UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-K

|X| ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2000

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

COMMISSION FILE NUMBER: 0-25245

CORRECTIONS CORPORATION OF AMERICA
(Exact name of registrant as specified in its charter)

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

10 BURTON HILLS BLVD., NASHVILLE, TENNESSEE 37215
(Address and zip code of principal executive office)

REGISTRANT'S TELEPHONE NUMBER, INCLUDING AREA CODE: (615) 263-3000

SECURITIES REGISTERED PURSUANT TO SECTION 12(b) OF THE ACT:

Title of each class	Name of each exchange on which registered
Common Stock, $.01 par value per share	New York Stock Exchange
8.0% Series A Cumulative Preferred Stock, $.01 par value per share	New York Stock Exchange
12.0% Series B Cumulative Preferred Stock, $.01 par value per share	New York Stock Exchange

SECURITIES REGISTERED PURSUANT TO SECTION 12(g) OF THE ACT: NONE

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

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of the registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. [ ]

The aggregate market value of the shares of the registrant's Common Stock held by non-affiliates was approximately $162,457,302 as of March 30, 2001, based on the closing price of such shares on the New York Stock Exchange on that day. The number of shares of the Registrant's Common Stock outstanding on March 30, 2001 was 243,873,470.

DOCUMENTS INCORPORATED BY REFERENCE:

Portions of the registrant's definitive Proxy Statement for the 2001 Annual Meeting of Stockholders to be held on May 22, 2001, are incorporated by reference into Part III of this Annual Report on Form 10-K.

CORRECTIONS CORPORATION OF AMERICA

FORM 10-K
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2000

TABLE OF CONTENTS

NOTE CONCERNING FORWARD-LOOKING STATEMENTS

This Annual Report on Form 10-K (the "Annual Report") filed by Corrections Corporation of America (formerly Prison Realty Trust, Inc.), a Maryland corporation (together with its subsidiaries the "Company"), contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended (the "Securities Act") and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). Those statements include statements with respect to the Company's financial condition, results of operations, business, future profitability, growth strategy and its assumptions regarding other matters. Words such as "believes," "expects," "anticipates," "intends," "estimates," "plans," "seeks" or similar expressions identify forward-looking statements.

You should be aware that, while the Company believes the expectations reflected in these forward-looking statements represent reasonable good faith beliefs, they are inherently subject to risks and uncertainties which could cause the Company's future results and stockholder values to differ materially from the Company's expectations. These risks and uncertainties are disclosed under "Risk Factors" set forth herein, and in "Management's Discussion and Analysis of Financial Condition and Results of Operations" set forth herein. Because of these risks and uncertainties, there can be no assurance that the forward-looking statements included or incorporated by reference herein will prove to be accurate. You should not regard the forward-looking statements included or incorporated by reference herein as a representation by the Company or any other person that the objectives and plans of the Company will be achieved. In addition, the Company does not intend to, and is not obligated to, update these forward-looking statements after the date of this Annual Report.

PART I.

ITEM 1. BUSINESS.

GENERAL DEVELOPMENT OF BUSINESS

THE COMPANY

The Company is a Maryland corporation formerly known as Prison Realty Trust, Inc. ("New Prison Realty") which commenced operations as Prison Realty Corporation on January 1, 1999, following the mergers of each of the former Corrections Corporation of America, a Tennessee corporation ("Old CCA"), on December 31, 1998 and CCA Prison Realty Trust, a Maryland real estate investment trust ("Old Prison Realty"), on January 1, 1999 (such mergers referred to collectively herein as the "1999 Merger").

Prior to the 1999 Merger, Old Prison Realty had been a publicly traded entity operating as a real estate investment trust, or REIT, primarily in the business of owning and leasing prison facilities to private prison management companies and certain government entities. Prior to the 1999 Merger, Old CCA was also a publicly traded entity primarily in the business of owning, operating and managing prisons on behalf of government entities (as discussed further herein). Additionally, Old CCA had been Old Prison Realty's primary tenant.

Immediately prior to the 1999 Merger, Old CCA sold all of the issued and outstanding capital stock of certain wholly-owned corporate subsidiaries of Old CCA, certain management contracts and certain other non-real estate assets related thereto, to a newly formed entity, Correctional Management Services Corporation, a privately-held Tennessee corporation ("Operating Company"). Also immediately prior to the 1999 Merger, Old CCA sold certain management contracts and other assets and liabilities relating to government owned adult facilities to Prison Management Services, LLC (subsequently merged with Prison Management Services, Inc.) and sold certain management contracts and other assets and liabilities relating to government owned jails and juvenile facilities to Juvenile and Jail Facility Management Services, LLC (subsequently merged with Juvenile and Jail Facility Management Services, Inc.).

Effective January 1, 1999, New Prison Realty elected to qualify as a REIT for federal income tax purposes commencing with its taxable year ended December 31, 1999. Also effective January 1, 1999, New Prison Realty entered into lease agreements and other agreements with Operating Company, whereby Operating Company would lease the substantial majority of New Prison Realty's facilities and Operating Company would provide certain services to New Prison Realty.

After pursuing several strategic alternatives intended to address the liquidity needs of the Company and Operating Company, the Company entered into a series of agreements providing for the comprehensive restructuring of the Company (the "Restructuring"). As a part of this Restructuring, on June 30, 2000, New Prison Realty entered into an agreement and plan of merger with Operating Company pursuant to which Operating Company would be merged with and into a wholly-owned subsidiary of the Company (the "Operating Company Merger"). In connection with the Operating Company Merger, New Prison Realty amended certain provisions of its charter to permit, among other things, New Prison Realty's operation as a taxable subchapter C corporation under the "Corrections Corporation of America" name. On September 12, 2000, the Company's stockholders approved the Operating Company Merger. Stockholders also approved amendments to the Company's charter to permit the Restructuring, including its election not to be taxed as a REIT for federal income tax purposes commencing with its 2000 taxable year. The Restructuring also provided for the selection of new senior management of the Company through the appointment of a new chief executive officer and a new chief financial officer.

Management of the Company believes that the Restructuring provides a simplified and more stable corporate and financial structure that will create the most value for its stockholders by allowing the Company to retain earnings and use capital for working capital purposes or to pay-down debt. Further, the Restructuring eliminates potential conflicts of interest, which have harmed the Company's credibility in the capital markets, including those conflicts arising out of the landlord-tenant and debtor-creditor relationship that existed between the Company and Operating Company. The Restructuring also allows for combined cash flows from operations of the Company and Operating Company to service the immediate financial and liquidity needs of the combined companies, compared with the restricted use of cash on a separate company basis. Immediately prior to the merger date, Operating Company leased from the Company 35 correctional and detention facilities, with a total design capacity of 37,520 beds.

Prior to the Operating Company Merger, the Company owned 100% of the non-voting common stock of Operating Company. The non-voting common stock in Operating Company represented approximately a 9.5% economic interest in Operating Company. From December 31, 1998 until September 1, 2000, the Company owned 100% of the non-voting common stock of PMSI and

JJFMSI, and was entitled to receive 95% of each company's net income, as defined, as dividends on such shares, while other outside shareholders and the wardens at the individual facilities owned 100% of the voting common stock of PMSI and JJFMSI, entitling those voting stockholders to receive the remaining 5% of each company's net income as dividends on such shares. During September 2000, wholly-owned subsidiaries of PMSI and JJFMSI entered into separate transactions with each of PMSI's and JJFMSI's respective non-management, outside shareholders to reacquire all of the outstanding voting stock of their non-management, outside shareholders, representing 85% of the outstanding voting stock of each entity for cash payments.

In connection with the Restructuring, on December 1, 2000, the Company completed the acquisitions of Prison Management Services, Inc. ("PMSI") and Juvenile and Jail Facility Management Services, Inc. ("JJFMSI"), both of which were privately-held service companies which managed certain government-owned prison and jail facilities under the "Corrections Corporation of America" name (together the "Service Companies"). PMSI provided adult prison facility management services to government agencies pursuant to management contracts with state governmental agencies and authorities in the United States and Puerto Rico. Immediately prior to the acquisition date, PMSI had contracts to manage 11 correctional and detention facilities with a total design capacity of 13,372 beds, all of which were in operation. JJFMSI provided juvenile and jail facility management services to government agencies pursuant to management contracts with federal, state and local government agencies and authorities in the United States and Puerto Rico and provided adult prison facility management services to certain international authorities in Australia and the United Kingdom. Immediately prior to the acquisition date, JJFMSI had contracts to manage 17 correctional and detention facilities with a total design capacity of 9,204 beds.

As a result of the acquisition of Operating Company on October 1, 2000 and the acquisitions of PMSI and JJFMSI on December 1, 2000, the Company now specializes in owning, operating and managing prisons and other correctional and detention facilities and providing prisoner transportation services for governmental agencies. In addition to providing the fundamental residential services relating to inmates, each of the Company's facilities offers a large variety of rehabilitation and educational programs, including basic education, life skills and employment training and substance abuse treatment. The Company also provides health care (including medical, dental and psychiatric services), institutional food services and work and recreational programs.

Currently, the Company is the largest private owner and operator of correctional and detention facilities. As of March 15, 2001, the Company owned or managed 74 correctional and detention facilities with a total design capacity of approximately 67,000 beds in 22 states, the District of Columbia, Puerto Rico and the United Kingdom, of which 72 facilities were operating and two were under construction. As of December 31, 2000, the Company controlled approximately 52% of all beds under contract with private operators of correctional and detention facilities in the United States.

On August 4, 2000, John D. Ferguson was named president and chief executive officer of the Company and Operating Company. Mr. Ferguson was also appointed to the boards of directors of the Company and Operating Company. On August 7, 2000, William F. Andrews was named chairman of the board of directors of the Company. At the 2000 annual stockholders meeting held on December 13, 2000, the Company's stockholders elected a newly constituted nine-member board of directors of the Company, including six independent directors.

During December 2000, the Company reorganized its internal corporate structure in order to focus on the four key areas of the Company. Each of these divisions is headed by an executive vice president who reports directly to Mr. Ferguson: operations, led by J. Michael Quinlan, the Company's chief operating officer; finance, led by Irving E. Lingo, Jr., the Company's chief financial officer; business development, led by William T. Baylor, the Company's chief development officer; and legal affairs, led by Gus Puryear, the Company's general counsel. This internal reorganization is intended to streamline operational support for the correctional and detention facilities, as well as to emphasize quality assurance and meet or exceed customers' expectations while continuing to maintain safe and secure facilities.

The following chronology presents a summary of the historical background and events leading to the current structure of the Company.

Prior to December 31, 1998

- CCA Prison Realty Trust ("Old Prison Realty") is a publicly traded entity operating as a REIT whose primary tenant is Old CCA.
- Corrections Corporation of America ("Old CCA") is also a publicly traded entity in the business of owning, operating and managing privatized prisons on behalf of government entities.
- Prison Realty Corporation is formed as a separate entity (a corporation formed to facilitate the 1999 Merger).
- Correctional Management Services Corporation ("Operating Company") is formed as a privately held entity (shareholders consist of management receiving founders' shares).
- Prison Management Services, LLC ("PMS LLC") is formed as a privately held entity (an entity formed to facilitate the 1999 Merger).
- Juvenile and Jail Facility Management Services, LLC ("JJFMS LLC") is formed as a privately held entity (an entity formed to facilitate the 1999 Merger).

1999 Merger and Related Transactions

December 31, 1998

- Operating Company receives cash investment from two investors, Sodexho and Baron.
- PMS LLC receives cash investment from an unrelated investor group.
- JJFMS LLC receives cash investment from an unrelated investor group.
- Old CCA sells all of its management contracts and related net assets to each of Operating Company, PMS LLC, and JJFMS LLC in exchange for certain consideration including various ownership interests in each entity and the $137.0 million CCA Note.
- Old CCA (which now consists primarily of real estate and related equipment) merges with Prison Realty Corporation and the merger is accounted for as a reverse acquisition of Prison Realty Corporation by Old CCA (first step of the "1999 Merger").

January 1, 1999

- Prison Realty Corporation acquires Old Prison Realty (the "Prison Realty Merger" and the second step of the "1999 Merger").
- All public shareholders of Old CCA and Old Prison Realty become shareholders of Prison Realty Corporation.
- Prison Realty Corporation enters into lease and other agreements with Operating Company.
- Prison Realty Corporation elects REIT status.
- PMS LLC merges with Prison Management Services, Inc. ("PMSI").

- JJFMS LLC merges with Juvenile and Jail Facility Management Services, Inc. ("JJFMSI").

- Operating Company enters into certain agreements individually with PMSI and JJFMSI.

May 1999 - Prison Realty Corporation changes its name to Prison Realty Trust, Inc. ("New Prison Realty").

After the completion of the 1999 Merger and the transactions related thereto, the structure of New Prison Realty, Operating Company, PMSI and JJFMSI was as follows:

[FLOW CHART]

2000 Restructuring and Related Transactions

September 2000	- Subsidiaries of PMSI and JJFMSI individually acquire all of the outstanding voting stock of each of PMSI and JJFMSI held by non-management outside shareholders of each entity.
	- New Prison Realty's shareholders approve amendment to remove restriction that New Prison Realty qualify as a REIT.
	- New Prison Realty's shareholders approve the Restructuring.
October 1, 2000	- New Prison Realty purchases 100% of the Operating Company voting common stock owned by Baron and Sodexho.
	- New Prison Realty acquires Operating Company (the "Operating Company Merger") and begins operating as an owner, operator and manager of privatized prisons with certain owned facilities leased to third parties.
	- New Prison Realty assumes the CCA Note, which is subsequently extinguished.
	- Certain lease and other agreements between New Prison Realty and Operating Company are cancelled.
	- New Prison Realty changes its name to Corrections Corporation of America (the "Company").
December 1, 2000	- In separate transactions, the Company acquires all of the outstanding voting stock of PMSI and JJFMSI.

As a result of the completion of the Restructuring, the current relationship between the Company and CCA of Tennessee, Inc., the predecessor to each of Operating Company, PMSI and JJFMSI, is as follows:

[FLOW CHART]

BACKGROUND AND FORMATION TRANSACTIONS

THE 1999 MERGER

Prior to the 1999 Merger, Old CCA was the largest developer and manager of private correctional and detention facilities worldwide. Old Prison Realty, a REIT, was the owner and developer of correctional and detention facilities. Old Prison Realty leased 17 of its 20 facilities to Old CCA pursuant to long-term triple net leases.

During the first quarter of 1998, Old Prison Realty and Old CCA proposed a strategic combination whereby the companies would be merged to create the nation's leading company in the private corrections industry. Pursuant to the terms of an Amended and Restated Agreement and Plan of Merger dated September 29, 1998, which amended and restated an Agreement and Plan of Merger dated April 18, 1998, each of Old CCA and Old Prison Realty agreed to merge with and into New Prison Realty, with New Prison Realty as the surviving company. The companies also agreed to complete a series of transactions to enable New Prison Realty to operate so as to qualify as a REIT for federal income tax purposes following the 1999 Merger.

In order for New Prison Realty to quality as a REIT, New Prison Realty's income generally could not include income from the operation and management of correctional and detention facilities, including those facilities operated and managed by Old CCA. Accordingly, immediately prior to the 1999 Merger, the non-real estate assets of Old CCA, including all management contracts, were sold to Operating Company and to PMSI and JJFMSI. Following the 1999 Merger, a substantial majority of the correctional and detention facilities acquired by New Prison Realty in the 1999 Merger were leased to Operating Company. Additionally, as a result of the 1999 Merger and the merger related transactions, New Prison Realty obtained an ownership interest in each of the Operating Company and Service Companies and derived certain economic benefits from each. In addition to providing juvenile and jail facility management services to government agencies pursuant to management contracts with federal, state and local government agencies and authorities in the United States, JJFMSI also provided correction and detention facility management services to governments in the United Kingdom (the "U.K.") and Australia through certain of its subsidiaries formed in connection with an international joint venture with Sodexho Alliance, S.A., a French conglomerate ("Sodexho"). In connection with the 1999 Merger, Old CCA's international operations were transferred to JJFMSI, which succeeded to Old CCA's obligations under the joint venture. As a result of the 1999 Merger, Sodexho, a significant shareholder of Old CCA, became a significant stockholder of New Prison Realty with the right to appoint a director to the board of directors of the Company. Accordingly, Jean-Pierre Cuny, Senior Vice President of the Sodexho Group, an affiliate of Sodexho, became a member of the board of directors of New Prison Realty. Because Sodexho also made a significant investment in Operating Company, Mr. Cuny also became a director of Operating Company.

The 1999 Merger Agreement was approved and adopted by the shareholders of Old CCA and Old Prison Realty at special meetings held in December 1998. Subsequently, on January 1, 1999, the 1999 Merger was completed substantially in accordance with the 1999 Merger Agreement. Under the terms of the Merger Agreement: (i) holders of Old Prison Realty common shares and Old Prison Realty 8% Cumulative Preferred Shares, $0.01 par value per share (the "Old Prison Realty Series A Preferred Shares"), received one share of New Prison Realty common stock, $0.01 par value per share (the "New Prison Realty Common Stock") or New Prison Realty 8% Series A Cumulative Preferred Stock, $0.01 par value per share (the "New Prison Realty Preferred Stock"), for each common share or Old Prison Realty Series A Preferred Share they owned at January 1, 1999, respectively; and (ii) holders of shares of Old CCA's common stock, $1.00 par value per share (the "Old CCA Common Stock"), obtained the right to receive 0.875 share of New Prison Realty Common Stock for each share of Old CCA Common Stock they owned at December 31, 1998. Approximately 105,272,183 shares of New Prison Realty Common Stock and 4,300,000 shares of New Prison Realty Preferred Stock were issued in the 1999 Merger. Following the 1999 Merger, New Prison Realty's Common Stock began trading on the New York Stock Exchange ("NYSE") on

January 4, 1999 under the symbol "PZN," and the New Prison Realty Series A Preferred Stock began trading on the NYSE under the symbol "PZN PrA" on the same date.

On December 31, 1998, immediately prior to the 1999 Merger, and in connection with the 1999 Merger, Old CCA sold to Operating Company all of the issued and outstanding capital stock of certain wholly-owned corporate subsidiaries of Old CCA, certain management contracts and certain other non-real estate assets related thereto, and entered into a series of agreements, as described more fully described below. In exchange, Old CCA received an installment note in the principal amount of $137.0 million (the "CCA Note") and 100% of the non-voting common stock of Operating Company. Old CCA's ownership interest in the CCA Note and the non-voting common stock of Operating Company were transferred to New Prison Realty as a result of the 1999 Merger.

The non-voting common stock of Operating Company represented approximately a 9.5% economic interest in Operating Company. During 1999, Operating Company paid no dividends on the shares of its non-voting common stock. The CCA Note was payable over 10 years at an interest rate of 12% per annum. Interest only was generally payable for the first four years of the CCA Note, and the principal was to be amortized over the following six years. The chief executive officer of New Prison Realty and a member of its board of directors at that time, had guaranteed payment of 10% of the outstanding principal amount due under the CCA Note. As a result of Operating Company's liquidity position, Operating Company was required to defer the first scheduled payment of accrued interest on the CCA Note, which was due December 31, 1999. During the third quarter of 2000, the Company forgave all accrued and unpaid interest due under the CCA Note as of August 31, 2000. The CCA Note, along with the remaining deferred interest, was assumed by a wholly-owned subsidiary of the Company in connection with the Operating Company Merger. See "The 2000 Restructuring and Related Transactions."

On December 31, 1998, immediately prior to the 1999 Merger and in connection with the 1999 Merger, Old CCA sold to Prison Management Services, LLC ("PMS, LLC") and Juvenile and Jail Facility Management Services, LLC ("JJFMS, LLC"), two privately-held Delaware limited liability companies formed in connection with the 1999 Merger, certain management contracts and certain other assets and liabilities relating to government-owned adult prison facilities and government-owned jails and juvenile facilities managed by Old CCA. In exchange, Old CCA received 100% of the non-voting membership interests in PMS, LLC and JJFMS, LLC, which obligated PMS, LLC and JJFMS, LLC to make distributions to Old CCA equal to 95% of each company's net income, as defined. New Prison Realty succeeded to these interests as a result of the 1999 Merger. Immediately following the 1999 Merger, PMS, LLC merged with PMSI and JJFMS, LLC merged with JJFMSI.

Under a trade name use agreement with Old CCA resulting from the 1999 Merger (the "Trade Name Use Agreement"), Operating Company paid a licensing fee to New Prison Realty for the right to use the name "Corrections Corporation of America" and derivatives thereof. The Trade Name Use Agreement had a term of 10 years and the licensing fee paid pursuant to the agreement was based upon the gross revenue of Operating Company, subject to a limitation based on a percentage of the gross revenue of New Prison Realty. The Trade Name Use Agreement was terminated pursuant to the Restructuring. See "The 2000 Restructuring and Related Transactions."

In connection with the 1999 Merger, New Prison Realty entered into lease agreements with Operating Company with respect to the correctional and detention facilities owned by New Prison

Realty and operated by Operating Company (the "Operating Company Leases"). The terms of the Operating Company Leases were 12 years, which could be extended at fair market rates for three additional five-year periods upon the mutual agreement of New Prison Realty and Operating Company. As a result of Operating Company's liquidity position, Operating Company was unable to make timely rental payments to New Prison Realty under the Operating Company Leases. Consequently, in June 2000, New Prison Realty and Operating Company amended the original terms of the Operating Company Leases to defer, with interest, rental payments originally due to New Prison Realty during the period from January 2000 to June 2000 until September 30, 2000, with the exception of certain installment payments. Pursuant to the terms of this amendment, Operating Company agreed to pay interest on such deferred rental payments, at an annual rate equal to the current non-default rate of interest applicable to Operating Company's revolving credit facility (subject to adjustment if and to the extent that such rate of interest under such existing revolving credit facility was adjusted) from the date such payment would have been payable under the original terms of the Operating Company Leases until the date such payment was actually paid. Operating Company's obligation to make payments under the Operating Company Leases was not secured by any of the assets of Operating Company, although the obligations under the Operating Company Leases were cross-defaulted so that New Prison Realty could terminate all of the Operating Company Leases if Operating Company failed to make required lease payments.

On September 29, 2000, New Prison Realty and Operating Company entered into agreements pursuant to which New Prison Realty forgave all unpaid rental payments plus accrued interest, due and payable to New Prison Realty through August 31, 2000, related to the Operating Company Leases. See "The 2000 Restructuring and Related Transactions."

On January 1, 1999, immediately after the 1999 Merger, New Prison Realty entered into a services agreement (the "Services Agreement") with Operating Company pursuant to which Operating Company agreed to serve as a facilitator of the construction and development of additional facilities on behalf of New Prison Realty for a term of five years from the date of the Services Agreement. In such capacity, Operating Company agreed to perform, at the direction of New Prison Realty, such services as were customarily needed in the construction and development of correctional and detention facilities, including services related to construction of the facilities, project bidding, project design, and governmental relations. In consideration for the performance of such services by Operating Company, New Prison Realty agreed to pay a fee equal to 5% of the total capital expenditures (excluding the incentive fee discussed below and the additional 5% fee herein referred to) incurred in connection with the construction and development of a facility, plus an amount equal to approximately $560 per bed for facility preparation services provided by Operating Company prior to the date on which inmates are first received at such facility. The board of directors of New Prison Realty subsequently authorized payments of up to an additional 5% of the total capital expenditures (as determined above) to Operating Company if additional services were requested by New Prison Realty. In connection with such authorization, New Prison Realty and Operating Company entered into an amended and restated services agreement (the "Amended and Restated Services Agreement") authorizing the payment of such additional amount if additional services were requested by New Prison Realty. As a result, a majority of New Prison Realty's ongoing development projects were subject to a fee totaling 10% of capital expenditures. On June 9, 2000, Operating Company and New Prison Realty amended the Amended and Restated Services Agreement to defer, with interest, payments to Operating Company by New Prison Realty pursuant to the Amended and Restated Services Agreement. This agreement was cancelled in connection with the Restructuring. See "The 2000 Restructuring and Related Transactions."

On January 1, 1999, immediately after the 1999 Merger, New Prison Realty entered into a tenant incentive agreement (the "Tenant Incentive Agreement") with Operating Company pursuant to which New Prison Realty agreed to 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 was set at $840 per bed for each facility leased by Operating Company for which Operating Company served as developer and facilitator. This $840 per bed incentive fee, however, did not include an allowance for rental payments to be paid by Operating Company. On May 4, 1999, New Prison Realty and Operating Company entered into an amended and restated tenant incentive agreement (the "Amended and Restated Tenant Incentive Agreement"), effective as of January 1, 1999, providing for (i) a tenant incentive fee of up to $4,000 per bed payable with respect to all future facilities developed and facilitated by Operating Company, as well as certain other facilities which, although operational on January 1, 1999, had not achieved full occupancy; and (ii) an $840 per bed allowance for all beds in operation at the beginning of January 1999, approximately 21,500 beds, that were not subject to the tenant allowance in the first quarter of 1999. The amount of the amended tenant incentive fee included an allowance for rental payments to be paid by Operating Company prior to the facility reaching stabilized occupancy. The term of the Amended and Restated Tenant Incentive Agreement was four years, unless extended upon the written agreement of New Prison Realty and Operating Company. On June 9, 2000, Operating Company and New Prison Realty amended the Amended and Restated Tenant Incentive Agreement to defer, with interest, payments to Operating Company by New Prison Realty pursuant to this agreement. This agreement was cancelled in connection with the Restructuring. See "The 2000 Restructuring and Related Transactions."

On May 4, 1999, New Prison Realty entered into a four year business development agreement (the "Business Development Agreement") with Operating Company, which provided that Operating Company would perform, at the direction of New Prison Realty, services designed to assist New Prison Realty in identifying and obtaining new business. Pursuant to the agreement, New Prison Realty agreed to pay to Operating Company a total fee equal to 4.5% of the total capital expenditures (excluding the amount of the tenant incentive fee and the services fee discussed above as well as the 4.5% fee) incurred in connection with the construction and development of each new facility, or the construction and development of an addition to an existing facility, for which Operating Company performed business development services. On June 9, 2000, Operating Company and New Prison Realty amended this agreement to defer, with interest, any payments to Operating Company by New Prison Realty pursuant to this agreement. This agreement was cancelled in connection with the Restructuring. See "The 2000 Restructuring and Related Transactions."

THE 2000 RESTRUCTURING AND RELATED TRANSACTIONS

DEVELOPMENTS AFTER THE 1999 MERGER

General. Following the 1999 Merger, Operating Company, PMSI and JJFMSI assumed the business of operating correctional facilities, with Operating Company being the lessee of a substantial number of New Prison Realty's facilities. The rates on the Operating Company Leases were set with the intention that the public stockholders of New Prison Realty would receive as much of the benefit as possible from owning and operating the correctional facilities, while at the same time New Prison Realty would be able to maintain its status as a REIT. This status as a REIT would enable New Prison Realty to pay no corporate income tax, but would require it to pay out large amounts of

dividends to the New Prison Realty stockholders. In fact, the Operating Company lease rates were set so that Operating Company was projected to lose money for the first several years of its existence. Both New Prison Realty and Operating Company believed that Operating Company would have access to adequate debt financing to fund this deficit until Operating Company became profitable.

After completion of the first quarter of 1999, the first quarter in which operations were conducted in this new structure, management of New Prison Realty and management of Operating Company determined that Operating Company had not performed as well as projected for several reasons: occupancy rates at its facilities were lower than in 1998; operating expenses were higher as a percentage of revenue than in 1998; and certain aspects of the Operating Company Leases, including the obligation of Operating Company to begin making full lease payments even before a facility accepted inmates, adversely affected Operating Company. As a result, in May 1999, New Prison Realty and Operating Company amended certain of the agreements between them to provide Operating Company with additional cash flow. The objective of these changes was to allow Operating Company to be able to continue to make its full lease payments, to allow New Prison Realty to continue to make dividend payments to its stockholders and to provide time for Operating Company to improve its operations so that it might ultimately perform as projected and be able to make its full lease payments.

However, after these changes were announced, a chain of events occurred which adversely affected both New Prison Realty and Operating Company. New Prison Realty's stock price fell dramatically, resulting in the commencement of stockholder litigation against New Prison Realty and its directors. These events made it more difficult for New Prison Realty to raise capital. A lower stock price meant that New Prison Realty had more restricted access to equity capital, and the uncertainties caused by the falling stock price, the stockholder litigation and the results of operations at Operating Company made it much more difficult for New Prison Realty to obtain debt financing. In addition, the stock prices of REITs generally suffered in the capital markets during this period as a result of both general market and REIT-specific factors. During this time, New Prison Realty was trying to raise approximately $300.0 million of debt financing through an offering of high-yield notes. Because of these events and the conditions of the capital markets generally, New Prison Realty was only able to raise $100.0 million in this financing, and the notes bore interest at a much higher rate than was expected.

Raising capital was important to New Prison Realty because as a REIT, it had to pay out 95% of its taxable income as dividends. During the first three quarters of 1999, New Prison Realty paid out approximately $217.7 million in cash as dividends. At the same time, New Prison Realty's business strategy was to develop, finance and own prison facilities. New Prison Realty believed that providing this construction financing for federal, state and local governments was an important factor in its success. Building prison facilities is very expensive; the cost of the average prison facility built by New Prison Realty over the previous three years had been approximately $43.5 million. In addition to the need for capital to build prisons, it was very important that both New Prison Realty and Operating Company have adequate capital to fund their operations because the business of owning and operating correctional facilities involves significant issues with respect to public safety. It was essential that the government customers of New Prison Realty and Operating Company believe that New Prison Realty and Operating Company have adequate capital resources to conduct their business. Accordingly, if New Prison Realty was required to pay out large amounts of cash as dividends and could not raise debt or equity capital, its business would have suffered.

During the summer of 1999, New Prison Realty was able to increase its line of credit facility from $650.0 million to $1.0 billion. However, for the reasons described above, this financing had higher interest rates and transaction costs and also imposed other significant requirements on New Prison Realty. One of the financing requirements was that New Prison Realty raise $100.0 million in new equity and Operating Company raise $25.0 million in new equity in order for New Prison Realty to make the distributions in cash that would be necessary to enable New Prison Realty to qualify as a REIT with respect to its 1999 taxable year; provided, however, that such requirement did not prohibit New Prison Realty from making such required distributions in certain combinations of its securities.

Fortress/Blackstone. In order to address the capital and liquidity constraints facing New Prison Realty and Operating Company, as well as concerns regarding the corporate structure and management of New Prison Realty, during the fourth quarter of 1999, New Prison Realty, Operating Company, PMSI and JJFMSI entered into a series of agreements concerning a proposed restructuring led by a group of institutional investors consisting of an affiliate of Fortress Investment Group LLC and affiliates of The Blackstone Group, together with an affiliate of Bank of America Corporation ("Fortress/Blackstone"). Under the terms of the Fortress/Blackstone restructuring, New Prison Realty proposed to:

- complete the combination of the companies and operate as a taxable subchapter C corporation commencing with New Prison Realty's 1999 taxable year;

- raise up to $350.0 million by selling shares of convertible preferred stock and warrants to purchase shares of New Prison Realty's common stock to the Fortress/Blackstone investors in a private placement and to New Prison Realty's existing common stockholders in a $75.0 million rights offering;

- obtain a new $1.2 billion credit facility;

- restructure existing management through a newly constituted board of directors and executive management team; and

- amend New Prison Realty's existing charter and bylaws to accommodate the Fortress/Blackstone restructuring.

After publicly announcing the proposed Fortress/Blackstone restructuring, during February 2000, New Prison Realty received an unsolicited proposal from Pacific Life Insurance Company ("Pacific Life") with respect to a series of restructuring transactions intended to serve as an alternative to the restructuring proposed by Fortress/Blackstone. Fortress/Blackstone elected not to match the terms of the proposal from Pacific Life. Consequently, the securities purchase agreement was terminated, and the Company and Operating Company entered into a securities purchase agreement with Pacific Life. Fortress/Blackstone has commenced litigation against the companies claiming it is owed compensatory damages of approximately $24.0 million consisting of various fees and expenses under the terms of the agreement, as described herein under "Legal Proceedings." The companies dispute any obligation to pay these fees and to date, the companies have paid none of these fees or expenses.

Pacific Life. The companies' agreement with Pacific Life also contemplated a restructuring of the companies. Under the terms of the Pacific Life restructuring, New Prison Realty proposed to:

- complete the combination of the companies on substantially identical terms as proposed by Fortress/Blackstone, with New Prison Realty electing to be taxed as a REIT with respect to its 1999 taxable year and operating as a taxable subchapter C corporation commencing with its 2000 taxable year;

- raise up to $200.0 million in a common stock rights offering to existing stockholders, backstopped 100% by Pacific Life, which would purchase shares of New Prison Realty series B convertible preferred stock in satisfaction of this commitment;

- issue shares of convertible preferred stock in satisfaction of its remaining 1999 REIT distribution requirements;

- refinance or renew $1.0 billion of New Prison Realty's senior secured debt;

- restructure existing management through a newly constituted board of directors and executive management team; and

- amend New Prison Realty's existing charter and bylaws to accommodate the Pacific Life restructuring.

Following the execution of the Pacific Life securities purchase agreement, New Prison Realty began taking the steps necessary to fulfill the conditions to Pacific Life's obligations under the agreement, including the refinancing or renewal of New Prison Realty's $1.0 billion senior secured bank credit facility. As part of this process, New Prison Realty consulted with Pacific Life as to the terms of the renewal of the bank credit facility that would be satisfactory to Pacific Life. After New Prison Realty obtained the June 2000 Waiver and Amendment (as hereinafter defined) to its Amended Bank Credit Facility (as hereinafter defined) as described below, Pacific Life advised New Prison Realty that it required certain information before it could reach a definitive conclusion as to whether the June 2000 Waiver and Amendment satisfied the condition contained in the securities purchase agreement. Based on the preliminary review, however, Pacific Life indicated that it had significant concerns with respect to a number of terms. As a result of Pacific Life's statements, it was unclear to New Prison Realty whether the June 2000 Waiver and Amendment to the Amended Bank Credit Facility would satisfy the condition contained in the securities purchase agreement that the renewal of the senior credit facility would be in a form reasonably acceptable to Pacific Life. Also, given the requirements of the June 2000 Waiver and Amendment that a proxy statement be filed with the SEC by July 1, 2000 with respect to a restructuring of New Prison Realty, on June 30, 2000, the boards of directors of New Prison Realty, Operating Company, PMSI and JJFMSI approved the execution of an agreement with Pacific Life mutually terminating the securities purchase agreement with Pacific Life, and the boards of New Prison Realty and Operating Company approved the Restructuring. Under the terms of the Pacific Life securities purchase agreement and the mutual termination, the companies are not liable for any fees or material expenses as the result of the termination of the Pacific Life securities purchase agreement and the completion of the Restructuring.

THE 2000 RESTRUCTURING TRANSACTIONS

June 2000 Waiver and Amendment

In order to address New Prison Realty's liquidity and capital constraints, immediately after terminating the securities purchase agreement with Pacific Life, on June 30, 2000, the boards of directors of New Prison Realty, Operating Company, PMSI and JJFMSI approved a series of agreements providing for the comprehensive Restructuring of the Company. Following the approval

of the requisite senior lenders under the Amended Bank Credit Facility, the Company, certain of its wholly-owned subsidiaries, various lenders and Lehman Commercial Paper, Inc. ("Lehman"), as administrative agent, executed the June 2000 Waiver and Amendment, dated as of June 9, 2000, to the provisions of the amended and restated credit agreement governing the Amended Bank Credit Facility (the "Amended and Restated Credit Agreement"). Upon effectiveness, the June 2000 Waiver and Amendment waived or addressed all then existing events of default under the provisions of the Amended and Restated Credit Agreement that resulted from: (i) the financial condition of the Company and Operating Company; (ii) the transactions undertaken by the Company and Operating Company in an attempt to resolve the liquidity issues of the Company and Operating Company; and (iii) previously announced restructuring transactions. The June 2000 Waiver and Amendment also contained certain amendments to the Amended and Restated Credit Agreement, including the replacement of existing financial covenants contained in the Amended and Restated Credit Agreement applicable to the Company with new financial ratios following completion of the Restructuring. As a result of the June 2000 Waiver and Amendment, the Company began monthly interest payments on outstanding amounts under the Amended Bank Credit Facility beginning July 2000.

In obtaining the June 2000 Waiver and Amendment, the Company agreed to complete certain transactions which were incorporated as covenants in the June 2000 Waiver and Amendment. Pursuant to these requirements, the Company was obligated to complete the Restructuring, including: (i) the Operating Company Merger; (ii) the amendment of its charter to remove the requirements that it elect to be taxed as a REIT commencing with its 2000 taxable year; (iii) the restructuring of management; and (iv) the distribution of shares of Series B Cumulative Convertible Preferred Stock, $0.01 par value per share (the "Series B Preferred Stock"), in satisfaction of the Company's remaining 1999 REIT distribution requirement. The June 2000 Waiver and Amendment also amended the terms of the Amended and Restated Credit Agreement to permit (i) the amendment of the Operating Company Leases and the other contractual arrangements between the Company and Operating Company, and (ii) the merger of each of PMSI and JJFMSI with the Company, upon terms and conditions specified in the June 2000 Waiver and Amendment.

The June 2000 Waiver and Amendment prohibited: (i) the Company from settling its then outstanding stockholder litigation for cash amounts not otherwise fully covered by the Company's existing directors' and officers' liability insurance policies; (ii) the declaration and payment of dividends with respect to the Company's currently outstanding Series A Preferred Stock prior to the receipt of net cash proceeds of at least $100.0 million from the issuance of additional shares of common or preferred stock; and (iii) Operating Company from amending or refinancing its revolving credit facility on terms and conditions less favorable than Operating Company's then existing revolving credit facility. The June 2000 Waiver and Amendment also required the Company to complete the securitization of lease payments (or other similar transaction) with respect to the Company's Agecroft facility located in Salford, England on or prior to February 28, 2001, although such deadline was extended (as described herein).

As a result of the June 2000 Waiver and Amendment, the Company is generally required to use the net cash proceeds received by the Company from certain transactions, including the following transactions, to repay outstanding indebtedness under the Amended Bank Credit Facility: (i) any disposition of real estate assets; (ii) the securitization of lease payments (or other similar transaction) with respect to the Company's Agecroft facility; and (iii) the sale-leaseback of the Company's headquarters. Under the terms of the June 2000 Waiver and Amendment, the Company is also

required to apply a designated portion of its "excess cash flow," as such term is defined in the June 2000 Waiver and Amendment, to the prepayment of outstanding indebtedness under the Amended Bank Credit Facility.

The Operating Company Merger

Effective October 1, 2000, New Prison Realty and Operating Company completed the Operating Company Merger in accordance with an agreement and plan of merger. In connection with the completion of the Operating Company Merger, New Prison Realty amended its charter to, among other things,

- remove provisions relating to its qualification as a REIT for federal income tax purposes commencing with its 2000 taxable year,

- change its name to "Corrections Corporation of America" and

- increase the amount of its authorized capital stock.

Following the completion of the Restructuring, Operating Company ceased to exist, and the Company and its wholly-owned subsidiary began operating collectively under the "Corrections Corporation of America" name. Pursuant to the terms of the agreement and plan of merger, the Company issued approximately 7.5 million shares of its common stock to the holders of Operating Company's voting common stock at the time of the completion of the Operating Company Merger. Following the Operating Company Merger, the Company's common stock continued trading on the NYSE, but under the symbol "CXW," while the symbol for the Company's Series A Preferred stock was changed to "CXW PrA," and the Company's Series B Preferred stock was changed to "CXW PrB."

On October 1, 2000, immediately prior to the completion of the Operating Company Merger, the Company purchased all of the shares of Operating Company's voting common stock held by the Baron Asset Fund ("Baron") and Sodexho, the holders of approximately 34% of the outstanding common stock of Operating Company, for an aggregate of $16.0 million in non-cash consideration, consisting of an aggregate of approximately 11.3 million shares of the Company's common stock. In addition, the Company issued to Baron warrants to purchase approximately 1.4 million shares of the Company's common stock at an exercise price of $0.01 per share and warrants to purchase approximately 0.7 million shares of the Company's common stock at an exercise price of $1.41 per share in consideration for Baron's consent to the Operating Company Merger. The warrants issued to Baron were valued at approximately $2.2 million. In addition, in the Operating Company Merger the Company assumed the obligation to issue up to 0.8 million shares of its common stock, at an exercise price of $3.33 per share, pursuant to the exercise of warrants to purchase common stock previously issued by Operating Company.

Also on October 1, 2000, immediately prior to the Operating Company Merger, the Company purchased an aggregate of 100,000 shares of Operating Company's voting common stock for $200,000 cash from D. Robert Crants, III and Michael W. Devlin, former executive officers and directors of the Company, pursuant to the terms of severance agreements between the Company and Messrs. Crants, III and Devlin. The cash proceeds from the purchase of the shares of Operating Company's voting common stock from Messrs. Crants, III and Devlin were used to immediately repay a like portion of amounts outstanding under loans previously granted to Messrs. Crants, III and

Devlin by the Company. The Company also purchased 300,000 shares of Operating Company's voting common stock held by Doctor R. Crants, the former chief executive officer of the Company and Operating Company, for $600,000 cash. Under the original terms of the severance agreements between the Company and each of Messrs. Crants, III and Devlin, Operating Company was to make a $300,000 payment for the purchase of a portion of the shares of Operating Company's voting common stock originally held by Messrs. Crants, III and Devlin on December 31, 1999. However, as a result of restrictions on Operating Company's ability to purchase these shares, the rights and obligations were assigned to and assumed by Doctor R. Crants. In connection with this assignment, Mr. Crants received a loan in the aggregate principal amount of $600,000 from PMSI, the proceeds of which were used to purchase the 300,000 shares of Operating Company's voting common stock owned by Messrs. Crants, III and Devlin. The cash proceeds from the purchase by the Company of the shares of Operating Company's voting common stock from Mr. Crants were used to immediately repay the $600,000 loan previously granted to Mr. Crants by PMSI.

The Operating Company Merger was accounted for using the purchase method of accounting. Accordingly, the purchase price was allocated to the assets purchased and the liabilities assumed based upon the fair value at the date of acquisition. The excess of the aggregate purchase price over the assets purchased and liabilities assumed was reflected as goodwill. The Operating Company Merger was structured as a tax-free transaction for the Operating Company stockholders that received shares of the Company's common stock in connection with the merger.

As a result of the Restructuring, the $137.0 million CCA Note was assumed by the Company's wholly-owned subsidiary in the Operating Company Merger. The CCA Note has since been extinguished.

As a result of the Restructuring, all existing Operating Company Leases, the Trade Name Use Agreement, the Business Development Agreement, the Services Agreement and the Tenant Incentive Agreement were cancelled. In addition, all outstanding shares of Operating Company's non-voting common stock, all of which shares were owned by the Company, were cancelled in the Operating Company Merger.

The Service Company Mergers

From December 31, 1998 until September 1, 2000, the Company owned 100% of the non-voting common stock of PMSI and JJFMSI, and was entitled to receive 95% of each company's net income, as defined, as dividends on such shares, while other outside shareholders and the wardens at the individual facilities owned 100% of the voting common stock of PMSI and JJFMSI, entitling those voting stockholders to receive the remaining 5% of each company's net income as dividends on such shares. During September 2000, wholly-owned subsidiaries of PMSI and JJFMSI entered into separate transactions with each of PMSI's and JJFMSI's respective non-management, outside shareholders to reacquire all of the outstanding voting stock of their non-management, outside shareholders, representing 85% of the outstanding voting stock of each entity for cash payments.

The June 2000 Waiver and Amendment permitted the merger of each of PMSI and JJFMSI with the Company, upon terms and conditions specified in the June 2000 Waiver and Amendment. On December 1, 2000, the Company completed the acquisitions of PMSI and JJFMSI, two privately-held service companies which managed certain government-owned prison and jail facilities under the "Corrections Corporation of America" name. PMSI provided adult prison facility management

services to government agencies pursuant to management contracts with state governmental agencies and authorities in the United States and Puerto Rico. Immediately prior to the acquisition date, PMSI had contracts to manage 11 correctional and detention facilities with a total design capacity of 13,372 beds, all of which were in operation. JJFMSI provided juvenile and jail facility management services to government agencies pursuant to management contracts with federal, state and local governmental agencies and authorities in the United States and Puerto Rico and provided adult prison facility management services to certain international authorities in Australia and the United Kingdom. Immediately prior to the acquisition date, JJFMSI had contracts to manage 17 correctional and detention facilities with a total design capacity of 9,204 beds.

As a result of the acquisitions of PMSI and JJFMSI on December 1, 2000, all shares of PMSI and JJFMSI common stock held by the Company and certain subsidiaries of PMSI and JJFMSI were cancelled. In connection with the acquisition of PMSI, the Company issued approximately 1.3 million shares of its common stock valued at approximately $0.6 million to the wardens of the correctional and detention facilities operated by PMSI who were the remaining shareholders of PMSI. Shares of the Company's common stock owned by the PMSI wardens are subject to vesting and forfeiture provisions under a restricted stock plan. In connection with the acquisition of JJFMSI, the Company issued approximately 1.6 million shares of its common stock valued at approximately $0.7 million to the wardens of the correctional and detention facilities operated by JJFMSI who were the remaining shareholders of JJFMSI. Shares of the Company's common stock owned by the JJFMSI wardens are subject to vesting and forfeiture provisions under a restricted stock plan.

Management Changes

On August 4, 2000, John D. Ferguson was named president and chief executive officer of New Prison Realty and Operating Company. Mr. Ferguson was also appointed to the boards of directors of New Prison Realty and Operating Company. Following completion of the Restructuring, Mr. Ferguson continues to serve as the Company's chief executive officer and president, as well as vice-chairman of the board of directors. Mr. Ferguson had most recently served as the commissioner of finance for the State of Tennessee from June 1996 to July 2000. As commissioner of finance, Mr. Ferguson served as the state's chief corporate officer and was responsible for directing the preparation and implementation of the state's $17.2 billion budget. From 1990 until February 1995, Mr. Ferguson served as the chairman and chief executive officer of Community Bancshares, Inc., the parent corporation of The Community Bank of Germantown (Tennessee).

On August 7, 2000, William F. Andrews was named chairman of the board of directors of the Company. Mr. Andrews has been a principal of Kohlberg & Company, a private equity firm specializing in middle market investing, since 1995. Mr. Andrews served as a director of JJFMSI from its formation in 1998 to July 2000 and served as a member of the board of directors of Old CCA from 1986 to May 1998.

During December 2000, the Company reorganized its internal corporate structure in order to focus on the four key areas of the Company: operations, finance, business development, and legal affairs. Each of these divisions is headed by an executive vice president who reports directly to Mr. Ferguson.

Operations. J. Michael Quinlan will continue serving the Company as the chief operating officer, after serving as president of New Prison Realty since December 1999. Mr. Quinlan was also the president and chief operating officer of the Operating Company and a member of its board of directors since June 1999. From January 1999 until May 1999, Mr. Quinlan served as a member of the board of trustees of New Prison Realty and as vice-chairman of its board of trustees. From April 1997 until January 1999, Mr. Quinlan served as a member of the board of trustees and as chief executive officer of Old Prison Realty. From July 1987 to December 1992, Mr. Quinlan served as the Director of the Federal Bureau of Prisons, where he was responsible for the total operations and administration of a federal agency with an annual budget of more than $2 billion, more than 26,000 employees and 75 facilities.

Finance. On December 6, 2000, Irving E. Lingo, Jr. was named chief financial officer of the Company. Most recently, Mr. Lingo was chief financial officer for Bradley Real Estate, Inc., a NYSE listed REIT headquartered in Chicago, Illinois, where he was responsible for financial accounting and reporting, including SEC compliance, capital markets, and mergers and acquisitions. Prior to joining Bradley Real Estate, Mr. Lingo held positions as chief financial officer, chief operating officer and vice president, finance for several public and private companies, including Lingerfelt Industrial Properties, CSX Corporation, and Goodman Segar Hogan, Inc. In addition, he was previously an Audit Manager at Ernst & Young LLP.

Business Development. On January 17, 2001, William T. Baylor was named the chief development officer of the Company. As chief development officer, Mr. Baylor will manage the Company's business relationships with local, state and federal customers, spearhead new business opportunities and develop marketing strategies. Most recently, Mr. Baylor served as government sales manager for Herman Miller for Healthcare in Nashville, Tennessee. In that role, he managed the company's relationship with 372 medical centers and more than 1500 clinics within the federal government. From 1995 to 1999, he served as national accounts sales team leader for Milcare, the largest privately owned hospital group in the nation.

Legal Affairs. On January 22, 2001, Gus Puryear joined the Company as general counsel. He will be responsible for overseeing customer contracts, inmate litigation and assist the Company in addressing policy issues. Most recently, Mr. Puryear served as legislative director and counsel for U.S. Senator Bill Frist, where he worked on legislation and other policy matters. During that time, he also served as a debate advisor to Vice President Richard B. Cheney. In addition, Mr. Puryear worked as counsel on the special investigation of campaign finance abuses during the 1996 elections, which was chaired by U.S. Senator Fred Thompson.

This internal reorganization is intended to streamline operational support for the Company's correctional and detention facilities, as well as to emphasize quality assurance and meet or exceed customers' expectations while continuing to maintain safe and secure facilities.

At the 2000 annual stockholders meeting held on December 13, 2000, the Company's stockholders elected a newly constituted nine-member board of directors of the Company, including six independent directors. Since the Company's charter does not divide the directors into classes, under Maryland law all directors are to be elected annually, at the Company's annual meeting of stockholders, for a one-year term and until the next annual meeting of stockholders.

CAPITAL STRUCTURE CHANGES

DEBT STRUCTURE

As of December 31, 2000, the Company had $1.2 billion of outstanding indebtedness, consisting of $382.5 million and $589.7 million due January 1, 2002 and December 31, 2002, respectively, outstanding under the Amended Bank Credit Facility, $100.0 million of 12% Senior Notes due 2006, $41.1 million of 10% Convertible Subordinated Notes due 2008, $30.0 million of 8% Convertible Subordinated Notes due 2003, $7.6 million outstanding under a revolving credit facility due 2002, which was assumed from Operating Company in connection with the Operating Company Merger, and $1.6 million of other debt.

Changes to the Bank Credit Facility. In August 1999, the Company amended and restated its original bank credit facility to increase the amount available to the Company from $650.0 million to $1.0 billion (the "Amended Bank Credit Facility"). The Amended Bank Credit Facility consists of up to $600.0 million of term loans, which mature December 31, 2002, and up to $400.0 million in revolving loans, which mature January 1, 2002. The Amended Bank Credit Facility bears interest at variable rates of interest based on a spread over the base rate or LIBOR (as elected by the Company), which spread is determined by reference to the Company's credit rating. Prior to the June 2000 Waiver and Amendment, the spread for the revolving loans ranged from 0.5% to 2.25% for base rate loans and from 2.0% to 3.75% for LIBOR rate loans. Prior to the June 2000 Waiver and Amendment, the spread for the term loans ranged from 2.25% to 2.5% for base rate loans and from 3.75% to 4.0% for LIBOR rate loans. The Amended Bank Credit Facility, similar to the original bank credit facility, is secured by mortgages on the Company's real property.

During the first quarter of 2000, the ratings on the Company's bank indebtedness, senior unsecured indebtedness and Series A Preferred Stock were lowered. As a result of these reductions, the interest rate applicable to outstanding amounts under the Amended Bank Credit Facility for revolving loans was increased by 0.5%, to 1.5% over the base rate and to 3.0% over the LIBOR rate; the spread for term loans remained unchanged at 2.5% for base rate loans and 4.0% for LIBOR rate loans. The rating on the Company's indebtedness was also lowered during the second quarter of 2000, although no interest rate increase was attributable to this rating adjustment.

Following the approval of the requisite senior lenders under the Amended Bank Credit Facility, the Company, certain of its wholly-owned subsidiaries, various lenders and Lehman, as administrative agent, executed the June 2000 Waiver and Amendment, dated as of June 9, 2000, to the provisions of the Amended and Restated Credit Agreement. Upon effectiveness, the June 2000 Waiver and Amendment waived or addressed all then existing events of default under the provisions of the Amended and Restated Credit Agreement that resulted from: (i) the financial condition of the Company and Operating Company; (ii) the transactions undertaken by the Company and Operating Company in an attempt to resolve the liquidity issues of the Company and Operating Company; and (iii) previously announced restructuring transactions. As a result of the then existing defaults, the Company was subject to the default rate of interest, or 2.0% higher than the rates discussed above, effective from January 25, 2000 until June 9, 2000. The June 2000 Waiver and Amendment also contained certain amendments to the Amended and Restated Credit Agreement, including the replacement of existing financial covenants contained in the Amended and Restated Credit Agreement applicable to the Company with new financial ratios following completion of the Restructuring. As a result of the June 2000 Waiver and Amendment, the Company began monthly

interest payments on outstanding amounts under the Amended Bank Credit Facility beginning July 2000.

The June 2000 Waiver and Amendment prohibited: (i) the Company from settling its then outstanding stockholder litigation for cash amounts not otherwise fully covered by the Company's existing directors' and officers' liability insurance policies; (ii) the declaration and payment of dividends with respect to the Company's currently outstanding Series A Preferred Stock prior to the receipt of net cash proceeds of at least $100.0 million from the issuance of additional shares of common or preferred stock; and (iii) Operating Company from amending or refinancing its revolving credit facility on terms and conditions less favorable than Operating Company's then existing revolving credit facility. The June 2000 Waiver and Amendment also required the Company to complete the securitization of lease payments (or other similar transaction) with respect to the Company's Agecroft facility located in Salford, England on or prior to February 28, 2001, although such deadline was extended (as described herein).

As a result of the June 2000 Waiver and Amendment, the Company is generally required to use the net cash proceeds received by the Company from certain transactions, including the following transactions, to repay outstanding indebtedness under the Amended Bank Credit Facility:

- any disposition of real estate assets;

- the securitization of lease payments (or other similar transaction) with respect to the Company's Agecroft facility; and

- the sale-leaseback of the Company's headquarters.

Under the terms of the June 2000 Waiver and Amendment, the Company is also required to apply a designated portion of its "excess cash flow," as such term is defined in the June 2000 Waiver and Amendment, to the prepayment of outstanding indebtedness under the Amended Bank Credit Facility.

As a result of the June 2000 Waiver and Amendment, the interest rate spreads applicable to outstanding borrowings under the Amended Bank Credit Facility were increased by 0.5%. As a result, the spread for the revolving loans ranges from 1.0% to 2.75% for base rate loans and from 2.5% to 4.25% for LIBOR rate loans. The resulting spread for the term loans ranges from 2.75% to 3.0% for base rate loans and from 4.25% to 4.5% for LIBOR rate loans. Based on the Company's current credit rating, the spread for revolving loans is 2.75% for base rate loans and 4.25% for LIBOR rate loans, while the spread for term loans is 3.0% for base rate loans and 4.5% for LIBOR rate loans.

During the third and fourth quarters of 2000, the Company was not in compliance with certain applicable financial covenants contained in the Company's Amended and Restated Credit Agreement, including (i) debt service coverage ratio; (ii) interest coverage ratio; (iii) leverage ratio; and (iv) net worth. In November 2000, the Company obtained the consent of the requisite percentage of the senior lenders (the "November 2000 Consent and Amendment") to replace previously existing financial covenants with amended financial covenants, each defined in the November 2000 Consent and Amendment:

- total leverage ratio;

- interest coverage ratio;

- fixed charge coverage ratio;
- ratio of total indebtedness to total capitalization;
- minimum EBIDTA; and
- total beds occupied ratio.

The November 2000 Consent and Amendment further provided that the Company will be required to use commercially reasonable efforts to complete a "capital raising event" on or before June 30, 2001. A "capital raising event" is defined in the November 2000 Consent and Amendment as any combination of the following transactions, which together would result in net cash proceeds to the Company of $100.0 million:

- an offering of the Company's common stock through the distribution of rights to the Company's existing stockholders;
- any other offering of the Company's common stock or certain types of the Company's preferred stock;
- issuances by the Company of unsecured, subordinated indebtedness providing for in-kind payments of principal and interest until repayment of the Amended Credit Facility;
- certain types of asset sales by the Company, including the sale-leaseback of the Company's headquarters, but excluding the securitization of lease payments (or other similar transaction) with respect to the Salford, England facility.

The November 2000 Consent and Amendment also contains limitations upon the use of proceeds obtained from the completion of such "capital raising events." The requirements relating to "capital raising events" contained in the November 2000 Consent and Amendment replaced the requirement contained in the Amended and Restated Credit Agreement that the Company use commercially reasonable efforts to consummate a rights offering on or before December 31, 2000.

As a result of the November 2000 Consent and Amendment, the current interest rate applicable to the Company's Amended Bank Credit Facility remains unchanged. This applicable rate, however, is subject to (i) an increase of 25 basis points (0.25%) from the current interest rate on July 1, 2001 if the Company has not prepaid $100.0 million of the outstanding loans under the Amended Bank Credit Facility, and (ii) an increase of 50 basis points (0.50%) from the current interest rate on October 1, 2001 if the Company has not prepaid an aggregate of $200.0 million of the loans under the Amended Bank Credit Facility.

The maturities of the loans under the Amended Bank Credit Facility remain unchanged as a result of the November 2000 Consent and Amendment. No event of default was declared due to the amendment of the financial covenants obtained in connection with the November 2000 Consent and Amendment.

In March 2001, the Company obtained an amendment to the Amended Bank Credit Facility which included the following amendments: (i) changed the date the securitization of lease payments (or other similar transaction) with respect to the Company's Agecroft facility must by consummated from February 28, 2001 to March 31, 2001; (ii) modified the calculation of EBITDA used in calculating the total leverage ratio, to take into effect any loss of EBITDA that may result from certain asset dispositions, and (iii) modified the minimum EBITDA covenant to permit a reduction by the amount of EBITDA that certain asset dispositions had generated.

The securitization of lease payments (or other similar transaction) with respect to the Company's Agecroft facility did not close by the required date. However, the covenant allows for a 30-day grace period during which the lenders under the Amended Bank Credit Facility could not exercise their rights to declare an event of default. On April 10, 2001, prior to the expiration of the grace period, the Company consummated the Agecroft transaction through the sale of all the issued and outstanding capital stock of Agecroft Properties, Inc., a wholly-owned subsidiary of the Company, and used the net proceeds to pay-down the Amended Bank Credit Facility, thereby fulfilling the Company's covenant requirements with respect to the Agecroft transaction.

The Amended Bank Credit Facility also contains a covenant requiring the Company to provide the lenders with audited financial statements within 90 days of the Company's fiscal year-end, subject to an additional five-day grace period. Due to the Company's attempts to close the securitization of the Company's Salford, England facility, the Company did not provide the audited financial statements within the required time period. However, the Company has obtained a waiver from the lenders under the Amended Bank Credit Facility of this financial reporting requirement.

The revolving loan portion of the Amended Bank Credit Facility of $382.5 million matures on January 1, 2002. As part of management's plans to improve the Company's financial position and address the January 1, 2002 maturity of portions of the debt under the Amended Bank Credit Facility, management has committed to a plan of disposal for certain long-lived assets. These assets are being actively marketed for sale and are classified as held for sale in the accompanying consolidated balance sheet at December 31, 2000. Anticipated proceeds from these asset sales are to be applied as loan repayments. The Company believes that utilizing such proceeds to pay-down debt will improve its leverage ratios and overall financial position, improving its ability to refinance or renew maturing indebtedness, including primarily the Company's revolving loans under the Amended Bank Credit Facility.

The Company believes it will be able to demonstrate commercially reasonable efforts regarding the $100.0 million capital raising event on or before June 30, 2001, primarily by attempting to sell certain assets, as discussed above. Subsequent to year-end, the Company completed the sale of a facility located in North Carolina for approximately $25 million. The Company is currently evaluating and would also consider a distribution of rights to purchase common or preferred stock to the Company's existing stockholders, or an equity investment in the Company from an outside investor. The Company expects to use the net proceeds from these transactions to pay-down debt under the Amended Bank Credit Facility.

The Company believes that it is currently in compliance with the terms of the debt covenants contained in the Amended Bank Credit Facility. Further, the Company believes its operating plans and related projections are achievable, and will allow the Company to remain in compliance with its debt covenants during 2001. However, there can be no assurance that the cash flow projections will reflect actual results and there can be no assurance that the Company will remain in compliance with its debt covenants during 2001. Further, even if the Company is successful in selling assets, there can be no assurance that it will be able to refinance or renew its debt obligations maturing January 1, 2002 on commercially reasonable or any other terms.

If the Company were to be in default under the Amended Bank Credit Facility, and if the senior lenders under the Amended Bank Credit Facility elected to exercise their rights to accelerate the Company's obligations under the Amended Bank Credit Facility, such events could result in the

acceleration of all or a portion of the outstanding principal amount of the Company's senior notes or the Company's convertible subordinated notes, which would have a material adverse effect on the Company's liquidity and financial position. The Company does not have sufficient working capital to satisfy its debt obligations in the event of an acceleration of all or a substantial portion of the Company's outstanding indebtedness.

Changes to the $40 Million Convertible Subordinated Notes. During the first and second quarters of 2000, certain existing or potential events of default arose under the provisions of the note purchase agreement relating to the $40.0 Million Convertible Subordinated Notes as a result of the Company's financial condition and a "change of control" arising from the Company's execution of certain securities purchase agreements with respect to the proposed restructuring. This "change of control" gave rise to the right of the holders of such notes, MDP Ventures IV LLC ("MDP"), to require the Company to repurchase the notes at a price of 105% of the aggregate principal amount of such notes within 45 days after the provision of written notice by such holders to the Company. In addition, the Company's defaults under the provisions of the note purchase agreement gave rise to the right of the holders of such notes to require the Company to pay an applicable default rate of interest of 20.0%. In addition to the default rate of interest, as a result of the events of default, the Company was obligated, under the original terms of the $40.0 Million Convertible Subordinated Notes, to pay the holders of the notes contingent interest sufficient to permit the holders to receive a 15.0% rate of return, excluding the effect of the default rate of interest, on the $40.0 million principal amount, unless the holders of the notes elect to convert the notes into the Company's common stock under the terms of the note purchase agreement. Such contingent interest was retroactive to the date of issuance of the notes.

In order to address the events of default discussed above, on June 30, 2000, the Company and MDP executed a waiver and amendment to the provisions of the note purchase agreement governing the notes. This waiver and amendment provided for a waiver of all existing events of default under the provisions of the note purchase agreement. In addition, the waiver and amendment to the note purchase agreement amended the economic terms of the notes to increase the applicable interest rate of the notes by 0.5% per annum from 9.5% to 10.0%, and adjusted the conversion price of the notes to a price equal to 125% of the average high and low sales price of the Company's common stock on the NYSE for a period of 20 trading days immediately following the earlier of (i) October 31, 2000 or (ii) the closing date of the Operating Company Merger. In addition, the waiver and amendment to the note purchase agreement provided for the replacement of financial ratios applicable to the Company. The conversion price for the notes has been established at $1.19, subject to adjustment in the future upon the occurrence of certain events, including the payment of dividends and the issuance of stock at below market prices by the Company. Under the terms of the waiver and amendment, the distribution of the Company's Series B Preferred Stock during the fourth quarter of 2000 did not cause an adjustment to the conversion price of the notes. In addition, the Company does not believe that the distribution of shares of the Company's common stock in connection with the settlement of all outstanding stockholder litigation against the Company, as described below, will cause an adjustment to the conversion price of the notes. MDP, however, has indicated its belief that such an adjustment is required. The Company and MDP are currently in discussions concerning this matter. At an adjusted conversion price of $1.19, the $40.0 Million Convertible Subordinated Notes are convertible into approximately 33.6 million shares of the Company's common stock.

In connection with the waiver and amendment to the note purchase agreement, the Company issued additional convertible subordinated notes containing substantially similar terms in the aggregate

principal amount of $1.1 million, which amount represented all interest owed at the default rate of interest through June 30, 2000. These additional notes are currently convertible, at an adjusted conversion price of $1.19, into an additional 0.9 million shares of the Company's common stock. After giving consideration to the issuance of these additional notes, the Company has made all required interest payments under the $40.0 Million Convertible Subordinated Notes.

The terms of a registration rights agreement with holders of the $40.0 Million Convertible Subordinated Notes also require the Company to use its best efforts to register the shares of the Company's common stock into which the notes are convertible. Management intends to take the necessary actions to achieve compliance with this covenant.

The waiver obtained from the lenders under the Amended Bank Credit Facility with respect to the financial reporting requirement previously discussed, also cured the resulting cross-default under the $40.0 Million Convertible Subordinated Notes.

The Company currently believes it is in compliance with all covenants under the provisions of the $40.0 Million Convertible Subordinated Notes, as amended. There can no assurance, however, that the Company will be able to remain in compliance with all covenants under the provisions of the $40.0 Million Convertible Subordinated Notes.

Changes to the $30 Million Convertible Subordinated Notes. Certain existing or potential events of default arose under the provisions of the note purchase agreement relating to the Company's $30.0 Million Convertible Subordinated Notes as a result of the Company's financial condition and as a result of the Restructuring. However, on June 30, 2000, the Company and PMI Mezzanine Fund, L.P. ("PMI"), the holder of the notes, executed a waiver and amendment to the provisions of the note purchase agreement governing the notes. This waiver and amendment provided for a waiver of all existing events of default under the revisions of the note purchase agreement. In addition, the waiver and amendment to the note purchase agreement amended the economic terms of the notes to increase the applicable interest rate of the notes by 0.5% per annum, from 7.5% to 8.0%, and adjusted the conversion price of the notes to a price equal to 125% of the average closing price of the Company's common stock on the NYSE for a period of 30 trading days immediately following the earlier of (i) October 31, 2000 or (ii) the closing date of the Operating Company Merger. In addition, the waiver and amendment to the note purchase agreement provided for the replacement of financial ratios applicable to the Company.

The conversion price for the notes has been established at $1.07, subject to adjustment in the future upon the occurrence of certain events, including the payment of dividends and the issuance of stock at below market prices by the Company. Under the terms of the waiver and amendment, the distribution of the Company's Series B Preferred Stock during the fourth quarter of 2000 did not cause an adjustment to the conversion price of the notes. However, the distribution of shares of the Company's common stock in connection with the settlement of all outstanding stockholder litigation against the Company, as described below, will cause an adjustment to the conversion price of the notes in an amount to be determined at the time shares of the Company's common stock are distributed pursuant to the settlement. However, the ultimate adjustment to the conversion ratio will depend on the number of shares of the Company's common stock outstanding on the date of issuance of the shares pursuant to the stockholder litigation settlement. In addition, if, as currently contemplated, all of the shares are not issued simultaneously, multiple adjustments to the conversion ratio will be required. At an adjusted conversion price of $1.07, the $30.0 Million Convertible

Subordinated Notes are convertible into approximately 28.0 million shares of the Company's common stock.

At December 31, 2000, the Company was in default under the note purchase agreement governing the $30.0 Million Convertible Subordinated Notes. The default related to the Company's failure to comply with the total leverage ratio financial covenant. However, in March 2001, the Company and PMI executed a waiver and amendment to the provisions of the note purchase agreement governing the notes. This waiver and amendment provided for a waiver of all existing events of default under the provisions of the note purchase agreement and amended the financial covenants applicable to the Company.

The Company has made all required interest payments under the $30.0 Million Convertible Subordinated Notes. The Company currently believes it is in compliance with all covenants under the provisions of the $30.0 Million Convertible Subordinated Notes. There can be no assurance, however, that the Company will be able to remain in compliance with all of the covenants under the provisions of the $30.0 Million Convertible Subordinated Notes.

The provisions of the Company's debt agreements related to the Amended Bank Credit Facility, the $40.0 Million Convertible Subordinated Notes, the $30.0 Million Convertible Subordinated Notes and the Senior Notes contain certain cross-default provisions. Any events of default under the Amended Bank Credit Facility also result in an event of default under the Company's $40.0 Million Convertible Subordinated Notes. Any events of default under the Amended Bank Credit Facility that results in the lenders' acceleration of amounts outstanding thereunder also result in an event of default under the Company's $30.0 Million Convertible Subordinated Notes and the Senior Notes. Additionally, any events of default under the $40.0 Million Convertible Subordinated Notes, the $30.0 Million Convertible Subordinated Notes and the Senior Notes also result in an event of default under the Amended Bank Credit Facility.

If the Company were to be in default under the Amended Bank Credit Facility, and if the lenders under the Amended Bank Credit Facility elected to exercise their rights to accelerate the Company's obligations under the Amended Bank Credit Facility, such events could result in the acceleration of all or a portion of the Company's $40.0 Million Convertible Subordinated Notes, the $30.0 Million Convertible Subordinated Notes and the Senior Notes which would have a material adverse effect on the Company's liquidity and financial position. Additionally, under the Company's $40.0 Million Convertible Subordinated Notes, even if the lenders under the Amended Bank Credit Facility did not exercise their acceleration rights, the holders of the $40.0 Million Convertible Subordinated Notes could require the Company to repurchase such notes. The Company does not have sufficient working capital to satisfy its debt obligations in the event of an acceleration of all or a substantial portion of the Company's outstanding indebtedness.

Assumption of the Operating Company Revolving Credit Facility. On April 27, 2000, Operating Company obtained a waiver of events of default under its $100.0 million revolving credit facility with a group of lenders led by Foothill Capital Corporation ("Foothill Capital") relating to: (i) the amendment of certain contractual arrangements between the Company and Operating Company; (ii) Operating Company's violation of a net worth covenant contained in the revolving credit facility; and (iii) the execution of the Agreement and Plan of Merger with respect to the Operating Company Merger. On June 30, 2000, the terms of the initial waiver were amended to provide that the waiver

would remain in effect, subject to certain other events of termination, until the earlier of (i) September 15, 2000 or (ii) the completion of the Operating Company Merger.

On September 15, 2000, Operating Company terminated its revolving credit facility with Foothill Capital and simultaneously entered into a new $50.0 million revolving credit facility with Lehman (the "Operating Company Revolving Credit Facility"). This facility, which bears interest at an applicable prime rate, plus 2.25%, is secured by the accounts receivable and all other assets of Operating Company. This facility, which matures on December 31, 2002, was assumed by a wholly-owned subsidiary of the Company in connection with the Operating Company Merger on October 1, 2000.

EQUITY STRUCTURE

Common Stock. In connection with the Restructuring and related transactions, the Company engaged in a series of transactions which resulted in the issuance by the Company of additional shares of common stock and securities convertible into shares of common stock.

- On October 1, 2000, the Company issued approximately 18.8 million shares of its common stock in connection with the Operating Company Merger, including 11.3 million shares to Baron and Sodexho, the holders of approximately 34% of the outstanding common stock of Operating Company. In addition, the Company issued warrants to Baron to purchase approximately 1.4 million shares of the Company's common stock at an exercise price of $0.01 per share and warrants to purchase approximately 0.7 million shares of the Company's common stock at an exercise price of $1.41 per share in consideration for Baron's consent to the Operating Company Merger. Further, the Company assumed the obligation to issue up to approximately 0.8 million shares of its common stock, at a per share price of $3.33, pursuant to the exercise of warrants to purchase common stock previously issued by Operating Company.

- On December 1, 2000, the Company issued approximately 2.9 million shares of its common stock to the wardens of the facilities operated by the Service Companies in connection with the acquisitions of PMSI and JJFMSI.

- During October and December 2000, the Company issued approximately 95.1 million shares of common stock pursuant to the conversion of the Company's Series B Preferred Stock into shares of common stock, as further discussed below.

- In February 2001, the Company received court approval, which became final in March 2001, of the revised terms of the definitive settlement agreements regarding the "global" settlement of all outstanding stockholder litigation against the Company and certain of its existing and former directors and executive officers. Pursuant to the terms of the settlement, the Company will issue to the plaintiffs:

    - an aggregate of 46.9 million shares of common stock; and

    - a subordinated promissory note in the aggregate principal amount of $29.0 million.

  The promissory note will be due January 2, 2009, and will accrue interest at a rate of 8.0% per annum. Pursuant to the terms of the settlement, the note and accrued interest may be extinguished if the Company's common stock meets or exceeds a "termination price" equal

to $1.63 per share for fifteen consecutive trading days prior to the maturity date of the note. Additionally, to the extent the Company's common stock price does not meet the termination price, the note will be reduced by the amount that the shares of common stock issued to the plaintiffs appreciate in value over $0.49 per common share, based on the average trading price of the common stock prior to the maturity of the note.

- On December 13, 2000, the Company's stockholders approved a reverse stock split of the Company's common stock at a ratio to be determined by the board of directors of not less than one-for-ten and not to exceed one-for-twenty. The reverse stock split is expected to encourage greater interest in the Company's common stock by the financial community and the investing public, and is expected to satisfy a condition of continued listing of the common stock on the NYSE. The Company currently expects to complete the reverse stock split during the second quarter of 2001.

Preferred Stock. In connection with the June 2000 Waiver and Amendment, the Company is prohibited from declaring or paying any dividends with respect to the Company's currently outstanding Series A Preferred Stock until such time as the Company has raised at least $100 million in equity. Dividends with respect to the Series A Preferred Stock will continue to accrue under the terms of the Company's charter until such time as payment of such dividends is permitted under the terms of the Amended Bank Credit Facility. Under the terms of the Company's charter, in the event dividends are unpaid and in arrears for six or more quarterly periods, the holders of the Series A Preferred Stock will have the right to vote for the election of two additional directors to the Company's board of directors. No assurance can be given as to if and when the Company will commence the payment of cash dividends on its shares of Series A Preferred Stock.

In order to satisfy the REIT distribution requirements with respect to its 1999 taxable year, the Company issued approximately 7.5 million shares of a newly created Series B Preferred Stock to shareholders of the Company's common stock, as a stock dividend. The Series B Preferred Stock was distributed to common stockholders of record on September 14, 2000, in the amount of five shares of Series B Preferred Stock for every 100 shares of common stock held by the stockholder. The Series B Preferred Stock was convertible into shares of common stock during two separate conversion periods during the fourth quarter of 2000, the last of which expired on December 20, 2000, at a conversion price based on the average closing price of the Company's common stock on the NYSE during the 10 trading days prior to the first day of each applicable conversion period, subject to a floor of $1.00. During the two conversion periods, approximately 4.2 million shares of Series B Preferred Stock were converted into approximately 95.1 million shares of common stock. The shares of Series B Preferred Stock currently outstanding, as well as any additional shares issued as dividends, are not and will not be convertible into shares of the Company's common stock.

The shares of Series B Preferred Stock issued by the Company provide for cumulative dividends payable at a rate 12% per year of the stock's stated value of $24.46. The dividends are payable quarterly in arrears, in additional shares of Series B Preferred Stock through the third quarter of 2003, and in cash thereafter.

On December 13, 2000, the Company's board of directors declared a paid-in-kind dividend on the shares of Series B Preferred Stock for the period from September 22, 2000 (the original date of issuance) through December 31, 2000, payable on January 2, 2001, to the holders of record of the Company's Series B Preferred Stock on December 22, 2000. As a result of the board's declaration, the holders of the Company's Series B Preferred Stock were entitled to receive approximately 3.3

shares of Series B Preferred Stock for every 100 shares of Series B Preferred Stock held by them on the record date. The number of shares to be issued as the dividend was based on a dividend rate of 12% per annum of the stock's stated value ($24.46 per share). Approximately 0.1 million shares of Series B Preferred Stock were issued on January 2, 2001 as a result of this dividend.

On March 9, 2001, the Company's board of directors declared a paid-in-kind dividend on the shares of Series B Preferred Stock for the first quarter of 2001, payable on April 2, 2001 the holders of record of the Company's Series B Preferred Stock on March 19, 2001. As a result of this declaration, the holders of the Company's Series B Preferred Stock are entitled to receive 3.0 shares of Series B Preferred Stock for every 100 shares of Series B Preferred Stock held by them on the record date. The number of shares to be issued as the dividend is based on a dividend rate of 12.0% per annum of the stock's stated value ($24.46). Approximately 0.1 million shares of Series B Preferred Stock were issued on April 2, 2001 as a result of this dividend.

CAPITAL STRATEGY

As a result of the Company's current financial condition, including: (i) the revolving loans under the Amended and Restated Credit Agreement maturing January 1, 2002; (ii) the requirement under the November 2000 Consent and Amendment to use commercially reasonable efforts to complete any combination of certain transactions, as defined therein, which together result in net cash proceeds of at least $100.0 million; and (iii) the Company's highly leveraged capital structure, the Company's management is evaluating the Company's current capital structure, including the consideration of various potential transactions that could improve the Company's financial position.

As of December 31, 2000, the Company was holding for sale numerous assets, including fifteen parcels of land, three correctional facilities leased to governmental agencies, one correctional facility leased to a private operator and investments in two direct financing leases, with an aggregate book value of $163.5 million. The Company may also elect to sell additional assets. The Company expects to use the net proceeds from such sales to repay outstanding indebtedness. The Company's management believes that utilizing sales proceeds to pay down debt will improve the Company's leverage ratios and overall financial position, improving its ability to refinance or renew maturing indebtedness, including primarily the Company's revolving loans under the Amended and Restated Credit Agreement maturing January 1, 2002, on more favorable terms. In November and December 2000, the Company completed the sale of its 50% interest in two international subsidiaries for an aggregate sales price of approximately $6.4 million. In March 2001, the Company sold a facility located in North Carolina for a sales price of approximately $25 million. The net proceeds were used to pay-down the Amended Bank Credit Facility. In April 2001, the Company sold its interest in its Agecroft facility located in Salford, England, for approximately $65.7 million through the sale of all of the issued and outstanding capital stock of Agecroft Properties, Inc., a wholly-owned subsidiary of the Company. The net proceeds were used to pay-down the Amended Bank Credit Facility. There can be no assurance that the Company will sell any additional assets, or that, if the Company does sell any additional assets, that the proceeds ultimately received will achieve expected levels. Further, even if the Company is successful in selling assets at expected levels, there can be no assurance that it will be able to refinance or renew its debt obligations when they come due on reasonable or any other terms.

The Company believes it will be able to demonstrate commercially reasonable efforts regarding the $100.0 million capital raising event on or before June 30, 2001, primarily by attempting to sell

certain assets, as discussed above. The Company is currently evaluating and would also consider a distribution of rights to purchase common or preferred stock to the Company's existing stockholders, or an equity investment in the Company from an outside investor. No assurance can be given that, even if the Company is successful in selling assets, that it will be able to refinance or renew its debt obligations maturing January 1, 2002 on commercially reasonable or any other terms.

FINANCIAL INFORMATION ABOUT INDUSTRY SEGMENTS

The Company is currently engaged primarily in the business of owning, operating and managing correctional and detention facilities, as well as providing prisoner transportation services for government agencies. A portion of the Company's facilities are leased to both private prison managers and government agencies. The Company assesses and measures operating results on an individual facility basis for each of its facilities without differentiation, based on each facilities' contribution to EBITDA. Since each of the facilities exhibit similar economic characteristics and offer similar degrees of risk and opportunities for growth, the facilities have been aggregated and reported as one operating segment. The Company's prisoner transportation subsidiary exhibits different economic characteristics compared with the economic characteristics of the facilities. However, since the financial results of this subsidiary do not exceed the materiality thresholds under Statement of Financial Accounting Standards No. 131, "Disclosures About Segments of an Enterprise and Related Information," the financial results are not separately reported. The financial statements and supplementary data required by Regulation S-X are included in this report on Form 10-K commencing on page F-1.

NARRATIVE DESCRIPTION OF BUSINESS

BUSINESS OBJECTIVES AND STRATEGIES

General. The Company specializes in owning, operating and managing prisons and other correctional facilities and providing prisoner transportation services for governmental agencies. In addition to providing the fundamental residential services relating to inmates, each of the Company's facilities offers a large variety of rehabilitation and educational programs, including basic education, life skills and employment training and substance abuse treatment. The Company also provides health care (including medical, dental and psychiatric services), institutional food services and work and recreational programs.

Business Objectives. Management believes the Restructuring enables the Company to streamline the corporate structure and operational support to all its facilities, emphasizing quality assurance and exceeding customers' expectations while continuing to maintain safe and secure facilities. The Company's primary business objectives are to provide quality corrections services, increase revenue and control operating costs, while maintaining its position as the largest owner, operator and manager of privatized correctional and detention facilities. The Company expects to achieve these objectives by the following:

- Quality Corrections Services. The Company has reorganized its operations group to help ensure continued delivery of quality corrections services and more efficiently manage day-to-day operations and security. The revised organization also expands two divisions, quality assurance, and human resources. The Company's quality assurance division will provide oversight and establish checkpoints for examining the Company's performance; and then

human resources division will formalize the Company's commitment to employee recruitment and retention. Management has completed a systematic facility-by-facility review in order to establish projections and benchmarks for facility performance. The Company believes that a renewed focus on the day-to-day management of the facilities, quality assurance and its employees will ensure continued delivery of quality corrections services.

- Increasing Occupancy Rates. The Company's new business development group is focusing on renewing and enhancing contracts as well as obtaining new business. The new structure establishes a dedicated team whose primary focus is to increase facility occupancy rates and maximize opportunities to provide new services to our customers. During 2000, the Company was awarded a contract with the Federal Bureau of Prisons (the "BOP") to house approximately 3,316 federal detainees at the Company's California City, California and Milan, New Mexico facilities, the largest contract award in the Company's history. Total revenue over the life of these contracts is projected to approximate $760.0 million.

- Cost Reduction Efforts. An important component of the Company's strategy is to position itself as a cost effective, high quality provider of prison management services in all its markets. The Company will continue to focus on improving operating performance and efficiency through the following key operating initiatives: (i) standardization of supply and service purchasing practices and usage; (ii) improvement of inmate management, resource consumption and reporting procedures; and (iii) improvement in employee productivity.

- Expanded Scope of Services The Company intends to continue to implement a wide variety of specialized services that address the unique needs of various segments of the inmate population. Because the facilities operated by the Company differ with respect to security levels, ages, genders and cultures of inmates, the Company focuses on the particular needs of an inmate population and tailors its service based on local conditions and its ability to provide such services on a cost-effective basis.

Business Strategy. The Company believes that it is well positioned to take advantage of opportunities in the privatized corrections industry. The Company currently is able to benefit from every type of private sector/public sector partnership with respect to correctional and detention facilities, including: (i) facilities owned and managed by the Company; (ii) facilities owned by the Company and managed by other private operators; (iii) facilities owned by the Company and managed by government entities; and (iv) facilities owned by government entities and managed by the Company.

The Company's principal business strategies are to fill vacant beds currently in the Company's inventory and increase revenue by obtaining additional management contracts. Substantially all of the Company's income is expected to be derived from contracts with government entities for the provision of correctional and detention facility management and related services.

THE FACILITIES

The facilities managed by the Company can generally be classified according to the level(s) of security at such facility. Minimum security facilities are facilities having open housing within an appropriately designed and patrolled institutional perimeter. Medium security facilities are facilities having either cells, rooms or dormitories, a secure perimeter and some form of external patrol. Maximum security facilities are facilities having single occupancy cells, a secure perimeter and

external patrol. Multi-security facilities are facilities with various areas encompassing either minimum, medium or maximum security. Non-secure facilities are juvenile facilities having open housing that inhibit movement by their design. Secure facilities are juvenile facilities having cells, rooms, or dormitories, a secure perimeter and some form of external patrol.

The facilities owned, under development and/or managed by the Company can also be classified according to their primary function. The primary functional categories are:

- Correctional Facilities. Correctional facilities house and provide contractually agreed upon programs and services to sentenced adult prisoners or sentenced adult federal prisoners who are in the custody of the BOP, typically prisoners on whom a sentence in excess of one year has been imposed.

- Detention Facilities. Detention facilities house and provide contractually agreed upon programs and services to prisoners being detained by the U.S. Immigration and Naturalization Service (the "INS"), prisoners who are awaiting trial who have been charged with violations of federal criminal law who are in the custody of the U.S. Marshals Service (the "USMS") or state criminal law, and prisoners who have been convicted of crimes and on whom a sentence of one year or less has been imposed.

