruals and reserves therefor have been established in accordance with GAAP.

7.10 Insurance. The Company shall, and shall cause each of its Subsidiaries to, apply for and continue in force, or cause to be applied for and continued in force, adequate insurance covering risks of such types and in such amounts and with such deductibles as are customary for

other companies engaged in similar lines of business and with good and responsible insurance companies except where failure to do so would not have a Material Adverse Effect.

7.11 Reservation of Common Stock. (a) The Company shall at all times reserve and keep available, free from preemptive rights, out of the authorized but unissued Common Stock, for the purpose of effecting conversion of the Notes, the maximum number of shares of Common Stock which the Company would be required to deliver upon the conversion of all the Notes in accordance with Section 13.

(b) Before taking any action that would cause an adjustment reducing the conversion price below the then par value of the Common Stock deliverable upon conversion of the Notes pursuant to Section 13, the Company shall take all actions under applicable Maryland corporate law which may, in the opinion of its counsel, be necessary in order that the Company may validly and legally issue fully paid and non-assessable Common Stock at the adjusted conversion price.

(c) The Company shall cause to be listed the Common Stock required to delivered upon conversion of the Notes, prior to the delivery, upon each national securities exchange, if any, upon which the outstanding Common Stock is listed at the time of delivery.

7.12 Payment of Certain Taxes. The Company will pay any documentary stamp or similar issue or transfer taxes payable in respect of the issue or delivery of Common Stock upon conversion of the Notes; provided, however, that the Company will not be required to pay any tax which may be payable in respect of any transfer involved in the issue or delivery of Common Stock in a name other than that of the holder of record of the Notes to be converted and no such issue or delivery will be made unless and until the person requesting the issue or delivery has paid to the Company the amount of any such tax or has established, to the satisfaction of the Company, that the tax has been paid or is not payable.

7.13 Use of Proceeds. The Company shall use the proceeds received by it from the sale of Notes for working capital and general corporate purposes. None of such proceeds will be used, directly or indirectly, for the purpose of purchasing or carrying any "margin stock" as defined in Regulations U, T, X or N of the Board of Governors of the Federal Reserve System or for the purpose of reducing or retiring any indebtedness that was originally incurred to purchase or carry "margin stock" or for any other purpose that might constitute any of the transactions contemplated by this Agreement a "purpose credit" within the meaning of Regulations U, T, N or X.

7.14 REIT Qualification. The Company shall use its best efforts to ensure that it will have satisfied all of the requirements necessary to be taxed as a real estate investment trust within the meaning of Sections 856-860 of the Code, and shall elect to be taxed as such and make all necessary filings required in connection therewith.

7.15 Leases. If any Lessee shall fail to fully comply with a Lease of any Company correctional and detention facility, the Company shall, and it shall cause its Subsidiaries to, use its best efforts to enforce the Company's or its Subsidiaries' rights under such Lease.

7.16 Stay, Extension and Usury Laws. The Company covenants (to the extent that it may lawfully do so) that it will not at any time insist upon, plead, or in any manner whatsoever claim or take the benefit or advantage of, any stay, extension or usury law wherever enacted, now or at any time hereafter in force, which may affect the covenants or the performance of this Agreement; and expressly waives all benefit or advantage of any such law, and covenants that it will not, resort to any such law, hinder, delay or impede the execution of any power herein granted to the holders of the Notes, but will suffer and permit the execution of every such power as though no such law had been enacted.

7.17 Maintenance of Properties. The Company shall maintain and shall cause its Subsidiaries and Lessees to maintain in good repair, working order, and condition (normal wear and tear excepted) all of its material Properties and from time to time will make or cause to be made all appropriate repairs, renewals, and replacements thereof, all as in the reasonable judgment of Company management and consistent with sound business practice and necessary so that the business of the Company may be properly conducted in accordance with past practice; provided, however, that nothing in this Section 7.17 shall prevent the Company from discontinuing the maintenance of any such Properties if such discontinuance is, in the reasonable judgment of the Company, desirable in the conduct of its business or the business of any of its Subsidiaries; and provided further, however, that the foregoing shall not prohibit a sale, transfer or conveyance of any of its properties or assets in compliance with the terms of this Agreement.

7.18 Compliance Certificate. The Company shall deliver to the holders of the Notes within 120 days after the end of each fiscal year of the Company an officers' certificate signed by both the Chief Executive Officer and Chief Financial Officer of the Company stating whether or not the signatories know of any Termination Event. If any such signatories know of any such Termination Event, the certificate shall describe the Termination Event and its status.

7.19 Further Assurances. The Company shall, and shall cause each of its Subsidiaries to, make, execute or endorse, and acknowledge and deliver or file or cause the same to be done, all such notices, certificates and additional agreements, undertakings, conveyances, transfers, assignments or other assurances, and take any and all such other action, as Investor may, from time to time, deem reasonably necessary or proper in connection with this Agreement or any of the Related Documents, or the obligations of the Company or its Subsidiaries hereunder or thereunder.

7.20 Agreement to Subordinate. The Company agrees, and each Investor agrees, that the Indebtedness evidenced by the Notes and the payment of principal thereof and interest thereon are subordinated in right of payment to the prior payment in full of all Senior Indebtedness and that the subordination is for the benefit of the holders of Senior Indebtedness.

SECTION 8 NEGATIVE COVENANTS.

8.1 Material Agreements. Neither the Company nor any of its Subsidiaries shall consent to or permit any alteration, amendment, modification, release, waiver or termination of any provision of any Contract to which it is a party, including, without limitation, any Lease, if such action could adversely affect the interests of the holders of the Notes or could reasonably be expected to have a Material Adverse Effect.

8.2 Certain Transactions. Neither the Company nor any of its Subsidiaries shall enter into any transaction with an Affiliate upon terms less favorable to such Person than those which it could obtain at the time of the transaction in arm's-length dealings with Persons other than Affiliates. The foregoing limitation does not limit, and shall not apply to (i) transactions (A) approved by a majority of the independent directors of the Company or (B) for which the Company or the affected Subsidiary delivers to the holders a written opinion of a nationally recognized investment banking firm stating that the transaction is fair to the Company or such Subsidiary from a financial point of view; (ii) any transaction solely between the Company and any of its Subsidiaries or solely between Subsidiaries of the Company; (iii) the payment of reasonable and customary fees and expenses to directors of the Company who are not employees of the Company; or (iv) any payments or other transaction pursuant to any tax-sharing agreement between the Company and any other Person with which the Company files a consolidated tax return or with which the Company is part of a consolidated group for tax purposes.

8.3 Agreements Restricting Distributions From Subsidiaries. The Company shall not, nor shall it permit any of its Subsidiaries to, enter into any Contracts which materially limit distributions to or any advance by any of the Company's Subsidiaries to the Company.

8.4 Conduct of Business. The Company shall not, and shall not permit any of its Subsidiaries to, engage, to any substantial extent, in any business other than the financing, ownership and development of prisons and other correctional facilities and other businesses or activities substantially similar or related thereto.

8.5 Total Indebtedness to Total Capitalization. At no time shall Total Indebtedness exceed 55% of Total Capitalization.

SECTION 9 TERMINATION OF COVENANTS.

Each of the covenants set forth in Sections 7 and 8 of this Agreement shall terminate on the date the Notes and all of the obligations hereunder and thereunder are repaid in full.

SECTION 10 CHANGE IN CONTROL; LIQUIDATION.

10.1 Repurchase Right. (a) Upon (i) the Transfer in a single transaction, or series of transactions, of all or substantially all of the assets of the Company and its Subsidiaries, considered as a whole, including for such purpose the assets of any Subsidiary, (ii) the merger or consolidation of the Company with any other Person, (iii) any recapitalization of the Company and its Subsidiaries, considered as a whole, in a single transaction or a series of transactions, in an amount or amounts which aggregate 30% or more of Company Market Capitalization, or (iv) a Change of Control (individually, a "Repurchase Right Event"), each holder of a Note shall have the right (the "Repurchase Right") upon receipt of a Repurchase Right Notice, at such holder's option, to require the Company to repurchase any Notes held by such holder or any portion of the principal amount thereof which is $1,000 or an integral multiple of $1,000, on the date (the "Repurchase Date") that is 45 Business Days after the date of the Repurchase Right Notice is mailed, or such later date as is necessary to comply with the requirements under the Exchange Act, at a purchase price equal to 105% of the principal amount thereof, plus accrued and unpaid interest, including, without limitation, Contingent Interest, to the Repurchase Date (the "Repurchase Price"). If the Repurchase Right Event occurs prior to December 31, 2003, the Contingent Interest portion of the Repurchase Price shall be calculated without regard to the proviso included in Section 2.5.

(b Within 15 Business Days after the occurrence of a Repurchase Right Event, the Company shall give notice of the occurrence of the Repurchase Right Event and of the Repurchase Right set forth herein to each holder of a Note (the "Repurchase Right Notice"). Any such notice shall contain all instructions and materials necessary to enable such holders to exercise their Repurchase Right including, without limitation, the following:

(1) the Repurchase Date;

(2) the date by which the Repurchase Right must be exercised;

(3) the Repurchase Price;

(4) that the Notes are to be surrendered for payment of the Repurchase Price;

(5) that the exercise of the Repurchase Right is irrevocable, except that holders of Notes who elect to exercise the Repurchase Right will retain the right to convert Notes submitted for repurchase until the close of business on the second Business Day before the Repurchase Date; and

(6) the then existing Conversion Rate for conversion of Notes, the date on which the right to convert the principal of the Notes to be repurchased will terminate and the place or places where such may be surrendered for conversion.

(c To exercise a Repurchase Right, a holder of a Note shall deliver to the Company on or before the 10th day after the date of the Repurchase Right Notice, (i) written notice of the holder's exercise of such right, which notice shall set forth the name of the holder, the principal amount of Notes (or portions thereof) to be repurchased, a statement that an election to exercise the Repurchase Right is being made thereby. Such written notice shall be irrevocable, except as provided in clause (b) of this Section 10.1.

(d In the event a Repurchase Right shall be exercised in accordance with the terms hereof, the Company shall pay or cause to be paid the applicable Repurchase Price with respect to the Notes as to which the Repurchase Right shall have been exercised to the applicable holder on the Repurchase Date. Following receipt of the Repurchase Price, the applicable holder shall deliver to the Company the Notes with respect to which the Repurchase Right was exercised, duly endorsed without recourse, representation or warranty for transfer to the Company.

(e Prior to a Repurchase Date, the Company shall segregate and hold in trust an amount of money sufficient to pay the Repurchase Price payable in respect of all of the Notes which are to be repurchased on that date. If any Note submitted for repurchase is converted prior to the repurchase thereof, any money so segregated and held in trust for the redemption of such Notes shall be discharged from trust.

(f Both the notice of the Company and the notice of the holder having been given as specified in this Section 10.1, the Notes to be repurchased shall, on the Repurchase Date, become due and payable at the Repurchase Price applicable thereto and from and after such date (unless the Company shall default in the payment of the Repurchase Price) such Notes shall cease to bear interest. Upon surrender of any such Note for repurchase in accordance with said notice, such Note shall be paid by the Company at the Repurchase Price. If any Note shall not be paid upon surrender thereof for repurchase, the principal and premium, if any, shall, until paid, bear interest from the Repurchase Date at the Default Rate.

(g In the event any Note is repurchased only in part pursuant to this Section 10.1, then the Company shall execute and make available for delivery to the holder of such security without any service charge, a new Note, of any authorized denomination as requested by such holder, of the same tenor and in aggregate principal amount equal to and in exchange for the portion of the principal of such Note not submitted for repurchase.

(h If any repurchase pursuant to the foregoing provisions constitutes an "issuer tender offer" as defined in Rule 13e-4 under the Exchange Act, the Company will comply with the requirements of Rule 13e-4, Rule 14e-1 and any other tender offer rules under the Exchange Act which then may be applicable, including the filing of an Issuer Tender Offer Statement on

Schedule 13E-4 with the Commission and the furnishing of certain information contained therein to the holders of the Notes.

SECTION 11 TERMINATION EVENTS.

11.1 Termination Events. The occurrence of any of the following shall constitute a Termination Event:

(a the Company defaults in the payment of the principal of any of the Notes, when the same shall become due and payable, whether at scheduled Maturity, as a result of a mandatory prepayment requirement, by acceleration or otherwise;

(b the Company defaults in the payment of any interest (including, without limitation, Contingent Interest) on any of the Notes or any other amount due hereunder, when the same becomes due and payable, and such default is not cured within 10 Business Days;

(c the Company fails duly to observe or perform any of its covenants or agreements contained in this Agreement or any of the Related Documents to which it is a party (other than as set forth in (a) and (b) above), and, if such failure is capable of cure, such failure continues uncured for a period of 10 days, provided, however, that, if such failure is not capable of cure within 10 days, such 10 day period shall be extended to 45 days, provided the Company is making a good faith and diligent attempt to cure;

(d the Company or any Subsidiary shall:

(i commence a voluntary case under any applicable Bankruptcy Law;

(ii consent to the entry of an order for relief against it in any involuntary case under any applicable Bankruptcy Law;

(iii consents to the appointment of a Custodian of it or for any substantial part of its property;

(iv makes a general assignment for the benefit of its creditors; or

(v generally not pay its debts as they become due or admit in writing its inability to pay its debts;

(e a court of competent jurisdiction enters an order or decree under any Bankruptcy Law that:

(i is for relief against the Company or any Subsidiary in an involuntary case;

(ii appoints a Custodian of the Company or any Subsidiary or for any substantial part of its property; or

(iii orders the winding up or liquidation of the Company or Subsidiary;

(f Any involuntary case, Proceeding or other action is commenced against the Company or any Subsidiary under any Bankruptcy Law and such case, Proceeding or other action remains undismissed for a period of 30 days;

(g the Company or any Subsidiary shall fail to pay any Indebtedness in excess of $250,000 (other than the Notes) when due or shall default in the performance of any other obligations relating to such indebtedness if the effect of such default is to accelerate the maturity of such Indebtedness or to permit the holders thereof to cause such Indebtedness to become due prior to its stated due date, and such failure to default shall have not been cured or waived;

(h any judgment or decree for the payment of money in excess of $250,000 (to the extent not covered by insurance or a bond) shall be rendered against the Company or any Subsidiary and shall not be paid or discharged, waived or the execution thereof stayed on appeal within 30 days following the entry of such judgment or decree;

(i any representation or warranty made by the Company herein or made by the Company in any statement or certificate furnished by the Company in connection with the consummation, issuance and delivery of the Notes or thereafter pursuant to the terms of this Agreement, is untrue in any material respect as of the date of the issuance or making thereof; or

(j the Common Stock ceases to be listed for trading on the New York Stock Exchange.