- Juvenile Facilities. Juvenile facilities house and provide contractually agreed upon programs and services to juveniles, typically defined by applicable federal or state law as being persons below the age of 18, who have been determined to be delinquents by a juvenile court and who have been committed for an indeterminate period of time but who typically remain confined for a period of six months or less.

- Leased Facilities. Leased facilities are facilities that are owned but not managed by the Company.

The following table sets forth all of the facilities owned and/or managed by the Company at December 31, 2000 and includes certain information regarding each facility, including the term of the primary management contract related to such facility, or, in the case of facilities owned by the Company but leased to another operator, the term of such lease.

FACILITY NAME	PRIMARY CUSTOMER	DESIGN CAPACITY (1)	SECURITY LEVEL	FACILITY TYPE (2)	TERM	RENEWAL OPTION
Central Arizona Detention Center Florence, Arizona	USMS	2,304	Multi	Detention	November 2001	(3) 1 year
Eloy Detention Center Eloy, Arizona	BOP, INS	1,500	Medium	Detention	February 2002	(7) 1 year
Florence Correctional Center Florence, Arizona	State of Hawaii	1,600	Medium	Correctional	June 2001	-
California Correctional Center California City, California	BOP	2,304	Medium	Correctional	September 2003	(7) 1 year
Leo Chesney Correctional Center (3) Live Oak, California	Cornell Corrections	240	Minimum	Leased	February 2002	(2) 5 year
San Diego Correctional Facility San Diego, California	INS	1,232	Minimum/ Medium	Detention	December 2001	(3) 1 year

FACILITY NAME	PRIMARY CUSTOMER	DESIGN CAPACITY (1)	SECURITY LEVEL	FACILITY TYPE (2)	TERM	RENEWAL OPTION
Bent County Correctional Facility Las Animas, Colorado	State of Colorado	700	Medium	Correctional	June 2001	(2) 1 -year
Huerfano County Correctional Center Walensburg, Colorado	State of Colorado	752	Medium	Correctional	June 2001	(2) 1 year
Kit Carson Correctional Center Burlington, Colorado	State of Colorado	768	Medium	Correctional	June 2001	(2) 1 year
Bay Correctional Facility Panama City, Florida	State of Florida	750	Medium	Correctional	June 2002	(2) 2 year
Bay County Jail and Annex Panama City, Florida	Bay County	677	Multi	Detention	September 2001	-
Citrus County Detention Facility Lecanto, Florida	Citrus County	400	Multi	Detention	September 2005	(1) 5 year
Gadsden Correctional Institution Quincy, Florida	State of Florida	896	Minimum/ Medium	Correctional	June 2001	(2) 2 year
Hernando County Jail Brooksville, Florida	Hernando County	302	Multi	Detention	October 2010	-
Lake City Correctional Facility Lake City, Florida	State of Florida	350	Secure	Correctional	June 2001	-
Okeechobee Juvenile Offender Correctional Center Okeechobee, Florida	State of Florida	96	Secure	Juvenile	December 2002	-
Coffee Correctional Facility Nicholls, Georgia	State of Georgia	1,524	Medium	Correctional	June 2001	(17)1 year
Wheeler Correctional Facility Alamo, Georgia	State of Georgia	1,524	Medium	Correctional	June 2001	(17)1 year
Idaho Correctional Center Boise, Idaho	State of Idaho	1,250	Minimum/ Medium	Correctional	June 2003	-
Marion County Jail Indianapolis, Indiana	Marion County, Indiana	670	Multi	Detention	November 2005	-
Southwest Indiana Regional Youth Village Vincennes, Indiana	SWIRYV	196	Non-secure/Secure	Juvenile	July 2004	-
Leavenworth Detention Center Leavenworth, Kansas	USMS	483	Maximum	Detention	December 2001	(2) 1 year
Lee Adjustment Center Beattyville, Kentucky	State of Kentucky	756	Minimum/ Medium	Correctional	May 2001	(4) 2 year
Marion Adjustment Center St. Mary, Kentucky	State of Kentucky	856	Minimum	Correctional	December 2001	(1) 2 year
Otter Creek Correctional Center Wheelwright, Kentucky	State of Indiana	656	Minimum/ Medium	Correctional	February 2004	-

FACILITY NAME	PRIMARY CUSTOMER	DESIGN CAPACITY (1)	SECURITY LEVEL	FACILITY TYPE (2)	TERM	RENEWAL OPTION
Winn Correctional Center Winnfield, Louisiana	State of Louisiana	1,538	Medium/ Maximum	Correctional	March 2003	-
Prairie Correctional Facility Appleton, Minnesota	State of Wisconsin	1,338	Medium	Correctional	December 2001	-
Delta Correctional Facility Greenwood, Mississippi	State of Mississippi	1,016	Minimum/ Medium	Correctional	September 2001	-
Tallahatchie County Correctional Facility Tutweiler, Mississippi	State of Wisconsin	1,104	Medium	Correctional	December 2001	-
Wilkinson County Correctional Facility Woodville, Mississippi	State of Mississippi	900	Medium	Correctional	December 2001	(1) 2 year
Crossroads Correctional Center Shelby, Montana	State of Montana	512	Multi	Correctional	August 2003	(8) 2 year
Southern Nevada Women's Correctional Center (4) Las Vegas, Nevada	State of Nevada	500	Multi	Correctional	June 2015	-
Elizabeth Detention Center Elizabeth, New Jersey	INS	300	Minimum	Detention	January 2002	(3) 1 year
Cibola County Corrections Center Milan, New Mexico	BOP	1,072	Multi	Correctional	October 2003	(7) 1 year
New Mexico Women's Correctional Facility Grants, New Mexico	State of New Mexico	596	Multi	Correctional	June 2001	(4) 1 year
Torrance County Detention Facility Estancia, New Mexico	District of Columbia	910	Multi	Detention	September 2001	1 year
Mountain View Correctional Facility (3) (5) Spruce Pine, North Carolina	State of North Carolina	528	Medium	Leased	November 2008	See Note 5
Pamlico Correctional Facility (3) Bayboro, North Carolina	State of North Carolina	528	Medium	Leased	September 2008	(2) 10 year
Northeast Ohio Correctional Center Youngstown, Ohio	District of Columbia	2,016	Medium	Correctional	September 2001	1 year
Queensgate Correctional Facility (3) Cincinnati, Ohio	Hamilton County, Ohio	850	Medium	Leased	February 2003	(3) 1 year
Cimarron Correctional Facility Cushing, Oklahoma	State of Oklahoma	960	Medium	Correctional	June 2002	(3) 1 year
David L. Moss Criminal Justice Center Tulsa, Oklahoma	Tulsa County, Oklahoma	1,440	Multi	Detention	August 2002	(2) 1 year
Davis Correctional Facility Holdenville, Oklahoma	State of Oklahoma	960	Medium	Correctional	June 2002	(1) 2 year
Diamondback Correctional Facility Watonga, Oklahoma	State of Hawaii	2,160	Medium	Correctional	June 2001	-

FACILITY NAME	PRIMARY CUSTOMER	DESIGN CAPACITY (1)	SECURITY LEVEL	FACILITY TYPE (2)	TERM	RENEWAL OPTION
North Fork Correctional Facility Sayre, Oklahoma	State of Wisconsin	1,440	Medium	Correctional	December 2001	(2) 1 year
Guayama Correctional Center Guayama, Puerto Rico	Commonwealth of Puerto Rico	1,000	Medium	Correctional	December 2001	-
Ponce Adult Correctional Center Ponce, Puerto Rico	Commonwealth of Puerto Rico	1,000	Medium	Correctional	February 2002	(1) 5 year
Ponce-Jovenes y Adultos Ponce, Puerto Rico	Commonwealth of Puerto Rico	500	Multi	Correctional	February 2002	(1) 5 year
Silverdale Facilities Chattanooga, Tennessee	Hamilton County	576	Multi	Juvenile	September 2004	(3) 4 year
South Central Correctional Center Clifton, Tennessee	State of Tennessee	1,506	Medium	Correctional	February 2002	-
West Tennessee Detention Facility Mason, Tennessee	State of Wisconsin	600	Multi	Correctional	December 2001	-
Shelby Training Center Memphis, Tennessee	Shelby County, Tennessee	200	Secure	Juvenile	April 2015	-
Tall Trees Memphis, Tennessee	State of Tennessee	63	Non-secure	Juvenile	June 2001	-
Metro-Davidson County Detention Facility Nashville, Tennessee	Davidson County, Tennessee	1,092	Multi	Detention	May 2002	-
Whiteville Correctional Facility Whiteville, Tennessee	State of Wisconsin	1,536	Medium	Correctional	December 2001	(2) 1 year
Hardeman County Correctional Facility Whiteville, Tennessee	State of Tennessee	2,016	Medium	Correctional	June 2002	(6) 3 year
Bartlett State Jail Bartlett, Texas	State of Texas	962	Minimum/ Medium	Correctional	August 2003	-
Bridgeport Pre-Parole Transfer Facility Bridgeport, Texas	State of Texas	200	Medium	Correctional	August 2001	-
Brownfield Intermediate Sanction Facility Brownfield, Texas	State of Texas	200	Minimum/ Medium	Correctional	August 2001	-
Community Education Partners (6) Dallas, Texas	Community Education Partners	-	Non-secure	Leased	August 2008	(3) 5 year
Eden Detention Center Eden, Texas	BOP, INS	1,225	Minimum	Correctional	Indefinite	-
Community Education Partners (6) Houston, Texas	Community Education Partners	-	Non-secure	Leased	June 2008	(3) 5 year
Houston Processing Center Houston, Texas	INS	411	Medium	Detention	July 2001	-

FACILITY NAME	PRIMARY CUSTOMER	DESIGN CAPACITY (1)	SECURITY LEVEL	FACILITY TYPE (2)	TERM	RENEWAL OPTION
Laredo Processing Center Laredo, Texas	INS	258	Minimum/ Medium	Detention	September 2002	(3) 1 year
Webb County Detention Center Laredo, Texas	USMS	480	Medium	Detention	February 2001	(2) 1 year
Liberty County Jail/Juvenile Center Liberty, Texas	Liberty County, Texas	380	Multi	Detention	November 2001	(1) 2 year
Mineral Wells Pre-Parole Transfer Facility Mineral Wells, Texas	State of Texas	2,103	Minimum	Correctional	August 2001	-
T. Don Hutto Correctional Center Taylor, Texas	State of Texas	480	Medium	Correctional	January 2003	2 year
Sanders Estes Unit Venus, Texas	State of Texas	1,000	Minimum/ Medium	Correctional	August 2001	(1) 2 year
Lawrenceville Correctional Center Lawrenceville, Virginia	Commonwealth of Virginia	1,500	Medium	Correctional	March 2003	-
D.C. Correctional Treatment Facility (3) Washington D.C.	District of Columbia	866	Medium	Correctional	March 2017	-
HMP Forrest Bank (Agecroft) (3) (7) Salford, England	U.K. Detention Services Limited	800	Medium	Correctional	January 2025	-

- ---

(1) Design capacity measures the number of beds, and accordingly, the number of inmates each facility is designed to accommodate. Management believes design capacity is an appropriate measure for evaluating prison operations, because the revenue generated by each facility is based on a per diem or monthly rate per inmate housed at the facility paid by the corresponding contracting government entity. The ability of the Company or another private operator to satisfy its financial obligations under its leases with the Company is based in part on the revenue generated by the facilities, which in turn depends on the design capacity of each facility.

(2) The Company manages numerous facilities that have more than a single function (i.e., housing both long-term sentenced adult prisoners and pre-trial detainees). The primary functional categories into which facility types are identified was determined by the relative size of prisoner populations in a particular facility on December 31, 2000. If, for example, a 1,000-bed facility housed 900 adult prisoners with sentences in excess of one year and 100 pre-trial detainees, the primary functional category to which it would be assigned would be that of correction facilities and not detention facilities. It should be understood that the primary functional category to which multi-user facilities are assigned may change from time to time.

(3) This facility is held for sale as of December 31, 2000.

(4) The State of Nevada has contracted with the Company to manage and operate the facility.

(5) The facility was sold on March 16, 2001.

(6) This alternative educational facility is currently configured to accommodate 900 at-risk juveniles and may be expanded to accommodate a total of 1,400 at-risk juveniles. The Company believes that design capacity does not generally apply to educational facilities, and therefore, the aggregate design capacity of the Company's facilities referred to in this Annual Report does not include the total number of at-risk juveniles which can be accommodated at this facility.

(7) The Company sold its interest in this facility on April 10, 2001.

Facility Management Contracts

The Company is compensated on the basis of the number of inmates held in each of its facilities. Contracts may vary to provide fixed per diem rates or monthly fixed rates. Of the 65 domestic facilities in operation and managed by the Company, 64 of the facility management contracts provide that the Company will be compensated at an inmate per diem rate based upon actual or minimum guaranteed occupancy levels, with one management contract based on a monthly fixed

rate. Occupancy rates for a particular facility are typically low when first opened or when expansions are first available. However, beyond the start-up period, which typically ranges from 90 to 180 days, the occupancy rate tends to stabilize. For 2000, the average occupancy, based on rated capacity, was 84.8% for all facilities operated by the Company, Operating Company, PMSI and JJFMSI on a combined basis for the twelve months ended December 31, 2000. The occupancy rate at December 31, 2000 was 86.5%.

The Company's contracts generally require the Company to operate each facility in accordance with all applicable laws and regulations. The Company is required by its contracts to maintain certain levels of insurance coverage for general liability, workers' compensation, vehicle liability and property loss or damage. The Company is also required to indemnify the contracting agencies for claims and costs arising out of the Company's operations and, in certain cases, to maintain performance bonds.

The Company's facility contracts are short term in nature. Terms of federal contracts generally range from one to five years, and contain multiple renewal options. The terms of local and state contracts may be for longer periods with additional renewal options. Most facility contracts also contain clauses which allow the government agency to terminate a contract without cause. The Company's facility contracts are generally subject to annual or bi-annual legislative appropriation of funds. A failure by a governmental agency to receive appropriations could result in termination of the contract by such agency or a reduction in the management fee payable to the Company. During 2000, the Company renewed approximately 95% of the contracts scheduled for renewal during the year. No assurance can be given that government agencies will not terminate or renew a contract with the Company in the future.

Operating Procedures

Pursuant to the terms of its management contracts, the Company is responsible for the overall operation of its facilities, including staff recruitment, general administration of the facilities, facility maintenance, security and supervision of the offenders. The Company also provides a variety of rehabilitative and educational programs at its facilities. Inmates at most facilities managed by the Company may receive basic education through academic programs designed to improve inmate literacy levels and the opportunity to acquire General Education Development ("GED") certificates. The Company also offers vocational training to inmates who lack marketable job skills. In addition, the Company offers life skills transition planning programs that provide inmates job search skills, health education, financial responsibility training, parenting and other skills associated with becoming productive citizens. At several of its facilities, the Company also offers counseling, education and/or treatment to inmates with alcohol and drug abuse problems through its LifeLine program.

The Company operates each facility in accordance with Company-wide policies and procedures and the standards and guidelines established by the American Correctional Association ("ACA") Commission on Accreditation. The ACA is an independent organization comprised of professionals in the corrections industry that establish guidelines of standards by which a correctional institution may gain accreditation. The ACA standards, which the ACA believes safeguard the life, health and safety of offenders and personnel, are the basis of the accreditation process and define policies and procedures for operating programs. The ACA standards, which are the industry's most widely accepted correctional standards, describe specific objectives to be accomplished and cover such

areas as administration, personnel and staff training, security, medical and health care, food services, inmate supervision and physical plant requirements. The Company has sought and received ACA accreditation for 46 of the facilities it currently manages with an average rating of 99.3% in 2000 and intends to apply for ACA accreditation for all of its facilities once they become eligible. The accreditation process is usually completed 18 to 24 months after a facility is opened.

The Company devotes considerable resources to assuring compliance with contractual and other requirements and to maintaining the highest level of quality assurance at each facility through a system of formal reporting, corporate oversight, site reviews and inspection by on-site facility administrators.

Under its management contracts, the Company usually provides the contracting government agency with the services, personnel and material necessary for the operation, maintenance and security of the facility and the custody of inmates. The Company offers full logistical support to the facilities it manages, including security, health care services, transportation, building and ground maintenance, education, treatment and counseling services and institutional food services. Except for certain aspects of food and medical services, which are generally subcontracted, all of the facilities' support services are provided by the Company's personnel.

The operations department, in conjunction with the legal department, supervises compliance of each facility with operational standards contained in the various management contracts as well as those of professional and government agencies. The responsibilities include developing specific policies and procedures manuals, monitoring all management contracts, ensuring compliance with applicable labor and affirmative action standards, training and administration of personnel, purchasing supplies and developing educational, vocational, counseling and life skills inmate programs. The Company provides meals for inmates at the facilities it operates in accordance with regulatory, client and nutritional requirements. These catering responsibilities include hiring and training staff, monitoring food operations, purchasing food and supplies, and maintaining equipment, as well as adhering to all applicable safety and nutritional standards and codes.

Facility, Design, Construction and Finance

In addition to its facility management services, the Company also provides consultation to various government agencies with respect to the design and construction of new correctional and detention facilities and the redesign and renovation of older facilities. However, the Company's business objectives currently do not focus on the design and construction of new correctional and detention facilities. Since its inception the Company has designed and constructed 41 of its 44 domestic operating corrections facilities for various federal, state and local government agencies.

Pursuant to the Company's design, build and manage contracts, the Company is responsible for overall project development and completion. Typically, the Company develops the conceptual design for a project, then hires architects, engineers and construction companies to complete the development. When designing a particular facility, the Company utilizes, with appropriate modifications, prototype designs the Company has used in developing other projects. Management of the Company believes that the use of such prototype designs allows it to reduce cost overruns and construction delays. The Company's facilities are designed to maximize staffing efficiencies by increasing the area of vision under surveillance by correctional officers and utilizing additional electronic surveillance systems.

Historically, government entities have used various methods of construction financing to develop new correctional facilities, including, but not limited to the following: (i) one-time general revenue appropriation by the government agency for the cost of the new facility; (ii) general obligation bonds that are secured by either a limited or unlimited tax levied by the issuing government entity; or (iii) lease revenue bonds or certificates of participation secured by an annual lease payment that is subject to annual or bi-annual legislative appropriation of funds. In certain circumstances, the Company has provided certain credit enhancements for such financings in the form of a (i) letter of credit; (ii) guaranty or (iii) other similar agreements. Generally, when the project is financed using direct government appropriations or proceeds from the sale of bonds or other obligations issued prior to the award of the project, or by the Company directly, the financing is in place when the construction or renovation contract is executed. If the project is financed using project-specified tax-exempt bonds or other obligations, the construction contract is generally subject to the sale of such bonds or obligations. In most circumstances, substantial expenditures for construction will not be made on such a project until the tax-exempt bonds or other obligations are sold. If such bonds or obligations are not sold, construction and management of the facility may either be delayed until alternate financing is procured or development of the project will be entirely suspended. When the Company is awarded a facility managed contract, appropriations for the first annual or bi-annual period of the contract's term have generally already been approved, and the contract is subject to government appropriations for subsequent annual or bi-annual periods.

Business Development

The Company believes that it is an industry leader in promoting the benefits of privatization of prisons and other correctional and detention facilities. As of December 31, 2000, the Company controlled approximately 52% of all beds under contract with private operators of correctional and detention facilities in the United States. Marketing efforts are conducted and coordinated by the Company's business development department and senior management with the aid, where appropriate, of certain independent consultants.

Under the direction of the Company's business development department and senior management, the Company markets its services to government agencies responsible for federal, state and local correctional facilities in the United States. Recently, the industry has experienced greater opportunities at the federal level, as needs are increasing within the BOP, the USMS and the INS. These contracts generally offer longer, more favorable contract terms. For example, many federal contracts contain "take-or-pay" clauses which guarantee the Company a certain percentage of management revenue, regardless of occupancy levels.

The various avenues for developing business include: (i) maintaining existing customer relationships and continuing to fill existing beds within the Company's facilities; (ii) enhancing the terms of existing contracts; and (iii) establishing relationships with new customers who have either previously not outsourced their corrections management needs or have utilized other private enterprises.

The Company generally receives inquiries from or on behalf of government agencies that are considering privatization of certain facilities or that have already decided to contract with private enterprise. When it receives such an inquiry, the Company determines whether there is an existing need for the Company's services and whether the legal and political climate in which the inquiring party operates is conducive to serious consideration of privatization. Based on the findings, an initial cost analysis is conducted to further determine project feasibility.

The Company pursues its business opportunities primarily through Request for Proposals ("RFP") or Request for Qualifications ("RFQ"). RFPs and RFQs are issued by government agencies and are solicited for bid.

Generally, government agencies responsible for correctional and detention services procure goods and services through RFPs and RFQs. Most of the Company's activities in the area of securing new business are in the form of responding to RFPs. As part of the Company's process of responding to RFPs, management meets with appropriate personnel from the agency making the request to best determine the agency's needs. If the project fits within the Company's strategy, the Company submits a written response to the RFP. A typical RFP requires bidders to provide detailed information, including, but not limited to, the service to be provided by the bidder, its experience and qualifications, and the price at which the bidder is willing to provide the services (which services may include the renovation, improvement or expansion of an existing facility or the planning, design and construction of a new facility). Based on the proposals received in response to an RFP, the agency will award a contract to the successful bidder. In addition to issuing formal RFPs, local jurisdictions may issue an RFQ. In the RFQ process, the requesting agency selects a firm believed to be most qualified to provide the requested services and then negotiates the terms of the contract with that firm, including the price at which its services are to be provided.

Business Proposals

At March 15, 2001, the Company was pursuing five prospective contracts with a total of approximately 4,300 beds for which written responses to RFPs and other solicitations have been submitted. The Company is also pursuing additional prospects for which it has not submitted proposals. Further, the Company is pursuing other projects for which it has not yet submitted, and may not submit, a response to an RFP. No assurance can be given that the Company will receive additional awards with respect to proposals submitted.

Major Customers

The Company's customers consist of local, state and federal correctional and detention authorities. For the year ended December 31, 2000, the federal correctional and detention authorities represent approximately 23.0% of total management revenue produced by all facilities (for all facilities operated by the Company, Operating Company, PMSI and JJFMSI on a combined basis for the twelve months ended December 31, 2000). Federal correctional and detention authorities consist of the BOP, the USMS and the INS. The federal correctional and detention authorities were the only single customer of the Company that accounted for 10.0% or more of the Company's management revenue in 2000.

Backlog

Most of the Company's contracts provide for the Company to be compensated on a per diem/per capita basis, which fluctuates daily. However, certain contracts provide for a minimum utilization over the term of such contracts. The Company's backlog reflects estimated minimum revenue over the term of such contracts, subject to certain performance provisions and the appropriation of funds, using current per diem/per capita rates, and disregarding any renewals of such contracts and adjustments to such rates as a result of inflation. As of December 31, 2000, the Company's backlog,

determined as described above, was $490.7 million, of which $254.5 million is expected to be recognized during the year ending December 31, 2001.

The State of the Industry

While the Company believes that governments will continue to privatize correctional and detention facilities, the Company believes the rapid growth experienced in the United States private corrections industry during the late 1980's and early 1990's is moderating. This moderation correlates with decreased year-on-year rates of growth in the nation's prisoner population. According to statistics recently released by the United States Department of Justice, Bureau of Justice Statistics ("BJS"), between December 31, 1990 and June 30, 2000, the jail and prison population rose at an average annual rate of 5.6%. Between June 30, 1999 and June 30, 2000, however, the prisoner population increased by 3.0%. Notwithstanding the lower growth rate in the prisoner population, the pressure on government to control correctional costs and to improve correctional services is expected to continue. The recent BJS report estimates a prisoner population of approximately 1.9 million on June 30, 2000. The report estimates that the prisoner population will reach approximately 2.1 million by the close of 2005.

Although the BJS report indicates a more moderate prisoner population increase, management sees the trend of increasing privatization of the corrections industry continuing, in large part because of the general shortage of beds available in the United States correctional and detention facilities, especially in the federal prison system. However, the procurement of new contracts is expected to become more competitive. Private corrections managers will be forced to contain rising operating costs, including medical, and improve operational performance. According to reports issued by the BJS, the number of inmates housed in the United States federal and state prisons and local jail facilities increased from 1,148,702 at December 31, 1990 to 1,869,169 at December 31, 1999, an average annual growth rate of 5.7%. As of December 31, 1999, the BJS reported that one in every 137 residents in the United States and its territories were incarcerated as compared to 149 in 1998. Further, at December 31, 1999, at least 22 states and the federal prison system reported operating at 100% or more of their highest capacity, down from 33 in 1998. Of those operating at 100% or more of their highest capacity, the federal prison system had the highest at 32% above capacity. The sentenced federal prison population (up 10.2%) grew at over four times the rate of the sentenced state prison population during 1999 (up 2.5%). Industry reports indicated that inmates convicted of violent crimes generally serve approximately one-third of their sentence, with the majority of them being repeat offenders. Accordingly, there is a perceived public demand for, among other things, longer prison sentences, as well as prison terms for juvenile offenders, which may result in additional overcrowding in the United States correctional and detention facilities. Additional factors such as the state of the economy, age of the general population, government spending and public policy significantly influence federal and state corrections policy and incarceration rates.

In an attempt to address the fiscal pressure resulting from rising incarceration costs, government agencies responsible for correctional and detention facilities are increasingly privatizing such facilities. According to the Private Adult Correctional Facility Census (the "Census") prepared by Dr. Charles W. Thomas, a former director of and current consultant to, the Company, the design capacity of privately managed adult correctional and detention facilities worldwide has increased dramatically since the first privatized facility was opened by Old CCA in 1984. The majority of this growth has occurred since 1989, as the number of privately managed adult correctional and detention facilities in operation or under construction worldwide increased from 26 facilities with a

design capacity of 10,973 beds in 1989 to 182 facilities with a design capacity of 141,613 beds in 2000. The majority of all private prison management contracts are in the United States. According to the Census, at December 31, 2000, 153 of the 182 private correctional facilities were in the United States, with the remaining 29 divided between Australia, the United Kingdom, South Africa, the Netherlands Antilles, Scotland and New Zealand. According to the Census, the aggregate capacity of private facilities in operation or under construction decreased from 145,610 beds at December 31, 1999, to 141,613 beds at December 31, 2000, a decrease of 2.7%.

The Census reports that at December 31, 2000, there were 31 state jurisdictions, the District of Columbia and Puerto Rico, within which there were private facilities in operation or under construction. Further, all three federal agencies with prisoner custody responsibilities (i.e., the BOP, the INS and the USMS) continued to contract with private management firms. Management believes that the continued trend is a result of the fact that private companies competing with each other have incentives to keep costs down and to improve the quality of services. Various industry studies have shown that cost savings from privately operated prisons may be in the range of 10-15%.

GOVERNMENT REGULATION

ENVIRONMENTAL MATTERS

Under various federal, state and local environmental laws, ordinances and regulations, a current or previous owner or operator of real property may be liable for the costs of removal or remediation of hazardous or toxic substances on, under or in such property. Such laws often impose liability whether or not the owner or operator knew of, or was responsible for, the presence of such hazardous or toxic substances. As an owner of correctional and detention facilities, the Company has been subject to these laws, rules, ordinances and regulations. In addition, the Company is also subject to these laws, ordinances and regulations as the result of the Company's, and its subsidiaries', operation and management of correctional and detention facilities. The cost of complying with environmental laws could materially adversely affect the Company's financial condition and results of operations.

Phase I environmental assessments have been obtained on substantially all of the facilities currently owned by the Company. The purpose of a Phase I environmental assessment is to identify potential environmental contamination that is made apparent from historical reviews of such facilities, review of certain public records, visual investigations of the sites and surrounding properties, toxic substances and underground storage tanks. The Phase I environmental assessment reports do not reveal any environmental contamination that the Company believes would have a material adverse effect on the Company's business, assets, results of operations or liquidity, nor is the Company aware of any such liability. Nevertheless, it is possible that these reports do not reveal all environmental liabilities or that there are material environmental liabilities of which the Company is unaware. In addition, environmental conditions on properties owned by the Company may affect the operation or expansion of facilities located on the properties.

AMERICANS WITH DISABILITIES ACT

The Company's properties and those correctional and detention facilities operated and managed by the Company, are subject to the Americans with Disabilities Act of 1990, as amended (the "ADA"). The ADA has separate compliance requirements for "public accommodations" and "commercial facilities" but generally requires that public facilities such as correctional and detention facilities be

made accessible to people with disabilities. These requirements became effective in 1992. Compliance with the ADA requirements could require removal of access barriers and other modifications or capital improvements at the facilities. However, the Company does not believe that such costs will be material because it believes that relatively few modifications are necessary to comply with the ADA. Noncompliance could result in imposition of fines or an award of damages to private litigants.

INSURANCE

The Company maintains a general liability insurance policy of $5.0 million for each facility it operates, as well as insurance in amounts it deems adequate to cover property and casualty risks, workers' compensation and directors and officers liability. In addition, each lease between the Company and third-party lessees provides that the lessee will maintain insurance on each leased property under the lessee's insurance policies providing for the following coverages: (i) fire, vandalism and malicious mischief, extended coverage perils, and all physical loss perils; (ii) comprehensive general public liability (including personal injury and property damage); and (iii) worker's compensation. Under each of these leases, the Company has the right to periodically review its lessees' insurance coverage and provide input with respect thereto.

Each of the Company's management contracts and the statutes of certain states require the maintenance of insurance. The Company maintains various insurance policies including employee health, worker's compensation, automobile liability and general liability insurance. These policies are fixed premium policies with various deductible amounts that are self-funded by the Company. Reserves are provided for estimated incurred claims within the deductible amounts.

EMPLOYEES

As of December 31, 2000, the Company employed 15,255 full-time employees and 286 part-time employees. Of such employees, 197 were employed at the Company's corporate offices and 15,344 were employed at the Company's facilities and in its inmate transportation business. The Company employed personnel in the following areas: clerical and administrative, including facility administrators/wardens, security, food service, medical, transportation and scheduling, maintenance, teachers, counselors and other support services.

Each of the correctional and detention facilities currently operated by the Company is managed as a separate operational unit by the facility administrator or warden. All of these facilities follow a standardized code of policies and procedures.

The Company has not experienced a strike or work stoppage at any of its facilities. In February 1996, the Company reached an agreement with a union to represent non-security personnel at its Shelby Training Center. This agreement was renewed in March 1999. In October 1998, the Company entered into an agreement with a union to represent resident supervisors at the Shelby Training Center. In March 1997, the Company assumed management of the D.C. Correctional Treatment Facility and the Company agreed to recognize organized labor in representing certain employees at this facility. In December 1998, the Company finalized an agreement with the union to represent correctional officers and other support services staff at the facility. In December 1999, the Company reached an

agreement with a union to represent the detention officers and other support services staff at the Elizabeth Detention Center. In January 2001, the Company reached an agreement with a union to represent certain professional and non-professional employees at the Northeast Ohio Correctional Center. The Company has also agreed to recognize organized labor in representing certain support services staff at the Northeast Ohio Correctional Center. The Company is currently negotiating with organized labor representing employees of the Guayama Correctional Facility in Guayama, Puerto Rico. In the opinion of the management of the Company, overall employee relations are generally considered good.

COMPETITION

The Company's correctional and detention facilities operated and managed by the Company, as well as those facilities owned by the Company and managed by other operators, are subject to competition for inmates from other private prison managers. The Company competes primarily on the basis of the quality and range of services offered, its experience in the operation and management of correctional and detention facilities and its reputation. The Company competes with a number of companies, including but not limited to Wackenhut Corrections Corporation, Correctional Services Corporation, and Cornell Corrections Corporation. The Company may also compete in some markets with small local companies. Other potential competitors may in the future enter into businesses competitive with the Company without a substantial capital investment or prior experience. Competition by other companies may adversely affect the number of inmates at the Company's facilities, which could have a material adverse effect the operating revenue of the Company's facilities. In addition, revenue of the facilities will be affected by a number of factors, including the demand for inmate beds, general economic conditions and the age of the general population. The Company will also be subject to competition for the acquisition of correctional and detention facilities with other purchasers of correctional and detention facilities.

RISK FACTORS

As the owner and operator of correctional and detention facilities, the Company is subject to certain risks and uncertainties associated with, among other things, the corrections and detention industry and pending or threatened litigation involving the Company. In addition, as a result of the Company's operation so as to preserve its ability to qualify as a REIT for the year ended December 31, 1999, the Company is also currently subject to certain tax related risks. The Company is also subject to risks and uncertainties associated with the demands placed on the Company's capital and liquidity associated with its current capital structure. These risks and uncertainties set forth below could cause the Company's actual results to differ materially from those indicated in the forward-looking statements contained herein and elsewhere.

THE COMPANY IS SUBJECT TO RISKS INHERENT IN THE CORRECTIONS AND DETENTION INDUSTRY

General. As of March 15, 2001, the Company owned or managed 74 correctional and detention facilities with a total design capacity of approximately 67,000 beds in 22 states, the District of Columbia, Puerto Rico and the United Kingdom. Accordingly, the Company is subject to the operating risks generally inherent in the corrections and detention industry, including those set forth below.

The Company is Subject to the Short-term Nature of Government Contracts. Private prison managers typically enter into facility management contracts with government entities for terms of up to five years, with one or more renewal options that may be exercised only by the contracting government agency. No assurance can be given that any agency will exercise a renewal option in

the future. The contracting agency typically may also terminate a facility contract at any time without cause by giving the private prison manager written notice. The non-renewal or termination of any of these contracts could materially adversely affect the Company's financial condition, results of operation and liquidity, including the Company's ability to secure new facility management contracts from others.

There also exists the risk that a facility owned by the Company but not managed, may not be the subject of a contract between a private manager and a government entity while it is leased to a private prison manager since the Company's leases with its lessees generally extend for periods substantially longer than the contracts with government entities. Accordingly, if a private prison manager's contract with a government entity to operate a Company facility is terminated, or otherwise not renewed, or if such government entity is unable to supply a facility with a sufficient number of inmates, such event may adversely affect the ability of the contracting private prison manager to make the required rental or other payments to the Company.

The Company is Dependent on Government Appropriations. A private prison manager's cash flow is subject to the receipt of sufficient funding of and timely payment by contracting government entities. If the appropriate government agency does not receive sufficient appropriations to cover its contractual obligations, a contract may be terminated or the management fee may be deferred or reduced. Any delays in payment, or the termination of a contract, could have an adverse effect on the Company's cash flow and financial condition.

Public Resistance to Privatization of Correctional and Detention Facilities Could Result in the Company's Inability to Obtain New Contracts or the Loss of Existing Contracts. The operation of correctional and detention facilities by private entities has not achieved complete acceptance by either governments or the public. The movement toward privatization of correctional and detention facilities has also encountered resistance from certain groups, such as labor unions and others that believe that correctional and detention facility operations should only be conducted by governmental agencies. Moreover, negative publicity about an escape, riot or other disturbance at a privately managed facility may result in publicity adverse to the Company, and the private corrections industry in general. Any of these occurrences or continued trends may make it more difficult for a private prison manager to renew or maintain existing contracts or to obtain new contracts or sites on which to operate new facilities or for the Company to develop or purchase facilities and lease them to government or private entities, any or all of which could have a material adverse effect on the Company's business.

The Company's Ability to Secure New Contracts to Develop and Manage Correctional and Detention Facilities Depends on Many Factors Outside the Control of the Company. The Company's growth is generally dependent upon the Company's ability to obtain new contracts to develop and manage new correctional and detention facilities. This depends on a number of factors the Company cannot control, including crime rates and sentencing patterns in various jurisdictions and acceptance of privatization. While the Company believes that governments will continue to privatize correctional and detention facilities, the Company believes the rapid growth experienced in the United States private corrections industry during the late 1980's and early 1990's is moderating. Certain jurisdictions recently have required successful bidders to make a significant capital investment in connection with the financing of a particular project, a trend that will require the Company to have sufficient capital resources to compete effectively. The Company may not be able to obtain these capital resources when needed. Additionally, the success of a private prison manager

in obtaining new awards and contracts may depend, in part, upon its ability to locate land that can be leased or acquired under favorable terms. Otherwise desirable locations may be in or near populated areas and, therefore, may generate legal action or other forms of opposition from residents in areas surrounding a proposed site.

Failure to Comply with Unique and Increased Governmental Regulation Could Result in Material Penalties or Non-Renewal or Termination of Facility Management Contracts. The industry in which the Company operates is subject to extensive federal, state and local regulations, including education, health care and safety regulations, which are administered by many regulatory authorities. Some of the regulations are unique to the correctional industry, and the combination of regulations the Company faces is unique. Facility management contracts typically include reporting requirements, supervision and on-site monitoring by representatives of the contracting governmental agencies. Corrections officers and juvenile care workers are customarily required to meet certain training standards and, in some instances, facility personnel are required to be licensed and subject to background investigation. Certain jurisdictions also require the Company to award subcontracts on a competitive basis or to subcontract with businesses owned by members of minority groups. The Company's facilities are also subject to operational and financial audits by the governmental agencies with which the Company has contracts. The Company may not always successfully comply with these regulations, and failure to comply can result in material penalties or non-renewal or termination of facility management contracts.

In addition, private prison managers are increasingly subject to government legislation and regulation attempting to restrict the ability of private prison managers to house certain types of inmates. Legislation has been enacted in several states, and has previously been proposed in the United States House of Representatives, containing such restrictions. Although the Company does not believe that existing legislation will have a material adverse effect on the Company, there can be no assurance that future legislation would not have such an effect.

THE COMPANY IS SUBJECT TO LITIGATION

Legal Proceedings Associated with Owning and Managing Correctional and Detention Facilities. The Company's ownership and management of correctional and detention facilities, and the provision of inmate transportation services, expose it to potential third party claims or litigation by prisoners or other persons relating to personal injury or other damages resulting from contact with a facility, its managers, personnel or other prisoners, including damages arising from a prisoner's escape from, or a disturbance or riot at, a facility owned or managed by the Company. In addition, as an owner of real property, the Company may be subject to certain proceedings relating to personal injuries of persons at such facilities. Moreover, legal proceedings against private prison managers could have a material adverse effect on the Company's tenants, which could adversely affect their ability to make lease payments or the other required payments to the Company, or which could adversely affect the amounts of such payments. See "Legal Proceedings" for outstanding litigation against the Company associated with owning and managing correctional and detention facilities.

Legal Proceedings Associated with Corporate Operations. In addition to litigation associated with owning and managing correctional and detention facilities, the Company is also subject to litigation in the ordinary course of business. See "Legal Proceedings" for outstanding litigation against the Company associated with corporate operations.

THE COMPANY IS SUBJECT TO TAX RELATED RISKS

Prior to the 1999 Merger, Old CCA operated as a taxable subchapter C corporation for federal income tax purposes since its inception, and, therefore, generated accumulated earnings and profits (the "Accumulated Earnings and Profits") to the extent its taxable income, subject to certain adjustments, was not distributed to its shareholders. To preserve its ability to qualify as a REIT for the year ended December 31, 1999, the Company was required to distribute all of Old CCA's Accumulated Earnings and Profits before the end of 1999. If in the future the IRS makes adjustments increasing Old CCA's earnings and profits, the Company may be required to make additional distributions equal to the amount of the increase.

Under previous terms of the Company's charter, the Company was required to operate so as to preserve its ability to elect to be taxed as a REIT for the year ended December 31, 1999. The Company, as a REIT, could not complete any taxable year with Accumulated Earnings and Profits. For the year ended December 31, 1999, the Company made approximately $217.7 million of distributions related to its common stock and Series A Preferred Stock. The Company met the above described distribution requirements by designating approximately $152.5 million of the total distributions in 1999 as distributions of its Accumulated Earnings and Profits. In addition to distributing its Accumulated Earnings and Profits, the Company, in order to qualify for taxation as a REIT with respect to its 1999 taxable year, was required to distribute 95% of its taxable income for 1999. The Company believes that this distribution requirement has been substantially satisfied by its distribution of shares of the Company's Series B Preferred Stock. The Company's failure to distribute 95% of its taxable income for 1999 or the failure of the Company to comply with other requirements for REIT qualification under the Code with respect to its taxable year ended December 31, 1999 could have a material adverse impact on the Company's combined and consolidated financial position, results of operations and cash flows.

The Company's election of REIT status for its taxable year ended December 31, 1999 is subject to review by the IRS generally for a period of three years from the date of filing of its 1999 tax return. Should the IRS review the Company's election to be taxed as a REIT for the 1999 taxable year and reach a conclusion disallowing the Company's dividends paid deduction, the Company would be subject to income taxes and interest on its 1999 taxable income and possibly subject to fines and/or penalties. Income taxes, penalties and interest for the year ended December 31, 1999 could exceed $83.5 million, which would have an adverse impact on the Company's combined and consolidated financial position, results of operations and cash flows.

In connection with the 1999 Merger, the Company assumed the tax obligations of Old CCA resulting from disputes with federal and state taxing authorities related to tax returns filed by Old CCA in 1998 and prior taxable years. The IRS is currently conducting audits of Old CCA's federal tax returns for the taxable years ended December 31, 1998 and 1997, and the Company's federal tax return for the taxable year ended December 31, 1999. The Company has received the IRS's preliminary findings related to the taxable year ended December 31, 1997 and is currently appealing those findings. The Company currently is unable to predict the ultimate outcome of the IRS's audits of Old CCA's 1998 and 1997 federal tax returns, the Company's 1999 federal tax return or the ultimate outcome of audits of other tax returns of the Company or Old CCA by the IRS or by other taxing authorities; however, it is possible that such audits will result in claims against the Company in excess of reserves currently recorded by the Company. In addition, to the extent that IRS audit adjustments increase the Accumulated Earnings and Profits of Old CCA, the Company would be

required to make timely distribution of the Accumulated Earnings and Profits of Old CCA to stockholders. Such results could have a material adverse impact on the Company's financial position, results of operations and cash flows.

THE COMPANY IS SUBJECT TO RISKS INHERENT IN INVESTMENT IN REAL ESTATE PROPERTIES

The Company is Subject to General Real Estate Risks. Investments in correctional and detention facilities and any additional properties in which the Company may invest in the future are subject to risks typically associated with investments in real estate. Such risks include the possibility that the correctional and detention facilities, and any additional investment properties, will generate total rental rates lower than those anticipated or will yield returns lower than those available through investment in comparable real estate or other investments. Furthermore, equity investments in real estate are relatively illiquid and, therefore, the ability of the Company to vary its portfolio promptly in response to changed conditions is limited. Investments in correctional and detention facilities, in particular, subject the Company to risks involving potential exposure to environmental liability and uninsured loss. The operating costs of the Company may be affected by the obligation to pay for the cost of complying with existing environmental laws, ordinances and regulations, as well as the cost of complying with future legislation. In addition, although the Company maintains insurance for many types of losses, there are certain types of losses, such as losses from earthquakes, which may be either uninsurable or for which it may not be economically feasible to obtain insurance coverage, in light of the substantial costs associated with such insurance. As a result, the Company could lose both its capital invested in, and anticipated profits from, one or more of the facilities owned by the Company. Further, it is possible that the Company experience losses which exceed the limits of insurance coverage or for which the Company may be uninsured. See "Business -- Insurance."

The Company May be Unable to Sell Assets or Receive Sales Proceeds at Expected Levels. As of December 31, 2000, the Company was holding for sale numerous assets, including fifteen parcels of land, three correctional facilities leased to governmental agencies, one correctional facility leased to a private operator, and investments in two direct financing leases, with an aggregate book value of approximately $163.5 million. The Company may also elect to sell additional assets. The Company expects to use the net proceeds from such sales to repay outstanding indebtedness. The Company's ability to refinance or renew certain indebtedness could be adversely affected if the Company is not able to sell a sufficient number of assets, or if the proceeds received from such sales do not achieve expected levels. In March 2001, the Company sold a facility located in North Carolina for a net sales price of approximately $25 million. The net proceeds were used to pay-down the Amended Bank Credit Facility. In April 2001, the Company sold its interest in a facility located in Salford, England, for approximately $65.7 million through the sale of all of the issued and outstanding capital stock of Agecroft Properties, Inc., a wholly-owned subsidiary of the Company. The net proceeds were used to pay-down the Amended Bank Credit Facility.

Options to Purchase and Reversions Could Adversely Affect the Company's Investments. Eleven of the facilities currently owned or under development by the Company are or will be subject to an option to purchase by certain government agencies. Three of such facilities are held for sale as of December 31, 2000. If any of these options are exercised, there exists the risk that the Company will not recoup its full investment from the applicable facility or that it will be otherwise unable to invest the proceeds from the sale of the facility in one or more properties that yield as much revenue as the property acquired by the government entity. In addition, ownership of two of the facilities currently owned by the Company will, upon the expiration of a specified time period, revert to the respective

government agency contracting with the Company. Also, one facility under development will have its ownership revert back to a government agency under its contract. See "Properties -- The Facilities" herein for a description of the terms and conditions of these options to purchase and reversions.

THE COMPANY IS SUBJECT TO REFINANCING RISK

A Significant Portion of the Company's Indebtedness Matures January 1, 2002. The Company's Amended Bank Credit Facility currently consists of a $400.0 million revolving loan which matures January 1, 2002, and $600.0 million in term loans which mature December 31, 2002. The Amended Bank Credit Facility bears interest at a floating rate calculated from either the current LIBOR rate or an applicable base rate, as may be elected by the Company. As a result of the June 2000 Waiver and Amendment, the Company is generally required to use the net cash proceeds received by the Company from certain transactions, including the following transactions, to repay outstanding indebtedness under the Amended Bank Credit Facility: (i) any disposition of real estate assets; (ii) the securitization of lease payments (or other similar transaction) with respect to the Company's Agecroft facility; and (iii) the sale-leaseback of the Company's headquarters. The Company has satisfied the requirement with respect to the Agecroft transaction as discussed herein. Under the terms of the June 2000 Waiver and Amendment, the Company is also required to apply a designated portion of its "excess cash flow," as such term is defined in the June 2000 Waiver and Amendment, to the prepayment of outstanding indebtedness under the Amended Bank Credit Facility. The Company believes that it will be able to refinance or renew the Amended Bank Credit Facility upon maturity; however, there can be no assurance that the Company will be able to refinance or renew such indebtedness on commercially reasonable or any other terms. The Company does not have sufficient working capital to satisfy its obligations in the event the Company is unable to refinance or renew the Amended Bank Credit Facility upon maturity.

The Company is Restricted in its Ability to Incur Additional Debt. The Amended Bank Credit Facility also contains restrictions upon the Company's ability to incur additional debt and requires the Company to maintain certain specified financial ratios. These provisions may also restrict the Company's ability to obtain additional debt capital or limit its ability to engage in certain transactions. These restrictions may inhibit the Company's ability to fund capital expenditures or operating expenses when required. The incurrence of additional indebtedness, and the potential issuance of additional debt securities, may result in increased interest expense for the Company. Additionally, the incurrence of additional indebtedness may result in an increased risk of default, and increase the Company's exposure to the risks associated with debt financing and access to debt markets to fund future growth at an acceptable cost.

The Company's Indebtedness is Subject to a Risk of Cross-Default. Subject to the waivers and amendments discussed herein, the Company currently believes that it is in compliance with the financial and other covenants under its Amended Bank Credit Facility and under the terms of its other indebtedness. If the Company were to be in default under the Amended Bank Credit Facility, and if the senior lenders under the Amended Bank Credit Facility elected to exercise their rights to accelerate the Company's obligations under the Amended Bank Credit Facility, such events could result in the acceleration of all or a portion of the outstanding principal amount of the Company's 12% senior notes or the Company's aggregate $70.0 million convertible subordinated notes, which would have a material adverse effect on the Company's liquidity and financial position. The Company's 12% senior notes and the Company's $30.0 million

convertible subordinated notes generally contain cross-default provisions which allow the holders of these notes to accelerate this debt and seek remedies if the Company has a payment default under the Amended Bank Credit Facility or if the obligations under the Amended Bank Credit Facility are accelerated. The Company's $40.0 million convertible subordinated notes contain a cross-default provision which allows the holders of the notes to accelerate this debt and seek remedies if the Company has a payment default under the Amended Bank Credit Facility or if the obligations thereunder are subject to acceleration (whether or not such obligations are actually accelerated). Moreover, the terms of the Amended Bank Credit Facility provide that the Company's obligations under the Amended Bank Credit Facility may be accelerated if the Company's obligations under the 12% senior notes or the Company's convertible subordinated notes are subject to acceleration or have been accelerated. The Company does not have sufficient working capital to satisfy its debt obligations in the event of an acceleration of all or a significant portion of the Company's outstanding indebtedness.

Because Portions of the Company's Indebtedness Have Floating Rates, a General Increase in Interest Rates Will Adversely Affect Cash Flows. The Company's Amended Bank Credit Facility bears interest at a variable rate. To the extent the Company's exposure to increases in interest rates is not eliminated through interest rate protection or cap agreements, such increases will adversely affect the Company's cash flows. In accordance with terms of the Amended Bank Credit Facility, the Company has entered into certain swap arrangements guaranteeing that it will not pay an index rate greater than 6.51% on outstanding balances of at least (i) $325.0 million through December 31, 2001 and (ii) $200.0 million through December 31, 2002. There can be no assurance that these interest rate protection provisions will be effective, or that once the interest rate protection agreement expires, the Company will enter into additional interest rate protection agreements.

FOREIGN OPERATIONS

The Company, through a wholly-owned subsidiary, has constructed the HMP Forrest Bank Prison, an 800 bed medium security facility located in Salford, England known as the Agecroft facility. The facility, which became operational in January 2000, is subject to a 25-year lease with Agecroft Prison Management, Ltd. ("APM"). This lease is accounted for as a direct financing lease, and was classified as held for sale as of December 31, 2000. APM is a special purpose entity acting as the contracting entity for a 25-year prison management contract with an agency of the U.K. government. APM is a joint venture of a wholly-owned subsidiary of the Company and Sodexho. APM is managing the operation of the prison for the U.K. government. As of December 31, 2000, the Company has a note receivable and certain other short-term receivables from APM denominated in British pounds. Additionally, the direct financing lease held for sale is also denominated in British pounds. Transaction gains and losses that arise from exchange rate fluctuations on these assets are included in the results of operations as incurred. On April 10, 2001, the Company sold its interest in the Agecroft facility, as previously described herein.

ITEM 2. PROPERTIES.

GENERAL

At December 31, 2000, the Company owned 48 real estate properties in 16 states, the District of Columbia, Puerto Rico and the United Kingdom, with a total aggregate net book value of $1.8 billion, including six properties held for sale. On March 16, 2001, the Company sold one of these facilities. On April 10, 2001, the Company sold another of its facilities. Real estate properties include 44 correctional and detention facilities, two corporate office buildings and two correctional and detention facilities under construction. Each of the Company's owned facilities have been pledged to secure borrowings under the Company's existing bank credit facility. At December 31, 2000, the Company leased six facilities to government agencies and three facilities to private operators. The Company operates 35 facilities previously leased by the Operating Company.

THE FACILITIES

GENERAL

Information regarding each facility owned by the Company as of December 31, 2000 is set forth below, grouped by those facilities owned and managed by the Company, followed by those facilities owned and leased to other governmental and private operators. The Company owns two facilities under direct financing leases which are managed by the Company. Those two facilities are included in the table below with those facilities managed by the Company. The terms of the Company's leases and/or other contractual arrangements are described herein under "Business - Narrative Description of Business - Facilities."

FACILITIES OWNED AND MANAGED BY THE COMPANY

STATE	CITY	FACILITY NAME
Arizona	Eloy	Eloy Detention Center
	Florence	Central Arizona Detention Center
	Florence	Florence Correctional Center
California	California City	California Correctional Center
	San Diego	San Diego Correctional Facility (1)
Colorado	Burlington	Kit Carson Correctional Center
	Las Animas	Bent County Correctional Facility
	Walsenburg	Huerfano County Correctional Center (2)
District of Columbia	Washington, D.C.	D.C. Correctional Treatment Facility (3) (4)
Georgia	Alamo	Wheeler Correctional Facility (5)

STATE	CITY	FACILITY NAME
	Nicholls	Coffee Correctional Facility (5)
Kansas	Leavenworth	Leavenworth Detention Center
Kentucky	Beattyville	Lee Adjustment Center
	St. Mary	Marion Adjustment Center
	Wheelwright	Otter Creek Correctional Center
Minnesota	Appleton	Prairie Correctional Facility
Mississippi	Tutwiler	Tallahatchie County Correctional Facility (6)
Montana	Shelby	Crossroads Correctional Center (7)
Nevada	Las Vegas	Southern Nevada Women's Correctional Facility
New Mexico	Estancia	Torrance County Detention Facility
	Grants	New Mexico Women's Correctional Facility
	Milan	Cibola County Corrections Center
Ohio	Youngstown	Northeast Ohio Correctional Center
Oklahoma	Cushing	Cimarron Correctional Facility (8)
	Holdenville	Davis Correctional Facility (8)
	Sayre	North Fork Correctional Facility
	Watonga	Diamondback Correctional Facility
Tennessee	Mason	West Tennessee Detention Facility
	Memphis	Shelby Training Center (9)
	Whiteville	Whiteville Correctional Facility
Texas	Bridgeport	Bridgeport Pre-Parole Transfer Facility
	Eden	Eden Detention Center
	Houston	Houston Processing Center
	Laredo	Laredo Processing Center
	Laredo	Webb County Detention Center
	Mineral Wells	Mineral Wells Pre-Parole Transfer Facility
	Taylor	T. Don Hutto Correctional Center

FACILITIES OWNED AND LEASED BY THE COMPANY

DOMESTIC

STATE	CITY	FACILITY NAME
California	Live Oak	Leo Chesney Correctional Center (3)
North Carolina	Bayboro	Pamlico Correctional Facility (3) (10)
	Spruce Pine	Mountain View Correctional Facility (3) (11)
Ohio	Cincinnati	Queensgate Correctional Facility (3)
Texas	Dallas	Community Education Partners- Dallas County - School for Accelerated Learning
	Houston	Community Education Partners- Southeast Houston - School for Accelerated Learning

INTERNATIONAL

COUNTRY	CITY	FACILITY NAME
England	Salford	HMP Forrest Bank (Agecroft) (3) (11)

---

(1) The facility is subject to a ground lease with the County of San Diego whereby the initial lease term is 18 years from the commencement of the contract, as defined. The County has the right to buyout all, or designated portions of, the premises at various times prior to the expiration of the term.

(2) The facility is subject to a purchase option held by Huerfano County which grants Huerfano County the right to purchase the facility upon an early termination of the lease at a price determined by a formula set forth in the lease agreement.

(3) Held for sale as of December 31, 2000.

(4) Ownership of the facility automatically reverts to the District of Columbia upon expiration of the lease term.

(5) The facility is subject to a purchase option held by the Georgia Department of Corrections (the "GDOC") which grants the GDOC the right to purchase the facility for the lesser of the facility's depreciated book value or fair market value at any time during the term of the management contract between the Company and the GDOC.

(6) The facility is subject to a purchase option held by the Tallahatchie County Correctional Authority which grants Tallahatchie County Correctional Authority the right to purchase the facility at any time during the lease at a price determined by a formula set forth in the lease agreement.

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

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

(9) Upon the conclusion of the thirty-year lease between the Company and Shelby County, Tennessee, the facility will become the property of Shelby County. Prior to such time, (a) if the County terminates the lease without cause, the Company may purchase the property for $150,000; (b) if the State fails to fund the contract, then the Company may purchase the property for $150,000; (c) if the Company terminates the lease without cause, then the Company shall purchase the property for its fair market value as agreed to by the County and the Company; (d) if the Company breaches the lease contract, then the Company may purchase the property for its fair market value as agreed to by the County and the Company; and (e) if the County breaches the lease contract, then the Company may purchase the property for $150,000.

(10) The State of North Carolina has an option to purchase the facility at the end of the sixth year of the lease and at the end of each year of the lease thereafter at a purchase price equal to depreciated book value.

(11) Sold subsequent to year-end.

FACILITIES UNDER CONSTRUCTION OR DEVELOPMENT

In addition to owning and/or managing the facilities listed in the preceding table, the Company is currently in the process of developing or constructing two facilities, for which no opening date has been established. Set forth below is a brief description of each of the facilities currently under development or construction by the Company.

McRae Correctional Facility. The McRae Correctional Facility is located on 70 acres in McRae, Georgia. The 297,550 square foot medium security facility has a design capacity of 1,524 beds and is substantially complete. Management is actively pursuing contracts to fill this facility.

Stewart County Detention Center. The Stewart County Detention Center is located in Stewart County, Georgia. The 297,550 square foot medium security facility will have a design capacity of 1,524. This project is approximately 75% complete. At this time, there are no plans to complete this project until demand for beds increases.

ITEM 3. LEGAL PROCEEDINGS

COMPLETED PROCEEDINGS/LITIGATION AGAINST THE COMPANY AND ITS SUBSIDIARIES

During the first quarter of 2001, the Company obtained final court approval of the settlements of the following outstanding consolidated federal and state class action and derivative stockholder lawsuits brought against the Company and certain of its former directors and executive officers: (i) In re: Prison Realty Securities Litigation; (ii) In re: Old CCA Securities Litigation; (iii) John Neiger, on behalf of himself and all others similarly situated v. Doctor Crants, Robert Crants and Prison Realty Trust, Inc.; (iv) Dasburg, S.A., on behalf of itself and all others similarly situated v. Corrections Corporation of America, Doctor R. Crants, Thomas W. Beasley, Charles A. Blanchette, and David L. Myers; (v) Wanstrath v. Crants, et al.; and (vi) Bernstein v. Prison Realty Trust, Inc. The final terms of the settlement agreements provide for the "global" settlement of all such outstanding stockholder litigation against the Company brought as the result of, among other things, agreements entered into by the Company and Operating Company in May 1999 to increase payments made by the Company to Operating Company under the terms of certain agreements, as well as transactions relating to the restructuring of the Company led by Fortress/Blackstone and Pacific Life Insurance Company. Pursuant to the terms of the settlements, the Company will issue or pay to the plaintiffs in the actions: (i) an aggregate of 46.9 million shares of the Company's common stock; (ii) a subordinated promissory note in the aggregate principal amount of $29.0 million; and (iii) approximately $47.5 million in cash payable solely from the proceeds of certain insurance policies.

It is expected that the promissory note will be due January 2, 2009, and will accrue interest at a rate of 8.0% per annum. Pursuant to the terms of the settlement, the note and accrued interest may be extinguished if the Company's common stock meets or exceeds a "termination price" equal to $1.63 per share for fifteen consecutive trading days prior to the maturity date of the note. Additionally, to the extent the Company's common stock price does not meet the termination price, the note will be reduced by the amount that the shares of common stock issued to the plaintiffs appreciate in excess of $0.49 per common share, based on the average trading price of the stock prior to the maturity of the note.

In 1997, Hardeman County Correctional Facilities Corporation, a non-profit corporation described in Revenue Ruling 63-20 ("HCCFC"), issued two series of correctional facilities revenue bonds in the total principal amount of approximately $72.7 million, the proceeds of which were used to construct a correctional facility in Hardeman County, Tennessee. The bonds were intended to be tax exempt. Old CCA was chosen as manager of the facility and, in connection therewith, entered into a debt services deficit agreement pursuant to which Old CCA agreed to pay the debt service on the bonds in the event, and to the extent, of any shortfall. The IRS examined the bonds in connection with its municipal bond audit program. By letter dated January 9, 2001, the IRS notified HCCFC that it closed the examination with no change to the position that interest received by the bondholders is exempt from federal income tax.

OUTSTANDING PROCEEDINGS/LITIGATION AGAINST THE COMPANY AND ITS SUBSIDIARIES

On June 9, 2000, a complaint captioned Prison Acquisition Company, L.L.C. v. Prison Realty Trust, Inc., Correction Corporation of America, Prison Management Services, Inc. and Juvenile and Jail Facility Management Services, Inc. was filed in federal court in the United States District Court for the Southern District of New York to recover fees allegedly owed the plaintiff as a result of the termination of a securities purchase agreement by and among the parties related to a proposed restructuring of the Company led by Fortress/Blackstone. The complaint alleges that the defendants failed to pay amounts allegedly due under the securities purchase agreement and asks for compensatory damages of approximately $24.0 million consisting of various fees, expenses and other relief the court may deem appropriate. The Company is contesting this action vigorously. The Company has recorded an accrual reflecting management's best estimate of the ultimate outcome of this matter based on consultation with legal counsel.

On September 14, 1998, a complaint captioned Thomas Horn, Ferman Heaton, Ricky Estes, and Charles Combs, individually and on behalf of the U.S. Corrections Corporation Employee Stock Ownership Plan and its participants v. Robert B. McQueen, Milton Thompson, the U.S. Corrections Corporation Employee Stock Ownership Plan, U.S. Corrections Corporation, and Corrections Corporation of America was filed in the U.S. District Court for the Western District of Kentucky alleging numerous violations of the Employee Retirement Income Security Act ("ERISA"), including but not limited to a failure to manage the assets of the U.S. Corrections Corporation Employee Stock Ownership Plan (the "ESOP") in the sole interest of the participants, purchasing assets without undertaking adequate investigation of the investment, overpayment for employer securities, failure to resolve conflicts of interest, lending money between the ESOP and employer, allowing the ESOP to borrow money other than for the acquisition of employer securities, failure to make adequate, independent and reasoned investigation into the prudence and advisability of certain transaction, and otherwise. The plaintiffs are seeking damages in excess of $30.0 million plus prejudgement interest and attorneys' fees. The Company's insurance carrier has indicated that it did not receive timely notice of these claims and, as a result, is currently contesting its coverage obligations in this suit. The Company is currently contesting this issue with the carrier. The Company has recorded an accrual reflecting management's best estimate of the ultimate outcome of this matter based on consultation with legal counsel.

Commencing in late 1997 and through 1998, Old CCA became subject to approximately sixteen separate suits in federal district court in the state of South Carolina claiming the abuse and mistreatment of certain juveniles housed in the Columbia Training Center, a South Carolina juvenile detention facility formerly operated by Old CCA. The Company is aware that six additional

plaintiffs may file suit with respect to this matter. These suits claim unspecified compensatory and punitive damages, as well as certain costs provided for by statute. One of these suits, captioned William Pacetti v. Corrections Corporation of America, went to trial in late November 2000, and in December 2000 the jury returned a verdict awarding the plaintiff in the action $125,000 in compensatory damages, $3.0 million in punitive damages, and attorneys' fees. The Company is currently challenging this verdict with post-judgement motions, and a final judgement has not been entered in this case. The Company's insurance carrier has indicated to the Company that its coverage does not extend to punitive damages such as those awarded in Pacetti. The Company is currently contesting this issue with the carrier. The Company has recorded an accrual reflecting management's best estimate of the ultimate outcome of this matter based on consultation with legal counsel.

In February 2000, a complaint was filed in federal court in the United States District Court for the Western District of Texas against the Company's inmate transportation subsidiary, TransCor. The lawsuit, captioned Cheryl Schoenfeld v. TransCor America, Inc., et al., names as defendants TransCor and its directors. The lawsuit alleges that two former employees of TransCor sexually assaulted plaintiff Schoenfeld during her transportation to a facility in Texas in late 1999. An additional individual, Annette Jones, has also joined the suit as a plaintiff, alleging that she was also mistreated by the two former employees during the same trip. Discovery and case preparation are on-going. Both former employees are subject to pending criminal charges in Houston, Harris County, Texas. Plaintiff Schoenfeld has previously submitted a settlement demand exceeding $20.0 million. The Company, its wholly-owned subsidiary (the parent corporation of TransCor and successor by merger to Operating Company) and TransCor are defending this action vigorously. It is expected that a portion of any liabilities resulting from this litigation will be covered by liability insurance. The Company's and TransCor's insurance carrier, however, has indicated that it did not receive proper notice of this claim, and as a result, may challenge its coverage of any resulting liability of TransCor. In addition, the insurance carrier asserts it will not be responsible for punitive damages. The Company and TransCor are currently contesting this issue with the carrier. In the event any resulting liability is not covered by insurance proceeds and is in excess of the amount accrued by the Company, such liability would have a material adverse effect upon the business or financial position of TransCor and, potentially, the Company and its other subsidiaries.

The Company has received an invoice dated, October 25, 2000, from Merrill Lynch for $8.1 million. Prior to their termination, Merrill Lynch served as a financial advisor to the Company and its board of directors in connection with the Restructuring. Merrill Lynch claims that the merger between Operating Company and the Company constitutes a "restructuring transaction," which Merrill Lynch further contends would trigger certain fees under engagement letters allegedly entered into between Merrill Lynch and the Company and Merrill Lynch and Operating Company management, respectively. The Company denies the validity of these claims. Merrill Lynch has not initiated legal action or threatened litigation. If Merrill Lynch initiated legal action on the basis of these claims, the Company would contest those claims. The Company has recorded an accrual reflecting management's best estimate of the ultimate outcome of this matter based on consultation with legal counsel. However, in the event Merrill Lynch were to prevail on its claims and the resulting liability were to be in excess of the amount accrued by the Company, such liability could have a material adverse effect upon the business or financial position of the Company.

With the exception of certain insurance contingencies discussed above, the Company believes it has adequate insurance coverage related to the litigation matters discussed. Should the Company's

insurance carriers fail to provide adequate insurance coverage, the resolution of the matters discussed above could result in a material adverse effect on the business and financial position of the Company and its subsidiaries.

In addition to the above legal matters, the nature of the Company's business results in claims and litigation alleging that the Company is liable for damages arising from the conduct of its employees or others. In the opinion of management, other than the outstanding litigation discussed above, there are no pending legal proceedings that would have a material effect on the consolidated financial position or results of operations of the Company for which the Company has not established adequate reserves.

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

The Company's 2000 Annual Meeting of Stockholders was held on December 13, 2000. A total of 143,715,637 shares of the Company's common stock, constituting a quorum of those shares entitled to vote, were represented at the meeting by stockholders either present in person or by proxy. At such meeting the following nine nominees for election as directors of the Company were elected without opposition, no nominee for director receiving less than 134,711,118 votes, or 93.7% of the shares represented at the meeting: William F. Andrews, John D. Ferguson, Jean-Pierre Cuny, Joseph V. Russell, Lucius E. Burch, III, John D. Correnti, C. Michael Jacobi, John R. Prann, Jr., and Henri L. Wedell. The stockholders also approved and/or ratified the following proposals presented to them pursuant to the vote totals indicated next to each item:

	VOTE (# OF SHARES)		
PROPOSAL	FOR	AGAINST	ABSTAINED
Approval of an amendment to the Company's charter to effect a reverse stock split of the Company's common stock at a ratio to be determined in the discretion of the Board of Directors of the Company, provided that such ratio shall not be less than one-for-ten and shall not exceed one-for-twenty, and to effect a related reduction of the stated capital of the Company.	136,706,697	6,659,266	348,564
Approval of an amendment to the Company's 1997 Employee Share Incentive Plan and the adoption of the Company's 2000 Stock Incentive Plan.	82,449,474	19,916,917	1,704,852
Ratification of the action of the Board of Directors in selecting the firm of Arthur Andersen LLP to be the independent auditors of the Company for the fiscal year ending December 31, 2000.	137,360,500	1,516,060	4,838,070

The Company will hold its 2001 Annual Meeting of Stockholders on May 22, 2001. At the 2001 Annual Meeting, the Company's common stockholders of record on April 16, 2001 will be asked to elect nine directors to serve on the Company's board of directors and to ratify the board of directors' appointment of the Company's independent auditors for the year ended December 31, 2001. It is anticipated that the Company will file definitive proxy materials with the Commission and distribute such materials to the holders of its common stock on or before April 30, 2001 in connection with the 2001 Annual Meeting.

ITEM 4A. EXECUTIVE OFFICERS AND DIRECTORS OF THE REGISTRANT

The Company's board of directors has determined that the following officers are executive officers of the Company within the meaning of Rule 3b-7 under the Securities Exchange Act:

President, Chief Executive Officer and Vice Chairman of the Board of Directors - John D. Ferguson, age 55, has held this position since August 2000. Prior to joining the Company, Mr. Ferguson served as the commissioner of finance for the State of Tennessee from June 1996 to July 2000. As commissioner of finance, Mr. Ferguson served as the state's chief corporate officer and was responsible for directing the preparation and implementation of the State's $17.2 billion budget. From 1990 to February 1995, Mr. Ferguson served as the chairman and chief executive officer of Community Bancshares, Inc., the parent corporation of The Community Bank of Germantown (Tennessee). Mr. Ferguson is a former member of the State of Tennessee Board of Education and served on the Governor's Commission on Practical Government for the State of Tennessee. Mr. Ferguson graduated from Mississippi State University in 1967.

Executive Vice President and Chief Operating Officer - J. Michael Quinlan, age 59, has held this position since August 2000. Mr. Quinlan served as the president of the Company from December 1999 to August 2000 and as the president and chief operating officer of Operating Company and as a member of Operating Company's board of directors from June 1999 through the completion of the Restructuring. From January 1999 until May 1999, Mr. Quinlan served as a member of the board of directors of the Company and as vice-chairman of the Company's board of directors. Prior to the completion of the 1999 Merger, Mr. Quinlan served as a member of the board of trustees and as chief executive officer of Old Prison Realty. From July 1987 to December 1992, Mr. Quinlan served as the director of the Federal Bureau of Prisons. In such capacity, Mr. Quinlan was responsible for the total operations and administration of a federal agency with an annual budget of more than $2 billion, more than 26,000 employees and 75 facilities. In 1988, Mr. Quinlan received the Presidential Distinguished Rank Award, which is the highest award given by the United States government to civil servants for service to the United States. In 1992, he received the National Public Service Award of the National Academy of Public Administration and the American Society of Public Administration, awarded annually to the top three public administrators in the United States. Mr. Quinlan is a 1963 graduate of Fairfield University with a B.S.S. in History, and he received a J.D. from Fordham University Law School in 1966. He also received an L.L.M. from the George Washington University School of Law in 1970.

Executive Vice President and Chief Financial Officer - Irving E. Lingo, Jr. age 49, has held this position since December 2000. Prior to joining the Company, Mr. Lingo was chief financial officer for Bradley Real Estate, Inc., a NYSE listed REIT headquartered in Chicago, Illinois, where he was responsible for financial accounting and reporting, including SEC compliance, capital markets, and mergers and acquisitions. Prior to joining Bradley Real Estate, Mr. Lingo held positions as chief financial officer, chief operating officer and vice president, finance for several public and private companies, including Lingerfelt Industrial Properties, CSX Corporation, and Goodman Segar Hogan, Inc. In addition, he was previously an audit manager at Ernst & Young LLP. Mr. Lingo graduated summa cum laude

from Old Dominion University where he received a Bachelor of Science degree in Business Administration.

Executive Vice President and Chief Development Officer - William T. Baylor, age 48, has held this position since January 2001. Prior to joining the Company, Mr. Baylor served as government sales manager for Herman Miller for Healthcare in Nashville, Tennessee. In that role, he managed the company's relationship with 372 medical centers and more than 1,500 clinics within the federal government. From 1995 to 1999, he served as national accounts sales team leader for Milcare, the largest privately owned hospital group in the nation. Prior to joining Milcare in 1985, Mr. Baylor served as district manager for Cheeseborough Ponds' Hospital Products Division in New Orleans, Louisiana. Mr. Baylor is a Lieutenant Colonel in the U.S. Army Reserve with 25 years of command experience in professional development, organizational planning, and human resources. He graduated from the University of Tennessee at Knoxville in 1975 with a Bachelor of Science degree in Marketing and Transportation.

General Counsel - Gus Puryear, age 32, has held this position since January 2001. Prior to joining the Company, Mr. Puryear served as legislative director and counsel for U.S. Senator Bill Frist, where he worked on legislation and other policy matters. During that time, he also served as a debate advisor to Vice President Richard B. Cheney. In addition, Mr. Puryear worked as counsel on the special investigation of campaign finance abuses during the 1996 elections conducted by the U.S. Senate Committee on Governmental Affairs, which was chaired by U.S. Senator Fred Thompson. Prior to his career on Capitol Hill, Mr. Puryear practiced law with Farris, Warfield & Kanaday, PLC in Nashville in the commercial litigation section. Mr. Puryear was also a law clerk for the Honorable Rhesa Hawkins Barksdale, U.S. Circuit Judge for the Fifth Circuit in Jackson, Mississippi. Mr. Puryear graduated from Emory University with a major in Political Science in 1990 and received his J.D. from the University of North Carolina in 1993.

Vice President, Finance - David M. Garfinkle, age 33, has held this position since February 2001. Prior to joining the Company, Mr. Garfinkle was the vice president and controller for Bradley Real Estate, Inc. since 1996. Prior to joining Bradley Real Estate, Mr. Garfinkle was a senior audit manager at KPMG Peat Marwick LLP. Mr. Garfinkle graduated summa cum laude from St. Bonaventure University in 1989 with a B.B.A. degree.

Vice President, Treasurer - Todd Mullenger, age 42, has held this position since January 2001, after serving as the vice president, finance since August 2000. Mr. Mullenger served as the vice president of finance of Old CCA from August 1998 until the completion of the 1999 Merger. Mr. Mullenger also served as vice president, finance of Operating Company from January 1, 1999 through the completion of the Restructuring. From September 1996 to July 1998, Mr. Mullenger served as assistant vice president-finance of Service Merchandise Company, Inc., a publicly traded retailer headquartered in Nashville, Tennessee. Prior to September 1996, Mr. Mullenger served as an audit manager with Arthur Andersen LLP. Mr. Mullenger graduated from the University of Iowa in 1981 with a B.B.A. degree. He also received an M.B.A. from Middle State Tennessee State University.

CERTAIN INFORMATION CONCERNING THE BOARD OF DIRECTORS

GENERAL

The Company's Charter provides that the Board of Directors shall consist of the number of directors determined from time to time by resolution of the Board of Directors, in accordance with the Company's Bylaws, provided that the number of directors may be no less than the minimum number required by Maryland law. By resolution of the Board of Directors, the Company's Board of Directors currently consists of the nine directors identified below. The Company's Charter does not divide the directors into classes. Accordingly, under Maryland law, all directors are to be elected annually, at the Company's annual meeting of stockholders, for a one-year term and until the next annual meeting of stockholders. The Company's Charter also requires that at least two members of the Board of Directors must be "independent directors." For purposes of the Company's Charter, an "independent director" is defined to be an individual who: (i) is not an officer or employee of the Company; (ii) is not the beneficial owner of more than 5% of any class of equity securities of the Company or an officer, employee or "affiliate" of such security holder, as defined under federal securities laws; or (iii) does not have an economic relationship with the Company that requires disclosure under federal securities laws. Under the terms of a series of definitive agreements relating to the settlement of all outstanding stockholder litigation against the Company, a majority of the Company's Board of Directors must be comprised of independent directors.

The Company's Board of Directors currently consists of the following nine directors: William F. Andrews, Chairman, John D. Ferguson, Vice-Chairman, Lucius E. Burch, III, John D. Correnti, Jean-Pierre Cuny, C. Michael Jacobi, John R. Prann, Jr., Joseph V. Russell and Henri L. Wedell. Each of these directors was elected at the Company's 2000 annual meeting of stockholders, which was held on December 13, 2000.

Information regarding each director, with the exception of John D. Ferguson, is set forth below. Directors' ages are given as of the date of this Annual Report.

William F. Andrews, age 69, currently serves as a director of the Company and as the chairman of the board of directors, positions he has held since August 2000. Mr. Andrews also serves as a member of the executive committee of the board of directors. Mr. Andrews has been a principal of Kohlberg & Company, a private equity firm specializing in middle market investing, since 1995. Mr. Andrews served as a director of JJFMSI from its formation in 1998 to July 2000 and served as a member of the board of directors of Old CCA from 1986 to May 1998. Mr. Andrews has served as the chairman of Scovill Fasteners Inc., a manufacturing company, from 1995 to present and has served as the chairman of Northwestern Steel and Wire Company, a manufacturing company, from 1998 to present. From 1995 to 1998, he served as chairman of Schrader-Bridgeport International, Inc. From January 1992 through December 1994, he was chairman, president and chief executive officer of Amdura Corporation and chairman of Utica Corporation, both of which are manufacturing companies. From April 1990 through January 1992, Mr. Andrews served as the president and chief executive officer of UNR Industries, Inc., a diversified steel processor. From September 1989 to March 1990, Mr. Andrews was president of Massey Investment Company, a private investment company. Mr. Andrews serves as chairman of the board of directors of Northwestern Steel and Wire Company and as a director of Johnson Controls Inc., Katy Industries, Inc., Black Box Corporation, Trex Corporation and Navistar International Corporation. Mr. Andrews is a graduate of the University of Maryland and received a Masters of Business Administration from Seton Hall University.

Lucius E. Burch, III, age 59, currently serves as an independent director of the Company and as a member of the audit committee of the board of directors of the Company, positions he has held since December 2000. Mr. Burch also serves as a member of the executive committee of the board of directors of the Company. Mr. Burch currently serves as chairman and chief executive officer of Burch Investment Group, a private venture capital firm located in Nashville, Tennessee, formerly known as Massey Burch Investment Group, Inc., a position he has held since October 1989. Mr. Burch served as a member of the board of directors of Old CCA from May 1998 through the completion of the 1999 Merger, and as the chairman of the board of directors of Operating Company from January 1999 through the completion of the Restructuring. Mr. Burch currently serves on the board of directors of Capital Management, Innovative Solutions in Healthcare, MCT and United Asset Coverage, Inc Mr. Burch graduated from the University of North Carolina where he received a B.A. degree in 1963.

John D. Correnti, age 53, currently serves as an independent director of the Company and as a member of the compensation committee of the board of directors of the Company, positions he has held since December 2000. Mr. Correnti currently serves as the chairman of the board of directors and as the chief executive officer of Birmingham Steel Corporation, a publicly-traded steel manufacturing company. Mr. Correnti has held these positions since December 1999. Mr. Correnti served as the president, chief executive officer and vice chairman of Nucor Corporation, a mini mill manufacturer of steel products, from 1996 to 1999 and as its president and chief operating officer from 1991 to 1996. Mr. Correnti also serves as a director of Harnishchfeger Industries and Navistar International Corporation. Mr. Correnti holds a B.S. degree in civil engineering from Clarkson University.

Jean-Pierre Cuny, age 46, currently serves as a director of the Company, a position he has held since the merger of Old Prison Realty with and into the Company on January 1, 1999. Mr. Cuny also previously served as a director of Operating Company prior to the completion of the Restructuring and as a director of Old CCA prior to the 1999 Merger. Mr. Cuny serves as the senior vice president of The Sodexho Group, a French-based, leading supplier of catering and various other services to institutions and an affiliate of Sodexho Alliance, S.A. ("Sodexho"). From February 1982 to June 1987, he served as vice president in charge of development for the Aluminum Semi-Fabricated Productions Division of Pechiney, a diversified integrated producer of aluminum and other materials. Mr. Cuny graduated from Ecole Polytechnique in Paris in 1977 and from Stanford University Engineering School in 1978.

C. Michael Jacobi, age 59, currently serves as an independent director of the Company and as the chairman of the audit committee of the board of directors of the Company, positions he has held since December 2000. Mr. Jacobi currently serves as a member of the board of directors of Webster Financial Corporation, a publicly-held bank with approximately $12.0 billion in assets headquartered in Waterbury, Connecticut. Mr. Jacobi also currently serves as chairman of the board of directors of Innotek, Inc., a privately-held company located in Garrett, Indiana engaged in the manufacture of electronic pet containment systems. Mr. Jacobi served as the president and chief executive officer of Timex Corporation from December 1993 to August 1999 and as a member of its board of directors from 1992 to 2000. Prior to 1993, Mr. Jacobi held several senior positions in finance, manufacturing, marketing and sales with Timex. Mr. Jacobi also has served as the chairman of the board of directors of Timex Watches Limited, a publicly-held company based in Bombay, India, and as the chairman and chief executive officer of Beepware Paging Products, L.L.C., a company jointly owned by Timex Corporation and Motorola. Mr. Jacobi is a certified public accountant and holds a B.S. degree from the University of Connecticut.

John R. Prann, Jr., age 50, currently serves as an independent director of the Company and as a member of the compensation committee of the board of directors of the Company, positions he has held since December 2000. Mr. Prann served as the president and chief executive officer of Katy Industries, Inc. ("Katy"), a publicly-traded manufacturer and distributor of consumer electric corded products and maintenance cleaning products, among other product lines, from 1993 to February 2001. From 1991 to 1995, Mr. Prann served as the president and chief executive officer of CRL, Inc., an equity and real estate investment company which held a 25% interest in Katy. From 1990 to 1991, Mr. Prann served as the president and chief executive officer of Profile Gear Corporation, and from 1988 through 1990 Mr. Prann served as a partner with the accounting firm of Deloitte & Touche. Mr. Prann graduated from the University of California, Riverside in 1974 and obtained his M.B.A. from the University of Chicago in 1979.

Joseph V. Russell, age 60, currently serves as an independent director of the Company, a position he has held since the 1999 Merger. Mr. Russell also serves as the chairman of the compensation committee of the board of directors of the Company and as a member of the executive committee of the board of directors of the Company. Prior to the 1999 Merger, Mr. Russell served as an independent trustee of Old Prison Realty. Mr. Russell is the president and chief financial officer of Elan-Polo, Inc., a Nashville-based, privately-held, world-wide producer and distributor of footwear. Mr. Russell is also the vice president of and a principal in RCR Building Corporation, a Nashville-based, privately-held builder and developer of commercial and industrial properties. He also serves on the boards of directors of Community Care Corp., the Footwear Distributors of America Association and US Auto Insurance Company. Mr. Russell graduated from the University of Tennessee in 1963 with a B.S. in Finance.

Henri L. Wedell, age 59, currently serves as an independent director of the Company and as a member of the audit committee of the board of directors of the Company, positions he has held since December 2000. Mr. Wedell currently is a private investor in Memphis, Tennessee and also serves on the Board of Equalization of Shelby County, Tennessee. Prior to Mr. Wedell's retirement in 1999, he served as the senior vice president of sales of The Robinson Humphrey Co., a wholly owned subsidiary of Smith-Barney, Inc., an investment banking company with which he was employed for over 24 years. From 1990 to 1996, he served as a member of the board of directors of Community Bancshares, Inc., the parent corporation to The Community Bank of Germantown. Mr. Wedell graduated from the Tulane University Business School, where he received a B.B.A. in 1963.

PART II.

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS.

MARKET PRICE OF AND DISTRIBUTIONS ON CAPITAL STOCK

The Common Stock is traded on the NYSE under the symbol "CXW," the Series A Preferred Stock is traded on the NYSE under the symbol "CXW PrA," and the Series B Preferred Stock is traded on the NYSE under the symbol "CXW PrB." On March 30, 2001, the last reported sale price per share of Common Stock was $0.80 and there were 1,466 registered holders and approximately 25,000 beneficial holders, respectively, of Common Stock.

The Common Stock and Series A Preferred Stock began trading on the NYSE on January 4, 1999, under the symbol "PZN" and "PZN PrA," respectively, the first trading day following completion of

the 1999 Merger. The Series B Preferred Stock began trading on the NYSE September 13, 2000. The following table sets forth, for the fiscal quarters indicated, (i) the range of high and low sales prices of the Common Stock, the Series A Preferred Stock, and the Series B Preferred Stock on the NYSE, and (ii) the amount of cash distributions or dividends paid per share:

COMMON STOCK

	SALES PRICE		PER SHARE CASH
	HIGH	LOW	DISTRIBUTION
FISCAL YEAR 2000			
First Quarter	$ 6.25	$ 2.75	$ 0.00
Second Quarter	$ 4.00	$ 2.00	$ 0.00
Third Quarter	$ 3.25	$ 0.63	$ 0.00
Fourth Quarter	$ 1.19	$ 0.19	$ 0.00
FISCAL YEAR 1999			
First Quarter	$ 24.38	$ 16.63	$ 0.60
Second Quarter	$ 22.38	$ 9.25	$ 0.60
Third Quarter	$ 14.18	$ 9.00	$ 0.60
Fourth Quarter	$ 11.69	$ 4.50	$ 0.00

SERIES A PREFERRED STOCK

	SALES PRICE		PER SHARE CASH
	HIGH	LOW	DISTRIBUTION
FISCAL YEAR 2000			
First Quarter	$ 14.00	$ 8.44	$ 0.50
Second Quarter	$ 11.88	$ 8.00	$ 0.00
Third Quarter	$ 8.50	$ 5.81	$ 0.00
Fourth Quarter	$ 7.31	$ 2.88	$ 0.00
FISCAL YEAR 1999			
First Quarter	$ 20.63	$ 17.38	$ 0.50
Second Quarter	$ 19.00	$ 14.00	$ 0.50
Third Quarter	$ 16.19	$ 14.56	$ 0.50
Fourth Quarter	$ 15.75	$ 12.06	$ 0.50

SERIES B PREFERRED STOCK

	SALES PRICE		PER SHARE CASH
	HIGH	LOW	DISTRIBUTION
FISCAL YEAR 2000			
Third Quarter	$ 23.00	$ 15.00	$ 0.00
Fourth Quarter	$ 18.75	$ 6.00	$ 0.00

Pursuant to the terms of the Amended Bank Credit Facility, the Company is restricted from declaring or paying cash dividends with respect to outstanding shares of its common stock. Moreover, even if such restriction is ultimately removed, the Company does not intend to pay dividends with respect to shares of its common stock in the future.

The Company's board of directors has not declared a dividend on the Series A Preferred Stock since the first quarter of 2000. In connection with the June 2000 Waiver and Amendment, the Company is prohibited from declaring or paying any dividends with respect to the Series A Preferred Stock until such time as the Company has raised at least $100.0 million in equity. Dividends with respect to the Series A Preferred Stock will continue to accrue under the terms of the Company's charter until such

time as payment of such dividends is permitted under the terms of the June 2000 Waiver and Amendment. Quarterly dividends of $0.50 per share for the second, third and fourth quarters of 2000 have been accrued as of December 31, 2000. Under the terms of the Company's charter, in the event dividends are unpaid and in arrears for six or more quarterly periods the holders of the Series A Preferred Stock will have the right to vote for the election of two additional directors to the Company's board of directors. No assurance can be given as to if and when the Company will commence the payment of cash dividends on its shares of Series A Preferred Stock.

On September 22, 2000, the Company issued approximately 5.9 million shares of its Series B Preferred Stock in order to satisfy its remaining 1999 REIT distribution requirement. The distribution was made to the Company's common stockholders of record on September 14, 2000, who received five shares of Series B Preferred Stock for every 100 shares of the Company's Common Stock held on the record date. The Company paid its common stockholders approximately $15,000 in cash in lieu of issuing fractional shares of Series B Preferred Stock. On November 13, 2000, the Company issued approximately 1.6 million additional shares of Series B Preferred Stock in furtherance of meeting its 1999 REIT distribution requirements. This distribution was made to the Company's common stockholders of record on November 6, 2000, who received one share of Series B Preferred Stock for every 100 shares of the Company's Common Stock held on the record date. The Company also paid its common stockholders approximately $15,000 in cash in lieu of issuing fractional shares of Series B Preferred Stock in the second distribution.

The shares of Series B Preferred Stock issued by the Company provide for cumulative dividends payable at a rate of 12% per year of the stock's stated value of $24.46. The dividends are payable quarterly in arrears, in additional shares of Series B Preferred Stock through the third quarter of 2003, and in cash thereafter. The shares of the Series B Preferred Stock are callable by the Company, at a price per share equal to the stated value of $24.46, plus any accrued dividends, at any time after six months following the later of (i) three years following the date of issuance or (ii) the 91st day following the redemption of the Company's 12.0% senior notes, due 2006.

On December 13, 2000, the Company's stockholders approved a reverse stock split of the Company's common stock at a ratio to be determined by the board of directors of not less than one-for-ten and not to exceed one-for-twenty. The reverse stock split is expected to encourage greater interest in the Company's common stock by the financial community and the investing public, and is expected to satisfy a condition of continued listing of the common stock on the NYSE. The Company currently expects to complete the reverse stock split during the second quarter of 2001.

SALE OF UNREGISTERED SECURITIES AND USE OF PROCEEDS FROM SALE OF REGISTERED SECURITIES

SALE OF UNREGISTERED SECURITIES

The following description sets forth sales or other issuances of unregistered securities by the Company and Old CCA, its predecessor by merger, within the past three years. Old Prison Realty, predecessor by merger to the Company, did not issue unregistered securities during the period from January 1, 1998 until completion of the 1999 Merger. Unless otherwise indicated, all securities were issued and sold in private placements pursuant to the exemption from the registration requirements of the Securities Act, contained in Section 4(2) of the Securities Act. No underwriters were engaged in connection with the issuances of securities described below. All references in this description to issuances of shares of Old CCA common stock prior to completion of the 1999 Merger are reflected on an as-converted basis. In the 1999 Merger, each outstanding share of Old CCA common stock

was converted into the right to receive 0.875 share of the Company's Common Stock, pursuant to an effective Registration Statement on Form S-4 (Reg. no. 333-65017), filed with the Commission on September 30, 1998 and declared effective by the Commission on October 16, 1998 (the "Registration Statement on Form S-4").

OLD CCA

On October 15, 1998, Old CCA issued 43,750 shares of Old CCA common stock to a director, in consideration of a purchase price of $756,250 paid to Old CCA. These shares were purchased pursuant to an agreement between Old CCA and the director, and such sale received prior approval by the board of directors of Old CCA.

On September 18, 1998, Old CCA exercised its right, pursuant to the terms of an exchange agreement, dated as of October 2, 1997, by and between Old CCA, American Corrections Transport, Inc. ("ACT") and the majority stockholders of ACT (the "Exchange Agreement"), to convert all outstanding shares of Old CCA series B convertible preferred stock, $1.00 par value per share (the "Old CCA Preferred Stock"), previously issued to the stockholders of ACT into shares of Old CCA common stock. On October 2, 1998, Old CCA converted each outstanding share of Old CCA Preferred Stock into 1.94 shares of Old CCA common stock. As a result of this conversion, Old CCA issued an aggregate of 639,030 shares of Old CCA common stock, including 322,432 shares of Old CCA common stock to be held in escrow, without registration under the Securities Act in reliance upon Section 3(a)(9) of the Securities Act. The Company received no cash proceeds from the exchange of the Old CCA Preferred Stock.

THE COMPANY

Initial Shares of Common Stock. The Company was formed as a Maryland corporation in September 1998, with one stockholder being issued 100 shares of common stock in consideration of $1,000. Upon completion of the 1999 Merger, these shares of the Company's Common Stock were repurchased by the Company.

Sodexho Convertible Subordinated Notes. In connection with the 1999 Merger, the Company assumed: (i) the $7.0 million 8.5% convertible subordinated notes, due November 7, 1999, originally issued to Sodexho by Old CCA on June 23, 1994 (the "1994 Sodexho Convertible Notes"), which, upon assumption, were convertible into 1,709,699 shares of the Company's Common Stock at a conversion price of $4.09 per share; and (ii) the $20.0 million 7.5% convertible subordinated notes, due April 5, 2002, originally issued to Sodexho by Old CCA on April 5, 1996 (the "1996 Sodexho Convertible Notes"), which, upon assumption, were convertible into 701,135 shares of the Company's Common Stock at a conversion price of $28.53 per share. The Company also assumed Old CCA's obligations under a forward contract between Old CCA and Sodexho (the "Sodexho Forward Contract"), in which Old CCA had agreed to sell to Sodexho up to $20.0 million of convertible subordinated notes, bearing interest at LIBOR plus 1.35%, at any time prior to December 1999 (the "Sodexho Floating Rate Convertible Notes"), which, upon assumption, were convertible into 2,564,103 shares of the Company's Common Stock at a conversion price of $7.80 per share. The Company received no cash proceeds from the assumption of these notes and the assumption of Old CCA's obligations under the Sodexho Forward Contract.

On March 8, 1999, the Company, in satisfaction of its obligations under the Sodexho Forward Contract, issued $20.0 million in Sodexho Floating Rate Convertible Notes, due March 8, 2004, in

consideration of cash proceeds of $20.0 million. Immediately after issuance of the Sodexho Floating Rate Convertible Notes, the Company, pursuant to Sodexho's exercise of its conversion option, converted the 1994 Sodexho Convertible Notes, the 1996 Sodexho Convertible Notes and the Sodexho Floating Rate Convertible Notes into an aggregate of 4,974,937 shares of the Company's Common Stock. The Company received no proceeds from the issuance of these shares of the Company's Common Stock to Sodexho.

MDP Convertible Subordinated Notes. Pursuant to the terms of a note purchase agreement, dated as of December 31, 1998, by and between the Company and MDP, the Company issued the $40.0 Million Convertible Subordinated Notes. The first $20.0 million tranche closed on December 31, 1998, and the second $20.0 million tranche closed on January 29, 1999, resulting in aggregate proceeds to the Company of $40.0 million. See "Business--Capital Structure Changes" for a description of the conversion rate applicable to the $40.0 Million Convertible Subordinated Notes.

In connection with the waiver and amendment to the note purchase agreement governing the $40.0 Million Convertible Subordinated Notes, on June 30, 2000 the Company also issued, on a pro-rata basis to the holders of the $40.0 Million Convertible Subordinated Notes, additional convertible subordinated notes in the aggregate principal amount of $1.1 million, which amount represented all accrued but unpaid interest upon the $40.0 Million Convertible Subordinated Notes, at an applicable default rate of interest, through June 30, 2000. The terms of these additional notes, including the interest rate and the maturity date of such notes, are substantially similar to the terms of the $40.0 Million Convertible Subordinated Notes.

PMI Convertible Notes. Pursuant to the terms of the note purchase agreement, dated as of December 31, 1998, by and between the Company and PMI, the Company issued the $30.0 Million Convertible Subordinated Notes which replaced a convertible subordinated note previously issued by Old CCA on February 29, 1996. The Company received no cash proceeds from the issuance of the $30.0 Million Convertible Subordinated Notes. See "Business--Capital Structure Changes" for a description of the conversion ratio applicable to the $30.0 Million Convertible Subordinated Notes.

Issuance and Conversion of Series B Preferred Stock. On September 22, 2000, the Company issued an aggregate of approximately 5.9 million shares of its Series B Preferred Stock as a taxable dividend, exempt from registration under the Securities Act, on shares of its Common Stock in connection with the Company's election to be taxed as a REIT for federal income tax purposes with respect to its 1999 taxable year. On November 13, 2000, the Company issued an additional 1.6 million shares of its Series B Preferred Stock as a taxable dividend, exempt from registration under the Securities Act, in further satisfaction of its 1999 REIT distribution requirements. An aggregate of 4.2 million shares of Series B Preferred Stock were converted into approximately 95.0 million shares of the Company's Common Stock during the following two conversion periods: (i) October 2, 2000 through October 12, 2000; and (ii) December 7, 2000 through December 20, 2000. In addition, pursuant to the terms of the Series B Preferred Stock, on January 2, 2001 the Company issued an aggregate of approximately 0.1 million shares of Series B Preferred Stock as a paid-in-kind dividend on outstanding shares of Series B Preferred Stock with respect to the fourth quarter of 2000. The Company will also issue an additional 0.1 million shares of Series B Preferred Stock on April 2, 2001 as a paid-in-kind dividend on outstanding shares of Series B Preferred Stock with respect to the first quarter of 2001.

Assumption of Operating Company Warrants. As a result of the Restructuring, effective October 1, 2000 the Company assumed the obligation of Operating Company to issue shares of Operating

Company's Class A common stock upon the exercise of certain common stock purchase warrants, dated as of December 31, 1998, previously issued by Operating Company. As a result of this assumption, the Company became obligated to issue, upon exercise of the warrants, an aggregate of: (i) approximately 0.5 million shares of the Company's Common Stock to G.E. Capital Corporation and (ii) an aggregate of approximately 0.3 million shares of the Company's Common Stock to Bank of America. The warrants, which have an exercise price of $3.33 per share, expire December 31, 2008.

Service Company Mergers. Effective December 1, 2000, the Company completed a series of mergers with each of PMSI and JJFMSI (the "Service Company Mergers"). Pursuant to the terms of an agreement and plan of merger, dated as of November 17, 2000, by and among the Company, its wholly-owned subsidiary, and each of PMSI and JJFMSI, PMSI and JJFMSI merged with and into the wholly-owned subsidiary. The Company issued an aggregate of 2.9 million shares of its Common Stock to the employee shareholders of PMSI and JJFMSI at the time of the completion of the Service Company Mergers.

Issuances to Directors. On January 6, 1999, the Company issued a total of 1,410 shares of Common Stock to eight non-employee directors of the Company. These shares were issued to these directors in satisfaction of Old Prison Realty's obligations under the Old Prison Realty Non-Employee Trustees' Compensation Plan, under which these individuals, previously trustees of Old Prison Realty, opted to receive Old Prison Realty common shares in lieu of certain trustees' fees. On January 29, 1999, the Company issued approximately 0.1 million shares of Common Stock to a former director of Old CCA in satisfaction of its obligations under the Old CCA Non-Employee Directors' Stock Option Plan, which was assumed by the Company in the Merger. In addition, on October 2, 2000, the Company issued 31,111 shares of Common Stock to a director of the Company in connection with such director's service on the Special Committee of the Company's Board of Directors. These shares of Common Stock were valued based on market prices of the Common Stock on the NYSE. The Company received no cash proceeds from the issuance of these shares of Common Stock.

USE OF PROCEEDS FROM THE SALE OF REGISTERED SECURITIES

A description of the initial registration statement filed under the Securities Act by the Company, and a description of the application of the proceeds from the issuance of registered securities pursuant to such registration statement, is contained in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1999 (Commission File no. 0-25245), as filed with the Commission on March 30, 2000.

ITEM 6. SELECTED FINANCIAL DATA.

The following selected financial data for the five years ended December 31, 2000, were derived from the audited consolidated financial statements of the Company and its predecessors and the related notes thereto included elsewhere in this Annual Report. See "Management's Discussion and Analysis of Financial Condition and Results of Operations - Overview" for a discussion of the factors that affect the comparability of the following financial data.

CORRECTIONS CORPORATION OF AMERICA AND SUBSIDIARIES
(FORMERLY PRISON REALTY, INC.)
SELECTED HISTORICAL FINANCIAL INFORMATION
(in thousands, except per share data)

	YEAR ENDED DECEMBER 31,				
STATEMENT OF OPERATIONS:	2000	1999	1998	1997	1996
Revenue	$ 310,278	$ 278,833	$ 662,059	$ 462,249	$ 292,513
Expenses:					
Operating	214,872	-	496,522	330,470	211,208
General and administrative	21,241	24,125	28,628	16,025	12,607
Lease	2,443	-	58,018	18,684	2,786
Depreciation and amortization	59,799	44,062	14,363	13,378	11,339
Licensing fees to Operating Company	501	-	-	-	-
Administrative service fee to Operating Company	900	-	-	-	-
Write-off of amounts under lease arrangements	11,920	65,677	-	-	-
Impairment losses	527,919	76,433	-	-	-
Old CCA compensation charge	-	-	22,850	-	-
	839,595	210,297	620,381	378,557	237,940
Operating income (loss)	(529,317)	68,536	41,678	83,692	54,573
Equity (earnings) loss and amortization of deferred gain	11,638	(3,608)	-	-	-
Interest expense (income), net	131,545	45,036	(2,770)	(3,404)	4,224
Other income	(3,099)	-	-	-	-
Strategic investor fees	24,222	-	-	-	-
Unrealized foreign currency transaction loss	8,147	-	-	-	-
Loss on sales of assets	1,733	1,995	-	-	-
Stockholder litigation settlements	75,406	-	-	-	-
Write-off of loan costs	-	14,567	2,043	-	-
Income (loss) before income taxes, minority interest and cumulative effect of accounting change	(778,909)	10,546	42,405	87,096	50,349
(Provision) benefit for income taxes	48,002	(83,200)	(15,424)	(33,141)	(19,469)
Income (loss) before minority interest and cumulative effect of accounting change	(730,907)	(72,654)	26,981	53,955	30,880
Minority interest in net loss of PMSI and JJFMSI	125	-	-	-	-
Income (loss) before cumulative effect of accounting change	(730,782)	(72,654)	26,981	53,955	30,880
Cumulative effect of accounting change, net of taxes	-	-	(16,145)	-	-
Net income (loss)	(730,782)	(72,654)	10,836	53,955	30,880
Distributions to preferred stockholders	(13,526)	(8,600)	-	-	-
Net income (loss) available to common stockholders	$ (744,308)	$ (81,254)	$ 10,836	$ 53,955	$ 30,880

(continued)

CORRECTIONS CORPORATION OF AMERICA AND SUBSIDIARIES
(FORMERLY PRISON REALTY, INC.)
SELECTED HISTORICAL FINANCIAL INFORMATION
(in thousands, except per share data)
(continued)

	YEAR ENDED DECEMBER 31,				
	2000	1999	1998	1997	1996
Basic net income (loss) available to common stockholders per common share:					
Before cumulative effect of accounting change	$ (5.67)	$ (0.71)	$ 0.38	$ 0.80	$ 0.49
Cumulative effect of accounting change	-	-	(0.23)	-	-
	$ (5.67)	$ (0.71)	$ 0.15	$ 0.80	$ 0.49
Diluted net income (loss) available to common stockholders per common share:					
Before cumulative effect of accounting change	$ (5.67)	$ (0.71)	$ 0.34	$ 0.69	$ 0.42
Cumulative effect of accounting change	-	-	(0.20)	-	-
	$ (5.67)	$ (0.71)	$ 0.14	$ 0.69	$ 0.42
Weighted average common shares outstanding:					
Basic	131,324	115,097	71,380	67,568	62,793
Diluted	131,324	115,097	78,939	78,939	76,160
BALANCE SHEET DATA:					
Total assets	$ 2,176,992	$ 2,716,644	$ 1,090,437	$ 697,940	$ 468,888
Long-term debt, less current portion	$ 1,137,976	$ 1,092,907	$ 290,257	$ 127,075	$ 117,535
Total liabilities excluding deferred gains	$ 1,488,977	$ 1,209,528	$ 395,999	$ 214,112	$ 187,136
Stockholders' equity	$ 688,015	$ 1,401,071	$ 451,986	$ 348,076	$ 281,752

Prior to the 1999 Merger, Old CCA operated as a taxable corporation and managed prisons and other correctional and detention facilities and provided prisoner transportation services for governmental agencies. The 1999 Merger was accounted for as a reverse acquisition of the Company by Old CCA and as an acquisition of Old Prison Realty by the Company. As such, the provisions of reverse acquisition accounting prescribe that Old CCA's historical financial statements be presented as the Company's historical financial statements prior to January 1, 1999.

In connection with the 1999 Merger, the Company elected to change its tax status from a taxable corporation to a REIT effective with the filing of its 1999 federal income tax return. As a REIT, the Company was dependent on Operating Company, as a lessee, for a significant source of its income. As a result of the Restructuring in 2000, including the acquisition of Operating Company on October 1, 2000 and the acquisitions of PMSI and JJFMSI on December 1, 2000, the Company now specializes in owning, operating and managing prisons and other correctional facilities and providing prisoner transportation services for governmental agencies. In connection with the Restructuring, the Company also amended its charter to remove provisions requiring the Company to elect to qualify and be taxed as a REIT. Therefore, the 2000 results of operations reflect the operation of the Company as a taxable corporation.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

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

OVERVIEW

The Company was formed in September 1998 as Prison Realty Corporation and commenced operations on January 1, 1999, following the mergers of the former Corrections Corporation of America, a Tennessee corporation ("Old CCA"), on December 31, 1998 and CCA Prison Realty Trust, a Maryland real estate investment trust ("Old Prison Realty"), on January 1, 1999 with and into the Company (collectively, the "1999 Merger"). As more fully discussed in Note 3 to the accompanying financial statements, effective October 1, 2000, the Company completed a series of previously announced restructuring transactions (collectively, the "Restructuring"). As part of the Restructuring, the Company's primary tenant, Corrections Corporation of America, a privately-held Tennessee corporation formerly known as Correctional Management Services Corporation ("Operating Company"), was merged with and into a wholly-owned subsidiary of the Company on October 1, 2000 (the "Operating Company Merger"). In connection with the Restructuring and the Operating Company Merger, the Company amended its charter to, among other things, remove provisions relating to the Company's operation and qualification as a real estate investment trust, or REIT, for federal income tax purposes commencing with its 2000 taxable year and change its name to "Corrections Corporation of America." As more fully discussed in Note 3 to the accompanying financial statements, effective December 1, 2000, each of Prison Management Services, Inc. ("PMSI") and Juvenile and Jail Facility Management Services, Inc. ("JJFMSI"), two privately-held service companies which managed certain government-owned prison and jail facilities under the "Corrections Corporation of America" name (collectively the "Service Companies"), merged with and into a wholly-owned subsidiary of the Company.

This Annual Report on Form 10-K contains various financial information related to the Company and, prior to their acquisition, the Service Companies. The Company's results of operations for all periods prior to January 1, 1999 reflect the operating results of Old CCA as a prison management company, while the results of operations for 1999 reflect the operating results of the Company as a REIT. Management believes the comparison between 1999 and prior years is not meaningful because the prior years' financial condition, results of operations, and cash flows reflect the operations of Old CCA and the 1999 financial condition, results of operations and cash flows reflect the operations of the Company as a REIT.

Further, management believes the comparison between 2000 and prior years is not meaningful because the 2000 financial condition, results of operations and cash flows reflect the operation of the Company as a subchapter C corporation, and which, for the period January 1, 2000 through September 30, 2000, included real estate activities between the Company and Operating Company during a period of severe liquidity problems, and as of October 1, 2000, also includes the operations of the correctional and detention facilities previously leased to and managed by Operating Company. In addition, the Company's financial condition, results of operations and cash flows as of and for the year ended December 31, 2000 also include the operations of the Service Companies as of December 1, 2000 (acquisition date) on a consolidated basis. For the period January 1, 2000 through August 31, 2000, the investments in the Service Companies were accounted for and presented under the equity method of accounting. For the period from September 1, 2000 through November 30, 2000,

the investments in the Service Companies were accounted for on a combined basis with the results of operations of the Company due to the repurchase by the wholly-owned subsidiaries of the Service Companies of the non-management, outside stockholders' equity interest in the Service Companies during September 2000.

Prior to the Operating Company Merger, the Company had accounted for its 9.5% non-voting interest in Operating Company under the cost method of accounting. As such, the Company had not recognized any income or loss related to its stock ownership investment in Operating Company during the period from January 1, 1999 through September 30, 2000. However, in connection with the Operating Company Merger, the financial statements of the Company have been restated to recognize the Company's 9.5% pro-rata share of Operating Company's losses on a retroactive basis for the period from January 1, 1999 through September 30, 2000 under the equity method of accounting, in accordance with APB 18, "The Equity Method of Accounting for Investments in Common Stock."

The Operating Company Merger was accounted for using the purchase method of accounting as prescribed by APB 16. Accordingly, the aggregate purchase price of $75.3 million was allocated to the assets purchased and liabilities assumed (identifiable intangibles included a workforce asset of approximately $1.6 million, a contract acquisition costs asset of approximately $1.5 million and a contract values liability of approximately $26.1 million) based upon the estimated fair value at the date of acquisition. The aggregate purchase price consisted of the value of the Company's common stock and warrants issued in the transaction, the Company's net carrying amount of the CCA Note as of the date of acquisition (which has been extinguished), the Company's net carrying amount of deferred gains and receivables/payables between the Company and Operating Company as of the date of acquisition, and capitalized merger costs. The excess of the aggregate purchase price over the assets purchased and liabilities assumed of $87.0 million was reflected as goodwill.

Since the 1999 Merger and through September 30, 2000, the Company had specialized in acquiring, developing and owning correctional and detention facilities. Operating Company has been a private prison management company that operated and managed the substantial majority of facilities owned by the Company. As a result of the 1999 Merger and certain contractual relationships existing between the Company and Operating Company, the Company was dependent on Operating Company for a significant source of its income. In addition, the Company was obligated to pay Operating Company for services rendered to the Company in the development of its correctional and detention facilities. As a result of liquidity issues facing Operating Company and the Company, the parties amended the contractual agreements between the Company and Operating Company during 2000. For a more complete description of the historical contractual relationships and of these amendments, see Note 5 to the accompanying financial statements.

As required by its governing instruments, the Company operated and has elected to be taxed as a real estate investment trust, or REIT, for federal income tax purposes with respect to its taxable year ended December 31, 1999. In connection with the completion of the Restructuring, on September 12, 2000, the Company's stockholders approved an amendment to the Company's charter to remove the requirements that the Company elect to be taxed and qualify as a REIT for federal income tax purposes commencing with the Company's 2000 taxable year. As such, the Company operated and is taxed as a subchapter C corporation with respect to its taxable year ended December 31, 2000 and thereafter.

As the result of the Operating Company Merger on October 1, 2000 and the acquisitions of PMSI and JJFMSI on December 1, 2000, the Company now specializes in owning, operating and managing prisons and other correctional facilities and providing prisoner transportation services for governmental agencies. In addition to providing the fundamental residential services relating to inmates, each of the Company's facilities offers a large variety of rehabilitation and educational programs, including basic education, life skills and employment training and substance abuse treatment. The Company also provides health care (including medical, dental and psychiatric services), institutional food services and work and recreational programs.

LIQUIDITY AND CAPITAL RESOURCES FOR THE YEAR ENDED DECEMBER 31, 2000

The Company incurred a net loss of $730.8 million for the year ended December 31, 2000, used net cash of $46.6 million in operating activities and had a net working capital deficiency of $36.8 million at December 31, 2000. Included in the $730.8 million net loss for the year ended December 31, 2000, is a $527.9 million non-cash impairment loss associated with the reduction of the carrying values of certain long lived assets to their estimated fair values in accordance with Statement of Financial Accounting Standards No. 121, "Accounting for the Impairment of Long-Lived Assets and Long-Lived Assets to be Disposed Of" ("SFAS 121"). Contributing to the net loss and net working capital deficiency is an accrual at December 31, 2000 of $75.4 million related to the settlement of the Company's stockholder litigation (which is expected to be satisfied through the issuance of 46.9 million shares of common stock and the issuance of a $29.0 million note payable due in 2009), strategic investor and merger related charges of $24.2 million, and $11.9 million of amounts written-off under lease arrangements.

The Company's principal capital requirements are for working capital, capital expenditures and debt maturities. The Company has financed, and intends to continue to finance, these requirements with existing cash balances, net cash provided by operations and borrowings under a revolving credit facility with a $50.0 million capacity which was assumed by a wholly-owned subsidiary of the Company in connection with the Operating Company Merger (the "Operating Company Revolving Credit Facility"). As of December 31, 2000, the Company's liquidity was provided by cash on hand of approximately $20.9 million and $42.4 million available under the Operating Company Revolving Credit Facility.

The revolving loans under the Amended Bank Credit Facility mature on January 1, 2002. At December 31, 2000, borrowings outstanding under the revolving loans of the Amended Bank Credit Facility totaled $382.5 million.

As a result of the Company's current financial condition, including: (i) the revolving loans under the Amended Bank Credit Facility maturing January 1, 2002; (ii) the requirement under the November 2000 Consent and Amendment to use commercially reasonable efforts to complete any combination of certain transactions, as defined therein, which together result in net cash proceeds of at least $100.0 million; (iii) the Company's negative working capital position; and (iv) the Company's highly leveraged capital structure, the Company's management is evaluating the Company's current capital structure, including the consideration of various potential transactions that could improve the Company's financial position. During the third quarter of 2000, the Company named a new president and chief executive officer, followed by a new chief financial officer in the fourth quarter. At the Company's 2000 annual meeting of stockholders held during the fourth quarter of 2000, the Company's stockholders elected a newly constituted nine-member board of directors of the

Company, including six independent directors.

Following the completion of the Operating Company Merger and the acquisitions of PMSI and JJFMSI, during the fourth quarter of 2000, the Company's new management conducted strategic assessments; developed a strategic operating plan to improve the Company's financial position; developed revised projections for 2001; and evaluated the utilization of existing facilities, projects under development, excess land parcels, and identified certain of these non-strategic assets for sale. As a result of these assessments, the Company recorded non-cash impairment losses totaling $508.7 million.

During the fourth quarter of 2000, the Company obtained a consent and amendment to its Amended Bank Credit Facility to replace existing financial covenants. During the first quarter of 2001, the Company also obtained amendments to the Amended Bank Credit Facility to modify the financial covenants to take into consideration any loss of EBITDA that may result from certain asset dispositions during 2001 and subsequent periods and to permit the issuance of indebtedness in partial satisfaction of its obligations in the stockholder litigation settlement. Also, during the first quarter of 2001, the Company amended the provisions to the note purchase agreement governing its $30.0 million convertible subordinated notes, to replace previously existing financial covenants in order to remove existing defaults and attempt to remain in compliance during 2001 and subsequent periods.

The Company believes that its operating plans and related projections are achievable, and would allow the Company to maintain compliance with its debt covenants during 2001. However, there can be no assurance that the Company will be able to maintain compliance with its debt covenants or that, if the Company defaults under any of its debt covenants, the Company will be able to obtain additional waivers or amendments. Additionally, the Company also has certain non-financial covenants which must be met in order to remain in compliance with its debt agreements. The Company's Amended Bank Credit Facility contains a non-financial covenant requiring the Company to consummate the securitization of lease payments (or other similar transaction) with respect to the Company's Agecroft facility located in Salford, England by March 31, 2001. The Agecroft transaction did not close by the required date. However, the covenant allows for a 30-day grace period during which the lenders under the Amended Bank Credit Facility could not exercise their rights to declare an event of default. On April 10, 2001, prior to the expiration of the grace period, the Company consummated the Agecroft transaction through the sale of all of the issued and outstanding capital stock of Agecroft Properties, Inc., a wholly-owned subsidiary of the Company, thereby fulfilling the Company's covenant requirements with respect to the Agecroft transaction.

The Amended Bank Credit Facility also contains a non-financial covenant requiring the Company to provide the lenders with audited financial statements within 90 days of the Company's fiscal year-end, subject to an additional five-day grace period. Due to the Company's attempts to close the securitization discussed above, the Company did not provide the audited financial statements within the required time period. However, the Company has obtained a waiver from the lenders under the Amended Bank Credit Facility of this financial reporting requirement. This waiver also cured the resulting cross-default under the Company's $40.0 million convertible notes.

Additional non-financial covenants, among others, include a requirement to use commercially reasonable efforts to (i) raise $100.0 million through equity or asset sales (excluding the securitization of lease payments or other similar transaction with respect to the Salford, England facility) on or before June 30, 2001, and (ii) register shares into which the $40.0 million convertible

notes are convertible. The Company believes it will be able to demonstrate commercially reasonable efforts regarding the $100.0 million capital raising event on or before June 30, 2001, primarily by attempting to sell certain assets, as discussed above. Subsequent to year-end, the Company completed the sale of a facility located in North Carolina for approximately $25 million. The Company is currently evaluating and would also consider a distribution of rights to purchase common or preferred stock to the Company's existing stockholders, or an equity investment in the Company from an outside investor. The Company expects to use the net proceeds from these transactions to pay-down debt under the Amended Bank Credit Facility. Management also intends to take the necessary actions to achieve compliance with the covenant regarding the registration of shares.

The revolving loan portion of the Amended Bank Credit Facility of $382.5 million matures on January 1, 2002. As part of management's plans to improve the Company's financial position and address the January 1, 2002 maturity of portions of the debt under the Amended Bank Credit Facility, management has committed to a plan of disposal for certain long-lived assets. These assets are being actively marketed for sale and are classified as held for sale in the accompanying consolidated balance sheet at December 31, 2000. Anticipated proceeds from these asset sales are to be applied as loan repayments. The Company believes that utilizing such proceeds to pay-down debt will improve its leverage ratios and overall financial position, improving its ability to refinance or renew maturing indebtedness, including primarily the Company's revolving loans under the Amended Bank Credit Facility.

While management has developed strategic operating plans to deal with the uncertainties facing the Company and to remain in compliance with its debt covenants, there can be no assurance that the cash flow projections will reflect actual results and there can be no assurance that the Company will remain in compliance with its debt covenants during 2001. Further, even if the Company is successful in selling assets, there can be no assurance that it will be able to refinance or renew its debt obligations maturing January 1, 2002.

Due to certain cross-default provisions contained in certain of the Company's debt instruments, if the Company were to be in default under the Amended Bank Credit Facility and if the lenders under the Amended Bank Credit Facility elected to exercise their rights to accelerate the Company's obligations under the Amended Bank Credit Facility, such events could result in the acceleration of all or a portion of the outstanding principal amount of the Company's $100.0 million senior notes or the Company's aggregate $70.0 million convertible subordinated notes, which would have a material adverse effect on the Company's liquidity and financial position. Additionally, under the Company's $40.0 million convertible subordinated notes, even if the lenders under the Amended Bank Credit Facility did not elect to exercise their acceleration rights, the holders of the $40.0 million convertible subordinated notes could require the Company to repurchase such notes. The Company does not have sufficient working capital to satisfy its debt obligations in the event of an acceleration of all or a substantial portion of the Company's outstanding indebtedness.

The Company is prohibited from declaring or paying any dividends with respect to the Company's currently outstanding Series A Preferred Stock until such time as the Company has raised at least $100.0 million in equity. Dividends with respect to the Series A Preferred Stock will continue to accrue under the terms of the Company's charter until such time as payment of such dividends is permitted under the terms of the June 2000 Waiver and Amendment. Under the terms of the Company's charter, in the event dividends are unpaid and in arrears for six or more quarterly periods

the holders of the Series A Preferred Stock will have the right to vote for the election of two additional directors to the Company's board of directors. No assurance can be given as to if and when the Company will commence the payment of cash dividends on its shares of Series A Preferred Stock.

As more fully discussed below, at the Company's 2000 annual meeting of stockholders, the holders of the Company's common stock approved a reverse stock split of the Company's common stock at a ratio to be determined by the board of directors of the Company of not less than one-for-ten and not to exceed one-for-twenty. Management expects that the reverse stock split will be effected during the second quarter of 2001.

The Company believes that cash flows provided by operating activities combined with borrowings under the Operating Company Revolving Credit Facility will be sufficient to meet its requirements for working capital, capital expenditures and debt maturities for at least a year.

OPERATING ACTIVITIES

The Company's net cash used in operating activities for the year ended December 31, 2000, was $46.6 million. This represents the net loss for the year plus depreciation and amortization, changes in various components of working capital and adjustments for various non-cash charges, including primarily those discussed above, included in the statement of operations.

INVESTING ACTIVITIES

The Company's cash flow used in investing activities was $38.5 million for the year ended December 31, 2000. Additions to property and equipment totaling $78.7 million in 2000 were primarily related to expenditures associated with two, 1,524 bed medium security prisons under construction in Georgia. In connection with the Operating Company Merger and the acquisitions of PMSI and JJFMSI, the Company acquired approximately $6.9 million in cash. These uses of cash were partially offset by the reduction of restricted cash that had been used as collateral for an irrevocable letter of credit issued in connection with the construction of a facility.

FINANCING ACTIVITIES

The Company's cash flow used in financing activities was $0.6 million for the year ended December 31, 2000. Net proceeds from the issuance of debt totaled $29.1 million and were used primarily to fund additions to property and equipment and working capital needs, partially offset by $11.3 million used to pay debt issuance costs.

On March 22, 2000, the Board of Directors of the Company declared a quarterly dividend on the Company's Series A Preferred Stock of $0.50 per share to preferred stockholders of record on March 31, 2000. These dividends totaling $2.2 million were paid on April 17, 2000. The Company's board of directors has not declared a dividend on the Series A Preferred Stock for the quarters ended June 30, 2000, September 30, 2000 and December 31, 2000. During the first quarter of 2000, the Company also paid the accrued distributions as of December 31, 1999, on the Company's Series A Preferred Stock, totaling $2.2 million.

The combined and consolidated statement of cash flows for the year ended December 31, 2000 includes certain transactions by PMSI and JJFMSI prior to their acquisition on December 1, 2000. In September 2000, a wholly-owned subsidiary of PMSI purchased 85% of the outstanding voting common stock of PMSI for total cash consideration of $8.3 million. Also in September 2000, a wholly-owned subsidiary of JJFMSI purchased 85% of the outstanding common stock of JJFMSI for total cash consideration of $5.1 million. These transactions are included in "Purchase of treasury stock" in the combined and consolidated statement of cash flows for 2000.

AMENDMENTS TO OPERATING COMPANY LEASES AND OTHER AGREEMENTS

In an effort to address the liquidity needs of Operating Company prior to the completion of the Restructuring, and as permitted by the terms of the June 2000 Waiver and Amendment to the Company's Amended Bank Credit Facility, the Company and Operating Company amended the terms of the Operating Company Leases in June 2000. As a result of this amendment, lease payments under the Operating Company Leases were due and payable on June 30 and December 31 of each year, instead of monthly. In addition, the Company and Operating Company agreed to defer, with interest, and with the exception of certain scheduled payments, the first semi-annual rental payment under the revised terms of the Operating Company Leases, due June 30, 2000, until September 30, 2000.

As of September 29, 2000, the Company forgave all unpaid amounts due and payable to the Company through August 31, 2000 related to the Operating Company Leases, including unpaid interest, as further described in Note 5 to the financial statements.

In connection with the amendments to the Operating Company Leases, deferring a substantial portion of the rental payments due to the Company thereunder, the terms of the June 2000 Waiver and Amendment to the Company's Amended Bank Credit Facility also conditioned the effectiveness of the June 2000 Waiver and Amendment upon the deferral of the Company's payment of fees to Operating Company which would otherwise be payable pursuant to the terms of the Amended and Restated Tenant Incentive Agreement, the Business Development Agreement and the Amended and Restated Services Agreement, each as further described in Note 5 to the financial statements. The Company and Operating Company deferred, with interest, the payment of such amounts. The terms of Operating Company's revolving credit facility, as amended pursuant to the terms of a waiver obtained from the lenders under the revolving credit facility, permitted the deferral of these payments. In connection with the Restructuring, the Operating Company Leases were cancelled, as more fully described in Note 5 to the financial statements.

During 2000, the Company has recognized rental income, net of reserves, from Operating Company based on the actual cash payments received. In addition, the Company continued to record its obligations to Operating Company under the various agreements discussed above through the effective date of the Operating Company Merger.

LIQUIDITY AND CAPITAL RESOURCES FOR THE YEAR ENDED DECEMBER 31, 1999

In 1999, substantially all of the Company's revenue was derived from: (i) rents received under triple net leases of correctional and detention facilities, including the Operating Company Leases; (ii) dividends from investments in the non-voting stock of certain subsidiaries; (iii) interest income on the CCA Note; and (iv) license fees earned under the Trade Name Use Agreement. Operating

Company leased 34 of the Company's 43 operating facilities pursuant to the Operating Company Leases. The Company, therefore, was dependent for its rental revenue upon Operating Company's ability to make the lease payments required under the Operating Company Leases for such facilities.

Operating Company incurred a net loss of $202.9 million for the year ended December 31, 1999, had a net working capital deficiency and a net capital deficiency at December 31, 1999, and was in default under its revolving credit facility at December 31, 1999. Operating Company's default under its revolving credit facility related to, among other things, its failure to comply with certain financial covenants. In addition, Operating Company was in default under the CCA Note as a result of Operating Company's failure to pay the first scheduled interest payment under the terms of the CCA Note. Operating Company also did not make certain scheduled lease payments to the Company pursuant to the terms of the Operating Company Leases. The Company did not provide Operating Company with a notice of nonpayment of lease payments due under the Operating Company Leases, and thus Operating Company was not in default under the terms of the Operating Company Leases at December 31, 1999.

The financial condition of the Company at December 31, 1999, the inability of Operating Company to make certain of its payment obligations to the Company, and the actions taken by the Company and Operating Company in attempts to resolve liquidity issues of the Company and Operating Company resulted in a series of default issues under certain of the Company's debt agreements. The Company obtained waivers of these default events in 2000.

Due to Operating Company's liquidity position and its inability to make required payments to the Company under the terms of the Operating Company Leases and the CCA Note, Operating Company's independent auditors included an explanatory paragraph in its report to Operating Company's consolidated financial statements for the year ended December 31, 1999 that expressed substantial doubt as to Operating Company's ability to continue as a going concern. Accordingly, as the result of the Company's financial dependence on Operating Company and the Company's resulting liquidity position, as well as concerns with respect to the Company's noncompliance with, and resulting defaults under, certain provisions and covenants contained in its indebtedness and potential liability arising as a result of shareholder and other litigation commenced against the Company, the Company's independent auditors included an explanatory paragraph in its report to the Company's consolidated financial states for the year ended December 31, 1999 that expressed substantial doubt as to the Company's ability to continue as a going concern.

In 1999, the Company's growth strategy included acquiring, developing and expanding correctional and detention facilities as well as other properties. Because the Company was required to distribute to its stockholders at least 95% of its taxable income to qualify as a REIT for 1999, the Company relied primarily upon the availability of debt or equity capital to fund the construction and acquisitions of and improvements to correctional and detention facilities. However, due to the financial condition of the Company and Operating Company and the decline in the Company's stock price, the ability of the Company to fund this growth strategy was substantially diminished.

CASH FLOWS FROM OPERATING, INVESTING AND FINANCING ACTIVITIES

The Company's cash flows provided by operating activities was $79.5 million for 1999 and represents net income plus depreciation and amortization and changes in the various components of working capital. The Company's cash flows used in investing activities was $447.6 million for 1999

and primarily represents acquisitions of real estate properties and payments made under lease arrangements. The Company's cash flows provided by financing activities was $421.4 million for 1999 and primarily represents proceeds from the issuance of common stock, issuance of long-term debt, borrowings under the bank credit facility and the $100.0 million senior notes, payments of debt issuance costs and payments of dividends on shares of the Company's preferred and common stock.

On December 31, 1998, immediately prior to the 1999 Merger, and in connection with the 1999 Merger, Old CCA sold to Operating Company all of the issued and outstanding capital stock of certain wholly-owned corporate subsidiaries of Old CCA, certain management contracts and certain other non-real estate assets related thereto, and entered into a series of agreements, as more fully described herein. In exchange, Old CCA received an installment note in the principal amount of $137.0 million (the "CCA Note") and 100% of the non-voting common stock of Operating Company. Old CCA's ownership interest in the CCA Note and the non-voting common stock of Operating Company were transferred to New Prison Realty as a result of the 1999 Merger.

The non-voting common stock of Operating Company represented a 9.5% economic interest in Operating Company. During 1999, Operating Company paid no dividends on the shares of its non-voting common stock. The CCA Note was payable over 10 years at an interest rate of 12% per annum. Interest only was generally payable for the first four years of the CCA Note, and the principal was to be amortized over the following six years. The former chief executive officer of New Prison Realty and a member of its board of directors at that time, had guaranteed payment of 10% of the outstanding principal amount due under the CCA Note. As a result of Operating Company's liquidity position, Operating Company was required to defer the first scheduled payment of accrued interest on the CCA Note, which was due December 31, 1999. During the third quarter of 2000, the Company forgave all accrued and unpaid interest due under the CCA Note as of August 31, 2000. The CCA Note, along with the remaining deferred interest, was assumed by a wholly-owned subsidiary of the Company in connection with the Operating Company Merger.

RESULTS OF OPERATIONS

The accompanying combined and consolidated financial statements present the financial statements of the Company as of and for the year ended December 31, 2000, which as of October 1, 2000 also includes the operations of the correctional and detention facilities previously leased and managed by Operating Company, combined with the financial statements of PMSI and JJFMSI for the period September 1, 2000 through November 30, 2000. The accompanying consolidated financial statements as of and for the year ended December 31, 1999 have not been combined with the financial statements of PMSI and JJFMSI. See Note 4 to the financial statements for a complete description of the combined financial statements and combining statement of operations presenting the individual financial statements of the Company, PMSI and JJFMSI.

YEAR ENDED DECEMBER 31, 2000 COMPARED TO YEAR ENDED DECEMBER 31, 1999

MANAGEMENT REVENUE

Management revenue consists of revenue earned by the Company from the operation and management of adult and juvenile correctional and detention facilities for the year ended December 31, 2000, totaling $182.5 million, which beginning as of October 1, 2000 and December 1, 2000, includes management revenue previously earned by Operating Company and the Service

Companies, respectively. Also included is the management revenue earned by PMSI and JJFMSI from the operation and management of adult prison and jails and juvenile detention facilities on a combined basis for the period September 1, 2000 through November 30, 2000, totaling $79.3 million.

RENTAL REVENUE

Net rental revenue was $40.9 million and $270.1 million for the years ended December 31, 2000 and 1999, respectively, and was generated from leasing correctional and detention facilities to Operating Company, governmental agencies and other private operators. For the year ended December 31, 2000, the Company reserved $213.3 million of the $244.3 million of gross rental revenue due from Operating Company through September 30, 2000 due to the uncertainty regarding the collectibility of the payments.

For the year ended December 31, 1999, rental revenue was $270.1 million and was generated primarily from leasing correctional and detention facilities to Operating Company, as well as governmental and private operators. During 1999, the Company began leasing five new facilities in addition to the 37 facilities leased at the beginning of the year. The Company recorded no reserves for the year ended December 31, 1999 as all rental revenue was collected from lessees, including Operating Company. During September 2000, the Company forgave all unpaid rental payments due from Operating Company as of August 31, 2000 (totaling $190.8 million). The forgiveness did not impact the Company's financial statements at that time as the amounts forgiven had been previously reserved. The remaining $22.5 million in unpaid rentals from Operating Company was fully reserved in September 2000. The Operating Company Leases were cancelled in the Operating Company Merger.

LICENSING FEES FROM AFFILIATES

Licensing fees from affiliates were $7.6 million and $8.7 million for the years ended December 31, 2000 and 1999, respectively. Licensing fees were earned as a result of a service mark and trade name use agreement (the "Trade Name Use Agreement") between the Company and Operating Company, which granted Operating Company the right to use the name "Corrections Corporation of America" and derivatives thereof subject to specified terms and conditions therein. The licensing fee was based upon gross rental revenue of Operating Company, subject to a limitation based on the gross revenue of the Company. All licensing fees were collected from Operating Company. The decrease in licensing fees in 2000 compared with 1999 is due to the cancellation of the Trade Name Use Agreement in connection with the Operating Company Merger.

OPERATING EXPENSES

Operating expenses include the operating expenses of PMSI and JJFMSI on a combined basis for the period September 1, 2000 through November 30, 2000, totaling $63.7 million. Also included are the operating expenses incurred by the Company for the year ended December 31, 2000, totaling $151.2 million, which beginning as of October 1, 2000 and December 1, 2000, includes the operating expenses incurred by Operating Company and the Service Companies, respectively. Operating expenses consist of those expenses incurred in the operation and management of prisons and other correctional facilities. Also included in operating expenses are the Company's realized losses on foreign currency transactions of $0.6 million for the year ended December 31, 2000. This loss

resulted from a detrimental fluctuation in the foreign currency exchange rate upon the collection of certain receivables denominated in British pounds. See "Unrealized foreign currency transaction loss" for further discussion of these receivables.

GENERAL AND ADMINISTRATIVE

For the year ended December 31, 2000 and 1999, general and administrative expenses were $21.2 million and $24.1 million, respectively. General and administrative expenses incurred by PMSI and JJFMSI on a combined basis for the period September 1, 2000 through November 30, 2000 totaled $0.6 million. General and administrative expenses incurred by the Company for the year ended December 31, 2000 totaled $20.6 million, which beginning as of October 1, 2000 and December 1, 2000, includes the general and administrative expenses incurred by Operating Company and the Service Companies, respectively. General and administrative expenses consist primarily of corporate management salaries and benefits, professional fees and other administrative expenses. Effective October 1, 2000, as a result of the Operating Company Merger, corporate management salaries and benefits also contain the former corporate employees of Operating Company. Also included in 2000 are $2.0 million in severance payments to the Company's former chief executive officer and secretary and $1.3 million in severance payments to various other company employees.

During 1999, the Company was a party to various litigation matters, including stockholder litigation and other legal matters, some of which have been settled. The Company incurred legal expenses of $6.3 million during 1999 in relation to these matters. Also included in 1999 are $3.9 million of expenses incurred by the Company for consulting and legal advisory services in connection with the proposed restructuring. In addition, as a result of the Company's failure to declare, prior to December 31, 1999, and the failure to distribute, prior to January 31, 2000, dividends sufficient to distribute 95% of its taxable income for 1999, the Company was subject to excise taxes, of which $7.1 million was accrued as of December 31, 1999.

LEASE EXPENSE

Lease expense consists of property, office and operating equipment leased by the Company, PMSI and JJFMSI in operating and managing prisons and other correctional facilities. Lease expense incurred by PMSI and JJFMSI on a combined basis for the period September 1, 2000 through November 30, 2000 totaled $0.8 million. Lease expense incurred by the Company for the year ended December 31, 2000 totaled $1.6 million, which beginning as of October 1, 2000 and December 1, 2000, includes lease expense previously incurred by Operating Company and the Service Companies, respectively.

DEPRECIATION AND AMORTIZATION

For the year ended December 31, 2000 and 1999, depreciation and amortization expense was $59.8 million and $44.1 million, respectively. The increase is a result of a greater number of correctional and detention facilities in service during 2000 compared with 1999. Also included is the depreciation and amortization expense for PMSI and JJFMSI from the operation and management of adult prisons and jails and juvenile detention facilities on a combined basis for the period September 1, 2000 through November, 30, 2000, totaling $3.9 million.

LICENSE FEES TO OPERATING COMPANY

Licensing fees to Operating Company were recognized under the terms of a Trade Name Use Agreement between Operating Company and each of PMSI and JJFMSI, which were assumed as a result of the Operating Company Merger. Under the terms of the Trade Name Use Agreement, PMSI and JJFMSI were required to pay to Operating Company 2.0% of gross management revenue for the use of the Company name and derivatives thereof. PMSI and JJFMSI incurred expenses of $0.5 million under this agreement for the month of September 2000. The October and November expenses incurred under this agreement were eliminated in combination, subsequent to the Operating Company Merger. The Trade Name Use Agreement was cancelled upon the acquisitions of PMSI and JJFMSI.

ADMINISTRATIVE SERVICES FEE TO OPERATING COMPANY

Operating Company and each of PMSI and JJFMSI entered into an Administrative Services Agreement whereby Operating Company would charge a fee to manage and provide general and administrative services to each of PMSI and JJFMSI. The Company assumed this agreement as a result of the Operating Company Merger. PMSI and JJFMSI recognized expense of $0.9 million under this agreement for the month of September 2000. The October and November expenses incurred under this agreement were eliminated in combination, subsequent to the Operating Company Merger. The Administrative Services Agreement was cancelled upon the acquisitions of PMSI and JJFMSI.

WRITE-OFF OF AMOUNTS UNDER LEASE ARRANGEMENTS

During 2000, the Company opened or expanded five facilities that were operated and leased by Operating Company prior to the Operating Company Merger. Based on Operating Company's financial condition, as well as the proposed merger with Operating Company and the proposed termination of the Operating Company Leases in connection therewith, the Company wrote-off the accrued tenant incentive fees due Operating Company in connection with opening or expanding the five facilities, totaling $11.9 million for the year ended December 31, 2000.

For the year ended December 1999, the Company had paid tenant incentive fees of $68.6 million, with $2.9 million of those fees amortized against rental revenues. During the fourth quarter of 1999, the Company undertook a plan that contemplated merging with Operating Company and thereby eliminating the Operating Company Leases or amending the Operating Company Leases to significantly reduce the lease payments to be paid by Operating Company to the Company. Consequently, the Company determined that the remaining deferred tenant incentive fees at December 31, 1999 were not realizable and wrote-off fees totaling $65.7 million.

IMPAIRMENT LOSSES

SFAS 121 requires impairment losses to be recognized for long-lived assets used in operations when indications of impairment are present and the estimate of undiscounted future cash flows is not sufficient to recover asset carrying amounts. Under terms of the June 2000 Waiver and Amendment, the Company was obligated to complete the Restructuring, including the Operating Company Merger, and complete the restructuring of management through the appointment of a new chief executive officer and a new chief financial officer. The Restructuring also permitted the acquisitions

of PMSI and JJFMSI. During the third quarter of 2000, the Company named a new president and chief executive officer, followed by the appointment of a new chief financial officer during the fourth quarter. At the Company's 2000 annual meeting of stockholders held during the fourth quarter of 2000, the Company's stockholders elected a newly constituted nine-member board of directors of the Company, including six independent directors.

Following the completion of the Operating Company Merger and the acquisitions of PMSI and JJFMSI, during the fourth quarter of 2000, after considering the Company's financial condition, the Company's new management developed a strategic operating plan to improve the Company's financial position, and developed revised projections for 2001 to evaluate various potential transactions. Management also conducted strategic assessments and evaluated the Company's assets for impairment. Further, the Company evaluated the utilization of existing facilities, projects under development, excess land parcels, and identified certain of these non-strategic assets for sale.

In accordance with SFAS 121, the Company estimated the undiscounted net cash flows for each of its properties and compared the sum of those undiscounted net cash flows to the Company's investment in each property. Through its analyses, the Company determined that eight of its correctional and detention facilities and the long-lived assets of the transportation business had been impaired. For these properties, the Company reduced the carrying values of the underlying assets to their estimated fair values, as determined based on anticipated future cash flows discounted at rates commensurate with the risks involved. The resulting impairment loss totaled $420.5 million.

During the fourth quarter of 2000, as part of the strategic assessment, the Company's management committed to a plan of disposal for certain long-lived assets of the Company. In accordance with SFAS 121, the Company recorded losses on these assets based on the difference between the carrying value and the estimated net realizable value of the assets. The Company estimated the net realizable values of certain facilities and direct financing leases held for sale based on outstanding offers to purchase, appraisals, as well as utilizing various financial models, including discounted cash flow analyses, less estimated costs to sell each asset. The resulting impairment loss for these assets totaled $86.1 million.

Included in property and equipment were costs associated with the development of potential facilities. Based on the Company's strategic assessment during the fourth quarter of 2000, management decided to abandon further development of these projects and expense any amounts previously capitalized. The resulting expense totaled $2.1 million.

During the third quarter of 2000, the Company's management determined either not to pursue further development or to reconsider the use of certain parcels of property in California, Maryland and the District of Columbia. Accordingly, the Company reduced the carrying values of the land to their estimated net realizable value, resulting in an impairment loss totaling $19.2 million.

In December 1999, based on the poor financial position of the Operating Company, the Company determined that three of its correctional and detention facilities located in the state of Kentucky and leased to Operating Company were impaired. In accordance with SFAS 121, the Company reduced the carrying values of the underlying assets to their estimated fair values, as determined based on anticipated future cash flows discounted at rates commensurate with the risks involved. The resulting impairment loss totaled $76.4 million.

EQUITY IN EARNINGS AND AMORTIZATION OF DEFERRED GAINS, NET

For the year ended December 31, 2000, equity in losses and amortization of deferred gains, net was $11.6 million, compared with equity in earnings and amortization of deferred gains, net, of $3.6 million in 1999. For the year ended December 31, 2000, the Company recognized equity in losses of PMSI and JJFMSI of approximately $12,000 and $870,000, respectively through August 31, 2000. In addition the Company recognized equity in losses of Operating Company of approximately $20.6 million. For 2000, the amortization of the deferred gain on the sales of contracts to PMSI and JJFMSI was approximately $6.5 million and $3.3 million, respectively.

For the year ended December 31, 1999, the Company recognized twelve months of equity in earnings of PMSI and JJFMSI of $4.7 million and $7.5 million, respectively, and received distributions from PMSI and JJFMSI of $11.0 million and $10.6 million, respectively. In addition, the Company recognized equity in losses of Operating Company of $19.3 million. For 1999, the amortization of the deferred gain on the sales of contracts to PMSI and JJFMSI was $7.1 million and $3.6 million, respectively.

Prior to the Operating Company Merger, the Company had accounted for its 9.5% non-voting interest in Operating Company under the cost method of accounting. As such, the Company had not recognized any income or loss related to its stock ownership investment in Operating Company during the period from January 1, 1999 through September 30, 2000. However, in connection with the Operating Company Merger, the financial statements of the Company have been restated to recognize the Company's 9.5% pro-rata share of Operating Company's losses on a retroactive basis for the period from January 1, 1999 through September 30, 2000 under the equity method of accounting, in accordance with APB 18, "The Equity Method of Accounting for Investments in Common Stock" ("APB 18").

INTEREST EXPENSE, NET

Interest expense, net, is reported net of interest income and capitalized interest for the years ended December 31, 2000 and 1999. Gross interest expense was $145.0 million and $51.9 million for the years ended December 31, 2000 and 1999, respectively. Gross interest expense is based on outstanding convertible subordinated notes payable balances, borrowings under the Company's Amended Bank Credit Facility, the Operating Company Revolving Credit Facility, the Company's senior notes, and amortization of loan costs and unused facility fees. Interest expense is reported net of capitalized interest on construction in progress of $8.3 million and $37.7 million for the years ended December 31, 2000 and 1999, respectively. The increase in gross interest expense relates to (i) higher average debt balances outstanding, primarily related to the Amended Bank Credit Facility; (ii) increased interest rates due to rising market rates, and increases in contractual rates associated with the Amended Bank Credit Facility due to modifications to the facility agreement in August 1999, the June 2000 Waiver and Amendment and reductions to the Company's credit rating; (iii) increased interest rates due to the accrual of default interest on the Company's Amended Bank Credit Facility and default and contingent interest on the $40 million convertible notes during 2000; and the assumption of the Operating Company Revolving Credit Facility in connection with the Operating Company Merger.

Gross interest income was $13.5 million and $6.9 million for the years ended December 31, 2000 and 1999, respectively. Gross interest income is earned on cash used to collateralize letters of credit

for certain construction projects, direct financing leases and investments of cash and cash equivalents.

The increase in gross interest income in 2000 compared with 1999 is primarily due to interest earned on the direct financing lease with Agecroft Prison Management, Ltd. ("APM"). During January 2000, the Company completed construction, at a cost of approximately $89.4 million, of an 800-bed medium-security prison in Salford, England and entered into a 25-year direct financing lease with APM. This asset is included in "assets held for sale" on the accompanying combined and consolidated balance sheet at December 31, 2000. On April 10, 2001, the Company sold its interest in this facility. Interest accrued on the CCA Note through August 31, 2000 by the Company (totaling $27.4 million) was forgiven. This forgiveness did not impact the Company's financial statements at that time as the amounts forgiven had been fully reserved. The remaining $1.4 million accrued and reserved for the month of September was eliminated through purchase price accounting as a result of the Operating Company Merger. During the fourth quarter of 1999, the Company reserved the $16.4 million of interest accrued under the terms of the CCA Note for the year ended December 31, 1999.

OTHER INCOME

Other income for the year ended December 31, 2000 totaled $3.1 million. In September 2000, the Company received approximately $4.5 million in final settlement of amounts held in escrow related to the 1998 acquisition of the outstanding capital stock of U.S. Corrections Corporation. The $3.1 million represents the proceeds, net of miscellaneous receivables arising from claims against the escrow.

STRATEGIC INVESTOR FEES

During the fourth quarter of 1999, the Company, Operating Company, PMSI and JJFMSI entered into a series of agreements concerning a proposed restructuring led by a group of institutional investors consisting of an affiliate of Fortress Investment Group LLC and affiliates of The Blackstone Group ("Fortress/Blackstone"). In April 2000, the securities purchase agreement by and among the parties was terminated when Fortress/Blackstone elected not to match the terms of a subsequent proposal by Pacific Life Insurance Company ("Pacific Life"). In June 2000, the securities purchase agreement by and among Pacific Life and the Company, Operating Company, PMSI and JJFMSI was mutually terminated by the parties after Pacific Life was unwilling to confirm that the June 2000 Waiver and Amendment satisfied the terms of the agreement with Pacific Life. In connection with the proposed restructuring transactions with Fortress/Blackstone and Pacific Life and the completion of the Restructuring, including the Operating Company Merger, the Company terminated the services of one of its financial advisors during the third quarter of 2000. Under the terms of the Company's agreements with the above parties, the Company may still be obligated to pay certain fees and expenses. The Company is subject to certain existing and potential litigation as further described in Note 21 to the financial statements. For the year ended December 31, 2000, the Company has allocated expenses of approximately $24.2 million of fees in the event of an adverse decision with the current litigation and in connection with the termination of the aforementioned agreements.

UNREALIZED FOREIGN CURRENCY TRANSACTION LOSS

In connection with the construction and development of the Company's Agecroft facility, located in Salford, England, during the first quarter of 2000, the Company entered into a 25-year property lease. The Company has been accounting for the lease as a direct financing lease and recorded a receivable equal to the discounted cash flows to be received by the Company over the lease term. The Company also has extended a working capital loan to the operator of this facility. These assets, along with various other short-term receivables, are denominated in British pounds; consequently, the Company adjusts these receivables to the current exchange rate at each balance sheet date, and recognizes the currency gain or loss in its current period earnings. Due to negative fluctuations in foreign currency exchange rates between the British pound and the U.S. dollar, the Company recognized net unrealized foreign currency transaction losses of $8.1 million for the year ended December 31, 2000. On April 10, 2001 the Company sold its interest in the Agecroft facility.

LOSS ON SALES OF ASSETS

The Company incurred a loss on sales of assets during 2000 and 1999, of approximately $1.7 million and $2.0 million, respectively. During the fourth quarter of 2000, JJFMSI sold its 50% interest in CCA Australia resulting in a $3.6 million loss. This loss was offset by a gain of $0.6 million resulting from the sale of a correctional facility located in Kentucky, a gain of $1.6 million on the sale of JJFMSI's 50% interest in U.K. Detention Services Limited ("UKDS") and a loss of $0.3 million resulting from the abandonment of a project under development.

For the year ended December 31, 1999, the Company incurred a loss of $1.6 million as a result of a settlement with the State of South Carolina for property previously owned by Old CCA. Under the settlement, the Company, as the successor to Old CCA, will receive $6.5 million in three installments by June 30, 2001 for the transferred assets. The net proceeds were approximately $1.6 million less than the surrendered assets' depreciated book value. The Company received $3.5 million of the proceeds during 1999 and $1.5 million during 2000. As of December 31, 2000, the Company has a receivable of $1.5 million related to this settlement. In addition, the Company incurred a loss of $0.4 million resulting from a sale of a newly constructed facility in Florida. The Company completed construction on the facility in May 1999. In accordance with the terms of the management contract between Old CCA and Polk County, Florida, Polk County exercised an option to purchase the facility. The Company received net proceeds of $40.5 million.

STOCKHOLDER LITIGATION SETTLEMENTS

In February 2001, the Company received court approval of the revised terms of the definitive settlement agreements regarding the settlement of all outstanding stockholder litigation against the Company and certain of its existing and former directors and executive officers. Pursuant to the terms of the settlement, the Company will issue to the plaintiffs an aggregate of 46.9 million shares of common stock, and a subordinated promissory note in the aggregate principal amount of $29.0 million.

As of December 31, 2000, the Company has accrued the estimated obligation of the contingency associated with the stockholder litigation, amounting to approximately $75.4 million.

As further discussed in Note 21 to the financial statements, the ultimate liability relating to the $29.0

million promissory note and related interest will be determined on the future issuance date and thereafter, based upon fluctuations in the Company's common stock price. If the promissory note is issued under the current terms, in accordance with Statement of Financial Accounting Standards No. 133, "Accounting for Derivative Instruments and Hedging Activities", as amended, the Company will reflect in earnings, the change in the estimated fair value of the promissory note from quarter to quarter.

WRITE-OFF OF LOAN COSTS

As a result of the amendment to the original bank credit facility on August 4, 1999, the Company wrote-off loan costs of approximately $9.0 million during the year ended December 31, 1999. Additionally, the Company paid approximately $5.6 million to a financial advisor for a potential debt transaction, which was written-off when the transaction was abandoned.

INCOME TAXES

Prior to 1999, Old CCA, the Company's predecessor by merger, operated as a taxable subchapter C corporation. The Company elected to change its tax status from a taxable corporation to a REIT effective with the filing of its 1999 federal income tax return. As of December 31, 1998, the Company's balance sheet reflected $83.2 million in net deferred tax assets. In accordance with the provisions of SFAS 109, the Company provided a provision for these deferred tax assets, excluding any estimated tax liabilities required for prior tax periods, upon completion of the 1999 Merger and the election to be taxed as a REIT. As such, the Company's results of operations reflect a provision for income taxes of $83.2 million for the year ended December 31, 1999. However, due to New Prison Realty's tax status as a REIT, New Prison Realty recorded no income tax provision or benefit related to operations for the year ended December 31, 1999.

In connection with the Restructuring, on September 12, 2000, the Company's stockholders approved an amendment to the Company's charter to remove provisions requiring the Company to elect to qualify and be taxed as a REIT for federal income tax purposes effective January 1, 2000. As a result of the amendment to the Company's charter, the Company will be taxed as a taxable subchapter C corporation beginning with its taxable year ended December 31, 2000. In accordance with the provisions of SFAS 109, the Company is required to establish current and deferred tax assets and liabilities in its financial statements in the period in which a change of tax status occurs. As such, the Company's benefit for income taxes for the year ended December 31, 2000 includes the provision associated with establishing the deferred tax assets and liabilities in connection with the change in tax status during the third quarter of 2000, net of a valuation allowance applied to certain deferred tax assets.

YEAR ENDED DECEMBER 31, 1999 COMPARED WITH YEAR ENDED DECEMBER 31, 1998

MANAGEMENT AND OTHER REVENUE

For the year ended December 31, 1998, management and other revenue totaled $662.1 million and was generated from the operation and management of adult correctional and detention facilities and prisoner transportation services. During 1998, Old CCA opened 10 new facilities, assumed management of eight facilities and expanded seven existing facilities to increase their design

capacity. In addition, Old CCA expanded the prisoner transportation customer base and increased compensated mileage by the increased utilization of three transportation hubs opened in 1997 and more "mass transports," which are generally moves of 40 or more inmates per trip. Since the Company leased facilities to Operating Company and other operators during 1999, rather than operating the facilities, the Company did not generate management revenue during 1999.

OPERATING EXPENSES

For the year ended December 31, 1998, operating expenses totaled $496.5 million. Operating expenses consist of those expenses incurred in operating and managing prisons and other correctional facilities. During 1998, Old CCA adopted provisions of the AICPA's Statement of Position ("SOP") 98-5, "Reporting on the Costs of Start-up Activities." The effect of this accounting change for 1998 was a $14.9 million charge to operating expenses. Prior to the adoption of SOP 98-5, project development and facility start-up costs were deferred and amortized on a straight-line basis over the lesser of the initial term of the contract plus renewals or five years. Also included in operating expenses were charges related to the termination of five contractual relationships, totaling approximately $2.0 million related to transition costs and deferred contract costs. Old CCA also incurred $1.0 million of non-recurring operating expenses related to the 1999 Merger.

In 1998, Old CCA was subject to a class action lawsuit at one of its facilities regarding the alleged violation of inmate rights, which was settled subsequent to year end. Old CCA was also subject to two wrongful death lawsuits at one of its facilities. The Company assumed these lawsuits in the 1999 Merger. Old CCA recognized $2.1 million of expenses in 1998 related to these lawsuits.

Since Operating Company, rather than the Company, operated the correctional and detention facilities leased by the Company during 1999, the Company did not incur operating expenses during 1999.

GENERAL AND ADMINISTRATIVE

General and administrative expenses $28.6 million for the year ended December 31, 1998. General and administrative expenses consist primarily of corporate management salaries and benefits, professional fees and other administrative expenses.

During 1998, Old CCA incurred $1.3 million in the fourth quarter for advertising and employee relations initiatives aimed at raising the public awareness of Old CCA and the industry. In addition, in connection with the 1999 Merger, Old CCA became subject to a purported class action lawsuit attempting to enjoin the 1999 Merger and seeking unspecified monetary damages. The lawsuit was settled in principle in November 1998 with the formal settlement being completed in March 1999. Accordingly, Old CCA recognized $3.2 million of expenses in 1998 to cover legal fees and the settlement obligation.

LEASE EXPENSE

Lease expense totaled $58.0 million for the year ended December 31, 1998. Old CCA had entered into leases with Old Prison Realty in July 1997 for the initial nine facilities that Old CCA had sold to Old Prison Realty. Throughout 1997 and 1998, Old CCA sold an additional four facilities and one expansion to Old Prison Realty and immediately after these sales, leased the facilities back pursuant

to long-term, triple net leases. As a result of the acquisition of U.S. Corrections Corporation, Old CCA entered into long-term leases for four additional facilities with Old Prison Realty.

DEPRECIATION AND AMORTIZATION

For the year ended December 31, 1998, depreciation and amortization expense was $14.4 million. The Company generally uses the straight-line depreciation method over 50 and five-year lives for buildings and machinery and equipment, respectively.

OLD CCA COMPENSATION CHARGE

Old CCA recorded a $22.9 million charge in 1998 for the implied fair value of five million shares of Operating Company voting common stock issued by Operating Company to certain employees of Old CCA and Old Prison Realty. The shares were granted to certain founding shareholders of Operating Company in September 1998. Neither Old CCA nor Operating Company received any proceeds from the issuance of these shares. The fair value of these common shares was determined at the date of the 1999 Merger based upon the implied value of Operating Company, derived from $16.0 million in cash investments made by outside investors as of December 31, 1998, as consideration for a 32% ownership interest in Operating Company.

INTEREST EXPENSE, NET

Interest expense, net is reported net of interest income and capitalized interest for the years ended December 31, 1999 and 1998. Gross interest expense was $8.6 million for the year ended December 31, 1998. Gross interest expense is based on borrowings under Old CCA's bank credit facility, including amortization of loan costs and unused fees. Interest expense is reported net of capitalized interest on construction in progress of $11.8 million for the year ended December 31, 1998.

Gross interest income was $11.4 million for the year ended December 31, 1998. Interest income was earned on the cash proceeds that Old CCA realized in 1997 when it sold twelve facilities to Old Prison Realty.

WRITE-OFF OF LOAN COSTS

During 1998, Old CCA expanded its credit facility from $170.0 million to $350.0 million and incurred debt issuance costs that were being amortized over the term of the loan. The credit facility matured at the earlier of the date of the completion of the 1999 Merger, or September 1999. Accordingly, upon consummation of the 1999 Merger the credit facility was terminated and the related unamortized debt issuance costs were written-off.

CUMULATIVE EFFECT OF ACCOUNTING CHANGE, NET OF TAXES

As previously discussed, Old CCA adopted the provisions of SOP 98-5 in 1998. As a result, Old CCA recorded a $16.1 million charge as a cumulative effect of accounting change, net of taxes of $10.3 million, on periods through December 31, 1997.

INFLATION

The Company does not believe that inflation has had or will have a direct adverse effect on its operations. Many of the Company's management contracts include provisions for inflationary indexing, which mitigates an adverse impact of inflation on net income. However, a substantial increase in personnel costs or medical expenses could have an adverse impact on the Company's results of operations in the future to the extent that wages or medical expenses increase at a faster pace than the per diem or fixed rates received by the Company for its management services.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.

The Company's primary market risk exposure is to changes in U.S. interest rates and fluctuations in foreign currency exchange rates between the U.S. dollar and the British pound. The Company is exposed to market risk related to its Amended Bank Credit Facility and certain other indebtedness as discussed in Note 14 to the financial statements. The interest on the Amended Bank Credit Facility and such other indebtedness is subject to fluctuations in the market. If the interest rate for the Company's outstanding indebtedness under the Amended Bank Credit Facility was 100 basis points higher or lower in 2000, the Company's interest expense, net of amounts capitalized, would have been increased or decreased by approximately $12.4 million.

As of December 31, 2000, the Company had outstanding $100.0 million of its 12.0% senior notes with a fixed interest rate of 12.0%, $41.1 million of convertible subordinated notes with a fixed interest rate of 10.0%, $30.0 million of convertible subordinated notes with a fixed interest rate of 8.0%, $107.5 million of Series A Preferred Stock with a fixed dividend rate of 8.0% and $80.6 million of Series B Preferred Stock with a fixed dividend rate of 12.0%. Because the interest and dividend rates with respect to these instruments are fixed, a hypothetical 10.0% increase or decrease in market interest rates would not have a material impact on the Company.

The Amended Bank Credit Facility required the Company to hedge $325.0 million of its floating rate debt on or before August 16, 1999. The Company has entered into certain swap arrangements guaranteeing that it will not pay an index rate greater than 6.51% on outstanding balances of at least (a) $325.0 million through December 31, 2001 and (b) $200.0 million through December 31, 2002. There is no balance sheet effect related to these arrangements, and the monthly income effect of these arrangements is recognized in interest expense. Despite the change in market interest rates, the Company will pay the fixed rate as set on the required balance.

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

The Company's exposure to foreign currency exchange rate risk relates to its construction, development and leasing of the HMP Forrest Bank facility located in Salford, England, which was held for sale by the Company as of December 31, 2000. The Company entered into a 25-year lease and recognized a direct financing lease receivable equal to the discounted cash flows expected to be

received by the Company over the lease term. The Company also has extended a working capital loan to the operator of this facility. Such payments to the Company are denominated in British pounds rather than the U.S. dollar. As a result, the Company bears the risk of fluctuations in the relative exchange rate between the British pound and the U.S. dollar. At December 31, 2000, the receivables due the Company and denominated in British pounds totaled 58.2 million British pounds. A hypothetical 10% increase in the relative exchange rate would have resulted in an additional $8.7 million increase in value of these receivables and an unrealized foreign currency transaction gain, and a hypothetical 10% decrease in the relative exchange rate would have resulted in an additional $8.7 million decrease in value of these receivables and an unrealized foreign currency transaction loss.

The Company sold its interest in this facility on April 10, 2001.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA.

The financial statements and supplementary data required by Regulation S-X are included in this Annual Report on Form 10-K commencing on page F-1.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE.

Not applicable.

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT.

The information required by this Item 10 is hereby incorporated by reference from the text appearing under Part I, Item 4A, under the caption "Executive Officers and Directors of the Registrant" in this Report, and will appear in, and is hereby incorporated by reference from, the information under the headings "Proposal 1. Election of Directors-Certain Information Concerning the Board of Directors," "-Certain Information Concerning Executive Officers Who Are Not Directors" and "Section 16(a) Beneficial Ownership Reporting Compliance" in the Company's definitive Proxy Statement for the 2001 Annual Meeting of Stockholders, which will be filed with the Commission pursuant to Regulation 14A no later than April 30, 2001.

ITEM 11. EXECUTIVE COMPENSATION

The information required by this Item 11 will appear in, and is hereby incorporated by reference from, the information under the headings "Proposal 1. Election of Directors-Compensation of the Company's Board of Directors," "-Employment Agreements and Change of Control Provisions," "Executive Compensation," "Compensation Committee Interlocks and Insider Participation" and "Performance Graph" in the Company's definitive Proxy Statement for the 2001 Annual Meeting of Stockholders, which will be filed with the Commission pursuant to Regulation 14A no later than April 30, 2001.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT.

The information required by this Item 12 will appear in, and is hereby incorporated by reference from, the information under the heading "Ownership of the Company's Securities" in the Company's definitive Proxy Statement for the 2001 Annual Meeting of Stockholders, which will be filed with the Commission pursuant to Regulation 14A no later than April 30, 2001.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS.

The information required by this Item 13 will appear in, and is hereby incorporated by reference from, the information under the heading "Certain Relationships and Related Transactions" in the Company's definitive Proxy Statement for the 2001 Annual Meeting of Stockholders, which will be filed with the Commission pursuant to Regulation 14A no later than April 30, 2001.

PART IV.

ITEM 14. EXHIBITS, FINANCIAL STATEMENT SCHEDULES AND REPORTS ON FORM 8-K.

(a) The following documents are filed as part of this Report:

(1) Financial Statements.

The Financial Statements as set forth under Item 8 of this Annual Report on Form 10-K have been filed herewith, beginning on Page F-1 of this report.

(2) Financial Statement Schedules.

Schedules for which provision is made in Regulation S-X are either not required to be included herein under the related instructions or are inapplicable or the related information is included in the footnotes to the applicable financial statements and, therefore, have been omitted.

(3) The Exhibits are listed in the Index of Exhibits required by Item 601 of Regulation S-K included herewith.

(b) Reports on Form 8-K:

The following Forms 8-K were filed during the period October 1, 2000 through December 31, 2000:

(1) Filed October 2, 2000 (earliest event September 29, 2000) reporting in Item 2., the merger of the Company with its primary tenant, Old CCA, pursuant to the terms of an Agreement and Plan of Merger, dated June 30, 2000, by and among the Company, a wholly-owned subsidiary of the Company, and Old CCA, and the completion of certain related transactions in connection with the Restructuring.

(2) Filed October 30, 2000 (earliest event October 25, 2000) reporting in Item 5., the issuance of approximately 1.6 million additional shares of Series B Preferred Stock in connection with the Company's election to be taxed and qualify as a REIT with

respect to its 1999 taxable year.

(3) Filed November 28, 2000 (earliest event November 17, 2000) reporting in Item 5., amendments to the Company's Amended Bank Credit Facility, replacing the previously existing financial covenants.

(4) Filed December 19, 2000 (earliest event December 14, 2000) reporting in Item 5., the execution of a Memorandum of Understanding with the plaintiffs in the Company's outstanding stockholder litigation providing for an amendment to the terms of the previously announced settlements.

The following Form 8-K was filed subsequent to December 31, 2000:

(1) Filed February 16, 2001 (earliest event February 13, 2001) reporting in Item 5., final court approvals of revised terms of the definitive agreements with respect to the settlement of a series of class action and derivative lawsuits brought against the Company by current and former stockholders of the Company and its predecessors.

SIGNATURES

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

CORRECTIONS CORPORATION OF AMERICA

Date: April 16, 2001 By: /s/John D. Ferguson

John D. Ferguson, President and Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

/s/ John D. Ferguson	April 16, 2001
John D. Ferguson, President and Chief Executive Officer	April 16, 2001
/s/ Irving E. Lingo, Jr.	April 16, 2001
Irving E. Lingo Jr., Chief Financial Officer	April 16, 2001
/s/ William F. Andrews	April 16, 2001
William F. Andrews, Chairman of the Board and Director	April 16, 2001
/s/ Jean-Pierre Cuny	April 16, 2001
Jean-Pierre Cuny, Director	April 16, 2001
/s/ Joseph V. Russell	April 16, 2001
Joseph V. Russell, Director	April 16, 2001
/s/ Lucius E. Burch, III	April 16, 2001
Lucius E. Burch, III, Director	April 16, 2001
/s/ John D. Correnti	April 16, 2001
John D. Correnti, Director	April 16, 2001
/s/ C. Michael Jacobi	April 16, 2001
C. Michael Jacobi, Director	April 16, 2001
/s/ John R. Prann, Sr.	April 16, 2001
John R. Prann, Sr., Director	April 16, 2001
/s/ Henri L. Wedell	April 16, 2001
Henri L. Wedell, Director	April 16, 2001

INDEX OF EXHIBITS

Exhibits marked with an * are filed herewith. Other exhibits have previously been filed with the Securities and Exchange Commission (the "Commission") and are incorporated herein by reference.

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, a Tennessee corporation ("Old CCA"), CCA Prison Realty Trust, a Maryland real estate investment trust ("Old Prison Realty"), and Prison Realty Corporation, a Maryland corporation currently known as Corrections Corporation of America (the "Company") (previously filed as Appendix A to the Prospectus filed pursuant to Rule 424(b)(4) included in the Company's Registration Statement on Form S-4 (Commission File no. 333-65017), filed with the Commission on September 30, 1998, as declared effective on October 16, 1998, and incorporated herein by this reference) (as directed by Item 601(b)(2) of Regulation S-K, certain schedules and exhibits to this document were omitted from that filing, and the Company has agreed to furnish supplementally a copy of any omitted schedule or exhibit to the Commission upon request).
2.2	Agreement and Plan of Merger, dated as of December 26, 1999, by and among the Company, CCA Acquisition Sub, Inc., a Tennessee corporation currently known as CCA of Tennessee, Inc. ("CCA of Tennessee"), PMSI Acquisition Sub, Inc., a Tennessee corporation ("PMSI Acquisition Sub"), JJFMSI Acquisition Sub, Inc. a Tennessee corporation ("JJFMSI Acquisition Sub"), and Corrections Corporation of America, a Tennessee corporation formerly known as Correctional Management Services Corporation ("Operating Company"), Prison Management Services, Inc., a Tennessee corporation ("PMSI"), and Juvenile and Jail Facility Management Services, Inc. ("JJFMSI") (previously filed as Exhibit 2.1 to the Company's Current Report on Form 8-K (Commission File no. 0-25245), filed with the Commission on December 28, 1999 and incorporated herein by this reference) (as directed by Item 601(b)(2) of Regulation S-K, certain schedules and exhibits to this document were omitted from that filing, and the Company has agreed to furnish supplementally a copy of any omitted schedule or exhibit to the Commission upon request).
2.3	Mutual Written Consent, dated as of June 30, 2000, to Terminate Agreement and Plan of Merger, dated as of December 26, 1999, by and among the Company, CCA of Tennessee, PMSI Acquisition Sub, JJFMSI Acquisition Sub, and Operating Company, PMSI and JJFMSI (previously filed as Exhibit 10.2 to the Company's Current Report on Form 8-K (Commission File no. 0-25245), filed with the Commission on July 3, 2000 and incorporated herein by this reference).

2.4	Agreement and Plan of Merger, dated as of June 30, 2000, by and among the Company, CCA of Tennessee, and Operating Company (previously filed as Exhibit 2.1 to the Company's Current Report on Form 8-K (Commission File no. 0-25245) filed with the Commission on July 3, 2000 and incorporated herein by this reference) (as directed by Item 601(b)(2) of Regulation S-K, certain schedules and exhibits to this document were omitted from this filing, and the Company has agreed to furnish supplementally a copy of any omitted schedule or exhibit to the Commission upon request).
2.5*	Agreement and Plan of Merger, dated as of November 17, 2000, by and among the Company, CCA of Tennessee, and PMSI (as directed by Item 601(b)(2) of Regulation S-K, certain schedules and exhibits to this document have been omitted, and the Company agrees to furnish supplementally a copy of any omitted schedule or exhibit to the Commission upon request).
2.6*	Agreement and Plan of Merger, dated as of November 17, 2000, by and among the Company, CCA of Tennessee, and JJFMSI (as directed by Item 601(b)(2) of Regulation S-K, certain schedules and exhibits to this document have been omitted, and the Company has agreed to furnish supplementally a copy of any omitted schedule or exhibit to the Commission upon request).
3.1*	Amended and Restated Charter of the Company.
3.2*	Second Amended and Restated Bylaws of the Company.
4.1	Provisions defining the rights of stockholders of the Company are found in Article V of the Amended and Restated Charter of the Company (included as Exhibit 3.1 hereto) and Article II of the Second Amended and Restated Bylaws of the Company (included as Exhibit 3.2 hereto).
4.2	Specimen of certificate representing the Company's Common Stock (previously filed as Exhibit 4.2 to the Company's Registration Statement on Form S-4 (Commission File no. 333-65017), filed with the Commission on September 30, 1998 and incorporated herein by this reference).
4.3	Specimen of certificate representing the Company's 8.0% Series A Preferred Stock (previously filed as Exhibit 4.3 to the Company's Registration Statement on Form S-4 (Commission File no. 333-65017), filed with the Commission on September 30, 1998 and incorporated herein by this reference).
4.4	Specimen of certificate representing the shares of the Company's Series B Cumulative Convertible Preferred Stock (the "Series B Preferred Stock") (previously filed as Exhibit 4.1 to the Company's Registration Statement on Form 8-A (Commission File no. 001-16109), filed with the Commission on September 27, 2000 and incorporated herein by this reference).
4.5	Indenture, dated as of June 10, 1999, by and between the Company and State Street Bank and Trust Company, as trustee, relating to the issuance of debt securities

(previously filed as Exhibit 4.1 to the Company's Quarterly Report on Form 10-Q for the quarterly period ending June 30, 1999 (Commission File No. 0-25245), filed with the Commission on August 17, 1999 and incorporated herein by this reference).