11.2 Acceleration of Maturities. When any Termination Event described in clauses (a), (b), (c), (g), (h), (i) or (j) of Section 11.1 has occurred and is continuing, Investor may, by notice in writing sent to the Company, declare the entire principal and all interest (including, without limitation, Contingent Interest) accrued on the Notes to be, and the Notes shall thereupon, become, forthwith due and payable, without any presentment, demand, protest or other notice of any kind, all of which are hereby expressly waived. When any Termination Event described in clauses (d), (e), or (f) of Section 11.1 has occurred, then the Notes shall immediately become due and payable without presentment, demand, protest or notice of any kind. When any Termination Event described in clause (c) of Section 11.1 has occurred and is continuing as a result of the Company's breach of its obligation to convert the Notes into Common Stock in accordance with the terms and conditions of this Agreement, Investor shall be entitled to specific performance of such obligation of the Company; it being expressly acknowledged and agreed by the Company that no adequate remedy of law exists for any such breach and that Investor will be irreparably harmed by any such breach by the Company. Upon the Notes becoming due and payable as the result of

any Termination Event as aforesaid, the Company shall forthwith pay to Investor the entire principal and interest (including, without limitation, Contingent Interest) accrued on the Notes. No course of dealing on the part of Investor nor any delay or failure on the part of Investor to exercise any right shall operate as a waiver of such right or otherwise prejudice Investor's rights, powers, and remedies. The Company further agrees, to the extent permitted by law, to pay to Investor all costs and expenses (including reasonable attorneys' fees and expenses) incurred by it in the collection of the Notes upon any default hereunder or thereon (including such costs and expenses incurred in connection with a workout or insolvency or bankruptcy Proceeding).

SECTION 12 OPTIONAL REDEMPTION.

12.1 Optional Redemption. The Notes shall not be redeemable prior to January 1, 2005. On or following January 1, 2005 the Notes shall be redeemable, in whole but not in part, at the option of the Company at a redemption price equal to 100% of the outstanding principal amount of the Notes plus all accrued and unpaid interest thereon (including, without limitation, Contingent Interest) to the date of redemption (the "Optional Redemption Price"). The Company shall give each holder of the Notes written notice of any redemption pursuant to this Section 12.1 at least ten (10) Business Days prior to the date of redemption. The notice shall identify the Notes to be redeemed and shall state the redemption date, the Optional Redemption Price (and include a reasonably detailed calculation thereof) and the manner and place of payment. Any notice of redemption given by the Company pursuant to this Section 12.1 shall be irrevocable and shall obligate the Company to pay the Optional Redemption Price on the date specified in such notice.

SECTION 13 CONVERSION.

13.1 Conversion Privilege. (a) A holder of a Note may convert it into Common Stock at any time of on or following January 1, 2001 and before the close of business on December 31, 2008 or, if the Note is called for redemption, the holder may convert it at anytime before the close of business on the second Business Day before the date fixed for redemption.

(b) The initial Conversion Rate is 35.7143 shares of Common Stock per $1,000 principal amount of Notes, subject to adjustment in accordance with Sections 13.6 through 13.15 hereof (the "Conversion Rate").

(c) A Holder may convert a portion of one or more Notes if the portion is $100,000 or more. Provisions of this Agreement that apply to conversion of all of a Note also apply to conversion of a portion of it.

13.2 Conversion Procedure. (a) To convert a Note a holder must deliver a conversion notice in the form attached hereto as Exhibit D (the "Conversion Notice") to the Company or its payment agent as provided for in Section 2.4. The date on which the holder of a Note satisfies

this requirement is the conversion date. As soon as practicable, the Company shall deliver to the holder of the Note a certificate for the number of full shares of Common Stock issuable upon the conversion and a check in lieu of any fractional share. The person in whose name the certificate is registered shall be treated as a stockholder of record on and after the conversion date; provided, however, that no delivery of a Conversion Notice on any date other than a Business Day shall be effective to constitute the Person or Persons entitled to receive such Conversion Shares as the record holder or holders thereof for all purposes until the close of business on the next succeeding Business Day; such conversion shall be at the Conversion Rate in effect on the date that such Conversion Notice shall have been delivered for conversion, as if the date of such delivery had been a Business Day. Upon conversion of a Note, such Person shall no longer be a holder of such Note. Any Note for which a Conversion Notice is delivered on any day shall be deemed to be converted simultaneously with all other Notes for which a Conversion Notice is delivered on such day, subject to the surrender of such Notes to the Company.

(b) No payment or adjustment will be made on Common Stock issued upon conversion. The holder of a Note that is converted into Common Stock pursuant to this Section 13 shall be entitled to receive, in cash, an amount equal to all accrued but unpaid interest on such Note (other than Contingent Interest) through the effective date of the conversion.

(c) If a holder of Notes converts more than one Note at the same time, the number of full shares issuable upon the conversion shall be based on the total principal amount of the Notes converted.

(d) Upon surrender of a Note that is converted in part the Company shall issue to the holder a new Note equal in principal amount to the unconverted portion of the Note surrendered. Upon receipt of the shares of Common Stock issuable upon conversion of a Note, the holder of the Note shall deliver to the Company the Note that was converted, duly endorsed, without recourse, representation or warranty for transfer to the Company.

13.3 Fractional Shares. (a) The Company shall not issue a fractional share of Common Stock upon conversion of a Note. Instead the Company shall deliver its check for the market value of a fractional share. The market value of a fraction of a share is determined as follows: Multiply the market price of a full share by the fraction and round the result to the nearest whole cent with one-half cent being rounded upward.

(b) The market price of a share of Common Stock for the purposes of Section 13.3 is the last reported sale price of a share of Common Stock on the principal national securities exchange on which the shares of Common Stock are listed or admitted to trading or on the National Association of Securities Dealers National Market System ("NMS") on the Business Day next preceding the date of conversion, or, if the Common Stock is not then listed on an exchange, the closing sale price (or the quoted closing bid price if there were no sales) as reported by the National Association of Securities Dealers Automated Quotation System ("NASDAQ") on the Business Day next preceding the date of conversion. In the absence of one or more such

quotations, the Company's Board of Directors shall determine the current market price on the basis of such quotations as it considers appropriate.

13.4 Taxes on Conversion. If a holder of a Note converts it, the Company shall pay any documentary, stamp or similar issue or transfer tax due on the issue of shares of Common Stock upon the conversion. However, the holder of a Note shall pay any such tax which is due because the shares are issued in a name other than the holder's name.

13.5 Company to Provide Stock. (a) The Company shall reserve out of its authorized but unissued Common Stock or its Common Stock held in treasury enough shares of Common Stock to permit the conversion of all of the Notes.

(b) All shares of Common Stock which may be issued upon conversion of the Note shall be validly issued, fully paid and non-assessable.

(c) The Company shall endeavor to comply with all securities laws regulating the offer and delivery of shares of Common Stock upon conversion of Notes and will use its best efforts to list such shares on each national securities exchange on which the Common Stock is listed.

13.6 Adjustment for Change in Capital Stock. (a) If the Company:

(i) pays a Dividend or makes a distribution on its capital stock in shares of its Common Stock;

(ii) subdivides its outstanding shares of Common Stock into a greater number of shares;

(iii) combines its outstanding shares of Common Stock into a smaller number of shares; or

(iv) issues by reclassification of its Common Stock any shares of its capital stock,

then the Conversion Rate, as in effect immediately prior to such action, shall be adjusted so that the holder of a Note will receive, upon conversion of the Notes into shares of Common Stock, the number of shares of Common Stock which such holder would have owned immediately following such action if such holder had converted the Notes immediately prior to such action.

(b) Any adjustment made pursuant to Section 13.6(a) above shall become effective immediately after the record date in the case of a Dividend or distribution and immediately after the effective date in the case of a subdivision, combination or reclassification.

(c) If, as a result of an adjustment pursuant to Section 13.6(a) above, the holder of a Note may, upon conversion, receive shares of two or more classes of capital stock of the Company, the Board of Directors shall determine, in good faith and on a reasonable basis, the allocation of the adjusted Conversion Rate between or among such classes of capital stock. After such allocation, the Conversion Rate of each such class of capital stock shall thereafter be subject to adjustment on terms comparable to those applicable to Common Stock in this Section 13.6.

13.7 Adjustment for Shares Issued Below Market Price. (a) If the Company issues to all holders of Common Stock shares of Common Stock or rights, options or warrants to subscribe for or purchase shares of Common Stock, or any securities convertible into or exchangeable for shares of Common Stock, or rights, options or warrants to subscribe for or purchase such convertible or exchangeable securities (excluding shares of Common Stock, rights, options, warrants therefore or convertible or exchangeable securities or rights, options or warrants therefor issued in transactions described in Section 13.6(a) hereof) at a price per share (calculated by dividing N (limited to the subject issuance) into R, as such terms are defined below) lower than the current market price (as determined in accordance with Section 13.3(b) hereof) on the date of such issuance, the Conversion Rate as in effect immediately prior to such action, shall be adjusted in accordance with the following formula:

$$AC = \$1,000 / AP$$

where:

$$AP = CP \times \frac{O + (R / M)}{N}$$

where:

AC = the adjusted Conversion Rate.

AP = the adjusted Conversion Price.

CP = the then current Conversion Price and where the Conversion Price is determined as follows:

$1,000 / the then current Conversion Rate.

O = the number of shares of Common Stock outstanding immediately prior to such issuance.

N = the "Number of Shares," which (i) in the case of shares of

Common Stock, is the aggregate number of shares issued (including, without limitation, the subject issuance); (ii) in the case of rights, options or warrants to subscribe for or purchase shares of Common Stock or of securities convertible into or exchangeable for shares of Common Stock, is the maximum number of shares of Common Stock initially issuable upon exercise, conversion or exchange thereof; and (iii) in the case of

rights, options or warrants to subscribe for or purchase convertible or exchangeable securities, is the maximum number of shares of Common Stock initially issuable upon the conversion or exchange of the convertible or exchangeable securities issuable upon the exercise of such rights, options or warrants.

R = the proceeds received or receivable by the Company, which (i) in the case of shares of Common Stock, is the total amount received or receivable by the Company in consideration for the sale and issuance of the shares; (ii) in the case of rights, options or warrants to subscribe for or purchase shares of Common Stock or of securities convertible into or exchangeable for shares of Common Stock, is the total amount received or receivable by the Company in consideration for the sale and issuance of such rights, options, warrants or convertible or exchangeable securities, plus the minimum aggregate amount of additional consideration, other than the convertible or exchangeable securities, payable to the Company upon exercise, conversion or exchange thereof; and (iii) in the case of rights, options or warrants to subscribe for or purchase convertible or exchangeable securities, is the total amount received or receivable by the Company in consideration for the sale and issuance of such rights, options or warrants, plus the minimum aggregate consideration payable to the Company upon the exercise thereof, plus the minimum aggregate amount of additional consideration, other than the convertible or exchangeable securities, payable upon the conversion or exchange of the convertible or exchangeable securities; provided, however, in each case the proceeds received or receivable by the Company shall be deemed to the amount of gross cash proceeds without deducting therefrom any compensation paid or discount allowed in the sale, underwriting or purchase thereof by underwriters or dealers or others performing similar services or any expenses incurred in connection therewith.

M = the current market price per share of Common Stock on the date of issue of the shares of Common Stock or the rights, options or warrants to subscribe for or purchase shares of Common Stock or the securities convertible into or exchangeable for shares of Common Stock or the rights, options or warrants to subscribe for or purchase convertible or exchangeable securities.

and where the market price of a share of Common Stock is defined and determined in accordance with Section 13.3(b).

(b) If the Company shall issue shares of Common Stock or rights, options, warrants or convertible or exchangeable securities for a consideration consisting, in whole or

in part, of property other than cash, the amount of such consideration shall be determined in good faith and on a reasonable basis by the Company's Board of Directors.

(c) Any adjustment made pursuant to this Section 13.7 shall be made successively whenever any additional shares of Common Stock or rights, options, warrants or convertible or exchangeable securities are issued, and such adjustment shall become effective immediately after the date of issue of such shares, rights, options, warrants or convertible or exchangeable securities; provided, however, if any such rights, options or warrants issued by the Company as described in this Section 13.7 are only exercisable upon the occurrence of certain triggering events relating to control and provided for in shareholders rights plans, then the Conversion Rate will not be adjusted as provided in this Section 13.7 until such triggering events occur. To the extent that such rights, options or warrants expire unexercised or to the extent any such convertible or exchangeable securities are redeemed by the Company or otherwise cease to be convertible or exchangeable into shares of Common Stock, the Conversion Rate shall be readjusted to the Conversion Rate which would then be in effect had the adjustment made upon the date of issuance of such rights, options, warrants or convertible or exchangeable securities been made upon the basis of the issuance of rights, options or warrants to subscribe for or purchase only the number of shares of Common Stock as to which such rights, options or warrants were actually exercised and the number of shares of Common Stock that were actually issued upon the conversion or exchange of the convertible or exchangeable securities.

13.8 Adjustment for Other Distributions. (a) If the Company distributes to all holders of its Common Stock evidences of indebtedness, shares of Capital Stock other than Common Stock, cash or other assets (including securities, but other than (i) Dividends or distributions exclusively in cash or (ii) any Dividend or distribution for which an adjustment is required to be made in accordance with Section 13.6 or 13.7 hereof), the Conversion Rate as in effect immediately prior to such action, shall be adjusted in accordance with the following formula:

$$AC = CC \times \frac{(O \times M)}{(O \times M) - F}$$

where:

AC = the adjusted Conversion Rate.

CC = the then current Conversion Rate.

O = the number of shares of Common Stock outstanding on the record date mentioned below.

M = the current market price per share of Common Stock (as determined in accordance with Section 13.3(b) hereof) on the record date mentioned below.

F = the fair market value on the record date of the evidences of indebtedness, assets, securities or cash distributed. The Board of Directors shall, in good faith and on a reasonable basis, determine the fair market value.

(b) Any adjustment made pursuant to Section 13.8(a) above shall become effective immediately after the record date for the determination of stockholders entitled to receive the distribution.

13.9 Adjustment for Cash Distributions. (a) If the Company distributes to all holders of Common Stock cash in an aggregate amount which, combined with (i) all other such all-cash distributions made within the then preceding 12 months in respect of which no adjustment has been made and (ii) any cash and the fair market value of other consideration paid or payable in respect of any tender offer by the Company for Common Stock concluded within the preceding 12 months in respect of which no adjustment has been made, exceeds 20% of the Company's market capitalization (defined as being the product of the then current market price the Common Stock determined in accordance with Section 13.3(b) multiplied by the number of shares of Common Stock then outstanding) on the record date of such distribution, the Conversion Rate shall be adjusted in accordance with the following formula:

$$AC = CC \times \frac{M}{M - C}$$

where:

AC = the adjusted Conversion Rate.

CC = the then current Conversion Rate.

M = the current market price per share of Common Stock (as determined in accordance with Section 13.3(b) hereof) on the record date mentioned above.

C = the amount of cash distributed applicable to one share of Common Stock.

(b) Notwithstanding the foregoing, in the event that the cash so distributed applicable to one share of Common Stock equals or exceeds such current market price per share of Common Stock, or such current market price exceeds such amount of cash by less than $0.10 per share, the Conversion Rate shall not be adjusted pursuant to Section 13.9(a) above.

(c) Any adjustment made pursuant to Section 13.9(a) above shall become effective immediately after the record date for the determination of the stockholders entitled to receive such distribution.

13.10 Adjustment for Tender or Exchange Offers. (a) If the Company completes a tender or exchange offer for all or any portion of the Common Stock (any such tender or exchange offer being referred to as an "Offer") that involves an aggregate consideration having a fair market value as of the expiration of such Offer (the "Expiration Time") which, together with (i) any cash and the fair market value of any other consideration payable in respect of any other offer, as of the expiration of such other Offer and in respect for which no Conversion Rate adjustment pursuant to this Section 13.10 has been made, and (ii) the aggregate amount of any all-cash distributions referred to in Section 13.9 to all holders of Common Stock within the 12 months preceding the expiration of such Offer for which no Conversion Rate adjustment pursuant to such Section 13.9 has been made, exceeds 20% of the product of the then current market price per share (as determined in accordance with Section 13.3(b) hereof) of the Common Stock at the Expiration Time multiplied by the number of shares of Common Stock outstanding (including any tendered shares) at the Expiration Time, the Conversion Rate as in effect immediately prior to such action, shall be adjusted in accordance with the following formula:

$$AC = CC \times \frac{M \times (O - P)}{(M \times O) - F}$$

where:

AC = the adjusted Conversion Rate.

CC = the then current Conversion Rate.

M = the current market price per share of Common Stock (as determined in accordance with Section 13.3(b) hereof) at the Expiration Time.

O = the number of shares of Common Stock outstanding (including any tendered shares) at the Expiration Time.

F = the fair market value of the aggregate consideration payable to stockholders based on the acceptance (up to any maximum specified in the terms of the Offer) of all shares validly tendered and not withdrawn as of the Expiration Time (the shares deemed so accepted being referred to as the "Purchase Shares"). The Board of Directors shall, in good faith and on a reasonable basis, determine the fair market value.

P = Purchased Shares.

(b) Any adjustment made pursuant to Section 13.10(a) above shall become effective immediately prior to the opening of business on the day following the Expiration Time.

13.11 When Adjustment May Be Deferred. No adjustment in the Conversion Rate need be made pursuant to Section 13.6, 13.7, 13.8, 13.9 or 13.10 hereof unless such adjustment would require a change of at least l% in the Conversion Rate. Any adjustments

that are not made due to the immediately preceding sentence shall be carried forward and taken into account in any subsequent adjustment.

13.12 When No Adjustment Required. Notwithstanding the foregoing, no adjustment in the Conversion Rate shall be made solely as a result of:

(a) the issuance or conversion of the Notes;

(b) except as set forth in Section 13.7 hereof, an issuance, in exchange for cash, property or services, of shares of Common Stock, or any securities convertible into shares of Common Stock, or securities carrying the right to purchase shares of Common Stock or such convertible securities;

(c) a grant of rights to purchase or the sale of Common Stock pursuant to a Company plan providing for reinvestment of Dividends or interest;

(d) a change in the par value of the Common Stock; or

(e) the Earnings and Profits Distribution.

13.13 Notice of Certain Transactions. In the event:

(a) the Company proposes to take any action that would require an adjustment in the Conversion Rate pursuant to Section 13.6, 13.7, 13.8, 13.9 or 13.10 hereof, or

(b) there is a proposed Repurchase Right Event,

then the Company shall mail to Investor a notice stating the proposed record date for a Dividend or distribution or the proposed effective date of a subdivision, combination, reclassification, consolidation, merger, transfer, lease, liquidation, dissolution or other Repurchase Right Event. The Company shall mail such notice at least 15 days prior to such proposed record date.

13.14 Reorganization of the Company. (a) If the Company is a party to a merger or any other transaction which reclassifies or changes its outstanding Common Stock, the successor corporation shall enter into an amendment to this Agreement which shall provide that a holder of Notes may convert the Notes into the kind and amount of securities, cash or other assets which such holder would have owned immediately after the consolidation, merger, transfer or lease if such holder had converted the Notes immediately before the effective date of the transaction. Such amendment shall provide for adjustments which shall be as nearly equivalent as practicable to the adjustments provided for in Sections 13.6, 13.7, 13.8, 13.9 and 13.10 hereof.

(b) The successor Company shall promptly mail to Investor a complete and correct copy of such amendment to this Agreement.

(c) If this Section 13.14 shall apply, Sections 13.6, 13.7, 13.8, 13.9 and 13.10 shall not apply.

13.15 Rights and Warrants. If the Company distributes rights or warrants (other those referred to in Section 13.7 above) pro rata to all holders of Common Stock, so long as any such rights or warrants have not expired or been redeemed by the Company, the Company shall make proper provision so that a holder of Notes, upon surrender of the Notes for conversion, will be entitled to receive upon such conversion, in addition to the shares of Common Stock issuable upon such conversion ("Conversion Shares"), a number of rights or warrants to be determined as follows:

(a) If such conversion occurs on or prior to the date for the distribution to the holders of Common Stock of rights or warrants of separate certificates evidencing such rights or warrants (the ?Distribution Date?), the same number of rights or warrants to which a holder of a number of shares of Common Stock equal to the number of Conversion Shares is entitled at the time of such conversion in accordance with the terms and provisions of and applicable to the rights or warrants; or

(b) If such conversion occurs after such Distribution Date, the same number of rights or warrants to which a holder of the number of shares Common Stock into which the aggregate principal amount of the Notes so converted was convertible immediately prior to such Distribution Date would have been entitled on such Distribution Date in accordance with the terms and provisions of and applicable to the rights or warrants.

13.16 Company Determination Final. Any determination that the Board of Directors must make pursuant to this Article 13 is conclusive, absent manifest error.

SECTION 14 TRANSFERS.

14.1 Limitations on Transfer. Each Investor agrees that it will transfer the Notes, only if such transfer is made pursuant to an available exemption from such registration under the Securities Act.

14.2 Legends. It is understood that the certificates evidencing the Notes and the Common Stock acquired by each Investor under the terms of this Agreement shall bear a legend substantially as follows:

"The securities represented by this certificate have not been registered under the Securities Act of 1933, as amended, or the securities laws of any state, and neither the

securities nor any interest therein may be transferred or otherwise disposed of in the absence of such registration or an exemption therefrom."

The foregoing legend shall be removed from the certificates representing any Notes or Common Stock, at the request of the holder thereof, at such time as they become eligible for resale pursuant to Rule 144(k) under the Securities Act or have been registered under the Securities Act.

14.3 Rule 144A Information. The Company shall, at all times during which it is neither subject to the reporting requirements of Section 13 or 15(d) of the Exchange Act nor exempt from reporting pursuant to Rule 12g3-2(b) under the Exchange Act, upon the written request of any Investor, provide in writing to such Investor and to any prospective transferee of any Notes or Common Stock held by such Investor, the information concerning the Company described in Rule 144A(d)(4) under the Securities Act.

SECTION 15 MISCELLANEOUS.

15.1 Indemnification. The Company agrees to indemnify each Investor or other holder of Notes and their respective shareholders, partners, members, directors, officers, employees, Affiliates and agents (collectively, "Indemnified Persons") against, and agree to hold each such Indemnified Person harmless from, any and all losses, claims, damages and liabilities and related expenses, including reasonable counsel fees and expenses, incurred by such Indemnified Person arising out of, in any way in connection with, or as a result of (i) the consummation of the transactions contemplated by this Agreement or the Notes, (ii) the use of any of the proceeds of the Notes by the Company or the consummation of the transactions contemplated by this Agreement, (iii) the performance by the parties hereto of their respective obligations hereunder, (iv) any claim, litigation, investigation or Proceeding relating to any of the foregoing, whether or not any Investor or any such person is a party thereto and (v) the breach by the Company of its representations, warranties, covenants or agreements set forth in this Agreement or any Related Documents; provided, however, the Company shall in no event be obligated to indemnify an otherwise liable to any Indemnified Persons under this Section 15.1 for losses incurred as a direct result of the gross negligence, bad faith or willful misconduct of such Indemnified Person. If any litigation or Proceeding is brought against any Indemnified Person in respect of which indemnity may be sought against the Company pursuant to this Section 15.1, such Indemnified Person shall promptly notify the Company in writing of the commencement of such litigation or Proceeding, but the omission so to notify the Company shall not relieve the Company from any other obligation or liability which it may have to any Indemnified Person under this Section 15.1. In case any such litigation or Proceeding shall be brought against any Indemnified Person and such Indemnified Person shall notify the Company of the commencement of such litigation or Proceedings, the Company shall be entitled to participate in such Proceedings, and, after written notice to such Indemnified Person, will have the right to assume control of any litigation for which indemnification is sought and no settlement of any claim may be agreed to without the prior

written consent of the Company. However, any Indemnified Person shall have the right to hire its own counsel for any reason; provided, however, that the fees and expenses of such counsel shall be at the Indemnified Person's own expense unless (a) the Company has agreed to pay such fees and expenses or (b) the Company shall have failed properly to assume the defense in such action or Proceeding and employ counsel reasonably satisfactory to such Indemnified Person in any such action or Proceeding or (c) either (x) the named parties to such action or Proceeding include such Indemnified Person and the Company or such Indemnified Person shall have been advised in writing by counsel that there may be one or more legal defenses available to such Indemnified Person which are different from or in addition to those available to the Company or (y) such Indemnified Person concludes that taking into account the position of such Indemnified Person (or any Affiliate) as a lender to the Company such Indemnified Person reasonably believes that it is advisable for such Indemnified Person to employ separate counsel on its behalf, recognizing that in such case the Company and its counsel shall remain primarily responsible for the overall strategy, control and direction of such action or Proceeding. In any case referred to in (b) or (c) above, if such Indemnified Person notifies the Company in writing that it elects to employ separate counsel at the expense of the Company, the Company shall not have the right to assume the defense of such action or Proceeding on behalf of such Indemnified Person, it being understood, however, that the Company shall not in connection with any one such action or Proceeding, or separate but substantially similar Proceedings or related actions or Proceedings arising out of the same general allegations or circumstances be liable for the fees and expenses of more than one separate firm of attorneys, together with appropriate local counsel (but not more than one separate firm of attorneys per state), at a time for all Indemnified Persons. The foregoing indemnity shall remain operative and in full force and effect regardless of the expiration of the term of this Agreement, the consummation of the transactions contemplated by this Agreement, the repayment of any of the Notes, the invalidity or unenforceability of any term or provision of this Agreement or the Notes or any investigation made by or on behalf of any Indemnified Person or the Company and the content or accuracy of any representation or warranty made under this Agreement. All amounts due under this Section 15.1 shall be payable as incurred upon written demand therefor.

15.2 Survival of the Representations and Warranties. The representations and warranties of the Company made herein shall survive the consummation of the transactions contemplated hereby.

15.3 Confidentiality. (a) Investor agrees that it will keep confidential and will not disclose or divulge any confidential, proprietary or secret information, which the Investor may obtain from the Company pursuant to financial statements, reports and other materials submitted by the Company in connection with this Agreement, or pursuant to visitation or inspection rights granted to the Investors, unless such information is known, or until such information becomes known, to the public; provided, however, that Investor may disclose such information (i) to its members, partners, directors, officers, attorneys, accountants, consultants, and other professionals to the extent necessary to obtain their services in

connection with its investment in the Company, (ii) to any prospective purchaser of any Notes from Investor as long as such prospective purchaser agrees in writing to be bound by the provisions of this Section, (iii) to any Affiliate of the Investor or (iv) as required by applicable law or regulation, court or administrative order, or any listing or trading agreement concerning the Company.

(b) The Company agrees that it will, and will cause each of its Subsidiaries to, keep confidential and not disclose or divulge the terms of this Agreement and the Related Documents to any other Person; provided, however, that the Company may disclose such terms (i) to the officers and directors of the Company, or its attorneys, accountants, consultants, and other professionals to the extent necessary to obtain their services in connection with this Agreement or (ii) as required by applicable law or regulation, court or administrative order, or any listing or trading agreement concerning the Company.

15.4 Brokers. Each of the Company and Investor (i) represents and warrants to the other party hereto that, except as set forth in following sentence, it has retained no finder or broker in connection with the transactions contemplated by this Agreement, and (ii) will indemnify and save the other party harmless from and against any and all claims, liabilities or obligations with respect to brokerage or finders' fees or commissions, or consulting fees in connection with the transactions contemplated by this Agreement asserted by any person on the basis of any statement or representation alleged to have been made by such indemnifying party.

15.5 Entire Agreement. This Agreement embodies the entire agreement and understanding between the parties hereto with respect to the subject matter hereof and supersedes all prior agreements and understandings relating to such subject matter.

15.6 Amendments and Waivers. Except as otherwise expressly set forth in this Agreement, any term of this Agreement may be amended and the observance of any term of this Agreement may be waived (either generally or in a particular instance and either retroactively or prospectively), with the written consent of the Company and each Investor. No waivers of or exceptions to any term, condition or provision of this Agreement, in any one or more instances, shall be deemed to be, or construed as, a further or continuing waiver of any such term, condition or provision.

15.7 Time. Time shall be of the essence in this Agreement.

15.8 Section Headings. The section headings are for the convenience of the parties and in no way alter, modify, amend, limit, or restrict the contractual obligations of the parties.

15.9 Notices. All notices or other communications given or made hereunder shall be in writing and shall be deemed effectively given on the date of delivery or refusal, if delivered personally or delivered by certified mail return receipt requested, to the parties at the following

addresses, or at such other place as the parties may designate by written notice from time to time:

If to Investor, to:

MDP Ventures IV LLC
c/o Millennium Partners
1995 Broadway, 3rd Floor
New York, New York 10023
Attn: Brian J. Collins

with copies to:

Global Property Advisors
126 East 56th Street
New York, New York 10022
Attn: John R. Shain

and

Steven L. Lichtenfeld, Esq.
Battle Fowler LLP
Park Avenue Tower
75 East 55th Street
New York, New York 10022

and, if to the Company, to:

Prison Realty Corporation
10 Burton Hills Boulevard
Nashville, Tennessee 37219
Attn: Michael W. Devlin

with a copy to:

Elizabeth E. Moore, Esq.
Stokes & Bartholomew, P.A.
424 Church Street, Suite 2800
Nashville, Tennessee 37219

Any holder of a Note is entitled to notice pursuant to this Section 15.9.

15.10 Counterparts. This Agreement may be executed in any number of counterparts, each of which shall be an original but all of which taken together shall constitute one Agreement.

15.11 Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the State of New York.