4.6 First Supplemental Indenture, by and between the Company and State Street Bank and Trust Company, as trustee, dated as of June 11, 1999, relating to the $100.0 million aggregate principal amount of the Company's 12% Senior Notes due 2006 (previously filed as Exhibit 4.2 to the Company's Quarterly Report on Form 10-Q for the quarterly period ending June 30, 1999 (Commission File No. 0-25245), filed with the Commission on August 17, 1999 and incorporated herein by this reference).

4.7 Prison Realty Trust, Inc. Dividend Reinvestment and Stock Purchase Plan (previously filed as Exhibit 4.1 to the Company's Quarterly Report on Form 10-Q for the quarterly period ending March 31, 1999 (Commission File No. 0-25245), filed with the Commission on May 14, 1999 and incorporated herein by this reference).

10.1 Amended and Restated Credit Agreement, dated as of August 4, 1999, by and among the Company, as Borrower, certain subsidiaries of the Company, as Guarantor, the several lenders from time to time party thereto, Lehman Commercial Paper Inc. ("Lehman"), as Administrative Agent, Societe Generale, as Documentation Agent, The Bank of Nova Scotia, as Syndication Agent, SouthTrust Bank, N.A., as Co-Agent, and Lehman Brothers Inc., as Advisor, Lead Arranger, and as Book Manager (previously filed as Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q for the quarterly period ended June 30, 1999 (Commission File no. 0-25245), as filed with the Commission on August 17, 1999 and incorporated herein by this reference).

10.2 Waiver and Amendment, dated as of June 9, 2000, by and among the Company, as Borrower, certain of the Company's subsidiaries as Subsidiary Guarantors, certain of the Company's lenders, and Lehman, as Administrative Agent (previously filed as Exhibit 10.1 to the Company's Current Report on Form 8-K (Commission File no. 0-25245), filed with the Commission on June 13, 2000 and incorporated herein by this reference).

10.3 Consent and Amendment, dated as of November 17, 2000, by and among the Company, certain of the Company's subsidiaries as Subsidiary Guarantors, certain of the Company's lenders, and Lehman, as Administrative Agent (the "November 17, 2000 Consent and Amendment") (previously filed as Exhibit 10.1 to the Company's Current Report on Form 8-K (Commission File no. 0-25245), filed with the Commission on November 28, 2000 and incorporated herein by this reference).

10.4* Consent and Amendment, dated as of January 10, 2001, by and among the Company, certain of the Company's subsidiaries as Subsidiary Guarantors, certain of the Company's lenders, and Lehman, as Administrative Agent.

10.5* Amendment, dated as of March 13, 2001, by and among the Company, certain of the Company's subsidiaries as Subsidiary Guarantors, certain of the Company's lenders, and Lehman, as Administrative Agent.

10.6*	Loan and Security Agreement, dated as of September 15, 2000, by and among Operating Company, as Borrower, certain of Operating Company's subsidiaries as Subsidiary Guarantors, certain lenders and Lehman, as Agent, with Consent and First Amendment, dated as of November 30, 2000, attached thereto.
10.7	Note Purchase Agreement, dated as of January 1, 1999, by and between the Company and PMI Mezzanine Fund, L.P., including, as Exhibit R-1 thereto, Registration Rights Agreement, dated as of January 1, 1999, by and between the Company and PMI Mezzanine Fund, L.P. (previously filed as Exhibit 10.22 to the Company's Current Report on Form 8-K (Commission File no. 0-25245), filed with the Commission on January 6, 1999 and incorporated herein by this reference).
10.8	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 (previously filed as Exhibit 4.6 to the Company's Current Report on Form 8-K (Commission File no. 0-25245), filed with the Commission on January 6, 1999 and incorporated herein by this reference).
10.9	Waiver and Amendment, dated as of June 30, 2000, by and between the Company and PMI Mezzanine Fund, L.P., with form of replacement note attached thereto as Exhibit B (previously filed as Exhibit 10.5 to the Company's Current Report on Form 8-K (File no. 0-25245), filed with the Commission on July 3, 2000 and incorporated herein by this reference).
10.10*	Waiver and Amendment, dated as of March 5, 2001, by and between the Company and PMI Mezzanine Fund, L.P., including, as an exhibit thereto, Amendment to Registration Rights Agreement.
10.11	Note Purchase Agreement, dated as of December 31, 1998, by and between the Company and MDP Ventures IV LLC (previously filed as Exhibit 10.36 to the Company's Current Report on Form 8-K (Commission File no. 0-25245), filed with the Commission on January 6, 1999 and incorporated herein by this reference).
10.12	Registration Rights Agreement, dated as of December 31, 1998, by and between the Company and MDP Ventures IV LLC (previously filed as Exhibit 10.37 to the Company's Current Report on Form 8-K (Commission File no. 0-25245), filed with the Commission on January 6, 1999 and incorporated herein by this reference).
10.13	Note from the Company made payable to MDP Ventures IV LLC, dated as of December 31, 1998, in the principal amount of $20.0 million (previously filed as Exhibit 4.7 to the Company's Current Report on Form 8-K (Commission File no. 0-25245), filed with the Commission on January 6, 1999 and incorporated herein by this reference).
10.14	Notes from the Company made payable to MDP Ventures IV LLC, and certain other purchasers, dated as of January 29, 1999, in the aggregate principal amount of $20.0 million (previously filed as Exhibit 4.21 to the Company's Annual Report on Form 10-K (Commission File no. 0-25245), filed with the Commission on March 30, 1999

and incorporated herein by this reference).

10.15 Form of Waiver and Amendment, dated as of June 30, 2000, by and between the Company and MDP Ventures IV LLC, with form of replacement note and PIK note attached thereto as Exhibit B and D, respectively (previously filed as Exhibit 10.4 to the Company's Current Report on Form 8-K (Commission File no. 0-25245), filed with the Commission on July 3, 2000 and incorporated herein by this reference).

10.16 Securities Purchase Agreement, dated as of December 26, 1999, by and between the Company, Operating Company, PMSI, and JJFMSI, on the one hand, and Prison Acquisition Company, L.L.C., on the other hand, including: (i) as Exhibit A thereto, Agreement and Plan of Merger, dated as of December 26, 1999, by and among the Company, CCA of Tennessee, PMSI Acquisition Sub, JJFMSI Acquisition Sub, Operating Company, PMSI and JJFMSI; (ii) as Exhibit B thereto, the Form of Articles of Amendment and Restatement of the Company; (iii) as Exhibit C thereto, the Amended and Restated Bylaws of the Company; (iv) as Exhibit D thereto, the Form of Articles Supplementary for Series B Cumulative Convertible Preferred Stock; (v) as Exhibit E thereto, the Form of Warrant; (vi) as Exhibit F thereto, the Form of Articles Supplementary for Series C Cumulative Convertible Preferred Stock; (vii) as Exhibit G thereto, the Form of Registration Rights Agreement; and (viii) as Exhibit H thereto, the Financing Commitment Letter (previously filed as Exhibit 10.1 to the Company's Current Report on Form 8-K (Commission File no. 0-25245), filed with the Commission on December 28,1999 and incorporated herein by this reference).

10.17 First Amendment to Securities Purchase Agreement, dated as of February 28, 2000, by and among the Company, Operating Company, PMSI and JJFMSI, on the one hand, and Prison Acquisition Company, L.L.C., on the other hand (previously filed as Exhibit 10.1 to the Company's Current Report on Form 8-K (Commission File no. 0-25245), filed with the Commission on March 1, 2000 and incorporated herein by this reference).

10.18 Securities Purchase Agreement, effective as of April 16, 2000, by and among the Company, Operating Company, PMSI and JJFMSI, on the one hand, and Pacific Life Insurance Company, on the other hand ("Pacific Life"), with the following exhibits attached: (i) as Exhibit A thereto, Agreement and Plan of Merger, dated as of December 26, 1999, by and among the Company, CCA of Tennessee, PMSI Acquisition Sub, JJFMSI Acquisition Sub, Operating Company, PMSI and JJFMSI; (ii) as Exhibit B thereto, the Form of Articles of Amendment and Restatement of the Company; (iii) as Exhibit C thereto, the Amended and Restated Bylaws of the Company; (iv) as Exhibit D thereto, the Form of Articles Supplementary for Series C Cumulative Convertible Preferred Stock (filed therewith); (v) as Exhibit E thereto, the Form of Articles Supplementary for Series B Cumulative Convertible Preferred Stock; (vi) as Exhibit F thereto, the Form of Warrant; and (vii) as Exhibit G thereto, the Form of Registration Rights Agreement (the Securities Purchase Agreement, together with items (ii), (iii), (iv), (v), (vi) and (vii), have been previously filed as Exhibit 10.1 to the Company's Current Report on Form 8-K (Commission File no. 0-25245), filed with the Commission on April 18, 2000 and incorporated herein by this

reference, with item (i) having been previously filed as Exhibit 2.1 to the Company's Current Report on Form 8-K (Commission File no. 0-25245), filed with the Commission on December 28, 1999 and incorporated herein by this reference).

10.19 Mutual Termination and Release Agreement, dated as of June 30, 2000, by and among the Company, Operating Company, PMSI and JJFMSI, on the one hand, and Pacific Life, on the other hand (previously filed as Exhibit 10.1 to the Company's Current Report on Form 8-K (Commission File no. 0-25245), filed with the Commission on July 3, 2000 and incorporated herein by this reference).

10.20 Stock Purchase Agreement, dated as of June 30, 2000, by and between the Company and Baron Asset Fund, and all series thereof, on behalf of itself and one or more mutual funds managed by it, or its affiliates (collectively, "Baron") (previously filed as Exhibit 10.3 to the Company's Current Report on Form 8-K (Commission File no. 0-25245), filed with the Commission on July 3, 2000 and incorporated herein by this reference).

10.21 Stock Purchase Agreement, dated as of September 11, 2000, by and between the Company and Sodexho Alliance, S.A. ("Sodexho") (previously filed as Exhibit 10.1 to the Company's Current Report on Form 8-K (File no. 0-25245), filed with the Commission on September 12, 2000 and incorporated herein by this reference).

10.22 Master Agreement to Lease, dated as of January 1, 1999, by and between the Company, USCC, Inc. and Operating Company (previously filed as Exhibit 10.1 to the Company's Current Report on Form 8-K (Commission File no. 0-25245), filed with the Commission on January 6, 1999 and incorporated herein by this reference).

10.23 Form of Lease Agreement by and between the Company and Operating Company (previously filed as Exhibit 10.2 to the Company's Current Report on Form 8-K (Commission File no. 0-25245), filed with the Commission on January 6, 1999 and incorporated herein by this reference).

10.24 First Amendment to Master Agreement to Lease, dated as of December 31, 1999, by and between the Company and Operating Company (previously filed as Exhibit 10.67 to the Company's Annual Report on Form 10-K (Commission File no. 0-25245), filed with the Commission on March 30, 2000 and incorporated herein by this reference).

10.25 Master Amendment to Lease Agreements, dated as of December 31, 1999, by and between the Company and Operating Company (previously filed as Exhibit 10.68 to the Company's Annual Report on Form 10-K (Commission File no. 0-25245), filed with the Commission on March 30, 2000 and incorporated herein by this reference).

10.26 Second Master Amendment to Lease Agreements, dated as of June 9, 2000, by and between the Company and Operating Company (previously filed as Exhibit 10.2 to the Company's Current Report on Form 8-K (Commission File no. 0-25245), filed with the Commission on June 13, 2000 and incorporated herein by this reference).

10.27*	Termination Agreement With Respect to Master Agreement to Lease and Lease Agreements, dated as of September 29, 2000, by and between the Company, Operating Company and CCA of Tennessee.
10.28*	Master Agreement to Lease, dated as of December 31, 2000, by and between the Company, as landlord, and CCA of Tennessee, as tenant.
10.29	Services Agreement, dated as of January 1, 1999, by and between the Company and Operating Company (previously filed as Exhibit 10.16 to the Company's Current Report on Form 8-K (Commission File no. 0-25245), filed with the Commission on January 6, 1999 and incorporated herein by this reference).
10.30*	Amended and Restated Services Agreement, dated as of March 5, 1999, by and between the Company and Operating Company.
10.31	Amendment Number One to Amended and Restated Services Agreement, dated as of June 9, 2000, by and between the Company and Operating Company (previously filed as Exhibit 10.5 to the Company's Current Report on Form 8-K (Commission File no. 0-25245), filed with the Commission on June 13, 2000 and incorporated herein by this reference).
10.32*	Termination Agreement With Respect to Amended and Restated Services Agreement, dated as of September 29, 2000, by and between the Company, Operating Company and CCA of Tennessee.
10.33	Tenant Incentive Agreement, dated as of January 1, 1999, by and between the Company and Operating Company (previously filed as Exhibit 10.17 to the Company's Current Report on Form 8-K (Commission File no. 0-25245), filed with the Commission on January 6, 1999 and incorporated herein by this reference).
10.34	Amended and Restated Tenant Incentive Agreement, by and between the Company and Operating Company (previously filed as Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q for the quarterly period ended March 31, 1999 (Commission File no. 0-25245), filed with the Commission on May 14, 1999 and incorporated herein by this reference).
10.35	Amendment Number One to Amended and Restated Tenant Incentive Agreement, dated as of June 9, 2000, by and between the Company and Operating Company (previously filed as Exhibit 10.3 to the Company's Current Report on Form 8-K (Commission File no. 0-25245), filed with the Commission on June 13, 2000 and incorporated herein by this reference).
10.36*	Termination Agreement With Respect to Amended and Tenant Incentive Agreement, dated as of September 29, 2000, by and between the Company, Operating Company and CCA of Tennessee.
10.37	Business Development Agreement, by and between the Company and Operating Company (previously filed as Exhibit 10.2 to the Company's Quarterly Report on

	Form 10-Q for the quarterly period ended March 31, 1999 (Commission File no. 0-25245), filed with the Commission on May 14, 1999 and incorporated herein by this reference).
10.38	Amendment Number One to Business Development Agreement, dated as of June 9, 2000, by and between the Company and Operating Company (previously filed as Exhibit 10.4 to the Company's Current Report on Form 8-K (Commission File no. 0-25245), filed with the Commission on June 13, 2000 and incorporated herein by this reference).
10.39*	Termination Agreement With Respect to Business Development Agreement, dated as of September 29, 2000, by and between the Company, Operating Company and CCA of Tennessee.
10.40	Administrative Services Agreement, dated as of January 1, 1999, by and between Operating Company and PMSI (previously filed as Exhibit 10.26 to the Company's Current Report on Form 8-K (Commission File no. 0-25245), filed with the Commission on January 6, 1999 and incorporated herein by this reference).
10.41*	Amendment Number One to Administrative Services Agreement, dated as of September 29, 2000, by and between the Company and PMSI.
10.42	Administrative Services Agreement, dated as of January 1, 1999, by and between Operating Company and JJFMSI (previously filed as Exhibit 10.27 to the Company's Current Report on Form 8-K (Commission File no. 0-25245), filed with the Commission on January 6, 1999 and incorporated herein by this reference).
10.43*	Amendment Number One to Administrative Services Agreement, dated as of September 29, 2000, by and between the Company and JJFMSI.
10.44	Right to Purchase Agreement, dated as of January 1, 1999, by and between the Company and Operating Company (previously filed as Exhibit 10.3 to the Company's Current Report on Form 8-K (Commission File no. 0-25245), filed with the Commission on January 6, 1999 and incorporated herein by this reference).
10.45	Service Mark and Trade Name Use Agreement, dated as of December 31, 1998, by and between Old CCA and Operating Company (previously filed as Exhibit 10.4 to the Company's Current Report on Form 8-K (Commission File no. 0-25245), filed with the Commission on January 6, 1999 and incorporated herein by this reference).
10.46	Service Mark and Trade Name Use Agreement, dated as of December 31, 1998, by and between Operating Company and Prison Management Services, LLC (previously filed as Exhibit 10.5 to the Company's Current Report on Form 8-K (Commission File no. 0-25245), filed with the Commission on January 6, 1999 and incorporated herein by this reference).
10.47	Service Mark and Trade Name Use Agreement, dated as of December 31, 1998, by and between Operating Company and Juvenile and Jail Facility Management

	Services, LLC (previously filed as Exhibit 10.6 to the Company's Current Report on Form 8-K (Commission File no. 0-25245), filed with the Commission on January 6, 1999 and incorporated herein by this reference).
10.48*	Termination Agreement With Respect to Service Mark and Trade Name Use Agreement, dated as of September 29, 2000, by and between the Company, Operating Company, PMSI, JJFMSI and CCA of Tennessee.
10.49	Promissory Note, dated as of December 31, 1998, executed by Operating Company made payable to Old CCA in the principal amount of $137.0 million (previously filed as Exhibit 10.7 to the Company's Current Report on Form 8-K (Commission File no. 0-25245), filed with the Commission on January 6, 1999 and incorporated herein by this reference).
10.50	Guaranty Agreement, dated as of December 31, 1998, executed and delivered by Doctor R. Crants to Old CCA (previously filed as Exhibit 10.8 to the Company's Current Report on Form 8-K (Commission File no. 0-25245), filed with the Commission on January 6, 1999 and incorporated herein by this reference).
10.51	Old Prison Realty's 1997 Employee Share Incentive Plan (previously filed as Exhibit 10.25 to Old Prison Realty's Quarterly Report on Form 10-Q (Commission File no. 1-13049), filed with the Commission on August 25, 1997 and incorporated herein by this reference).
10.52	First Amendment to Old Prison Realty's 1997 Employee Share Incentive Plan (previously filed as Appendix B to the Company's definitive Proxy Statement relating to the Company's 2000 Annual Meeting of Stockholders (Commission File no. 0-25245), filed with the Commission on November 20, 2000 and incorporated herein by this reference).
10.53	Old Prison Realty's Non-Employee Trustees' Share Option Plan, as amended (previously filed as Exhibit 10.26 to Old Prison Realty's Quarterly Report on Form 10-Q (Commission File no. 1-13049), filed with the Commission on August 25, 1997 and incorporated herein by this reference).
10.54	Old Prison Realty's Non-Employee Trustees' Compensation Plan (previously filed as Exhibit 4.3 to Old Prison Realty's Registration Statement on Form S-8 (Commission File no. 333-58339), filed with the Commission on July 1, 1998 and incorporated herein by this reference).
10.55	Non-Qualified Stock Option Plan of Old CCA, dated as of January 16, 1986, and related form of Non-Qualified Stock Option Agreement (previously filed as Exhibit 10(d) to Old CCA's Registration Statement on Form S-1 (Commission File no. 33-8052), filed with the Commission on August 15, 1986 and incorporated herein by this reference).
10.56	Old CCA's 1989 Stock Bonus Plan (previously filed as Exhibit 10(zz) to Old CCA's Annual Report on Form 10-K (Commission File no. 0-15719), filed with the

Commission on March 30, 1990 and incorporated herein by this reference).

10.57 First Amendment to Old CCA's Non-Qualified Stock Option Plan, dated as of June 8, 1989 (previously filed as Exhibit 10(nnn) to Old CCA's Annual Report on Form 10-K (Commission File no. 0-15719), filed with the Commission on March 30, 1990 and incorporated herein by this reference).

10.58 Old CCA's Non-Employee Director Stock Option Plan (previously filed as Exhibit 10(yyyy) to Old CCA's Annual Report on Form 10-K (Commission File no. 0-15719), filed with the Commission on March 31, 1994 and incorporated herein by this reference).

10.59 First Amendment to Old CCA's 1991 Flexible Stock Option Plan, dated as of March 11, 1994 (previously filed as Exhibit 10.102 to Old CCA's Annual Report on Form 10-K (Commission File no. 1-13049), filed with the Commission on March 31, 1995 and incorporated herein by this reference).

10.60 Amended and Restated Old CCA 1989 Stock Bonus Plan, dated as of February 20, 1995 (previously filed as Exhibit 10.138 to Old CCA's Annual Report on Form 10-K (Commission File no. 1-13560), filed with the Commission on March 31, 1995 and incorporated herein by this reference).

10.61 Old CCA's 1995 Employee Stock Incentive Plan, effective as of March 20, 1995 (previously filed as Exhibit 4.3 to Old CCA's Registration Statement on Form S-8 (Commission File no. 33-61173), filed with the Commission on July 20, 1995 and incorporated herein by this reference).

10.62 First Amendment to Amended and Restated Old CCA 1989 Stock Bonus Plan, dated as of November 3, 1995 (previously filed as Exhibit 10.153 to Old CCA's Annual Report on Form 10-K (Commission File no. 1-13560), filed with the Commission on March 29, 1996 and incorporated herein by this reference).

10.63 Option Agreement, dated as of March 31, 1997, by and between Old CCA and Joseph F. Johnson, Jr. relating to the grant of an option to purchase 80,000 shares of Old CCA Common Stock (previously filed as Appendix B to Old CCA's definitive Proxy Statement relating to Old CCA's 1998 Annual Meeting of Shareholders (Commission File no. 0-15719), filed with the Commission on March 31, 1998 and incorporated herein by this reference).

10.64 Old CCA's Non-Employee Directors' Compensation Plan (previously filed as Appendix A to Old CCA's definitive Proxy Statement relating to Old CCA's 1998 Annual Meeting of Shareholders (Commission File no. 0-15719), filed with the Commission on March 31, 1998 and incorporated herein by this reference).

10.65 The Company's 2000 Stock Incentive Plan (previously filed as Appendix C to the Company's definitive Proxy Statement relating to the Company's 2000 Annual Meeting of Stockholders (Commission File no. 0-25245), filed with the Commission on November 20, 2000 and incorporated herein by this reference).

10.66	Employment Agreement, dated as of August 4, 2000, by and between the Company and John D. Ferguson, with form of option agreement included as Exhibit A thereto (previously filed as Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q (File no. 0-25245), filed with the Commission on August 14, 2000 and incorporated herein by this reference).
10.67*	Employment Agreement, dated as of December 6, 2000, by and between the Company and Irving E. Lingo, Jr.
10.68*	Employment Agreement, dated as of August 3, 1999, by and between Operating Company and J. Michael Quinlan.
10.69	Employment Agreement, dated as of January 1, 1999, by and between Doctor R. Crants and the Company (previously filed as Exhibit 10.28 to the Company's Current Report on Form 8-K (Commission File no. 0-25245), filed with the Commission on January 6, 1999 and incorporated herein by this reference).
10.70*	Amendment Number One to Employment Agreement with Doctor R. Crants, dated as of June 29, 2000, by and between the Company and Doctor R. Crants.
10.71	Severance Agreement, dated as of December 31, 1999, by and among D. Robert Crants, III, the Company and Operating Company (previously filed as Exhibit 10.69 to the Company's Annual Report on Form 10-K (Commission File no. 0-25245), filed with the Commission on March 30, 2000 and incorporated herein by this reference).
10.72	Severance Agreement, dated as of December 31, 1999, by and among Michael W. Devlin, the Company and Operating Company (previously filed as Exhibit 10.70 to the Company's Annual Report on Form 10-K (Commission File no. 0-25245), filed with the Commission on March 30, 2000 and incorporated herein by this reference).
10.73	Stock Acquisition Agreement, dated as of September 11, 2000, by and among the Company, Operating Company, PMSI, JJFMSI, Corrections Corporation of America (U.K.) Limited, a company incorporated in England and Wales ("CCA UK"), and Sodexho (previously filed as Exhibit 10.2 to the Company's Current Report on Form 8-K (File no. 0-25245), filed with the Commission on September 12, 2000 and incorporated herein by this reference).
10.74*	Amendment Number One to Stock Acquisition Agreement, dated as of November 13, 2000, by and among the Company, CCA of Tennessee, PMSI, JJFMSI, CCA UK and Sodexho.
10.75	Option Agreement, dated as of September 11, 2000, by and between JJFMSI and Sodexho (previously filed as Exhibit 10.3 to the Company's Current Report on Form 8-K (Commission File no. 0-25245), filed with the Commission on September 12, 2000 and incorporated herein by this reference).

10.76*	Amendment Number One to Option Agreement, dated as of November 13, 2000, by and between JJFMSI and Sodexho.
10.77*	Indemnity Agreement, dated as of September 29, 2000, by and between the Company and PMSI.
10.78*	Indemnity Agreement, dated as of September 29, 2000, by and between the Company and JJFMSI.
10.79	Memorandum of Understanding, dated as of December 14, 2000, by and among attorneys for the Company and the plaintiffs in the outstanding stockholder litigation against the Company and certain of its existing and former directors and officers (the "Plaintiffs") (previously filed as Exhibit 10.1 to the Company's Current Report on Form 8-K (File no. 0-25245), filed with the Commission on December 19, 2000 and incorporated herein by this reference).
10.80*	Stock Purchase Agreement, dated as of April 10, 2001, by and among the Company; Abbey National Treasury Services plc, a public limited company incorporated in England and Wales and registered with company number 2338548; and Agecroft Properties (No. 2) Limited, a private limited company incorporated in England and Wales and registered with company number 4167343 ("API 2"), relating to the Company's sale of all of the issued and outstanding capital stock of Agecroft Properties, Inc., a Tennessee corporation and wholly-owned subsidiary of the Company ("API"), to API 2.
21*	Subsidiaries of the Company.
23.1*	Consent of Arthur Andersen LLP.
24	Powers of Attorney (included on signature pages).
99.1	Letter to the Board of Directors of the Company, dated as of February 22, 2000, from Pacific Life (previously filed as Exhibit 99.1 to the Company's Current Report on Form 8-K (Commission File no. 0-25245), filed with the Commission on March 1, 2000 and incorporated herein by this reference).
99.2	Press release, dated as of June 30, 2000, relating to the mutual termination of the Pacific Life securities purchase agreement and the proposed restructuring of the Company (the "Restructuring") (previously filed as Exhibit 99.1 to the Company's Current Report on Form 8-K (File no. 0-25245) filed with the Commission on July 3, 2000 and incorporated herein by this reference).
99.3	Press release, dated as of July 31, 2000, regarding the termination of Doctor R. Crants as the Chief Executive Officer of the Company (previously filed as Exhibit 99.1 to the Company's Current Report on Form 8-K (File no. 0-25245) filed with the Commission on July 31, 2000 and incorporated herein by this reference).

99.4	Press release, dated as of August 24, 2000, regarding execution of the Memorandum of Understanding (previously filed as Exhibit 99.1 to the Company's Current Report on Form 8-K (File no. 0-25245) filed with the Commission on August 29, 2000 and incorporated herein by this reference).
99.5	Press release, dated as of September 5, 2000, announcing the declaration of a dividend payable in shares of the Company's Series B Preferred Stock in connection with the Company's election to be taxed and to qualify as a REIT with respect to its 1999 taxable year (previously filed as (i) Exhibit 99.1 to the Company's Registration Statement on Form 8-A (File no. 001-16109) filed with the Commission on September 8, 2000 and (ii) Exhibit 99.1 to the Company's Current Report on Form 8-K (File no. 0-25245) filed with the Commission on September 11, 2000 and incorporated herein by this reference).
99.6	Press release, dated as of September 25, 2000, announcing the distribution of a dividend payable in shares of the Company's Series B Preferred Stock in connection with the Company's election to be taxed and qualify as a REIT with respect to its 1999 taxable year (previously filed as (i) Exhibit 99.1 to the Company's Current Report on Form 8-K (File no. 0-25245) filed with the Commission on September 26, 2000 and (ii) Exhibit 99.2 to the Company's Amended Registration Statement on Form 8-A (File no. 001-16109) filed with the Commission on September 27, 2000 and incorporated herein by this reference).
99.7	Press release, dated as of October 2, 2000, announcing the completion of the merger of Operating Company with and into a wholly owned subsidiary of the Company (previously filed as Exhibit 99.1 to the Company's Current Report on Form 8-K (File no. 0-25245) filed with the Commission on October 3, 2000 and incorporated herein by this reference).
99.8	Press release, dated as of October 2, 2000, announcing the conversion price of the Series B Preferred Stock during the initial conversion period (previously filed as Exhibit 99.2 to the Company's Current Report on Form 8-K (File no. 0-25245) filed with the Commission on October 3, 2000 and incorporated herein by this reference).
99.9	Press release, dated as of October 2, 2000, announcing an adjustment to the conversion price of the Series B Preferred Stock during the initial conversion period (previously filed as Exhibit 99.3 to the Company's Current Report on Form 8-K (File no. 0-25245) filed with the Commission on October 3, 2000 and incorporated herein by this reference).
99.10	Press release, dated as of October 25, 2000, announcing the distribution of additional shares of Series B Preferred Stock (previously filed as Exhibit 99.1 to the Company's Current Report on Form 8-K (File no. 0-25245) filed with the Commission on October 30, 2000 and incorporated herein by this reference).

99.11	Press release, dated as of October 26, 2000, announcing the settlement of outstanding stockholder litigation against the Company and certain of its existing and former directors and executive officers (previously filed as Exhibit 99.2 to the Company's Current Report on Form 8-K (File no. 0-25245) filed with the Commission on October 30, 2000 and incorporated herein by this reference).
99.12	Press release, dated as of November 21, 2000, announcing the effectiveness of a the November 17, 2000 Consent and Amendment (previously filed as Exhibit 99.1 to the Company's Current Report on Form 8-K (File no. 0-25245) filed with the Commission on November 28, 2000 and incorporated herein by this reference).
99.13	Press release, dated as of December 15, 2000, announcing the execution of the Memorandum of Understanding, dated as of December 14, 2000, by and among attorneys for the Company and the Plaintiffs (previously filed as Exhibit 99.1 to the Company's Current Report on Form 8-K (File no. 0-25245) filed with the Commission on December 19, 2000 and incorporated herein by this reference).
99.14	Final Judgment and Order of Dismissal with Prejudice, Civil Action No. 3:99-0458, issued by the United States District Court for the Middle District of Tennessee (previously filed as Exhibit 99.1 to the Company's Current Report on Form 8-K (File no. 0-25245) filed with the Commission on February 16, 2001 and incorporated herein by this reference).
99.15	Final Judgment and Order of Dismissal with Prejudice, Civil Action No. 98-239-III, issued by the Chancery Court of Davidson County for the Twentieth Judicial District (previously filed as Exhibit 99.2 to the Company's Current Report on Form 8-K (File no. 0-25245) filed with the Commission on February 16, 2001 and incorporated herein by this reference).
99.16	Final Judgment and Order of Dismissal with Prejudice, Civil Action No. 99-1719-III, issued by the Chancery Court of Davidson County for the Twentieth Judicial District (previously filed as Exhibit 99.3 to the Company's Current Report on Form 8-K (File no. 0-25245) filed with the Commission on February 16, 2001 and incorporated herein by this reference).
99.17	Company press release, dated February 13, 2001, announcing final court approvals of the definitive settlement agreements (previously filed as Exhibit 99.4 to the Company's Current Report on Form 8-K (File no. 0-25245) filed with the Commission on February 16, 2001 and incorporated herein by this reference).
99.18*	Press release, dated as of April 10, 2001, regarding the Company's sale of all of the issued and outstanding capital stock of API.

INDEX TO FINANCIAL STATEMENTS

COMBINED AND CONSOLIDATED FINANCIAL STATEMENTS OF CORRECTIONS CORPORATION OF AMERICA AND SUBSIDIARIES (FORMERLY PRISON REALTY TRUST, INC.)

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To Corrections Corporation of America (formerly Prison Realty Trust, Inc):

We have audited the accompanying consolidated balance sheets of CORRECTIONS CORPORATION OF AMERICA (formerly Prison Realty Trust, Inc.) (a Maryland corporation) AND SUBSIDIARIES as of December 31, 2000 and 1999, and the related combined and consolidated statements of operations, cash flows and stockholders' equity for each of the three years in the period ended December 31, 2000. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As discussed in Notes 2 and 14, the Company has $1,152.6 million of debt outstanding, of which $14.6 million is contractually due in 2001 and $382.5 million matures on January 1, 2002. Although management has developed plans for addressing the January 1, 2002 debt maturity as discussed in Notes 2 and 14, there can be no assurance that management's plans will be successful and there can be no assurance that the Company will be able to refinance or renew its debt obligations maturing on January 1, 2002.

In our opinion, the combined and consolidated financial statements referred to above present fairly, in all material respects, the financial position of Corrections Corporation of America (formerly Prison Realty Trust, Inc.) and subsidiaries as of December 31, 2000 and 1999, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2000, in conformity with accounting principles generally accepted in the United States.

As further explained in Note 4 to the combined and consolidated financial statements, the Company has given retroactive effect to a change in accounting for one of its investments from the cost method to the equity method based upon a change in control which occurred in 2000.

ARTHUR ANDERSEN LLP

Nashville, Tennessee
April 16, 2001

CORRECTIONS CORPORATION OF AMERICA AND SUBSIDIARIES
(FORMERLY PRISON REALTY TRUST, INC.)
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2000 AND 1999
(in thousands, except per share data)

ASSETS	2000	1999
Cash and cash equivalents	$ 20,889	$ 84,493
Restricted cash	9,209	24,409
Accounts receivable, net of allowance of $1,486 for 2000	132,306	5,105
Receivable from affiliates	--	29,891
Income tax receivable	32,662	--
Prepaid expenses and other current assets	18,726	5,801
Assets held for sale under contract	24,895	--
Total current assets	238,687	149,699
Property and equipment, net	1,615,130	2,208,496
Notes receivable from Operating Company	--	122,472
Other notes receivable	6,703	6,759
Investment in direct financing leases	23,808	70,255
Assets held for sale	138,622	--
Goodwill	109,006	--
Investment in affiliates	--	113,482
Other assets	45,036	45,481
Total assets	$ 2,176,992	$ 2,716,644
LIABILITIES AND STOCKHOLDERS' EQUITY		
Accounts payable and accrued expenses	$ 243,312	$ 67,595
Payable to Operating Company	--	3,316
Income taxes payable	8,437	5,476
Distributions payable	9,156	2,150
Current portion of long-term debt	14,594	6,084
Total current liabilities	275,499	84,621
Long-term debt, net of current portion	1,137,976	1,092,907
Deferred tax liabilities	56,450	32,000
Deferred gains on sales of contracts	--	106,045
Other liabilities	19,052	--
Total liabilities	1,488,977	1,315,573
Commitments and contingencies		
Preferred stock - $0.01 par value; 50,000 shares authorized:		
Series A - 4,300 shares issued and outstanding; stated at liquidation preference of $25.00 per share	107,500	107,500
Series B - 3,297 shares issued and outstanding at December 31, 2000; stated at liquidation preference of $24.46 per share	80,642	--
Common stock - $0.01 par value; 400,000 and 300,000 shares authorized; 235,395 and 118,406 shares issued; and 235,383 and 118,394 shares outstanding at December 31, 2000 and 1999, respectively	2,354	1,184
Additional paid-in capital	1,299,390	1,347,318
Deferred compensation	(2,723)	(91)
Retained deficit	(798,906)	(54,598)
Treasury stock, 12 shares, at cost	(242)	(242)
Total stockholders' equity	688,015	1,401,071
Total liabilities and stockholders' equity	$ 2,176,992	$ 2,716,644

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

CORRECTIONS CORPORATION OF AMERICA AND SUBSIDIARIES
(FORMERLY PRISON REALTY TRUST, INC.)
COMBINED AND CONSOLIDATED STATEMENTS OF OPERATIONS
FOR THE YEARS ENDED DECEMBER 31, 2000, 1999 AND 1998
(in thousands, except per share amounts)

	2000	1999	1998
REVENUE:			
Management and other	$ 261,774	$ --	$ 662,059
Rental	40,938	270,134	--
Licensing fees from affiliates	7,566	8,699	--
	310,278	278,833	662,059
EXPENSES:			
Operating	214,872	--	496,522
General and administrative	21,241	24,125	28,628
Lease	2,443	--	58,018
Depreciation and amortization	59,799	44,062	14,363
Licensing fees to Operating Company	501	--	--
Administrative service fee to Operating Company	900	--	--
Write-off of amounts under lease arrangements	11,920	65,677	--
Impairment losses	527,919	76,433	--
Old CCA compensation charge	--	--	22,850
	839,595	210,297	620,381
OPERATING INCOME (LOSS)	(529,317)	68,536	41,678
OTHER (INCOME) EXPENSE:			
Equity (earnings) loss and amortization of deferred gain, net	11,638	(3,608)	--
Interest (income) expense, net	131,545	45,036	(2,770)
Other income	(3,099)	--	--
Strategic investor fees	24,222	--	--
Unrealized foreign currency transaction loss	8,147	--	--
Loss on sales of assets	1,733	1,995	--
Stockholder litigation settlements	75,406	--	--
Write-off of loan costs	--	14,567	2,043
	249,592	57,990	(727)
INCOME (LOSS) BEFORE INCOME TAXES, MINORITY INTEREST AND CUMULATIVE EFFECT OF ACCOUNTING CHANGE	(778,909)	10,546	42,405
(Provision) benefit for income taxes	48,002	(83,200)	(15,424)
INCOME (LOSS) BEFORE MINORITY INTEREST AND CUMULATIVE EFFECT OF ACCOUNTING CHANGE	(730,907)	(72,654)	26,981
Minority interest in net loss of PMSI and JJFMSI	125	--	--
INCOME (LOSS) BEFORE CUMULATIVE EFFECT OF ACCOUNTING CHANGE	(730,782)	(72,654)	26,981
Cumulative effect of accounting change, net of taxes	--	--	(16,145)
NET INCOME (LOSS)	(730,782)	(72,654)	10,836
Distributions to preferred stockholders	(13,526)	(8,600)	--
NET INCOME (LOSS) AVAILABLE TO COMMON STOCKHOLDERS	$(744,308)	$ (81,254)	$ 10,836

(Continued)

CORRECTIONS CORPORATION OF AMERICA AND SUBSIDIARIES
(FORMERLY PRISON REALTY TRUST, INC.)
COMBINED AND CONSOLIDATED STATEMENTS OF OPERATIONS
FOR THE YEARS ENDED DECEMBER 31, 2000, 1999 AND 1998
(in thousands, except per share amounts)

(Continued)

	2000	1999	1998
BASIC NET INCOME (LOSS) AVAILABLE TO COMMON STOCKHOLDERS PER COMMON SHARE:			
Before cumulative effect of accounting change	$ (5.67)	$ (0.71)	$ 0.38
Cumulative effect of accounting change	--	--	(0.23)
	$ (5.67)	$ (0.71)	$ 0.15
DILUTED NET INCOME (LOSS) AVAILABLE TO COMMON STOCKHOLDERS PER COMMON SHARE:			
Before cumulative effect of accounting change	$ (5.67)	$ (0.71)	$ 0.34
Cumulative effect of accounting change	--	--	(0.20)
	$ (5.67)	$ (0.71)	$ 0.14
WEIGHTED AVERAGE COMMON SHARES OUTSTANDING, BASIC	131,324	115,097	71,380
WEIGHTED AVERAGE COMMON SHARES OUTSTANDING, DILUTED	131,324	115,097	78,939

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

CORRECTIONS CORPORATION OF AMERICA AND SUBSIDIARIES
(FORMERLY PRISON REALTY TRUST, INC.)
COMBINED AND CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2000, 1999 AND 1998
(in thousands)

	2000	1999	1998
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net income (loss)	$(730,782)	$ (72,654)	$ 10,836
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:			
Depreciation and amortization	59,799	44,062	14,363
Amortization of debt issuance costs	15,684	7,901	1,610
Deferred and other non-cash income taxes	(13,767)	83,200	(40,719)
Equity in (earnings) losses and amortization of deferred gain	11,638	(3,608)	(535)
Write-off of amounts under lease agreement	11,920	65,677	--
Write-off of loan costs	--	14,567	2,043
Foreign currency transaction loss	8,147	--	--
Other non-cash items	3,595	3,679	757
Loss on disposals of assets	1,733	1,995	1,083
Gain on real estate transactions	--	--	(13,984)
Asset impairment	527,919	76,433	--
Old CCA compensation charge	--	--	22,850
Cumulative effect of accounting change	--	--	26,468
Minority interest	(125)	--	--
Changes in assets and liabilities, net of acquisitions:			
Accounts receivable, prepaid expenses and other assets	(4,728)	(2,732)	(39,678)
Receivable from affiliates	28,864	(28,608)	--
Income tax receivable	(32,662)	(9,490)	838
Accounts payable and accrued expenses	66,039	(32,302)	68,565
Payable to Operating Company	(2,325)	(68,623)	--
Other liabilities	2,488	--	--
Net cash provided by (used in) operating activities	(46,563)	79,497	54,497
CASH FLOWS FROM INVESTING ACTIVITIES:			
Additions of property and equipment, net	(78,663)	(528,935)	(417,215)
(Increase) decrease in restricted cash	15,200	(7,221)	--
Payments received on investments in affiliates	6,686	21,668	603
Issuance of note receivable	(529)	(6,117)	(1,549)
Proceeds from sale of assets and businesses	6,400	43,959	61,299
Merger costs	--	--	(26,270)
Increase in other assets	--	3,536	--
Cash acquired (used) in acquisitions	6,938	21,894	(9,341)
Cash acquired by Operating Company, PMSI and JJFMSI in sales of contracts	--	--	(4,754)
Payments received on direct financing leases and notes receivable	5,517	3,643	4,713
Net cash used in investing activities	(38,451)	(447,573)	(392,514)

(Continued)

CORRECTIONS CORPORATION OF AMERICA AND SUBSIDIARIES
(FORMERLY PRISON REALTY TRUST, INC.)
COMBINED AND CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2000, 1999 AND 1998
(in thousands)

(Continued)

	2000	1999	1998
CASH FLOWS FROM FINANCING ACTIVITIES:			
Proceeds from issuance of debt, net	29,089	566,558	181,849
Payment of debt issuance costs	(11,316)	(59,619)	(9,485)
Proceeds from issuance of common stock	--	131,977	66,148
Proceeds from exercise of stock options and warrants	--	166	2,099
Preferred stock issuance costs	(403)	--	--
Payment of dividends	(4,586)	(217,654)	--
Cash paid for fractional shares	(11)	--	--
Purchase of treasury stock	(13,356)	--	(7,600)
Net cash provided by (used in) financing activities	(583)	421,428	233,011
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(85,597)	53,352	(105,006)
CASH AND CASH EQUIVALENTS, beginning of year	106,486	31,141	136,147
CASH AND CASH EQUIVALENTS, end of year	$ 20,889	$ 84,493	$ 31,141
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:			
Cash paid during the period for:			
Interest (net of amounts capitalized of $8,330, $37,700 and $11,800 in 2000, 1999 and 1998, respectively)	$ 132,798	$ 28,022	$ 4,424
Income taxes	$ 2,453	$ 9,490	$ 44,341
SUPPLEMENTAL SCHEDULE OF NONCASH INVESTING AND FINANCING ACTIVITIES:			
The Company completed construction of a facility and entered into a direct financing lease:			
Investment in direct financing lease	$ (89,426)	$ --	$ --
Property and equipment	89,426	--	--
	$ --	$ --	$ --
The Company committed to a plan of disposal for certain long-lived assets:			
Assets held for sale	$(163,517)	$ --	$ --
Investment in direct financing lease	85,722	--	--
Property and equipment	77,795	--	--
	$ --	$ --	$ --
Property and equipment were acquired through the forgiveness of the direct financing lease receivable and the issuance of a credit toward future management fees:			
Accounts receivable	$ --	$ --	$ 3,500
Property and equipment	--	--	(16,207)
Investment in direct financing lease	--	--	12,707
	$ --	$ --	$ --
Property and equipment were acquired through the forgiveness of a note receivable:			
Note receivable	$ --	$ --	$ 57,624
Property and equipment	--	--	(58,487)
Long-term debt	--	--	863
	$ --	$ --	$ --

(Continued)

CORRECTIONS CORPORATION OF AMERICA AND SUBSIDIARIES
(FORMERLY PRISON REALTY TRUST, INC.)
COMBINED AND CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2000, 1999 AND 1998
(in thousands)

(Continued)

	2000	1999	1998
The Company issued debt to satisfy accrued default rate interest on a convertible note and to satisfy a payable for professional services:			
Short-term debt	$ 2,014	$ --	$ --
Accounts payable and accrued expenses	(2,014)	--	--
	$ --	$ --	$ --
Long-term debt was converted into common stock:			
Other assets	$ --	$ 1,161	$ 5
Long-term debt	--	(47,000)	(5,800)
Common stock	--	50	18
Additional paid-in capital	--	45,789	3,633
Treasury stock, at cost	--	--	51,029
Retained earnings	--	--	(48,885)
	$ --	$ --	$ --
The Company issued a preferred stock dividend to satisfy the REIT distribution requirements:			
Preferred stock - Series B	$ 183,872	$ --	$ --
Additional paid-in capital	(183,872)	--	--
	$ --	$ --	$ --
Preferred stock was converted into common stock:			
Preferred stock - Series A	$ --	$ --	$ (380)
Preferred stock - Series B	(105,471)	--	--
Common stock	951	--	6
Additional paid-in capital	104,520	--	374
	$ --	$ --	$ --
The Company acquired the assets and liabilities of Operating Company, PMSI and JJFMSI for stock:			
Accounts receivable	$(133,667)	$ --	$ --
Receivable from affiliate	9,027	--	--
Income tax receivable	(3,781)	--	--
Prepaid expenses and other current assets	(903)	--	--
Property and equipment, net	(38,475)	--	--
Notes receivable	100,756	--	--
Goodwill	(110,596)	--	--
Investment in affiliates	102,308	--	--
Deferred tax assets	37,246	--	--
Other assets	(11,767)	--	--
Accounts payable and accrued expenses	103,769	--	--
Payable to Operating Company	(18,765)	--	--
Distributions payable	31	--	--
Note payable to JJFMSI	4,000	--	--
Short-term debt	23,876	--	--
Deferred tax liabilities	2,600	--	--
Deferred gains on sales of contracts	(96,258)	--	--
Other liabilities	25,525	--	--
Common stock	217	--	--
Additional paid-in capital	29,789	--	--
Deferred compensation	(2,884)	--	--
	$ 22,048	$ --	$ --

(Continued)

CORRECTIONS CORPORATION OF AMERICA AND SUBSIDIARIES
(FORMERLY PRISON REALTY TRUST, INC.)
COMBINED AND CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2000, 1999 AND 1998
(in thousands)

(Continued)

	2000	1999	1998
Stock warrants were exercised for shares of Old CCA's common stock:			
Other assets	$ --	$ --	$ 1,450
Common stock	--	--	38
Additional paid-in capital	--	--	15,892
Treasury stock, at cost	--	--	(17,380)
	$ --	$ --	$ --
The Company acquired treasury stock and issued common stock in connection with the exercise of stock options:			
Additional paid-in capital	$ --	$ 242	$ --
Treasury stock, at cost	--	(242)	--
	$ --	$ --	$ --
The Company acquired Old Prison Realty's assets and liabilities for stock:			
Restricted cash	$ --	$ (17,188)	$ --
Property and equipment, net	--	(1,223,370)	--
Other assets	--	22,422	--
Accounts payable and accrued expenses	--	23,351	--
Deferred gains on sales of contracts	--	(125,751)	--
Long-term debt	--	279,600	--
Distributions payable	--	2,150	--
Common stock	--	253	--
Preferred stock	--	107,500	--
Additional paid-in capital	--	952,927	--
	$ --	$ 21,894	$ --
Sales of contracts to Old CCA, PMSI and JJFMSI:			
Accounts receivable	$ --	$ --	$ 105,695
Prepaid expenses	--	--	5,935
Deferred tax assets	--	--	2,960
Other current assets	--	--	14,865
Property and equipment, net	--	--	63,083
Notes receivable	--	--	(135,854)
Investment in affiliates	--	--	(120,916)
Other assets	--	--	10,124
Accounts payable and accrued expenses	--	--	(57,347)
Current portion of deferred gains on sales of contracts	--	--	16,671
Long-term debt	--	--	(10,000)
Deferred gains on sales of contracts	--	--	104,784
	$ --	$ --	$ --

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

CORRECTIONS CORPORATION OF AMERICA AND SUBSIDIARIES
(FORMERLY PRISON REALTY TRUST, INC.)
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2000, 1999 AND 1998
(in thousands)

	PREFERRED STOCK			
	SERIES A		SERIES B	
	SHARES	AMOUNT	SHARES	AMOUNT
BALANCE, DECEMBER 31, 1997	--	$ --	380	$ 380
Conversion of preferred stock	--	--	(380)	(380)
Stock options and warrants exercised	--	--	--	--
Stock repurchased	--	--	--	--
Income tax benefits of incentive stock option exercises	--	--	--	--
Conversion of long-term debt	--	--	--	--
Retirement of treasury stock	--	--	--	--
Operating Company stock issued to Old CCA employees	--	--	--	--
Issuance of common stock	--	--	--	--
Compensation expense related to deferred stock awards and stock options	--	--	--	--
Net income	--	--	--	--
BALANCE, DECEMBER 31, 1998	--	--	--	--
Acquisition of Old Prison Realty	4,300	107,500	--	--
Effect of election of status as a real estate investment trust	--	--	--	--
Issuance of common stock	--	--	--	--
Issuance of restricted stock	--	--	--	--
Stock options exercised	--	--	--	--
Conversion of long-term debt	--	--	--	--
Shares issued to trustees	--	--	--	--
Compensation expense related to deferred stock awards and stock options	--	--	--	--
Net loss	--	--	--	--
Distributions to stockholders	--	--	--	--
BALANCE, DECEMBER 31, 1999	4,300	$107,500	--	$ --

	COMMON STOCK			
	ISSUED		TREASURY STOCK	
	SHARES	AMOUNT	SHARES	AMOUNT
BALANCE, DECEMBER 31, 1997	70,201	$ 702	(829)	$(40,842)
Conversion of preferred stock	610	6	--	--
Stock options and warrants exercised	5,161	52	(818)	(20,148)
Stock repurchased	--	--	(175)	(7,600)
Income tax benefits of incentive stock option exercises	--	--	--	--
Conversion of long-term debt	1,805	18	1,075	51,029
Retirement of treasury stock	(747)	(7)	747	17,561
Operating Company stock issued to Old CCA employees	--	--	--	--
Issuance of common stock	2,926	29	--	--
Compensation expense related to deferred stock awards and stock options	--	--	--	--
Net income	--	--	--	--
BALANCE, DECEMBER 31, 1998	79,956	800	--	--
Acquisition of Old Prison Realty	25,316	253	--	--
Effect of election of				

status as a real estate investment trust	--	--	--	--
Issuance of common stock	7,981	79	--	--
Issuance of restricted stock	23	--	--	--
Stock options exercised	146	2	(12)	(242)
Conversion of long-term debt	4,975	50	--	--
Shares issued to trustees	9	--	--	--
Compensation expense related to deferred stock awards and stock options	--	--	--	--
Net loss	--	--	--	--
Distributions to stockholders	--	--	--	--
BALANCE, DECEMBER 31, 1999	118,406	$ 1,184	(12)	$ (242)

	ADDITIONAL PAID-IN CAPITAL	DEFERRED COMPENSATION	RETAINED EARNINGS (DEFICIT)	TOTAL STOCKHOLDERS' EQUITY
BALANCE, DECEMBER 31, 1997	$ 295,361	$ --	$ 92,475	$ 348,076
Conversion of preferred stock	374	--	--	--
Stock options and warrants exercised	22,478	--	(1,733)	649
Stock repurchased	--	--	--	(7,600)
Income tax benefits of incentive stock option exercises	4,475	--	--	4,475
Conversion of long-term debt	3,633	--	(48,885)	5,795
Retirement of treasury stock	(17,554)	--	--	--
Operating Company stock issued to Old CCA employees	22,850	--	--	22,850
Issuance of common stock	66,119	--	--	66,148
Compensation expense related to deferred stock awards and stock options	757	--	--	757
Net income	--	--	10,836	10,836
BALANCE, DECEMBER 31, 1998	398,493	--	52,693	451,986
Acquisition of Old Prison Realty	952,927	--	--	1,060,680
Effect of election of status as a real estate investment trust	52,693	--	(52,693)	--
Issuance of common stock	131,898	--	--	131,977
Issuance of restricted stock	468	(293)	--	175
Stock options exercised	406	--	--	166
Conversion of long-term debt	45,789	--	--	45,839
Shares issued to trustees	125	--	--	125
Compensation expense related to deferred stock awards and stock options	229	202	--	431
Net loss	(83,200)	--	10,546	(72,654)
Distributions to stockholders	(152,510)	--	(65,144)	(217,654)
BALANCE, DECEMBER 31, 1999	$ 1,347,318	$ (91)	$(54,598)	$ 1,401,071

(Continued)

CORRECTIONS CORPORATION OF AMERICA AND SUBSIDIARIES
(FORMERLY PRISON REALTY TRUST, INC.)
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2000, 1999 AND 1998
(in thousands)

(Continued)

	PREFERRED STOCK			
	SERIES A		SERIES B	
	SHARES	AMOUNT	SHARES	AMOUNT
BALANCE, DECEMBER 31, 1999	4,300	$107,500	--	$ --
Acquisition of Operating Company	--	--	--	--
Acquisition of PMSI	--	--	--	--
Acquisition of JJFMSI	--	--	--	--
Distribution to common stockholders	--	--	7,517	183,872
Conversion of series B preferred stock into common stock, net	--	--	(4,312)	(105,482)
Compensation expense related to deferred stock awards and stock options	--	--	--	--
Forfeiture of restricted stock	--	--	--	--
Shares issued to trustees	--	--	--	--
Dividends on preferred stock	--	--	92	2,252
Net loss	--	--	--	--
BALANCE, DECEMBER 31, 2000	4,300	$107,500	3,297	$ 80,642

	COMMON STOCK			
	ISSUED		TREASURY STOCK	
	SHARES	AMOUNT	SHARES	AMOUNT
BALANCE, DECEMBER 31, 1999	118,406	$1,184	(12)	$(242)
Acquisition of Operating Company	18,831	188	--	--
Acquisition of PMSI	1,279	13	--	--
Acquisition of JJFMSI	1,599	16	--	--
Distribution to common stockholders	--	--	--	--
Conversion of series B preferred stock into common stock, net	95,051	951	--	--
Compensation expense related to deferred stock awards and stock options	176	2	--	--
Forfeiture of restricted stock	--	--	--	--
Shares issued to trustees	53	--	--	--
Dividends on preferred stock	--	--	--	--
Net loss	--	--	--	--
BALANCE, DECEMBER 31, 2000	235,395	$2,354	(12)	$(242)

	ADDITIONAL PAID-IN CAPITAL	DEFERRED COMPENSATION	RETAINED EARNINGS (DEFICIT)	TOTAL STOCKHOLDERS' EQUITY
BALANCE, DECEMBER 31, 1999	$ 1,347,318	$ (91)	$ (54,598)	$ 1,401,071
Acquisition of Operating Company	28,580	(1,646)	--	27,122
Acquisition of PMSI	537	(550)	--	--
Acquisition of JJFMSI	672	(688)	--	--
Distribution to common stockholders	(184,275)	--	--	(403)
Conversion of series B preferred stock into common stock, net	104,520	--	--	(11)
Compensation expense				

related to deferred stock awards and stock options	2,043	171	--	2,216
Forfeiture of restricted stock	(81)	81	--	--
Shares issued to trustees	76	--	--	76
Dividends on preferred stock	--	--	(13,526)	(11,274)
Net loss	--	--	(730,782)	(730,782)
BALANCE, DECEMBER 31, 2000	$ 1,299,390	$(2,723)	$(798,906)	$ 688,015

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

CORRECTIONS CORPORATION OF AMERICA AND SUBSIDIARIES
(FORMERLY PRISON REALTY TRUST, INC.)

NOTES TO COMBINED AND CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2000, 1999 AND 1998

1. ORGANIZATION AND OPERATIONS

BACKGROUND AND FORMATION TRANSACTIONS

Corrections Corporation of America (together with its subsidiaries, the "Company"), a Maryland corporation formerly known as Prison Realty Trust, Inc. ("New Prison Realty"), commenced operations as Prison Realty Corporation on January 1, 1999, following the mergers of each of the former Corrections Corporation of America, a Tennessee corporation ("Old CCA"), on December 31, 1998 and CCA Prison Realty Trust, a Maryland real estate investment trust ("Old Prison Realty"), on January 1, 1999 (such mergers referred to collectively herein as the "1999 Merger").

Prior to the 1999 Merger, Old Prison Realty had been a publicly traded entity operating as a real estate investment trust, or REIT, primarily in the business of owning and leasing prison facilities to private prison management companies and certain government entities. Prior to the 1999 Merger, Old CCA was also a publicly traded entity primarily in the business of owning, operating and managing prisons on behalf of government entities (as discussed further herein). Additionally, Old CCA had been Old Prison Realty's primary tenant.

Immediately prior to the 1999 Merger, Old CCA sold all of the issued and outstanding capital stock of certain wholly-owned corporate subsidiaries of Old CCA, certain management contracts and certain other non-real estate assets related thereto, to a newly formed entity, Correctional Management Services Corporation, a privately-held Tennessee corporation ("Operating Company"). Also immediately prior to the 1999 Merger, Old CCA sold certain management contracts and other assets and liabilities relating to government owned adult facilities to Prison Management Services, LLC (subsequently merged with Prison Management Services, Inc.) and sold certain management contracts and other assets and liabilities relating to government owned jails and juvenile facilities to Juvenile and Jail Facility Management Services, LLC (subsequently merged with Juvenile and Jail Facility Management Services, Inc.). Refer to Note 3 for a more detailed discussion of these transactions occurring immediately prior to the 1999 Merger.

Effective January 1, 1999, New Prison Realty elected to qualify as a REIT for federal income tax purposes commencing with its taxable year ended December 31, 1999. Also effective January 1, 1999, New Prison Realty entered into lease agreements and other agreements with Operating Company, whereby Operating Company would lease the substantial majority of New Prison Realty's facilities and Operating Company would provide certain services to New Prison Realty. Refer to Note 5 for a more complete discussion of New Prison Realty's historical relationship with Operating Company.

During 2000, the Company completed a comprehensive restructuring (the "Restructuring"). As part of the Restructuring, Operating Company was merged with and into a wholly-owned subsidiary of the Company on October 1, 2000 (the "Operating Company Merger"). Immediately prior to the Operating Company Merger, Operating Company leased from New Prison Realty 35 correctional and detention facilities, with a total design capacity of 37,520 beds. Also in connection with the

Restructuring, the Company amended its charter to, among other things, remove provisions relating to the Company's operation and qualification as a REIT for federal income tax purposes commencing with its 2000 taxable year and change its name to "Corrections Corporation of America."

From December 31, 1998 until September 1, 2000, the Company owned 100% of the non-voting common stock of Prison Management Services, Inc. ("PMSI") and Juvenile and Jail Facility Management Services, Inc. ("JJFMSI"), both of which were privately-held service companies which managed certain government-owned prison and jail facilities under the "Corrections Corporation of America" name (together the "Service Companies"). The Company was entitled to receive 95% of each company's net income, as defined, as dividends on such shares, while other outside shareholders and the wardens at the individual facilities owned 100% of the voting common stock of PMSI and JJFMSI, entitling those voting stockholders to receive the remaining 5% of each company's net income as dividends on such shares. During September 2000, wholly-owned subsidiaries of PMSI and JJFMSI entered into separate transactions with each of PMSI's and JJFMSI's respective non-management, outside shareholders to reacquire all of the outstanding voting stock of their non-management, outside shareholders, representing 85% of the outstanding voting stock of each entity for cash payments of $8.3 million and $5.1 million, respectively.

On December 1, 2000, the Company completed the acquisitions of PMSI and JJFMSI. PMSI provided adult prison facility management services to government agencies pursuant to management contracts with state governmental agencies and authorities in the United States and Puerto Rico. Immediately prior to the acquisition date, PMSI had contracts to manage 11 correctional and detention facilities with a total design capacity of 13,372 beds, all of which were in operation. JJFMSI provided juvenile and jail facility management services to government agencies pursuant to management contracts with federal, state and local government agencies and authorities in the United States and Puerto Rico and provided adult prison facility management services to certain international authorities in Australia and the United Kingdom. Immediately prior to the acquisition date, JJFMSI had contracts to manage 17 correctional and detention facilities with a total design capacity of 9,204 beds.

OPERATIONS

Prior to the 1999 Merger, Old CCA operated and managed prisons and other correctional and detention facilities and provided prisoner transportation services for governmental agencies. Old CCA also provided a full range of related services to governmental agencies, including managing, financing, developing, designing and constructing new correctional and detention facilities and redesigning and renovating older facilities. Following the completion of the 1999 Merger and through September 30, 2000, New Prison Realty specialized in acquiring, developing, owning and leasing correctional and detention facilities. Following the completion of the 1999 Merger and through September 30, 2000, Operating Company was a separately owned private prison management company that operated, managed and leased the substantial majority of facilities owned by New Prison Realty. As a result of the 1999 Merger and certain contractual relationships existing between New Prison Realty and Operating Company, New Prison Realty was dependent on Operating Company for a significant source of its income. In addition, New Prison Realty paid Operating Company for services rendered to New Prison Realty in the development of its correctional and detention facilities. As a result of liquidity issues facing Operating Company and New Prison Realty, the parties amended certain of the contractual agreements between New Prison Realty and Operating Company during 2000. For a more complete description of these amendments, see Note 5.

As a result of the acquisition of Operating Company on October 1, 2000 and the acquisitions of PMSI and JJFMSI on December 1, 2000, the Company now specializes in owning, operating and managing prisons and other correctional facilities and providing prisoner transportation services for governmental agencies. In addition to providing the fundamental residential services relating to inmates, each of the Company's facilities offers a large variety of rehabilitation and educational programs, including basic education, life skills and employment training and substance abuse treatment. The Company also provides health care (including medical, dental and psychiatric services), institutional food services and work and recreational programs.

As of March 15, 2001, the Company owned or managed 74 correctional and detention facilities with a total design capacity of approximately 67,000 beds in 22 states, the District of Columbia, Puerto Rico and the United Kingdom, of which 72 facilities were operating and two were under construction.

2. FINANCIAL CONDITION

After completion of the first quarter of 1999, the first quarter in which operations were conducted in the structure after the 1999 Merger, management of the Company and management of Operating Company determined that Operating Company had not performed as well as projected for several reasons: occupancy rates at its facilities were lower than in 1998; operating expenses were higher as a percentage of revenue than in 1998; and certain aspects of the Operating Company Leases adversely affected Operating Company. As a result, in May 1999, the Company and Operating Company amended certain of the agreements between them to provide Operating Company with additional cash flow. See Note 5 for further discussion of these amendments. The objective of these changes was to allow Operating Company to be able to continue to make its full lease payments, to allow the Company to continue to make dividend payments to its stockholders and to provide time for Operating Company to improve its operations so that it might ultimately perform as projected and be able to make its full lease payments to the Company.

However, after these changes were announced, a chain of events occurred which adversely affected both the Company and Operating Company. The Company's stock price fell dramatically, resulting in the commencement of stockholder litigation against the Company and its former directors and officers. These events made it more difficult to raise capital. A lower stock price meant that the Company had more restricted access to equity capital, and the uncertainties caused by the falling stock price made it much more difficult to obtain debt financing. As described in Note 21, the Company has accrued the estimated maximum obligation of the contingency associated with the stockholder litigation. Also see Note 21 for further discussion of the stockholder lawsuits, and the settlements reached with the plaintiffs during the first quarter of 2001.

In order to address its liquidity constraints, during the summer of 1999, the Company increased its line of credit facility from $650.0 million to $1.0 billion. One of the financing requirements in connection with this increase required that the Company raise $100.0 million in equity and Operating Company raise $25.0 million in equity in order for the Company to make the distributions in cash that would be necessary to enable the Company to qualify as a REIT with respect to its 1999 taxable year. See Note 14 for a further discussion of the Company's Amended Bank Credit Facility.

In a further attempt to address the capital and liquidity constraints facing the Company and Operating Company, as well as concerns regarding the corporate structure and management of the Company, management elected to pursue strategic alternatives for the Company, including a restructuring led by a group of institutional investors consisting of an affiliate of Fortress

Investment Group LLC and affiliates of The Blackstone Group ("Fortress/Blackstone"). Shortly after announcing the proposal led by Fortress/Blackstone, the Company received an unsolicited proposal from Pacific Life Insurance Company ("Pacific Life"). Fortress/Blackstone elected not to match the terms of the proposal from Pacific Life. Consequently, the securities purchase agreement was terminated, and the Company entered into an agreement with Pacific Life. The Pacific Life securities purchase agreement was mutually terminated by the parties after Pacific Life was unwilling to confirm that the June 2000 Waiver and Amendment satisfied the terms of the agreement with Pacific Life. The Company also terminated the services of one of its financial advisors. See Note 21 for further information regarding the Company's potential obligations under its previous agreements with Fortress/Blackstone, Pacific Life, and the Company's financial advisor.

Consequently, the Company determined to pursue a comprehensive restructuring without a third-party equity investment, and approved a series of agreements providing for the comprehensive restructuring of the Company. As further discussed in Note 14, the Restructuring included obtaining amendments to, and a waiver of existing defaults under, the Company's Amended Bank Credit Facility (the "June 2000 Waiver and Amendment") that resulted from the financial condition of the Company and Operating Company, the transactions undertaken by the Company and Operating Company in an attempt to resolve the liquidity issues of the Company and Operating Company, and the previously announced restructuring transactions. In obtaining the June 2000 Waiver and Amendment, the Company agreed to complete certain transactions which were incorporated as covenants to the June 2000 Waiver and Amendment. Pursuant to these requirements, the Company was obligated to complete the Restructuring, including the Operating Company Merger, as further discussed in Note 3; the amendment of its charter to remove the requirements that it elect to be taxed as a REIT commencing with its 2000 taxable year, as further discussed in Note 15; the restructuring of management; and the distribution of shares of Series B Cumulative Convertible Preferred Stock $0.01 par value per share (the "Series B Preferred Stock") in satisfaction of the Company's remaining 1999 REIT distribution requirement, as further discussed in Notes 13 and 18. As further discussed in Note 3, the June 2000 Waiver and Amendment also permitted the acquisitions of PMSI and JJFMSI. The Restructuring provides for a simplified corporate and financial structure while eliminating conflicts arising out of the landlord-tenant and debtor-creditor relationship that existed between the Company and Operating Company.

In order to address existing and potential events of default under the Company's convertible subordinated notes resulting from the Company's financial condition and as a result of the proposed restructurings, during the second quarter of 2000, the Company obtained waivers and amendments to the provisions of the note purchase agreements governing the notes, as further discussed in Note 14. As further discussed in Note 14, in order to address existing and potential events of default under the Operating Company's revolving credit facility resulting from the financial condition of Operating Company and certain restructuring transactions, during the first quarter of 2000, Operating Company obtained a waiver of events of default.

During the third quarter of 2000, the Company named a new president and chief executive officer, followed by a new chief financial officer in the fourth quarter. At the Company's 2000 annual meeting of stockholders held during the fourth quarter of 2000, the Company's stockholders elected a newly constituted nine-member board of directors of the Company, including six independent directors.

Following the completion of the Operating Company Merger and the acquisitions of PMSI and JJFMSI, during the fourth quarter of 2000, the Company's new management conducted strategic assessments; developed a strategic operating plan to improve the Company's financial position;

developed revised projections for 2001; and evaluated the utilization of existing facilities, projects under development, excess land parcels, and identified certain of these non-strategic assets for sale. As a result of these assessments, the Company recorded non-cash impairment losses totaling $508.7 million, as further discussed in Note 7.

As further discussed in Note 14, during the fourth quarter of 2000, the Company obtained a consent and amendment to its Amended Bank Credit Facility to replace existing financial covenants. During the first quarter of 2001, the Company also obtained amendments to the Amended Bank Credit Facility, as further discussed in Note 14, to modify the financial covenants to take into consideration any loss of EBITDA that may result from certain asset dispositions during 2001 and subsequent periods and to permit the issuance of indebtedness in partial satisfaction of it obligations in the stockholder litigation settlement. Also, during the first quarter of 2001, the Company amended the provisions to the note purchase agreement governing its $30.0 million convertible subordinated notes to replace previously existing financial covenants, as further discussed in Note 14, in order to remove existing defaults and attempt to remain in compliance during 2001 and subsequent periods.

The Company believes that its operating plans and related projections are achievable, and would allow the Company to maintain compliance with its debt covenants during 2001. However, there can be no assurance that the Company will be able to maintain compliance with its debt covenants or that, if the Company defaults under any of its debt covenants, the Company will be able to obtain additional waivers or amendments. Additionally, the Company also has certain non-financial covenants which must be met in order to remain in compliance with its debt agreements. The Company's Amended Bank Credit Facility contains a non-financial covenant requiring the Company to consummate the securitization of lease payments (or other similar transaction) with respect to the Company's Agecroft facility located in Salford, England by March 31, 2001. The Agecroft transaction did not close by the required date. However, the covenant allows for a 30-day grace period during which the lenders under the Amended Bank Credit Facility could not exercise their rights to declare an event of default. On April 10, 2001, prior to the expiration of the grace period, the Company consummated the Agecroft transaction through the sale of all of the issued and outstanding capital stock of Agecroft Properties, Inc., a wholly-owned subsidiary of the Company, thereby fulfilling the Company's covenant requirements with respect to the Agecroft transaction.

The Amended Bank Credit Facility also contains a non-financial covenant requiring the Company to provide the lenders with audited financial statements within 90 days of the Company's fiscal year end, subject to an additional five-day grace period. Due to the Company's attempts to close the securitization discussed above, the Company did not provide the audited financial statements within the required time period. However, the Company has obtained a waiver from the lenders under the Amended Bank Credit Facility of this financial reporting requirement. This waiver also cured the resulting cross-default under the Company's $40.0 million convertible notes.

Additional non-financial covenants, among others, include a requirement to use commercially reasonable efforts to (i) raise $100.0 million through equity or asset sales (excluding the securitization of lease payments or other similar transaction with respect to the Salford, England facility) on or before June 30, 2001, and (ii) register shares into which the $40.0 million convertible notes are convertible. The Company believes it will be able to demonstrate commercially reasonable efforts regarding the $100.0 million capital raising event on or before June 30, 2001, primarily by attempting to sell certain assets, as discussed above. Subsequent to year-end, the Company completed the sale of a facility located in North Carolina for approximately $25 million, as discussed in Note 8. The Company is currently evaluating and would also consider a distribution of rights to purchase common or preferred stock to the Company's existing stockholders, or an

equity investment in the Company from an outside investor. The Company expects to use the net proceeds from these transactions to pay-down debt under the Amended Bank Credit Facility. Management also intends to take the necessary actions to achieve compliance with the covenant regarding the registration of shares.

The revolving loan portion of the Amended Bank Credit Facility of $382.5 million matures on January 1, 2002. As part of management's plans to improve the Company's financial position and address the January 1, 2002 maturity of portions of the debt under the Amended Bank Credit Facility, management has committed to a plan of disposal for certain long-lived assets. These assets are being actively marketed for sale and are classified as held for sale in the accompanying consolidated balance sheet at December 31, 2000. Anticipated proceeds from these asset sales are to be applied as loan repayments. The Company believes that utilizing such proceeds to pay-down debt will improve its leverage ratios and overall financial position, improving its ability to refinance or renew maturing indebtedness, including primarily the Company's revolving loans under the Amended Bank Credit Facility.

While management has developed strategic operating plans to deal with the uncertainties facing the Company and to remain in compliance with its debt covenants, there can be no assurance that the cash flow projections will reflect actual results and there can be no assurance that the Company will remain in compliance with its debt covenants during 2001. Further, even if the Company is successful in selling assets, there can be no assurance that it will be able to refinance or renew its debt obligations maturing January 1, 2002.

Due to certain cross-default provisions contained in certain of the Company's debt instruments (as further discussed in Note 14), if the Company were to be in default under the Amended Bank Credit Facility and if the lenders under the Amended Bank Credit Facility elected to exercise their rights to accelerate the Company's obligations under the Amended Bank Credit Facility, such events could result in the acceleration of all or a portion of the outstanding principal amount of the Company's $100.0 million senior notes or the Company's aggregate $70.0 million convertible subordinated notes, which would have a material adverse effect on the Company's liquidity and financial position. Additionally, under the Company's $40.0 million convertible subordinated notes, even if the lenders under the Amended Bank Credit Facility did not elect to exercise their acceleration rights, the holders of the $40.0 million convertible subordinated notes could require the Company to repurchase such notes. The Company does not have sufficient working capital to satisfy its debt obligations in the event of an acceleration of all or a substantial portion of the Company's outstanding indebtedness.

3. MERGER TRANSACTIONS

THE 1999 MERGER

On December 31, 1998, immediately prior to the 1999 Merger, Old CCA sold to Operating Company all of the issued and outstanding capital stock of certain wholly-owned corporate subsidiaries of Old CCA, certain management contracts and certain other assets and liabilities, and the Company and Operating Company entered into a series of agreements as more fully described in Note 5. In exchange, Old CCA received a $137.0 million promissory note payable by Operating Company (the "CCA Note") and 100% of the non-voting common stock of Operating Company. The non-voting common stock represented a 9.5% economic interest in Operating Company and was valued at the implied fair market value of $4.8 million. The Company succeeded to these interests as a result of the 1999 Merger. The sale to Operating Company generated a deferred gain

of $63.3 million. See Note 5 for discussion of the accounting for the CCA Note, the deferred gain and for discussion of other relationships between the Company and Operating Company.

On December 31, 1998, immediately prior to the 1999 Merger, Old CCA sold to a newly-created company, Prison Management Services, LLC ("PMS, LLC"), certain management contracts and certain other assets and liabilities relating to government-owned adult prison facilities. In exchange, Old CCA received 100% of the non-voting membership interest in PMS, LLC, valued at the implied fair market value of $67.1 million. On January 1, 1999, PMS, LLC merged with PMSI and all PMS, LLC membership interests were converted into a similar class of stock in PMSI. The Company succeeded to this ownership interest as a result of the 1999 Merger. The sale to PMSI generated a deferred gain of $35.4 million.

On December 31, 1998, immediately prior to the 1999 Merger, Old CCA sold to a newly-created company, Juvenile and Jail Facility Management Services, LLC ("JJFMS, LLC"), certain management contracts and certain other assets and liabilities relating to government-owned jails and juvenile facilities, as well as Old CCA's international operations. In exchange, Old CCA received 100% of the non-voting membership interest in JJFMS, LLC valued at the implied fair market value of $55.9 million. On January 1, 1999, JJFMS, LLC merged with JJFMSI and all JJFMS, LLC membership interests were converted into a similar class of stock in JJFMSI. The Company succeeded to this ownership interest as a result of the 1999 Merger. The sale to JJFMSI generated a deferred gain of $18.0 million.

On December 31, 1998, Old CCA merged with and into New Prison Realty. In the 1999 Merger, each share of Old CCA's common stock was converted into the right to receive 0.875 share of New Prison Realty's common stock. On January 1, 1999, Old Prison Realty merged with and into New Prison Realty in the 1999 Merger. In the 1999 Merger, Old Prison Realty shareholders received 1.0 share of common stock or 8.0% Series A Cumulative Preferred Stock ("Series A Preferred Stock") of the Company in exchange for each Old Prison Realty common share or 8.0% Series A Cumulative Preferred Share.

The first step of the 1999 Merger was accounted for as a reverse acquisition of New Prison Realty by Old CCA and as an acquisition of Old Prison Realty by New Prison Realty. As such, Old CCA's assets and liabilities have been carried forward at historical cost, and the provisions of reverse acquisition accounting prescribe that Old CCA's historical financial statements be presented as the Company's historical financial statements prior to January 1, 1999. The historical equity section of the financial statements and earnings per share have been retroactively restated to reflect the Company's equity structure, including the exchange ratio and the effects of the differences in par values of the respective companies' common stock. Old Prison Realty's assets and liabilities acquired in the second step of the 1999 Merger have been recorded at fair market value, as required by Accounting Principles Board Opinion No. 16, "Business Combinations" ("APB 16").

THE 2000 OPERATING COMPANY MERGER AND RESTRUCTURING TRANSACTIONS

In order to address liquidity and capital constraints, the Company entered into a series of agreements providing for the comprehensive restructuring of the Company. As a part of this Restructuring, the Company entered into an agreement and plan of merger with Operating Company, dated as of June 30, 2000, providing for the Operating Company Merger.

Effective October 1, 2000, New Prison Realty and Operating Company completed the Operating Company Merger in accordance with an agreement and plan of merger, after New Prison Realty's stockholders approved the agreement and plan of merger on September 12, 2000. In connection

with the completion of the Operating Company Merger, New Prison Realty amended its charter to, among other things:

- remove provisions relating to its qualification as a REIT for federal income tax purposes commencing with its 2000 taxable year,

- change its name to "Corrections Corporation of America" and

- increase the amount of its authorized capital stock.

Following the completion of the Operating Company Merger, Operating Company ceased to exist, and the Company and its wholly-owned subsidiary began operating collectively under the "Corrections Corporation of America" name. Pursuant to the terms of the agreement and plan of merger, the Company issued approximately 7.5 million shares of its common stock valued at approximately $10.6 million to the holders of Operating Company's voting common stock at the time of the completion of the Operating Company Merger.

On October 1, 2000, immediately prior to the completion of the Operating Company Merger, the Company purchased all of the shares of Operating Company's voting common stock held by the Baron Asset Fund ("Baron") and Sodexho Alliance S.A., a French conglomerate ("Sodexho"), the holders of approximately 34% of the outstanding common stock of Operating Company, for an aggregate of $16.0 million in non-cash consideration, consisting of an aggregate of approximately 11.3 million shares of the Company's common stock. In addition, the Company issued to Baron warrants to purchase approximately 1.4 million shares of the Company's common stock at an exercise price of $0.01 per share and warrants to purchase approximately 0.7 million shares of the Company's common stock at an exercise price of $1.41 per share in consideration for Baron's consent to the Operating Company Merger. The warrants issued to Baron were valued at approximately $2.2 million. In addition, in the Operating Company Merger, the Company assumed the obligation to issue up to approximately 0.8 million shares of its common stock, at an exercise price of $3.33 per share, pursuant to the exercise of warrants to purchase common stock previously issued by Operating Company.

Also on October 1, 2000, immediately prior to the Operating Company Merger, the Company purchased an aggregate of 100,000 shares of Operating Company's voting common stock for $200,000 cash from D. Robert Crants, III and Michael W. Devlin, former executive officers and directors of the Company, pursuant to the terms of severance agreements between the Company and Messrs. Crants, III and Devlin. The cash proceeds from the purchase of the shares of Operating Company's voting common stock from Messrs. Crants, III and Devlin were used to immediately repay a like portion of amounts outstanding under loans previously granted to Messrs. Crants, III and Devlin by the Company. The Company also purchased 300,000 shares of Operating Company's voting common stock held by Doctor R. Crants, the former chief executive officer of the Company and Operating Company, for $600,000 cash. Under the original terms of the severance agreements between the Company and each of Messrs. Crants, III and Devlin, Operating Company was to make a $300,000 payment for the purchase of a portion of the shares of Operating Company's voting common stock originally held by Messrs. Crants, III and Devlin on December 31, 1999. However, as a result of restrictions on Operating Company's ability to purchase these shares, the rights and obligations were assigned to and assumed by Doctor R. Crants. In connection with this assignment, Mr. Crants received a loan in the aggregate principal amount of $600,000 from PMSI, the proceeds of which were used to purchase the 300,000 shares of Operating Company's voting common stock owned by Messrs. Crants, III and Devlin. The cash proceeds from the purchase by the Company of the shares of Operating Company's voting common stock from Mr. Crants were used to immediately repay the $600,000 loan previously granted to Mr. Crants by PMSI.

The Operating Company Merger was accounted for using the purchase method of accounting as prescribed by APB 16. Accordingly, the aggregate purchase price of $75.3 million was allocated to the assets purchased and liabilities assumed (identifiable intangibles included a workforce asset of approximately $1.6 million, a contract acquisition costs asset of approximately $1.5 million and a contract values liability of approximately $26.1 million) based upon the estimated fair value at the date of acquisition. The aggregate purchase price consisted of the value of the Company's common stock and warrants issued in the transaction, the Company's net carrying amount of the CCA Note as of the date of acquisition (which has been extinguished), the Company's net carrying amount of deferred gains and receivables/payables between the Company and Operating Company as of the date of acquisition, and capitalized merger costs. The excess of the aggregate purchase price over the assets purchased and liabilities assumed of $87.0 million was reflected as goodwill. See Note 4 regarding amortization of the Company's intangibles.

As a result of the Restructuring, all existing Operating Company Leases (as defined in Note 5), the Tenant Incentive Agreement, the Trade Name Use Agreement, the Right to Purchase Agreement, the Services Agreement and the Business Development Agreement (each as defined in Note 5) were cancelled. In addition, all outstanding shares of Operating Company's non-voting common stock, all of which shares were owned by the Company, were cancelled in the Operating Company Merger.

In connection with the Restructuring, in September 2000 a wholly-owned subsidiary of PMSI purchased 85% of the outstanding voting common stock of PMSI which was held by Privatized Management Services Investors, LLC, an outside entity controlled by a director of PMSI and members of the director's family, for a cash purchase price of $8.0 million. In addition, PMSI and its wholly-owned subsidiary paid the chief manager of Privatized Management Services Investors, LLC $150,000 as compensation for expenses incurred in connection with the transaction, as well as $125,000 in consideration for the chief manager's agreement not to engage in a business competitive to the business of PMSI for a period of one year following the completion of the transaction. Also in connection with the Restructuring, in September 2000 a wholly-owned subsidiary of JJFMSI purchased 85% of the outstanding voting common stock of JJFMSI which was held by Correctional Services Investors, LLC, an outside entity controlled by a director of JJFMSI, for a cash purchase price of $4.8 million. In addition, JJFMSI and its wholly-owned subsidiary paid the chief manager of Correctional Services Investors, LLC $250,000 for expenses incurred in connection with the transaction.

As a result of the acquisitions of PMSI and JJFMSI on December 1, 2000, all shares of PMSI and JJFMSI voting and non-voting common stock held by the Company and certain subsidiaries of PMSI and JJFMSI were cancelled. In connection with the acquisition of PMSI, the Company issued approximately 1.3 million shares of its common stock valued at approximately $0.6 million to the wardens of the correctional and detention facilities operated by PMSI who were the remaining shareholders of PMSI. Shares of the Company's common stock owned by the PMSI wardens are subject to vesting and forfeiture provisions under a restricted stock plan. In connection with the acquisition of JJFMSI, the Company issued approximately 1.6 million shares of its common stock valued at approximately $0.7 million to the wardens of the correctional and detention facilities operated by JJFMSI who were the remaining shareholders of JJFMSI. Shares of the Company's common stock owned by the JJFMSI wardens are subject to vesting and forfeiture provisions under a restricted stock plan.

The acquisition of PMSI was accounted for using the purchase method of accounting as prescribed by APB 16. Accordingly, the aggregate purchase price of $43.2 million was allocated to the assets

purchased and liabilities assumed (identifiable intangibles included a workforce asset of approximately $0.5 million, a contract acquisition costs asset of approximately $0.7 million and a contract values asset of approximately $4.0 million) based upon the estimated fair value at the date of acquisition. The aggregate purchase price consisted of the net carrying amount of the Company's investment in PMSI less the Company's net carrying amount of deferred gains and receivables/payables between the Company and PMSI as of the date of acquisition, and capitalized merger costs. The excess of the aggregate purchase price over the assets purchased and liabilities assumed of $12.2 million was reflected as goodwill. See Note 4 regarding amortization of the Company's intangibles.