15.12 Consent to Jurisdiction. Each of the Company and Investor irrevocably submits to the exclusive jurisdiction of (i) the Supreme Court of the State of New York located in New York County, City of New York and (ii) the United States District Court for the Southern District of New York, for the purposes of any suit, action or other Proceeding relating to this Agreement, the Notes and the other Related Documents or any of the transactions contemplated hereby or thereby. Each of the Company and Investor agrees to commence any action, suit or Proceeding relating hereto either in the United States District Court for the Southern District of New York or, if such suit, action or Proceeding may not be brought in such court for jurisdictional reasons, in the Supreme Court of the State of New York located in New York County, City of New York. The Company further agrees that service of process, summons, notice or document by hand delivery or U.S. registered certified mail return receipt requested in care of Stokes & Bartholomew, P.A., 424 Church Street, Suite 2800, Nashville, Tennessee 37219, Attention: Elizabeth E. Moore, Esq., shall be effective service of process for any action, suit or Proceeding brought against the Company in any such court. Each of the Company and Investor irrevocably and unconditionally waives any objection to the laying of venue of any action, suit or Proceeding relating to this Agreement, the Notes and the other Related Documents and any of the transactions contemplated hereby or thereby in (i) the Supreme Court of the State of New York located in New York County, City of New York or (ii) the United States District Court for the Southern District of New York and hereby further irrevocably and unconditionally waives and agrees not to plead or claim in any such court that any such action, suit or Proceeding brought in any such court has been brought in an inconvenient forum.

15.13 Enforcement of Judgments; Service of Process; Jury Trial Waiver. The Company agrees, to the fullest extent it may effectively do so under applicable law, that a judgment in any suit, action, or Proceeding of the nature referred to in Section 15.12 hereof brought in any such court shall be conclusive and binding upon the Company and may be enforced in the courts of the United States of America or the State of New York (or any other court to the jurisdiction of which the Company is or may be subject) by a suit upon such judgment.

EACH PARTY HERETO HEREBY EXPRESSLY WAIVES ITS RESPECTIVE RIGHTS TO A JURY TRIAL OF ANY CLAIM OR CAUSE OF ACTION BASED UPON OR ARISING OUT OF THE TRANSACTION DOCUMENTS, OR ANY OTHER RELATED DOCUMENT TO BE DELIVERED PURSUANT HERETO, OR ANY DEALINGS BETWEEN THEM RELATING TO THE SUBJECT MATTER OF THIS TRANSACTION

AND THE CONTRACTUAL RELATIONSHIP THAT IS BEING ESTABLISHED. THE SCOPE OF THIS WAIVER IS INTENDED TO BE ALL-ENCOMPASSING OF ANY AND ALL DISPUTES THAT MAY BE FILED IN ANY COURT AND THAT RELATE TO THE SUBJECT MATTER OF THIS TRANSACTION, INCLUDING CONTRACT CLAIMS, TORT CLAIMS, BREACH OF DUTY CLAIMS, AND ALL OTHER COMMON LAW AND STATUTORY CLAIMS. EACH PARTY HERETO ACKNOWLEDGES THAT THIS WAIVER IS A MATERIAL INDUCEMENT TO ENTER INTO A BUSINESS RELATIONSHIP, THAT EACH HAS ALREADY RELIED ON THIS WAIVER IN ENTERING INTO THIS AGREEMENT, AND THAT EACH WILL CONTINUE TO RELY ON THIS WAIVER IN THEIR RELATED FUTURE DEALINGS. EACH PARTY HERETO FURTHER WARRANTS AND REPRESENTS THAT EACH HAS REVIEWED THIS WAIVER WITH ITS LEGAL COUNSEL, AND THAT EACH KNOWINGLY AND VOLUNTARILY WAIVES ITS JURY TRIAL RIGHTS FOLLOWING CONSULTATION WITH LEGAL COUNSEL. THIS WAIVER IS IRREVOCABLE, MEANING THAT IT MAY NOT BE MODIFIED EITHER ORALLY OR IN WRITING, AND THIS WAIVER SHALL APPLY TO ANY SUBSEQUENT AMENDMENTS, RENEWALS, SUPPLEMENTS, OR MODIFICATIONS TO THE TRANSACTION DOCUMENTS, OR THE RELATED DOCUMENTS TO BE DELIVERED PURSUANT HERETO. IN THE EVENT OF LITIGATION, THIS AGREEMENT MAY BE FILED AS A WRITTEN CONSENT TO A TRIAL BY THE COURT.

15.14 No Limitation on Service or Suit. Nothing herein shall affect the right of Investor to serve process in any manner permitted by law, or limit any right that Investor may have to bring Proceedings against the Company in the courts of any jurisdiction or to enforce in any lawful manner a judgment obtained in one jurisdiction in any other jurisdiction.

15.15 Expenses; Documentary Taxes. The Company agrees to pay (a) all out-of-pocket expenses of the Investor, including the fees and disbursements of counsel for the Investor in connection with the negotiation and preparation of this Agreement, (b) all reasonable out-of-pocket expenses of the Investors, including fees and disbursements of counsel for the Investors in connection with all additional and subsequent documentation contemplated hereby, any waiver or consent hereunder or thereunder or any amendment hereof or thereof and (c) if a default occurs, all out-of-pocket expenses incurred by the Investors, including fees and disbursements of counsel, in connection with such default and collection and other enforcement Proceedings resulting therefrom, including, without limitation, costs and expenses incurred in a bankruptcy case. The Company shall indemnify the Investors against any transfer taxes, documentary taxes, assessments or charges made by any Governmental Authority by reason of the execution and delivery of this Agreement or the Notes. The obligations of the Company under this Section 15.15 shall survive transfer by any Investor of the Notes.

15.16 Direct Payment. Anything in this Agreement or the Notes to the contrary notwithstanding, the Company will punctually pay when due the principal of the Notes, and

any interest thereon, without any presentment thereof, directly to Investor or to the nominee of Investor at the address set forth in the preamble to this Agreement or such other address as Investor or Investor's nominee may from time to time designate in writing to the Company, or, if a bank account with a United States bank is designated for Investor or Investor's nominee on Exhibit B hereto or in any written notice to the Company from Investor or Investor's nominee, the Company will make such payments in immediately available funds to such bank account, marked for attention as indicated. Investor agrees that in the event that it shall sell or transfer any Notes, it will, prior to the delivery of such Notes, make a notation thereon of all principal, if any, prepaid on such Notes and will also note thereon the date to which interest has been paid on such Notes. The Company agrees that transferees of Notes shall be entitled to the benefits of this Section 15.16 so long as any such transferee has made the same agreements relating to the transferred Notes as Investor has made in this Section 15.16. The Company shall be entitled to presume conclusively that Investor or any subsequent noteholders remain the holders of the Notes until such Notes shall have been presented to the Company as evidence of the transfer of such Notes.

15.17 Definitions.

(a) As used in this Agreement, the following terms shall have the meaning specified below:

"Affiliate" of any Person means (i) any person that, directly or indirectly, is in Control of, is Controlled by, or is under common Control with such person or (ii) any person who is a director or officer (A) of such person, (B) of any subsidiary of such person or (C) of any person described in clause (i) above.

"Agreement" is defined in the preamble.

"Bankruptcy Law" means Title 11, of the United States Code, or any similar federal or state law for the relief of debtors.

"Business Day" means each day other than a Saturday, a Sunday or any other day on which banking institutions in the State of New York (or such other location as the Company shall notify the Investors is its principal place of business) are authorized or obligated by law or executive order to be closed.

"Capitalized Leases" of a Person means (a) any lease of property, real or personal, if the then present value of the minimum rental commitment thereunder should, in accordance with GAAP, be capitalized on a balance sheet of the lessee, and (b) any other such lease the obligations under which are capitalized on the balance sheet of the Company.

"CCA" and "Correction Corporation of America" mean Corrections Corporation of America, a Tennessee corporation.

"Change of Control" of the Company means if any of the following occur (or in the case of any proposal made by any Person to the Company, if any of the following could occur as a result thereof): (i) the Company takes or fails to take any action such that it ceases to be required to file reports under Section 13 of the Exchange Act, or any successor to that Section; (ii) any "person" (as defined in Sections 13(d) and 14(d) of the Exchange Act) becomes the "beneficial owner" (as defined in Rule 13d-3 under the Exchange Act), directly or indirectly, of either (A) 30% or more of the outstanding shares of Common Stock, or (B) 30% (by right to vote or grant or withhold any approval) of the outstanding securities of any other class or classes which individually or together have the power to elect a majority of the members of the Company's Board of Directors, or (iii) other than as a result of the death or disability of one or more of the directors within a three-month period, a majority of the members of the Board of Directors for any period of three consecutive months are not persons who (A) had been directors of the Company for at least the preceding 24 consecutive months or (B) when they initially were elected to the Board of Directors, (x) were nominated (if they were elected by the stockholders) or elected (if they were elected by the directors) with the affirmative concurrence of 66-2/3% of the directors who were Continuing Directors at the time of the nomination or election by the Board of Directors and (y) were not elected as a result of an actual or threatened solicitation of proxies or consents by a person other than the Board of Directors or an agreement intended to avoid or settle such a proxy solicitation (the directors described in clauses (A) and (B) of this clause (iii) being "Continuing Directors"). Notwithstanding anything to the contrary herein, the term "Change of Control" shall not include any of the foregoing events to the extent that they arise in connection with an underwritten, widely distributed offering or sale to the public of equity securities.

"Closings" is defined in Section 3.1.

"Code" means the Internal Revenue Code of 1986, as amended, and the rules and regulations promulgated thereunder.

"Commission" means the United States Securities and Exchange Commission.

"Common Stock" is defined in Section 1.1.

"Company" is defined in the preamble and, as the context requires, includes CCA and Prison Realty.

"Company Market Capitalization" means the total market equity capitalization of the Company based upon the average High and Low Sale Prices of the Common Stock (exclusive of any outstanding warrants, options, or other convertible securities) for the 20 consecutive trading days commencing with the trading day immediately preceding the date of determination.

"Contingent Interest" is defined in Section 2.5.

"Contingent Interest Payment Date" is defined in Section 2.5.

"Contract" means any agreement, lease, license, evidence of Indebtedness, mortgage, indenture, security agreement or other contract.

"Control" means the power, direct or indirect, to direct or cause the direction of the management and policies of a Person whether by contract or otherwise; and the terms "Controlling" and "Controlled" have meanings correlative to the foregoing.

"Conversion Notice" is defined in Section 13.2(a).

"Conversion Rate" is defined in Section 13.1(b).

"Conversion Shares" is defined in Section 13.15.

"Custodian" means any receiver, trustee, assignee, liquidator, custodian or similar official under any Bankruptcy Law.

"Default Rate" is defined in Section 1.1

"Disclosure Schedule" is defined in Section 4.12.

"Dividends" means, with respect to any Person, (i) any Dividends, payments, return of capital or distributions (cash or otherwise) made or declared on or in respect of any class of equity interests or securities of such Person, except for distributions made solely in equity interests or securities of the same class of such Person, and (ii) any and all funds, cash or other payments made in respect of, or set aside or apart for a sinking or other analogous fund for, the redemption, repurchase or acquisition of equity interests or securities of such Person.

"Earnings and Profits Distribution" has the meaning set forth in the Prospectus.

"ERISA" means the Employee Retirement Income Security Act of 1974, as amended.

"Exchange Act" means the Securities Exchange Act of 1934, as amended, and the rules and regulations promulgated thereunder.

"First Closing" is defined in Section 3.1.

"First Closing Date" is defined in Section 3.1.

"GAAP" means United States generally accepted accounting principles applied on a consistent basis.

"Governmental Authority" means any nation or government, any state or other political subdivision thereof and any entity exercising executive legislative, judicial regulatory or administrative functions of or pertaining to government.

"High and Low Sale Prices" of the Common Stock on any trading day means the average of the high and low sale price of the Common Stock as reported on the Composite Tape for New York Stock Exchange-Listed Stocks (or if not listed or admitted to trading on the New York Stock Exchange, then on the principal national securities exchange on which the Common Stock is listed or admitted to trading, or, if not listed or admitted to trading on any national securities exchange, then as reported by the National Association of Securities Dealers, Inc., through NASDAQ or a similar organization if NASDAQ is no longer reporting information) on such trading day if no such sale takes place on such day, the average of the highest bid and lowest asked prices regular way on the New York Stock Exchange (or if not listed or admitted to trading on such exchange, on the principal national securities exchange on which the Common Stock is listed or admitted to trading, or if not listed or admitted to trading on any national securities exchange, the average of the highest bid and lowest asked prices as reported by the National Association of Securities Dealers, Inc., through NASDAQ or a similar organization if NASDAQ is no longer reporting information) on such trading day. If on such trading day the Common Stock is not quoted by any such organization, the fair market value of such Common Stock on such day, as determined by the Board of Directors, shall be used.

"Indebtedness" means as to any Person, at any date, without duplication, (i) all obligations of such Person for borrowed money, (ii) all obligations of such Person evidenced by bonds, debentures, notes or other similar instruments, (iii) all obligations of such Person to pay the deferred purchase price of property or services, except trade accounts payable arising in the ordinary course of business (provided such accounts are promptly paid and discharged when due), (iv) all obligations of such Person under Capitalized Leases, (v) all contingent or non-contingent obligations of such Person to reimburse any bank or other Person in respect of amounts paid or payable (currently or in the future, on a contingent or non-contingent basis) under a letter of credit or similar instrument, (vi) all Indebtedness of others secured by a Lien on any asset of such Person, whether or not such Indebtedness is assumed by such Person, (vii) all obligations of such Person under interest rate swaps, caps or collars or under any other financial hedging arrangement net of any amounts receivable by such Person under such arrangements and (viii) all Indebtedness of others Guaranteed by such Person.

"Indemnified Person" is defined in Section 15.1.

"Investor" is defined in the preamble.

"Interest Payment Date" is defined in Section 1.1.

"IRR" means the annual discount rate equivalent to a compounded quarterly rate which establishes the net present value of the stream of payments equal to the principal amount of the Notes as of the last day of a calendar quarter in respect of which the calculation is being made.

In determining the Internal Rate of Return, the following shall apply:

(i) all present value calculations of interest payments paid at the Default Rate shall be disregarded and instead, it shall be assumed that such interest payments were paid at a rate of 9.5% per annum;

(ii) the principal amount of the Note in respect of which of the calculation is being made shall be treated as having been repaid on the last day of the calendar quarter in which the event or date requiring the calculation of Contingent Interest occurs;

(iii) all interest payments shall be based on the amount of the payment prior to the application of any federal, state or local taxation to the holder of the Note (including any withholding or deduction requirements);

(iv) all amounts shall be calculated on a compounded quarterly basis, and on the basis of a 360-day year composed of twelve 30-day months;

(v) all Notes shall be deemed to have been acquired at par on December 31, 1998; and

(vi) IRR shall be calculated in accordance with the methodology set forth in Exhibit E.

"Laws" means all laws, statutes, rules, regulations, ordinances and other pronouncements having the effect of law of the United States, any foreign country or any domestic or foreign state, county, city or other political subdivision or of any Governmental Authority.

"Leases" means any and all leases or subleases on any of the Real Property as to which the Company or any Subsidiary is the lessor or sublessor, and all other rights, subleases, licenses, permits, deposits and profits appurtenant to or related to such leases and subleases.

"Lessee" means Correctional Management Services Corporation, a Tennessee corporation, or any other tenant of the Company's correctional and detention facilities.

"Lien" means any mortgage, pledge, security interest, encumbrance, lien or charge of any kind whatsoever (including any conditional sale or other title retention agreement, any lease in the nature thereof and the filing of any financing statement under the Uniform Commercial Code in any jurisdiction in connection with the creation of a security interest).

"Material Adverse Effect" means any (i) adverse effect whatsoever upon the validity or enforceability of this Agreement or any of the Related Documents or any of the transactions contemplated hereby or thereby, (ii) material adverse effect upon the properties, business, prospects or condition (financial or otherwise) of the Company or any Subsidiary or (iii) material adverse effect upon the ability of the Company to fulfill any of their obligations under this Agreement or any of the Related Documents.

"Maturity" or "Maturity Date" means December 31, 2008.

"Merger" means the merger of both Corrections Corporation of America and Prison Realty Corporation with and into the Company as described in the Prospectus.

"Note" is defined in Section 1.1.

"Optional Redemption Price" is defined in Section 12.1.

"Person" means an individual, partnership, corporation, limited liability company, business trust, joint stock company, trust, unincorporated association, joint venture, Governmental Authority or other entity of whatever nature.

"Potential Termination Event" means any event which with the giving of notice or the passage of time would constitute a Termination Event.

"Prison Realty" means CCA Prison Realty Trust, a Maryland real estate investment trust.

"Proceeding" means any suit, claim, legal action, arbitration, mediation or other proceeding of any kind or nature.

"Properties" means all properties and assets of the Company or any Subsidiary, whether real or personal, tangible or intangible, owned by the Company or any Subsidiary or used in connection with the businesses thereof.

"Prospectus" means the Joint Proxy Statement-Prospectus, dated October 30, 1998, of CCA and Prison Realty relating to the Merger.

"Real Property" means all real property owned by the Company or any Subsidiary or used in connection with the businesses thereof, and all of the rights arising out of the ownership thereof or appurtenant thereto.

"Registrable Securities" is defined in the Registration Rights Agreement.

"Registration Rights Agreement" means the Registration Rights Agreement between the Company and the Investor dated the date of this Agreement.

"REIT" means a real estate investment trust.

"Related Documents" means the Notes, the Registration Rights Agreement and any other agreement, instrument or other document delivered, filed or recorded in connection with this Agreement or any other transactions contemplated hereby.

"Repurchase Date" is defined in Section 10.1(a).

"Repurchase Price" is defined in Section 10.1(b).

"Repurchase Right" is defined in Section 10.1(a).

"Repurchase Right Event" is defined in Section 10.1(a).

"Repurchase Right Notice" is defined in Section 10.1(b).

"Second Closing" is defined in Section 3.1.

"Second Closing Date" is defined in Section 3.1.

"SEC Reports" means any and all proxy statements, reports and other documents, including, without limitation, the Prospectus, required to be filed by the Company, the Subsidiaries, CCA and/or Prison Realty under the Securities Act, the Exchange Act and the rules and regulations promulgated thereunder.

"Securities Act" means the Securities Act of 1933, as amended, and the rules and regulations promulgated thereunder.

"Senior Indebtedness" means the principal of (and premium, if any) and interest on (a) any and all indebtedness and obligations of the Company other than the Notes, whether or not contingent and whether outstanding on the date of this Note Purchase Agreement or thereafter created, incurred or assumed, which (i) is for money borrowed; (ii) is evidenced by any bond, note, debenture or similar instrument; (iii) represents the unpaid balance on the purchase price of any property, business or asset of any kind; (iv) is an obligation of the Company as lessee under any and all leases of property, equipment or other assets required to be capitalized on the balance sheet of the lessee under GAAP; (v) is a reimbursement obligation of the Company with respect to letters of credit; (vi) are obligations of the Company with respect to interest swap obligations and foreign exchange agreements; or (vii) are obligations of others secured by a lien to which any of the properties or assets (including, without limitation, leasehold interests and any other tangible or intangible property rights) of

the Company are subject, whether or not the obligations secured thereby shall have been assumed by the Company or shall otherwise be the Company's legal liability, and (b) any deferrals, amendments, renewals, extensions, modifications and refundings of any indebtedness or obligations of the types referred to above; provided that Senior Indebtedness shall not include (i) the Notes; (ii) any indebtedness or obligation of the Company which, by its terms or the terms of the instrument creating or evidencing it, is not superior in right of payment to the Notes; (iii) any indebtedness or obligation of the Company to any of its Subsidiaries; (iv) any indebtedness or obligation incurred by the Company in connection with the purchase of assets, materials or services in the ordinary course of business and which constitutes a trade payable; and (v) any indebtedness or obligation of the Company (whether created, incurred or assumed) that by its terms is convertible or exchangeable for any equity interest in the Company or any Subsidiary.

"Solvent" means, with respect to any Person on a particular date, that on such date (i) the fair value of the property of such Person is greater than the total amount of liabilities, including, without limitation, contingent liabilities, of such Person, (ii) the present fair salable value of the assets of such Person is not less than the amount that will be required to pay the probable liability of such Person on its debts as they become absolute and matured, (iii) such Person is able to realize upon its assets and pay its debts and other liabilities, contingent obligations and other commitments as they mature in the normal course of business, (iv) such Person does not intend to, and does not believe that it will, incur debts or liabilities beyond such Person's ability to pay as such debts and liabilities mature, and (v) such Person is not engaged in business or a transaction, and is not about to engage in business or a transaction, for which such Person's property would constitute unreasonably small capital after giving due consideration to the prevailing practice in the industry in which such Person is engaged. In computing the amount of contingent liabilities at any time, it is intended that such liabilities will be computed at the amount which, in light of all the facts and circumstances existing at such time, represents the amount that can reasonably be expected to become an actual or matured liability.

"Subsidiary" means any Person in which the Company or any of its subsidiaries owns, directly or indirectly, 20% or more of the equity interest therein, whether such interest is in the form of capital stock, membership or partnership interests, or otherwise.

"Target Price Condition" means the occurrence of both of the following events (i) during any consecutive 20 trading day period commencing with the trading day immediately following January 1, 2001, and ending with and including the trading day immediately preceding January 1, 2004, the average High and Low Sale Prices of the Common Stock exceeds the product of (x) 1.4 and (y) $1,000 divided by the Conversion Rate then in effect and (ii) throughout the period referred to in clause (i), the Company shall have continuously maintained under the Securities Act an effective registration statement (not subject to any blackout restrictions) that would permit, without restriction, the resale of all the Registrable

Securities that may be resold upon the conversion of the Notes on the national exchange where the Common Stock is listed for trading.

"Termination Event" means any of the events described in Section 11.

"Total Capitalization" means, as of any date of determination, the sum of (a) Total Indebtedness plus (b) Company Market Capitalization.

"Total Indebtedness" means any and all Indebtedness of the Company on a consolidated basis, including, without limitation, (a) any and all recourse, non-recourse, secured and unsecured obligations of the Company and its Subsidiaries; (b) any and all amounts payable under any interest rate protection products, takeout commitments or purchase contracts; (c) the face amount of any and all letters of credit and similar instruments; (d) the amount of any and all guaranty or other contingent obligations; and (e) any and all other amounts considered debt by rating agencies, all of the foregoing clauses (a) through (e) as determined in accordance with GAAP.

"Transfer" means any sale, transfer by operation of law or otherwise, assignment, disposition or arrangement, whether voluntary or involuntary, which has the effect, directly or indirectly, of altering the holding of or causing or permitting another Person to succeed to, any voting control or economic interest, whether beneficial or of record or both (other than as a nominee of the transferor), including any arrangement for collateral purposes only, or which could, with the passage of time or the occurrence of any event, or both, have such effect.

(b) In this Agreement the singular includes the plural and the plural the singular; words importing any gender include the other genders; references to statutes are to be construed as including all statutory provisions consolidating, amending or replacing the statute referred to; references to "writing" include printing, typing, lithography and other means of reproducing words in a visible form; references to agreements and other contractual instruments shall be deemed to include all amendments thereto or changes therein entered into in accordance with their respective terms but only to the extent to which such amendments or changes are not prohibited by the terms of this Agreement; references to persons include their permitted successors and assigns; "including" means 'including, without limitation'; "or" is not exclusive; "day" means a calendar day unless otherwise specified; and an accounting term not otherwise defined has the meaning assigned to it, and all determinations involving any such term required to be made herein shall be made, in accordance with GAAP.

[The remainder of this page has been intentionally left blank]

IN WITNESS WHEREOF, this Purchase Agreement has been executed this 31st day of December, 1998.

COMPANY:

PRISON REALTY CORPORATION

By: /s/ Doctor R. Crants

Name: Doctor R. Crants
Title: Chief Executive Officer
Address: 10 Burton Hills Boulevard
Suite 100
Nashville, Tennessee 37215

INVESTOR:

MDP VENTURES IV LLC, a New York limited liability company

By: MDP Ventures II LLC, its sole member

By: Millennium Development Partners L.P., its managing member

By: Millennium Development Associates, L.P., its general partner

By: Millennium Development Corp., its general partner

By: /s/ Brian J. Collins

Name: Brian J. Collins
Title: Vice President
Address: c/o Millennium Partners
1995 Broadway, 3rd Floor
New York, New York 10023

EXHIBIT A

[Restrictive Legend]

FORM OF NOTE

PRISON REALTY CORPORATION

NOTE

No. __ _____ __, 199_
$----------

FOR VALUE RECEIVED, the undersigned, Prison Realty Corporation (herein called the "Company"), a corporation organized and existing under the laws of the State of Maryland, hereby promises to pay to the order of _____, or registered assigns (the "Holder"), the principal sum of _____ DOLLARS ($_____) on the Maturity Date (as defined in the Purchase Agreement referred to below). The Company also promises to pay interest (computed on the basis of a 360 day year of twelve 30 day months) (a) from the date hereof until the earlier of (i) the Maturity Date, (ii) the date this Note and all amounts payable in connection herewith have been paid to the Holder and (iii) the occurrence of a Termination Event (as defined in the Purchase Agreement) on the unpaid balance hereof at the rate of 9.5% per annum, payable semi-annually in arrears, on the last day of each June and December, commencing June 30, 1999, and on the Maturity Date (each such date an "Interest Payment Date") and (b) from the earlier of (i) the Maturity Date or (ii) the occurrence of a Termination Event until the date this Note and all amounts payable in connection herewith have been paid to the Holder, at the rate of 20% per annum payable on demand. In addition, the Company promises to pay Contingent Interest (as defined in the Purchase Agreement) to the Holder as set forth in Section 2.5 of the Purchase Agreement.

Payments of principal of, premium, if any, and interest (including, without limitation, Contingent Interest) on this Note are to be made in lawful money of the United States of America. Payments shall be made to the Holder at such place and by such means as provided in the Purchase Agreement.

This Note is one of a series of convertible notes issued pursuant to a Purchase Agreement, dated as of December 31, 1998 (as from time to time amended, the "Purchase Agreement"), among the Company, as issuer, the Investor named therein and is entitled to the benefits thereof. Capitalized terms not otherwise defined herein shall have the meanings ascribed to such terms in the Purchase Agreement. As provided in the Purchase Agreement, this Note (i) is subject to redemption prior to Maturity, as provided in Section 12 of the Purchase Agreement and (ii) is convertible into shares of the Company's Common Stock, as provided in Section 13 of the Purchase Agreement.

This Note is a registered Note and, as provided in the Purchase Agreement, upon surrender of this Note for registration of transfer, duly endorsed, or accompanied by a

written instrument of transfer duly executed, by the registered holder hereof or such holder's attorney duly authorized in writing, a new Note (for a like principal amount) or Notes (in authorized denominations) will be issued to, and registered in the name of, the transferee. Prior to due presentment for registration of transfer, the Company may treat the person in whose name this Note is registered as the owner hereof for the purpose of receiving payment and for all other purposes, and the Company will not be affected by any notice to the contrary.

If this Note is collected by or through an attorney at law or otherwise, then the Company shall be obligated to pay, in addition to the principal balance hereof and any premium and accrued interest hereon, reasonable attorney's fees and all out-of-pocket costs of the Holder in connection with the collection or enforcement of this Note.

The Company hereby waives presentment, demand, protest or notice of any kind in connection with this Note.

This Note shall be governed by the laws of the State of New York.

PRISON REALTY CORPORATION

By:

Name:
Title:

CONVERSION NOTICE

To convert your Note into Common Stock of the Company, check the box and identify the number at the top of the Note:

[ ]

Number:_____

To convert only part of your Note, state the amount (must be in multiples of $1,000):

$
_____

If you want the stock certificate made out in another person's name, fill in the form below:

(Insert other person's Soc. Sec. or Tax I.D. no.)

(Print or type other person's name, address and zip code)

Date:_____ Signature(s):_____

(Sign exactly as your name(s) appear(s) as payee under the Note)

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EXHIBIT 10.37

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REGISTRATION RIGHTS AGREEMENT

by and between

PRISON REALTY CORPORATION

and

MDP VENTURES IV LLC

dated as of

December 31, 1998

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REGISTRATION RIGHTS AGREEMENT (the "Agreement"), dated as of December 31, 1998, by and between Prison Realty Corporation, a Maryland corporation (the "Company"), and MDP Ventures IV LLC, a New York limited liability company (together with any subsequent holder or holders of the Notes, the "Investor"). Capitalized terms not otherwise defined herein shall have the meaning ascribed to them in the Note Purchase Agreement (as hereinafter defined).

WHEREAS, the Company, together with Investor, have entered into a Note Purchase Agreement, dated as of December 31, 1998 (the "Note Purchase Agreement"), pursuant to which the Company will sell and issue to Investor the Notes, due on December 31, 2008, in the aggregate principal amount of $40,000,000;

WHEREAS, pursuant to the Note Purchase Agreement, the Notes are convertible into a certain number of shares (the "Shares") of Common Stock of the Company ("Company Common Stock"); and

WHEREAS, in order to induce Investor to enter into the Note Purchase Agreement, the Company has agreed to provide certain registration rights with respect to the Shares of Company Common Stock, on such terms as are set forth herein;

NOW, THEREFORE, in consideration of the premises and the covenants and agreements contained herein, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, and intending to be legally bound hereby, the parties hereto hereby agree as follows:

Section 1. Definitions. As used herein, the following terms shall have the following meanings:

(a) "Agreement": shall have the meaning set forth in the first paragraph hereof.

(b) "Business Day": means each day other than a Saturday, a Sunday or any other day on which banking institutions in the State of New York (or such other location as the Company shall notify the Investors is its principal place of business) are authorized or obligated by law or executive order to be closed.

(c) "Commission": means the United States Securities and Exchange Commission.