The acquisition of JJFMSI was also accounted for using the purchase method of accounting as prescribed by APB 16. Accordingly, the aggregate purchase price of $38.2 million was allocated to the assets purchased and liabilities assumed (identifiable intangibles included a workforce asset of approximately $0.5 million, a contract acquisition costs asset of approximately $0.5 million and a contract values liability of approximately $3.1 million) based upon the estimated fair value at the date of acquisition. The aggregate purchase price consisted of the net carrying amount of the Company's investment in JJFMSI less the Company's net carrying amount of deferred gains and receivables/payables between the Company and JJFMSI as of the date of acquisition, and capitalized merger costs. The excess of the aggregate purchase price over the assets purchased and liabilities assumed of $11.4 million was reflected as goodwill. See Note 4 regarding amortization of the Company's intangibles.

As a part of the Restructuring, CCA (UK) Limited, a company incorporated in England and Wales ("CCA UK") and a wholly-owned subsidiary of JJFMSI, sold its 50% ownership interest in two international subsidiaries, Corrections Corporation of Australia Pty. Ltd., an Australian corporation ("CCA Australia"), and U.K. Detention Services Limited, a company incorporated in England and Wales ("UKDS"), to Sodexho on November 30, 2000 and December 7, 2000, respectively, for an aggregate cash purchase price of $6.4 million. Sodexho already owned the remaining 50% interest in each of CCA Australia and UKDS. The purchase price of $6.4 million included $5.0 million for the purchase of UKDS and $1.4 million for the purchase of CCA Australia. JJFMSI's book basis in UKDS was $3.4 million, which resulted in a $1.6 million gain in the fourth quarter of 2000. JJFMSI's book basis in CCA Australia was $5.0 million, which resulted in a $3.6 million loss, which was recognized as a loss on sale of assets during the third quarter of 2000. In connection with the sale of CCA UK's interest in CCA Australia and UKDS to Sodexho, Sodexho granted JJFMSI an option to repurchase a 25% interest in each entity at any time prior to September 11, 2002 for aggregate cash consideration of $4.0 million if such option is exercised on or before February 11, 2002, and for aggregate cash consideration of $4.2 million if such option is exercised after February 11, 2002 but prior to September 11, 2002.

The following unaudited pro forma operating information presents a summary of comparable results of combined operations of the Company, Operating Company, PMSI and JJFMSI for the years ended December 31, 2000 and 1999 as if the Operating Company Merger and acquisitions of PMSI and JJFMSI had collectively occurred as of the beginning of the periods presented. The unaudited information includes the dilutive effects of the Company's common stock issued in the Operating Company Merger and the acquisitions of PMSI and JJFMSI as well as the amortization of the intangibles recorded in the Operating Company Merger and the acquisition of PMSI and JJFMSI, but excludes: (i) transactions or the effects of transactions between the Company, Operating Company, PMSI and JJFMSI including rental payments, licensing fees, administrative service fees and tenant incentive fees; (ii) the Company's write-off of amounts under lease arrangements; (iii) the Company's recognition of deferred gains on sales of contracts; (iv) the Company's recognition of equity in earnings or losses of Operating Company, PMSI and JJFMSI; (v) non-recurring merger

costs expensed by the Company; (vi) strategic investor fees expensed by the Company; (vii) excise taxes accrued by the Company in 1999 related to its status as a REIT; and (viii) the Company's provisions for changes in tax status in both 1999 and 2000. The unaudited pro forma operating information is presented for comparison purposes only and does not purport to represent what the Company's results of operations actually would have been had the Operating Company Merger and acquisitions of PMSI and JJFMSI, in fact, collectively occurred at the beginning of the periods presented.

	PRO FORMA FOR THE YEAR ENDED DECEMBER 31,	
	2000	1999
	(unaudited)	(unaudited)
Revenue	$ 891,680	$ 782,335
Operating loss	$(481,026)	$ (10,167)
Net loss available to common stockholders	$(578,174)	$ (57,844)
Net loss per common share:		
Basic	$ (3.90)	$ (0.42)
Diluted	$ (3.90)	$ (0.42)

The unaudited pro forma information presented above does not include adjustments to reflect the dilutive effects of the fourth quarter of 2000 conversion of the Company's Series B Preferred Stock into approximately 95.1 million shares of the Company's common stock as if those conversions occurred at the beginning of the periods presented. Additionally, the unaudited pro forma information does not include the dilutive effects of the Company's potentially issuable common shares such as convertible debt and equity securities, options and warrants as the provision of SFAS 128 prohibit the inclusion of the effects of potentially issuable shares in periods that a company reports losses from continuing operations. The unaudited pro forma information also does not include the dilutive effects of the expected issuance of 46.9 million shares of the Company's common stock in connection with the proposed settlement of the Company's stockholder litigation.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF PRESENTATION

The combined and consolidated financial statements include the accounts of the Company on a consolidated basis with its wholly-owned subsidiaries as of and for each period presented. The Company's results of operations for all periods prior to January 1, 1999 reflect the operating results of Old CCA as a prison management company, while the results of operations for 1999 reflect the operating results of the Company as a REIT. Management believes the comparison between 1999 and prior years is not meaningful because the prior years' financial condition, results of operations, and cash flows reflect the operations of Old CCA and the 1999 financial condition, results of operations and cash flows reflect the operations of the Company as a REIT.

Further, management believes the comparison between 2000 and prior years is not meaningful because the 2000 financial condition, results of operations and cash flows reflect the operation of the Company as a subchapter C corporation, and which, for the period from January 1, 2000 through September 30, 2000, included real estate activities between the Company and Operating Company during a period of severe liquidity problems, and as of October 1, 2000, also includes the operations of the correctional and detention facilities previously leased to and managed by Operating Company. In addition, the Company's financial condition, results of operations and cash flows as of and for the year ended December 31, 2000 also include the operations of the Service

Companies as of December 1, 2000 (acquisition date) on a consolidated basis. For the period January 1, 2000 through August 31, 2000, the investments in the Service Companies were accounted for and were presented under the equity method of accounting. For the period from September 1, 2000 through November 30, 2000, the investments in the Service Companies were accounted for on a combined basis due to the repurchase by the wholly-owned subsidiaries of the Service Companies of the non-management, outside stockholders' equity interest in the Service Companies during September 2000. The resulting increase in the Company's assets and liabilities as of September 1, 2000 as a result of combining the balance sheets of PMSI and JJFMSI has been treated as a non-cash transaction in the accompanying combined statement of cash flows for the year ended December 31, 2000, with the September 1, 2000 cash balances of PMSI and JJFMSI included in "cash and cash equivalents, beginning of year." Consistent with the Company's previous financial statement presentations, the Company has presented its economic interests in each of PMSI and JJFMSI under the equity method for all periods prior to September 1, 2000. All material intercompany transactions and balances have been eliminated in combining the consolidated financial statements of the Company and its wholly-owned subsidiaries with the respective financial statements of PMSI and JJFMSI.

Although the Company's consolidated results of operations and cash flows presented in the accompanying financial statements are presented on a combined basis with the results of operations and cash flows of PMSI and JJFMSI, the Company did not control the assets and liabilities of either PMSI or JJFMSI. Additionally, the Company was only entitled to receive dividends on its non-voting common stock upon declaration by the respective boards of directors of PMSI and JJFMSI.

Prior to the Operating Company Merger, the Company had accounted for its 9.5% non-voting interest in Operating Company under the cost method of accounting. As such, the Company had not recognized any income or loss related to its stock ownership investment in Operating Company during the period from January 1, 1999 through September 30, 2000. However, in connection with the Operating Company Merger, the financial statements of the Company have been restated to recognize the Company's 9.5% pro-rata share of Operating Company's losses on a retroactive basis for the period from January 1, 1999 through September 30, 2000 under the equity method of accounting, in accordance with APB 18, "The Equity Method of Accounting for Investments in Common Stock" ("APB 18").

CASH AND CASH EQUIVALENTS

The Company considers all liquid debt instruments with a maturity of three months or less at the time of purchase to be cash equivalents.

RESTRICTED CASH

Restricted cash at December 31, 2000 was $9.2 million, of which $7.0 million represents cash collateral for a guarantee agreement and $2.2 million represents cash collateral for outstanding letters of credit. Restricted cash at December 31, 1999 was $24.4 million, of which $15.5 million represented cash collateral for an irrevocable letter of credit issued in connection with the construction of a facility and $6.9 million represented cash collateral for a guarantee agreement. The remaining $2.0 million represented cash collateral for outstanding letters of credit.

PROPERTY AND EQUIPMENT

Property and equipment is carried at cost. Assets acquired by the Company in conjunction with acquisitions are recorded at estimated fair market value in accordance with the purchase method of accounting prescribed by APB 16. Betterments, renewals and extraordinary repairs that extend the life of an asset are capitalized; other repair and maintenance costs are expensed. Interest is capitalized to the asset to which it relates in connection with the construction of major facilities. The cost and accumulated depreciation applicable to assets retired are removed from the accounts and the gain or loss on disposition is recognized in income. Depreciation is computed over the estimated useful lives of depreciable assets using the straight-line method. Useful lives for property and equipment are as follows:

Land improvements	5 - 20 years
Buildings and improvements	5 - 50 years
Equipment	3 - 5 years
Office furniture and fixtures	5 years

ASSETS HELD FOR SALE

Assets held for sale are carried at the lower of cost or estimated fair value less estimated cost to sell. Depreciation is suspended during the period held for sale.

INTANGIBLE ASSETS

Intangible assets primarily include goodwill, value of workforce, contract acquisition costs, and contract values established in connection with certain business combinations. Goodwill represents the cost in excess of the net assets of businesses acquired. Goodwill is amortized into amortization expense over fifteen years using the straight-line method. Value of workforce, contract acquisition costs and contract values represent the estimated fair values of the identifiable intangibles acquired in the Operating Company Merger and in the acquisitions of the Service Companies. Value of workforce is amortized into amortization expense over estimated useful lives ranging from 23 to 38 months using the straight-line method. Contract acquisition costs and contract values are generally amortized into amortization expense using the interest method over the lives of the related management contracts acquired, which range from three to 227 months. The Company periodically reviews the value of its intangible assets to determine if an impairment has occurred. The Company determines if a potential impairment of intangible assets exists based on the estimated undiscounted value of expected future operating cash flows in relation to the carrying values. The Company does not believe that impairments of intangible assets have occurred. The Company also periodically evaluates whether changes have occurred that would require revision of the remaining estimated useful lives of intangible assets.

ACCOUNTING FOR THE IMPAIRMENT OF LONG-LIVED ASSETS

In accordance with Statement of Financial Accounting Standards No. 121, "Accounting for the Impairment of Long-Lived Assets and Long-Lived Assets to be Disposed Of" ("SFAS 121"), the Company evaluates the recoverability of the carrying values of its long-lived assets, other than intangibles, when events suggest that an impairment may have occurred. In these circumstances, the Company utilizes estimates of undiscounted cash flows to determine if an impairment exists. If an impairment exists, it is measured as the amount by which the carrying amount of the asset exceeds the estimated fair value of the asset. See Note 7 for discussion of impairment of long-lived assets.

INVESTMENT IN DIRECT FINANCING LEASES

Investment in direct financing leases represents the portion of the Company's management contracts with certain governmental agencies that represent capitalized lease payments on building and equipment. The leases are accounted for using the financing method and, accordingly, the minimum lease payments to be received over the term of the leases less unearned income are capitalized as the Company's investments in the leases. Unearned income is recognized as income over the term of the leases using the interest method.

INVESTMENT IN AFFILIATES

Investments in affiliates that are equal to or less than 50%-owned over which the Company cannot exercise significant influence are accounted for using the equity method of accounting. For the period from January 1, 1999 through August 31, 2000, the investments in the Service Companies were accounted for under the equity method of accounting. For the period from September 1, 2000 through November 30, 2000, the investments in the Service Companies are presented on a combined basis due to the repurchase by the wholly-owned subsidiaries of the Service Companies of the non-management, outside stockholders' equity interest in the Service Companies during September 2000.

Prior to the Operating Company Merger, the Company had accounted for its 9.5% non-voting interest in Operating Company under the cost method of accounting. As such, the Company had not recognized any income or loss related to its stock ownership investment in Operating Company during the period from January 1, 1999 through September 30, 2000. However, in connection with the Operating Company Merger, the financial statements of the Company have been restated to recognize the Company's 9.5% pro-rata share of Operating Company's losses on a retroactive basis for the period from January 1, 1999 through September 30, 2000 under the equity method of accounting, in accordance with APB 18.

DEBT ISSUANCE COSTS

Debt issuance costs are amortized into interest expense on a straight-line basis, which is not materially different than the interest method, over the term of the related debt.

DEFERRED GAINS ON SALES OF CONTRACTS

Deferred gains on sales of contracts were generated as a result of the sale of certain management contracts to Operating Company, PMSI and JJFMSI. The Company previously amortized these deferred gains into income in accordance with SAB 81. The deferred gain from the sale to Operating Company was to be amortized concurrently with the receipt of the principal payments on the CCA Note, over a six-year period beginning December 31, 2003. As of the date of the Operating Company Merger, the Company had not recognized any of the deferred gain from the sale to Operating Company. The deferred gains from the sales to PMSI and JJFMSI had been amortized over a five year period commencing January 1, 1999, which represented the average remaining lives of the contracts sold to PMSI and JJFMSI, plus any contractual renewal options. Effective with the Operating Company Merger and the acquisitions of PMSI and JJFMSI, the Company applied the unamortized balances of the deferred gains on sales of contracts in accordance with the purchase method of accounting under APB 16.

MANAGEMENT AND OTHER REVENUE

The Company maintains contracts with certain governmental entities to manage their facilities for fixed per diem rates or monthly fixed rates. The Company also maintains contracts with various federal, state and local governmental entities for the housing of inmates in company-owned facilities at fixed per diem rates. These contracts usually contain expiration dates with renewal options ranging from annual to multi-year renewals. Most of these contracts have current terms that require renewal every two to five years. Additionally, most facility contracts contain clauses which allow the government agency to terminate a contract without cause, and are generally subject to legislative appropriations. The Company expects to renew these contracts for periods consistent with the remaining renewal options allowed by the contracts or other reasonable extensions; however, no assurance can be given that such renewals will be obtained. Fixed monthly rate revenue is recorded in the month earned and fixed per diem revenue is recorded based on the per diem rate multiplied by the number of inmates housed during the respective period. The Company recognizes any additional management service revenues when earned.

RENTAL REVENUE

Rental revenues are recognized based on the terms of the Company's leases. Tenant incentive fees paid to lessees, including Operating Company prior to the Operating Company Merger, are deferred and amortized as a reduction of rental revenue over the term of related leases. During 1999, due to Operating Company's financial condition, as well as the proposed merger with Operating Company and the proposed termination of the Operating Company Leases in connection therewith, the Company wrote-off the tenant incentive fees due to Operating Company, totaling $65.7 million for the year ended December 31, 1999. Tenant incentive fees due to Operating Company during 2000 totaling $11.9 million were expensed as incurred.

START-UP COSTS

In accordance with the AICPA's Statement of Position 98-5, "Reporting on the Costs of Start-Up Activities," the Company expenses all start-up costs as incurred in operating expenses. During 1998, the Company recorded a $16.1 million charge as a cumulative effect of accounting change, net of taxes of $10.3 million, upon adoption of this Statement for the effect of this change on periods through December 31, 1997.

INCOME TAXES

Income taxes are accounted for under the provisions of Statement of Financial Accounting Standards No. 109, "Accounting for Income Taxes" ("SFAS 109"). SFAS 109 generally requires the Company to record deferred income taxes for the tax effect of differences between book and tax bases of its assets and liabilities. For the year ended December 31, 1999, the Company elected to qualify as a REIT under the Internal Revenue Code of 1986, as amended (the "Code"). As a result, the Company was generally not subject to income tax on its taxable income at corporate rates to the extent it distributed annually at least 95% of its taxable income to its shareholders and complied with certain other requirements. Accordingly, no provision has been made for income taxes in the accompanying 1999 consolidated financial statements. The Company's election of REIT status for the taxable year ended December 31, 1999 is subject to review by the Internal Revenue Service ("IRS"), generally for a period of three years from the date of filing of its 1999 tax return. In connection with the Restructuring, on September 12, 2000, the Company's stockholders approved an amendment to the Company's charter to remove provisions requiring the Company to elect to qualify and be taxed as a REIT for federal income tax purposes effective January 1, 2000. The

Company will be taxed as a taxable subchapter C corporation beginning with its taxable year ended December 31, 2000.

Prior to the 1999 Merger, Old CCA operated as a taxable corporation for federal income tax purposes since its inception. Subsequent to the 1999 Merger the Company elected to change its tax status to a REIT effective with the filing of its 1999 federal income tax return. Although the Company recorded a provision for income taxes during 1999 reflecting the removal of net deferred tax assets on the Company's balance sheet as of December 31, 1998, as a REIT, the Company was no longer subject to federal income taxes, so long as the Company continued to qualify as a REIT under the Internal Revenue Code. Therefore, no income tax provision was incurred, nor benefit realized, relating to the Company's operations for the year ended December 31, 1999. However, in order to qualify as a REIT, the Company was required to distribute the accumulated earnings and profits of Old CCA. See Note 13 for further information. In connection with the Restructuring, the Company's stockholders approved an amendment to the Company's charter to, among other things, remove provisions relating to the Company's operation and qualification as a REIT for federal income tax purposes commencing with its taxable year ended December 31, 2000. The Company recognized an income tax provision during the third quarter of 2000 for establishing net deferred tax liabilities in connection with the change in tax status, net of a valuation allowance applied to certain deferred tax assets. The Company expects to continue to operate as a taxable corporation in future years.

FOREIGN CURRENCY TRANSACTIONS

During 2000, a wholly-owned subsidiary of the Company entered into a 25-year property lease with Agecroft Prison Management, Ltd. ("APM") in connection with the construction and development of the Company's HMP Forrest Bank facility, located in Salford, England. The Company also extended a working capital loan to the operator of this facility. These assets along with various other short-term receivables are denominated in British pounds; consequently, the Company adjusts these receivables to the current exchange rate at each balance sheet date and recognizes the unrealized currency gain or loss in current period earnings. Realized foreign currency gains or losses are recognized in operating expenses when the direct financing lease payments are received. On April 10, 2001, the Company sold its interest in the facility located in Salford, England.

FAIR VALUE OF FINANCIAL INSTRUMENTS

To meet the reporting requirements of Statement of Financial Accounting Standards No. 107, "Disclosures About Fair Value of Financial Instruments" ("SFAS 107"), the Company calculates the estimated fair value of financial instruments using quoted market prices of similar instruments or discounted cash flow techniques. At December 31, 2000 and 1999, there were no differences between the carrying amounts and the estimated fair values of the Company's financial instruments, other than as follows (in thousands):

	DECEMBER 31,			
	2000		1999	
	CARRYING AMOUNT	FAIR VALUE	CARRYING AMOUNT	FAIR VALUE
Investment in direct financing leases	$ 24,877	$ 17,541	$ 74,059	$ 62,650
Debt	$ (1,152,570)	$ (844,334)	$ (1,098,991)	$ (1,103,171)
Interest rate swap arrangement	$ --	$ (5,023)	$ --	$ 2,407

USE OF ESTIMATES IN PREPARATION OF FINANCIAL STATEMENTS

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities, at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

CONCENTRATION OF CREDIT RISKS

The Company's credit risks relate primarily to cash and cash equivalents, restricted cash, accounts receivable and investment in direct financing leases. Cash and cash equivalents and restricted cash are primarily held in bank accounts and overnight investments. The Company's accounts receivable and investment in direct financing leases represent amounts due primarily from governmental agencies. The Company's financial instruments are subject to the possibility of loss in carrying value as a result of either the failure of other parties to perform according to their contractual obligations or changes in market prices that make the instruments less valuable.

Approximately 13% and 84% of the Company's revenue for the year ended December 31, 2000 relates to amounts earned under lease arrangements from tenants (primarily Operating Company) and federal, state and local government management contracts, respectively. Approximately 20% and 52% of the Company's revenue was from federal and state governments, respectively, for the year ended December 31, 2000. Management revenue from the Federal Bureau of Prisons ("BOP") represents approximately 11% of total revenue. No other customer generated more than 10% of total revenue.

Approximately 95% of the Company's revenue for the year ended December 31, 1999 relates to amounts earned under lease arrangements from tenants, primarily Operating Company. Approximately 96% of Old CCA's revenue for the year ended December 31, 1998 related to amounts earned from federal, state and local governmental management and transportation contracts. Old CCA had revenue of 18% from federal governments and 65% from state governments for the year ended December 31, 1998. One state government accounted for 10% of Old CCA's revenue for the year ended December 31, 1998.

COMPREHENSIVE INCOME

In June 1997, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards No. 130, "Reporting Comprehensive Income" ("SFAS 130"), effective for fiscal years beginning after December 15, 1997. SFAS 130 requires that changes in the amounts of certain items, including gains and losses on certain securities, be shown in the financial statements as a component of comprehensive income. The Company's adoption of SFAS 130, effective January 1, 1998, has had no significant impact on the Company's results of operations as comprehensive income (loss) has been equivalent to the Company's reported net income (loss) for the years ended December 31, 2000, 1999 and 1998.

SEGMENT DISCLOSURES

In June 1997, the FASB issued Statement of Financial Accounting Standards No. 131, "Disclosures About Segments of an Enterprise and Related Information" ("SFAS 131"), effective for fiscal years beginning after December 15, 1997. SFAS 131 establishes standards for the way that public business enterprises report information about operating segments in annual financial statements and

requires that those enterprises report selected information about operating segments in interim financial reports issued to shareholders. SFAS 131 also establishes standards for related disclosures about products and services, geographic areas, and major customers. The Company adopted the provisions of SFAS 131 effective January 1, 1998. However, the Company operates in one industry segment and, accordingly, the adoption of SFAS 131 had no significant effect on the Company.

RECENT ACCOUNTING PRONOUNCEMENTS

In June 1998, the FASB issued Statement of Financial Accounting Standards No. 133, "Accounting for Derivative Instruments and Hedging Activities" ("SFAS 133"). SFAS 133, as amended, establishes accounting and reporting standards requiring that every derivative instrument be recorded in the balance sheet as either an asset or liability measured at its fair value. SFAS 133, as amended, requires that changes in a derivative's fair value be recognized currently in earnings unless specific hedge accounting criteria are met. SFAS 133, as amended, is effective for fiscal quarters of fiscal years beginning after June 15, 2000. The Company's derivative instruments include an interest rate swap agreement and, subject to the expiration of a court appeals process, an 8.0%, $29.0 million promissory note expected to be issued in 2001 to plaintiffs arising from the settlement of a series of stockholder lawsuits against the Company and certain of its existing and former directors and executive officers.

Beginning January 1, 2001, in accordance with SFAS 133, as amended, the Company will reflect in earnings the change in the estimated fair value of the interest rate protection agreement on a quarterly basis. The Company estimates the fair value of interest rate protection agreements using option-pricing models that value the potential for interest rate protection agreements to become in-the-money through changes in interest rates during the remaining terms of the agreements. A negative fair value represents the estimated amount the Company would have to pay to cancel the contract or transfer it to other parties. As of December 31, 2000, due to a reduction in interest rates since entering into the swap agreement, the interest rate swap agreement has a negative fair value of approximately $5.0 million.

As further discussed in Note 21, the ultimate liability relating to the $29.0 million promissory note and related interest will be determined on the future issuance date and thereafter, based upon fluctuations in the Company's common stock price. If the promissory note is issued under the current terms, in accordance with SFAS 133, as amended, the Company will reflect in earnings, the change in the estimated fair value of the promissory note from quarter to quarter. Since the Company has reflected the maximum obligation of the contingency associated with the stockholder litigation in the accompanying balance sheet as of December 31, 2000, the adoption of SFAS 133, as amended, may have a material impact on the Company's consolidated financial position and results of operations if the fair value is deemed to be significantly different than the carrying amount of the liability at December 31, 2000. However, the impact cannot be determined until the promissory note is issued and an estimated fair value of the promissory note is determined.

RECLASSIFICATIONS

Certain reclassifications of 1999 and 1998 amounts have been made to conform with the 2000 presentation.

5. HISTORICAL RELATIONSHIP WITH OPERATING COMPANY

Operating Company was a private prison management company that operated, managed and leased the substantial majority of facilities owned by the Company from January 1, 1999 through

September 30, 2000. As a result of the 1999 Merger and certain contractual relationships existing between the Company and Operating Company, the Company was dependent on Operating Company for a significant source of its income. In addition, the Company was obligated to pay Operating Company tenant incentive fees and fees for services rendered to the Company in the development of its correctional and detention facilities. As of September 30, 2000 (immediately prior to the Operating Company Merger), Operating Company leased 37 of the 46 operating facilities owned by the Company.

CCA NOTE

As discussed in Note 3, the Company succeeded to the CCA Note as a result of the 1999 Merger. Interest on the CCA Note was payable annually at an interest rate of 12%. Principal was due in six equal annual installments of approximately $22.8 million beginning December 31, 2003. Ten percent of the outstanding principal of the CCA Note was personally guaranteed by the Company's former chief executive officer, who also served as the chief executive officer and a member of the board of directors of Operating Company. As of December 31, 1999, the first scheduled payment of interest, totaling approximately $16.4 million, on the CCA Note was unpaid. Pursuant to the terms of the CCA Note, Operating Company was required to make the payment on December 31, 1999; however, pursuant to the terms of a subordination agreement, dated as of March 1, 1999, by and between the Company and the agent of Operating Company's revolving credit facility, Operating Company was prohibited from making the scheduled interest payment on the CCA Note when Operating Company was not in compliance with certain financial covenants under the facility. Pursuant to the terms of the subordination agreement between the Company and the agent of Operating Company's revolving credit facility, the Company was prohibited from accelerating payment of the principal amount of the CCA Note or taking any other action to enforce its rights under the provisions of the CCA Note for so long as Operating Company's revolving credit facility remained outstanding. The Company fully reserved the $16.4 million of interest accrued under the terms of the CCA Note during 1999.

On September 29, 2000, the Company and Operating Company entered into agreements pursuant to which the Company forgave interest due under the CCA Note. The Company forgave $27.4 million of interest accrued under the terms of the CCA Note from January 1, 1999 to August 31, 2000, all of which had been fully reserved. The Company also fully reserved the $1.4 million of interest accrued for the month of September 2000. In connection with the Operating Company Merger, the CCA Note was assumed by the Company's wholly-owned subsidiary on October 1, 2000. The CCA Note has since been extinguished.

DEFERRED GAIN ON SALE TO OPERATING COMPANY

The sale to Operating Company as part of the 1999 Merger generated a deferred gain of $63.3 million. The $63.3 million deferred gain is included in deferred gains on sales of contracts in the accompanying 1999 consolidated balance sheet. No amortization of the Operating Company deferred gain occurred during the year ended December 31, 1999 or during the period from January 1, 2000 through September 30, 2000. Effective with the Operating Company Merger on October 1, 2000, the Company applied the unamortized balance of the deferred gain on sales of contracts in accordance with the purchase method of accounting under APB 16.

OPERATING COMPANY LEASES

In order for New Prison Realty to qualify as a REIT, New Prison Realty's income generally could not include income from the operation and management of correctional and detention facilities,

including those facilities operated and managed by Old CCA. Accordingly, immediately prior to the 1999 Merger, the non-real estate assets of Old CCA, including all management contracts, were sold to Operating Company and the Service Companies. On January 1, 1999, immediately after the 1999 Merger, all existing leases between Old CCA and Old Prison Realty were cancelled. Following the 1999 Merger, a substantial majority of the correctional and detention facilities acquired by New Prison Realty in the 1999 Merger were leased to Operating Company pursuant to long-term "triple-net" leases (the "Operating Company Leases"). The terms of the Operating Company Leases were for twelve years and could be extended at fair market rates for three additional five-year periods upon the mutual agreement of the Company and Operating Company.

As of December 31, 1999, the annual base rent with respect to each facility was subject to increase each year in an amount equal to the lesser of: (i) 4% of the annualized yearly rental payment with respect to such facility or (ii) 10% of the excess of Operating Company's aggregate gross management revenues for the prior year over a base amount of $325.0 million.

For the years ended December 31, 2000 and 1999, the Company recognized rental revenue from Operating Company of $31.0 million and $263.5 million, respectively, all of which was collected by the Company as discussed below.

During the month ended December 31, 1999, and the nine months ended September 30, 2000, due to Operating Company's liquidity position, Operating Company failed to make timely rental payments under the terms of the Operating Company Leases. As of December 31, 1999, approximately $24.9 million of rents due from Operating Company to the Company were unpaid. The terms of the Operating Company Leases provided that rental payments were due and payable on December 25, 1999. During 2000, Operating Company paid the $24.9 million of lease payments related to 1999 and $31.0 million of lease payments related to 2000. For the nine months ended September 30, 2000, the Company recognized rental revenue from Operating Company of $244.3 million and recorded a reserve of $213.3 million, resulting in recognition of net rental revenue from Operating Company of $31.0 million. The reserve was recorded due to the uncertainty regarding the collectibility of the revenue. In June 2000, the Operating Company Leases were amended to defer, with interest, rental payments originally due during the period from January 1, 2000 to September 2000, with the exception of certain installment payments. Through September 30, 2000, the Company accrued and fully reserved $8.0 million of interest due to the Company on unpaid rental payments. On September 29, 2000, the Company and Operating Company entered into agreements pursuant to which the Company forgave all unpaid rental payments plus accrued interest, due and payable from Operating Company through August 31, 2000, including $190.8 million due under the Operating Company Leases and $7.9 million of interest due on the unpaid rental payments. The Company also fully reserved the $22.5 million of rental payments due for the month of September 2000. The Company cancelled the Operating Company Leases in connection with the Operating Company Merger.

TENANT INCENTIVE ARRANGEMENT

On May 4, 1999, the Company and Operating Company entered into an amended and restated tenant incentive agreement (the "Amended and Restated Tenant Incentive Agreement"), effective as of January 1, 1999, providing for (i) a tenant incentive fee of up to $4,000 per bed payable with respect to all future facilities developed and facilitated by Operating Company, as well as certain other facilities which, although operational on January 1, 1999, had not achieved full occupancy, and (ii) an $840 per bed allowance for all beds in operation at the beginning of January 1999, approximately 21,500 beds, that were not subject to the tenant allowance in the first quarter of 1999. The amount of the amended tenant incentive fee included an allowance for rental payments to be

paid by Operating Company prior to the facility reaching stabilized occupancy. The term of the Amended and Restated Tenant Incentive Agreement was four years, unless extended upon the written agreement of the Company and Operating Company. The incentive fees with Operating Company were deferred and the Company expected to amortize them as a reduction to rental revenue over the respective lease term.

For the year ended December 1999, the Company paid tenant incentive fees of $68.6 million, with $2.9 million of those fees amortized against rental revenue. During the fourth quarter of 1999, the Company undertook a plan that contemplated either merging with Operating Company and thereby eliminating the Operating Company Leases or amending the Operating Company Leases to reduce the lease payments to be paid by Operating Company to the Company during 2000. Consequently, the Company determined that the remaining deferred tenant incentive fees under the existing lease arrangements at December 31, 1999 were not realizable and wrote-off fees totaling $65.7 million.

During the nine months ended September 30, 2000, the Company opened two facilities and expanded three facilities that were operated and leased by Operating Company. The Company expensed the tenant incentive fees due Operating Company in 2000, totaling $11.9 million, but made no payments to Operating Company in 2000 with respect to the Amended and Restated Tenant Incentive Agreement. On June 9, 2000, Operating Company and the Company amended the Amended and Restated Tenant Incentive Agreement to defer, with interest, payments to Operating Company by the Company pursuant to this agreement. At September 30, 2000, $11.9 million of payments under the Amended and Restated Tenant Incentive Agreement, plus $0.7 million of interest payments, were accrued but unpaid under the original terms of this agreement. This agreement was cancelled in connection with the Operating Company Merger on October 1, 2000, and the unpaid amounts due under this agreement, plus accrued interest, were applied in accordance with the purchase method of accounting under APB 16.

TRADE NAME USE AGREEMENT

In connection with the 1999 Merger, Old CCA entered into a trade name use agreement with Operating Company (the "Trade Name Use Agreement"). Under the Trade Name Use Agreement, which had a term of ten years, Old CCA granted to Operating Company the right to use the name "Corrections Corporation of America" and derivatives thereof, subject to specified terms and conditions therein. The Company succeeded to this interest as a result of the 1999 Merger. In consideration for such right under the terms of the Trade Name Use Agreement, Operating Company was to pay a licensing fee equal to (i) 2.75% of the gross revenue of Operating Company for the first three years, (ii) 3.25% of Operating Company's gross revenue for the following two years, and (iii) 3.625% of Operating Company's gross revenue for the remaining term, provided that after completion of the 1999 Merger the amount of such fee could not exceed (a) 2.75% of the gross revenue of the Company for the first three years, (b) 3.5% of the Company's gross revenue for the following two years, and (c) 3.875% of the Company's gross revenue for the remaining term.

For the years ended December 31, 2000 and 1999, the Company recognized income of $7.6 million and $8.7 million, respectively, from Operating Company under the terms of the Trade Name Use Agreement, all of which has been collected. As of December 31, 1999, $2.2 million was outstanding under this agreement. This agreement was cancelled in connection with the Operating Company Merger.

RIGHT TO PURCHASE AGREEMENT

On January 1, 1999, immediately after the 1999 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 ten years following the date inmates are first received at such facility. The initial annual rental rate on such facilities was to 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. Since January 1, 1999, the Company had not purchased any assets from Operating Company under the Right to Purchase Agreement. This agreement was cancelled in connection with the Operating Company Merger.

SERVICES AGREEMENT

On January 1, 1999, immediately after the 1999 Merger, the Company entered into a services agreement (the "Services Agreement") with Operating Company pursuant to which Operating Company agreed 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 agreed to perform, at the direction of the Company, such services as were customarily needed in the construction and development of correctional and detention facilities, including services related to construction of the facilities, project bidding, project design and governmental relations. In consideration for the performance of such services by Operating Company, the Company agreed to 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 approximately $560 per bed for facility preparation services provided by Operating Company prior to the date on which inmates are first received at such facility. The board of directors of the Company subsequently authorized payments, and pursuant to an amended and restated services agreement, dated as of March 5, 1999 (the "Amended and Restated Services Agreement"), the Company agreed to pay up to an additional 5% of the total capital expenditures (as determined above) to Operating Company if additional services were requested by the Company. A majority of the Company's development projects during 1999 and 2000 were subject to a fee totaling 10%.

Costs incurred by the Company under the Amended and Restated Services Agreement were capitalized as part of the facilities' development cost. Costs incurred under the Amended and Restated Services Agreement and capitalized as part of the facilities' development cost totaled $41.6 million for the year ended December 31, 1999, and $5.6 million for the nine months ended September 30, 2000.

On June 9, 2000, Operating Company and the Company amended the Amended and Restated Services Agreement to defer, with interest, payments to Operating Company by the Company pursuant to this agreement. At September 30, 2000, $5.6 million of payments under the Amended and Restated Services Agreement, plus $0.3 million of interest payments, were accrued but unpaid under the original terms of this agreement. This agreement was cancelled in connection with the Operating Company Merger and the unpaid amounts due under the agreement, plus accrued interest, were applied in accordance with the purchase method of accounting under APB 16.

BUSINESS DEVELOPMENT AGREEMENT

On May 4, 1999, the Company entered into a four year business development agreement (the "Business Development Agreement") with Operating Company, which provided that Operating Company would perform, at the direction of the Company, services designed to assist the Company in identifying and obtaining new business. Pursuant to the agreement, the Company agreed to pay to Operating Company a total fee equal to 4.5% of the total capital expenditures (excluding the amount of the tenant incentive fee and the services fee discussed above as well as the 4.5% fee) incurred in connection with the construction and development of each new facility, or the construction and development of an addition to an existing facility, for which Operating Company performed business development services.

Costs incurred by the Company under the Business Development Agreement were capitalized as part of the facilities' development cost. Costs incurred under the Business Development Agreement and capitalized as part of the facilities' development cost totaled $15.0 million for the year ended December 31, 1999. No costs were incurred under the Business Development Agreement during 2000. On June 9, 2000, Operating Company and the Company amended this agreement to defer, with interest, any payments to Operating Company by the Company pursuant to this agreement. This agreement was cancelled in connection with the Operating Company Merger.

6. PROPERTY AND EQUIPMENT

At December 31, 2000, the Company owned 48 real estate properties, including 46 correctional and detention facilities and two corporate office buildings, of which 44 properties were operating and two were under construction. At December 31, 2000, the Company operated 35 properties, governmental agencies leased six facilities from the Company and private operators leased three facilities from the Company. Four of the properties owned by the Company are held for sale and are classified as such on the accompanying balance sheet as of December 31, 2000. Three of the properties are owned under direct financing leases. Two of the direct financing leases are held for sale and are classified as such in the accompanying balance sheet as of December 31, 2000.

Property and equipment, at cost, consists of the following:

	DECEMBER 31,	
	2000	1999
	(in thousands)	
Land and improvements	$ 25,651	$ 37,412
Buildings and improvements	1,523,560	1,862,836
Equipment	27,455	17,902
Office furniture and fixtures	20,270	20,361
Construction in progress	99,416	319,770
	1,696,352	2,258,281
Less: Accumulated depreciation	(81,222)	(49,785)
	$ 1,615,130	$ 2,208,496

Depreciation expense was $57.2 million, $44.1 million and $14.4 million for the years ended December 31, 2000, 1999 and 1998, respectively.

Pursuant to the 1999 Merger, the Company acquired all of the assets and liabilities of Old Prison Realty on January 1, 1999, including 23 leased facilities and one real estate property under construction. The real estate properties acquired by the Company in conjunction with the

acquisition of Old Prison Realty were recorded at estimated fair market value in accordance with the purchase method of accounting prescribed by APB 16, resulting in a $1.2 billion increase to real estate properties at January 1, 1999.

As of December 31, 2000, eleven of the facilities owned by the Company are subject to options that allow various governmental agencies to purchase those facilities. Three of such facilities are held for sale as of December 31, 2000. In addition, two of the facilities are constructed on land that the Company leases from governmental agencies under ground leases. Under the terms of those ground leases, the facilities become the property of the governmental agencies upon expiration of the ground leases. The Company depreciates these two properties over the term of the ground lease.

7. IMPAIRMENT LOSSES AND ASSETS HELD FOR SALE

SFAS 121 requires impairment losses to be recognized for long-lived assets used in operations when indications of impairment are present and the estimate of undiscounted future cash flows is not sufficient to recover asset carrying amounts. Under terms of the June 2000 Waiver and Amendment, the Company was obligated to complete the Restructuring, including the Operating Company Merger, and complete the restructuring of management through the appointment of a new chief executive officer and a new chief financial officer. The Restructuring also permitted the acquisitions of PMSI and JJFMSI. During the third quarter of 2000, the Company named a new president and chief executive officer, followed by the appointment of a new chief financial officer during the fourth quarter. At the Company's 2000 annual meeting of stockholders held during the fourth quarter of 2000, the Company's stockholders elected a newly constituted nine-member board of directors of the Company, including six independent directors.

Following the completion of the Operating Company Merger and the acquisitions of PMSI and JJFMSI, during the fourth quarter of 2000, after considering the Company's financial condition, the Company's new management developed a strategic operating plan to improve the Company's financial position, and developed revised projections for 2001 to evaluate various potential transactions. Management also conducted strategic assessments and evaluated the Company's assets for impairment. Further, the Company evaluated the utilization of existing facilities, projects under development, and excess land parcels, and identified certain of these non-strategic assets for sale.

In accordance with SFAS 121, the Company estimated the undiscounted net cash flows for each of its properties and compared the sum of those undiscounted net cash flows to the Company's investment in each property. Through its analyses, the Company determined that eight of its correctional and detention facilities and the long-lived assets of the transportation business had been impaired. For these properties, the Company reduced the carrying values of the underlying assets to their estimated fair values, as determined based on anticipated future cash flows discounted at rates commensurate with the risks involved. The resulting impairment loss totaled $420.5 million.

During the fourth quarter of 2000, as part of the strategic assessment, the Company's management committed to a plan of disposal for certain long-lived assets of the Company. In accordance with SFAS 121, the Company recorded losses on these assets based on the difference between the carrying value and the estimated net realizable value of the assets. The Company estimated the net realizable values of certain facilities and direct financing leases held for sale based on outstanding offers to purchase and appraisals, as well as by utilizing various financial models, including discounted cash flow analyses, less estimated costs to sell each asset. The resulting impairment loss for these assets totaled $86.1 million.

Included in property and equipment were costs associated with the development of potential facilities. Based on the Company's strategic assessment during the fourth quarter of 2000, management decided to abandon further development of these projects and expense any amounts previously capitalized. The resulting expense totaled $2.1 million.

During the third quarter of 2000, the Company's management determined either not to pursue further development or to reconsider the use of certain parcels of property in California, Maryland and the District of Columbia. Accordingly, the Company reduced the carrying values of the land to their estimated net realizable value, resulting in an impairment loss totaling $19.2 million.

In December 1999, based on the poor financial position of the Operating Company, the Company determined that three of its correctional and detention facilities located in the state of Kentucky and leased to Operating Company were impaired. In accordance with SFAS 121, the Company reduced the carrying values of the underlying assets to their estimated fair values, as determined based on anticipated future cash flows discounted at rates commensurate with the risks involved. The resulting impairment loss totaled $76.4 million.

8. ACQUISITIONS AND DIVESTITURES

In April 1999, the Company purchased the Eden Detention Center in Eden, Texas for $28.1 million. The facility has a design capacity of 1,225 beds, and prior to the Operating Company Merger, had been leased to Operating Company under lease terms substantially similar to the Operating Company Leases.

In June 1999, the Company incurred a loss of $1.6 million as a result of a settlement with the State of South Carolina for property previously owned by Old CCA. Under the settlement, the Company, as the successor to Old CCA, will receive $6.5 million in three installments by June 30, 2001 for the transferred assets. The net proceeds were approximately $1.6 million less than the surrendered assets' depreciated book value. The Company received $3.5 million of the proceeds during 1999 and $1.5 million of the proceeds during 2000. As of December 31, 2000, the Company has a receivable of $1.5 million related to this settlement reflected in other notes receivable.

In December 1999, the Company incurred a loss of $0.4 million resulting from a sale of a newly constructed facility in Florida. Construction on the facility was completed by the Company in May 1999. In accordance with the terms of the management contract between Old CCA and Polk County, Florida, Polk County exercised an option to purchase the facility. Net proceeds of $40.5 million were received by the Company.

In April 1998, Old CCA acquired all of the issued and outstanding capital stock of eight subsidiaries of U.S. Corrections Corporation ("USCC") (the "USCC Acquisition") for approximately $10.0 million, less cash acquired. The transaction was accounted for as a purchase transaction, and the purchase price was allocated to the assets purchased and the liabilities assumed based on the fair value of the assets and liabilities acquired. By virtue of the USCC Acquisition, Old CCA acquired contracts to manage four facilities in Kentucky, each of which was owned by Old Prison Realty, one facility in Florida, which is owned by a governmental entity in Florida, as well as one facility in Texas, which is owned by a governmental entity in Texas. During 1998, subsequent to the USCC Acquisition, the contract to manage the Texas facility expired and was not renewed. During 2000, the contract to manage one of the Kentucky facilities expired and was not renewed. Subsequent to the non-renewal of the contract, the Company sold the facility for a net sales price of approximately $1.0 million, resulting in a gain on sale of approximately $0.6 million during 2000, after writing-down the carrying value of this asset by $7.1 million in 1999. Old CCA also obtained the right to

enter into contracts to manage two North Carolina facilities previously owned by Old Prison Realty, both of which were under construction as of the date of the USCC Merger. During 1998, both North Carolina facilities became operational and Old CCA entered into contracts to manage those facilities upon completion of the construction. During 2000, Operating Company and the contracting party mutually agreed to cancel the management contracts. In March 2001, the Company sold one of the North Carolina facilities, which was classified as held for sale under contract in the accompanying consolidated balance sheet, for a sales price of approximately $25 million. The net proceeds were used to pay-down the Amended Bank Credit Facility.

On April 10, 2001, the Company sold its interest in a facility located in Salford, England, for approximately $65.7 million. The net proceeds were used to pay-down the Amended Bank Credit Facility.

9. INVESTMENTS IN AFFILIATES

In connection with the 1999 Merger, Old CCA received 100% of the non-voting common stock in each of PMSI and JJFMSI, valued at the implied fair market values of $67.1 million and $55.9 million, respectively. The Company succeeded to these interests as a result of the 1999 Merger. The Company's ownership of the non-voting common stock of PMSI and JJFMSI entitled the Company to receive, when and if declared by the boards of directors of the respective companies, 95% of the net income, as defined, of each company as cash dividends. Dividends were cumulative if not declared. For the years ended December 31, 2000 and 1999, the Company received cash dividends from PMSI totaling approximately $4.4 million and $11.0 million, respectively. For the years ended December 31, 2000 and 1999, the Company received cash dividends from JJFMSI totaling approximately $2.3 million and $10.6 million, respectively.

Investments in affiliates consisted of the following at December 31, 1999 (in thousands):

Investment in PMSI	$ 60,756
Investment in JJFMSI	52,726
	$113,482

The following operating information presents a combined summary of the results of operations of PMSI and JJFMSI for the period January 1, 2000 through November 30, 2000 and for the year ended December 31, 1999 (in thousands):

	JANUARY 1, 2000 - NOVEMBER 30, 2000	Year ended December 31, 1999
Revenue	$279,228	$288,289
Net income (loss) before taxes	$ (588)	$ 12,851

The following balance sheet information presents a combined summary of the financial position of PMSI and JJFMSI as of December 31, 1999 (in thousands):

Current assets	$ 60,741
Total assets	$151,167
Current liabilities	$ 31,750
Total liabilities	$ 32,622
Stockholders' equity	$118,545

During 2000 and prior to the acquisition of PMSI and JJFMSI on December 1, 2000, PMSI and JJFMSI (collectively) recorded approximately $27.3 million in charges related to agreements with the Company and Operating Company. Of these charges, approximately $5.4 million are fees paid under a trade name use agreement, approximately $9.9 million are fees paid under an administrative service agreement and approximately $12.0 million are fees paid under an indemnification agreement with the Company.

Under the terms of the indemnification agreements, effective September 29, 2000, each of PMSI and JJFMSI agreed to pay the Company $6.0 million in exchange for full indemnity by the Company for any and all liabilities incurred by PMSI and JJFMSI in connection with the settlement or disposition of litigation known as Prison Acquisition Company, LLC v. Prison Realty Trust, Inc., et al. described in Note 21 herein. The combined and consolidated results of operations of the Company were unaffected by the indemnification agreements.

As previously discussed in Note 4, the combined and consolidated financial statements reflect the results of operations of PMSI and JJFMSI under the equity method of accounting from January 1, 1999 through August 31, 2000, on a combined basis from September 1, 2000 through November 30, 2000, and consolidated for the month of December 2000. The financial statements for the period January 1, 1999 through September 30, 2000 have also been restated to reflect 9.5% of Operating Company's net losses, as discussed in Note 4.

As discussed in Note 3, the Company's 9.5% non-voting interest in Operating Company had been recorded in the 1999 Merger at its implied value of $4.8 million. In accordance with the provisions of APB 18, the Company applied the recognized equity in losses of Operating Company of $19.3 million for the year ended December 31, 1999, first to reduce the Company's recorded investment in Operating Company of $4.8 million to zero and then to reduce the carrying value of the CCA Note by the amount of the recognized equity in losses in excess of $4.8 million. The Company's recognized equity in losses related to its investment in Operating Company for the nine months ended September 30, 2000 were applied to reduce the carrying value of the CCA Note.

For the years ended December 31, 2000 and 1999, equity in earnings (losses) and amortization of deferred gains were approximately $11.6 million in losses and $3.6 million in earnings, respectively. For the year ended December 31, 2000, the Company recognized equity in losses of PMSI and JJFMSI of approximately $12,000 and $870,000, respectively. In addition, for the year ended December 31, 2000, the Company recognized equity in losses of Operating Company of approximately $20.6 million. For 2000, the amortization of the deferred gain on the sales of contracts to PMSI and JJFMSI was approximately $6.5 million and $3.3 million, respectively. For the year ended December 31, 1999, the Company recognized equity in earnings of PMSI and JJFMSI of approximately $4.7 million and $7.5 million, respectively. In addition, for the year ended December 31, 1999, the Company recognized equity in losses of Operating Company of approximately $19.3 million. For 1999, the amortization of the deferred gain on the sales of contracts to PMSI and JJFMSI was approximately $7.1 million and $3.6 million, respectively.

10. INVESTMENT IN DIRECT FINANCING LEASES

At December 31, 2000, the Company's investment in a direct financing lease represents net receivables under a building and equipment lease between the Company and a governmental agency.

A schedule of future minimum rentals to be received under the direct financing lease in years subsequent to December 31, 2000, is as follows (in thousands):

2001	$ 2,309
2002	2,309
2003	2,309
2004	2,309
2005	2,309
Thereafter	23,776
Total minimum obligation	35,321
Less unearned interest income	(10,444)
Less current portion of direct financing lease	(1,069)
Investment in direct financing leases	$ 23,808

As discussed in Note 7, during the fourth quarter of 2000, the Company's management committed to a plan of disposal for certain long-lived assets of the Company, including two investments in direct financing leases. The Company estimated the fair values of these direct financing leases held for sale based on outstanding offers to purchase and discounted cash flow analyses. These direct financing leases, with estimated net realizable values totaling $85.7 million at December 31, 2000, have been classified on the consolidated balance sheet as assets held for sale as of December 31, 2000.

During the years ended December 31, 2000, 1999 and 1998, the Company recorded interest income of $10.1 million, $3.4 million, and $3.5 million, respectively, under all direct financing leases.

In May 1998, the Company agreed to pay a governmental agency $3.5 million in consideration of the governmental agency's relinquishing its rights to purchase a facility. As a result, the Company converted the facility from a direct financing lease to property and equipment.

11. OTHER ASSETS

Other assets consist of the following (in thousands):

	DECEMBER 31, 2000	DECEMBER 31, 1999
Debt issuance costs, less accumulated amortization of $13,178 and $5,888	$37,099	$43,976
Value of workforce, net	2,425	--
Contract acquisition costs, net	2,190	--
Deposits	1,630	--
Other	1,692	1,505
	$45,036	$45,481

12. ACCOUNTS PAYABLE AND ACCRUED EXPENSES

Accounts payable and accrued expenses consist of the following (in thousands):

	DECEMBER 31,	
	2000	1999
Stockholder litigation settlements	$ 75,406	$ --
Trade accounts payable	26,356	39,031
Other accrued litigation	41,114	5,717
Accrued salaries and wages	14,183	208
Accrued property taxes	13,638	--
Accrued interest	5,765	14,968
Other	66,850	7,671
	$243,312	$67,595

13. DISTRIBUTIONS TO STOCKHOLDERS

On March 22, 2000, the board of directors of the Company declared a quarterly dividend on the Company's Series A Preferred Stock of $0.50 per share to preferred stockholders of record on March 31, 2000. These dividends were paid on April 17, 2000. The Company's board of directors has not declared a dividend on the Series A Preferred Stock since the first quarter of 2000. In connection with the June 2000 Waiver and Amendment, the Company is currently prohibited from declaring or paying any dividends with respect to the Company's currently outstanding Series A Preferred Stock until such time as the Company has raised at least $100.0 million in equity. Therefore, the Company has not made any such dividend payments to the Series A Preferred stockholders since the first quarter of 2000. Dividends with respect to the Series A Preferred Stock will continue to accrue under the terms of the Company's charter until such time as payment of such dividends is permitted under the terms of the June 2000 Waiver and Amendment. Under the terms of the Company's charter, in the event dividends are unpaid and in arrears for six or more quarterly periods, the holders of the Series A Preferred Stock will have the right to vote for the election of two additional directors to the Company's board of directors. No assurance can be given as to if and when the Company will commence the payment of cash dividends on its shares of Series A Preferred Stock. Quarterly dividends of $0.50 per share for the second, third and fourth quarters of 2000 have been accrued as of December 31, 2000 and totaled $6.5 million.

Under the terms of the Company's charter, as in effect prior to the Restructuring, the Company was required to elect to be taxed as a REIT for federal income tax purposes for its taxable year ended December 31, 1999. The Company, as a REIT, could not complete any taxable year with accumulated earnings and profits from a taxable corporation. Accordingly, the Company was required to distribute Old CCA's earnings and profits to which it succeeded in the 1999 Merger (the "Accumulated Earnings and Profits"). For the year ended December 31, 1999, the Company made approximately $217.7 million of distributions related to its common stock and Series A Preferred Stock. Because the Company's Accumulated Earnings and Profits were approximately $152.5 million, and the Company's distributions were deemed to have been paid first from those Accumulated Earnings and Profits, the Company met the above-described distribution requirements. In addition to distributing its Accumulated Earnings and Profits, the Company, in order to qualify for taxation as a REIT with respect to its 1999 taxable year, was required to distribute 95.0% of its taxable income for 1999. The Company believes that this distribution requirement has been satisfied by its distribution of shares of the Company's Series B Preferred Stock, as discussed below.

On September 22, 2000, the Company issued approximately 5.9 million shares of its Series B Preferred Stock in connection with its remaining 1999 REIT distribution requirement. The distribution was made to the Company's common stockholders of record on September 14, 2000, who received five shares of Series B Preferred Stock for every 100 shares of the Company's common stock held on the record date. The Company paid its common stockholders approximately $15,000 in cash in lieu of issuing fractional shares of Series B Preferred Stock. On November 13, 2000, the Company issued approximately 1.6 million additional shares of Series B Preferred Stock in satisfaction of this REIT distribution requirement. This distribution was made to the Company's common stockholders of record on November 6, 2000, who received one share of Series B Preferred Stock for every 100 shares of the Company's common stock held on the record date. The Company also paid its common stockholders approximately $15,000 in cash in lieu of issuing fractional shares of Series B Preferred Stock in the second distribution.

The Company recorded the issuance of the Series B Preferred Stock at its stated value of $24.46 per share, or a total of $183.9 million. The Company has determined the distribution made on September 22, 2000 amounted to a taxable distribution by the Company of approximately $107.6 million. The Company has also determined that the distribution made on November 13, 2000 amounted to a taxable distribution by the Company of approximately $20.4 million. Common stockholders who received shares of Series B Cumulative Convertible Preferred Stock in the distribution generally will be required to include the taxable value of the distribution in ordinary income. Refer to Note 18 for a more complete description of the terms of Series B Preferred Stock.

As a result of the Company's failure to declare, prior to December 31, 1999, and failure to distribute, prior to January 31, 2000, dividends sufficient to distribute 95% of its taxable income for 1999, the Company was subject to excise taxes, of which $7.1 million was accrued as of December 31, 1999 in accounts payable and accrued expenses in the 1999 consolidated balance sheet. The excise tax was satisfied in full during 2000.

Quarterly distributions and the resulting tax classification for common stock distributions are as follows:

Declaration Date	Record Date	Payment Date	Distribution Per Share	Ordinary Income	Return of Capital
03/04/99	03/19/99	03/31/99	$ 0.60	100.0%	0.0%
05/11/99	06/18/99	06/30/99	0.60	100.0%	0.0%
08/27/99	09/17/99	09/30/99	0.60	100.0%	0.0%

Quarterly distributions and the resulting tax classification for the Series A Preferred Stock are as follows:

Declaration Date	Record Date	Payment Date	Distribution Per Share	Ordinary Income	Return of Capital
03/04/99	03/31/99	04/15/99	$ 0.50	100.0%	0.0%
05/11/99	06/30/99	07/15/99	0.50	100.0%	0.0%
08/27/99	09/30/99	10/15/99	0.50	100.0%	0.0%
12/22/99	12/31/99	01/15/00	0.50	100.0%	0.0%
03/22/00	03/31/00	04/17/00	0.50	100.0%	0.0%

14. DEBT

Debt consists of the following:

	DECEMBER 31,	
	2000	1999
	(in thousands)	
$1.0 Billion Amended Bank Credit Facility:		
Revolving loans, with unpaid balance due January 1, 2002, interest payable periodically at variable interest rates	$ 382,532	$ 332,484
Term loans, quarterly principal payments of $1.5 million with unpaid balance due December 31, 2002, interest payable periodically at variable interest rates	589,750	595,750
Outstanding under Amended Bank Credit Facility	972,282	928,234
Senior Notes, principal due at maturity in June 2006, interest payable semi-annually at 12%	100,000	100,000
10.0% Convertible Subordinated Notes, principal due at maturity in December 2008, interest payable semi-annually at 9.5% through June 30, 2000, at which time the rate was increased to 10.0%	41,114	40,000
8.0% Convertible Subordinated Notes, principal due at maturity in February 2005 with call provisions beginning in February 2003, interest payable quarterly at 7.5% through June 30, 2000, at which time the rate was increased to 8.0%	30,000	30,000
$50.0 Million Revolving Credit Facility, with unpaid balance due at maturity in December 2002, interest payable at prime plus 2.25%. At December 31, 2000 interest was 11.75%	7,601	--
Other	1,573	757
	1,152,570	1,098,991
Less: Current portion of long-term debt	(14,594)	(6,084)
	$ 1,137,976	$ 1,092,907

THE CREDIT FACILITY AND AMENDED BANK CREDIT FACILITY

On January 1, 1999, in connection with the completion of the 1999 Merger, the Company obtained a $650.0 million secured credit facility (the "Credit Facility") from NationsBank, N.A., as Administrative Agent, and several U.S. and non-U.S. banks. The Credit Facility included up to a maximum of $250.0 million in tranche B term loans and $400.0 million in revolving loans, including a $150.0 million subfacility for letters of credit. The term loan requires quarterly principal payments of $625,000 throughout the term of the loan with the remaining balance maturing on December 31, 2002. The revolving loans mature on January 1, 2002. Interest rates, unused commitment fees and letter of credit fees on the Credit Facility were subject to change based on the Company's senior debt rating. The Credit Facility was secured by mortgages on the Company's real property.

On August 4, 1999, the Company completed an amendment and restatement of the Credit Facility (the "Amended Bank Credit Facility") increasing amounts available to the Company under the original Credit Facility to $1.0 billion through the addition of a $350.0 million tranche C term loan. The tranche C term loan is payable in equal quarterly installments in the amount of $875,000

through the calendar quarter ending September 30, 2002, with the balance to be paid in full on December 31, 2002. Under the Amended Bank Credit Facility, Lehman Commercial Paper Inc. ("Lehman") replaced NationsBank, N.A. as administrative agent.

The Amended Bank Credit Facility bears interest at variable rates of interest based on a spread over an applicable base rate or the London Interbank Offering Rate ("LIBOR") (as elected by the Company), which spread is determined by reference to the Company's credit rating. Prior to the June 2000 Waiver and Amendment, the spread for the revolving loans ranged from 0.5% to 2.25% for base rate loans and from 2.0% to 3.75% for LIBOR rate loans. (These ranges replaced the original spread ranges of 0.25% to 1.25% for base rate loans and 1.375% to 2.75% for LIBOR rate loans.) Prior to the June 2000 Waiver and Amendment, the spread for the term loans ranged from 2.25% to 2.5% for base rate loans and from 3.75% to 4.0% for LIBOR rate loans. (These rates replaced the original variable rate equal to 1.75% in excess of a base rate or 3.25% in excess of LIBOR). The Amended Bank Credit Facility, similar to the original Credit Facility, is secured by mortgages on the Company's real property.

During the first quarter of 2000, the ratings on the Company's bank indebtedness, senior unsecured indebtedness and Series A Preferred Stock were lowered. As a result of these reductions, the interest rate applicable to outstanding amounts under the Amended Bank Credit Facility for revolving loans was increased by 0.5%, to 1.5% over the base rate and to 3.0% over the LIBOR rate; the spread for term loans remained unchanged at 2.5% for base rate loans and 4.0% for LIBOR rate loans. The rating on the Company's indebtedness was also lowered during the second quarter of 2000, although no interest rate increase was attributable to this rating adjustment.

Following the approval of the requisite senior lenders under the Amended Bank Credit Facility, the Company, certain of its wholly-owned subsidiaries, various lenders and Lehman, as administrative agent, executed the June 2000 Waiver and Amendment, dated as of June 9, 2000, to the provisions of the Amended and Restated Credit Agreement. Upon effectiveness, the June 2000 Waiver and Amendment waived or addressed all then existing events of default under the provisions of the Amended and Restated Credit Agreement that resulted from: (i) the financial condition of the Company and Operating Company; (ii) the transactions undertaken by the Company and Operating Company in an attempt to resolve the liquidity issues of the Company and Operating Company; and (iii) previously announced restructuring transactions. As a result of the then existing defaults, the Company was subject to the default rate of interest, or 2.0% higher than the rates discussed above, effective from January 25, 2000 until June 9, 2000. The June 2000 Waiver and Amendment also contained certain amendments to the Amended and Restated Credit Agreement, including the replacement of existing financial covenants contained in the Amended and Restated Credit Agreement applicable to the Company with new financial ratios following completion of the Restructuring. As a result of the June 2000 Waiver and Amendment, the Company began monthly interest payments on outstanding amounts under the Amended Bank Credit Facility beginning July 2000.

In obtaining the June 2000 Waiver and Amendment, the Company agreed to complete certain transactions which were incorporated as covenants in the June 2000 Waiver and Amendment. Pursuant to these requirements, the Company was obligated to complete the Restructuring, including: (i) the Operating Company Merger; (ii) the amendment of its charter to remove the requirements that it elect to be taxed as a REIT commencing with its 2000 taxable year; (iii) the restructuring of management; and (iv) the distribution of shares of Series B Preferred Stock in satisfaction of the Company's remaining 1999 REIT distribution requirement. The June 2000 Waiver and Amendment also amended the terms of the Amended and Restated Credit Agreement to permit (i) the amendment of the Operating Company Leases and the other contractual arrangements

between the Company and Operating Company, and (ii) the merger of each of PMSI and JJFMSI with the Company, upon terms and conditions specified in the June 2000 Waiver and Amendment.

The June 2000 Waiver and Amendment prohibited: (i) the Company from settling its then outstanding stockholder litigation for cash amounts not otherwise fully covered by the Company's existing directors' and officers' liability insurance policies; (ii) the declaration and payment of dividends with respect to the Company's currently outstanding Series A Preferred Stock prior to the receipt of net cash proceeds of at least $100.0 million from the issuance of additional shares of common or preferred stock; and (iii) Operating Company from amending or refinancing its revolving credit facility on terms and conditions less favorable than Operating Company's then existing revolving credit facility. The June 2000 Waiver and Amendment also required the Company to complete the securitization of lease payments (or other similar transaction) with respect to the Company's Agecroft facility located in Salford, England on or prior to February 28, 2001, although such deadline was extended (as described herein).

As a result of the June 2000 Waiver and Amendment, the Company is generally required to use the net cash proceeds received by the Company from certain transactions, including the following transactions, to repay outstanding indebtedness under the Amended Bank Credit Facility:

- any disposition of real estate assets;
- the securitization of lease payments (or other similar transaction) with respect to the Company's Agecroft facility; and
- the sale-leaseback of the Company's headquarters.

Under the terms of the June 2000 Waiver and Amendment, the Company is also required to apply a designated portion of its "excess cash flow," as such term is defined in the June 2000 Waiver and Amendment, to the prepayment of outstanding indebtedness under the Amended Bank Credit Facility.

As a result of the June 2000 Waiver and Amendment, the interest rate spreads applicable to outstanding borrowings under the Amended Bank Credit Facility were increased by 0.5%. As a result, the spread for the revolving loans ranges from 1.0% to 2.75% for base rate loans and from 2.5% to 4.25% for LIBOR rate loans. The resulting spread for the term loans ranges from 2.75% to 3.0% for base rate loans and from 4.25% to 4.5% for LIBOR rate loans. Based on the Company's current credit rating, the spread for revolving loans is 2.75% for base rate loans and 4.25% for LIBOR rate loans, while the spread for term loans is 3.0% for base rate loans and 4.5% for LIBOR rate loans.

During the third and fourth quarters of 2000, the Company was not in compliance with certain applicable financial covenants contained in the Company's Amended and Restated Credit Agreement, including: (i) debt service coverage ratio; (ii) interest coverage ratio; (iii) leverage ratio; and (iv) net worth. In November 2000, the Company obtained the consent of the requisite percentage of the senior lenders (the "November 2000 Consent and Amendment") to replace previously existing financial covenants with amended financial covenants, each defined in the November 2000 Consent and Amendment:

- total leverage ratio;
- interest coverage ratio;
- fixed charge coverage ratio;
- ratio of total indebtedness to total capitalization;
- minimum EBITDA; and

- total beds occupied ratio.

The November 2000 Consent and Amendment further provided that the Company will be required to use commercially reasonable efforts to complete a "capital raising event" on or before June 30, 2001. A "capital raising event" is defined in the November 2000 Consent and Amendment as any combination of the following transactions, which together would result in net cash proceeds to the Company of $100.0 million:

- an offering of the Company's common stock through the distribution of rights to the Company's existing stockholders;
- any other offering of the Company's common stock or certain types of the Company's preferred stock;
- issuances by the Company of unsecured, subordinated indebtedness providing for in-kind payments of principal and interest until repayment of the Amended Credit Facility;
- certain types of asset sales by the Company, including the sale-leaseback of the Company's headquarters, but excluding the securitization of lease payments (or other similar transaction) with respect to the Salford, England facility.

The November 2000 Consent and Amendment also contains limitations upon the use of proceeds obtained from the completion of such "capital raising events." The requirements relating to "capital raising events" contained in the November 2000 Consent and Amendment replaced the requirement contained in the Amended and Restated Credit Agreement that the Company use commercially reasonable efforts to consummate a rights offering on or before December 31, 2000.

As a result of the November 2000 Consent and Amendment, the current interest rate applicable to the Company's Amended Bank Credit Facility remains unchanged. This applicable rate, however, is subject to (i) an increase of 25 basis points (0.25%) from the current interest rate on July 1, 2001 if the Company has not prepaid $100.0 million of the outstanding loans under the Amended Bank Credit Facility, and (ii) an increase of 50 basis points (0.50%) from the current interest rate on October 1, 2001 if the Company has not prepaid an aggregate of $200.0 million of the loans under the Amended Bank Credit Facility.

The maturities of the loans under the Amended Bank Credit Facility remain unchanged as a result of the November 2000 Consent and Amendment. No event of default was declared due to the amendment of the financial covenants obtained in connection with the November 2000 Consent and Amendment.

In January 2001, the requisite percentage of the Company's senior lenders under the Amended Bank Credit Facility consented to the Company's issuance of a promissory note (described in Note 21) in partial satisfaction of its requirements under the definitive settlement agreements relating to the Company's then-outstanding stockholder litigation (the "January 2001 Consent and Amendment"). The January 2001 Consent and Amendment also modified certain provisions of the Amended Bank Credit Facility to permit the issuance of the promissory note.

In March 2001, the Company obtained an amendment to the Amended Bank Credit Facility which included the following amendments: (i) changed the date the securitization of lease payments (or other similar transactions) with respect to the Company's Agecroft facility must be consummated from February 28, 2001 to March 31, 2001; (ii) modified the calculation of EBITDA used in calculating the total leverage ratio, to take into effect any loss of EBITDA that may result from certain asset dispositions, and (iii) modified the minimum EBITDA covenant to permit a reduction by the amount of EBITDA that certain asset dispositions had generated.

The securitization of lease payments (or other similar transaction) with respect to the Company's Agecroft facility did not close by the required date. However, the covenant allows for a 30 day grace period during which the lenders under the Amended Bank Credit Facility could not exercise their rights to declare an event of default. On April 10, 2001, prior to the expiration of the grace period, the Company consummated the Agecroft transaction through the sale of all of the issued and outstanding capital stock of Agecroft Properties, Inc., a wholly-owned subsidiary of the Company, and used the net proceeds to pay-down the Amended Bank Credit Facility, thereby fulfilling the Company's covenant requirements with respect to the Agecroft transaction.

The Amended Bank Credit Facility also contains a covenant requiring the Company to provide the lenders with audited financial statements within 90 days of the Company's fiscal year-end, subject to an additional five-day grace period. Due to the Company's attempts to close the securitization of the Company's Salford, England facility, the Company did not provide the audited financial statements within the required time period. However, the Company has obtained a waiver from the lenders under the Amended Bank Credit Facility of this financial reporting requirement.

The revolving loan portion of the Amended Bank Credit Facility of $382.5 million matures on January 1, 2002. As part of management's plans to improve the Company's financial position and address the January 1, 2002 maturity of portions of the debt under the Amended Bank Credit Facility, management has committed to a plan of disposal for certain long-lived assets. These assets are being actively marketed for sale and are classified as held for sale in the accompanying consolidated balance sheet at December 31, 2000. Anticipated proceeds from these asset sales are to be applied as loan repayments. The Company believes that utilizing such proceeds to pay-down debt will improve its leverage ratios and overall financial position, improving its ability to refinance or renew maturing indebtedness, including primarily the Company's revolving loans under the Amended Bank Credit Facility.

The Company believes it will be able to demonstrate commercially reasonable efforts regarding the $100.0 million capital raising event on or before June 30, 2001, primarily by attempting to sell certain assets, as discussed above. Subsequent to year-end, the Company completed the sale of a facility located in North Carolina for approximately $25 million, as discussed in Note 8. The Company is currently evaluating and would also consider a distribution of rights to purchase common or preferred stock to the Company's existing stockholders, or an equity investment in the Company from an outside investor. The Company expects to use the net proceeds from these transactions to pay-down debt under the Amended Bank Credit Facility.

The Company believes that it is currently in compliance with the terms of the debt covenants contained in the Amended Bank Credit Facility. Further, the Company believes its operating plans and related projections are achievable, and will allow the Company to remain in compliance with its debt covenants during 2001. However, there can be no assurance that the cash flow projections will reflect actual results and there can be no assurance that the Company will remain in compliance with its debt covenants during 2001. Further, even if the Company is successful in selling assets, there can be no assurance that it will be able to refinance or renew its debt obligations maturing January 1, 2002 on commercially reasonable or any other terms.

During 1999, the Company incurred costs of $59.2 million in consummating the Credit Facility and the Amended Bank Credit Facility transactions, including $41.2 million related to the amendment and restatement. The Company wrote-off $9.0 million of expenses related to the Credit Facility upon completion of the amendment and restatement, in addition to $5.6 million of other debt financing costs written-off in 1999. During 2000 the Company incurred and capitalized

approximately $9.0 million in consummating the June 2000 Waiver and Amendment, and $0.5 million for the November 2000 Consent and Amendment.

In accordance with the terms of the Amended Bank Credit Facility, the Company entered into certain swap arrangements guaranteeing that it will not pay an index rate greater than 6.51% on outstanding balances of at least (i) $325.0 million through December 31, 2001 and (ii) $200.0 million through December 31, 2002. The effect of these arrangements is recognized in interest expense.

$100.0 MILLION SENIOR NOTES

On June 11, 1999, the Company completed its offering of $100.0 million aggregate principal amount of 12% Senior Notes due 2006 (the "Senior Notes"). Interest on the Senior Notes is paid semi-annually in arrears, and the Senior Notes have a seven year non-callable term due June 1, 2006. Net proceeds from the offering were approximately $95.0 million after deducting expenses payable by the Company in connection with the offering. The Company used the net proceeds from the sale of the Senior Notes for general corporate purposes and to repay revolving bank borrowings under the Amended Bank Credit Facility.

The Company has made all required interest payments under the terms of the Senior Notes, and currently believes it is in compliance with all of its covenants. The indenture governing the Senior Notes contains cross-default provisions, as further discussed below.

$40.0 MILLION CONVERTIBLE SUBORDINATED NOTES

On January 29, 1999, the Company issued $20.0 million of convertible subordinated notes due in December 2008, with interest payable semi-annually at 9.5%. This issuance constituted the second tranche of a commitment by the Company to issue an aggregate of $40.0 million of convertible subordinated notes, with the first $20.0 million tranche issued in December 1998 under substantially similar terms. The convertible subordinated notes (the "$40.0 Million Convertible Subordinated Notes"), which were issued to MDP Ventures IV LLC and affiliated purchasers (collectively, "MDP"), require that the Company revise the conversion price as a result of the payment of a dividend or the issuance of stock or convertible securities below market price.

During the first and second quarters of 2000, certain existing or potential events of default arose under the provisions of the note purchase agreement relating to the $40.0 Million Convertible Subordinated Notes as a result of the Company's financial condition and a "change of control" arising from the Company's execution of certain securities purchase agreements with respect to the proposed restructuring. This "change of control" gave rise to the right of MDP to require the Company to repurchase the notes at a price of 105% of the aggregate principal amount of such notes within 45 days after the provision of written notice by such holders to the Company. In addition, the Company's defaults under the provisions of the note purchase agreement gave rise to the right of the holders of such notes to require the Company to pay an applicable default rate of interest of 20.0%. In addition to the default rate of interest, as a result of the events of default, the Company was obligated, under the original terms of the $40.0 Million Convertible Subordinated Notes, to pay the holders of the notes contingent interest sufficient to permit the holders to receive a 15.0% rate of return, excluding the effect of the default rate of interest, on the $40.0 million principal amount, unless the holders of the notes elect to convert the notes into the Company's common stock under the terms of the note purchase agreement. Such contingent interest was retroactive to the date of issuance of the notes.

In order to address the events of default discussed above, on June 30, 2000, the Company and MDP executed a waiver and amendment to the provisions of the note purchase agreement governing the notes. This waiver and amendment provided for a waiver of all existing events of default under the provisions of the note purchase agreement. In addition, the waiver and amendment to the note purchase agreement amended the economic terms of the notes to increase the applicable interest rate of the notes by 0.5% per annum from 9.5% to 10.0%, and adjusted the conversion price of the notes to a price equal to 125% of the average high and low sales price of the Company's common stock on the NYSE for a period of 20 trading days immediately following the earlier of (i) October 31, 2000 or (ii) the closing date of the Operating Company Merger. In addition, the waiver and amendment to the note purchase agreement provided for the replacement of financial ratios applicable to the Company. The conversion price for the notes has been established at $1.19, subject to adjustment in the future upon the occurrence of certain events, including the payment of dividends and the issuance of stock at below market prices by the Company. Under the terms of the waiver and amendment, the distribution of the Company's Series B Preferred Stock during the fourth quarter of 2000 did not cause an adjustment to the conversion price of the notes. In addition, the Company does not believe that the distribution of shares of the Company's common stock in connection with the settlement of all outstanding stockholder litigation against the Company, as further discussed in Note 21, will cause an adjustment to the conversion price of the notes. MDP, however, has indicated its belief that such an adjustment is required. The Company and MDP are currently in discussions concerning this matter. At an adjusted conversion price of $1.19, the $40.0 Million Convertible Subordinated Notes are convertible into approximately 33.6 million shares of the Company's common stock.

In connection with the waiver and amendment to the note purchase agreement, the Company issued additional convertible subordinated notes containing substantially similar terms in the aggregate principal amount of $1.1 million, which amount represented all interest owed at the default rate of interest through June 30, 2000. These additional notes are currently convertible, at an adjusted conversion price of $1.19, into an additional 0.9 million shares of the Company's common stock. After giving consideration to the issuance of these additional notes, the Company has made all required interest payments under the $40.0 Million Convertible Subordinated Notes.

The terms of a registration rights agreement with the holders of the $40.0 Million Convertible Subordinated Notes also require the Company to use its best efforts to register the shares of the Company's common stock into which the notes are convertible. Management intends to take the necessary actions to achieve compliance with this covenant.

The Company currently believes it is in compliance with all covenants under the provisions of the $40.0 Million Convertible Subordinated Notes, as amended. There can be no assurance, however, that the Company will be able to remain in compliance with all covenants under the provisions of the $40.0 Million Convertible Subordinated Notes. The provisions of the note purchase agreement governing the $40.0 Million Convertible Subordinated Notes contain cross-default provisions as further discussed below.

$30.0 MILLION CONVERTIBLE SUBORDINATED NOTES

The Company's $30.0 million 7.5% convertible subordinated notes due February 2005 (the "$30.0 Million Convertible Subordinated Notes"), which were issued to PMI Mezzanine Fund, L.P. ("PMI") on December 31, 1998, require that the Company revise the conversion price as a result of the payment of a dividend or the issuance of stock or convertible securities below market price.

Certain existing or potential events of default arose under the provisions of the note purchase agreement relating to the Company's $30.0 Million Convertible Subordinated Notes as a result of the Company's financial condition and as a result of the Restructuring. However, on June 30, 2000, the Company and PMI executed a waiver and amendment to the provisions of the note purchase agreement governing the notes. This waiver and amendment provided for a waiver of all existing events of default under the revisions of the note purchase agreement. In addition, the waiver and amendment to the note purchase agreement amended the economic terms of the notes to increase the applicable interest rate of the notes by 0.5% per annum, from 7.5% to 8.0%, and adjusted the conversion price of the notes to a price equal to 125% of the average closing price of the Company's common stock on the NYSE for a period of 30 trading days immediately following the earlier of (i) October 31, 2000 or (ii) the closing date of the Operating Company Merger. In addition, the waiver and amendment to the note purchase agreement provided for the replacement of financial ratios applicable to the Company.

The conversion price for the notes has been established at $1.07, subject to adjustment in the future upon the occurrence of certain events, including the payment of dividends and the issuance of stock at below market prices by the Company. Under the terms of the waiver and amendment, the distribution of the Company's Series B Preferred Stock during the fourth quarter of 2000 did not cause an adjustment to the conversion price of the notes. However, the distribution of shares of the Company's common stock in connection with the settlement of all outstanding stockholder litigation against the Company, as further discussed in Note 21, will cause an adjustment to the conversion price of the notes in an amount to be determined at the time shares of the Company's common stock are distributed pursuant to the settlement. However, the ultimate adjustment to the conversion ratio will depend on the number of shares of the Company's common stock outstanding on the date of issuance of the shares pursuant to the stockholder litigation settlement. In addition, if, as currently contemplated, all of the shares are not issued simultaneously, multiple adjustments to the conversion ratio will be required. At an adjusted conversion price of $1.07, the $30.0 Million Convertible Subordinated Notes are convertible into approximately 28.0 million shares of the Company's common stock.

At December 31, 2000, the Company was in default under the terms of the note purchase agreement governing the $30.0 Million Convertible Subordinated Notes. The default related to the Company's failure to comply with the total leverage ratio financial covenant. However, in March 2001, the Company and PMI executed a waiver and amendment to the provisions of the note purchase agreement governing the notes. This waiver and amendment provided for a waiver of all existing events of default under the provisions of the note purchase agreement and amended the financial covenants applicable to the Company.

The Company has made all required interest payments under the $30.0 Million Convertible Subordinated Notes. The Company currently believes it is in compliance with all covenants under the provisions of the $30.0 Million Convertible Subordinated Notes, as amended. There can be no assurance, however, that the Company will be able to remain in compliance with all of the covenants under the provisions of the $30.0 Million Convertible Subordinated Notes. The provisions of the note purchase agreement governing the $30.0 Million Convertible Subordinated Notes contain cross-default provisions as further discussed below.

$50.0 MILLION REVOLVING CREDIT FACILITY

On April 27, 2000, Operating Company obtained a waiver of events of default under its $100.0 million revolving credit facility with a group of lenders led by Foothill Capital Corporation ("Foothill Capital") relating to: (i) the amendment of certain contractual arrangements between the

Company and Operating Company; (ii) Operating Company's violation of a net worth covenant contained in the revolving credit facility; and (iii) the execution of the Agreement and Plan of Merger with respect to the Operating Company Merger. On June 30, 2000, the terms of the initial waiver were amended to provide that the waiver would remain in effect, subject to certain other events of termination, until the earlier of (i) September 15, 2000 or (ii) the completion of the Operating Company Merger.

On September 15, 2000, Operating Company terminated its revolving credit facility with Foothill Capital and simultaneously entered into a new $50.0 million revolving credit facility with Lehman (the "Operating Company Revolving Credit Facility"). This facility, which bears interest at an applicable prime rate, plus 2.25%, is secured by the accounts receivable and all other assets of Operating Company. This facility, which matures on December 31, 2002, was assumed by a wholly-owned subsidiary of the Company in connection with the Operating Company Merger.

OTHER DEBT TRANSACTIONS

On March 8, 1999, the Company issued a $20.0 million convertible subordinated note to Sodexho pursuant to a forward contract assumed by the Company from Old CCA in the 1999 Merger (the "$20.0 Million Floating Rate Convertible Note"). The note bore interest at LIBOR plus 1.35% and was convertible into shares of the Company's common stock at a conversion price of $7.80 per share. On March 8, 1999, Sodexho converted (i) a $7.0 million convertible subordinated note bearing interest at 8.5% into 1.7 million shares of the Company's common stock at a conversion price of $4.09 per share, (ii) a $20.0 million convertible subordinated note bearing interest at 7.5% into 700,000 shares of the Company's common stock at a conversion price of $28.53 per share and (iii) the $20.0 Million Floating Rate Convertible Note into 2.6 million shares of the Company's common stock at a conversion price of $7.80 per share.

During 1998, convertible subordinated notes with a face value of $5.8 million were converted into 2.9 million shares of the Company's common stock.

At December 31, 2000 and 1999, the Company had $2.2 million and $16.3 million in letters of credit, respectively. The letters of credit were issued to secure the Company's worker's compensation insurance policy, performance bonds and utility deposits. An additional letter of credit outstanding at December 31, 1999, was issued to secure the Company's construction of a facility. The Company is required to maintain cash collateral for the letters of credit.

The Company capitalized interest of $8.3 million, $37.7 million, and $11.8 million in 2000, 1999, and 1998, respectively.

Debt maturities for the next five years and thereafter are (in thousands):

2001	$ 14,594
2002	966,385
2003	1,228
2004	126
2005	30,139
Thereafter	140,098
	$ 1,152,570

160

CROSS-DEFAULT PROVISIONS

The provisions of the Company's debt agreements related to the Amended Bank Credit Facility, the $40.0 Million Convertible Subordinated Notes, the $30.0 Million Convertible Subordinated Notes and the Senior Notes contain certain cross-default provisions. Any events of default under the Amended Bank Credit Facility also result in an event of default under the Company's $40.0 Million Convertible Subordinated Notes. Any events of default under the Amended Bank Credit Facility that results in the lenders' acceleration of amounts outstanding thereunder also result in an event of default under the Company's $30.0 Million Convertible Subordinated Notes and the Senior Notes. Additionally, any events of default under the $40.0 Million Convertible Subordinated Notes, the $30.0 Million Convertible Subordinated Notes and the Senior Notes also result in an event of default under the Amended Bank Credit Facility.

If the Company were to be in default under the Amended Bank Credit Facility, and if the lenders under the Amended Bank Credit Facility elected to exercise their rights to accelerate the Company's obligations under the Amended Bank Credit Facility, such events could result in the acceleration of all or a portion of the Company's $40.0 Million Convertible Subordinated Notes, the $30.0 Million Convertible Subordinated Notes and the Senior Notes which would have a material adverse effect on the Company's liquidity and financial position. Additionally, under the Company's $40.0 Million Convertible Subordinated Notes, even if the lenders under the Amended Bank Credit Facility did not exercise their acceleration rights, the holders of the $40.0 Million Convertible Subordinated Notes could require the Company to repurchase such notes. The Company does not have sufficient working capital to satisfy its debt obligations in the event of an acceleration of all or a substantial portion of the Company's outstanding indebtedness.

15. INCOME TAXES

Prior to 1999, Old CCA, the Company's predecessor by merger, operated as a taxable subchapter C corporation. The Company elected to change its tax status from a taxable corporation to a REIT effective with the filing of its 1999 federal income tax return. As of December 31, 1998, the Company's balance sheet reflected $83.2 million in net deferred tax assets. In accordance with the provisions of SFAS 109, the Company provided a provision for these deferred tax assets, excluding any estimated tax liabilities required for prior tax periods, upon completion of the 1999 Merger and the election to be taxed as a REIT. As such, the Company's results of operations reflect a provision for income taxes of $83.2 million for the year ended December 31, 1999. However, due to New Prison Realty's tax status as a REIT, New Prison Realty recorded no income tax provision or benefit related to operations for the year ended December 31, 1999.