(d) "Company": shall have the meaning set forth in the first paragraph hereof.

(e) "Company Common Stock": shall have the meaning set forth in the recitals to this Agreement.

(f) "Exchange Act": means the Securities Exchange Act of 1934, as amended, and the rules and regulations promulgated thereunder.

(g) "Investor": shall have the meaning set forth in the first paragraph hereof.

(h) "NASD": the National Association of Securities Dealers, Inc.

(i) "Notes": means the $40,000,000 of 9.5% Convertible Subordinated Notes due December 31, 2008 that were or would be issued pursuant to the Note Purchase Agreement.

(j) "Note Purchase Agreement": shall have the meaning set forth in the recitals to this Agreement.

(k) "Placed Offering": a sale of securities of the Company to a placement agent or agents for reoffering or through a placement agent or agents for sale in each case in a transaction not registered under the Securities Act.

(l) "Registrable Securities": (i) any and all of the Shares of Company Common Stock held or owned by the Investor and (ii) any securities issued or issuable with respect to any of the Shares of Company Common Stock by way of conversion, exchange, stock dividend or stock split or in connection with a combination of shares, recapitalization, merger, consolidation or other reorganization or otherwise including, without limitation, any shares of Company Common Stock, issuable upon the redemption or exchange or conversion of the Notes issued to Investor pursuant to the Note Purchase Agreement. As to any particular Registrable Securities, once issued, such securities shall cease to be Registrable Securities when (A) a registration statement with respect to the sale of such securities shall have become effective under the Securities Act and such securities shall have been disposed of in accordance with such registration statement, or (B) such securities shall have been sold in accordance with Rule 144 (or any successor provision) under the Securities Act.

(m) "Registration Expenses": (i) the fees and disbursements of counsel and independent public accountants for the Company incurred in connection with the Company's performance of or compliance with this Agreement, including the expenses of any special audits or "old comfort" letters required by or incident to such performance and compliance, and any premiums and other costs of policies of insurance obtained by the Company against liabilities arising out of the sale of any securities and (ii) all registration, filing and stock exchange or NASD fees, other than underwriting discounts and commissions, all fees and expenses of complying with securities or blue sky laws, all printing expenses, messenger and delivery expenses, any fees and disbursements of any common counsel retained by Investor and transfer taxes, if any.

(n) "Registration Suspension Period": shall have the meaning set forth in Section 2(b).

(o) "Required Interest": shall have the meaning set forth in Section 3(a).

(p) "Securities Act": means the Securities Act of 1933, as amended, and the rules and regulations promulgated thereunder.

(q) "Shelf Registration": shall have the meaning set forth in Section 2(a).

(r) "Suspension Notice": shall have the meaning set forth in Section 2(b).

(s) "Underwritten/Placed Offering": a sale of securities of the Company to an underwriter or underwriters for reoffering to the public or on behalf of a person other than the Company through an agent for sale to the public.

Section 2. Shelf Registration.

(a) Obligation to File and Maintain. No later than three months prior to the date the Notes are first convertible into Company Common Stock, the Company shall use its best efforts to cause to be filed with the Commission a registration statement under the Securities Act for the offering on a continuous or delayed basis in the future of all of the Registrable Securities (the "Shelf Registration") and will use its best efforts to cause such Shelf Registration to be declared effective by the Commission as soon as practicable thereafter. The Shelf Registration shall provide (x) that upon any conversion of the Notes pursuant to the Note Purchase Agreement that is satisfied with shares of the Company Common Stock, Investor shall receive shares of Company Common Stock that shall be registered under the Securities Act pursuant to the Shelf Registration and (y) for the offer and sale on a continuous basis in the future of all of the Registrable Securities. The Shelf Registration shall be on an appropriate form and the Shelf Registration and any form of prospectus included therein or prospectus supplement relating thereto shall reflect such plan of distribution or method of sale as Investor may from time to time instruct the Company, including the sale of some or all of the Registrable Securities in a public offering or, if requested by Investor, subject to receipt by the Company of such information (including information relating to purchasers) as the Company reasonably may require, (i) in a transaction constituting an offering outside the United States which is exempt from the registration requirements of the Securities Act in which the Company undertakes to effect registration of such shares, as soon as possible after the completion of such offering in order to permit such shares to be freely tradeable in the United States, (ii) in a transaction constituting a private placement under Section 4(2) of the Securities Act in connection with which the Company undertakes to register such shares, after the conclusion of such placement to permit such shares to be freely tradeable by the purchasers thereof, or (iii) in a transaction under Rule 144A of the Securities Act in connection with which the Company undertakes to register such shares after the conclusion of such transaction to permit such shares to be freely tradeable by the purchasers thereof. The Company shall use its best efforts to keep the Shelf Registration continuously effective for the period beginning on the date on which the Shelf Registration is declared effective and ending on the first date that there are no Registrable Securities (it being understood that Investor shall promptly notify the Company of such sale).

During the period during which the Shelf Registration is effective, the Company shall supplement or make amendments to the Shelf Registration, if required by the Securities Act or if reasonably requested by Investor or an underwriter of Registrable Securities, including to reflect any specific plan of distribution or method of sale, and shall use its reasonable best efforts to have such supplements and amendments declared effective, if required, as soon as practicable after filing. Notwithstanding the foregoing, Investor shall be prohibited from utilizing this Shelf Registration for purposes of reselling any Registrable Securities earlier than two years following the date hereof.

(b) Black-Out Periods of Investor. Notwithstanding the foregoing, the Company shall not be required to file a registration statement or to keep a registration statement effective if the negotiation or consummation of a transaction is pending or an event has occurred, which negotiation, consummation or event would require additional disclosure by the Company in the registration statement of material information which the Company has a bona fide business purpose for keeping confidential and the nondisclosure of which in the registration statement might cause the registration statement to fail to comply with applicable disclosure requirements; provided, however, that the Company may not delay, suspend or withdraw a registration statement for such reason for more than 60 days or more often than once during any period of 6 consecutive months.

Once any registration statement filed pursuant to Section 2(a) or as set forth below in Section 3 has been declared effective, any period during which the Company fails to keep such registration statement effective and usable for resale of Registrable Securities shall be referred to as a "Registration Suspension Period," which term shall not include any failure solely attributable to the exercise of the Company's rights under this Section 2(b). A Registration Suspension Period shall commence on and include the date that the Company gives written notice to Investor of its determination that such registration statement is no longer effective or usable for resale of Registrable Securities (the "Suspension Notice") to and including the date when the Company notifies Investor that the use of the prospectus included in such registration statement may be resumed for the disposition of Registrable Securities.

(c) Notice. The Company shall give Investor prompt notice in the event that the Company has suspended sales of Registrable Securities under Section 2(b).

Section 3. Demand Registration.

(a) The Investor's Rights to Demand Registration. At any time that a shelf registration statement is not filed and maintained as set forth in Section 2(a) or there shall have occurred a Registration Suspension Period in excess of 60 days, promptly upon the written request of Investor holding the Required Interest, the Company will use its best efforts to effect such a registration as soon as practicable and in any event to file a registration statement or similar document under the Securities Act with respect to the Registrable Securities held by Investor and the sale by Investor of Registrable Securities (the "Demand Registration"). The Company will use its best efforts to cause all Registrable Securities that such Investor has requested to be registered under the Securities Act to be so registered within 120 days of such

request and maintain the effectiveness of such Demand Registration until the earlier of (i) the sale of all of the Registrable Securities registered pursuant thereto (it being understood that Investor shall promptly notify the Company of such sale) and (ii) 180 days following the effectiveness of such registration statement. The Demand Registration shall be on an appropriate form and the Demand Registration and any form of prospectus included therein or prospectus supplement relating thereto shall reflect such plan of distribution or method of sale as Investor may from time to time notify the Company, including the sale of some or all of the Registrable Securities in a public offering or, if requested by Investor, subject to receipt by the Company of such information (including information relating to purchasers) as the Company reasonably may require, (i) in a transaction constituting an offering outside the United States which is exempt from the registration requirements of the Securities Act in which the Company undertakes to effect registration of such securities as soon as possible after the completion of such offering in order to permit such securities to be freely tradeable in the United States, (ii) in a transaction constituting a private placement under Section 4(2) of the Securities Act in connection with which the Company undertakes to register such securities after the conclusion of such placement to permit such securities to be freely tradeable by the purchasers thereof, or (iii) in a transaction under Rule 144A of the Securities Act in connection with which the Company undertakes to register such securities after the conclusion of such transaction to permit such securities to be freely tradeable by the purchasers thereof. If Investor holds more than fifty percent (50%) of the Registrable Securities (the "Required Interest"), it may exercise its rights under this Section 3(a) twice during any twelve-month period; provided, that Investor's second such demand registration right shall be conditioned upon Investor having not exercised its second demand registration right pursuant to Section 3(a) of this Agreement during such twelve-month period. Notwithstanding anything to the contrary provided herein, Investor's rights pursuant to this Section 3 shall be effective not earlier than two years following the date hereof, and Investor shall be limited to two demand registrations, in total, under this Section 3.

(b) Black-Out Periods of Investor. Notwithstanding the foregoing, the Company shall not be required to file a registration statement or to keep a registration statement effective if the negotiation or consummation of a transaction is pending or an event has occurred, which negotiation, consummation or event would require additional disclosure by the Company in the registration statement of material information which the Company has a bona fide business purpose for keeping confidential and the nondisclosure of which in the registration statement might cause the registration statement to fail to comply with applicable disclosure requirements; provided, however, that the Company may not delay, suspend or withdraw a registration statement for such reason for more than 60 days or more often than once during any period of 6 consecutive months.

(c) Notice. The Company shall give Investor prompt notice in the event that the Company has suspended sales of Registrable Securities under Section 3(b).

Section 4. Incidental Registrations.

(a) Notification and Inclusion. If at any time after the second anniversary of the date of this Agreement (but without obligation to do so) the Company proposes to register (x) for its own account or (y) pursuant to a right to registration on request pursuant to this Agreement, any common equity securities of the Company or any securities convertible into common equity securities of the Company under the Securities Act in connection with the public offering of such securities solely for cash (other than a registration relating solely to the sale of securities to participants in a dividend reinvestment plan, a registration on Form S-4 (or successor form) relating to a business combination or similar transaction permitted to be registered on such Form S-4, a registration on Form S-8 (or successor form) relating to the sale of securities to participants in a stock or employee benefit plan, or a registration permitted under Rule 462 under the Securities Act registering additional securities of the same class as were included in a earlier registration statement for the same offering and declared effective), then the Company shall, at each such time, promptly give written notice of such registration to Investor. Upon the written request of Investor holding the Required Interest within 10 days (but in the case of a retail "spot" offering, two Business Days so long as the Company has advised Investor that it is considering effecting such an offering, and the material terms thereof, as promptly as is practical for the Company to do so and in any event not less than 10 days prior to the beginning of such two Business Day period) after receipt of such notice by Investor, the Company shall seek to include in such proposed registration such Registrable Securities of the same class as is then being registered by the Company as Investor holding the Required Interest shall request be so included and shall use its best efforts to cause a registration statement covering all of the Registrable Securities that Investor have so requested to be registered to become effective under the Securities Act. The Company shall be under no obligation to Investor to complete any offering of securities it proposes to make under this Section 4 and shall incur no liability (including under this Section 4 or under Section 5) to Investor for its failure to do so. If, at any time after giving written notice of its intention to register any securities as set forth in this Section 4(a) and prior to the effective date of the registration statement filed in connection with such registration, the Company shall determine for any reason not to register or to delay registration of such securities, the Company may, at its election, give written notice of such determination to Investor and, thereupon, (i) in the case of a determination not to register, the Company shall be relieved of its obligation to Investor to register any Registrable Securities in connection with such registration (but not from its obligation to pay the Registration Expenses incurred in connection therewith) pursuant to Section 4(a) hereof and (ii) in the case of a determination to delay registering, the Company shall be permitted to delay registering any Registrable Securities for the same period as the delay in registering such other securities.

(b) Cut-back Provisions. If a registration pursuant to this Section 4 involves an Underwritten/Placed Offering of the securities so being registered, whether or not solely for sale for the account of the Company, which securities are to be distributed by or through one or more underwriters of recognized standing under underwriting terms customary for such transaction, and the underwriter or the managing underwriter, as the case may be, of such Underwritten/Placed Offering shall inform the Company of its belief that the amount of securities requested to be included in such registration or offering exceeds the amount which can be sold in (or during the time of) such offering without delaying or jeopardizing the

success of the offering (including the price per share of the securities to be sold), then the Company will include in such registration (i) first, all the securities of the Company which the Company proposes to sell for its own account and (ii) second, to the extent of the amount which the Company is so advised can be sold in (or during the time of) such offering, Registrable Securities and other securities requested to be included in such registration pro rata among Investor and others exercising incidental registration rights on the basis of the number of securities requested to be included by all such persons.

(c) Duration of Effectiveness. At the request of Investor holding the Required Interest, the Company shall, subject to Section 2(b), use its best efforts to keep any registration statement for which Registrable Securities are included under this Section 4 effective and usable for up to 90 days (subject to extension for the length of any Registration Suspension Period), unless the distribution of securities registered thereunder has been earlier completed; provided, however, that in no event will the Company be required to prepare or file audited financial statements with respect to any fiscal year by a date prior to the date on which the Company would be so required to prepare and file such audited financial statements if such registration statement were no longer effective and usable.

Section 5. Registration Procedures.

(a) In connection with the filing of any registration statement as provided in Sections 2 or 3 or subject to the terms and conditions of Section 4, the Company shall use its best efforts to, as expeditiously as reasonably practicable:

(i) prepare and file with the Commission the requisite registration statement (including a prospectus therein) to effect such registration and use its best efforts to cause such registration statement to become effective, provided that before filing such registration statement or any amendments or supplements thereto, the Company will furnish to the counsel selected by Investor holding the Required Interest copies of all such documents proposed to be filed, which documents will be subject to the review of such counsel before any such filing is made, and the Company will comply with any reasonable request made by such counsel to make changes in any information contained in such documents relating to Investor;

(ii) prepare and file with the Commission such amendments and supplements to such registration statement and the prospectus used in connection therewith as may be necessary to maintain the effectiveness of such registration and to comply with the provisions of the Securities Act with respect to the disposition of all securities covered by such registration statement during the period in which such registration statement is required to be kept effective;

(iii) furnish to Investor and the underwriter, if any, of the securities being registered, without charge, such number of conformed copies of such registration statement and of each such amendment and supplement thereto (in each case including all exhibits) other than those which are being incorporated into such registration

statement by reference, such number of copies of the prospectus contained in such registration statements (including each complete prospectus and any summary prospectus) and any other prospectus filed under Rule 424 under the Securities Act, in conformity with the requirements of the Securities Act, and such other documents, including documents incorporated by reference, as Investor may reasonably request;

(iv) register or qualify all Registrable Securities under such other securities or blue sky laws of such jurisdictions as Investor and the underwriters, of the securities being registered, if any, shall reasonably request, to keep such registration or qualification in effect for so long as such registration statement remains in effect, and take any other action which may be reasonably necessary or advisable to enable Investor to consummate the disposition in such jurisdictions of the securities owned by Investor, except that the Company shall not for any such purpose be required to qualify generally to do business as a foreign corporation or register as a broker or dealer in any jurisdiction wherein it would not but for the requirements of this paragraph be obligated to be so qualified or registered, or to consent to general service of process in any such jurisdiction, or to subject the Company to any material tax in any such jurisdiction where it is not then so subject;

(v) furnish to Investor a signed counterpart, addressed to the underwriter if any, addressed to Investor (and the underwriters, if any), of

(A) an opinion of counsel for the Company, dated the effective date of such registration statement (and, if such registration includes an underwritten public offering, dated the date of the closing under the underwriting agreement), reasonably satisfactory in form and substance to Investor, and

(B) to the extent permitted by then applicable rules of professional conduct, a "comfort" letter, dated the effective date of such registration statement (or, if such registration includes an underwritten public offering, dated the date of the closing under the underwriting agreement), signed by the independent public accountants who have certified the Company's financial statements included in such registration statement, covering such matters with respect to such registration statement and with respect to events subsequent to the date of such financial statements,

all as are customarily covered in opinions of issuer's counsel and in accountants' letters delivered to underwriters in connection with underwritten public offerings of securities;

(vi) immediately notify Investor at any time when the Company becomes aware that a prospectus relating thereto is required to be delivered under the Securities Act, of the happening of any event as a result of which the prospectus included in such registration statement, as then in effect, includes an untrue statement of a material fact or omits to state any material fact required to be stated therein or necessary to make the

statements therein not misleading in the light of the circumstances under which they were made, and, at the request of Investor, promptly prepare and furnish to Investor a reasonable number of copies of a supplement to or an amendment of such prospectus as may be necessary so that, as thereafter delivered to the purchasers of such securities, such prospectus shall not include an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein not misleading in the light of the circumstances under which they were made;

(vii) comply or continue to comply in all material respects with the Securities Act and the Exchange Act and with all applicable rules and regulations of the Commission thereunder so as to enable Investor to sell the Shares of Company Common Stock pursuant to Rule 144 promulgated under the Securities Act, and not file any amendment or supplement to such registration statement or prospectus to which Investor shall have reasonably objected on the grounds that such amendment or supplement does not comply in all material respects with the requirements of the Securities Act, having been furnished with a copy thereof at least five Business Days prior to the filing thereof;

(viii) make available to its security holders, as soon as reasonably practicable, an earnings statement covering the period of at least 12 months, but not more than 18 months, beginning with the first full calendar month after the effective date of such registration statement, which earnings statement shall satisfy the provisions of Section 11(a) of the Securities Act;

(ix) provide a transfer agent and registrar for all Registrable Securities covered by such registration statement not later than the effective date of such registration statement;

(x) cooperate with Investor to facilitate the timely preparation and delivery of certificates representing Registrable Securities to be sold and not bearing any Securities Act legend; and enable certificates for such Registrable Securities to be issued for such numbers of shares of Company Common Stock and registered in such names as the selling Investor may reasonably request in writing at least two Business Days prior to any sale of Registrable Securities;

(xi) apply for listing and use its best efforts to list all Company Common Stock covered by such registration statement on any securities exchange on which any of the Company Common Stock is then listed and cause to be satisfied all requirements and conditions of such securities exchange to the listing of such securities that are reasonably within the control of the Company including, without limitation, registering the applicable class of Company Common Stock under the Exchange Act, if appropriate, and using its best efforts to cause such registration to become effective pursuant to the rules of the Commission;

(xii) in connection with any sale, transfer or other disposition by any Existing Holder of any of the Shares of Company Common Stock pursuant to Rule 144 promulgated under the Securities Act, cooperate with such holder to facilitate the timely preparation and delivery of certificates representing Company Common Stock to be sold and not bearing any Securities Act legend, and enable certificates for such Shares of Company Common Stock to be for such number of shares and registered in such name as the selling Investor may reasonably request in writing at least two Business Days prior to any sale of Registrable Securities;

(xiii) notify Investor, promptly after it shall receive notice thereof, of the time when such registration statement, or any post-effective amendments to the registration statement, shall have become effective, or a supplement to any prospectus forming part of such registration statement has been filed;

(xiv) notify Investor of any request by the Commission for the amendment or supplement of such registration statement or prospectus for additional information; and

(xv) advise Investor, promptly after it shall receive notice or obtain knowledge thereof, of (A) the issuance of any stop order by the Commission suspending the effectiveness of such registration statement or the initiation or threatening of any proceeding for such purpose (and use all reasonable efforts to prevent the issuance of any stop order or to obtain its withdrawal if such stop order should be issued), and (B) the suspension of the registration of the subject shares of the Company Common Stock in any state jurisdiction.

(b) It shall be a condition precedent to the obligation of the Company to take any action pursuant to Section 3 in respect of the Registrable Securities of the selling Investor that, in connection with the filing of any registration statement covering Registrable Securities, the selling Investor shall furnish in writing to the Company such information regarding Investor (and any of its affiliates), the Registrable Securities to be sold, the intended method of distribution of such Registrable Securities, and such other information requested by the Company as is necessary or advisable for inclusion in the registration statement relating to such offering pursuant to the Securities Act and the rules of the Commission thereunder. Such writing shall expressly state that it is being furnished to the Company for use in the preparation of a registration statement, preliminary prospectus, supplementary prospectus, final prospectus or amendment or supplement thereto, as the case may be.

Investor agrees by acquisition of the Registrable Securities that upon receipt of any notice from the Company of the happening of any event of the kind described in paragraph (a)(vi) of this Section 5, Investor will forthwith discontinue its disposition of Registrable Securities pursuant to the registration statement relating to such Registrable Securities until Investor's receipt of the copies of the supplemented or amended prospectus contemplated by paragraph (a)(vi) of this Section 5.

Section 6. Certain Underwritten Offerings. If requested by the underwriters for any underwritten offerings by Investor, under a registration requested pursuant to Section 2(a), the Company will enter into a customary underwriting agreement with such underwriters for such offering, to contain such representations and warranties by the Company and such other terms as are customarily contained in agreements of this type, including indemnities to the effect and to the extent provided in Section 8. Investor shall be a party to such underwriting agreement and may, at its option, require that any or all of the conditions precedent to the obligations of such underwriters under such underwriting agreement be conditions precedent to the obligations of Investor. Investor shall not be required to make any representations or warranties to or agreement with the Company or the underwriters other than representations, warranties or agreements regarding such Investor and such Investor's intended method of distribution and any other representation or warranty required by law. The Company may decline (but not more than three times) to retain an underwriter of Investor's choice. Investor shall only propose underwriters of nationally recognized standing.

Section 7. Preparation; Reasonable Investigation. In connection with the preparation and filing of the registration statement under the Securities Act, the Company shall (i) not be required under Section 4 to include any of the Investor's securities in such underwriting, unless the Investor accepts the terms of the underwriting as agreed upon between the Company and the underwriter selected by it and (ii) will give Investor, their underwriters, if any, and their respective counsel, the opportunity to participate in the preparation of such registration statement, each prospectus included therein or filed with the Commission, and each amendment thereof or supplement thereto, and will give each of them such access to its books and records and such opportunities to discuss the business of the Company with its officers, its counsel and the independent public accountants who have certified its financial statements as shall be necessary, in the opinion of Investor and such underwriters' respective counsel, to conduct a reasonable investigation within the meaning of the Securities Act.

Section 8. Indemnification. (a) Indemnification by the Company. In the event of any registration of any Registrable Securities of the Company under the Securities Act, the Company will, and hereby does, indemnify and hold harmless Investor, its officers and directors and each person who controls such Investor within the meaning of the Securities Act, each other person who participates as an underwriter in the offering or sale of such securities and each other person who controls any such underwriter within the meaning of the Securities Act, against any losses, claims, damages, and expenses (including, without limitation, reasonable attorneys fees) joint or several, to which Investor or any such indemnitees may become subject under the Securities Act or otherwise, insofar as such losses, claims, damages, liabilities and expenses (or actions or proceedings, whether commenced or threatened, in respect thereof) arise out of or are based upon any untrue statement or alleged untrue statement of any material fact contained in the registration statement under which such Registrable Securities were registered and sold under the Securities Act, any preliminary prospectus, final prospectus or summary prospectus contained therein, or any amendment or supplement thereto, or arising out of or based upon any omission or alleged omission to state therein 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, and the Company will reimburse Investor for any reasonable legal or any other expenses reasonably incurred by them in connection with investigating or defending any such loss, claim, liability, action or proceedings; provided, however, that the Company shall not be liable in any such case to the extent that any such loss, claim, damage, liability (or action or proceeding in respect thereof) or expense arises out of or is based upon an untrue statement or alleged untrue statement or omission or alleged omission made in such registration statement, any such preliminary prospectus, final prospectus, summary prospectus, amendment or supplement in reliance upon and in conformity with written information furnished to the Company by Investor or any other person who participates as an underwriter in the offering or sale of such securities, in either case, specifically stating that it is for use in the preparation thereof, and provided, further, that the indemnity obligation of the Company contained in this Section 8 shall not apply to amounts paid in settlement of any loss, claim, damage, liability (or action or proceeding in respect thereof) if such settlement is effected without the consent of the Company (which consent shall not be unreasonably withheld), nor shall the Company be liable to Investor or any person who participates as an underwriter in the offering or sale of Registrable Securities or any other person, if any, who controls such underwriter within the meaning of the Securities Act in any such case to the extent that any such loss, claim, damage, liability (or action or proceeding in respect thereof) or expense arises out of such person's failure to send or give a copy of the final prospectus or supplement to the persons asserting an untrue statement or alleged untrue statement or omission or alleged omission at or prior to the written confirmation of the sale of Registrable Securities to such person if such statement or omission was corrected in such final prospectus or supplement. Such indemnity shall remain in full force and effect regardless of any investigation made by or on behalf of Investor or any such underwriter or controlling person and shall survive the transfer of such securities by Investor.

(b) Indemnification by Investor. The Company may require, as a condition to including any Registrable Securities in any registration statement pursuant to Section 2 or Section 3, that the Company shall have received an undertaking satisfactory to it from Investor

to indemnify and hold harmless (in the same manner and to the same extent as set forth in paragraph (a) of this Section 8) the Company, each director of the Company, each officer of the Company and each other person, if any, who controls the Company within the meaning of the Securities Act, and each other person who participates as an underwriter in the offering or sale of such securities and each other person who controls any such underwriter within the meaning of the Securities Act, with respect to any untrue statement or alleged untrue statement of a material fact in or omission or alleged omission to state a material fact from such registration statement, any preliminary prospectus, final prospectus or summary prospectus contained therein, or any amendment or supplement thereto, if such untrue statement or alleged untrue statement or omission or alleged omission was made in reliance upon and in conformity with written information furnished to the Company by Investor specifically stating that it is for use in the preparation of such registration statement, preliminary prospectus, final prospectus, summary prospectus, amendment or supplement. Such indemnity shall remain in full force and effect regardless of any investigation made by or on behalf of the Company or any such director, officer, or controlling person and shall survive the transfer of such securities by Investor.

(c) Notices of Claims, etc. Promptly after receipt by an indemnified party of notice of the commencement of any action or proceeding involving a claim referred to in the preceding paragraphs of this Section 8, such indemnified party will, if a claim in respect thereof is to be made against an indemnifying party, give written notice to the latter of the commencement of such action; provided, however, that the failure of any indemnified party to give notice as provided herein shall not relieve the indemnifying party of its obligations under the preceding paragraphs of this Section 8, except to the extent that the indemnifying party is actually prejudiced by such failure to give notice. In case any such action is brought against an indemnified party, unless in such indemnified party's reasonable judgment a conflict of interest between such indemnified and indemnifying parties may exist in respect of such claim, the indemnifying party shall be entitled to assume the defense thereof, for itself, if applicable, together with any other indemnified party similarly notified to the extent that it may wish, with counsel reasonably satisfactory to such indemnified party, and after notice from the indemnifying party to such indemnified party of its election so to assume the defense thereof, the indemnifying party shall not be liable to the indemnified party for any legal or other expenses subsequently incurred by the latter in connection with the defense thereof.

(d) Indemnification Payments. To the extent that the indemnifying party does not assume the defense of an action brought against the indemnified party as provided in Section 8(c), the indemnified party (or parties if there is more than one) shall be entitled to the reasonable legal expenses of common counsel for the indemnified party (or parties). In such event, however, the indemnifying party will not be liable for any settlement expected without the written consent of such indemnifying party. The indemnification required by this Section 8 shall be made by periodic payments of the amount thereof during the course of an investigation or defense, as and when bills are received or expense, loss, damage or liability is incurred.

(e) Contribution. If, for any reason, the foregoing indemnity is unavailable, or is insufficient to hold harmless an indemnified party, then the indemnifying party shall

contribute to the amount paid or payable by the indemnified party as a result of the expense, loss, damage or liability, (i) in such proportion as is appropriate to reflect the relative fault of the indemnifying party on the one hand and the indemnified party on the other (determined by reference to, among other things, whether the untrue or alleged untrue statement of a material fact or omission relates to information supplied by the indemnifying party or the indemnified party and the parties' relative intent, knowledge, access to information and opportunity to correct or prevent such untrue statement or omission), or (ii) if the allocation provided by clause (i) above is not permitted by applicable law or provides a lesser sum to the indemnified party than the amount hereinafter calculated, in the proportion as is appropriate to reflect not only the relative fault of the indemnifying party and the indemnified party, but also the relative benefits received by the indemnifying party on the one hand and the indemnified party on the other, as well as any other relevant equitable considerations. No indemnified party guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the Securities Act) shall be entitled to contribution from any indemnifying party who was not guilty of such fraudulent misrepresentation.

Section 9. Covenants Relating to Rule 144. The Company will file in a timely manner, information, documents and reports in compliance with the Exchange Act and will, at its expense, forthwith upon the request of Investor, deliver to Investor a certificate, signed by the Company's principal financial officer, stating (a) the Company's name, address and telephone number (including area code), (b) the Company's Internal Revenue Service identification number, (c) the Company's Commission file number, (d) the number of shares of Company Common Stock outstanding as shown by the most recent report or statement published by the Company, and (e) whether the Company has filed the reports required to be filed under the Exchange Act for a period of at least 90 days prior to the date of such certificate and in addition has filed the most recent annual report required to be filed thereunder. If at any time the Company is not required to file reports in compliance with either Section 13 or Section 15(d) of the Exchange Act, the Company will, at its expense, forthwith upon the written request of Investor, make available adequate current public information with respect to the Company within the meaning of paragraph (c)(2) of Rule 144 of the General Rules and Regulations promulgated under the Securities Act.

Section 10. Miscellaneous.