In connection with the Restructuring, on September 12, 2000, the Company's stockholders approved an amendment to the Company's charter to remove provisions requiring the Company to elect to qualify and be taxed as a REIT for federal income tax purposes effective January 1, 2000. As a result of the amendment to the Company's charter, the Company will be taxed as a taxable subchapter C corporation beginning with its taxable year ended December 31, 2000. In accordance with the provisions of SFAS 109, the Company is required to establish current and deferred tax assets and liabilities in its financial statements in the period in which a change of tax status occurs. As such, the Company's benefit for income taxes for the year ended December 31, 2000 includes the provision associated with establishing the deferred tax assets and liabilities in connection with the change in tax status during the third quarter of 2000, net of a valuation allowance applied to certain deferred tax assets.

The provision (benefit) for income taxes is comprised of the following components (in thousands):

	FOR THE YEARS ENDED DECEMBER 31,		
	2000	1999	1998
CURRENT PROVISION (BENEFIT)			
Federal	$(26,593)	$ --	$ 41,904
State	586	--	7,914
	(26,007)	--	49,818
INCOME TAXES CHARGED TO EQUITY			
Federal	--	--	4,016
State	--	--	459
	--	--	4,475
DEFERRED PROVISION (BENEFIT)			
Federal	(19,739)	74,664	(34,848)
State	(2,256)	8,536	(4,021)
	(21,995)	83,200	(38,869)
PROVISION (BENEFIT) FOR INCOME TAXES	$(48,002)	$ 83,200	$ 15,424

In addition to the above, the cumulative effect of accounting change for 1998 was reported net of $10.3 million of estimated tax benefit. Of the $10.3 million total tax benefit related to the cumulative effect of accounting change, approximately $4.0 million related to current tax benefit and approximately $6.3 million related to deferred tax benefit.

Significant components of the Company's deferred tax assets and liabilities as of December 31, 2000, are as follows (in thousands):

CURRENT DEFERRED TAX ASSETS:	
Asset reserves and liabilities not yet deductible for tax	$ 24,894
Less valuation allowance	(24,894)
Net total current deferred tax assets	$ --
NONCURRENT DEFERRED TAX ASSETS:	
Asset reserves and liabilities not yet deductible for tax	$ 4,634
Tax over book basis of certain assets	41,923
Net operating loss carryforwards	56,115
Other	8,743
Total noncurrent deferred tax assets	111,415
Less valuation allowance	(111,415)
Net noncurrent deferred tax assets	--
NONCURRENT DEFERRED TAX LIABILITIES:	
Book over tax basis of certain assets	6,556
Items deductible for tax not yet recorded to income	49,839
Other	55
Total noncurrent deferred tax liabilities	56,450
Net noncurrent deferred tax liabilities	$ 56,450

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Realization of the future tax benefits related to deferred tax assets is dependent on

many factors, including the Company's ability to generate taxable income within the net operating loss carryforward period. Management has considered these factors in assessing the valuation allowance for financial reporting purposes. In accordance with SFAS 109, the Company has provided a valuation allowance to reserve the deferred tax assets. At December 31, 2000, the Company had net operating loss carryforwards for income tax purposes totaling $143.8 million available to offset future taxable income. The carryforward period begins expiring in 2009.

A reconciliation of the statutory federal income tax rate and the effective tax rate as a percentage of pretax income (loss) for the years ended December 31, 2000 and 1998 is as follows:

	2000	1998
Statutory federal rate	(35.0)%	35.0%
State taxes, net of federal tax benefit	(4.0)	4.0
Change in tax status	12.5	--
Items not deductible for tax	5.9	--
Valuation allowance	12.2	--
Old CCA compensation charge	--	21.0
Deductions not previously benefited	--	(29.4)
Other items, net	2.2	5.8
	(6.2)%	36.4%

16. OLD CCA COMPENSATION CHARGE

Old CCA recorded a $22.9 million charge to expense in 1998 for the implied fair value of approximately 5.0 million shares of Operating Company voting common stock issued by Operating Company to certain employees of Old CCA and Old Prison Realty. The shares were granted to certain founding shareholders of Operating Company in September 1998. Neither the Company, Old CCA nor Operating Company received any proceeds from the issuance of these shares. The fair value of these shares of voting common stock was determined at the date of the 1999 Merger based upon the implied value of Operating Company derived from $16.0 million in cash investments made by outside investors in December 1998 in return for a 32% ownership interest in Operating Company.

17. EARNINGS (LOSS) PER SHARE

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

For the years ended December 31, 2000 and 1999, the Company's stock options and warrants were convertible into 1.0 million and 0.2 million shares, respectively. For the years ended December 31, 2000 and 1999, the Company's convertible subordinated notes were convertible into 62.5 million and 3.2 million shares, respectively. These incremental shares were excluded from the computation of diluted earnings per share for the years ended December 31, 2000 and 1999 as the effect of their inclusion was anti-dilutive.

In computing diluted earnings per common share for the year ended December 31, 1998, the Company's stock warrants and stock options are considered dilutive using the treasury stock method, and the various convertible subordinated notes are considered dilutive using the if-converted method. A reconciliation of the numerator and denominator of the basic earnings per share computation to the numerator and denominator of the diluted earnings per share computation is as follows (in thousands, except per share data):

	2000	1999	1998
NUMERATOR			
Basic			
Net income (loss) available to common stockholders:			
Before cumulative effect of accounting change	$(744,308)	$ (81,254)	$ 26,981
Cumulative effect of accounting change	--	--	(16,145)
Net income (loss) available to common stockholders	(744,308)	(81,254)	10,836
Diluted			
Interest expense applicable to convertible subordinated notes, net of tax	--	--	366
Adjusted net income (loss) available to common stockholders	$(744,308)	$ (81,254)	$ 11,202
DENOMINATOR			
Basic			
Weighted average common shares outstanding	131,324	115,097	71,380
Diluted			
Weighted average common shares outstanding	131,324	115,097	71,380
Effect of dilutive options and warrants	--	--	3,689
Conversion of preferred stock	--	--	481
Conversion of convertible subordinated notes	--	--	3,389
Weighted average shares and assumed conversions	131,324	115,097	78,939
Basic net income (loss) per common share:			
Before cumulative effect of accounting change	$ (5.67)	$ (0.71)	$ 0.38
Cumulative effect of accounting change	--	--	(0.23)
Net income (loss) available to common stockholders	$ (5.67)	$ (0.71)	$ 0.15
Diluted net income (loss) per common share:			
Before cumulative effect of accounting change	$ (5.67)	$ (0.71)	$ 0.34
Cumulative effect of accounting change	--	--	(0.20)
Net income (loss) available to common stockholders	$ (5.67)	$ (0.71)	$ 0.14

As further discussed in Note 21, the Company has entered into definitive settlement agreements regarding the settlement of all outstanding stockholder litigation against the Company and certain of its existing and former directors and executive officers. In February 2001, the Company obtained final court approval of the definitive settlement agreements. Pursuant to terms of the settlement, among other consideration, the Company will issue to the plaintiffs an aggregate of 46.9 million shares of common stock. The issuance of these shares, which is currently expected to occur during the second or third quarter of 2001, will increase the denominator used in the earnings per share calculation, thereby reducing the net income or loss per common share of the Company.

18. STOCKHOLDERS' EQUITY

SERIES A PREFERRED STOCK

Upon its formation in 1998, the Company authorized 20.0 million shares of $0.01 par value preferred stock, of which 4.3 million shares are designated as Series A Preferred Stock.

As discussed in Note 3, in connection with the 1999 Merger, Old Prison Realty shareholders received one share of Series A Preferred Stock of the Company in exchange for each Old Prison Realty Series A Cumulative Preferred Share. Consequently, the Company issued 4.3 million shares of its Series A Preferred Stock on January 1, 1999. The shares of the Company's Series A Preferred Stock are redeemable at any time by the Company on or after January 30, 2003 at $25 per share, plus dividends accrued and unpaid to the redemption date. Shares of the Company's Series A Preferred Stock have no stated maturity, sinking fund provision or mandatory redemption and are not convertible into any other securities of the Company. Dividends on shares of the Company's Series A Preferred Stock are cumulative from the date of original issue of such shares and are payable quarterly in arrears on the fifteenth day of January, April, July and October of each year, to shareholders of record on the last day of March, June, September and December of each year, respectively, at a fixed annual rate of 8.0%.

As discussed in Notes 13 and 14, in connection with the June 2000 Waiver and Amendment, the Company is prohibited from declaring or paying any dividends with respect to the Series A Preferred Stock until such time as the Company has raised at least $100.0 million in equity. As a result, the Company has not declared or paid any dividends on its Series A Preferred Stock since the first quarter of 2000. Dividends will continue to accrue under the terms of the Company's charter until such time as payment of such dividends is permitted under terms of the bank credit facility.

SERIES B PREFERRED STOCK

In order to satisfy the REIT distribution requirements with respect to its 1999 taxable year, during 2000 the Company authorized an additional 30.0 million shares of $0.01 par value preferred stock, designated 12.0 million shares of such preferred stock as Series B Preferred Stock and subsequently issued approximately 7.5 million shares to holders of the Company's common stock as a stock dividend.

The shares of Series B Preferred Stock issued by the Company provide for cumulative dividends payable at a rate of 12% per year of the stock's stated value of $24.46. The dividends are payable quarterly in arrears, in additional shares of Series B Preferred Stock through the third quarter of 2003, and in cash thereafter. The shares of the Series B Preferred Stock are callable by the Company, at a price per share equal to the stated value of $24.46, plus any accrued dividends, at any time after six months following the later of (i) three years following the date of issuance or (ii) the 91st day following the redemption of the Company's 12.0% senior notes, due 2006. The shares of Series B Preferred Stock were convertible into shares of the Company's common stock during two conversion periods: (i) from October 2, 2000 to October 13, 2000; and (ii) from December 7, 2000 to December 20, 2000, at a conversion price based on the average closing price of the Company's common stock on the NYSE during the 10 trading days prior to the first day of the applicable conversion period, provided, however, that the conversion price used to determine the number of shares of the Company's common stock issuable upon conversion of the Series B Preferred Stock could not be less than $1.00. The number of shares of the Company's common stock that were issued upon the conversion of each share of Series B Preferred Stock was calculated

by dividing the stated price ($24.46), plus accrued and unpaid dividends as of the date of conversion of each share of Series B Preferred Stock, by the conversion price established for the conversion period.

Approximately 1.3 million shares of Series B Preferred Stock issued by the Company on September 22, 2000 were converted during the first conversion period in October 2000, resulting in the issuance of approximately 21.7 million shares of the Company's common stock. The conversion price for the initial conversion period was established at $1.4813.

Approximately 2.9 million shares of Series B Preferred Stock issued by the Company on November 13, 2000 were converted during the second conversion period in December 2000, resulting in the issuance of approximately 73.4 million shares of the Company's common stock. The conversion price for the second conversion period was established at $1.00. The shares of Series B Preferred Stock currently outstanding, as well as any additional shares issued as dividends, are not and will not be convertible into shares of the Company's common stock.

On December 13, 2000, the Company's board of directors declared a paid-in-kind dividend on the shares of Series B Preferred Stock for the period from September 22, 2000 (the original date of issuance) through December 31, 2000, payable on January 2, 2001, to the holders of record of the Company's Series B Preferred Stock on December 22, 2000. As a result of the board's declaration, the holders of the Company's Series B Preferred Stock were entitled to receive approximately 3.3 shares of Series B Preferred Stock for every 100 shares of Series B Preferred Stock held by them on the record date. The number of shares to be issued as the dividend was based on a dividend rate of 12.0% per annum of the stock's stated value ($24.46 per share). As of December 31, 2000, the Company has accrued approximately $2.7 million of distributions on Series B Preferred Stock and approximately $6.5 million of distributions on the Series A Preferred Stock. Approximately 0.1 million shares of Series B Preferred Stock were issued on January 2, 2001 as a result of this dividend.

On March 9, 2001, the Company's board of directors declared a paid-in-kind dividend on the shares of Series B Preferred Stock for the first quarter of 2001, payable on April 2, 2001 to the holders of record of the Company's Series B Preferred Stock on March 19, 2001. As a result of this declaration, the holders of the Company's Series B Preferred Stock are entitled to receive 3.0 shares of Series B Preferred Stock for every 100 shares of Series B Preferred Stock held by them on the record date. The number of shares to be issued as the dividend is based on a dividend rate of 12.0% per annum of the stock's stated value ($24.46). Approximately 0.1 million shares of Series B Preferred Stock will be issued on April 2, 2001 as a result of this dividend.

STOCK OFFERINGS

On November 4, 1998, Old CCA filed a Registration Statement on Form S-3 to register up to 3.0 million shares of Old CCA common stock for sale on a continuous and delayed basis using a "shelf" registration process. During December 1998, Old CCA sold, in a series of private placements, 2.9 million shares of Old CCA common stock to institutional investors pursuant to this registration statement. The net proceeds of approximately $66.1 million were utilized by Old CCA for general corporate purposes, including the repayment of indebtedness, financing capital expenditures and working capital.

On January 11, 1999, the Company filed a Registration Statement on Form S-3 to register an aggregate of $1.5 billion in value of its common stock, preferred stock, common stock rights, warrants and debt securities for sale to the public (the "Shelf Registration Statement"). Proceeds

from sales under the Shelf Registration Statement were used for general corporate purposes, including the acquisition and development of correctional and detention facilities. During 1999, the Company issued and sold approximately 6.7 million shares of its common stock under the Shelf Registration Statement, resulting in net proceeds to the Company of approximately $120.0 million.

On May 7, 1999, the Company registered 10.0 million shares of the Company's common stock for issuance under the Company's Dividend Reinvestment and Stock Purchase Plan (the "DRSPP"). The DRSPP provided a method of investing cash dividends in, and making optional monthly cash purchases of, the Company's common stock, at prices reflecting a discount between 0% and 5% from the market price of the common stock on the NYSE. As of December 31, 2000, the Company issued approximately 1.3 million shares under the DRSPP, with substantially all of these shares issued under the DRSPP's optional cash feature, resulting in proceeds of $12.3 million. The Company has suspended the DRSPP.

At the Company's 2000 annual meeting of stockholders on December 13, 2000, the holders of the Company's common stock as of the record date for the meeting approved a reverse stock split of the Company's common stock at a ratio to be determined by the board of directors of the Company of not less than one-for-ten and not to exceed one-for-twenty. The Company obtained the approval for the reverse stock split based on the Company's actual and prospective issuances of shares of its common stock and the effect of such issuances on the market price of the Company's common stock. Management expects that the reverse stock split will allow the Company to continue to meet the minimum stock price requirement for continued listing on the NYSE and that the reverse stock split will be effected during the second quarter of 2001.

STOCK WARRANTS

Old CCA had issued stock warrants to certain affiliated and unaffiliated parties for providing certain financing, consulting and brokerage services to Old CCA and to stockholders as a dividend. All outstanding warrants were exercised in 1998 for 3.9 million shares of common stock with no cash proceeds received by Old CCA.

In connection with the Operating Company Merger, the Company issued warrants for 2.1 million shares of the Company's common stock to acquire the voting common stock of Operating Company. The warrants issued allow the holder to purchase 1.4 million shares of the Company's common stock at an exercise price of $0.01 per share and 0.7 million shares of the Company's common stock at an exercise price of $1.41 per share. Also in connection with the Operating Company Merger, the Company assumed the obligation to issue up to approximately 0.8 million shares of its common stock, at a per share price of $3.33.

TREASURY STOCK

Old CCA's Board of Directors approved a stock repurchase program for up to an aggregate of 350,000 shares of Old CCA's stock for the purpose of funding Old CCA's employee stock options, stock ownership and stock award plans. In September 1997, Old CCA repurchased 108,000 shares of its stock from a member of the board of directors of Old CCA at the market price pursuant to this program. In March 1998, Old CCA repurchased 175,000 shares from its chief executive officer at the market price pursuant to this program. On December 31, 1998, all then outstanding treasury stock was retired in connection with the 1999 Merger. Treasury stock was recorded in 1999 related to the cashless exercise of stock options.

STOCK OPTION PLANS

The Company has incentive and nonqualified stock option plans under which options were granted to "key employees" as designated by the board of directors. The options are generally granted with exercise prices equal to the market value at the date of grant. Vesting periods for options granted to employees generally range from one to four years. Options granted to non-employee directors vest at the date of grant. The term of such options is ten years from the date of grant.

In connection with the 1999 Merger, all options outstanding at December 31, 1998 to purchase Old CCA common stock and all options outstanding at January 1, 1999 to purchase Old Prison Realty common stock, were converted into options to purchase shares of the Company's common stock, after giving effect to the exchange ratio and carryover of the vesting and other relevant terms. Options granted under Old CCA's stock option plans are exercisable after the later of two years from the date of employment or one year after the date of grant until ten years after the date of grant. Options granted under Old Prison Realty's stock option plans were granted with terms similar to the terms of the Company's plans.

During the fourth quarter of 2000, pursuant to anti-dilution provisions under the Company's equity incentive plans, an automatic adjustment of approximately 5.9 million stock options was issued to existing optionees as a result of the dilutive effect of the issuance of the Series B Preferred Stock, as further discussed in Note 13, and below. In accordance with APB 25, "Accounting for Stock Issued to Employees," the Company also adjusted the exercise prices of existing and newly issued options such that the automatic adjustment resulted in no accounting consequence to the Company's financial statements. All references in this Note to the number and prices of options still outstanding have been retroactively restated to reflect the increased number of options resulting from the automatic adjustment.

Stock option transactions relating to the Company's incentive and nonqualified stock option plans are summarized below (in thousands, except exercise prices):

	NUMBER OF OPTIONS	WEIGHTED AVERAGE EXERCISE PRICE PER OPTION
Outstanding at December 31, 1997	6,797	$ 5.47
Granted	1,173	$15.35
Exercised	(3,498)	$ 2.47
Cancelled	(128)	$11.25
Outstanding at December 31, 1998	4,344	$10.39
Old Prison Realty options	3,068	$ 9.13
Granted	997	$ 7.94
Exercised	(362)	$ 1.12
Cancelled	(1,966)	$ 9.64
Outstanding at December 31, 1999	6,081	$10.15
GRANTED	5,524	$ 1.65
CANCELLED	(1,816)	$ 9.59
OUTSTANDING AT DECEMBER 31, 2000	9,789	$ 5.45

The weighted average fair value of options granted during 2000, 1999 and 1998 was $0.81, $1.54, and $6.54 per option, respectively, based on the estimated fair value using the Black-Scholes option-pricing model.

Stock options outstanding at December 31, 2000, are summarized below:

EXERCISE PRICE	OPTIONS OUTSTANDING AT DECEMBER 31, 2000 (IN THOUSANDS)	WEIGHTED AVERAGE REMAINING CONTRACTUAL LIFE IN YEARS	WEIGHTED AVERAGE EXERCISE PRICE	OPTIONS EXERCISABLE AT DECEMBER 31, 2000
$ 0.58 - 1.00	3,137	9.32	$ 0.95	1,881
$ 1.82 - 2.99	2,728	9.14	$ 2.46	218
$ 4.00 - 7.94	460	6.39	$ 6.94	460
$ 8.31 - 11.78	1,900	6.46	$ 9.38	1,900
$ 12.18 - 15.93	1,564	6.48	$14.50	1,564
	9,789	8.12	$ 5.45	6,023

During 1995, Old CCA authorized the issuance of 295,000 shares of common stock to certain key employees as a deferred stock award. The award was to fully vest ten years from the date of grant based on continuous employment with the Company. The Company had been expensing the $3.7 million of awards over the ten-year vesting period. During 2000, due to the resignations of such employees, approximately 176,000 shares of deferred stock became vested immediately. As a result, the Company expensed the unamortized portion of the award, totaling approximately $1.8 million. The remainder of such shares of deferred stock became immediately vested during the first quarter of 2001 upon the resignation or termination of an employee from the Company. Approximately 155,000 shares of the deferred stock are subject to adjustment as a result of the issuance and subsequent conversion of shares of Series B Preferred Stock as discussed above, resulting in the issuance of an additional 235,000 shares of common stock pursuant to the deferred awards.

During 1997, Old CCA granted 70,000 stock options to a member of the board of directors of Old CCA to purchase Old CCA's common stock. The options were granted with an exercise price less than the market value on the date of grant and were exercisable immediately. During 1998, Old CCA fully recognized the $0.5 million of compensation expense related to the issuance of these stock options.

During 1999, the Company authorized the issuance of 23,000 shares of common stock to four executives as deferred stock awards. The value of the awards on the date of grant was approximately $0.5 million. The awards vested 25% immediately upon date of the grant with the remaining shares vesting 25% on each anniversary date of the grant in each of the next three years. Effective December 31, 1999, two of the executives that received the awards resigned from the Company. All unvested shares issued to those two executives were forfeited upon their resignation. The Company expensed $0.1 million related to the shares in 1999. During 2000, the remaining two executives resigned from the Company, resulting in the forfeiture of the unvested shares.

At the Company's 2000 annual meeting of stockholders held in December 2000, the Company obtained the approval of an amendment to the Company's 1997 Employee Share Incentive Plan to increase the number of shares of common stock available for issuance thereunder from 1.3 million to 15.0 million and the adoption of the Company's 2000 Equity Incentive Plan, pursuant to which the Company will reserve 25.0 million in shares of the common stock for issuance thereunder. These changes were made in order to provide the Company with adequate means to retain and attract quality directors, officers and key employees through the granting of equity incentives. The number of shares available for issuance under each of the plans will be adjusted in the event the reverse stock split discussed above is approved and implemented.

The Company has adopted the disclosure-only provisions of Statement of Financial Accounting Standards No. 123, "Accounting for Stock-Based Compensation" ("SFAS 123") and accounts for stock-based compensation using the intrinsic value method as prescribed in Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees" and related Interpretations. As a result, no compensation cost has been recognized for the Company's stock option plans under the criteria established by SFAS 123. Had compensation cost for the stock option plans been determined based on the fair value of the options at the grant date for awards in 2000, 1999, and 1998 consistent with the provisions of SFAS 123, the Company's net income (loss) and net income (loss) per share would have been reduced to the pro forma amounts indicated below for the years ended December 31 (amounts in thousands except per share data):

	2000	1999	1998
Net income (loss) - as reported	$ (744,308)	$ (81,254)	$ 10,836
Net income (loss) - pro forma	(745,598)	(84,252)	6,769
Net income (loss) per share - Basic - as reported	$ (5.67)	$ (0.71)	$ 0.15
Net income (loss) per share - Basic - pro forma	(5.68)	(0.73)	0.09
Net income (loss) per share - Diluted - as reported	$ (5.67)	$ (0.71)	$ 0.14
Net income (loss) per share - Diluted - pro forma	(5.68)	(0.73)	0.09

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

The fair value of each option grant is estimated on the date of grant using the Black-Scholes option-pricing model with the following weighted average assumptions:

	2000	1999	1998
Expected dividend yield	0.0%	9.0%	0.0%
Expected stock price volatility	112.5%	49.1%	47.7%
Risk-free interest rate	5.3%	5.4%	4.6%
Expected life of options	7 YEARS	10 years	4 years

RETIREMENT PLANS

On December 28, 1998, Operating Company adopted a 401(k) plan (the "Plan"). In connection with the Operating Company Merger, the Company assumed all benefits and obligations of the Plan. All employees of the Company are eligible to participate upon reaching age 18 and completing one year of qualified service. Employees may elect to defer from 1% to 15% of their compensation. The provisions of the Plan provide for employer matching discretionary contributions currently equal to 100% of the employee's contributions up to 4% of the employee's compensation. Additionally, the Company also makes a basic contribution on behalf of each eligible employee, equal to 2% of the employee's compensation for the first year of eligibility, and 1% of the employee's compensation for each year of eligibility following. The Company's contributions become 40% vested after four years of service and 100% vested after five years of service. The Company's board of directors has discretion in establishing the amount of the Company's matching and basic contributions, which amounted to $0.8 million since the Operating Company Merger on October 1, 2000.

19. INTERNATIONAL ALLIANCE

In 1994, Old CCA entered into an International Alliance (the "Alliance") with Sodexho to pursue prison management business outside the United States. In conjunction with the Alliance, Sodexho purchased an equity position in Old CCA by acquiring several instruments. In 1994, Old CCA issued to Sodexho 2.5 million shares of common stock at $4.29 per share and a $7.0 million convertible subordinated note bearing interest at 8.5%. Sodexho also received warrants that were exercised in 1998 for 3.9 million shares of common stock. In consideration of the placement of the aforementioned securities, Old CCA paid Sodexho $4.0 million over a four-year period ending in 1998. These fees include debt issuance costs and private placement equity fees. These fees have been allocated to the various instruments based on the estimated cost to Old CCA of raising the various components of capital and are charged to debt issuance costs or equity as the respective financings are completed.

In 1995, Old CCA and Sodexho entered into a forward contract whereby Sodexho would purchase up to $20.0 million of convertible subordinated notes at any time prior to December 1997. In 1997, Old CCA and Sodexho extended the expiration date of this contract to December 1999. As discussed in Note 14, on March 8, 1999, the Company issued the $20.0 Million Floating Rate Convertible Note to Sodexho. The notes bore interest at LIBOR plus 1.35% and were convertible into shares of the Company's common stock at a conversion price of $7.80 per share.

In 1996, Old CCA sold $20.0 million of convertible notes to Sodexho pursuant to their contractual preemptive right. The notes had an interest rate of 7.5% and were convertible into common shares at a conversion price of $28.53 per share.

As discussed in Note 14, on March 8, 1999, Sodexho converted (i) the $7.0 million convertible subordinated note bearing interest at 8.5% into 1.7 million shares of the Company's common stock at a conversion price of $4.09 per share, (ii) the $20.0 million convertible subordinated note bearing interest at 7.5% into 0.7 million shares of the Company's common stock at a conversion price of $28.53 per share and (iii) the $20.0 Million Floating Rate Convertible Note bearing interest at LIBOR plus 1.35% into 2.6 million shares of the Company's common stock at a conversion price of $7.80 per share.

As discussed in Note 3, the Company sold its 50% interest in two international subsidiaries to Sodexho for an aggregate sales price of approximately $6.4 million, resulting in a net loss on sale of approximately $2.0 million.

20. RELATED PARTY TRANSACTIONS

Old CCA paid legal fees to a law firm of which one of the partners had been a member of the Old CCA board of directors. Legal fees paid to the law firm amounted to $5.8 million and $3.0 million in 1999 and 1998, respectively. The Company and Operating Company paid $3.0 million to this law firm during 2000.

Old CCA paid $0.3 million in 1998, to a member of the Old CCA board of directors for consulting services related to various contractual relationships. The Company paid $0.1 million in 2000 to a former member of Operating Company's board of directors for consulting services related to various contractual relationships. The Company did not make any payments to this individual during 1999.

Old CCA paid $1.3 million in 1998, to a company that is majority-owned by an individual that was a member of the Old CCA board of directors, for services rendered at one of its facilities. The Company and Operating Company paid $0.6 million for services rendered during 2000. The Company did not make any payments to this company during 1999.

The Company paid $26.5 million in each of 2000 and 1999, to a construction company that is owned by a former member of the Company's board of directors, for services rendered in the construction of facilities. The board member did not stand for re-election to the Company's board of directors at the Company's 2000 annual meeting of stockholders, which was held during the fourth quarter of 2000. During 1998, Old CCA paid $40.8 million and Old Prison Realty paid $8.7 million to this construction company.

During 1998, the Company paid $3.0 million to a former member of the Company's board of directors for consulting services rendered in connection with the merger transactions discussed in Note 3. The Company and Operating Company paid $0.2 million to this individual in 2000 for ongoing consulting services. The Company did not make payments to this individual during 1999 other than board of director fees. The board member did not stand for re-election to the Company's board of directors at the Company's 2000 annual meeting of stockholders, which was held during the fourth quarter of 2000. Refer to Note 18 for stock transactions with officers and former officers.

21. COMMITMENTS AND CONTINGENCIES

LITIGATION

During the first quarter of 2001, the Company obtained final court approval of the settlements of the following outstanding consolidated federal and state class action and derivative stockholder lawsuits brought against the Company and certain of its former directors and executive officers: (i) In re: Prison Realty Securities Litigation; (ii) In re: Old CCA Securities Litigation; (iii) John Neiger, on behalf of himself and all others similarly situated v. Doctor Crants, Robert Crants and Prison Realty Trust, Inc.; (iv) Dasburg, S.A., on behalf of itself and all others similarly situated v. Corrections Corporation of America, Doctor R. Crants, Thomas W. Beasley, Charles A. Blanchette, and David L. Myers; (v) Wanstrath v. Crants, et al.; and (vi) Bernstein v. Prison Realty Trust, Inc. The final terms of the settlement agreements provide for the "global" settlement of all such outstanding stockholder litigation against the Company brought as the result of, among other things, agreements entered into by the Company and Operating Company in May 1999 to increase payments made by the Company to Operating Company under the terms of certain agreements, as well as transactions relating to the restructuring of the Company led by Fortress/Blackstone and Pacific Life Insurance Company. Pursuant to the terms of the settlements, the Company will issue or pay to the plaintiffs in the actions: (i) an aggregate of 46.9 million shares of the Company's common stock; (ii) a subordinated promissory note in the aggregate principal amount of $29.0 million; and (iii) approximately $47.5 million in cash payable solely from the proceeds of certain insurance policies.

It is expected that the promissory note will be due January 2, 2009, and will accrue interest at a rate of 8.0% per annum. Pursuant to the terms of the settlement, the note and accrued interest may be extinguished if the Company's common stock meets or exceeds a "termination price" equal to $1.63 per share for fifteen consecutive trading days prior to the maturity date of the note. Additionally, to the extent the Company's common stock price does not meet the termination price, the note will be reduced by the amount that the shares of common stock issued to the plaintiffs appreciate in value in excess of $0.49 per common share, based on the average trading price of the stock prior to the maturity of the note. The Company has reflected the estimated obligation of approximately $75.4

million associated with the stockholder litigation in the accompanying balance sheet at December 31, 2000.

On June 9, 2000, a complaint captioned Prison Acquisition Company, L.L.C. v. Prison Realty Trust, Inc., Correction Corporation of America, Prison Management Services, Inc. and Juvenile and Jail Facility Management Services, Inc. was filed in federal court in the United States District Court for the Southern District of New York to recover fees allegedly owed the plaintiff as a result of the termination of a securities purchase agreement by and among the parties related to a proposed restructuring of the Company led by Fortress/Blackstone. The complaint alleges that the defendants failed to pay amounts allegedly due under the securities purchase agreement and asks for compensatory damages of approximately $24.0 million consisting of various fees, expenses and other relief the court may deem appropriate. The Company is contesting this action vigorously. The Company has recorded an accrual reflecting management's best estimate of the ultimate outcome of this matter based on consultation with legal counsel.

On September 14, 1998, a complaint captioned Thomas Horn, Ferman Heaton, Ricky Estes, and Charles Combs, individually and on behalf of the U.S. Corrections Corporation Employee Stock Ownership Plan and its participants v. Robert B. McQueen, Milton Thompson, the U.S. Corrections Corporation Employee Stock Ownership Plan, U.S. Corrections Corporation, and Corrections Corporation of America was filed in the U.S. District Court for the Western District of Kentucky alleging numerous violations of the Employee Retirement Income Security Act ("ERISA"), including but not limited to a failure to manage the assets of the U.S. Corrections Corporation Employee Stock Ownership Plan (the "ESOP") in the sole interest of the participants, purchasing assets without undertaking adequate investigation of the investment, overpayment for employer securities, failure to resolve conflicts of interest, lending money between the ESOP and employer, allowing the ESOP to borrow money other than for the acquisition of employer securities, failure to make adequate, independent and reasoned investigation into the prudence and advisability of certain transaction, and otherwise. The plaintiffs are seeking damages in excess of $30.0 million plus prejudgement interest and attorneys' fees. The Company's insurance carrier has indicated that it did not receive timely notice of these claims and, as a result, is currently contesting its coverage obligations in this suit. The Company is currently contesting this issue with the carrier. The Company has recorded an accrual reflecting management's best estimate of the ultimate outcome of this matter based on consultation with legal counsel.

Commencing in late 1997 and through 1998, Old CCA became subject to approximately sixteen separate suits in federal district court in the state of South Carolina claiming the abuse and mistreatment of certain juveniles housed in the Columbia Training Center, a South Carolina juvenile detention facility formerly operated by Old CCA. The Company is aware that six additional plaintiffs may file suits with respect to this matter. These suits claim unspecified compensatory and punitive damages, as well as certain costs provided for by statute. One of these suits, captioned William Pacetti v. Corrections Corporation of America, went to trial in late November 2000, and in December 2000 the jury returned a verdict awarding the plaintiff in the action $125,000 in compensatory damages, $3.0 million in punitive damages, and attorneys' fees. The Company is currently challenging this verdict with post-judgement motions, and a final judgement has not been entered in this case. The Company's insurance carrier has indicated to the Company that its coverage does not extend to punitive damages such as those awarded in Pacetti. The Company is currently contesting this issue with the carrier. The Company has recorded an accrual reflecting management's best estimate of the ultimate outcome of this matter based on consultation with legal counsel.

In February 2000, a complaint was filed in federal court in the United States District Court for the Western District of Texas against the Company's inmate transportation subsidiary, TransCor. The lawsuit, captioned Cheryl Schoenfeld v. TransCor America, Inc., et al., names as defendants TransCor and its directors. The lawsuit alleges that two former employees of TransCor sexually assaulted plaintiff Schoenfeld during her transportation to a facility in Texas in late 1999. An additional individual, Annette Jones, has also joined the suit as a plaintiff, alleging that she was also mistreated by the two former employees during the same trip. Discovery and case preparation are on-going. Both former employees are subject to pending criminal charges in Houston, Harris County, Texas. Plaintiff Schoenfeld has previously submitted a settlement demand exceeding $20.0 million. The Company, its wholly-owned subsidiary (the parent corporation of TransCor and successor by merger to Operating Company) and TransCor are defending this action vigorously. The Company has recorded an accrual reflecting management's best estimate of the ultimate outcome of this matter based on consultation with legal counsel. It is expected that a portion of any liabilities resulting from this litigation will be covered by liability insurance. The Company's and TransCor's insurance carrier, however, has indicated that it did not receive proper notice of this claim, and as a result, may challenge its coverage of any resulting liability of TransCor. In addition, the insurance carrier asserts it will not be responsible for punitive damages. The Company and TransCor are currently contesting this issue with the carrier. In the event any resulting liability is not covered by insurance proceeds and is in excess of the amount accrued by the Company, such liability would have a material adverse effect upon the business or financial position of TransCor and, potentially, the Company and its other subsidiaries.

The Company has received an invoice, dated October 25, 2000, from Merrill Lynch for $8.1 million. Prior to their termination, Merrill Lynch served as a financial advisor to the Company and its board of directors in connection with the Restructuring. Merrill Lynch claims that the merger between Operating Company and the Company constitutes a "restructuring transaction," which Merrill Lynch further contends would trigger certain fees under engagement letters allegedly entered into between Merrill Lynch and the Company and Merrill Lynch and Operating Company management, respectively. The Company denies the validity of these claims. Merrill Lynch has not initiated legal action or threatened litigation. If Merrill Lynch initiated legal action on the basis of these claims, the Company would contest those claims. The Company has recorded an accrual reflecting management's best estimate of the ultimate outcome of this matter based on consultation with legal counsel. However, in the event Merrill Lynch were to prevail on its claims and the resulting liability were to be in excess of the amount accrued by the Company, such liability could have a material adverse effect upon the business or financial position of the Company.

With the exception of certain insurance contingencies discussed above, the Company believes it has adequate insurance coverage related to the litigation matters discussed. Should the Company's insurance carriers fail to provide adequate insurance coverage, the resolution of the matters discussed above could result in a material adverse effect on the business and financial position of the Company and its subsidiaries.

In addition to the above legal matters, the nature of the Company's business results in claims and litigation alleging that the Company is liable for damages arising from the conduct of its employees or others. In the opinion of management, other than the outstanding litigation discussed above, there are no pending legal proceedings that would have a material effect on the consolidated financial position or results of operations of the Company for which the Company has not established adequate reserves.

INSURANCE CONTINGENCIES

Each of the Company's management contracts and the statutes of certain states require the maintenance of insurance. The Company maintains various insurance policies including employee health, worker's compensation, automobile liability and general liability insurance. These policies are fixed premium policies with various deductible amounts that are self-funded by the Company. Reserves are provided for estimated incurred claims within the deductible amounts.

INCOME TAX CONTINGENCIES

Prior to the 1999 Merger, Old CCA operated as a taxable corporation for federal income tax purposes since its inception, and, therefore, generated accumulated earnings and profits to the extent its taxable income, subject to certain adjustments, was not distributed to its shareholders. To preserve its ability to qualify as a REIT, the Company was required to distribute all of Old CCA's accumulated earnings and profits before the end of 1999. If in the future the IRS makes adjustments increasing Old CCA's earnings and profits, the Company may be required to make additional distributions equal to the amount of the increase.

Under previous terms of the Company's charter, the Company was required to elect to be taxed as a REIT for the year ended December 31, 1999. The Company, as a REIT, could not complete any taxable year with Accumulated Earnings and Profits. For the year ended December 31, 1999, the Company made approximately $217.7 million of distributions related to its common stock and Series A Preferred Stock. The Company met the above described distribution requirements by designating approximately $152.5 million of the total distributions in 1999 as distributions of its Accumulated Earnings and Profits. In addition to distributing its Accumulated Earnings and Profits, the Company, in order to qualify for taxation as a REIT with respect to its 1999 taxable year, was required to distribute 95% of its taxable income for 1999. The Company believes that this distribution requirement has been satisfied by its distribution of shares of the Company's Series B Preferred Stock. The Company's failure to distribute 95% of its taxable income for 1999 or the failure of the Company to comply with other requirements for REIT qualification under the Code with respect to its taxable year ended December 31, 1999 could have a material adverse impact on the Company's combined and consolidated financial position, results of operations and cash flows.

The Company's election of REIT status for its taxable year ended December 31, 1999 is subject to review by the IRS generally for a period of three years from the date of filing of its 1999 tax return. Should the IRS review the Company's election to be taxed as a REIT for the 1999 taxable year and reach a conclusion disallowing the Company's dividends paid deduction, the Company would be subject to income taxes and interest on its 1999 taxable income and possibly subject to fines and/or penalties. Income taxes, penalties and interest for the year ended December 31, 1999 could exceed $83.5 million, which would have an adverse impact on the Company's combined and consolidated financial position, results of operations and cash flows.

In connection with the 1999 Merger, the Company assumed the tax obligations of Old CCA resulting from disputes with federal and state taxing authorities related to tax returns filed by Old CCA in 1998 and prior taxable years. The IRS is currently conducting audits of Old CCA's federal tax returns for the taxable years ended December 31, 1998 and 1997, and the Company's federal tax return for the taxable year ended December 31, 1999. The Company has received the IRS's preliminary findings related to the taxable year ended December 31, 1997 and is currently appealing those findings. The Company currently is unable to predict the ultimate outcome of the IRS's audits of Old CCA's 1998 and 1997 federal tax returns, the Company's 1999 federal tax return or the ultimate outcome of audits of other tax returns of the Company or Old CCA by the IRS or by other

taxing authorities; however, it is possible that such audits will result in claims against the Company in excess of reserves currently recorded by the Company. In addition, to the extent that IRS audit adjustments increase the Accumulated Earnings and Profits of Old CCA, the Company would be required to make timely distribution of the Accumulated Earnings and Profits of Old CCA to stockholders. Such results could have a material adverse impact on the Company's financial position, results of operations and cash flows.

GUARANTEES

In connection with the bond issuance of a governmental entity for which the Company currently provides management services at a 2,016 bed correctional facility, the Company is obligated, under a debt service deficits agreement, to pay the trustee of the bond's trust indenture (the "Trustee") amounts necessary to pay any debt service deficits consisting of principal and interest requirements (outstanding principal balance of $66.2 million at December 31, 2000 plus future interest payments). In the event the State of Tennessee, which is currently utilizing the facility, exercises its option to purchase the correctional facility, the Company is also obligated to pay the difference between principal and interest owed on the bonds on the date set for the redemption of the bonds and amounts paid by the State of Tennessee for the facility and all other funds on deposit with the Trustee and available for redemption of the bonds. The Company also maintains a restricted cash account of approximately $7.0 million as collateral against a guarantee it has provided for a forward purchase agreement related to the above bond issuance.

EMPLOYMENT AND SEVERANCE AGREEMENTS

On July 28, 2000, Doctor R. Crants was terminated as the chief executive officer of the Company and from all positions with the Company and Operating Company. Under certain employment and severance agreements, Mr. Crants will continue to receive his salary and health, life and disability insurance benefits for a period of three years and was vested immediately in 140,000 shares of the Company's common stock previously granted as part of a deferred stock award. The compensation expense related to these benefits, totaling $0.7 million in cash and $1.2 million in non-cash charges representing the unamortized portion of the deferred stock award, was recognized during the third quarter of 2000. The unamortized portion was based on the trading price of the common stock of Old CCA, as of the date of grant, which occurred in the fourth quarter of 1995.

Effective November 17, 2000, Darrell K. Massengale, secretary of the Company, resigned from all positions with the Company, its subsidiaries and its affiliates. Under Mr. Massengale's employment agreement, all deferred or restricted shares of common stock granted to Mr. Massengale became fully vested. The compensation expense related to the deferred shares, a $0.1 million non-cash charge representing the unamortized portion of the deferred stock award, was recognized during the third quarter of 2000. The unamortized portion was based on the trading price of the common stock of Old CCA as of the date of grant, which was during the first quarter of 1995. In addition, Mr. Massengale is entitled to receive his salary and health, life and disability insurance benefits for a period of three years and was vested immediately in approximately 36,000 shares of the Company's common stock previously granted as part of a deferred stock award. These shares increased to approximately 90,000 as a result of an adjustment due to the issuance and subsequent conversion of shares of Series B Preferred Stock.

22. SELECTED QUARTERLY FINANCIAL INFORMATION (unaudited)

Selected quarterly financial information for each of the quarters in the years ended December 31, 2000 and 1999 is as follows (in thousands, except per share data):

	MARCH 31, 2000	JUNE 30, 2000	SEPTEMBER 30, 2000	DECEMBER 31, 2000
Revenue	$ 14,036	$ 14,132	$ 43,854	$ 238,256
Operating loss	(5,424)	(7,742)	(21,942)	(494,209)
Net loss	(33,751)	(79,405)	(258,488)	(359,138)
Net loss available to common stockholders	(35,901)	(81,555)	(261,072)	(365,780)
Net loss per common share - basic	(0.30)	(0.69)	(2.20)	(2.15)
Net loss per common share - diluted	(0.30)	(0.69)	(2.20)	(2.15)

	MARCH 31, 1999	JUNE 30, 1999	SEPTEMBER 30, 1999	DECEMBER 31, 1999
Revenue	$ 65,772	$68,014	$69,267	$ 75,780
Operating income (loss)	54,973	55,787	56,064	(98,288)
Net income (loss)	(26,383)	56,883	36,902	(140,056)
Net income (loss) available to common stockholders	(28,533)	54,733	34,752	(142,206)
Net income (loss) per common share - basic	(0.27)	0.47	0.29	(1.20)
Net income (loss) per common share - diluted	(0.27)	0.47	0.29	(1.20)

As discussed in Note 4, the results of operations for 1999 reflect the operations of the Company as a REIT, which specialized in acquiring, developing, owning and leasing correctional and detention facilities primarily to Operating Company. The 2000 results of operations reflect the operations of the Company as a subchapter C corporation which, as of October 1, 2000, also includes the operations of the correctional and detention facilities previously leased to and managed by Operating Company. The results of operations in 2000 also include the operations of the Service Companies as of December 1, 2000 on a consolidated basis. Through August 31, 2000, the investments in the Service Companies were accounted for under the equity method of accounting. For the period from September 1, 2000 through November 30, 2000, the investments in the Service Companies are presented on a combined basis.

EXHIBIT 2.5

AGREEMENT AND PLAN OF MERGER

This AGREEMENT AND PLAN OF MERGER, dated as of November 17, 2000 (the "Agreement"), is by and among Corrections Corporation of America, a Maryland corporation formerly known as Prison Realty Trust, Inc. ("CCA"), CCA of Tennessee, Inc., a Tennessee corporation formerly known as CCA Acquisition Sub, Inc. and a wholly-owned subsidiary of CCA ("CCA of Tennessee"), and Prison Management Services, Inc., a Tennessee corporation ("PMSI"). (CCA of Tennessee is sometimes referred to herein as the "Acquisition Company," and PMSI is sometimes referred to herein as the "Target Company.")

W I T N E S S E T H:

WHEREAS, pursuant to the terms of an Agreement and Plan of Merger by and among CCA, CCA of Tennessee and Corrections Corporation of America, a Tennessee corporation ("OpCo"), dated June 30, 2000, OpCo was, effective October 1 2000, merged with and into CCA of Tennessee, with CCA of Tennessee being the surviving corporation (the "CCA Merger");

WHEREAS, CCA, CCA of Tennessee and PMSI wish to merge PMSI with and into CCA of Tennessee (the "Merger" or the "PMSI Merger"), upon the terms and subject to the conditions set forth in this Agreement, which Merger requires the approval by the affirmative vote of the Boards of Directors of PMSI, CCA of Tennessee and CCA (collectively, the "Board Approvals");

WHEREAS, the Merger also requires the approval by the affirmative vote of the holders of a majority of the outstanding shares of Class A common stock, $0.01 par value per share, of PMSI (the "PMSI Class A Common Stock") (the "PMSI Shareholder Approval");

WHEREAS, CCA, CCA of Tennessee and PMSI desire to make certain covenants and agreements in connection with the Merger and also to prescribe various conditions to the Merger; and

WHEREAS, for federal income tax purposes, it is intended that the Merger qualify as a reorganization within the meaning of Section 368(a) of the Code, and this Agreement is intended to be and is adopted as a plan of reorganization with respect to the Merger.

NOW, THEREFORE, in consideration of the foregoing and the respective representations, warranties, covenants and agreements set forth herein, the parties hereto agree as follows:

ARTICLE I

THE MERGER

SECTION 1.01 The Merger. At the Effective Time (as defined in Section 1.03 herein) and subject to and upon the terms and conditions of this Agreement, and in accordance with the Tennessee Business Corporation Act (the "TBCA"), PMSI shall be merged with and into CCA

of Tennessee, whereupon the separate corporate existence of PMSI shall cease and CCA of Tennessee shall continue as the surviving company.

Following the Merger, CCA of Tennessee (the "Surviving Company") shall succeed to and assume all the rights and obligations of PMSI, in accordance with the TBCA.

SECTION 1.02 Closing. Unless this Agreement shall have been terminated and the transactions contemplated herein abandoned pursuant to Section 4.01, and subject to the satisfaction or waiver of the conditions set forth in Article III, the closing of the Merger (the "Closing") will take place at 10:00 a.m., local time, on a date to be specified by the parties, which shall be no later than the fifth business day following the satisfaction or waiver of all the conditions set forth in Article III herein which by their terms are capable of being satisfied prior to the Closing (the "Closing Date"), at the offices of Stokes Bartholomew Evans & Petree, P.A. in Nashville, Tennessee, unless another time, date or place is agreed to by the parties hereto.

SECTION 1.03 Effective Time. Subject to the provisions of this Agreement, as promptly as practicable on the Closing Date, articles of merger and all other appropriate documents (in any such case, the "Articles of Merger") shall be duly prepared, executed, acknowledged and filed by the parties in accordance with the relevant provisions of the TBCA with the Secretary of State of the State of Tennessee (the "Tennessee Secretary of State"). The Merger shall become effective on the Closing Date at the time of day specified in the Articles of Merger filed with the Tennessee Secretary of State (the "Effective Time").

SECTION 1.04 Effects of the Merger. At the Effective Time, the Merger shall have the effects set forth in Section 48-21-108 of the TBCA. Without limiting the foregoing, and subject thereto, at the Effective Time all the property, rights, privileges, powers and franchises of the Target Company and the Acquisition Company shall vest in the Surviving Company, and all debts, liabilities and duties of the Target Company and the Acquisition Company shall become the debts, liabilities and duties of the Surviving Company.

SECTION 1.05 Constituent Documents.

(a) Charter. The charter of the Acquisition Company as in effect immediately prior to the Effective Time shall continue to be the charter of the Surviving Company (with such amendments as may be set forth in the Articles of Merger in accordance with this Agreement) until thereafter changed or amended as provided therein or by applicable law.

(b) Bylaws. The bylaws of the Acquisition Company as in effect immediately prior to the Effective Time shall continue to be the bylaws of the Surviving Company until thereafter changed or amended as provided therein or by applicable law.

SECTION 1.06 Directors. The directors of the Acquisition Company immediately prior to the Effective Time shall be the directors of the Surviving Company, until the earlier of their resignation or removal or until their respective successors are duly elected and qualified, as the case may be.

SECTION 1.07 Officers. The officers of the Acquisition Company immediately prior to the Effective Time shall be the officers of the Surviving Company, serving in such capacity until the earlier of their resignation or removal or until their respective successors are duly elected and qualified, as the case may be.

ARTICLE II

EFFECT OF THE MERGER ON THE CAPITAL SHARES, INDEBTEDNESS AND AGREEMENTS OF THE CONSTITUENT ENTITIES; EXCHANGE OF CERTIFICATES

SECTION 2.01 Effect on Capital Shares, Indebtedness and Agreements. For purposes hereof, the term "Constituent Capital Stock" means the PMSI Common Stock (as defined herein). By virtue of the Merger and without any action on the part of CCA or its stockholders, the Acquisition Company, the Target Company or the holders of the Constituent Capital Stock:

(a) Cancellation of Certain Shares, Indebtedness and Agreements. As of the Effective Time, except as set forth on Schedule A attached hereto: (i) each share of Constituent Capital Stock that is owned by any of the parties hereto or their subsidiaries (except for any shares of CCA Common Stock owned by the Acquisition Company which are to be delivered as the PMSI Merger Consideration) shall automatically be canceled and retired and shall cease to exist and no consideration shall be delivered in exchange therefor; (ii) any indebtedness between any of the parties hereto shall be canceled and shall cease to exist and no consideration shall be delivered therefor; and (iii) all agreements between any of the parties hereto shall be canceled and shall cease to exist.

(b) Conversion of PMSI Common Stock. As of the Effective Time, each issued and outstanding share of Class B common stock, $0.01 par value per share, of PMSI (the "PMSI Class B Common Stock," and, together with the PMSI Class A Common Stock, the "PMSI Common Stock") shall be canceled in accordance with subparagraph (a) above, and each issued and outstanding share of PMSI Class A Common Stock (other than shares canceled pursuant to subparagraph (a) above) shall be converted into the right to receive that number of shares of CCA Common Stock (collectively, the "PMSI Merger Consideration") determined by: (i) dividing $550,000 by the CCA Closing Price (as herein defined); and (ii) dividing the amount determined under clause (i) by the total number of shares of PMSI Class A Common Stock outstanding immediately prior to the Effective Time which are not to be canceled pursuant to subparagraph (a) above. All computations made in accordance with the preceding sentence shall be rounded to two decimal places. As of the Effective Time, each issued and outstanding share of PMSI Class A Common Stock converted into CCA Common Stock in accordance herewith shall no longer be outstanding and shall automatically be canceled and retired and shall cease to exist, and each holder of a certificate representing any such shares of PMSI Class A Common Stock shall cease to have any rights with respect thereto except the right to receive the PMSI Merger Consideration, without interest thereon. Shares of CCA Common Stock that are issued in exchange for shares of PMSI Class A Common Stock which are subject to forfeiture under the PMSI Restricted Stock Plan (as defined in Section 2.04 herein) shall become subject to the terms

and restrictions of the CCA Restricted Stock Plan in accordance with Section 2.04 herein. For purposes hereof, the term "CCA Closing Price" means the average closing price of CCA Common Stock on the New York Stock Exchange (the "NYSE") over the five trading days ending two trading days prior to the Closing Date.

SECTION 2.02 Exchange of Certificates.

(a) Exchange. Immediately after the Effective Time, CCA shall exchange certificates representing PMSI Common Stock (the "PMSI Certificates" and each a "PMSI Certificate") for the PMSI Merger Consideration. Promptly after the Effective Time, CCA shall send to each holder of shares of PMSI Common Stock (other than CCA or any of its Subsidiaries) at the Effective Time a letter of transmittal for use in such exchange (which shall specify that the delivery shall be effected, and risk of loss and title shall pass, only upon proper delivery of the PMSI Certificates to CCA) and instructions for use in effecting the surrender of the PMSI Certificates for payment therefor.

(b) Exchange of PMSI Certificates. Each holder of shares of PMSI Common Stock that have been converted into the right to receive the PMSI Merger Consideration will be entitled to receive, upon surrender to CCA of a PMSI Certificate, together with a properly completed letter of transmittal, the PMSI Merger Consideration in respect of each share of PMSI Common Stock represented by such PMSI Certificate. Until so surrendered, each such PMSI Certificate shall, after the Effective Time, represent for all purposes only the right to receive such PMSI Merger Consideration.

(c) Form of Certain Transfers. If any portion of the PMSI Merger Consideration is to be paid to a person (as defined in Section 5.03 herein) other than the person in whose name a PMSI Certificate is registered, it shall be a condition to such payment that the PMSI Certificate so surrendered shall be properly endorsed or otherwise be in proper form for transfer and that the person requesting such payment shall pay to CCA any transfer or other taxes required as a result of such payment to a person other than the registered holder of such PMSI Certificate or establish to the satisfaction of CCA that such tax has been paid or is not payable.

(f) Transfers After the Effective Time. After the Effective Time, there shall be no further registration of transfers of shares of PMSI Common Stock. If, after the Effective Time, PMSI Certificates are presented to CCA or the Surviving Company, they shall be canceled and promptly exchanged for the consideration provided for, in accordance with the procedures set forth in this Article.

(g) Unclaimed Shares. Neither CCA nor the Surviving Company shall be liable to any holder of PMSI Common Stock for any amount paid to a public official pursuant to applicable abandoned property laws.

(h) Dividends. No dividends, interest or other distributions with respect to securities of CCA constituting part of the PMSI Merger Consideration shall be paid to the holder of any unsurrendered PMSI Certificates until such PMSI Certificates are surrendered as provided in this

Section. Upon such surrender, there shall be paid, without interest, to the person in whose name the securities of CCA have been registered, all dividends, interest and other distributions payable in respect of such securities on a date subsequent to, and in respect of a record date after, the Effective Time.

SECTION 2.03 Qualified Plans. Prior to the Effective Time, CCA and the Target Company shall take all actions (including, if appropriate, amending the terms of the CCA 401(k) Savings and Retirement Plan and the CCA Employee Savings and Stock Ownership Plan) that are necessary to give effect to the transactions contemplated by this Section.

SECTION 2.04 Restricted Stock Plans. As of the Effective Time, the Prison Management Services, Inc. 1998 Restricted Stock Plan (the "PMSI Restricted Stock Plan") shall be merged into a restricted stock plan (the "CCA Restricted Stock Plan") with terms and conditions similar to those of the PMSI Restricted Stock Plan, except that any shares forfeited under the new restricted stock plan shall be forfeited to all plan participants. CCA, the Acquisition Company and the Target Company shall take all actions that are necessary to give effect to the transactions contemplated by this Section.

SECTION 2.05 Fractional Shares. No fractional shares of CCA Common Stock shall be issued to shareholders of PMSI in connection with the Merger, but in lieu thereof each holder of shares of PMSI Common Stock otherwise entitled to receive as a result of the Merger a fractional share of CCA Common Stock shall be entitled to receive a cash payment (without interest), rounded to the nearest cent, representing such holder's proportionate interest in the net proceeds resulting from the sale (after deduction of all expenses resulting from such sale) on the NYSE through one or more of its member firms, of the fractional shares of CCA Common Stock all holders of shares of PMSI Common Stock would otherwise be entitled to receive as a result of the Merger.

SECTION 2.06 Lost Certificates. If any PMSI Certificate shall have been lost, stolen or destroyed, upon the making of an affidavit of that fact by the person claiming such PMSI Certificate to be lost, stolen or destroyed and, if required by the Surviving Company, the posting by such person of a bond, in such reasonable amount as the Surviving Company may direct, as indemnity against any claim that may be made against it with respect to such PMSI Certificate, CCA (or its duly appointed transfer agent) will issue in exchange for such lost, stolen or destroyed PMSI Certificate, the PMSI Merger Consideration to be paid in respect of the shares represented by such PMSI Certificates as contemplated by this Article.

ARTICLE III

CONDITIONS PRECEDENT

SECTION 3.01 Conditions to Each Party's Obligation To Effect the Merger. The respective obligations of each party to effect the Merger shall be subject to the satisfaction or waiver at or prior to the Effective Time of the following condition:

(a) No Injunctions or Restraints; Illegality. No statute, rule, regulation, judgment, writ, decree, order, temporary restraining order, preliminary or permanent injunction shall have been promulgated, enacted, entered or enforced, and no other action shall have been taken, by any Governmental Entity of competent jurisdiction enjoining or otherwise preventing the consummation of the Merger shall be in effect; provided, however, that each of the parties shall use its reasonable best efforts to prevent the entry of any such injunction or other order or decree and to cause any such injunction or other order or decree that may be entered to be vacated or otherwise rendered of no effect.

(b) Board Approvals. The Board Approvals shall have been obtained.

SECTION 3.02 Conditions to Obligation of CCA and Acquisition Company to Effect the Merger. The obligation of CCA and the Acquisition Company to effect the Merger is subject to the satisfaction of the following conditions, unless waived by CCA and the Acquisition Company:

(a) Shareholder Approval. The PMSI Shareholder Approval shall have been obtained.

(b) Performance of Obligations of Other Parties. PMSI shall have performed in all material respects all material obligations required to be performed by it under this Agreement at or prior to the Closing Date, and CCA shall have received a certificate to such effect signed on behalf of PMSI by its Chief Executive Officer or Chief Financial Officer.

(c) Antitrust Clearance. If applicable, the waiting period with respect to the consummation of the Merger under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended, shall have expired or been terminated.

SECTION 3.03 Conditions to Obligation of PMSI to Effect the Merger. The obligation of PMSI to effect the Merger is subject to the satisfaction of the following conditions unless waived by PMSI:

(a) Shareholder Approval. The PMSI Shareholder Approval shall have been obtained.

(b) Performance of Obligations of Other Parties. CCA and Acquisition Company shall have performed in all material respects all material obligations required to be performed by them under this Agreement at or prior to the Closing Date, and PMSI shall have received a certificate to such effect signed on behalf of CCA and Acquisition Company by their respective Chief Executive Officer or Chief Financial Officer.

SECTION 3.04 Frustration of Closing Conditions. No party to this Agreement may rely on the failure of any condition set forth in Sections 3.01 through 3.03, as the case may be, to be satisfied if such failure was caused by such party's failure to use all reasonable best efforts to consummate the Merger and the other transactions contemplated by this Agreement.

ARTICLE IV

TERMINATION AND AMENDMENT

SECTION 4.01 Termination. This Agreement may be terminated at any time prior to the Effective Time, whether before or after the Board Approvals and the PMSI Shareholder Approval is received:

(a) by mutual written consent of the parties hereto;

(b) by CCA or PMSI upon written notice to the other parties:

(i) if any Governmental Entity of competent jurisdiction shall have issued a permanent injunction or other order or decree enjoining or otherwise preventing the consummation of the Merger and such injunction or other order or decree shall have become final and nonappealable; provided that the party seeking to terminate this Agreement pursuant to this clause (i) shall have used its reasonable best efforts to prevent or contest the imposition of, or seek the lifting or stay of, such injunction, order or decree;

(ii) if the Merger shall not have been consummated on or before February 28, 2001, unless the failure to consummate the Merger is the result of a material breach of this Agreement by the party seeking to terminate this Agreement;

(c) by CCA upon written notice to the other parties if, upon a vote at a duly held meeting of the shareholders of PMSI or any adjournment thereof, the PMSI Shareholder Approval shall not have been obtained;

(f) by CCA upon written notice to the remaining parties, if the Board of Directors of PMSI or any committee thereof shall not have approved the Merger, or after approving the Merger, shall have withdrawn or modified in a manner adverse to CCA its approval or recommendation of the Merger or this Agreement or resolved to do so;

(g) by PMSI upon written notice to the remaining parties, if the Board of Directors of CCA or any committee thereof shall not have approved the Merger, or after approving the Merger, shall have withdrawn or modified in a manner adverse to such terminating party its approval or recommendation of the Merger or this Agreement or resolved to do so;

(h) unless PMSI is in material breach of its obligations hereunder, by PMSI upon written notice to CCA if CCA breaches or fails to perform any of its covenants or agreements hereunder, which breach or failure to perform (A) would give rise to the failure of a condition set forth in Section 3.03 hereof and (B) is incapable of being cured by CCA or is not cured within thirty (30) days after the terminating party gives written notice of such breach to CCA and such a cure is not effected during such period; or

(i) unless CCA is in material breach of its obligations hereunder, by CCA upon written notice to PMSI if PMSI breaches or fails to perform any of its representations, warranties, covenants or other agreements hereunder, which breach or failure to perform (A) would give rise to the failure of a condition set forth in Section 3.02 hereof and (B) is incapable of being cured by PMSI or is not cured within thirty (30) days after CCA gives written notice of such breach to PMSI and such a cure is not effected during such period.

SECTION 4.02 Effect of Termination. In the event of termination of this Agreement as provided in Section 4.01 herein, this Agreement shall forthwith become void and have no effect and, except to the extent that such termination results from the willful and material breach by a party hereto of any covenants or agreements set forth in this Agreement, there shall be no liability or obligation on the part of the parties hereto except with respect to this Section 4.02 and Article V hereof, which provisions shall survive such termination.

SECTION 4.03 Amendment. This Agreement may be amended by the parties hereto at any time before or after the Board Approvals and the PMSI Shareholder Approval is received, provided that after receipt of the PMSI Shareholder Approval, no amendment shall be made which by law requires further approval by such shareholders without such further approval. This Agreement may not be amended except by an instrument in writing signed on behalf of each of the parties hereto.

SECTION 4.04 Extension; Waiver. At any time prior to the Effective Time, the parties hereto may, to the extent legally allowed, (a) extend the time for the performance of any of the obligations or other acts of the other party hereto, (b) waive any inaccuracies in the representations and warranties contained herein or in any document delivered pursuant hereto and (c) subject to the proviso of Section 4.03, waive compliance with any of the agreements or conditions contained herein. Any agreement on the part of a party hereto to any such extension or waiver shall be valid only if set forth in a written instrument signed on behalf of such party. The failure of any party to this Agreement to assert any of its rights under this Agreement or otherwise shall not constitute a waiver of those rights.

SECTION 4.05 Procedure for Termination, Amendment, Extension or Waiver. A termination of this Agreement pursuant to Section 4.01, an amendment of this Agreement pursuant to Section 4.03 or an extension or waiver pursuant to Section 4.04 shall, in order to be effective, require action by the Board of Directors, or the duly authorized committee of such Board to the extent permitted by law, of the party authorizing such action.

ARTICLE V

GENERAL PROVISIONS

SECTION 5.01 Notices. All notices and other communications hereunder shall be in writing and shall be deemed given if delivered personally, telecopied (with confirmation) or sent by overnight or same-day courier (providing proof of delivery) to the parties at the following addresses (or at such other address for a party as shall be specified by like notice):

if to CCA, to:

Corrections Corporation of America
10 Burton Hills Boulevard, Suite 100
Nashville, Tennessee 37215
Attention: John D. Ferguson, Chief Executive Officer and President
Facsimile: (615) 263-3010

with a copy to:

Stokes Bartholomew Evans & Petree, P.A.
424 Church Street, Suite 2800
Nashville, Tennessee 37219-2323
Attention: Elizabeth E. Moore, Esq.
Facsimile: (615) 259-1470

if to PMSI, to:

Prison Management Services, Inc.
10 Burton Hills Boulevard
Nashville, Tennessee 37215
Attention: Brent Turner, Secretary and Treasurer
Facsimile: (615) 263-3170

with a copy to:

Stokes Bartholomew Evans & Petree, P.A.
424 Church Street, Suite 2800
Nashville, Tennessee 37219-2323
Attention: Elizabeth E. Moore, Esq.
Facsimile: (615) 259-1470

SECTION 5.03 Definitions; Interpretation.

(a) As used in this Agreement:

(i) "business day" means any day on which banks are not required or authorized to close in the City of New York; and

(ii) "person" means an individual, corporation, partnership, limited liability company, joint venture, association, trust, unincorporated organization or other entity.

SECTION 5.04 Counterparts. This Agreement may be executed in two or more counterparts, all of which shall be considered one and the same agreement and shall become

effective when two or more counterparts have been signed by each of the parties and delivered to the other party.

SECTION 5.05 Entire Agreement; No Third-Party Beneficiaries; Rights of Ownership. This Agreement (a) constitutes the entire agreement and supersedes all prior agreements and understandings, both written and oral, among the parties with respect to the subject matter hereof, and (b) is not intended to confer upon any person other than the parties hereto any rights or remedies hereunder.

SECTION 5.06 Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the State of Tennessee, without regard to any principles of conflicts of law of such State.

SECTION 5.07 Assignment. Neither this Agreement nor any of the rights, interests or obligations hereunder shall be assigned, in whole or in part, by any of the parties hereto (whether by operation of law or otherwise) without the prior written consent of the other parties, and any such assignment that is not so consented to shall be null and void; provided that, if necessary or advisable under applicable provisions of corporate or tax law, CCA may assign its rights hereunder to any of its subsidiaries or affiliates to cause PMSI to merge with a subsidiary or affiliate of CCA, but no such assignment shall relieve CCA of its obligations hereunder including the obligations to deliver the PMSI Merger Consideration. Subject to the preceding sentence, this Agreement will be binding upon, inure to the benefit of and be enforceable by the parties and their respective successors and assigns.

SECTION 5.08 Enforcement. The parties agree that irreparable damage would occur in the event that any of the provisions of this Agreement were not performed in accordance with their specific terms or were otherwise breached. It is accordingly agreed that the parties shall be entitled to an injunction or injunctions to prevent breaches of this Agreement and to enforce specifically the terms and provisions of this Agreement in any Federal court located in the State of Tennessee or in any Tennessee state court, this being in addition to any other remedy to which they are entitled at law or in equity. In addition, each of the parties hereto (a) consents to submit itself to the personal jurisdiction of any Federal court located in the State of Tennessee or any Tennessee state court in the event any dispute arises out of this Agreement or any of the transactions contemplated by this Agreement and (b) agrees that it will not attempt to deny or defeat such personal jurisdiction by motion or other request for leave from any such court.

Accepted and agreed to this 17th day of November, 2000.

CORRECTIONS CORPORATION OF AMERICA

/s/ John D. Ferguson

John D. Ferguson
Chief Executive Officer and President

CCA OF TENNESSEE, INC.

/s/ John D. Ferguson

John D. Ferguson
President

PRISON MANAGEMENT SERVICES, INC.

/s/ Brent Turner

Brent Turner
Secretary and Treasurer

Schedule A

[intentionally omitted]

EXHIBIT 2.6

AGREEMENT AND PLAN OF MERGER

This AGREEMENT AND PLAN OF MERGER, dated as of November 17, 2000 (the "Agreement"), is by and among Corrections Corporation of America, a Maryland corporation formerly known as Prison Realty Trust, Inc. ("CCA"), CCA of Tennessee, Inc., a Tennessee corporation formerly known as CCA Acquisition Sub, Inc. and a wholly-owned subsidiary of CCA ("CCA of Tennessee"), and Juvenile and Jail Facility Management Services, Inc., a Tennessee corporation ("JJFMSI"). (CCA of Tennessee is sometimes referred to herein as the "Acquisition Company," and JJFMSI is sometimes referred to herein as the "Target Company.")

W I T N E S S E T H:

WHEREAS, pursuant to the terms of an Agreement and Plan of Merger by and among CCA, CCA of Tennessee and Corrections Corporation of America, a Tennessee corporation ("Opco"), dated June 30, 2000, Opco was, effective October 1 2000, merged with and into CCA of Tennessee, with CCA of Tennessee being the surviving corporation (the "CCA Merger");

WHEREAS, CCA, CCA of Tennessee and JJFMSI wish to merge JJFMSI with and into CCA of Tennessee (the "Merger" or the "JJFMSI Merger"), upon the terms and subject to the conditions set forth in this Agreement, which Merger requires the approval by the affirmative vote of the Boards of Directors of JJFMSI, CCA of Tennessee and CCA (collectively, the "Board Approvals");

WHEREAS, the Merger also requires the approval by the affirmative vote of the holders of a majority of the outstanding shares of Class A common stock, $0.01 par value per share, of JJFMSI (the "JJFMSI Class A Common Stock") (the "JJFMSI Shareholder Approval");

WHEREAS, CCA, CCA of Tennessee and JJFMSI desire to make certain covenants and agreements in connection with the Merger and also to prescribe various conditions to the Merger; and

WHEREAS, for federal income tax purposes, it is intended that the Merger qualify as a reorganization within the meaning of Section 368(a) of the Code, and this Agreement is intended to be and is adopted as a plan of reorganization with respect to the Merger.

NOW, THEREFORE, in consideration of the foregoing and the respective representations, warranties, covenants and agreements set forth herein, the parties hereto agree as follows:

ARTICLE I

THE MERGER

SECTION 1.01 The Merger. At the Effective Time (as defined in Section 1.03 herein) and subject to and upon the terms and conditions of this Agreement, and in accordance with the Tennessee Business Corporation Act (the "TBCA"), JJFMSI shall be merged with and into CCA

of Tennessee, whereupon the separate corporate existence of JJFMSI shall cease and CCA of Tennessee shall continue as the surviving company.

Following the Merger, CCA of Tennessee (the "Surviving Company") shall succeed to and assume all the rights and obligations of JJFMSI, in accordance with the TBCA.

SECTION 1.02 Closing. Unless this Agreement shall have been terminated and the transactions contemplated herein abandoned pursuant to Section 4.01, and subject to the satisfaction or waiver of the conditions set forth in Article III, the closing of the Merger (the "Closing") will take place at 10:00 a.m., local time, on a date to be specified by the parties, which shall be no later than the fifth business day following the satisfaction or waiver of all the conditions set forth in Article III herein which by their terms are capable of being satisfied prior to the Closing (the "Closing Date"), at the offices of Stokes Bartholomew Evans & Petree, P.A. in Nashville, Tennessee, unless another time, date or place is agreed to by the parties hereto.

SECTION 1.03 Effective Time. Subject to the provisions of this Agreement, as promptly as practicable on the Closing Date, articles of merger and all other appropriate documents (in any such case, the "Articles of Merger") shall be duly prepared, executed, acknowledged and filed by the parties in accordance with the relevant provisions of the TBCA with the Secretary of State of the State of Tennessee (the "Tennessee Secretary of State"). The Merger shall become effective on the Closing Date at the time of day specified in the Articles of Merger filed with the Tennessee Secretary of State (the "Effective Time").

SECTION 1.04 Effects of the Merger. At the Effective Time, the Merger shall have the effects set forth in Section 48-21-108 of the TBCA. Without limiting the foregoing, and subject thereto, at the Effective Time all the property, rights, privileges, powers and franchises of the Target Company and the Acquisition Company shall vest in the Surviving Company, and all debts, liabilities and duties of the Target Company and the Acquisition Company shall become the debts, liabilities and duties of the Surviving Company.

SECTION 1.05 Constituent Documents.

(a) Charter. The charter of the Acquisition Company as in effect immediately prior to the Effective Time shall continue to be the charter of the Surviving Company (with such amendments as may be set forth in the Articles of Merger in accordance with this Agreement) until thereafter changed or amended as provided therein or by applicable law.

(b) Bylaws. The bylaws of the Acquisition Company as in effect immediately prior to the Effective Time shall continue to be the bylaws of the Surviving Company until thereafter changed or amended as provided therein or by applicable law.

SECTION 1.06 Directors. The directors of the Acquisition Company immediately prior to the Effective Time shall be the directors of the Surviving Company, until the earlier of their resignation or removal or until their respective successors are duly elected and qualified, as the case may be.

SECTION 1.07 Officers. The officers of the Acquisition Company immediately prior to the Effective Time shall be the officers of the Surviving Company, serving in such capacity until the earlier of their resignation or removal or until their respective successors are duly elected and qualified, as the case may be.

ARTICLE II

EFFECT OF THE MERGER ON THE CAPITAL SHARES, INDEBTEDNESS AND AGREEMENTS OF THE CONSTITUENT ENTITIES; EXCHANGE OF CERTIFICATES

SECTION 2.01 Effect on Capital Shares, Indebtedness and Agreements. For purposes hereof, the term "Constituent Capital Stock" means the JJFMSI Common Stock (as defined herein). By virtue of the Merger and without any action on the part of CCA or its stockholders, the Acquisition Company, the Target Company or the holders of the Constituent Capital Stock:

(a) Cancellation of Certain Shares, Indebtedness and Agreements. As of the Effective Time, except as set forth on Schedule A attached hereto: (i) each share of Constituent Capital Stock that is owned by any of the parties hereto or their subsidiaries (except for any shares of CCA Common Stock owned by the Acquisition Company which are to be delivered as the JJFMSI Merger Consideration) shall automatically be canceled and retired and shall cease to exist and no consideration shall be delivered in exchange therefor; (ii) any indebtedness between any of the parties hereto shall be canceled and shall cease to exist and no consideration shall be delivered therefor; and (iii) all agreements between any of the parties hereto shall be canceled and shall cease to exist.

(b) Conversion of JJFMSI Common Stock. As of the Effective Time, each issued and outstanding share of Class B common stock, $0.01 par value per share, of JJFMSI (the "JJFMSI Class B Common Stock," and, together with the JJFMSI Class A Common Stock, the "JJFMSI Common Stock") shall be canceled in accordance with subparagraph (a) above, and each issued and outstanding share of JJFMSI Class A Common Stock (other than shares canceled pursuant to subparagraph (a) above) shall be converted into the right to receive that number of shares of CCA Common Stock (collectively, the "JJFMSI Merger Consideration") determined by: (i) dividing $687,500 by the CCA Closing Price (as herein defined); and (ii) dividing the amount determined under clause (i) by the total number of shares of JJFMSI Class A Common Stock outstanding immediately prior to the Effective Time which are not to be canceled pursuant to subparagraph (a) above. All computations made in accordance with the preceding sentence shall be rounded to two decimal places. As of the Effective Time, each issued and outstanding share of JJFMSI Class A Common Stock converted into CCA Common Stock in accordance herewith shall no longer be outstanding and shall automatically be canceled and retired and shall cease to exist, and each holder of a certificate representing any such shares of JJFMSI Class A Common Stock shall cease to have any rights with respect thereto except the right to receive the JJFMSI Merger Consideration, without interest thereon. Shares of CCA Common Stock that are issued in exchange for shares of JJFMSI Class A Common Stock which are subject to forfeiture under the

JJFMSI Restricted Stock Plan (as defined in Section 2.04 herein) shall become subject to the terms and restrictions of the CCA Restricted Stock Plan in accordance with Section 2.04 herein. For purposes hereof, the term "CCA Closing Price" means the average closing price of CCA Common Stock on the New York Stock Exchange (the "NYSE") over the five trading days ending two trading days prior to the Closing Date.

SECTION 2.02 Exchange of Certificates.

(a) Exchange. Immediately after the Effective Time, CCA shall exchange certificates representing JJFMSI Common Stock (the "JJFMSI Certificates" and each a "JJFMSI Certificate") for the JJFMSI Merger Consideration. Promptly after the Effective Time, CCA shall send to each holder of shares of JJFMSI Common Stock (other than CCA or any of its Subsidiaries) at the Effective Time a letter of transmittal for use in such exchange (which shall specify that the delivery shall be effected, and risk of loss and title shall pass, only upon proper delivery of the JJFMSI Certificates to CCA) and instructions for use in effecting the surrender of the JJFMSI Certificates for payment therefor.

(b) Exchange of JJFMSI Certificates. Each holder of shares of JJFMSI Common Stock that have been converted into the right to receive the JJFMSI Merger Consideration will be entitled to receive, upon surrender to CCA of a JJFMSI Certificate, together with a properly completed letter of transmittal, the JJFMSI Merger Consideration in respect of each share of JJFMSI Common Stock represented by such JJFMSI Certificate. Until so surrendered, each such JJFMSI Certificate shall, after the Effective Time, represent for all purposes only the right to receive such JJFMSI Merger Consideration.

(c) Form of Certain Transfers. If any portion of the JJFMSI Merger Consideration is to be paid to a person (as defined in Section 5.03 herein) other than the person in whose name a JJFMSI Certificate is registered, it shall be a condition to such payment that the JJFMSI Certificate so surrendered shall be properly endorsed or otherwise be in proper form for transfer and that the person requesting such payment shall pay to CCA any transfer or other taxes required as a result of such payment to a person other than the registered holder of such JJFMSI Certificate or establish to the satisfaction of CCA that such tax has been paid or is not payable.

(f) Transfers After the Effective Time. After the Effective Time, there shall be no further registration of transfers of shares of JJFMSI Common Stock. If, after the Effective Time, JJFMSI Certificates are presented to CCA or the Surviving Company, they shall be canceled and promptly exchanged for the consideration provided for, in accordance with the procedures set forth in this Article.

(g) Unclaimed Shares. Neither CCA nor the Surviving Company shall be liable to any holder of JJFMSI Common Stock for any amount paid to a public official pursuant to applicable abandoned property laws.

(h) Dividends. No dividends, interest or other distributions with respect to securities of CCA constituting part of the JJFMSI Merger Consideration shall be paid to the holder of any

unsurrendered JJFMSI Certificates until such JJFMSI Certificates are surrendered as provided in this Section. Upon such surrender, there shall be paid, without interest, to the person in whose name the securities of CCA have been registered, all dividends, interest and other distributions payable in respect of such securities on a date subsequent to, and in respect of a record date after, the Effective Time.

SECTION 2.03 Qualified Plans. Prior to the Effective Time, CCA and the Target Company shall take all actions (including, if appropriate, amending the terms of the CCA 401(k) Savings and Retirement Plan and the CCA Employee Savings and Stock Ownership Plan) that are necessary to give effect to the transactions contemplated by this Section.

SECTION 2.04 Restricted Stock Plans. As of the Effective Time, the Juvenile and Jail Facility Management Services, Inc. 1998 Restricted Stock Plan (the "JJFMSI Restricted Stock Plan") shall be merged into a restricted stock plan (the "CCA Restricted Stock Plan") with terms and conditions similar to those of the JJFMSI Restricted Stock Plan, except that any shares forfeited under the new restricted stock plan shall be forfeited to all plan participants. CCA, the Acquisition Company and the Target Company shall take all actions that are necessary to give effect to the transactions contemplated by this Section.

SECTION 2.05 Fractional Shares. No fractional shares of CCA Common Stock shall be issued to shareholders of JJFMSI in connection with the Merger, but in lieu thereof each holder of shares of JJFMSI Common Stock otherwise entitled to receive as a result of the Merger a fractional share of CCA Common Stock shall be entitled to receive a cash payment (without interest), rounded to the nearest cent, representing such holder's proportionate interest in the net proceeds resulting from the sale (after deduction of all expenses resulting from such sale) on the NYSE through one or more of its member firms, of the fractional shares of CCA Common Stock all holders of shares of JJFMSI Common Stock would otherwise be entitled to receive as a result of the Merger.

SECTION 2.06 Lost Certificates. If any JJFMSI Certificate shall have been lost, stolen or destroyed, upon the making of an affidavit of that fact by the person claiming such JJFMSI Certificate to be lost, stolen or destroyed and, if required by the Surviving Company, the posting by such person of a bond, in such reasonable amount as the Surviving Company may direct, as indemnity against any claim that may be made against it with respect to such JJFMSI Certificate, CCA (or its duly appointed transfer agent) will issue in exchange for such lost, stolen or destroyed JJFMSI Certificate, the JJFMSI Merger Consideration to be paid in respect of the shares represented by such JJFMSI Certificates as contemplated by this Article.

ARTICLE III

CONDITIONS PRECEDENT

SECTION 3.01 Conditions to Each Party's Obligation To Effect the Merger. The respective obligations of each party to effect the Merger shall be subject to the satisfaction or waiver at or prior to the Effective Time of the following condition:

(a) No Injunctions or Restraints; Illegality. No statute, rule, regulation, judgment, writ, decree, order, temporary restraining order, preliminary or permanent injunction shall have been promulgated, enacted, entered or enforced, and no other action shall have been taken, by any Governmental Entity of competent jurisdiction enjoining or otherwise preventing the consummation of the Merger shall be in effect; provided, however, that each of the parties shall use its reasonable best efforts to prevent the entry of any such injunction or other order or decree and to cause any such injunction or other order or decree that may be entered to be vacated or otherwise rendered of no effect.

(b) Board Approvals. The Board Approvals shall have been obtained.

SECTION 3.02 Conditions to Obligation of CCA and Acquisition Company to Effect the Merger. The obligation of CCA and the Acquisition Company to effect the Merger is subject to the satisfaction of the following conditions, unless waived by CCA and the Acquisition Company:

(a) Shareholder Approval. The JJFMSI Shareholder Approval shall have been obtained.

(b) Performance of Obligations of Other Parties. JJFMSI shall have performed in all material respects all material obligations required to be performed by it under this Agreement at or prior to the Closing Date, and CCA shall have received a certificate to such effect signed on behalf of JJFMSI by its Chief Executive Officer or Chief Financial Officer.

(c) Antitrust Clearance. If applicable, the waiting period with respect to the consummation of the Merger under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended, shall have expired or been terminated.

SECTION 3.03 Conditions to Obligation of JJFMSI to Effect the Merger. The obligation of JJFMSI to effect the Merger is subject to the satisfaction of the following conditions unless waived by JJFMSI:

(a) Shareholder Approval. The JJFMSI Shareholder Approval shall have been obtained.

(b) Performance of Obligations of Other Parties. CCA and Acquisition Company shall have performed in all material respects all material obligations required to be performed by them under this Agreement at or prior to the Closing Date, and JJFMSI shall have received a certificate to such effect signed on behalf of CCA and Acquisition Company by their respective Chief Executive Officer or Chief Financial Officer.

SECTION 3.04 Frustration of Closing Conditions. No party to this Agreement may rely on the failure of any condition set forth in Sections 3.01 through 3.03, as the case may be, to be

satisfied if such failure was caused by such party's failure to use all reasonable best efforts to consummate the Merger and the other transactions contemplated by this Agreement.