(a) Expenses. All Registration Expenses incurred in connection with any Shelf Registration or other registration which may be requested under Sections 2, 3 or 4 (including all Registrable Expenses incurred in connection with any registration of any securities other than those of Investor as referred to in the first sentence of Section 4(a)) shall be borne by the Company.

(b) Counterparts. This Agreement may be executed in one or more counterparts, all of which shall be considered one and the same agreement, and shall become effective when one or more counterparts have been signed by each of the parties and delivered to the other party. Copies of executed counterparts transmitted by telecopy, telefax or other

electronic transmission service shall be considered original executed counterparts for purposes of this Section 10, provided receipt of copies of such counterparts is confirmed.

(c) Governing Law. THIS AGREEMENT SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK WITHOUT REFERENCE TO THE CHOICE OF LAW PRINCIPLES THEREOF.

(d) Entire Agreement. This Agreement (including agreements incorporated herein) contains the entire agreement between the parties with respect to the subject matter hereof and there are no agreements or understandings between the parties other than those set forth or referred to herein. This Agreement is not intended to confer upon any person not a party hereto (and their successors and assigns) any rights or remedies hereunder.

(e) Notices. All notices and other communications hereunder shall be sufficiently given for all purposes hereunder if in writing and delivered personally, sent by documented overnight delivery service or, to the extent receipt is confirmed, telecopy, telefax or other electronic transmission service to the appropriate address or number as set forth below. Notices to the Company shall be addressed to:

Prison Realty Corporation
c/o CCA Prison Realty Trust
10 Burton Hills Boulevard, Suite 100
Nashville, TN 37219
Attn: Michael W. Devlin

Copy to:

Stokes & Bartholomew, P.A.
424 Church Street
Suite 2800
Nashville, Tennessee 37219-2323
Attn: Elizabeth E. Moore, Esq.

or at such other address and to the attention of such other person as the Company may designate by written notice to Investor. Notices to Investor shall be addressed to:

MDP Ventures IV LLC
c/o Millennium Partners
1995 Broadway, 3rd Floor
New York, N.Y. 10023
Attn: Brian J. Collins

Copy to:

Battle Fowler LLP
75 East 57th Street
New York, New York 10022
Attn: Steven L. Lichtenfeld, Esq.
Telecopy Number: (212) 856-7823

(f) Successors and Assigns. This Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors. Each party hereto shall be permitted to assign any of its rights hereunder to any third party, provided that (i) such transfer is effected in accordance with applicable federal and state securities laws, (ii) such assignee becomes a party to this Agreement or agrees in writing to be subject to the terms hereof, and (iii) the Company is given written notice by Investor stating the name and address of said assignee and identifying the securities with respect to which such registration rights are being assigned.

(g) Headings. The Section and other headings contained in this Agreement are inserted for convenience of reference only and will not affect the meaning or interpretation of this Agreement. All references to Sections or other headings contained herein mean Sections or other headings of this Agreement unless otherwise stated.

(h) Amendments and Waivers. This Agreement may not be modified or amended except by an instrument or instruments in writing signed by the party against whom enforcement of any such modification or amendment is sought. Either party hereto may, only by an instrument in writing, waive compliance by the other party hereto with any term or provision hereof on the part of such other party hereto to be performed or complied with. The waiver by any party hereto of a breach of any term or provision hereof shall not be construed as a waiver of any subsequent breach.

(i) Interpretation; Absence of Presumption. For the purposes hereof, (i) words in the singular shall be held to include the plural and vice versa and words of one gender shall be held to include the other gender as the context requires, (ii) the terms "hereof", "herein", and "herewith" and words of similar import shall, unless otherwise stated, be construed to refer to this Agreement as a whole and not to any particular provision of this Agreement, and Section, paragraph or other references are to the Sections, paragraphs, or other references to this Agreement unless otherwise specified, (iii) the word "including" and words of similar import when used in this Agreement shall mean "including, without limitation," unless the context otherwise requires or unless otherwise specified, (iv) the word "or" shall not be exclusive, and (v) provisions shall apply, when appropriate, to successive events and transactions.

This Agreement shall be construed without regard to any presumption or rule requiring construction or interpretation against the party drafting or causing any instrument to be drafted.

(j) Severability. Any provision hereof which is invalid or unenforceable shall be ineffective to the extent of such invalidity or unenforceability, without affecting in any way the remaining provisions hereof.

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, this Agreement has been signed by or on behalf of each of the parties hereto as of the day first above written.

COMPANY:

PRISON REALTY CORPORATION

By: /s/ Doctor R. Crants

Name: Doctor R. Crants
Title: Chief Executive Officer
Address: 10 Burton Hills Boulevard
Suite 100
Nashville, Tennessee 37215

INVESTOR:

MDP VENTURES IV LLC, a New York limited liability company

By: MDP Ventures II LLC, its sole member

By: Millennium Development Partners L.P., its managing member

By: Millennium Development Associates, L.P., its general partner

By: Millennium Development Corp., its general partner

By: /s/ Brian J. Collins

Name: Brian J. Collins
Title: Vice President
Address: c/o Millennium Partners
1995 Broadway, 3rd Floor
New York, New York 10023

EXHIBIT 10.38

PREEMPTIVE RIGHTS AGREEMENT

THIS PREEMPTIVE RIGHTS AGREEMENT (the "Agreement"), dated as of January 1, 1999, is by and between PRISON REALTY CORPORATION, a Maryland corporation ("Prison Realty"), and CORRECTIONAL MANAGEMENT SERVICES CORPORATION, a Tennessee corporation (the "Company").

W I T N E S S E T H:

WHEREAS, on or about December 31, 1998 and January 1, 1999, Corrections Corporation of America, a Tennessee corporation ("CCA"), and CCA Prison Realty Trust, a Maryland real estate investment trust (the "Trust"), were merged with and into Prison Realty, with Prison Realty being the surviving corporation (the "Merger");

WHEREAS, in connection with the Merger, CCA shall, or shall cause certain of its subsidiaries to, transfer, convey and assign all right, title and interest in and to certain contracts with government entities relating to the management and operation of certain correctional and detention facilities (the "Management Contracts"), together with certain accounts receivable and accounts payable related thereto and certain other net assets used in connection therewith, to Correctional Management Services Corporation, a Tennessee corporation ("Operating Company") (collectively, the "Management Contract Assets");

WHEREAS, in consideration for the transfer of the Management Contract Assets by CCA, Operating Company will, among other things, issue to CCA one hundred percent (100%) of its non-voting common stock, $0.01 par value per share (the "Non-voting Common Stock"), such Non-voting Common Stock representing 9.5% of the economic value of Operating Company (the "Ownership Percentage"), and, upon completion of the Merger, Prison Realty will hold the Non-Voting Common Stock; and

WHEREAS, Prison Realty and Operating Company desire that, upon completion of the Merger, Prison Realty maintain the Ownership Percentage in the Company.

NOW, THEREFORE, for and in consideration of the premises and the mutual promises and covenants set forth in this Agreement and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto hereby agree as follows:

1. Preemptive Right. (a) Prison Realty shall have a right to purchase securities of the Company in any issuance of securities (the "Additional Securities") by the Company which would otherwise have the effect of reducing Prison Realty's Ownership Percentage. Prison Realty's participation in any such issuance of Additional Securities shall be in a pro-rata amount and on the same terms and conditions as are called for by each future issuance (or as nearly as may be practicable in the event Prison Realty cannot comply with such terms and conditions). Additional Securities shall not include securities issued on or before the date hereof or securities issued upon the exercise of derivative securities issued on or before the date hereof.

(b) If the Company proposes to undertake an issuance of Additional Securities, it shall give Prison Realty notice of its intention, describing the type of Additional Securities, the price and amount of Additional Securities to be issued, and the general terms and conditions (including closing conditions) upon which the Company proposes to issue the same. The notice shall also state that Prison Realty shall have thirty (30) days from the giving of such notice, or such longer period if a longer period is specifically made available to any other purchaser, to agree to purchase Additional Securities for the price and upon the terms and conditions specified in the notice by giving written notice to the Company and stating therein the quantity of Additional Securities to be purchased by Prison Realty.

(c) If Prison Realty shall fail to exercise in full such right within such thirty (30) days, or such longer period if specifically made available to any other purchaser, the Company shall have one hundred and twenty (120) days thereafter to sell the Additional Securities at a price and upon general terms and conditions (including closing conditions) no more favorable to the purchasers thereof than specified in the Company's notice pursuant to Section 1(b) above. If the Company has not sold the Additional Securities within such one hundred and twenty (120) days, the Company shall not thereafter issue or sell any Additional Securities without first offering such securities to the Shareholders in accordance with the provisions of this Section

2. Authorization. Each party to this Agreement hereby represents and warrants that the execution, delivery, and performance of this Agreement are within the powers of each party and have been duly authorized and approved and that the Agreement constitutes a valid and enforceable obligation of each party in accordance with its terms.

3. Amendment. This Agreement may be amended only with the written consent of the parties hereto.

4. Counterparts. Thus Agreement may be executed in any number of counterparts, each of which shall be an original, and all of which shall together constitute one agreement.

5. Governing Law. This Agreement shall be construed in accordance with the laws of the State of Tennessee.

6. Severability. Should any part of this Agreement be invalid or unenforceable, such invalidity or unenforceability shall not affect the validity and enforceability of the remaining parts of this Agreement.

7. Successors. This Agreement shall be binding upon and inure to the benefit of the respective parties and their permitted assigns and successors in interest.

8. Waivers. No waiver or any breach of any of the terms or conditions of this Agreement shall be deemed to be a waiver of any other or subsequent breach, nor shall any waiver be valid or binding unless the same shall be in writing and signed by the party alleged to have

granted the waiver.

9. Notices. All notices and other communications hereunder shall be in writing and shall be deemed to have been received when delivered or three days after being mailed by first class, registered or certified mail, return receipt requested, postage prepaid, or by express delivery providing receipt of delivery,

to the Company at:

Correctional Management Services Corporation
10 Burton Hills Boulevard
Nashville, Tennessee 37215
Attn: Darrell K. Massengale, Chief Financial Officer

to Prison Realty at:

Prison Realty Corporation
10 Burton Hills Boulevard, Suite 110
Nashville, Tennessee 37215
Attn: Vida H. Carroll, Chief Financial Officer

10. Entire Agreement. Thus Agreement constitutes the entire agreement of the parties hereto and supersedes all prior agreements and presentations with respect to the subject matter thereto.

[remainder of page left intentionally blank]

IN WITNESS WHEREOF, the parties have caused this Preemptive Rights Agreement to be duly executed as of the date first above written.

COMPANY:

CORRECTIONAL MANAGEMENT
SERVICES CORPORATION,
a Tennessee corporation

By: /s/ Darrell K. Massengale

Its: Chief Financial Officer and Secretary

PRISON REALTY:

PRISON REALTY CORPORATION,
a Maryland corporation

By: /s/ Michael W. Devlin

Its: Chief Operating Officer

Exhibit 23.1

CONSENT OF INDEPENDENT PUBLIC ACCOUNTANTS

As independent public accountants, we hereby consent to the incorporation by reference in this Form 8-K of Prison Realty Corporation of our report dated January 9, 1998 relating to the financial statements of CCA Prison Realty Trust and subsidiary included in CCA Prison Realty Trust's Form 10-K, as amended, for the year ended December 31, 1997 incorporated by reference in Prison Realty Corporation's previously filed Registration Statement on Form S-4, as amended (File Number 333-65017). It should be noted that we have not audited any financial statements of CCA Prison Realty Trust subsequent to December 31, 1997 or performed any audit procedures subsequent to the date of our report.

ARTHUR ANDERSEN LLP

Nashville, Tennessee
December 29, 1998

Exhibit 23.2

CONSENT OF INDEPENDENT PUBLIC ACCOUNTANTS

As independent public accountants, we hereby consent to the incorporation by reference in this Form 8-K of Prison Realty Corporation of our report dated February 16, 1998 relating to the financial statements of Corrections Corporation of America and Subsidiaries included in Corrections Corporation of America's Form 10-K, as amended, for the year ended December 31, 1997 incorporated by reference in Prison Realty Corporation's previously filed Registration Statement on Form S-4, as amended (File Number 333-65017). It should be noted that we have not audited any financial statements of Corrections Corporation of America subsequent to December 31, 1997 or performed any audit procedures subsequent to the date of our report.

ARTHUR ANDERSEN LLP

Nashville, Tennessee
December 29, 1998

Exhibit 23.3

CONSENT OF INDEPENDENT PUBLIC ACCOUNTANTS

As independent public accountants, we hereby consent to the incorporation by reference in this Form 8-K of Prison Realty Corporation of our report dated September 11, 1998 (except for certain matters discussed in Note 2 as to which the date is September 28, 1998), relating to the balance sheet of Correctional Management Services Corporation as of September 11, 1998 included in Prison Realty Corporation's previously filed Registration Statement on Form S-4, as amended (File Number 333-65017). It should be noted that we have not audited any financial statements of Correctional Management Services Corporation subsequent to September 11, 1998 or performed any audit procedures subsequent to the dates of our report.

ARTHUR ANDERSEN LLP

Nashville, Tennessee
December 29, 1998

EXHIBIT 99.1

PRESS RELEASE DATED JANUARY 4, 1999

PZN FINALIZES MERGER WITH CCA

Nashville, Tenn., Jan. 4/PRNewswire/ --Prison Realty Trust (NYSE: PZN - news) announced that it consummated its merger with Corrections Corporation of America (NYSE: CCA) on January 1.

The surviving company, Prison Realty Corporation, will operate as a real estate investment trust, or REIT, and continue to trade on the New York Stock Exchange under the symbol "PZN." CCA, formerly a NYSE-listed company, will no longer trade publicly.

Shareholders of CCA received .875 share of PZN for every one share of CCA they own. Letters of transmittal will be issued to shareholders by PZN's transfer agent within the next two weeks with instructions for the share exchange.

"This transaction marks the beginning of a new and exciting era for our company and for private sector corrections," remarked Doctor R. Crants, chairman and CEO of PZN. "We have substantially enhanced our access to capital. We are now uniquely positioned to accommodate government's need for secure facilities and to compete within our industry."

"Throughout CCA's distinguished history, and more recently through PZN's, we have built a reputation for quality service to government and enhanced professionalism for our employees while developing long-term value for our shareholders. We believe this new corporate structure allows us even greater opportunity to pursue these objectives."

Corrections Corp. and Prison Realty announced their intention to merge on April 20. The proposal was passed by shareholders of both companies in meetings held December 1 and December 3.

PZN builds and acquires correctional and detention facilities from governmental entities and private sector managers, with 44 facilities under ownership in the U.S. and United Kingdom. The company has elected to qualify as a REIT under the Internal Revenue Code. CCA manages jails and prisons for governmental agencies, with 68,583 beds in 79 facilities in the U.S., Puerto Rico, Australia and the United Kingdom, as well as provides long-distance inmate transportation services.