ARTICLE IV

TERMINATION AND AMENDMENT

SECTION 4.01 Termination. This Agreement may be terminated at any time prior to the Effective Time, whether before or after the Board Approvals and the JJFMSI Shareholder Approval is received:

(a) by mutual written consent of the parties hereto;

(b) by CCA or JJFMSI upon written notice to the other parties:

(i) if any Governmental Entity of competent jurisdiction shall have issued a permanent injunction or other order or decree enjoining or otherwise preventing the consummation of the Merger and such injunction or other order or decree shall have become final and nonappealable; provided that the party seeking to terminate this Agreement pursuant to this clause (i) shall have used its reasonable best efforts to prevent or contest the imposition of, or seek the lifting or stay of, such injunction, order or decree;

(ii) if the Merger shall not have been consummated on or before February 28, 2001, unless the failure to consummate the Merger is the result of a material breach of this Agreement by the party seeking to terminate this Agreement;

(c) by CCA upon written notice to the other parties if, upon a vote at a duly held meeting of the shareholders of JJFMSI or any adjournment thereof, the JJFMSI Shareholder Approval shall not have been obtained;

(f) by CCA upon written notice to the remaining parties, if the Board of Directors of JJFMSI or any committee thereof shall not have approved the Merger, or after approving the Merger, shall have withdrawn or modified in a manner adverse to CCA its approval or recommendation of the Merger or this Agreement or resolved to do so;

(g) by JJFMSI upon written notice to the remaining parties, if the Board of Directors of CCA or any committee thereof shall not have approved the Merger, or after approving the Merger, shall have withdrawn or modified in a manner adverse to such terminating party its approval or recommendation of the Merger or this Agreement or resolved to do so;

(h) unless JJFMSI is in material breach of its obligations hereunder, by JJFMSI upon written notice to CCA if CCA breaches or fails to perform any of its covenants or agreements hereunder, which breach or failure to perform (A) would give rise to the failure of a condition set forth in Section 3.03 hereof and (B) is incapable of being cured by CCA or is not cured within

thirty (30) days after the terminating party gives written notice of such breach to CCA and such a cure is not effected during such period; or

(i) unless CCA is in material breach of its obligations hereunder, by CCA upon written notice to JJFMSI if JJFMSI breaches or fails to perform any of its representations, warranties, covenants or other agreements hereunder, which breach or failure to perform (A) would give rise to the failure of a condition set forth in Section 3.02 hereof and (B) is incapable of being cured by JJFMSI or is not cured within thirty (30) days after CCA gives written notice of such breach to JJFMSI and such a cure is not effected during such period.

SECTION 4.02 Effect of Termination. In the event of termination of this Agreement as provided in Section 4.01 herein, this Agreement shall forthwith become void and have no effect and, except to the extent that such termination results from the willful and material breach by a party hereto of any covenants or agreements set forth in this Agreement, there shall be no liability or obligation on the part of the parties hereto except with respect to this Section 4.02 and Article V hereof, which provisions shall survive such termination.

SECTION 4.03 Amendment. This Agreement may be amended by the parties hereto at any time before or after the Board Approvals and the JJFMSI Shareholder Approval is received, provided that after receipt of the JJFMSI Shareholder Approval, no amendment shall be made which by law requires further approval by such shareholders without such further approval. This Agreement may not be amended except by an instrument in writing signed on behalf of each of the parties hereto.

SECTION 4.04 Extension; Waiver. At any time prior to the Effective Time, the parties hereto may, to the extent legally allowed, (a) extend the time for the performance of any of the obligations or other acts of the other party hereto, (b) waive any inaccuracies in the representations and warranties contained herein or in any document delivered pursuant hereto and (c) subject to the proviso of Section 4.03, waive compliance with any of the agreements or conditions contained herein. Any agreement on the part of a party hereto to any such extension or waiver shall be valid only if set forth in a written instrument signed on behalf of such party. The failure of any party to this Agreement to assert any of its rights under this Agreement or otherwise shall not constitute a waiver of those rights.

SECTION 4.05 Procedure for Termination, Amendment, Extension or Waiver. A termination of this Agreement pursuant to Section 4.01, an amendment of this Agreement pursuant to Section 4.03 or an extension or waiver pursuant to Section 4.04 shall, in order to be effective, require action by the Board of Directors, or the duly authorized committee of such Board to the extent permitted by law, of the party authorizing such action.

ARTICLE V

GENERAL PROVISIONS

SECTION 5.01 Notices. All notices and other communications hereunder shall be in writing and shall be deemed given if delivered personally, telecopied (with confirmation) or sent by overnight or same-day courier (providing proof of delivery) to the parties at the following addresses (or at such other address for a party as shall be specified by like notice):

if to CCA, to:

Corrections Corporation of America
10 Burton Hills Boulevard, Suite 100
Nashville, Tennessee 37215
Attention: John D. Ferguson, Chief Executive Officer and President
Facsimile: (615) 263-3010

with a copy to:

Stokes Bartholomew Evans & Petree, P.A.
424 Church Street, Suite 2800
Nashville, Tennessee 37219-2323
Attention: Elizabeth E. Moore, Esq.
Facsimile: (615) 259-1470

if to JJFMSI, to:

Juvenile and Jail Facility Management Services, Inc.
10 Burton Hills Boulevard
Nashville, Tennessee 37215
Attention: Brent Turner, Secretary and Treasurer
Facsimile: (615) 263-3170

with a copy to:

Stokes Bartholomew Evans & Petree, P.A.
424 Church Street, Suite 2800
Nashville, Tennessee 37219-2323
Attention: Elizabeth E. Moore, Esq.
Facsimile: (615) 259-1470

SECTION 5.03 Definitions; Interpretation.

(a) As used in this Agreement:

(i) "business day" means any day on which banks are not required or authorized to close in the City of New York; and

(ii) "person" means an individual, corporation, partnership, limited liability company, joint venture, association, trust, unincorporated organization or other entity.

SECTION 5.04 Counterparts. This Agreement may be executed in two or more counterparts, all of which shall be considered one and the same agreement and shall become effective when two or more counterparts have been signed by each of the parties and delivered to the other party.

SECTION 5.05 Entire Agreement; No Third-Party Beneficiaries; Rights of Ownership. This Agreement (a) constitutes the entire agreement and supersedes all prior agreements and understandings, both written and oral, among the parties with respect to the subject matter hereof, and (b) is not intended to confer upon any person other than the parties hereto any rights or remedies hereunder.

SECTION 5.06 Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the State of Tennessee, without regard to any principles of conflicts of law of such State.

SECTION 5.07 Assignment. Neither this Agreement nor any of the rights, interests or obligations hereunder shall be assigned, in whole or in part, by any of the parties hereto (whether by operation of law or otherwise) without the prior written consent of the other parties, and any such assignment that is not so consented to shall be null and void; provided that, if necessary or advisable under applicable provisions of corporate or tax law, CCA may assign its rights hereunder to any of its subsidiaries or affiliates to cause JJFMSI to merge with a subsidiary or affiliate of CCA, but no such assignment shall relieve CCA of its obligations hereunder including the obligations to deliver the JJFMSI Merger Consideration. Subject to the preceding sentence, this Agreement will be binding upon, inure to the benefit of and be enforceable by the parties and their respective successors and assigns.

SECTION 5.08 Enforcement. The parties agree that irreparable damage would occur in the event that any of the provisions of this Agreement were not performed in accordance with their specific terms or were otherwise breached. It is accordingly agreed that the parties shall be entitled to an injunction or injunctions to prevent breaches of this Agreement and to enforce specifically the terms and provisions of this Agreement in any Federal court located in the State of Tennessee or in any Tennessee state court, this being in addition to any other remedy to which they are entitled at law or in equity. In addition, each of the parties hereto (a) consents to submit itself to the personal jurisdiction of any Federal court located in the State of Tennessee or any Tennessee state court in the event any dispute arises out of this Agreement or any of the transactions contemplated by this Agreement and (b) agrees that it will not attempt to deny or defeat such personal jurisdiction by motion or other request for leave from any such court.

[remainder of page left intentionally blank]

Accepted and agreed to this 17th day of November, 2000.

CORRECTIONS CORPORATION OF AMERICA

/s/ John D. Ferguson

John D. Ferguson
Chief Executive Officer and President

CCA OF TENNESSEE, INC.

/s/ John D. Ferguson

John D. Ferguson
President

JUVENILE AND JAIL FACILITY
MANAGEMENT SERVICES, INC.

/s/ Brent Turner

Brent Turner
Secretary and Treasurer

Schedule A

[intentionally omitted]

EXHIBIT 3.1

AMENDED AND RESTATED CHARTER OF CORRECTIONS CORPORATION OF AMERICA

ARTICLE I
NAME

The name of this corporation shall be Corrections Corporation of America (the "Corporation").

ARTICLE II
PURPOSE

The purpose for which this Corporation is formed is to engage in any lawful act or activity for which corporations may be organized under the Maryland General Corporation Law as now or hereinafter in force. The Corporation also shall have all the general powers granted by law to Maryland corporations and all other powers not inconsistent with law that are appropriate to promote and attain its purpose.

ARTICLE III
PRINCIPAL OFFICE AND RESIDENT AGENT

The address of the principal office of the Corporation is c/o The Corporation Trust Incorporated, 300 East Lombard Street, Baltimore, Maryland 21202. The name of the resident agent of the Corporation in the State of Maryland is The Corporation Trust Incorporated, and the address of the resident agent is 300 East Lombard Street, Baltimore, Maryland 21202.

ARTICLE IV
DIRECTORS

A. General Powers. The business and affairs of the Corporation shall be managed by its Board of Directors and, except as otherwise expressly provided by law, the Bylaws of the Corporation or this Charter, all of the powers of the Corporation shall be vested in the Board of Directors. This Charter shall be construed with the presumption in favor of the grant of power and authority to the directors.

B. Number of Directors. The Board of Directors shall consist of such number of directors as shall be determined from time to time by resolution of the Board of Directors in accordance with the Bylaws of the Corporation, except as otherwise required by the Charter; provided that the number of directors shall never be less than the minimum number required by the Maryland General Corporation Law. The Board of Directors shall initially consist of eight (8) directors, at least two (2) of which must be Independent Directors. An Independent Director is defined to be an individual who qualifies as a director under the Bylaws of the Corporation but who: (i) is not an officer or employee of the Corporation; (ii) is not the beneficial owner of five percent (5%) or more of any class of equity securities of the Corporation, or any officer, employee or "affiliate" (as defined in Rule 12b-2 promulgated under the Securities Exchange Act of 1934, as

amended (the "Exchange Act")) of any such stockholder of the Corporation; and (iii) does not have any economic relationship requiring disclosure under the Exchange Act with the Corporation. The names of the directors of the Corporation are William F. Andrews, Thomas W. Beasley, C. Ray Bell, Jean-Pierre Cuny, Ted Feldman, John D. Ferguson, Joseph V. Russell and Charles W. Thomas, PhD. A director need not be a stockholder of the Corporation.

C. Effect of Increase or Decrease in Directors. In the event of any increase or decrease in the number of directors pursuant to the first sentence of Paragraph B above, each director then serving shall nevertheless continue as a director until the expiration of his term and until his successor is duly elected and qualified or his prior death, retirement, resignation or removal.

D. Service of Directors. Notwithstanding the provisions of this Article IV, each director shall serve until his successor is elected and qualified or until his death, retirement, resignation or removal.

E. Removal of Directors. Subject to the rights, if any, of any class or series of stock to elect directors and to remove any director whom the holders of any such stock have the right to elect, any director (including persons elected by directors to fill vacancies in the Board of Directors) may be removed from office, with or without cause, only by the affirmative vote of the holders of at least a majority of the votes represented by the shares then entitled to vote in the election of such director. At least thirty (30) days prior to any meeting of stockholders at which it is proposed that any director be removed from office, written notice of such proposed removal shall be sent to the director whose removal will be considered at the meeting.

F. Directors Elected by Holders of Preferred Stock. During any period when the holders of any series of Preferred Stock (as defined in Article V hereof) have the right to elect additional directors, as provided for or fixed pursuant to the provisions of Article V hereof, then upon commencement and for the duration of the period during which such right continues (i) the then otherwise total and authorized number of directors of the Corporation shall automatically be increased by the number of such additional directors, and such holders of Preferred Stock shall be entitled to elect the additional directors so provided for or fixed pursuant to said provisions, and (ii) each such additional director shall serve until such director's successor shall have been duly elected and qualified, or until such director's right to hold such office terminates pursuant to said provisions, whichever occurs earlier, subject to his earlier death, disqualification, resignation or removal.

ARTICLE V
CAPITAL STOCK

The total number of shares of stock which the Corporation shall have authority to issue is four hundred fifty million (450,000,000), of which four hundred million (400,000,000) shares are of a class denominated common stock, $0.01 par value per share (the "Common Stock") and fifty million (50,000,000) shares are of a class denominated preferred stock, $0.01 par value per share (the "Preferred Stock"). The aggregate par value of all shares of all classes is $4,500,000. Four million

three hundred thousand (4,300,000) shares of the Preferred Stock shall be designated as "8.0% Series A Cumulative Preferred Stock" (the "Series A Preferred Stock"). Twelve Million (12,000,000) shares of Preferred Stock shall be designated as "Series B Cumulative Convertible Preferred Stock" (the "Series B Preferred Stock").

The Board of Directors may authorize the issuance by the Corporation from time to time of shares of any class of stock of the Corporation or securities convertible or exercisable into shares of stock of any class or classes for such consideration as the Board of Directors determines, or, if issued as a result of a stock dividend or stock split, without any consideration, and all stock so issued will be fully paid and non-assessable by the Corporation. The Board of Directors may create and issue rights entitling the holders thereof to purchase from the Corporation shares of stock or other securities or property. The Board of Directors may classify or reclassify any unissued stock from time to time by setting or changing the preferences, conversion or other rights, voting powers, restrictions, limitations as to dividends, qualifications, or terms or conditions of redemption of such stock.

The Corporation reserves the right to make any amendment to the charter of the Corporation, now or hereafter authorized by law, including any amendment which alters the contract rights, as expressly set forth in the charter of the Corporation, of any outstanding shares of stock.

Notwithstanding any provision of law permitting or requiring any action to be taken or approved by the affirmative vote of the holders of shares entitled to cast a greater number of votes, any such action shall be effective and valid if taken or approved by the affirmative vote of holders of shares entitled to cast a majority of all the votes entitled to be cast on the matter.

The following is a description of each of the classes of stock of the Corporation and a statement of the powers, preferences and rights of such stock, and the qualifications, limitations and restrictions thereof:

A. Common Stock.

1. Voting Rights. Each holder of Common Stock shall be entitled to one vote per share of Common Stock on all matters to be voted on by the stockholders of the Corporation. Notwithstanding the foregoing, (i) holders of Common Stock shall not be entitled to vote on any proposal to amend provisions of the Charter of the Corporation setting forth the preferences, conversion or other rights, voting powers, restrictions, limitations as to dividends, qualification, or terms or conditions of redemption of a class or series of Preferred Stock if the proposed amendment would not alter the contract rights of the Common Stock, and (ii) holders of Common Stock shall not be entitled to notice of any meeting of stockholders at which the only matters to be considered are those as to which such holders have no vote by virtue of this Article V, Paragraph A.1.

2. Dividends and Rights Upon Liquidation. After the provisions with respect to preferential dividends of any series of Preferred Stock, if any, shall have been satisfied, and subject to any other conditions that may be fixed in accordance with the provisions of this Article V, then, and not otherwise, all Common Stock will participate equally in dividends payable to holders of shares of Common Stock when and as declared by the Board of Directors at their discretion out of funds legally available therefor. In the event of voluntary or involuntary dissolution or liquidation of the Corporation, after distribution in full of the preferential amounts, if any, to be distributed to the holders of Preferred Stock, the holders of Common Stock shall, subject to the additional rights, if any, of the holders of Preferred Stock fixed in accordance with the provisions of this Article V, be entitled to receive all of the remaining assets of the Corporation, tangible and intangible, of whatever kind available for distribution to stockholders ratably in proportion to the number of shares of Common Stock held by them respectively.

B. Preferred Stock.

1. Authorization and Issuance. The Preferred Stock may be issued from time to time upon authorization by the Board of Directors of the Corporation, in such series and with such preferences, conversion or other rights, voting powers, restrictions, limitations as to dividends, qualifications or other provisions as may be fixed by the Board of Directors, except as otherwise set forth in the charter.

2. Voting Rights. The holders of Preferred Stock shall have no voting rights and shall have no rights to receive notice of any meetings, except as required by law, as expressly provided for in the charter, or as expressly provided in the resolution establishing any series thereof.

C. Series A Preferred Stock.

1. Designation and Amount; Fractional Stock; Par Value. There shall be a class of Preferred Stock of the Corporation designated as "8.0% Series A Cumulative Preferred Stock," and the number of shares of stock constituting such series shall be 4,300,000. The Series A Preferred Stock is issuable solely in shares of whole stock and shall entitle the holder thereof to exercise the voting rights, to participate in the distributions and dividends and to have the same benefits as all other holders of Series A Preferred Stock as set forth in this charter. The par value of each share of Series A Preferred Stock shall be $0.01.

2. Maturity. The Series A Preferred Stock has no stated maturity and will not be subject to any sinking fund or mandatory redemption.

3. Rank. The Series A Preferred Stock will, with respect to dividend rights and rights upon liquidation, dissolution or winding-up of the Corporation, rank: (i) senior to all classes or series of Common Stock of the Corporation and to all equity securities ranking

junior to the Series A Preferred Stock; (ii) on a parity with all equity securities issued by the Corporation, the terms of which specifically provide that such equity securities rank on a parity with the Series A Preferred Stock with respect to dividend rights or rights upon liquidation, dissolution or winding-up of the Corporation; and (iii) junior to all existing and future indebtedness of the Corporation. The term "equity securities" does not include convertible debt and securities which rank senior to the Series A Preferred Stock prior to conversion.

4. Dividends. Holders of the Series A Preferred Stock shall be entitled to receive, when and as authorized and declared by the Board of Directors, out of funds legally available for the payment of dividends, cumulative preferential cash dividends at the rate of eight percent (8.0%) per annum of the Liquidation Preference, as hereinafter defined. Such dividends shall be cumulative from the date of original issuance and shall be payable quarterly in arrears on the fifteenth day of January, April, July and October of each year (each, a "Dividend Payment Date"), or, if not a business day, the next succeeding business day. Dividends will accrue from the date of original issuance to the first Dividend Payment Date and thereafter from each Dividend Payment Date to the subsequent Dividend Payment Date. A dividend payable on the Series A Preferred Stock for any partial dividend period will be computed on the basis of a 360-day year consisting of twelve 30-day months. Dividends will be payable to holders of record as they appear in the stock records of the Corporation at the close of business on the applicable record date, which shall be the last business day of March, June, September and December, respectively, or on such other date designated by the Board of Directors of the Corporation for the payment of dividends that is not more than 30 nor less than 10 days prior to the applicable Dividend Payment Date (each, a "Dividend Record Date"). The Series A Preferred Stock will rank senior to the Corporation's Common Stock with respect to the payment of dividends.

No dividends on Series A Preferred Stock shall be declared by the Board of Directors of the Corporation or paid or set apart for payment by the Corporation at such time as the terms and provisions of any agreement to which the Corporation is a party, including any agreement relating to its indebtedness, prohibits such declaration, payment or setting apart for payment or provides that such declaration, payment or setting apart for payment would constitute a breach thereof or a default thereunder, or if such declaration or payment shall be restricted or prohibited by law.

Notwithstanding the foregoing, dividends on the Series A Preferred Stock will accrue whether or not the Corporation has earnings, whether or not there are funds legally available for payment of such dividends and whether or not such dividends are declared. The accrued but unpaid dividends on the Series A Preferred Stock will not bear interest, and holders of shares of Series A Preferred Stock will not be entitled to any distributions in excess of full cumulative distributions described above.

Except as set forth in the next sentence, no dividends will be declared or paid or set apart for payment on any capital stock of the Corporation or any other series of Preferred Stock ranking, as to dividends, on a parity with or junior to the Series A Preferred Stock (other than a distribution in stock of the Corporation's Common Stock or in stock of any other class of stock ranking junior to the Series A Preferred Stock as to dividends and upon liquidation) for any period unless full cumulative dividends have been or contemporaneously are declared and paid or declared and a sum sufficient for the payment thereof is set apart for such payment on the Series A Preferred Stock for all past dividend periods and the then current dividend period. When dividends are not paid in full (or a sum sufficient for such full payment is not so set apart) upon the Series A Preferred Stock and the shares of any other series of Preferred Stock ranking on a parity as to dividends with the Series A Preferred Stock, all dividends declared upon the Series A Preferred Stock and any other series of Preferred Stock ranking on a parity as to dividends with the Series A Preferred Stock shall be declared pro rata so that the amount of dividends authorized per share of Series A Preferred Stock and such other series of Preferred Stock shall in all cases bear to each other the same ratio that accrued dividends per share on the Series A Preferred Stock and such other series of Preferred Stock (which shall not include any accrual in respect of unpaid dividends for prior dividend periods if such series of Preferred Stock does not have a cumulative dividend) bear to each other. No interest, or sum of money in lieu of interest, shall be payable in respect of any dividend payment or payments on the Series A Preferred Stock which may be in arrears.

Except as provided in the immediately preceding paragraph, unless full cumulative dividends on the Series A Preferred Stock have been or contemporaneously are declared and paid or declared and a sum sufficient for the payment thereof is set apart for payment for all past dividend periods and the then current dividend period, no dividends (other than in Common Stock or other stock of the Corporation ranking junior to the Series A Preferred Stock as to dividends and upon liquidation) shall be declared or paid or set aside for payment nor shall any other distribution be declared or made upon the Common Stock, or stock of the Corporation ranking junior to or on a parity with the Series A Preferred Stock as to dividends or upon liquidation, nor shall any Common Stock, or any other stock of the Corporation ranking junior to or on a parity with the Series A Preferred Stock as to dividends or upon liquidation, be redeemed, purchased or otherwise acquired for any consideration (or any monies be paid to or made available for a sinking fund for the redemption of any such stock) by the Corporation (except by conversion into or exchange for other stock of the Corporation ranking junior to the Series A Preferred Stock as to dividends and upon liquidation). Holders of shares of Series A Preferred Stock shall not be entitled to any dividend, whether payable in cash, property or stock, in excess of full cumulative dividends on the Series A Preferred Stock as provided above. Any dividend payment made on shares of the Series A Preferred Stock shall first be credited against the earliest accrued but unpaid dividend due with respect to such stock which remains payable.

5. Liquidation Preference. Upon any voluntary or involuntary liquidation, dissolution or winding up of the affairs of the Corporation, the holders of Series A Preferred Stock are entitled to be paid out of the assets of the Corporation legally available for distribution to its stockholders, a liquidation preference of $25 per share (the "Liquidation Preference"), plus an amount equal to any accrued and unpaid dividends to the date of payment but without interest, before any distribution of assets is made to holders of Common Stock or any other class or series of stock of the Corporation that ranks junior to the Series A Preferred Stock as to liquidation rights. In the event that, upon any such voluntary or involuntary liquidation, dissolution or winding up, the available assets of the Corporation are insufficient to pay the amount of the liquidating distributions on all outstanding shares of Series A Preferred Stock and the corresponding amounts payable on all stock of other classes or series of Preferred Stock of the Corporation ranking on a parity with the Series A Preferred Stock in the distribution of assets, then the holders of shares of the Series A Preferred Stock and all other such classes or series of Preferred Stock shall share ratably in any such distribution of assets in proportion to the full liquidating distributions to which they would otherwise be respectively entitled.

Holders of shares of Series A Preferred Stock will be entitled to written notice of any such liquidation. After payment of the full amount of the liquidating distributions to which they are entitled, the holders of shares of Series A Preferred Stock will have no right or claim to any of the remaining assets of the Corporation. The consolidation or merger of the Corporation with or into any other trust, corporation or entity or of any other corporation with or into the Corporation, or the sale, lease or conveyance of all or substantially all of the property or business of the Corporation, shall not be deemed to constitute a liquidation, dissolution or winding up of the Corporation.

6. Redemption. Shares of the Series A Preferred Stock are not redeemable prior to January 30, 2003. On and after January 30, 2003, the Corporation, at its option upon not less than thirty (30) nor more than sixty (60) days' written notice, may redeem the Series A Preferred Stock, in whole or in part, at any time or from time to time, for cash at a redemption price of $25 per share, plus all accrued and unpaid dividends thereon to the date fixed for redemption (except as provided below), without interest. Holders of shares of Series A Preferred Stock to be redeemed shall surrender any certificates representing such shares of Series A Preferred Stock at the place designated in such notice and shall be entitled to the redemption price and any accrued and unpaid dividends payable upon such redemption following such surrender. If notice of redemption of any shares of Series A Preferred Stock has been given and if the funds necessary for such redemption have been set aside by the Corporation in trust for the benefit of the holders of any shares of Series A Preferred Stock so called for redemption, then from and after the redemption date dividends will cease to accrue on such shares of Series A Preferred Stock, such shares of Series A Preferred Stock shall no longer be deemed outstanding and all rights of the holders of such stock will terminate, except the right to receive the redemption price. If less than all of the outstanding shares of Series A Preferred Stock are to be redeemed, the shares of Series A Preferred Stock

to be redeemed shall be selected pro rata (as nearly as may be practicable without creating fractional stock) or by any other equitable method determined by the Corporation.

Unless full cumulative dividends on all shares of Series A Preferred Stock shall have been or contemporaneously are declared and paid or declared and a sum sufficient for the payment thereof set apart for payment for all past dividend periods and the then current dividend period, no shares of Series A Preferred Stock shall be redeemed unless all outstanding shares of Series A Preferred Stock are simultaneously redeemed and the Corporation shall not purchase or otherwise acquire directly or indirectly any shares of Series A Preferred Stock (except by exchange for capital stock of the Corporation ranking junior to the Series A Preferred Stock as to dividends and upon liquidation); provided, however, that the foregoing shall not prevent the purchase or acquisition of shares of Series A Preferred Stock pursuant to a purchase or exchange offer made on the same terms to holders of all outstanding shares of Series A Preferred Stock. So long as no dividends are in arrears, the Corporation shall be entitled at any time and from time to time to repurchase shares of Series A Preferred Stock in open-market transactions duly authorized by the Board of Directors and effected in compliance with applicable laws.

Notice of redemption will be given by publication in a newspaper of general circulation in the City of New York, such publication to be made once a week for two (2) successive weeks commencing not less than thirty (30) nor more than sixty (60) days prior to the redemption date. A similar notice will be mailed by the Corporation, postage prepaid, not less than thirty (30) nor more than sixty (60) days prior to the redemption date, addressed to the respective holders of record of the Series A Preferred Stock to be redeemed at their respective addresses as they appear on the stock transfer records of the Corporation. No failure to give such notice or any defect thereto or in the mailing thereof shall affect the validity of the proceedings for the redemption of any shares of Series A Preferred Stock except as to the holder to whom notice was defective or not given. Each notice shall state: (i) the redemption date; (ii) the redemption price; (iii) the number of shares of Series A Preferred Stock to be redeemed; (iv) the place or places where the certificates representing the shares of Series A Preferred Stock are to be surrendered for payment of the redemption price; and (v) that dividends on the stock to be redeemed will cease to accrue on such redemption date. If less than all of the shares of Series A Preferred Stock held by any holder are to be redeemed, the notice mailed to such holder shall also specify the number of shares of Series A Preferred Stock held by such holder to be redeemed.

Immediately prior to any redemption of shares of Series A Preferred Stock, the Corporation shall pay, in cash, any accumulated and unpaid dividends through the redemption date. Except as provided above, the Corporation will make no payment or allowance for unpaid dividends, whether or not in arrears, on shares of Series A Preferred Stock which are redeemed.

7. Voting Rights. Holders of the shares of Series A Preferred Stock will not have any voting rights, except as set forth below.

Whenever dividends on any shares of Series A Preferred Stock shall be in arrears for six or more quarterly periods (a "Preferred Dividend Default"), the holders of such Series A Preferred Stock (voting together as a class with all other series of Preferred Stock ranking on a parity with the Series A Preferred Stock as to dividends or upon liquidation ("Parity Preferred") upon which like voting rights have been conferred and are exercisable) will be entitled to vote for the election of a total of two additional directors of the Corporation (the "Preferred Stock Directors") at a special meeting called by the holders of record of at least twenty percent (20%) of the shares of Series A Preferred Stock and the holders of record of at least twenty percent (20%) of the shares of any series of Parity Preferred so in arrears (unless such request is received less than ninety (90) days before the date fixed for the next annual or special meeting of the stockholders) or at the next annual meeting of stockholders, and at such subsequent annual meeting until all dividends accumulated on such shares of Series A Preferred Stock for the past dividend periods and the dividend for the then current dividend period shall have been fully paid or declared and a sum sufficient for the payment thereof set aside for payment. A quorum for any such meeting shall exist if at least a majority of the outstanding shares of Series A Preferred Stock and shares of Parity Preferred upon which like voting rights have been conferred and are exercisable are represented in person or by proxy at such meeting. Such Preferred Stock Directors shall be elected upon affirmative vote of a plurality of the shares of Series A Preferred Stock and such Parity Preferred present and voting in person or by proxy at a duly called and held meeting at which a quorum is present. If and when all accumulated dividends and the dividend for the then current dividend period on the shares of Series A Preferred Stock shall have been paid in full or set aside for payment in full, the holders thereof shall be divested of the foregoing voting rights (subject to revesting in the event of each and every Preferred Dividend Default) and, if all accumulated dividends and the dividend for the then current dividend period have been paid in full or set aside for payment in full on all series of Parity Preferred upon which like voting rights have been conferred and are exercisable, the term of office of each Preferred Stock Director so elected shall immediately terminate. Any Preferred Stock Director may be removed at any time with or without cause by, and shall not be removed otherwise than by the vote of, the holders of record of a majority of the outstanding shares of Series A Preferred Stock and all series of Parity Preferred upon which like voting rights have been conferred and are exercisable (voting together as a class). So long as a Preferred Dividend Default shall continue, any vacancy in the office of a Preferred Stock Director may be filled by written consent of the Preferred Stock Directors remaining in office, or if none remains in office, by a vote of the holders of record of a majority of the outstanding shares of Series A Preferred Stock when they have the voting rights described above (voting together as a class with all series of Parity Preferred upon which like voting rights have been conferred and are exercisable). The Preferred Stock Directors shall each be entitled to one vote per director on any matter.

So long as any shares of Series A Preferred Stock remain outstanding, the Corporation will not, without the affirmative vote or consent of the holders of at least two-thirds of the shares of Series A Preferred Stock outstanding at the time, given in person or by proxy, either in writing or at a meeting (voting separately as a class), (a) authorize or create, or increase the authorized or issued amount of, any class or series of shares of stock ranking prior to the Series A Preferred Stock with respect to payment of dividends or the distribution of assets upon liquidation, dissolution or winding up or reclassify any authorized shares of stock of the Corporation into such shares, or create, authorize or issue any obligation or security convertible into or evidencing the right to purchase any such shares of stock, or (b) amend, alter or repeal the provisions of the Charter, whether by merger, consolidation or otherwise (an "Event"), so as to materially and adversely affect any right, preference, privilege or voting power of the shares of Series A Preferred Stock or the holders thereof; provided, however, with respect to the occurrence of any Event set forth in (b) above, so long as the shares of Series A Preferred Stock remain outstanding with the terms thereof materially unchanged, the occurrence of any such Event shall not be deemed to materially and adversely affect such rights, preferences, privileges or voting power of holders of the shares of Series A Preferred Stock and provided further that (i) any increase in the amount of the authorized Preferred Stock or the creation or issuance of any other series of Preferred Stock, or (ii) any increase in the amount of authorized shares of such series, in each case ranking on a parity with or junior to the Series A Preferred Stock with respect to payment of dividends or the distribution of assets upon liquidation, dissolution or winding up, shall not be deemed to materially and adversely affect such rights, preferences, privileges or voting powers.

The foregoing voting provisions will not apply if, at or prior to the time when the act with respect to which such vote would otherwise be required shall be effected, all outstanding shares of Series A Preferred Stock shall have been redeemed or called for redemption upon proper notice and sufficient funds shall have been deposited in trust to effect such redemption.

8. Conversion. Shares of the Series A Preferred Stock are not convertible into or exchangeable for any other property or securities of the Corporation.

9. Definitions. Terms defined in this Article V, Paragraph C shall apply only in respect to the Series A Preferred Stock.

D. Series B Preferred Stock.

1. Designation and Amount; Rank.

(a) There shall be a class of Preferred Stock of the Corporation designated as "Series B Cumulative Convertible Preferred Stock," and the number of shares constituting such series shall

be 12,000,000 shares. The Series B Preferred Stock is issuable solely in shares of whole stock and shall entitle the holder thereof to exercise the voting rights and to have the same benefits as the other holders of Series B Preferred Stock set forth in this Charter. The par value of each share of Series B Preferred Stock shall be $0.01. Section 10 of this Paragraph D sets forth the definitions of certain terms used in this Article V, Paragraph D. All capitalized terms used in this Article V, Paragraph D shall have the meaning set forth in Section 10 of this Paragraph D and shall apply only in respect to the Series B Preferred Stock.

(b) The Series B Preferred Stock shall, with respect to dividend distributions and distributions upon liquidation, winding-up and dissolution of the Corporation, rank: (i) senior (to the extent set forth herein) to all Junior Stock; (ii) on a parity with all Parity Stock; and (iii) junior to all Senior Stock.

2. Dividends and Distributions.

(a) Subject to the preferential rights of all Senior Stock, the holders of shares of Series B Preferred Stock shall be entitled to receive, when and as authorized and declared by the Board of Directors, out of funds legally available for the payment of dividends, (i) commencing on the first Dividend Payment Date and continuing through September 30, 2003, cumulative preferential dividends payable in additional shares of Series B Preferred Stock at the rate of twelve percent (12%) per annum of the Stated Amount of each share of the then outstanding Series B Preferred Stock, and (ii) commencing with the first Dividend Period occurring after September 30, 2003, cumulative preferential dividends will be payable entirely in cash at the rate of twelve percent (12%) per annum of the Stated Amount of each share of the then outstanding Series B Preferred Stock. Dividends on each share of Series B Preferred Stock shall accrue and be cumulative from the Issuance Date with respect to that share. Dividends shall be payable on December 31, 2000 and quarterly in arrears thereafter when and as declared by the Board of Directors on each Dividend Payment Date (or, if such Dividend Payment Date is not a Business Day, the first (1st) Business Day following the Dividend Payment Date) in respect of the Dividend Period ending on such Dividend Payment Date (but without including such Dividend Payment Date) commencing on the first Dividend Payment Date and continuing for so long as the Series B Preferred Stock is outstanding. Any reference herein to "cumulative dividends" or "Accrued Dividends" or similar phrases means that such dividends are fully cumulative and accumulate and accrue on a daily basis (computed on the basis of a 360-day year of twelve 30-day months), whether or not they have been declared and whether or not there are profits, surplus or other funds of the Corporation legally available for the payment of dividends. The Accrued Dividends will not bear interest, and holders of shares of the Series B Preferred Stock will not be entitled to any distributions other than as expressly set forth herein. All dividends payable in additional shares of Series B Preferred Stock shall be paid through the issuance of additional shares of Series B Preferred Stock at the Stated Amount.

Notwithstanding anything contained herein to the contrary, no dividends on shares of Series B Preferred Stock shall be declared by the Board of Directors or paid or Set Apart for Payment by the Corporation at such time as, and to the extent that, the terms and provisions of any agreement

to which the Corporation is a party, including any agreement relating to its indebtedness or any provisions of the Corporation's Charter relating to any Senior Stock, prohibit such declaration, payment or setting apart for payment or provide that such declaration, payment or setting apart for payment would constitute a breach thereof or a default thereunder, or if such declaration or payment shall be restricted or prohibited by law.

(b) For so long as any shares of Series B Preferred Stock are outstanding, no full dividends shall be declared by the Board of Directors or paid or Set Apart for Payment by the Corporation on any Parity Stock for any period unless the Accrued Dividends have been or contemporaneously are declared and paid in full, or declared and, if payable in cash, a sum in cash is Set Apart for Payment. If the Accrued Dividends and any accrued dividends with respect to Parity Stock are not so paid (or a sum sufficient for such payment is not so Set Apart for Payment), all dividends declared and paid upon shares of the Series B Preferred Stock and any other Parity Stock shall be declared pro rata so that the amount of dividends declared and paid per share on the Series B Preferred Stock and such Parity Stock shall in all cases bear to each other the same ratio that the Accrued Dividends per share on the Series B Preferred Stock and the accrued dividends per share on such Parity Stock bear to each other.

(c) For so long as any shares of Series B Preferred Stock are outstanding, the Corporation shall not declare, pay or Set Apart for Payment any dividend on any of the Junior Stock (other than (i) dividends in Junior Stock to the holders of Junior Stock or (ii) distributions of rights to purchase shares of Common Stock or Preferred Stock of the Corporation to the holders of Common Stock of the Corporation), or make any payment on account of, or Set Apart for Payment money for a sinking or other similar fund for, the purchase, redemption or other retirement of, any of the Junior Stock or any warrants, rights, calls or options exercisable for or convertible into any of the Junior Stock whether in cash, obligations or shares of the Corporation or other property (other than in exchange for Junior Stock), and shall not permit any corporation or other entity directly or indirectly controlled by the Corporation to purchase or redeem any of the Junior Stock or any such warrants, rights, calls or options (other than in exchange for Junior Stock) unless the Accrued Dividends on the Series B Preferred Stock for all Dividend Periods ended on or prior to the date of such payment in respect of Junior Stock have been or contemporaneously are paid in full or declared and, if payable in cash, a sum in cash has been Set Apart for Payment.

(d) For so long as any shares of Series B Preferred Stock are outstanding, the Corporation shall not (except with respect to dividends as permitted by Section 2(b)) make any payment on account of, or Set Apart for Payment money for a sinking or other similar fund for, the purchase, redemption or other retirement of, any shares of the Parity Stock or any warrants, rights, calls or options exercisable for or convertible into any shares of the Parity Stock, and shall not permit any corporation or other entity directly or indirectly controlled by the Corporation to purchase or redeem any shares of the Parity Stock or any such warrants, rights, calls or options unless the Accrued Dividends on the Series B Preferred Stock for all Dividend Periods ended on or prior to the date of such payment in respect of Parity Stock have been or contemporaneously are paid in full.

(e) Notwithstanding anything contained herein to the contrary, dividends on the Series B Preferred Stock, if not paid on a Series B Dividend Payment Date, will accrue whether or not dividends are declared for such Series B Dividend Payment Date, whether or not the Corporation has earnings and whether or not there are profits, surplus or other funds legally available for the payment of such dividends. Any dividend payment made on shares of Series B Preferred Stock shall first be credited against the current dividend and then against the earliest Accrued Dividend.

3. Voting Rights.

(a) The holders of shares of the Series B Preferred Stock will not have any voting rights, except as set forth herein or as required by law.

(b) If and as long as (i) dividends on the Series B Preferred Stock shall be in arrears and unpaid for six (6) Dividend Periods (a "Payment Default"), the holders of such Series B Preferred Stock (voting together as a class with all other series of Parity Stock upon which like voting rights have been conferred and are exercisable) will be entitled to vote for the election of a total of two (2) additional directors of the Corporation (the "Default Directors") at a special meeting called at the request of the holders of record of at least twenty percent (20%) of the shares of Series B Preferred Stock and the holders of record of at least twenty percent (20%) of the shares of any series of Parity Stock so in arrears (unless such request is received less than ninety (90) days before the date fixed for the next annual or special meeting of the stockholders) or at the next annual meeting of stockholders, and at subsequent annual meetings until all dividends accumulated on such shares of Series B Preferred Stock for the past dividend periods and the dividend for the then current dividend period shall have been fully paid or declared and a sum sufficient for the payment thereof Set Apart for Payment. A quorum for purposes of electing Default Directors at any special or annual meeting shall exist if at least a majority of the outstanding shares of Series B Preferred Stock and shares of Parity Stock upon which like voting rights have been conferred and are exercisable are represented in person or by proxy. Such Default Directors shall be elected upon affirmative vote of a plurality of the shares of Series B Preferred Stock and such Parity Stock present and voting in person or by proxy at a duly called and held meeting at which a quorum for the purpose of electing Default Directors is present. If and when all accumulated dividends and the dividend for the then current dividend period on the shares of Series B Preferred Stock shall have been paid in full or Set Apart for Payment in full, the holders thereof shall be divested of the foregoing voting rights (subject to revesting in the event of each and every Payment Default) and, if all accumulated dividends and the dividend for the then current dividend period have been paid in full or Set Apart for Payment in full on all series of Parity Stock upon which like voting rights have been conferred and are exercisable, the term of office of each Default Director so elected shall immediately terminate. Any Default Director may be removed at any time with or without cause by, and shall not be removed otherwise than by the vote of, the holders of record of a majority of the outstanding shares of Series B Preferred Stock and all series of Parity Stock upon which like voting rights have been conferred and are exercisable (voting together as a class). So long as a Payment Default shall continue, any vacancy in the office of a Default Director may be filled by written consent of the Default Directors remaining in office, or if none remains in office, by a vote of the holders of record of a majority of

the outstanding shares of Series B Preferred Stock and Parity Stock upon which like voting rights have been conferred and are exercisable when they have the voting rights described above (voting together as a class) or by written consent of holders of a majority of such shares. The Default Directors shall each be entitled to one vote per director on any matter.

(c) The foregoing voting provision will not apply if, at or prior to the time when the act with respect to which such vote would otherwise be required shall be effected, all outstanding shares of Series B Preferred Stock shall have been redeemed or called for redemption upon proper notice and sufficient funds shall have been irrevocably deposited or Set Apart for Payment.

4. Liquidation, Dissolution or Winding-Up. If the Corporation shall commence a voluntary case under the Federal bankruptcy laws or any other applicable Federal or state bankruptcy, insolvency or similar law, or consent to the entry of any order for relief in an involuntary case under such law or to the appointment of a receiver, liquidator, assignee, custodian, trustee, sequestrator (or other similar official) of the Corporation, or of any substantial part of its property, or make an assignment for the benefit of its creditors, or admit in writing its inability to pay its debts generally as they become due, or if a decree or order for relief in respect of the Corporation shall be entered by a court having jurisdiction in the premises in an involuntary case under the Federal bankruptcy laws or any other applicable Federal or state bankruptcy, insolvency or similar law, or appointing a receiver, liquidator, assignee, custodian, trustee, sequestrator (or other similar official) of the Corporation or of any substantial part of its property, or ordering the winding-up or liquidation of its affairs, and on account of any such event the Corporation shall liquidate, dissolve or wind up, or if the Corporation shall otherwise liquidate, dissolve or wind up, subject to the prior rights of holders of any Senior Stock, but before any distribution or payment shall be made to holders of Junior Stock, the holders of shares of Series B Preferred Stock shall be entitled to receive, on a parity with holders of Parity Stock, out of the assets of the Corporation legally available for distribution to stockholders, an amount per share of Series B Preferred Stock equal to the Stated Amount plus all Accrued Dividends thereon until the date of such voluntary or involuntary liquidation, dissolution or winding-up of the Corporation. If upon any liquidation, dissolution or winding-up of the Corporation, the available assets of the Corporation are insufficient to pay the amount of the liquidating distributions on all outstanding shares of Series B Preferred Stock and the corresponding amounts payable on all Parity Stock in the distribution of assets, then the holders of shares of the Series B Preferred Stock and the Parity Stock shall share equally and ratably in any distribution of assets of the Corporation first in proportion to the full liquidating distributions per share to which they would otherwise be respectively entitled and then in proportion to their respective amounts of accrued but unpaid dividends. After payment of the full amount set forth above to which they are entitled, the holders of shares of Series B Preferred Stock will not be entitled to any further participation in any distribution of assets of the Corporation and shall not be entitled to any other distribution. For the purposes of this Section 4, neither the consolidation, merger or other business combination of the Corporation with or into any other entity or entities nor the sale of all or substantially all the assets of the Corporation shall be deemed to be a liquidation, dissolution or winding-up of the Corporation.

5. Call Right.

(a) Except as provided in this Section 5, the Corporation shall have no right to repurchase any shares of Series B Preferred Stock. At any time or from time to time commencing six (6) months following the date which is the later of the third anniversary of the Issuance Date or the date which is the 91st day following the repayment in full of the Corporation's 12% Senior Notes due 2006 (the "Call Trigger Date"), the Corporation shall have the right, at its sole option and election, to repurchase, out of funds legally available therefor, all, or part, of the outstanding shares of Series B Preferred Stock by providing written notice (the "Call Notice") of its intention to repurchase all, or part, of the outstanding shares of Series B Preferred Stock on the 30th Business Day following the date of such notice (the "Call Date") at a cash price per share of Series B Preferred Stock (the "Call Price") equal to the Stated Amount plus all Accrued Dividends thereon to the date of redemption. If less than all shares of Series B Preferred Stock outstanding at the time are to be repurchased by the Corporation pursuant to this Section 5(a), the shares of Series B Preferred Stock to be repurchased shall be selected pro rata; provided, however, that in the event that less than ten percent (10%) of the number of shares of Series B Preferred Stock originally issued are then outstanding, the Corporation shall be required to repurchase all of such outstanding shares if it elects to repurchase any shares pursuant to this Section 5(a).

(b) The Call Notice shall state: (i) the Call Date; (ii) the Call Price; (iii) the number of such holder's outstanding shares of Series B Preferred Stock to be repurchased by the Corporation; (iv) the place or places where certificates for such shares are to be surrendered for payment of the Call Price, including any procedures applicable to redemptions to be accomplished through book-entry transfers; and (v) that dividends on the shares of Series B Preferred Stock to be repurchased shall cease to accumulate as of the Call Date, or, if such shares are not actually repurchased on such date, the date on which the shares of Series B Preferred Stock are actually repurchased by the Corporation.

(c) Upon the Call Date (unless the Corporation shall default in making payment of the appropriate Call Price), whether or not certificates for shares which are the subject of the Call Notice have been surrendered for cancellation, the shares of Series B Preferred Stock to be repurchased shall be deemed to be no longer outstanding, dividends on such shares of Series B Preferred Stock shall cease to accumulate and the holders thereof shall cease to be stockholders with respect to such shares and shall have no rights with respect thereto, except for the rights to receive the Call Price, without interest.

6. Certain Transactions Prohibited. The Corporation shall not during any Pricing Period or any Conversion Period, declare a dividend or make a distribution, on the outstanding shares of Common Stock, in either case, in shares of Common Stock, or effect a subdivision, combination, consolidation or reclassification of the outstanding shares of Common Stock into a greater or lesser number of shares of Common Stock.

7. Conversion Into Common Stock.

(a) Each share of Series B Preferred Stock may, at the option of the holder thereof, be converted into shares of Common Stock at any time during any Conversion Period, on the terms and

conditions set forth in this Section 7. Subject to the provisions for adjustment hereinafter set forth, each share of Series B Preferred Stock shall be convertible in the manner hereinafter set forth into a number of fully paid and nonassessable shares of Common Stock equal to the product obtained by multiplying the Applicable Conversion Rate (as defined below) by the number of shares of Series B Preferred Stock being converted. The "Applicable Conversion Rate" means the quotient obtained by dividing the Conversion Value on the date of conversion by the Conversion Price on the date of conversion. Anything to the contrary contained in this Charter notwithstanding, in no event shall the Conversion Price used to compute the number of shares of Common Stock issuable upon conversion be less than $1.00 per share. In the event that the Conversion Price is less than $1.00 per share, then the number of shares of Common Stock issuable upon conversion shall be computed by reference to such floor.

(b) In case of any capital reorganization or reclassification of outstanding shares of Common Stock (other than a reclassification covered by Section 6), or in case of any consolidation, share exchange or merger of the Corporation with or into another Person, or in case of any sale or conveyance to another Person of the property of the Corporation as an entirety or substantially as an entirety (each of the foregoing being referred to as a "Transaction"), each share of Series B Preferred Stock then outstanding shall thereafter be convertible into, in lieu of the Common Stock issuable upon such conversion prior to the consummation of such Transaction, the kind and amount of shares of stock and other securities and property (including cash) receivable upon the consummation of such Transaction by a holder of that number of shares of Common Stock into which one share of Series B Preferred Stock was convertible immediately prior to such 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 Transaction). In any such case, if necessary, appropriate adjustment (as determined in good faith by the Board of Directors) shall be made in the application of the provisions set forth in this Section 7 with respect to rights and interests thereafter of the holders of shares of Series B Preferred Stock to the end that the provisions set forth herein for the protection of the conversion rights of the Series B Preferred Stock shall thereafter be applicable, as nearly as reasonably may be, to any such other shares of stock and other securities and property deliverable upon conversion of the shares of Series B Preferred Stock remaining outstanding (with such adjustments in the conversion price and number of shares issuable upon conversion and such other adjustments in the provisions hereof as the Board of Directors shall determine in good faith to be appropriate). In case securities or property other than Common Stock shall be issuable or deliverable upon conversion as aforesaid, then all references in this Section 7 shall be deemed to apply, so far as appropriate and as nearly as may be, to such other securities or property.

Notwithstanding anything contained herein to the contrary, the Corporation will not effect any Transaction unless, prior to the consummation thereof, (i) the Surviving Person, if other than the Corporation, shall assume, by written instrument mailed to each record holder of shares of Series B Preferred Stock, at such holder's address as it appears on the transfer books of the Corporation, the obligation to deliver to such holder such cash, property and securities to which, in accordance with the foregoing provisions, such holder is entitled. Nothing contained in this Section 7(b) shall limit the rights of holders of the Series B Preferred Stock to convert the Series B Preferred Stock in connection with the Transaction.

(c) The holder of any shares of Series B Preferred Stock may exercise its right to convert such shares into shares of Common Stock by surrendering for such purpose to the Corporation, at its principal office or at such other office or agency maintained by the Corporation for that purpose, a certificate or certificates representing the shares of Series B Preferred Stock to be converted duly endorsed to the Corporation in blank accompanied by a written notice stating that such holder elects to convert all or a specified whole number of such shares in accordance with the provisions of this Section 7. The Corporation will pay any and all documentary, stamp or similar issue or transfer tax and any other taxes that may be payable in respect of any issue or delivery of shares of Common Stock on conversion of Series B Preferred Stock pursuant hereto. As promptly as practicable after the surrender of such certificate or certificates 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 are inapplicable), the Corporation shall deliver or cause to be delivered (i) certificates registered in the name of such holder representing the number of validly issued, fully paid and nonassessable full shares of Common Stock to which the holder of shares of Series B Preferred Stock so converted shall be entitled and (ii) if less than the full number of shares of Series B Preferred Stock evidenced by the surrendered certificate or certificates are being converted, a new certificate or certificates, of like tenor, for the number of shares evidenced by such surrendered certificate or certificates less the number of shares converted. Such conversion shall be deemed to have been made at the close of business on the date of receipt of such notice and of such surrender of the certificate or certificates representing the shares of Series B Preferred Stock to be converted so that the rights of the holder thereof as to the shares being converted shall cease except for the right to receive shares of Common Stock, and the person entitled to receive the shares of Common Stock shall be treated for all purposes as having become the record holder of such shares of Common Stock at such time.

8. Reports as to Adjustments. Whenever the number of shares of Common Stock into which each share of Series B Preferred Stock is convertible (or the number of votes to which each share of Series B Preferred Stock is entitled) is adjusted as provided in Section 7, the Corporation shall promptly issue a press release stating that the number of shares of Common Stock into which the shares of Series B Preferred Stock are convertible has been adjusted and setting forth the new number of shares of Common Stock (or describing the new stock, securities, cash or other property) into which each share of Series B Preferred Stock is convertible, as a result of such adjustment, a brief statement of the facts requiring such adjustment and the computation thereof, and when such adjustment became effective.

9. Reacquired Shares. Any shares of Series B Preferred Stock redeemed, repurchased or otherwise acquired by the Corporation in any manner whatsoever shall be retired and canceled promptly after the acquisition thereof. All such shares shall upon their cancellation become authorized but unissued shares of Preferred Stock of the Corporation and may be reissued as part of another series of Preferred Stock of the Corporation subject to the conditions or restrictions on authorizing, creating or issuing any class or series, or any shares of any class or series.

10. Definitions. For the purposes of this Article V, Paragraph D., and with respect to the Series B Preferred Stock only, the following terms shall have the meanings indicated below:

"Accrued Dividends" to a particular date (the "Applicable Date") means all dividends

accrued but not paid on the Series B Preferred Stock pursuant to Section 2(a), whether or not earned or declared, accrued to the Applicable Date.

"Affiliate" or "affiliate" shall have the meaning set forth in Rule 12b-2 promulgated by the Securities and Exchange Commission under the Exchange Act.

"Business Day" means any day other than a Saturday, Sunday, or a day on which commercial banks in the City of New York are authorized or obligated by law or executive order to close.

"Bylaws" means the bylaws of the Corporation, as in effect from time to time, including any and all amendments thereto and restatements thereof.

"Call Date" shall have the meaning set forth in Section 5(a) hereof.

"Call Notice" shall have the meaning set forth in Section 5(a) hereof.

"Call Price" shall have the meaning set forth in Section 5(a) hereof.

"Call Trigger Date" shall have the meaning set forth in Section 5(a) hereof.

"Capital Stock" means (i) in the case of a corporation, corporate stock, (ii) in the case of an association or business entity, any and all shares, interests, participations, rights or other equivalents (however designated) of corporate stock, (iii) in the case of a partnership or limited liability company, partnership or membership interests (whether general or limited) and (iv) 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.

"Charter" means the charter of the Corporation, as currently in effect and as the same may be amended from time to time.

"Closing Price" per share of Common Stock (or any other security) on any date shall be the last sale price, at 4:30 p.m., Eastern Time, or, in case no such sale takes place on such day, the average of the closing bid and asked prices, in either case as reported on the NYSE or in the principal consolidated transaction reporting system with respect to securities listed or admitted to trading on the Nasdaq National Market or American Stock Exchange, as the case may be, or, if the Common Stock (or such other security) is not listed or admitted to trading on any national securities exchange, the last quoted sale price or, if not so quoted, the average of the high bid and low asked prices in the over-the-counter market, as reported by the National Association of Securities Dealers, Inc. Automated Quotations System ("NASDAQ") or such other system then in use, or, if on any such date the Common Stock (or such other security) is not quoted by any such organization, the average of the closing bid and asked prices as furnished by a professional market maker making a market in the Common Stock (or such other security) selected by the Board of Directors.

"Common Stock" means the common stock, par value $0.01 per share, of the Corporation.

"Conversion Period" means: (x) the period beginning on October 2, 2000 and ending on October 13, 2000; and (y) the period beginning on December 7, 2000 and ending on December 20, 2000.

"Conversion Price" shall be the Current Market Price for the Pricing Period, subject to adjustment as provided in Section 7.

"Conversion Value" per share of Series B Preferred Stock shall be an amount equal to the Stated Amount plus all Accrued Dividends, if any, thereon to the date of conversion or redemption, as the case may be.

"Current Market Price" per share of Common Stock (or any other security) for any Pricing Period shall be the average of the Closing Prices of a share of Common Stock (or such other security) for the ten consecutive Trading Days comprising the Pricing Period. If on any such Trading Day the Common Stock (or such other security) is not quoted by any organization referred to in the definition of Closing Price, the Current Market Price of the Common Stock (or such other security) on such day shall be determined by an investment banking firm of national reputation familiar with the valuation of companies substantially similar to the Corporation (the "Investment Banking Firm") appointed by the Board of Directors.

"Dividend Payment Date" means December 31, 2000 (with respect to the first Dividend Payment Date) and thereafter on March 31, June 30, September 30, and December 31 of each year, provided that no Dividend Payment Date shall occur with respect to shares of Series B Preferred Stock which have actually been redeemed or repurchased by the Corporation.

"Dividend Period" means the period from the Issuance Date to the first Dividend Payment Date (but without including such Dividend Payment Date) and, thereafter, each Dividend Payment Date to the following Dividend Payment Date (but without including such later Dividend Payment Date).

"Exchange Act" means the Securities Exchange Act of 1934, as amended.

"Issuance Date" means, with respect to each share of Series B Preferred Stock, the original date of issuance of that share.

"Junior Stock" means all classes of Common Stock of the Corporation and each other class of Capital Stock of the Corporation or series of Preferred Stock of the Corporation currently existing or hereafter created the terms of which do not expressly provide that it ranks senior to, or on a parity with, the Series B Preferred Stock as to dividend distributions and distributions upon liquidation, winding-up and dissolution of the Corporation.

"NYSE" means the New York Stock Exchange, Inc.

"Parity Stock" means any class of Capital Stock of the Corporation or series of Preferred Stock of the Corporation, the terms of which expressly provide that such class or series will rank on

a parity with the Series B Preferred Stock as to dividend distributions and distributions upon liquidation, winding-up and dissolution.

"Person" means an individual, partnership, corporation, limited liability company or partnership, unincorporated organization, trust or joint venture, or a governmental agency or political subdivision thereof, or other entity of any kind.

"Preferred Stock" means the preferred stock, $0.01 par value per share, of the Corporation.

"Pricing Period" means the ten (10) Trading Days ending one day prior to the first day of the applicable Conversion Period.

"Senior Stock" means each other class of Capital Stock of the Corporation or series of Preferred Stock of the Corporation, the terms of which expressly provide that such class or series will rank senior to the Series B Preferred Stock as to dividend distributions and distributions upon liquidation, winding-up and dissolution of the Corporation. The existing Series A Preferred Stock of the Corporation shall constitute Senior Stock of the Corporation ranking senior to the Series B Preferred Stock as to dividend distributions and distributions upon liquidation, winding-up and dissolution.

"Series A Preferred Stock" means the 8% Series A Cumulative Preferred Stock, $0.01 par value per share, of the Corporation, the terms of which are set forth in the Charter of the Corporation.

"Series B Preferred Stock" means the Series B Cumulative Convertible Preferred Stock of the Corporation, $0.01 par value per share, the terms of which are set forth in these Articles Supplementary.

"Set Apart for Payment" means the Corporation shall have irrevocably deposited with a bank or trust company doing business in the Borough of Manhattan, the City of New York, and having a capital and surplus of at least $1,000,000,000, in trust for the exclusive benefit of the holders of shares of Series B Preferred Stock, funds sufficient to satisfy the Corporation's payment obligation.

"Stated Amount" means $24.46 per share of Series B Preferred Stock.

"Surviving Person" means the continuing or surviving Person in a merger, consolidation, other corporate combination or the transfer of all or a substantial part of the properties and assets of the Corporation, in connection with which the Series B Preferred Stock or Common Stock of the Corporation is exchanged, converted or reinstated into the securities of any other Person or cash or any other property; provided, however, if such Surviving Person is a direct or indirect Subsidiary of a Person, the parent entity also shall be deemed to be a Surviving Person.

"Trading Day" means a day on which the principal national securities exchange on which the Common Stock (or any other security) is quoted, listed or admitted to trading is open for the transaction of business or, if the Common Stock (or such other security) is not quoted, listed or admitted to trading on any national securities exchange (including the NYSE), any day other than

a Saturday, Sunday, or a day on which banking institutions in the State of New York are authorized or obligated by law or executive order to close.

11. REIT Status. Nothing contained in the Charter shall limit the authority of the Board of Directors to take such other action as it deems necessary or advisable to protect the Corporation and the interests of the stockholders by the preservation of the Corporation's qualification as a real estate investment trust for Federal income tax purposes for the taxable year ended December 31, 1999, including without limitation the payment of dividends in the form of Parity Stock or Junior Stock.

12. References. References to numbered sections herein refer to sections of this Article V, Paragraph D, unless otherwise stated.

ARTICLE VI
LIMITATION ON PERSONAL LIABILITY AND INDEMNIFICATION OF DIRECTORS AND OFFICERS.

To the maximum extent that Maryland law in effect from time to time permits limitation of liability of directors or officers of corporations, no person who at any time was or is a director or officer of the Corporation shall be personally liable to the Corporation or its stockholders for money damages. Neither the amendment nor repeal of this provision, nor the adoption or amendment of any other provision of the charter or the Bylaws of the Corporation inconsistent with this provision, shall limit or eliminate in any respect the applicability of the preceding sentence with respect to any act or failure to act which occurred prior to such amendment, repeal or adoption.

EXHIBIT 3.2

CORRECTIONS CORPORATION OF AMERICA
(FORMERLY PRISON REALTY TRUST, INC.)

SECOND AMENDED AND RESTATED BYLAWS

ARTICLE I

OFFICES AND FISCAL AND TAXABLE YEARS

Section 1. PRINCIPAL OFFICE. The principal office of Corrections Corporation of America (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, except for the year 2000 when such meeting shall be held during the month of December, at a convenient location and on proper notice, on a date at the time set by the Board of Directors. 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 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.

(b) 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 10.4

CONSENT AND AMENDMENT
DATED AS OF JANUARY 10, 2001

This CONSENT AND AMENDMENT (this "Agreement") is among CORRECTIONS CORPORATION OF AMERICA (formerly known as Prison Realty Trust, Inc.), a Maryland corporation (the "Borrower"), the subsidiaries of the Borrower party to the Credit Agreement referred to below (collectively, the "Subsidiary Guarantors"), the Lenders (as defined below), and LEHMAN COMMERCIAL PAPER INC. ("LCPI"), as administrative agent for the Lenders (in such capacity, the "Administrative Agent").

PRELIMINARY STATEMENTS:

1. The Borrower, the Subsidiary Guarantors, the Lenders, and the Administrative Agent have entered into that certain Amended and Restated Credit Agreement, dated as of August 4, 1999, by and among the Borrower, the Subsidiary Guarantors, the lenders party thereto (the "Lenders"), the Administrative Agent, Societe Generale, as documentation agent, Lehman Brothers Inc., as advisor, book manager and lead arranger, The Bank of Nova Scotia, as syndication agent, and Southtrust Bank (formerly known as Southtrust Bank, N.A.), as co-agent (as previously amended, the "Credit Agreement"; capitalized terms used and not otherwise defined herein have the meanings assigned to such terms in the Credit Agreement).

2. The Borrower has informed the Lenders that it wishes to issue subordinated unsecured indebtedness in settlement of pending shareholder litigation that would otherwise be prohibited and result in an Event of Default under the terms of the Credit Agreement, as defined below (collectively, the "Litigation Settlement Debt").

3. The Borrower has requested that the Required Lenders and the Required Tranche C Term Lenders (i) consent to and waive any default that may result from the issuance of the Litigation Settlement Debt; and (ii) agree to certain amendments to the Credit Agreement, as more particularly described below.

4. Subject to the terms and conditions set forth below, and in consideration of certain agreements of the Borrower and the other Credit Parties set forth herein, the Required Lenders and the Required Tranche C Term Lenders are willing to agree to the consents and amendments described below.

NOW, THEREFORE, in consideration of the premises and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

1. Defined Terms. For purposes of this Agreement, the following terms shall have the meanings set forth below:

a. "Amendment Effective Date" means the date on which all of the conditions precedent to the effectiveness of this Agreement have been satisfied.

b. "Litigation Settlement Debt" means the issuance by the Borrower of eight percent (8%) zero coupon subordinate promissory notes in an aggregate principal amount not to

exceed twenty-nine million dollars ($29,000,000) in settlement of claims pending against the Borrower as contemplated by that certain memorandum of understanding, dated as of December 14, 2000, among legal counsel for the Borrower and various attorneys party thereto as legal counsel for the plaintiffs in such claims; provided that such Litigation Settlement Debt (i) shall be subordinate to the prior payment in full in cash of the Credit Party Obligations and all other Indebtedness of the Borrower in accordance with the Litigation Settlement Debt Subordination Provisions and otherwise in a manner reasonably satisfactory to the Administrative Agent; (ii) shall have a maturity date not earlier than January 2, 2009; (iii) shall be fully extinguished if, at any time prior to January 2, 2009, the trading price of the Borrower's publicly traded common stock is greater than $1.63 for any consecutive period of fifteen (15) trading days; (iv) on January 2, 2009, if such Litigation Settlement Debt has not been extinguished pursuant to (iii) above, shall be reduced by an amount equal to the Stock Price Premium; and (v) shall otherwise be satisfactory to the Administrative Agent.

c. "Litigation Settlement Debt Subordination Provisions" means (i) no covenants or other affirmative or negative obligations (other than the promise to pay when due); (ii) no defaults or events of default except failure to pay when due; (iii) no right to payment of principal or interest so long as any Credit Party Obligations have not been paid in full in cash; (iv) no acceleration, collection or other rights or remedies upon a default or event of default so long as any Credit Party Obligations have not been paid in full in cash; (v) no right or ability to amend or modify the Litigation Settlement Debt without the consent of the Administrative Agent, which consent may be granted or withheld in the Administrative Agent's sole and absolute discretion; (vi) no right or ability to object or consent to any amendments, modifications, or other changes to, or refinancings or waivers of the Credit Party Obligations or any of the Credit Documents, or the exercise or non-exercise of any rights or remedies by any of the Secured Parties; (vii) no right or ability to challenge the Secured Parties' claims or liens or the Litigation Settlement Debt Subordination Provisions; (viii) the right of the Administrative Agent, as attorney-in-fact for the holders of the Litigation Settlement Debt, to take any actions in the name of such holders to effectuate the provisions and intent of the Litigation Settlement Debt Subordination Provisions; (ix) the continued applicability and enforceability of all of the Litigation Settlement Debt Subordination Provisions subsequent to the occurrence of a Bankruptcy Event with respect to the Borrower; (x) the right of the Secured Parties to vote the claims of the holders of the Litigation Settlement Debt in any proceeding arising out of or relating to a Bankruptcy Event of any Credit Party with respect to any matter to be voted upon, including, without limitation, acceptance or rejection of a plan of reorganization or election of a trustee; (xi) in connection with any Bankruptcy Event with respect to the Borrower, assignment to the Secured Parties of the right to file a proof of claim on behalf of the holders of the Litigation Settlement Debt and agreement not to file a competing claim; (xii) agreement by the holders of the Litigation Settlement Debt to hold in trust for the Secured Parties and immediately to remit to the Administrative Agent any payment received by them from the Borrower in violation of the Litigation Settlement Debt Subordination Provisions; (xiii) agreement by the holders of the Litigation Settlement Debt that, if there occurs a Bankruptcy Event with respect to the Borrower, such holders will not (A) object to any plan of reorganization or disclosure statement that is supported by the Secured Parties, (B) propose or support any plan of reorganization not supported by the Secured Parties, (C) seek any dismissal of a bankruptcy case or conversion of the case to a case under a different chapter of the Bankruptcy Code other than in a manner expressly consented to by the Secured Parties, (D) seek the appointment of a trustee or

examiner, (E) serve on any official committee of creditors appointed in any proceeding relating to such Bankruptcy Event, or (F) file any motion, pleading or other document or appear in any capacity in a bankruptcy case without the consent of the Secured Parties; and (xiv) other subordination provisions (both pre-bankruptcy and post-bankruptcy) required by the Administrative Agent.

d. "Stock Price Premium" means an amount equal to (i) the difference between the average price over the immediately preceding fifty (50) day period of the Borrower's common stock less $0.49 times (ii) 46,900,000; provided that if such amount is less than or equal to zero, the Stock Price Premium shall be zero.

2. Consent. Upon the terms and subject to the conditions set forth in this Agreement and in reliance on the representations and warranties of the Credit Parties set forth in this Agreement, the Required Lenders and Required Tranche C Term Lenders hereby consent to the issuance by the Borrower of the Litigation Settlement Debt.

3. Amendments to Credit Agreement. Upon the terms and subject to the conditions set forth in this Agreement and in reliance on the representations and warranties of the Credit Parties set forth in this Agreement, the Borrower, the Required Lenders and the Required Tranche C Term Lenders hereby agree to the following amendments to the Credit Agreement:

a. Schedule 6.9 of the Credit Agreement is hereby deleted in its entirety and replaced with the revised Schedule 6.9 attached hereto as Exhibit A.

b. Section 1.1 of the Credit Agreement is hereby amended by adding the following definitions in proper alphabetical order:

1. ""Consent and Amendment" means that certain Consent and Amendment, dated as of January 10, 2001, among the Borrower, certain of the Borrower's subsidiaries, the Lenders, and the Administrative Agent."

2. ""Litigation Settlement Debt" means the issuance by the Borrower of eight percent (8%) zero coupon subordinate promissory notes in an aggregate principal amount not to exceed twenty-nine million dollars ($29,000,000) in settlement of claims pending against the Borrower as contemplated by that certain memorandum of understanding, dated as of December 14, 2000, among legal counsel for the Borrower and various attorneys party thereto as legal counsel for the plaintiffs in such claims; provided that such Litigation Settlement Debt (i) shall be subordinate to the prior payment in full in cash of the Credit Party Obligations and all other Indebtedness of the Borrower in accordance with the Litigation Settlement Debt Subordination Provisions and otherwise in a manner reasonably satisfactory to the Administrative Agent; (ii) shall have a maturity date not earlier than January 2, 2009; (iii) shall be fully extinguished if, at any time prior to January 2, 2009, the trading price of the Borrower's publicly traded common stock is greater than $1.63 for any consecutive period of fifteen (15) trading days; (iv) on January 2, 2009, if such Litigation Settlement Debt has not been extinguished pursuant to (iii) above, shall be reduced by an amount equal to the Stock Price Premium; and (v) shall otherwise be satisfactory to the Administrative Agent."

3. ""Litigation Settlement Debt Subordination Provisions" means (i) no covenants or other affirmative or negative obligations (other than the promise to pay when due); (ii) no defaults or events of default except failure to pay when due; (iii) no right to payment of principal or interest so long as any Credit Party Obligations have not been paid in full in cash; (iv) no acceleration, collection or other rights or remedies upon a default or event of default so long as any Credit Party Obligations have not been paid in full in cash; (v) no right or ability to amend or modify the Litigation Settlement Debt without the consent of the Administrative Agent, which consent may be granted or withheld in the Administrative Agent's sole and absolute discretion; (vi) no right or ability to object or consent to any amendments, modifications, or other changes to, or refinancings or waivers of the Credit Party Obligations or any of the Credit Documents, or the exercise or non-exercise of any rights or remedies by any of the Secured Parties; (vii) no right or ability to challenge the Secured Parties' claims or liens or the Litigation Settlement Debt Subordination Provisions; (viii) the right of the Administrative Agent, as attorney-in-fact for the holders of the Litigation Settlement Debt, to take any actions in the name of such holders to effectuate the provisions and intent of the Litigation Settlement Debt Subordination Provisions; (ix) the continued applicability and enforceability of all of the Litigation Settlement Debt Subordination Provisions subsequent to the occurrence of a Bankruptcy Event with respect to the Borrower; (x) the right of the Secured Parties to vote the claims of the holders of the Litigation Settlement Debt in any proceeding arising out of or relating to a Bankruptcy Event of any Credit Party with respect to any matter to be voted upon, including, without limitation, acceptance or rejection of a plan of reorganization or election of a trustee; (xi) in connection with any Bankruptcy Event with respect to the Borrower, assignment to the Secured Parties of the right to file a proof of claim on behalf of the holders of the Litigation Settlement Debt and agreement not to file a competing claim; (xii) agreement by the holders of the Litigation Settlement Debt to hold in trust for the Secured Parties and immediately to remit to the Administrative Agent any payment received by them from the Borrower in violation of the Litigation Settlement Debt Subordination Provisions; (xiii) agreement by the holders of the Litigation Settlement Debt that, if there occurs a Bankruptcy Event with respect to the Borrower, such holders will not (A) object to any plan of reorganization or disclosure statement that is supported by the Secured Parties, (B) propose or support any plan of reorganization not supported by the Secured Parties, (C) seek any dismissal of a bankruptcy case or conversion of the case to a case under a different chapter of the Bankruptcy Code other than in a manner expressly consented to by the Secured Parties, (D) seek the appointment of a trustee or examiner, (E) serve on any official committee of creditors appointed in any proceeding relating to such Bankruptcy Event, or (F) file any motion, pleading or other document or appear in any capacity in a bankruptcy case without the consent of the Secured Parties; and (xiv) other subordination provisions (both pre-bankruptcy and post-bankruptcy) required by the Administrative Agent."

4. ""Stock Price Premium" means an amount equal to (i) the difference between the average price over the immediately preceding fifty (50) day period of the Borrower's common stock less $0.49 times (ii) 46,900,000; provided that if such amount is less than or equal to zero, the Stock Price Premium shall be zero."

c. Section 7.11 of the Credit Agreement is hereby amended by adding the sentence "For purposes of determining compliance with this Section 7.11 only, the definition of "Indebtedness" shall exclude the Litigation Settlement Debt." at the end thereof.

d. Section 8.1 of the Credit Agreement is hereby amended by adding the following subsection (m) at the end thereof:

"(m) the Litigation Settlement Debt as contemplated by and in accordance with the definition thereof, provided that any settlement of any shareholder litigation or similar dispute shall remain subject to the limitations set forth in Section 9.1(r)."

e. Section 9.1(r) of the Credit Agreement is hereby amended by adding the phrase ", other than the Litigation Settlement Debt" immediately preceding the semi-colon at the end thereof.

4. Conditions to Effectiveness. The effectiveness of this Agreement is conditioned upon satisfaction of the following conditions precedent:

a. the Administrative Agent shall have received signed written authorization from the Required Lenders and Required Tranche C Term Lenders to execute this Agreement, and shall have received counterparts of this Agreement signed by the Borrower and the other Credit Parties;

b. each of the representations and warranties in Section 5 below shall be true and correct in all material respects;

c. after giving effect to the consent set forth in Section 2 hereof and the amendments set forth in Section 3 hereof, no Default or Event of Default shall have occurred and be continuing under the Credit Agreement or any other Credit Document;

d. in consideration of the consent and amendments contained in this Agreement, the Borrower shall have paid to the Administrative Agent on the Amendment Effective Date, for the pro rata account of the Lenders, a fee equal to 0.03% of the sum of the Revolving Committed Amount, the outstanding Term Loans and the outstanding Tranche C Term Loans;

e. the Administrative Agent shall have received payment in immediately available funds of all expenses incurred by the Administrative Agent (including, without limitation, legal fees) for which invoices have been presented, on or before the Amendment Effective Date;

f. the Administrative Agent and the Lenders shall have received legal opinions from (i) the Borrower's New York counsel reasonably satisfactory to the Administrative Agent, (ii) Miles & Stockbridge, (iii) Stokes, Bartholomew, Evans & Petree and (iv) other counsel requested by the Administrative Agent, each in form and substance reasonably satisfactory to the Administrative Agent, dated as of the Amendment Effective Date and addressed to each of the Administrative Agent, the Documentation Agent, the Syndication Agent, the Co-Agent, the Lead Arranger and the Lenders;

g. the Required Lenders and the Required Tranche C Term Lenders shall be satisfied with the continued perfection and priority of the Liens of the Administrative Agent on the Collateral and will have received such title insurance endorsements and other documents and agreements as they may reasonably require;

h. the Administrative Agent shall have received satisfactory evidence that the execution, delivery and performance of this Agreement (including, without limitation, the amendments to the Credit Agreement contained herein) have been duly approved by all necessary corporate action of each Credit Party; and

i. the Administrative Agent shall have received such other documents, instruments, certificates, opinions and approvals as it may reasonably request.

5. Representations and Warranties. The Borrower and each of the other Credit Parties represents and warrants to the Administrative Agent and the Lenders as follows:

a. Authority. Each of the Credit Parties has the requisite corporate power and authority to execute and deliver this Agreement and to perform its obligations hereunder and under the Credit Agreement (as modified hereby). The execution, delivery and performance by the Borrower and each other Credit Party of this Agreement, the Credit Agreement (as modified hereby) and the transactions contemplated hereby and thereby have been duly approved by all necessary corporate action of such Person and no other corporate proceedings on the part of each such Person are necessary to consummate such transactions (except as expressly contemplated hereby and thereby).

b. Enforceability. This Agreement has been duly executed and delivered by the Borrower and the other Credit Parties. Each of this Agreement and, after giving effect to this Agreement, the Credit Agreement and the other Credit Documents is the legal, valid and binding obligation of each Credit Party hereto and thereto, enforceable against such Credit Party in accordance with its terms, and is in full force and effect. Neither the execution, delivery or performance of this Agreement or of the Credit Agreement (as modified hereby), nor the performance of the transactions contemplated hereby or thereby, will adversely affect the validity, perfection or priority of the Administrative Agent's Lien on any of the Collateral. The waivers, consents and amendments with respect to the Credit Agreement contained herein have been validly approved as required under Section 11.6 and 11.6A of the Credit Agreement and such consents and amendments are binding on the Lenders.

c. Representations and Warranties. After giving effect to this Agreement, the representations and warranties contained in the Credit Agreement and the other Credit Documents (other than any such representations and warranties that, by their terms, are specifically made as of a date other than the date hereof) are true and correct on and as of the date hereof as though made on and as of the date hereof.

d. No Conflicts. Neither the execution and delivery of this Agreement, nor the consummation of the transactions contemplated hereby (including, without limitation, the issuance by the Borrower of the Litigation Settlement Debt and the repayment thereof as contemplated thereby), nor the performance of and compliance with the terms and provisions

hereof by such Credit Party will, at the time of such performance, (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, except for any violation, contravention or conflict which could not reasonably be expected to have a Material Adverse Effect, (c) violate, contravene or conflict with the 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 (including, without limitation, the Senior Notes Indenture, the MDP Note Purchase Agreement, the PMI Note Purchase Agreement and the Management Opco Credit Agreement), except for any violation, contravention or conflict which could not reasonably be expected to 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.

e. No Default. After giving effect to the consent set forth in Section 2 hereof and the amendments set forth in Section 3 hereof, no Default or Event of Default has occurred and is continuing under the Credit Agreement or any other Credit Document.

6. Reference to and Effect on Credit Agreement.

a. Upon and after the effectiveness of this Agreement, each reference in the Credit Agreement to "this Agreement", "hereunder", "hereof" or words of like import referring to the Credit Agreement, and each reference in the other Credit Documents to "the Credit Agreement", "thereunder", "thereof" or words of like import referring to the Credit Agreement, shall mean and be a reference to the Credit Agreement as modified hereby.

b. Except as specifically modified above, the Credit Agreement and the other Credit Documents are and shall continue to be in full force and effect and are hereby in all respects ratified and confirmed. Without limiting the generality of the foregoing, the Collateral Documents and all of the Collateral described therein do and shall continue to secure the payment of all Credit Party Obligations under and as defined therein, in each case as modified hereby. The consent contained in Section 2 of this Agreement is limited to the specific facts and circumstances set forth therein and shall not operate as a waiver of, or a consent to any variation from, any other provision of the Credit Agreement or any other Credit Document.

c. The execution, delivery and effectiveness of this Agreement shall not, except as expressly provided herein, operate as a waiver of any right, power or remedy of any Secured Party under any of the Credit Documents, nor, except as expressly provided herein, constitute a waiver or amendment of any provision of any of the Credit Documents.

7. Counterparts. This Agreement may be executed in any number of counterparts and by different parties hereto in separate counterparts, each of which when so executed and delivered shall be deemed to be an original and all of which taken together shall constitute one and the same agreement. Delivery of an executed counterpart of a signature page to this Agreement by facsimile shall be effective as delivery of a manually executed counterpart of this Agreement.

8. Severability. Any provision of this Agreement that 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.

9. Governing Law. This Agreement shall be governed by, and construed in accordance with, the laws of the State of New York.

10. Release of Claims. Each of the Credit Parties hereby acknowledges and agrees that it does not have any defenses, counterclaims, offsets, cross-complaints, claims or demands of any kind or nature whatsoever arising out of the Credit Agreement or the other Credit Documents that can be asserted to reduce or eliminate all or any part of the liability of such Credit Party to repay any Secured Party, as provided in the Credit Agreement and the other Credit Documents, or to seek affirmative relief or damages of any kind or nature from any Secured Party arising out of the Credit Agreement or the other Credit Documents. Each Credit Party hereby voluntarily and knowingly releases and forever discharges each of the Secured Parties, and each Secured Party's predecessors, agents, employees, successors and assigns, from all possible claims, demands, actions, causes of action, damages, costs, or expenses, and liabilities whatsoever, known or unknown, anticipated or unanticipated, suspected or unsuspected, fixed, contingent, or conditional, at law or in equity, originating in whole or in part on or before the effective date of this Agreement, which such Credit Party may now or hereafter have against any such Secured Party, and such Secured Party's predecessors, agents, employees, successors and assigns, if any, in each case arising out of the Credit Agreement or the other Credit Documents, irrespective of whether any such claims arise out of contract, tort, violation of law or regulations, or otherwise, including, without limitation, the exercise of any rights and remedies under the Credit Agreement or the other Credit Documents, and the negotiation and execution of this Agreement.

To the extent that such laws may be applicable, the Credit Parties waive and release any right or defense which they might otherwise have under any law of any applicable jurisdiction which might limit or restrict the effectiveness or scope of any of their waivers or releases hereunder.

[Signature Pages Follow]

IN WITNESS WHEREOF, the parties hereto have caused this Consent and Amendment to be executed by their respective officers thereunto duly authorized, as of the date first written above.

CORRECTIONS CORPORATION OF AMERICA (f/k/a Prison Realty Trust, Inc.), a Maryland corporation

By: /s/ John D. Ferguson

Name: John D. Ferguson
Title: President

PRISON REALTY MANAGEMENT, INC., a Tennessee corporation

By: /s/ John D. Ferguson

Name: John D. Ferguson
Title: President

CCA OF TENNESSEE, INC. (f/k/a CCA Acquisition Sub, Inc.), a Tennessee corporation

By: /s/ John D. Ferguson

Name: John D. Ferguson
Title: President

PMSI ACQUISITION SUB, INC., a Tennessee corporation

By: /s/ Brent Turner

Name: Brent Turner
Title: Secretary

JJFMSI ACQUISITION SUB, INC.,
a Tennessee corporation

By: /s/ Brent Turner

Name: Brent Turner
Title: Secretary

TRANSCOR AMERICA, LLC,
a Tennessee limited liability company

By: /s/ Sharon Johnson Rion

Name: Sharon Johnson Rion
Title: Chief Manager, Chief Executive Officer & President

CCA INTERNATIONAL, INC.,
a Tennessee corporation

By: /s/ Brent Turner

Name: Brent Turner
Title: Secretary

TECHNICAL AND BUSINESS INSTITUTE, INC.,
a Tennessee corporation

By: /s/ Brent Turner

Name: Brent Turner
Title: Secretary

LEHMAN COMMERCIAL PAPER INC.,
as Administrative Agent, on behalf of the Required Lenders and the Required Tranche C Term Lenders

By: /s/ G. Andrew Keith

Name: G. Andrew Keith
Title: Authorized Signatory

EXHIBIT A

REVISED SCHEDULE 6.9 TO CREDIT AGREEMENT

[intentionally omitted]

EXHIBIT 10.5

AMENDMENT
DATED AS OF MARCH 13, 2001

This AMENDMENT (this "Agreement") is among CORRECTIONS CORPORATION OF AMERICA (formerly known as Prison Realty Trust, Inc.), a Maryland corporation (the "Borrower"), the subsidiaries of the Borrower party to the Credit Agreement referred to below (collectively, the "Subsidiary Guarantors"), the Lenders (as defined below), and LEHMAN COMMERCIAL PAPER INC. ("LCPI"), as administrative agent for the Lenders (in such capacity, the "Administrative Agent").

PRELIMINARY STATEMENTS:

1. The Borrower, the Subsidiary Guarantors, the Lenders, and the Administrative Agent have entered into that certain Amended and Restated Credit Agreement, dated as of August 4, 1999, by and among the Borrower, the Subsidiary Guarantors, the lenders party thereto (the "Lenders"), the Administrative Agent, Societe Generale, as documentation agent, Lehman Brothers Inc., as advisor, book manager and lead arranger, The Bank of Nova Scotia, as syndication agent, and Southtrust Bank (formerly known as Southtrust Bank, N.A.), as co-agent (as previously amended, the "Credit Agreement"; capitalized terms used and not otherwise defined herein have the meanings assigned to such terms in the Credit Agreement).

2. The Borrower has informed the Lenders that it wishes to (i) extend the deadline by which the Borrower is required to consummate the Agecroft Securitization and (ii) amend certain other provisions of the Credit Agreement, as more particularly described below.

3. Subject to the terms and conditions set forth below, and in consideration of certain agreements of the Borrower and the other Credit Parties set forth herein, the Required Lenders and the Required Tranche C Term Lenders are willing to agree to the amendments described below.

NOW, THEREFORE, in consideration of the premises and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

1. Amendments to Credit Agreement. Upon the terms and subject to the conditions set forth in this Agreement and in reliance on the representations and warranties of the Credit Parties set forth in this Agreement, the Borrower, the Required Lenders and the Required Tranche C Term Lenders hereby agree to the following amendments to the Credit Agreement:

a. Section 1.1 of the Credit Agreement is hereby amended by adding the following definitions in proper alphabetical order:

1. ""Amendment" means that certain Amendment, dated as of March 13, 2001, among the Borrower, certain of the Borrower's subsidiaries, the Lenders, and the Administrative Agent."

2. ""EBITDA Reduction Amount" means, with respect to any Asset Disposition, the amount of Post Merger EBITDA attributable to the assets sold in such

Asset Disposition in the fiscal quarter immediately preceding such Asset Disposition, in accordance with GAAP."

3. ""LTM EBITDA Reduction Amount" means, with respect to any Asset Disposition, the amount of Post Merger EBITDA attributable to the assets sold in such Asset Disposition in the four full fiscal quarters immediately preceding such Asset Disposition, in accordance with GAAP."

b. Section 7.1(a) of the Credit Agreement is hereby amended by adding the phrase "; provided, however, that such opinion may be qualified, as to fiscal year 2000 audited financial statements only, to the extent that such qualification is premised solely upon the status of the Revolving Loan Maturity Date, the Term Loan Maturity Date or the Tranche C Term Loan Maturity Date" immediately following the words "as a going concern" in the fifteenth line thereof.

c. Section 7.11(i) of the Credit Agreement is hereby amended by adding the following sentence at the end thereof:

"For purposes of calculating LTM Post Merger EBITDA, if any Asset Dispositions have occurred during the immediately preceding four full fiscal quarters, LTM Post Merger EBITDA shall be adjusted by taking into effect the decrease in Post Merger EBITDA attributable to such Asset Dispositions, in each case, to the extent that such Asset Dispositions have been used for purposes of determining compliance with Section 7.11(v) hereof and reasonably proportional to the LTM EBITDA Reduction Amounts set forth in the certificates delivered pursuant to Section 8.5 hereof for such Asset Dispositions, in accordance with GAAP."

d. Section 7.11(v) of the Credit Agreement is hereby amended by adding the following phrase immediately following the words "greater than $44,200,000" in the fifth line thereof:

", and provided further that the amounts set forth below shall be reduced by an amount equal to the EBITDA Reduction Amount of all Asset Dispositions, to the extent that such EBITDA Reduction Amounts are set forth in a certificate delivered pursuant to Section 8.5 hereof"

e. Section 7.20 of the Credit Agreement is hereby amended by deleting the words "February 28, 2001" and replacing them with the words "March 31, 2001" in the second line thereof.

f. Section 8.5 of the Credit Agreement is hereby amended by deleting the word "and" immediately following the words "value of such assets," in the fifth line thereof, and by adding the words "and the corresponding EBITDA Reduction Amount and LTM EBITDA Reduction Amount with respect to such Asset Disposition," immediately following the words "with such Asset Disposition," in the sixth line thereof.

2. Conditions to Effectiveness. The effectiveness of this Agreement is conditioned upon satisfaction of the following conditions precedent (the date on which all such conditions have been satisfied being referred to herein as, the "Amendment Effective Date"):

a. the Administrative Agent shall have received signed written authorization from the Required Lenders and Required Tranche C Term Lenders to execute this Agreement, and shall have received counterparts of this Agreement signed by the Borrower and the other Credit Parties;

b. each of the representations and warranties in Section 3 below shall be true and correct in all material respects;

c. after giving effect to the amendments set forth in Section 1 hereof, no Default or Event of Default shall have occurred and be continuing under the Credit Agreement or any other Credit Document;

d. the Administrative Agent shall have received payment in immediately available funds of all expenses incurred by the Administrative Agent (including, without limitation, legal fees) for which invoices have been presented, on or before the Amendment Effective Date;

e. the Required Lenders and the Required Tranche C Term Lenders shall be satisfied with the continued perfection and priority of the Liens of the Administrative Agent on the Collateral and will have received such title insurance endorsements and other documents and agreements as they may reasonably require;

f. the Administrative Agent shall have received satisfactory evidence that the execution, delivery and performance of this Agreement (including, without limitation, the amendments to the Credit Agreement contained herein) have been duly approved by all necessary corporate action of each Credit Party; and

g. the Administrative Agent shall have received such other documents, instruments, certificates, opinions and approvals as it may reasonably request.

3. Representations and Warranties. The Borrower and each of the other Credit Parties represents and warrants to the Administrative Agent and the Lenders as follows:

a. Authority. Each of the Credit Parties has the requisite corporate power and authority to execute and deliver this Agreement and to perform its obligations hereunder and under the Credit Agreement (as modified hereby). The execution, delivery and performance by the Borrower and each other Credit Party of this Agreement, the Credit Agreement (as modified hereby) and the transactions contemplated hereby and thereby have been duly approved by all necessary corporate action of such Person and no other corporate proceedings on the part of each such Person are necessary to consummate such transactions (except as expressly contemplated hereby and thereby).

b. Enforceability. This Agreement has been duly executed and delivered by the Borrower and the other Credit Parties. Each of this Agreement and, after giving effect to this Agreement, the Credit Agreement and the other Credit Documents is the legal, valid and binding obligation of each Credit Party hereto and thereto, enforceable against such Credit Party in accordance with its terms, and is in full force and effect. Neither the execution, delivery or performance of this Agreement or of the Credit Agreement (as modified hereby), nor the

performance of the transactions contemplated hereby or thereby, will adversely affect the validity, perfection or priority of the Administrative Agent's Lien on any of the Collateral. The amendments with respect to the Credit Agreement contained herein have been validly approved as required under Section 11.6 and 11.6A of the Credit Agreement and such consents and amendments are binding on the Lenders.

c. Representations and Warranties. After giving effect to this Agreement, the representations and warranties contained in the Credit Agreement and the other Credit Documents (other than any such representations and warranties that, by their terms, are specifically made as of a date other than the date hereof) are true and correct on and as of the date hereof as though made on and as of the date hereof.

d. No Conflicts. Neither the execution and delivery of this Agreement, nor the consummation of the transactions contemplated hereby, nor the performance of and compliance with the terms and provisions hereof by any Credit Party will, at the time of such performance, (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, except for any violation, contravention or conflict which could not reasonably be expected to have a Material Adverse Effect, (c) violate, contravene or conflict with the 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 (including, without limitation, the Senior Notes Indenture, the MDP Note Purchase Agreement, the PMI Note Purchase Agreement and the Management Opco Credit Agreement), except for any violation, contravention or conflict which could not reasonably be expected to 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.

e. No Default. After giving effect to the amendments set forth in Section 1 hereof, no Default or Event of Default has occurred and is continuing under the Credit Agreement or any other Credit Document.

4. Reference to and Effect on Credit Agreement.

a. Upon and after the effectiveness of this Agreement, each reference in the Credit Agreement to "this Agreement", "hereunder", "hereof" or words of like import referring to the Credit Agreement, and each reference in the other Credit Documents to "the Credit Agreement", "thereunder", "thereof" or words of like import referring to the Credit Agreement, shall mean and be a reference to the Credit Agreement as modified hereby.

b. Except as specifically modified above, the Credit Agreement and the other Credit Documents are and shall continue to be in full force and effect and are hereby in all respects ratified and confirmed. Without limiting the generality of the foregoing, the Collateral Documents and all of the Collateral described therein do and shall continue to secure the

payment of all Credit Party Obligations under and as defined therein, in each case as modified hereby.

c. The execution, delivery and effectiveness of this Agreement shall not, except as expressly provided herein, operate as a waiver of any right, power or remedy of any Secured Party under any of the Credit Documents, nor, except as expressly provided herein, constitute a waiver or amendment of any provision of any of the Credit Documents.

5. Counterparts. This Agreement may be executed in any number of counterparts and by different parties hereto in separate counterparts, each of which when so executed and delivered shall be deemed to be an original and all of which taken together shall constitute one and the same agreement. Delivery of an executed counterpart of a signature page to this Agreement by facsimile shall be effective as delivery of a manually executed counterpart of this Agreement.

6. Severability. Any provision of this Agreement that 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.

7. Governing Law. This Agreement shall be governed by, and construed in accordance with, the laws of the State of New York.

8. Release of Claims. Each of the Credit Parties hereby acknowledges and agrees that it does not have any defenses, counterclaims, offsets, cross-complaints, claims or demands of any kind or nature whatsoever arising out of the Credit Agreement or the other Credit Documents that can be asserted to reduce or eliminate all or any part of the liability of such Credit Party to repay any Secured Party, as provided in the Credit Agreement and the other Credit Documents, or to seek affirmative relief or damages of any kind or nature from any Secured Party arising out of the Credit Agreement or the other Credit Documents. Each Credit Party hereby voluntarily and knowingly releases and forever discharges each of the Secured Parties, and each Secured Party's predecessors, agents, employees, successors and assigns, from all possible claims, demands, actions, causes of action, damages, costs, or expenses, and liabilities whatsoever, known or unknown, anticipated or unanticipated, suspected or unsuspected, fixed, contingent, or conditional, at law or in equity, originating in whole or in part on or before the effective date of this Agreement, which such Credit Party may now or hereafter have against any such Secured Party, and such Secured Party's predecessors, agents, employees, successors and assigns, if any, in each case arising out of the Credit Agreement or the other Credit Documents, irrespective of whether any such claims arise out of contract, tort, violation of law or regulations, or otherwise, including, without limitation, the exercise of any rights and remedies under the Credit Agreement or the other Credit Documents, and the negotiation and execution of this Agreement.

To the extent that such laws may be applicable, the Credit Parties waive and release any right or defense which they might otherwise have under any law of any applicable jurisdiction

which might limit or restrict the effectiveness or scope of any of their waivers or releases hereunder.

[Signature Pages Follow]

IN WITNESS WHEREOF, the parties hereto have caused this Amendment to be executed by their respective officers thereunto duly authorized, as of the date first written above.

CORRECTIONS CORPORATION OF AMERICA (f/k/a Prison Realty Trust, Inc.), a Maryland corporation

By: /s/ John D. Ferguson

Name: John D. Ferguson
Title: President

PRISON REALTY MANAGEMENT, INC., a Tennessee corporation

By: /s/ Irving E. Lingo, Jr.

Name: Irving E. Lingo, Jr.
Title: Secretary

CCA OF TENNESSEE, INC. (f/k/a CCA Acquisition Sub, Inc.), a Tennessee corporation

By: /s/ John D. Ferguson

Name: John D. Ferguson
Title: President

PMSI ACQUISITION SUB, INC., a Tennessee corporation

By: /s/ Irving E. Lingo, Jr.

Name: Irving E. Lingo, Jr.
Title: Secretary

JJFMSI ACQUISITION SUB, INC.,
a Tennessee corporation

By: /s/ Irving E. Lingo, Jr.

Name: Irving E. Lingo, Jr.
Title: Secretary

TRANSCOR AMERICA, LLC,
a Tennessee limited liability company

By: /s/ Sharon Johnson Rion

Name: Sharon Johnson Rion
Title: Chief Manager

CCA INTERNATIONAL, INC.,
a Delaware corporation

By: /s/ Irving E. Lingo, Jr.

Name: Irving E. Lingo, Jr.
Title: Secretary

TECHNICAL AND BUSINESS INSTITUTE, INC.,
a Tennessee corporation

By: /s/ Irving E. Lingo, Jr.

Name: Irving E. Lingo, Jr.
Title: Secretary

LEHMAN COMMERCIAL PAPER INC.,
as Administrative Agent, on behalf of the
Required Lenders and the Required Tranche C
Term Lenders

By: /s/ G. Andrew Keith

Name: G. Andrew Keith
Title: Authorized Signatory

EXHIBIT 10.6

LOAN AND SECURITY AGREEMENT

BY AND AMONG

CORRECTIONS CORPORATION OF AMERICA

AS BORROWER,

AND

CERTAIN SUBSIDIARIES OF THE BORROWER
FROM TIME TO TIME PARTY HERETO

AS GUARANTORS,

THE FINANCIAL INSTITUTIONS THAT ARE SIGNATORIES HERETO

THE LENDERS,

AND

LEHMAN COMMERCIAL PAPER INC.

AS AGENT

DATED AS OF SEPTEMBER 15, 2000

TABLE OF CONTENTS

Schedules

Schedule C-1	Commitments
Schedule M-1	Management Contracts
Schedule P-1	Permitted Liens
Schedule 5.5	Chief Executive Office; FEIN
Schedule 5.6	Venture, Subsidiaries and Affiliates; Outstanding Stock, Preemptive Rights and Warrants
Schedule 5.7	Approvals, Consents and Notices
Schedule 5.8	Litigation
Schedule 5.12	Environmental Matters
Schedule 6.11	Inventory and Equipment Locations
Schedule 6.17	Notice of Defaults
Schedule 7.1	Indebtedness

Exhibits

Exhibit A-1	Form of Assignment and Acceptance
Exhibit C-2	Form of Compliance Certificate
Exhibit J-1	Form of Joinder Agreement
Exhibit N-1	Form of Note
Exhibit N-2	Form of Swing Line Note

LOAN AND SECURITY AGREEMENT

THIS LOAN AND SECURITY AGREEMENT (this "Agreement"), is entered into as of September 15, 2000, by and among, CORRECTIONS CORPORATION OF AMERICA, a Tennessee corporation (the "Borrower"), the Subsidiaries of the Borrower from time to time party hereto (collectively the "Guarantors"), the financial institutions identified on the signature pages hereof (such financial institutions, together with their respective successors and assigns, are referred to hereinafter each individually as a "Lender" and collectively as the "Lenders"), LEHMAN COMMERCIAL PAPER INC., a New York corporation, as agent for the Lenders (the "Agent") .

The parties agree as follows:

1. DEFINITIONS AND CONSTRUCTION.

1.1 DEFINITIONS.

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

"Account Debtor" means any Person who is or who may become obligated under, with respect to, or on account of, an Account, a General Intangible, Investment Property, or Negotiable Collateral.

"Accounts" means all of the Borrower's currently existing and hereafter arising accounts" (as that term is defined in the Code), and any and all credit insurance, guaranties, or security therefor.

"Additive Amount" has the meaning set forth in Section 7.15.

"Additional Credit Party" means each Person that becomes a Subsidiary Guarantor after the Closing Date by execution of a Joinder Agreement.

"Advances" has the meaning set forth in Section 2.1(a).

"Affiliate" means, as applied to any Person, any other Person who, directly or indirectly, controls, is controlled by, or is under common control with, such Person. For purposes of this definition, "control" means the possession, directly or indirectly, of the power to direct the management and policies of a Person, whether through the ownership of Stock, by contract, or otherwise. The foregoing notwithstanding, for all purposes of this Agreement, PRT, Service Company A, and Service Company B, and their Subsidiaries, shall be deemed Affiliates of the Borrower.

"Agent" means Lehman, solely in its capacity as agent for the Lenders, and shall include any successor agent.

"Agent Account" has the meaning set forth in Section 2.6.

"Agent's Liens" has the meaning set forth in Section 4.1.

"Agent-Related Persons" means Agent together with its Affiliates, officers, directors, employees, counsel, and agents.

"Agreement" has the meaning set forth in the preamble hereto.

"Applicable Margin" means, initially, 2.25%; provided, that if the Borrower's EBITDA, as determined from the Borrower's annual income statement for any calendar year delivered pursuant to Section 6.3, commencing with the income statement for the calendar year ending on December 31, 2000, is equal to or greater than 110% of the Borrower's projected EBITDA for such calendar year, as indicated in the projections delivered pursuant to Section 6.19, the Applicable Margin shall be reduced by .25%, effective five Business Days after the receipt of such income statement by the Agent.

"Applicable Prepayment Premium" has the meaning set forth in the Fee Letter.

"Assignee" has the meaning set forth in Section 14.1.

"Assignment and Acceptance" has the meaning set forth in Section 14.1 and shall be in the form of Exhibit A-1 attached hereto.

"Authorized Person" means any officer or other employee of the Borrower:

"Availability" means the amount that the Borrower is entitled to borrow as Advances under Section 2.1, such amount being the difference derived when (a) the sum of the principal amount of Advances then outstanding (including any amounts that the Lender Group may have paid for the account of the Borrower pursuant to any of the Loan Documents and that have not been reimbursed by the Borrower) is subtracted from (b) the lesser of (i) the Maximum Revolver Amount and (ii) the Borrowing Base.

"Bankruptcy Code" means the United States Bankruptcy Code, as amended, and any successor statute.

"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.

"Benefit Plan" means a "defined benefit plan" (as defined in Section 3(35) of ERISA) for which the Borrower or any Subsidiary or ERISA Affiliate of the Borrower has been an "employer" (as defined in Section 3(5) of ERISA) within the past six years.

"Books" means all of the Borrower's books and records (including all of its records indicating, summarizing, or evidencing its assets (including the Collateral) or liabilities, all of its information relating to its business operations or financial condition, and all of its computer programs, disks, files, printouts, runs, or other computer prepared information).

"Borrower" has the meaning set forth in the preamble to this Agreement prior to the consummation of the Merger, and means CCAAS thereafter.

"Borrower EBITDA Default" means, as of the last day of any calendar quarter, the Borrower's EBITDA, as determined from the Borrower's income statements for the period ending on such day delivered pursuant to Section 6.3, is less than 85% of the Borrower's projected EBITDA for the period ending on such day as indicated in the projections delivered pursuant to Section 6.19.

"Borrower Net Worth Default" means, as of the last day of any calendar quarter, Borrower's consolidated net worth, as reported on the Borrower's balance sheet as of such day delivered pursuant to Section 6.3, is less than 85% of the Borrower's projected consolidated net worth as of such day as indicated in the projections delivered pursuant to Section 6.19.

"Borrowing" means a borrowing hereunder consisting of Advances made on the same day by the Lenders to the Borrower.

"Borrowing Base" has the meaning set forth in Section 2.1(a).

"Business Day" means any day that is not a Saturday, Sunday, or other day on which national banks are authorized or required to close in New York and, with respect to provisions of the Agreement dealing with LIBOR Rate Advances, also means a day on which banks in London, England are open for the transaction of banking business.

"Canadian Sub" means Corrections Corporation of Canada, Inc., a Canadian corporation.

"Capital Lease" means a lease that is required to be capitalized for financial reporting purposes in accordance with GAAP.

"CCA" means Corrections Corporation of America, a Tennessee corporation.

"CCAAS" means CCA Acquisition Sub, Inc., a Tennessee corporation.

"Capitalized Lease Obligation" means any Indebtedness represented by obligations under Capital Lease.

"Change of Control" means (i) prior to the consummation of the Merger, the occurrence of any of the following: (a) 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 35% or more of the combined voting power of all Voting Stock of the Borrower, (b) during any period of up to 24 consecutive months, commencing after the Effective 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, or (c) the chief executive officer of the Borrower as of the Effective Date ceases to continue to hold such office or continue with management responsibilities substantially similar to those existing on the Effective 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 90 days after such first person ceases to hold such office or continue to have such management responsibilities; provided, however, that the acquisition of a "beneficial interest," directly or indirectly, of 100% of the Voting Stock of the Borrower (or other securities convertible into such Voting Stock) by PRT or CCAAS in connection with the Merger shall not constitute a Change of Control, and (ii) after the consummation of the Merger the Borrower shall not be a wholly owned subsidiary of PRT. As used herein, "beneficial ownership" shall have the meaning Provided in Rule l3d-3 of the Securities and Exchange Commission under the Exchange Act.

"Closing Date" means the date of the making of the initial Advance hereunder.

"Code" means the New York Uniform Commercial Code.

"Collateral" means all of the Borrower's right, title, and interest in and to each of the following:

(a) the Accounts,

(b) the Books,

(c) the Equipment,

(d) the General Intangibles,

(e) the Inventory,

(f) the Investment Property,

(g) the Negotiable Collateral,

(h) any money, or other assets of the Borrower that now or hereafter come into the possession, custody, or control of any member of the Lender Group, and

(i) the proceeds and products, whether tangible or intangible, of any of the foregoing, including proceeds of insurance covering any or all of the foregoing, and any and all Accounts, Books, Equipment, General Intangibles, Inventory, Investment Property, Negotiable Collateral, Real Property, money, deposit accounts, or other tangible or intangible property resulting from the sale, exchange, collection, or other disposition of any of the foregoing, or any portion thereof or interest therein, and the proceeds thereof.

"Collateral Access Agreement" means a landlord waiver, bailee letter, or acknowledgement agreement of any lessor, warehouseman, processor, consignee, or other Person in possession of, having a Lien upon, or having rights or interests in the Equipment or Inventory, in each case, in form and substance reasonably satisfactory to the Agent.

"Collections" means all cash, checks, notes, instruments, and other items of payment (including insurance proceeds, proceeds of cash sales, rental proceeds, and tax refunds) of the Borrower; provided, however that the term "Collections" shall not be deemed to include payment items received by the Borrower or its Subsidiaries on account of the sale of Inventory at commissaries located within a correctional facility.

"Commitment" means, with respect to each Lender, its Commitment, and with respect to all Lenders, their Commitments in the aggregate, in each case as such Dollar amounts are set forth beside such Lender's name under the applicable heading on Schedule C-1 attached hereto or on the signature page of the Assignment and Acceptance pursuant to which such Lender became a Lender hereunder in accordance with the provisions of Section 14.1.

"Commitment Fee" has the meaning set forth in Section 2.5(c) of this Agreement.

"Compliance Certificate" means a certificate substantially in the form of Exhibit C-2 delivered by the chief financial officer of the Borrower to the Agent.

"Control Agreement" means a control agreement, in form and substance reasonably satisfactory to the Agent, between the Borrower, the Agent, and the applicable securities intermediary with respect to the applicable Securities Account and related Investment Property.

"Credit Parties" means a collective reference to the Borrower and the Guarantors, and "Credit Party" means any one of them.

"Daily Balance" means, with respect to each day during the term of this Agreement, the amount of an Obligation owed at the end of such day.

"Default" means an event, condition, or default that, with the giving of notice, the passage of time, or both, would be an Event of Default.

"Defaulting Lender" means any Lender that fails to make any Advance that it is required to make hereunder on any Funding Date and that has not cured such failure by making such Advance within 1 Business Day after written demand upon it by the Agent to do so.

"Defaulting Lenders Rate" means the Base Rate for the first 3 days from and after the date the relevant payment is due and, thereafter, at that interest rate equal to the greater of (a) the interest rate then applicable to Advances, and (b) the Base Rate.

"Designated Account" means account number [375122611] of the Borrower maintained with the Borrower's Designated Account Bank, or such other deposit account of the Borrower (located within the United States) that has been designated as such, in writing, by the Borrower to the Agent.

"Designated Account Bank" means [Bank of America, N.A., whose office is located at Dallas, Texas 75283-2406, and whose ABA number is 1110000 12].

"Dilution" means, as of any date of determination, a percentage, based upon the experience of the immediately prior 180 days, that is the result of dividing the Dollar amount of (a) bad debt write-downs, discounts, advertising allowances, returns, credits, or other dilutive items with respect to the Accounts, by (b) the Borrower's Collections with respect to Accounts (excluding extraordinary items) plus the Dollar-amount of clause (a).

"Dilution Reserve" means, as of any date of determination, an amount sufficient to reduce the advance rate against Eligible Accounts by one percentage point for each percentage point by which Dilution is in excess of 5.0%.

"Disbursement Letter" means an instructional letter executed and delivered by the Borrower to the Agent regarding the extensions of credit to be made on the Closing Date, the form and substance of which shall be reasonably satisfactory to the Agent.

"Dollars" or "$" means United States dollars.

"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 (including the write-off of deferred taxes) and (iii) depreciation and amortization expense, all as determined in accordance with GAAP.

"Effective Date" means the first date on which each of the conditions set forth in Section 3.1 shall have been fulfilled or waived.

"Eligible Accounts" means those Accounts created by the Borrower in the ordinary course of its business, that arise out of the Borrower's rendition of services, that comply with each and all of the representations and warranties respecting Eligible Accounts made by the Borrower in the Loan Documents, and that are not excluded as ineligible by virtue of the one or more of the criteria set forth below; provided however, that such criteria may be fixed and revised from time to time by the Agent in the Agent's Permitted Discretion. Eligible Accounts shall not include the following:

(a) Accounts that the Account Debtor has failed to pay within 90 days of original invoice date or Accounts more than 60 days past due,

(b) Accounts owed by an Account Debtor (or its Affiliates) where 50% or more of all Accounts owed by that Account Debtor (or its Affiliates) are deemed ineligible under clause (a) above,

(c) Accounts with respect to which the Account Debtor is an Affiliate or agent of the Borrower,

(d) Accounts arising in a transaction by reason of which the payment by the Account Debtor may be conditional,

(e) Accounts that are not payable in Dollars,

(f) Accounts with respect to which the Account Debtor either (i) does not maintain its chief executive office in the United States, or (ii) is not organized under the laws of the United States or any State thereof, or (iii) is the government of any foreign country or sovereign state, or of any province, municipality, or other political subdivision thereof, or of any department, agency, public corporation, or other instrumentality thereof, unless (y) the Account is supported by an irrevocable letter of credit reasonably satisfactory to the Agent (as to form, substance, and issuer or domestic confirming bank) that has been delivered to the Agent and is directly drawable by the Agent, or (z) the Account is covered by credit insurance in form and amount, and by an insurer, reasonably satisfactory to the Agent,

(g) Accounts with respect to which the Account Debtor is a creditor of the Borrower, has or has asserted a right of setoff, has disputed its liability, or has made any claim with respect to the Account, to the extent of such claim, right of offset, assertion, or dispute,

(h) Accounts with respect to an Account Debtor whose total obligations owing to the Borrower exceed 15% of all Eligible Accounts, to the extent of the obligations owing by such Account Debtor in excess of such percentage,

(i) Accounts with respect to which (i) the Account Debtor is subject to an Insolvency Proceeding, (ii) the Borrower has received notice of an imminent Insolvency Proceeding involving the Account Debtor or a material impairment of the financial condition of the applicable Account Debtor, (iii) the Account Debtor is not Solvent, or (iv) the Account Debtor goes out of business,

(j) Accounts the collection of which the Agent, in its Permitted Discretion, believes to be doubtful by reason of the Account Debtor's financial condition,

(k) Accounts with respect to which the services giving rise to such Account have not been performed and accepted by the Account Debtor,

(l) Accounts that represent the right to receive progress payments or other advance billings that are due prior to the completion of performance by the Borrower of the subject contract for services, or

(m) At the election of the Agent in its Permitted Discretion, Accounts with respect to which the Account Debtor is the lessee directly from PRT of the correctional or detention facility managed by the Borrower unless such Account Debtor has obtained a non-disturbance agreement from any mortgagee of PRT in form and substance acceptable to the Agent in its Permitted Discretion.

"Eligible Transferee" means (a) a commercial bank organized under the laws of the United States, or any state thereof, and having total assets in excess of $250,000,000, (b) a

commercial bank organized under the laws of any other country which is a member of the Organization for Economic Cooperation and Development or a political subdivision of any such country and which has total assets in excess of $250,000,000, provided that such bank is acting through a branch or agency located in the United States, (c) a finance company, insurance company, or other financial institution or fund that is engaged in making, purchasing, or otherwise investing in commercial loans in the ordinary course of its business and having (together with its Affiliates) total assets in excess of $250,000,000, (d) any Affiliate (other than individuals) of a pre-existing Lender, (e) so long as no Event of Default has occurred and is continuing, any other Person approved by the Agent and the Borrower, and (f) during the continuation of an Event of Default, any other Person approved by the Agent

"Equipment" means all of the Borrower's present and hereafter acquired machinery, machine tools, motors, equipment, furniture, furnishings, fixtures, vehicles (including motor vehicles and trailers), tools, parts, goods (other than consumer goods, farm products, or Inventory), wherever located, including all attachments, accessories, accessions, replacements, substitutions, additions, and improvements to any of the foregoing.

"ERISA" means the Employee Retirement Income Security Act of 1974, 8 amended, and any successor statute thereto.

"ERISA Affiliate" means (a) any corporation subject to ERISA whose employees are treated as employed by the same employer as the employees of the Borrower under IRC Section 414(b), (b) any trade or business subject to ERISA whose employees are treated as employed by the same employer as the employees of the Borrower under IRC Section 414(c), (c) solely for purposes of Section 302 of ERISA and Section 412 of the IRC, any organization subject to ERISA that is a member of an affiliated service group of which the Borrower is a member under IRC Section 414(m), or (d) solely for purposes of Section 302 of ERISA and Section 412 of the IRC, any party subject to ERISA that is a party to an arrangement with the Borrower and whose employees are aggregated with the employees of the Borrower under IRC Section 414(o).

"Event of Default" has the meaning set forth in Section 8.

"Excess Availability" means the amount, as of the date any determination thereof is to be made, equal to:

(a) the lesser of (i) the aggregate amount of Advances available to the Borrower as of such time (based on the applicable advance rates set forth in Section 2.1 hereof and calculated as if no Advances are outstanding), subject to the sublimits and availability reserves established by the Agent under the terms hereof, and (ii) the Maximum Revolver Amount, minus

(b) the sum of (i) the amount of all then outstanding Advances, (ii) the aggregate amount of all trade payables of the Borrower that are more than 60 days past due as of such time, and (iii) the aggregate amount of the Borrower's book overdrafts.

"Exchange Act" means the Securities Exchange Act of 1934, as amended, and any successor statute.

"Existing Lender" means Foothill Capital Corporation, a California corporation.

"Fee Letter" means that certain fee letter, dated as of even date herewith, between the Borrower and the Agent, in form and substance reasonably satisfactory to the Agent.

"FEIN" means Federal Employer Identification Number.

"French Sub" means CCA France, a French societe anonyme.

"Funding Date" means the date on which a Borrowing occurs.

"GAAP" means generally accepted accounting principles as in effect from time to time in the United States, consistently applied.

"General Intangibles" means all of the Borrower's present and future general intangibles and other personal property (including contract rights, rights arising under common law, statutes, or regulations, choses or things in action, goodwill, Permits, patents, trade names, trademarks, servicemarks, copyrights, blueprints, drawings, purchase orders, customer lists, monies due or recoverable from pension funds, route lists, rights to payment and other rights under any royalty or licensing agreements, infringement claims, computer programs, information contained on computer disks or tapes, literature, reports, catalogs, money, deposit accounts, insurance premium rebates, tax refunds, and tax refund claims), other than goods, Accounts, Investment Property, and Negotiable Collateral.

"Governing Documents" means, with respect to any Person, the certificate or articles of incorporation, by-laws, or other organizational documents of such Person.

"Governmental Authority" shall mean any federal, state, local, or other governmental or administrative body, instrumentality, department, or agency or any court, tribunal, administrative hearing body, arbitration panel, commission, or other similar dispute-resolving panel or body.

"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 of the Indebtedness in respect of which such Guaranty Obligation is made.

"Hazardous Materials" means (a) substances that are defined or listed in, or otherwise classified pursuant to, any applicable laws or regulations as "hazardous substances," "hazardous materials," "hazardous wastes," "toxic substances," or any other formulation intended to define, list, or classify substances by reason of deleterious properties such as ignitability, corrosivity, reactivity, carcinogenicity, reproductive toxicity, or "EP toxicity", (b) oil, petroleum, or petroleum derived substances, natural gas, natural gas liquids, synthetic gas, drilling fluids, produced waters, and other wastes associated with the exploration, development, or production of crude oil, natural gas, or geothermal resources, (c) any flammable substances or explosives or any radioactive materials, and (d) asbestos in any form or electrical equipment that contains any oil or dielectric fluid containing levels of polychlorinated biphenyls in excess of 50 parts per million.

"Hire Year" has the meaning set forth in Section 7.15.

"Immaterial Subsidiaries" means International Sub, Technical Sub, Canadian Sub, Viccor, TransCor PR, French Sub and TransCor U.S.

"Indebtedness" means (a) all obligations of the Credit Parties for borrowed money, (b) all obligations of the Credit Parties evidenced by bonds, debentures, notes, or other similar instruments and all reimbursement or other obligations of the Credit Parties in respect of letters of credit, bankers acceptances, interest rate swaps, or other financial products, (c) all obligations of the Credit Parties under Capital Leases, (d) all obligations or liabilities of others secured by a Lien on any property or asset of the Credit Parties, irrespective of whether such obligation or liability is assumed, and (e) any obligation of the Credit Parties guaranteeing or intended to guarantee (whether guaranteed, endorsed, co-made, discounted, or sold with recourse to any Credit Party) any obligation of any other Person.

"Indemnified Liabilities" has the meaning set forth in Section 11.3.

"Indemnified Person" has the meaning set forth in Section 11.3.

"Insolvency Proceeding" means any proceeding commenced by or against any Person under any provision of the Bankruptcy Code or under any other bankruptcy or insolvency law, assignments for the benefit of creditors, formal or informal moratoria, compositions, extensions generally with creditors, or proceedings seeking reorganization, arrangement, or other similar relief.

"International Sub" means CCA International, Inc., a Delaware corporation.

"Interest Period" means, with respect to each LIBOR Rate Advance, a period commencing on the date of the making of such LIBOR Rate Advance and ending 1, 2, or 3 months thereafter; provided, however, that (a) if any Interest Period would end on a day that is not a Business Day, such Interest Period shall be extended (subject to clauses (c) - (e) below) to the next succeeding Business Day, (b) interest shall accrue from and including the first day of each Interest Period to, but excluding, the day on which any Interest Period expires, (c) any

Interest Period that would end on a day that is not a Business Day shall be extended to the next succeeding Business Day unless such Business Day falls in another calendar month, in which case such Interest Period shall on the next preceding Business Day, (d) with respect to an Interest Period that begins on the last Business Day of a calendar month (or on a day for which there is no numerically corresponding day in the calendar month at the end of such Interest Period), the Interest Period shall end on the last Business Day of the calendar month that is 1, 2, or 3 months after the date on which the Interest Period began, as applicable, and (e) the Borrower may not elect an Interest Period which will end after the Maturity Date.

"Inventory" means all present and future inventory in which the Borrower has interest, including goods held for sale or lease or to be furnished under a contract of service and all of the Borrower's present and future raw materials, work in process, finished goods, and packing and shipping materials, wherever located.

"Investment" means, with respect to any Person, any investment by such Person in any other Person (including Affiliates) in the form of loans, guarantees, advances, or capital contributions (excluding (a) commission, travel, and similar advances to officers and employees of such Person made in the ordinary course of business, and (b) bona fide accounts receivable arising from the sale of goods or services in the ordinary course of business consistent with past practice), purchases or other acquisitions for consideration of Indebtedness or Stock, and any other items that are or would be classified as investments on a balance sheet prepared in accordance with GAAP.

"Investment Property" means "investment property" as that term is defined in the Code, whether now owned or hereafter acquired.

"IRC" means the Internal Revenue Code of 1986, as amended, and any successor statute.

"Joinder Agreement" means a Joinder Agreement substantially in the form of Exhibit J-1 hereto, executed and delivered by an Additional Credit Party in accordance with the provisions of Section 6.21.

"Legal Requirements" means all applicable international, foreign, federal, state, and local laws, judgments, decrees, orders, statutes, ordinances, rules, regulations, or Permits.

"Lehman" means Lehman Commercial Paper Inc., a New York corporation.

"Lender" and "Lenders" have the respective meanings set forth in the preamble to this Agreement, and shall include any other Person made a party to this Agreement in accordance with the provisions of Section 14.1 hereof.

"Lender Group" means, individually and collectively, each of the Lenders and the Agent.

"Lender Group Expenses" means all (a) costs or expenses (including taxes, and insurance premiums) required to be paid by the Borrower under any of the Loan Documents that are paid or incurred by the Lender Group, (b) actual fees or charges paid or incurred by the

Agent in connection with the Lender Group's transactions with the Borrower, including, fees or charges for photocopying, notarization, couriers and messengers, telecommunication, public record searches (including tax lien, litigation, and UCC searches and including searches with the patent and trademark office), filing, recording, publication, and appraisals (including periodic Collateral appraisals), (c) actual costs and expenses incurred by the Agent in the disbursement of funds to the Borrower (by wire transfer or otherwise), (d) actual charges paid or incurred by the Agent resulting from the dishonor of checks, (e) reasonable costs and expenses paid or incurred by the Lender Group to correct any default or enforce any provision of the Loan Documents, or in gaining possession of, maintaining, handling, preserving, storing, shipping, selling, preparing for sale, or advertising to sell the Collateral, or any portion thereof, irrespective of whether a sale is consummated, (f) reasonable costs and expenses paid or incurred by the Lender Group in examining the Books, (g) reasonable costs and expenses of third party claims or any other suit paid or incurred by the Lender Group in enforcing or defending the Loan Documents or in connection with the transactions contemplated by the Loan Documents or the Lender Group's relationship with the Borrower, (h) the Lender's reasonable fees and expenses (including attorneys fees) incurred in drafting, negotiating and delivering the Loan Documents (i) the Agent's reasonable fees and expenses (including attorneys fees) incurred in advising, structuring, drafting, reviewing, administering, amending, terminating, enforcing (including attorneys fees and expenses incurred in connection with a "workout," a "restructuring," or an Insolvency Proceeding concerning the Borrower), defending, or concerning the Loan Documents, irrespective of whether suit is brought, and (j) each of the Lenders' reasonable fees and expenses (including attorneys fees) incurred in terminating, enforcing, (including attorneys fees and expenses incurred in connection with a "workout," a "restructuring," or an Insolvency Proceeding concerning the Borrower), or defending the Loan Documents, irrespective of whether suit is brought.

"Lender-Related Person" means, with respect to any Lender, such Lender, together with such Lender's Affiliates, and the officers, directors, employees, counsel, and agents of such Lender.

"Lien" means any interest in property securing an obligation owed to, or a claim by, any Person other than the owner of the property, whether such interest shall be based on the common law, statute, or contract, whether such interest shall be recorded or perfected, and whether such interest shall be contingent upon the occurrence of some future event or events or the existence of some future circumstance or circumstances, including the lien or security interest arising from a mortgage, deed of trust, encumbrance, pledge, hypothecation, assignment, deposit arrangement, security agreement, conditional sale or trust receipt, or from a lease, consignment, or bailment for security purposes and also including reservations, exceptions, encroachments, easements, rights-of-way, covenants, conditions, restrictions, leases, and other title exceptions and encumbrances affecting Real Property.

"Loan Documents" means this Agreement, the Disbursement Letter, the Lockbox Agreements, the Intercreditor Agreement, the Fee Letter, any note or notes executed by the Borrower in connection with this Agreement and payable to a member of the Lender Group, and any other agreement entered into, now or in the future, by the Borrower and the Lender Group in connection with this Agreement.

"Lockbox Account" shall mean a depositary account established pursuant to one of the Lockbox Agreements.

"Lockbox Agreements" means those certain lockbox agreements and those certain depository agreements, in form and substance reasonably satisfactory to the Agent, each of which is among the Borrower, the Agent, and one of the Lockbox Banks.

"Lockbox Banks" means such banks as may be agreed to by the Agent and the Borrower from time to time.

"Lockboxes" has the meaning set forth in Section 2.6.

"Management Contracts" means (a) those certain contracts and other agreements related to the management and operation of correction and detention facilities between CCA and Governmental Authorities, each of such contracts being listed on Schedule M-1, and (b) additional or replacement contracts and other agreements related to the management and operation of correction and detention facilities entered into between the Borrower and Governmental Authorities subsequent to June 30, 2000.

"Material Adverse Change" means (a) a material adverse change in the business, prospects, operations, results of operations, assets, liabilities or condition (financial or otherwise) of the Borrower or any of its Subsidiaries, (b) the material impairment of a Credit Party's ability to perform its obligations under the Loan Documents to which it is a party or of the Lender Group to enforce the Obligations or realize upon the Collateral, (c) a material adverse effect on the value of the Collateral or the amount that the Lender Group would be likely to receive (after giving consideration to delays in payment and costs of enforcement) in the liquidation of the Collateral, or (d) a material impairment of the priority of the Agent's Liens with respect to the Collateral.

"Maturity Date" has the meaning set forth in Section 3.4.

"Maximum Revolver Amount" means $50,000,000.

"Merger" means the merger of the Borrower with and into CCAAS such that substantially all of the assets of the Borrower and CCAAS as of the date of such merger are in the same entity, and the series of related transactions occurring immediately prior to the Merger as described in the PRT Registration Statement.

"Negotiable Collateral" means all of the Borrower's now owned and hereafter acquired letters of credit, notes, drafts, instruments, security certificates, documents, and chattel paper.

"Net Worth" means, as of any date of determination, with respect to the Borrower, total stockholders' equity determined in conformity with GAAP.

"Non-Disturbance Agreements"' means one or more Non-Disturbance Agreements among Bank of America, N.A., as administrative agent, PRT and the Borrower, in

form and substance reasonably satisfactory to the Agent, relative to each of the Borrower's facilities that is leased from PRT.

"Note" means a promissory note of the Borrower in favor of a Lender evidencing the Advances, provided by the Borrower to such Lender pursuant to Section 2.1, as such promissory note may be amended, modified, restated, supplemented, extended, renewed or replaced.

"Obligations" means all loans, Advances, debts, principal, interest (including any interest that, but for the provisions of the Bankruptcy Code, would have accrued), premiums, liabilities', obligations, fees (including the fees provided for in the Fee Letter), charges, costs, or Lender Group Expenses (including any fees or expenses that, but for the provisions of the Bankruptcy Code, would have accrued), covenants, and duties owing by the Borrower or any other Credit Party to the Lender Group of any kind and description arising under or pursuant to the Loan Documents and irrespective of whether for the payment of money, whether direct or indirect, absolute or contingent, due or to become due, now existing or hereafter arising, and including all interest not paid when due and all Lender Group Expenses that the Borrower or any other Credit Party is required to pay or reimburse by the Loan Documents, by law, or otherwise.

"Overadvance" has the meaning set forth in Section 2.4.

"Participant" has the meaning set forth in Section 14.1(e).

"Pay-Off Confirmation" means evidence reasonably satisfactory to the Agent that all of the obligations of the Borrower to Existing Lender have been paid in full.

"Permits" of a Person shall mean all rights, franchises, permits, authorities, licenses, certificates of approval or authorizations, including licenses and other authorizations issuable by a Governmental Authority, which pursuant to applicable Legal Requirements are necessary to permit such Person lawfully to conduct and operate its business as currently conducted and to own and use its assets.

"Permitted Discretion", with respect to any determination by a member of the Lender Group, means a determination made in good faith and in the exercise of reasonable (from the perspective of a secured asset-based lender) business judgment.

"Permitted Dispositions" means (a) sales or other dispositions of Equipment that is substantially worn, damaged, or obsolete in the ordinary course of the Borrower's business, (b) sales of individual items of Collateral with a book value of less than $100,000 in the aggregate during any fiscal year, (c) other disposition of assets by the Borrower, provided that (i) such dispositions are for fair value, (ii) not less than 85% of the aggregate consideration is paid in full in cash, and (iii) the aggregate amount of all such dispositions by the Borrower does not exceed $100,000 in the aggregate for any fiscal year, (c) the lease or sublease of any property in the ordinary course of business, and (d) the licensing by the Borrower, on a non-exclusive basis, of patents, trademarks, copyrights, and other intellectual property rights in the ordinary course of the Borrower's business.

"Permitted Investments" means (a) direct obligations of, or obligations the principal of and interest on which are unconditionally guaranteed by, the United States of America with a maturity not exceeding one year, (b) certificates of deposit, time deposits, banker's acceptances or other instruments of a bank having a combined capital and surplus of not less than $500,000,000 with a maturity not exceeding one year, (c) investments in commercial paper rated at least A-1 or P-1 maturing within one year after the date of acquisition thereof, (d) money market accounts and other interest bearing deposit accounts maintained at a bank having combined capital and surplus of no less than $500,000,000 or at any other financial institution reasonably satisfactory to the Agent, (e) investments in negotiable instruments for collection, and (f) advances made in connection with purchases of goods or services in the ordinary course of business.

"Permitted Liens"' means (a) Liens held by the Agent for the benefit of the Lender Group, (b) Liens for unpaid taxes that either (i) are not yet due and payable or (ii) do not constitute an Event of Default hereunder and are the subject of Permitted Protests, (c) Liens set forth on Schedule P-1, (d) the interests of lessors under operating leases, (e) purchase money Liens and the interests of lessors under Capital Leases to the extent that such Liens or interests secure Purchase Money Indebtedness permitted under Section 7.1 hereof and so long as the Lien only attaches to the asset purchased or acquired and the proceeds thereof, (f) Liens arising by operation of law in favor of warehousemen, landlords, carriers, mechanics, materialmen, laborers, or suppliers, incurred in the ordinary course of business of the Borrower and its Subsidiaries and not in connection with the borrowing of money, and which Liens either (i) are for sums not yet due and payable, or (ii) are the subject of Permitted Protests, (g) Liens arising from deposits made in connection with obtaining worker's compensation or other unemployment insurance, (h) Liens or deposits to secure performance of bids, tenders, or leases incurred in the ordinary course of business of the Borrower and its Subsidiaries and not in connection with the borrowing of money, (i) Liens arising by reason of security for surety or appeal bonds in the ordinary course of business of the Borrower and its Subsidiaries, (j) Liens resulting from any judgment or award that is not an Event of Default hereunder, (k) Liens arising under guarantees made by the Guarantors with respect to obligations under the PRT Credit Agreement, and (l) with respect to any Real Property, reservations, exceptions, encroachments, easements, rights-of-way, covenants, conditions, restrictions, leases, and other title exceptions and encumbrances that do not materially interfere with or impair the use or operation thereof by the Borrower.

"Permitted Protest" means the right of the Borrower to protest any Lien (other than any such Lien that secures the Obligations), tax (other than payroll taxes or taxes that are the subject of a United States federal tax lien), or rental payment, provided that (a) a reserve with respect to such obligation is established on the Books in such amount as is required under GAAP, (b) any such protest is instituted and diligently prosecuted by the Borrower in good faith, and (c) the Agent is satisfied that, while any such protest is pending, there will be no impairment of the enforceability, validity, or priority of any of the Liens of the Agent on behalf of the Lender Group in and to the Collateral.

"Person" means natural persons, corporations, limited liability companies, limited partnerships, general partnerships, limited liability partnerships, joint ventures, trusts, land trusts, business trusts, or other organizations, irrespective of whether they are legal entities, and governments and agencies and political subdivisions thereof.

"Prime Rate" means the per annum rate of interest established from time to time by Bank of America, N.A. as its prime rate, which rate may not be the lowest rate of interest charged by Bank of America, N.A. to its customers.

"PRT" means Prison Realty Trust, Inc., a Maryland corporation.

"PRT Business Development Agreement" means that certain Business Development Agreement, dated May 4, 1999, by and between PRT and CCA, as amended by Amendment Number One to Business Development Agreement, dated June 9, 2000, as such agreement may from time to time be amended or modified.

"PRT Change of Control" means 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 PRT (or other securities convertible into such Voting Stock) representing 51% or more of the combined voting power of all Voting Stock of PRT.

"PRT Credit Agreement" means that certain Amended and Restated Credit Agreement dated as of August 4, 1999 among PRT, the subsidiary guarantors of PRT, as defined therein, the lenders identified therein, Lehman Commercial Paper Inc., as administrative agent, Societe Generale, as documentation agent, and The Bank of Nova Scotia, as syndication agent, SouthTrust Bank, N.A., as Co-agent, and Lehman Brothers Inc., as advisor, lead arranger and book manager, as such agreement may from time to time be amended or modified, as amended by that certain Waiver and Amendment, dated June 9, 2000.

"PRT Lease Agreement" means any lease agreement between PRT and CCA, as amended by the Master Amendment to Lease Agreements, dated December 31, 1999, and Second Master Amendments to Lease Agreements, dated June 9, 2000, as such agreements may from time to time be amended or modified.

"PRT License Agreement" means that certain Service Mark and Trade Name Use Agreement dated as of December 31, 1998 between PRT and the Borrower, as such agreement may from time to time be amended or modified.

"PRT Master Lease" means that certain Master Agreement to Lease, dated January 1, 1999, by and between PRT and CCA, and amended by First Amendment to Master Agreement to Lease, dated December 31, 1999, and as amended by Second Master Amendment to Lease Agreement, dated June 9, 2000, as such agreement may from time to time be amended or modified.

"PRT Note" means that certain Promissory Note dated December 31, 1998 executed by the Borrower and made-payable to PRT in the principal amount of $137,000,000, as such note may from time to time be amended or modified.

"PRT Registration Statement" means that certain Registration Statement on Form S-4 (reg. no. 333-41778), as filed with the Securities and Exchange Commission on July 19, 2000 and as subsequently declared effective by the Commission on July 26, 2000, of which the

joint proxy statement/prospectus of PRT and CCA, dated August 3, 2000, and as supplemented on September 6, 2000, is a part.

"PRT Related Documents" means, collectively, the PRT Note, the PRT License Agreement, the PRT Services Agreement, the PRT Tenant Incentive Agreement, the Service Company A License Agreement, the Non-Disturbance Agreement, the Service Company B License Agreements, and any PRT Lease Agreement and the PRT Business Development Agreement.

"PRT Services Agreement" means that certain Amended and Restated Services Agreement, March 5, 1999, by and between PRT and CCA, as amended by Amendment Number One to Amended and Restated Services Agreement, dated as of June 9, 2000, as such agreement may from time to time be amended or modified.

"PRT Tenant Incentive Agreement" means that certain Amended and Restated Tenant Incentive Agreement, dated as of May 4, 1999, by and between PRT and CCA, as amended by Amendment Number One to Amended and Restated Tenant Incentive Agreement, dated June 9,2000, as such agreement may from time to time be amended or modified

"Projections" means the Borrower's forecasted (a) balance sheets, (b) profit and loss statements, (c) cash flow statements, and (d) capitalization statements, all prepared on a consistent basis with the Borrower's historical financial statements, together with appropriate supporting details and a statement of underlying assumptions.

"Pro Rata Share" means:

(a) with respect to a Lender's obligation to make Advances and receive payments of interest, fees, and principal with respect thereto, the percentage obtained by dividing (i) such Lender's Commitment, by (ii) the aggregate amount of all Lenders' Commitments; and

(b) with respect to all other matters (including the indemnification obligations arising under Section 16.7), the percentage obtained by dividing (i) such Lender's Commitment, by (ii) the aggregate amount of all Lenders' Commitments.

"Purchase Money Indebtedness" means Indebtedness (other than the Obligations, but including Capitalized Lease Obligations), incurred at the time of, or within 20 days after, the acquisition of any fixed assets for the purpose of financing all or any part of the acquisition cost thereof.

"Real Property" means any estates or interests in real property now owned or hereafter acquired by the Borrower.

"Reserve Percentage" means, on any day, that percentage prescribed by the Board of Governors of the Federal Reserve System (or any successor Governmental Authority) for determining the reserve requirements (including any basic, supplemental, marginal, or emergency reserves) that is in effect on such date with respect to deposits of Dollars in a non-United States or an international banking office of a bank used to fund a LIBOR Rate Advance.

"Required Lenders" means, at any time, Lenders whose Pro Rata Shares aggregate 51% of the Commitments, or if the Commitments have been terminated irrevocably, 51% of the Obligations then outstanding.

"Revolver Usage" means, as of any date of determination, the sum of (a) the aggregate amount of Advances outstanding.

"SEC" means the United States Securities and Exchange Commission and any successor thereto.

"Securities Account" means a "securities account" as that term is defined in Section 8-501 of the Code.

"Service Company A" means Prison Management Services, Inc., a Tennessee corporation.

"Service Company A License Agreement" means that certain Service Mark and Trade Name Use Agreement dated as of December 31, 1999, between Service Company A and the Borrower, 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 License Agreement" means that certain Service Mark and Trade Name Use Agreement dated as of December 31, 1999, between Service Company B and the Borrower, as amended or modified from time to time.

"Settlement Date" has the meaning set forth in Section 2.3(f)(i).

"Solvent" means, with respect to any Person on a particular date, that such Person is not insolvent (as such term is defined in the Uniform Fraudulent Transfer Act).

"Stock" means all shares, options, warrants, interests, participations, or other equivalents (regardless of how designated) of or in a Person, whether voting or nonvoting, including common stock, preferred stock, or any other "equity security" (as such term is defined in Rule 3a11-1 of the General Rules and Regulations promulgated by the SEC under the Exchange Act).

"Subordination Agreement" means that certain Subordination Agreement among PRT, the Borrower, and the Agent, the form and substance of which shall be reasonably acceptable to the Agent.

"Subsidiary" of a Person means a corporation, partnership, limited liability company, or other entity in which that Person directly or indirectly owns or controls the shares of Stock having ordinary voting power to elect a majority of the board of directors (or appoint other comparable managers) of such corporation, partnership, limited liability company, or other entity. The foregoing notwithstanding, so long as the representations and warranties contained in this Agreement relative to Immaterial Subsidiaries are true and correct, none of the Immaterial

Subsidiaries shall be "Subsidiaries", for purposes of this Agreement, or the other Loan Documents.

"Subsidiary Guarantor" means each of the Subsidiaries 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.

"Swing Line Lender" means Lehman.

"Swing Line Loans" has the meaning set forth in Section 2.1(d)(i).

"Technical Sub" means Technical and Business Institute of America, Inc., a Tennessee corporation.

"TransCor PR" means TransCor Puerto Rico, a Puerto Rico corporation.

"TransCor U.S." means TransCor America, LLC, a Tennessee limited liability company.

"Triggering Event of Default" means any one or more of the following (a) an Event of Default under Section 8.1, (b) the Borrower's failure to perform the covenant set forth in Section 7.20, (c) any representation, warranty or statement made by the Borrower in this Agreement, any other Loan Document, or in any other agreement or schedule, or otherwise made by the Borrower to the Agent or any Lender, whether orally or in writing, shall contain any untrue statement of material fact or omit to state any material fact required to be stated therein or necessary to make such representation, warranty or statement in light of the circumstances under which it was made, not misleading, and the Borrower knew that such statement of material fact or omission of material fact was false or misleading, or (d) the Borrower, directly or indirectly, converts or appropriates or otherwise misemploys any Collateral or the proceeds thereof contrary to the provisions of this Agreement or any other Loan Document, including, but not limited to, the Borrower's direction to Account Debtors to make payments on Accounts in a manner other than as required by Section 2.6.

"Viccor" means Viccor Investments PTY. LTD., a Victoria Australia corporation.

"Voidable Transfer" has the meaning set forth in Section 15.8.

"Voting Stock" means, with respect to any Person, 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.

1.2 ACCOUNTING TERMS. All accounting terms not specifically defined herein shall be construed in accordance with GAAP. When used herein, the term "financial statements" shall include the notes and schedules thereto. Whenever the term "Borrower" is used in respect of a financial covenant or a related definition, it shall be understood to mean the Borrower on a consolidated basis unless the context clearly requires otherwise.

1.3 CODE. Any terms used in this Agreement that are defined in the Code shall be construed and defined as set forth in the Code unless otherwise defined herein.

1.4 CONSTRUCTION. Unless the context of this Agreement or any other Loan Document clearly requires otherwise, references to the plural include the singular, references to the singular include the plural, the term "including" is 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 or any other Loan Document refer to this Agreement or such other Loan Document, as the case may be, as a whole and not to any particular provision of this Agreement or such other Loan Document as the case may be. An Event of Default shall "continue" or be "continuing" until such Event of Default has been waived in writing by the Agent. Section, subsection, clause, schedule, and exhibit references herein are to this Agreement unless otherwise specified. Any reference in this Agreement or in the Loan Documents to this Agreement or any of the Loan Documents shall include all alterations, amendments, changes, extensions, modifications, renewals, replacements, substitutions, joinders, and supplements, thereto and thereof, as applicable.

1.5 SCHEDULES AND EXHIBITS. All of the schedules and exhibits attached to this Agreement shall be deemed incorporated herein by reference.

2. LOAN AND TERMS OF PAYMENT.

2.1 REVOLVER ADVANCES.

(a) Subject to the terms and conditions of this Agreement, and during the term of this Agreement, each Lender agrees to make advances ("Advances") to the Borrower in an amount at any one time outstanding not to exceed such Lender's Pro Rata Share of an amount equal to the lesser of (i) the Maximum Revolver Amount or (ii) the Borrowing Base. For purposes of this Agreement, "Borrowing Base," as of any date of determination, shall mean the result of:

(y) the lesser of

(i) 85% of the amount of Eligible Accounts, less the amount, if any, of the Dilution Reserve, and

(ii) an amount equal to 45% of the Borrower's Collections with respect to Accounts for the immediately preceding 90 day period, minus

(z) the aggregate amount of reserves, if any, established by the Agent under Section 2.1(b).

(b) Anything to the contrary in this Section 2.1 notwithstanding, the Agent shall have the right to establish reserves, (i) in an amount equal to $5,000,000, provided, however, that if there shall not have occurred a Borrower Net Worth Default or a Borrower EBITDA Default as of any calendar quarter, commencing with the calendar quarter ending on March 31, 2001, then such reserve amount shall be reduced by $1,250,000, effective as of the

fifth Business Day following the receipt by the Agent of the financial statements delivered pursuant to Section 6.3 of the Borrower for such calendar quarter, and (ii) at any time and from time to time, in such additional amounts, and with respect to such other matters, as the Agent in its Permitted Discretion shall deem necessary or appropriate, against the Borrowing Base, including reserves with respect to (A) sums that the Borrower is required to pay (such as taxes, assessments, insurance premiums, or, in the case of leased assets, rents or other amounts payable under such leases) and has failed to pay under any Section of this Agreement or any other Loan Document, and (B) amounts owing by the Borrower to any Person to the extent secured by a Lien on, or trust over, any of the Collateral, which Lien or trust, in the reasonable determination of the Agent (from the perspective of an asset-based lender), would be likely to have a priority superior to the Liens of the Agent, for the benefit of the Lender Group (such as landlord liens, ad valorem taxes, or sales taxes where given priority under applicable law) in and to such item of the Collateral. The Borrower hereby acknowledges and agrees that the Agent shall be establishing reserves pursuant to the foregoing clause (i) in such amounts as are set forth in such clause.

(c) The Lenders shall have no obligation to make further Advances hereunder to the extent such further Advances would cause the Revolver Usage to exceed the Maximum Revolver Amount. No Lender shall have any obligation to make further Advances hereunder to the extent that such further Advances would cause the aggregate outstanding amount of Advances due and owing to such Lender to exceed such Lender's Commitment.

(d) Amounts borrowed pursuant to this Section may be repaid and, subject to the terms and conditions of this Agreement, reborrowed at any time during the term of this Agreement.

(e) The Advances made by each Lender shall be evidenced by a duly executed promissory note of the Borrower in an original principal amount equal to such Lender's Commitment and substantially in the form of Exhibit N-1.

(f) The Swing Line Loan Advances made by the Swing Line Lender under Section 2.2(d) shall be evidenced by a duly executed promissory note of the Borrower substantially in the form of Exhibit N-2.

2.2 BORROWING PROCEDURES AND SETTLEMENTS.

(a) Procedure for Borrowing. Each Borrowing shall be made by an irrevocable written request by an Authorized Person delivered to the Agent (which notice must be received by the Agent no later than 2:00 p.m. (New York time) on the Business Day immediately preceding the requested Funding Date; provided, however, that in the case of a request for Swing Line Loans in an amount of $5,000,000, or less, such notice will be timely received if it is received by Agent no later than 12:00 a.m. (New York time) on the Business Day that is the requested Funding Date) specifying (i) the amount of such Borrowing, (ii) a detailed calculation of the Borrowing Base and (iii) the requested Funding Date, which shall be a Business Day. At the Agent's election, in lieu of delivering the above-described written request, any Authorized Person may give the Agent telephonic notice of such request by the required

time, with such telephonic notice to be confirmed in writing within 24 hours of the giving of such notice.

(b) Agent's Election. Promptly after receipt of a request for a Borrowing pursuant to Section 2.2(a), the Agent shall elect, in its discretion, (i) to have the terms of Section 2.2(c) apply to such requested Borrowing, or (ii) to request Swing Line Lender to make a Swing Line Loan pursuant to the terms of Section 2.2(d) in the amount of the requested Borrowing; provided, however, that if Swing Line Lender declines in its sole discretion to make a Swing Line Loan pursuant to Section 2.2(d), the Agent shall elect to have the terms of Section 2.2(c) apply to such requested Borrowing.

(c) Making of Advances.

(i) Promptly after receipt of a request for a Borrowing pursuant to Section 2.2(a), the Agent shall notify the Lenders, not later than 1:00 p.m. (New York time) on the Business Day immediately preceding the Funding Date applicable thereto, by telecopy, telephone, or other similar form of transmission, of the requested Borrowing. Each Lender shall make the amount of such Lender's Pro Rata Share of the requested Borrowing available to the Agent in immediately available funds, to such account of the Agent as the Agent may designate, not later than 2:00 p.m. (New York time) on the Funding Date applicable thereto. After the Agent's receipt of the proceeds of such Advances, upon satisfaction of the applicable conditions precedent set forth in Section 3 hereof, the Agent shall make the proceeds of such Advances available to the Borrower on the applicable Funding Date by transferring same day funds equal to the proceeds of such Advances received by the Agent to the Borrower's Designated Account; provided, however, that, the Agent shall not request any Lender to make, and no Lender shall have the obligation to make, any Advance if the Agent shall have received written notice from any Lender, or otherwise has actual knowledge, that (1) one or more of the applicable conditions precedent set forth in Section 3 will not be satisfied on the requested Funding Date for the applicable Borrowing unless such condition has been waived, or (2) the requested Borrowing would exceed the Availability of the Borrower on such Funding Date.

(ii) Unless the Agent receives notice from a Lender on or prior to the Closing Date or, with respect to any Borrowing after the Closing Date, at least 1 Business Day prior to the date of such Borrowing, that such Lender will not make available as and when required hereunder to the Agent for the account of the Borrower the amount of that Lender's Pro Rata Share of the Borrowing, the Agent may assume that each Lender has made or will make such amount available to the Agent in immediately available funds on the Funding Date and the Agent, may (but shall not be so required), in reliance upon such assumption, make available to the Borrower on such date a corresponding amount. If and to the extent any Lender shall not have made its full amount available to the Agent in immediately available funds and the Agent in such circumstances has made available to the Borrower such amount, that Lender shall on the Business Day following such Funding Date make such amount available to the Agent, together with interest at

the Defaulting Lenders Rate for each day during such period. A notice submitted by the Agent to any Lender with respect to amounts owing under this subsection shall be conclusive, absent manifest error. If such amount is so made available, such payment to the Agent shall constitute such Lender's Advance on the date of Borrowing for all purposes of this Agreement. If such amount is not made available to the Agent on the Business Day following the Funding Date, the Agent will notify the Borrower of such failure to fund and, upon demand by the Agent, the Borrower shall pay such amount to the Agent for the Agent's account, together with interest thereon for each day elapsed since the date of such Borrowing, at a rate per annum equal to the interest rate applicable at the time to the Advances composing such Borrowing. The failure of any Lender to make any Advance on any Funding Date, shall not relieve any other Lender of any obligation hereunder to make an Advance on such Funding Date, but no Lender shall be responsible for the failure of any other Lender to make the Advance to be made by such other Lender on any Funding Date.

(iii) The Agent shall not be obligated to transfer to a Defaulting Lender any payments made by the Borrower to the Agent for the Defaulting Lender's benefit; nor shall a Defaulting Lender be entitled to the sharing of any payments hereunder. Amounts payable to a Defaulting Lender shall instead be paid to or retained by the Agent. The Agent may hold and, in its discretion, re-lend to the Borrower the amount of all such payments received or retained by it for the account of such Defaulting Lender. Solely for the purposes of voting or consenting to matters with respect to the Loan Documents and determining Pro Rata Shares, such Defaulting Lender shall be deemed not to be a "Lender" and such Lender's Commitment shall be deemed to be zero (-0-). This section shall remain effective with respect to such Lender until (x) the Obligations under this Agreement shall have been declared or shall have become immediately due and payable or (y) the requisite non-Defaulting Lenders and the Agent shall have waived such Lender's default in writing. The operation of this section shall not be construed to increase or otherwise affect the Commitment of any Lender, or relieve or excuse the performance by the Borrower of its duties and obligations hereunder.

(d) Making of Swing Line Loans.

(i) In the event that the Agent shall elect, with the consent of the Swing Line Lender, to have the terms of this Section 2.2(d) apply to a requested Borrowing as described in Section 2.2(b), the Swing Line Lender shall make an Advance in the amount of such Borrowing (any such Advance made pursuant to this Section 2.2(d) being referred to as a "Swing Line Loan" and such Advances being referred to collectively as "Swing Line Loans") available to Borrower on the Funding Date applicable thereto by transferring same day funds to Borrower's Designated Account. Each Swing Line Loan is an Advance hereunder and shall be subject to all the terms and conditions applicable to other Advances. Subject to the provisions of Section 2.2(i), the Agent shall not request the Swing Line Lenders to make, and the Swing Line Lender shall not make, any Swing Line Loan

if the Agent shall have received written notice from any Lender, or otherwise has actual knowledge, that (i) one or more of the applicable conditions precedent set forth in Section 3 will not be satisfied on the requested Funding Date for the applicable Borrowing unless such condition has been waived, or (ii) the requested Borrowing would exceed the Availability on such Funding Date. The Agent and the Swing Line Lender shall not otherwise be required to determine whether the applicable conditions precedent set forth in Section 3 have been satisfied on the Funding Date applicable thereto prior to making, in its sole discretion, any Swing Line Loan.

(ii) The Swing Line Loans shall be secured by the Collateral and shall constitute Advances and Obligations hereunder, and shall bear interest at the rate applicable from time to time to Advances pursuant to Section 2.5 hereof.

(e) Settlement. It is agreed that each Lender's funded portion of the Advances is intended by the Lenders to equal, at all times, such Lender's Pro Rata Share of the outstanding Advances. Such agreement notwithstanding, the Agent and the Lenders agree (which agreement shall not be for the benefit of or enforceable by the Borrower) that in order to facilitate the administration of this Agreement and the other Loan Documents, settlement among them as to the Swing Line Loans shall take place on a periodic basis in accordance with the following provisions:

(i) The Agent shall request settlement ("Settlement") with the Lenders on a weekly basis, or on a more frequent basis if so determined by the Agent, by notifying the Lenders by telecopy, telephone, or other similar form of transmission, of such requested Settlement, no later than 2:00 p.m. (New York time) on the Business Day immediately prior to the date of such requested Settlement (the date of such requested Settlement being the "Settlement Date"). Such notice of a Settlement Date shall include a summary statement of the amount of outstanding Swing Line Loans and Advances for the period since the prior Settlement Date, the amount of repayments received in such period, and the amounts allocated to each Lender of the interest, fees, and other charges for such period. Subject to the terms and conditions contained herein (including Section 2.2(b)(iii)): (y) if a Lender's balance of the Advances and Swing Line Loans exceeds such Lender's Pro Rata Share of the Advances as of a Settlement Date, then the Agent shall by no later than 2:00 p.m. (New York time) on the Settlement Date transfer in immediately available funds to the account of such Lender as such Lender may designate, an amount such that each such Lender shall, upon receipt of such amount, have as of the Settlement Date, its Pro Rata Share of the Advances and Swing Line Loans; and (z) if a Lender's balance of the Advances and Swing Line Loans is less than such Lender's Pro Rata Share of the Advances and Swing Line Loans as of a Settlement Date, such Lender shall no later than 12:00 p.m. (New York time) on the Settlement Date transfer in immediately available funds to such account of the Agent as the Agent may designate, an amount such that each such Lender shall, upon transfer of such amount, have as of the Settlement Date, its Pro Rata Share of the Advances and Swing Line Loans. Such amounts made available to the Agent under clause (z) of the immediately

preceding sentence shall be applied against the amounts of the applicable Swing Line Loan and, together with the portion of such Swing Line Loan constitute Advances of such Lenders. If any such amount is not made available to the Agent by any Lender on the Settlement Date applicable thereto to the extent required by the terms hereof, the Agent shall be entitled to recover for its account such amount on demand from such Lender together with interest thereon at the Defaulting Lenders Rate.

(ii) In determining whether a Lender's balance of the Advances and Swing Line Loans is less than, equal to, or greater than such Lender's Pro Rata Share of the Advances and Swing Line Loans as of a Settlement Date, the Agent shall, as part of the relevant Settlement, apply to such balance the portion of payments actually received in good funds by the Agent with respect to principal, interest, fees payable by the Borrower and allocable to the Lenders hereunder, and proceeds of Collateral. To the extent that a net amount is owed to any such Lender after such application, such net amount shall be distributed by the Agent to that Lender as part of such next Settlement.

(f) Notation. The Agent shall record on its books the principal amount of the Advances owing to each Lender and the interests therein of each Lender, from time to time. In addition, each Lender is authorized, at such Lender's option, to note the date and amount of each payment or prepayment of principal of such Lender's Advances in its books and records, including computer records, such books and records constituting rebuttably presumptive evidence, absent manifest error, of the accuracy of the information contained therein.

(g) Lenders' Failure to Perform. All Advances shall be made by the Lenders simultaneously and in accordance with their Pro Rata Shares. It is understood that (i) no Lender shall be responsible for any failure by any other Lender to perform its obligation to make any Advances hereunder, nor shall any Commitment of any Lender be increased or decreased as a result of any failure by any other Lender to perform its obligation to make any Advances hereunder, and (ii) no failure by any Lender to perform its obligation to make any Advances hereunder shall excuse any other Lender from its obligation to make any Advances hereunder.

(h) Effect of Bankruptcy. If a case is commenced by or against the Borrower under the Bankruptcy Code, or other statute providing for debtor relief, then, unless otherwise agreed by all Lenders, the Lender Group shall not make additional loans or provide additional financial accommodations under the Loan Documents to the Borrower as debtor or debtor-in-possession, or to any trustee for the Borrower, nor consent to the use of cash collateral (provided that the Loan Account shall continue to be charged, to the fullest extent permitted by law, for accruing interest, fees, and Lender Group Expenses).

2.3 PAYMENTS.

(a) PAYMENTS BY THE BORROWER.

(i) All payments to be made by the Borrower shall be made without set-off, recoupment, deduction, or counterclaim, except as otherwise required by

law. Except as otherwise expressly provided herein, all payments by the Borrower shall be made to the Agent for the account of the Lender Group at the Agent's address set forth in Section 12, and shall be made in immediately available funds, no later than 11:00 a.m. (New York time) on the date specified herein. Any payment received by the Agent later than 11:00 a.m. (New York time), at the option of the Agent, shall be deemed to have been received on the following Business Day and any applicable interest or fee shall continue to accrue until such following Business Day.

(ii) Whenever any payment is due on a day other than a Business Day, such payment shall be made on the following Business Day, and such extension of time shall in such case be included in the computation of interest or fees, as the case may be.

(iii) Unless the Agent receives notice from the Borrower prior to the date on which any payment is due to the Lenders that the Borrower will not make such payment in full as and when required, the Agent may assume that the Borrower has made (or will make) such payment in full to the Agent on such date in immediately available funds and the Agent may (but shall not be so required), in reliance upon such assumption, distribute to each Lender on such due date an amount equal to the amount then due such Lender. If and to the extent the Borrower does not make such payment in full to the Agent on the date when due, each Lender severally shall repay to the Agent on demand such amount distributed to such Lender, together with interest thereon at the Base Rate for each day from the date such amount is distributed to such Lender until the date repaid.

(b) APPORTIONMENT, APPLICATION, AND REVERSAL OF PAYMENTS. Except as otherwise provided with respect to Defaulting Lenders, principal and interest payments and payments of fees (other than fees designated for the Agent's sole and separate account) shall, as applicable, be apportioned ratably among the Lenders (according to the unpaid principal balance of the Obligations to which such payments relate held by each individual Lender). All payments shall be remitted to the Agent and all such payments not relating to principal or interest of specific Obligations or not constituting payment of specific fees, and all proceeds of Collateral received by the Agent, shall be applied as in the following order:

(i) to pay any fees or expense reimbursements then due to the Agent from the Borrower;

(ii) to pay any fees or expense reimbursements then due to the Lenders from the Borrower;

(iii) to pay interest due in respect of all outstanding Advances;

(iv) ratably to pay principal of all outstanding Advances, such payment to be made, first, to the outstanding Base Rate Advances and, second, to the outstanding LIBOR Rate Advances (in the order of their maturity); and

(v) ratably to pay any other Obligations due to the Agent or any Lender by the Borrower.

2.4 OVERADVANCES. If, at any time or for any reason, the amount of Obligations owed by the Borrower to the Lender Group pursuant to Sections 2.1 is greater than either the Dollar or percentage limitations set forth in Sections 2.1 (an "Overadvance"), the Borrower immediately shall pay to the Agent, in cash, the amount of such excess, which amount shall be used by the Agent to reduce the Obligations in accordance with the priority set forth in Section 2.3(b). In addition, the Borrower hereby promises to pay the Obligations (including principal, interest, fees, costs, and expenses) in Dollars in full to the Lender Group as and when due and payable under the terms of this Agreement and the other Loan Documents.

2.5 INTEREST RATE, PAYMENTS, AND CALCULATIONS.

(a) INTEREST RATE. All unpaid Obligations shall bear interest on the Daily Balance thereof at a per annum rate equal to the Base Rate, plus the Applicable Margin.

(b) DEFAULT RATE. Upon the occurrence and during the continuation of a Triggering Event of Default, all unpaid Obligations shall bear interest on the Daily Balance thereof at a per annum rate equal to 3 percentage points above the per annum, rate otherwise applicable hereunder.

(c) PAYMENTS. Interest and fees payable hereunder shall be due and payable, in arrears, on the first day of each month during the term hereof. Any interest not paid when due shall be compounded and shall thereafter accrue interest at the per annum rate otherwise applicable hereunder.

(d) COMPUTATION. All interest and fees chargeable under the Loan Documents shall be computed on the basis of a 360 day year for the actual number of days elapsed. In the event the Base Rate is changed from time to time hereafter, the applicable rates of interest hereunder automatically and immediately shall be increased or decreased by an amount equal to such change in the Base Rate.

(e) INTENT TO LIMIT CHARGES TO MAXIMUM LAWFUL RATE. In no event shall the interest rate or rates payable under this Agreement, plus any other amounts paid in connection herewith, exceed the highest rate permissible under any law that a court of competent jurisdiction shall, in a final determination, deem applicable. The Borrower and the Lender Group, in executing and delivering this Agreement, intend legally to agree upon the rate or rates of interest and manner of payment stated within it; provided, however that, anything contained herein to the contrary notwithstanding, if said rate or rates of interest or manner of payment exceeds the maximum allowable under applicable law, then, ipso facto as of the date of this Agreement, the Borrower is and shall be liable only for the payment of such maximum as allowed by law, and payment received from the Borrower in excess of such legal maximum, whenever received, shall be applied to reduce the principal balance of the Obligations to the extent of such excess.

2.6 COLLECTION OF ACCOUNTS. The Borrower shall establish and at all times thereafter maintain lockboxes (the "Lockboxes"), and shall instruct all Account Debtors to remit all

amounts owed by them to such Lockboxes. The Borrower, the Agent, and the Lockbox Banks shall enter into Lockbox Agreements, which among other things shall provide for the opening of a Lockbox Account for the deposit of Collections at the applicable Lockbox Bank. The Borrower agrees that all Collections received by the Borrower from any Account Debtor or any other source immediately upon receipt shall be deposited into a Lockbox Account. No Lockbox Agreement or arrangement contemplated thereby shall be modified by the Borrower without the prior written consent of the Agent. Upon the terms and subject to the conditions set forth in the Lockbox Agreements, all amounts received in each Lockbox Account shall be wired each Business Day into an account (the "Agent Account") maintained by the Agent at a depositary selected by the Agent.

2.7 CREDITING PAYMENTS.

The receipt of any payment by the Agent (whether from transfers to the Agent by the Lockbox Banks pursuant to the Lockbox Agreements or otherwise) shall not be considered a payment on account unless such payment item is a wire transfer of immediately available federal funds made to the Agent Account or unless and until such payment item is honored when presented for payment. Should any payment item not be honored when presented for payment, then the Borrower shall be deemed not to have made such payment and interest shall be calculated accordingly. Anything to the contrary contained herein notwithstanding, any payment item shall be deemed received by the Agent only if it is received into the Agent Account on a Business Day on or before 11:00 a.m. (New York time). If any Collection item is received into the Agent Account on a non-Business Day or after 11:00 a.m. (New York time) on a Business Day, it shall be deemed to have been received by the Agent as of the opening of business on the immediately following Business Day.

2.8 DESIGNATED ACCOUNT. The Lenders are authorized to make the Advances under this Agreement based upon telephonic or other instructions received from anyone purporting to be an Authorized Person, or without instructions if pursuant to Section 2.5(d). The Borrower agrees to establish and maintain the Designated Account with the Designated Account Bank for the purpose of receiving the proceeds of the Advances requested by the Borrower and made by the Lenders hereunder. Unless otherwise agreed by the Agent and the Borrower, any Advance requested by the Borrower and made by the Lenders hereunder shall be made to the Designated Account.

2.9 FEES. The Borrower shall pay to the Agent for the ratable benefit of the Lender Group (except as otherwise indicated) the following fees, which fees shall be non-refundable when paid:

(a) FINANCIAL EXAMINATION, VALUATION, AND APPRAISAL FEES. For the sole and separate account of the Agent, a separate fee of $750 per day, per examiner, plus out-of-pocket expenses for each financial analysis and examination (i.e., audits) of the Borrower performed by personnel employed by the Agent; and, in addition, from and after the occurrence and during the continuation of an Event of Default, for the sole and separate accounts of the Agent and each Lender that exercises its rights under Section 4.6 the actual charges paid or incurred by the Agent or any Lender if it elects to employ the services of one or more third Persons to perform such audits of the Borrower or its Books, to appraise the Collateral, or to

assess the Borrower's business valuation; it being the Agent's expectation as of the Closing Date that, if the relevant contracts, leases, agreements, books, and records are located at the Borrower's chief executive office in Nashville, Tennessee, such field survey, review, and verification processes will need to be completed solely at such office, and

(b) FEE LETTER. To the Agent, as and when provided thereunder, the fees payable under the terms of the Fee Letter.

(c) FEES. On the first day of each month during the term of this Agreement, a commitment fee in an amount equal to %.50 per annum times the result of (a) the Maximum Revolver Amount, less (b) the sum of (i) the average daily balance of Advances that were outstanding during the immediately preceding month (the "Commitment Fee"). For purposes of computation of the Commitment Fee, the Swing Line Loans shall not be considered an Advance.

2.10 CAPITAL REQUIREMENTS. If after the date hereof any Lender determines that (i) the adoption of or change in any law, rule, regulation or guideline regarding capital requirements for banks or bank holding companies, or any change in the interpretation or application thereof by any Governmental Authority charged with the administration thereof, or (ii) compliance by such Lender or its parent bank holding company with any guideline, request or directive of any such entity regarding capital adequacy (whether or not having the force of law), the effect of reducing the return on such Lender's or such holding company's capital as a consequence of such Lender's Commitment to make Advances hereunder to a level below that which such Lender or such holding company could have achieved but for such adoption, change or compliance (taking into consideration such Lender's or such holding company's then existing policies with respect to capital adequacy and assuming the full utilization of such entity's capital) by any amount deemed by such Lender to be material, than such Lender may notify the Borrower and the Agent thereof. The Borrower agrees to pay such Lender on demand the amount of such reduction of return of capital as and when such reduction is determined, payable within 90 days after presentation by such Lender of a statement in the amount and setting forth in reasonable detail such Lender's calculation thereof and the assumptions upon which such calculation was based (which statement shall be deemed true and correct absent manifest error). In determining such amount, such Lender may use any reasonable averaging and attribution methods.

3. CONDITIONS; TERM OF AGREEMENT.

3.1 CONDITIONS PRECEDENT TO THE INITIAL ADVANCE. The effectiveness of this Agreement and the obligation of the Lender Group (or any member thereof) to make the initial Advance are subject to the fulfillment, to the satisfaction of the Agent and its counsel, of each of the following conditions:

(a) the Agent shall have received each of the following documents in form and substance satisfactory to the Agent, duly executed, and each such document shall be in full force and effect:

(i) this Agreement;

(ii) the Fee Letter;

(iii) the Disbursement Letter;

(iv) an assignment of the Lockbox Agreements;

(v) Non-Disturbance Agreements for each of the Borrower's facilities leased from PRT;

(vi) the Subordination Agreement; and

(vii) a Collateral Access Agreement with respect to the Borrower's chief executive offices in Nashville, Tennessee, in form and substance satisfactory to the Agent in its Permitted Discretion;

(b) the Agent shall have received a certificate from the Secretary of the Borrower and each Guarantor attesting to the resolutions of the Borrower's and each Guarantor's Board of Directors, as the case may be, authorizing the execution, delivery, and performance of this Agreement and the other Loan Documents to which the Borrower and each Guarantor is a party and authorizing specific officers of the Borrower and each Guarantor to execute the same;

(c) the Agent shall have received copies of the Borrower's and each Guarantor's Governing Documents, as amended, modified, or supplemented to the Effective Date, certified by the Secretary of the Borrower and each Guarantor, as the case may be;

(d) the Agent shall have received a certificate of status with respect to the Borrower and each Guarantor, dated within 10 days of the Effective Date, such certificate to be issued by the appropriate officer of the jurisdiction of organization of the Borrower and each Guarantor, as the case may be, which certificate shall indicate that the Borrower and each Guarantor, as the case may be, is in good standing in such jurisdiction;

(e) the Agent shall have received certificates of status with respect to the Borrower and each Guarantor, each dated within 60 days of the Effective Date, such certificates to be issued by the appropriate officer of the jurisdictions in which its failure to be duly qualified or licensed would constitute a Material Adverse Change, which certificates shall indicate that the Borrower and each Guarantor, as the case may be, is in good standing in such jurisdictions;

(f) the Agent shall have received a certificate of insurance, together with the endorsements thereto, as are required by Section 6.9, the form and substance of which shall be satisfactory to the Agent and its counsel;

(g) the Agent shall have received an opinion of the Borrower's and each Guarantor's counsel in form and substance satisfactory to the Agent in its Permitted Discretion;

(h) the Agent shall have received a copy of each of the PRT Related Documents, certified as true and correct by the Secretary of the Borrower;

(i) the Agent shall have received satisfactory evidence that all tax returns required to be filed by the Borrower and each Guarantor, as the case may be, have been timely filed and all taxes upon the Borrower and each Guarantor or their respective properties, assets,

income, and franchises (including real property taxes and payroll taxes), as the case may be, have been paid prior to delinquency, except such taxes that are the subject of a Permitted Protest;

(j) each Lender shall have received a Note in an amount equal to such Lender's Commitment and substantially in the form of Exhibit N-1;

(k) the Agent shall have received the Pay-Off Confirmation, together with UCC termination statements and other documentation evidencing the termination by Existing Lender of its Liens in and to the properties and assets of the Borrower;

(l) the Agent shall have received:

(i) all financing statements required by the Agent duly executed by the Borrower and each Guarantor; and

(ii) all searches reflecting the filing of all such financing statements that are to be filed with the Tennessee Secretary of State's office and with each filing office in each state in which any Guarantor has its chief executive office; and

(m) the Agent shall have received UCC termination statements relative to all UCC financing statements filed against the Borrower with the Tennessee Secretary of State's office, and with each filing office in each state in which any Guarantor has its chief executive office, except with respect to such UCC financing statement filed in connection with the Borrower's and each Guarantor's guarantee of PRT's obligation under the PRT Credit Agreement; and

(n) all other documents and legal matters in connection with the transactions contemplated by this Agreement shall have been delivered, executed, or recorded and shall be in form and substance satisfactory to the Agent and its counsel.

3.2 CONDITIONS PRECEDENT TO ALL ADVANCES. The obligation of the Lender Group (or any member thereof) to make any Advance shall be subject to the following conditions precedent:

(a) the representations and warranties contained in this Agreement and the other Loan Documents shall be true and correct in all material respects on and as of the date of such advance, as though made on and as of such date (except to the extent that such representations and warranties relate solely to an earlier date);

(b) no Default or Event of Default shall have occurred and be continuing on the date of such Advance, nor shall either result from the making thereof;

(c) no injunction, writ, restraining order, or other order of any nature prohibiting, directly or indirectly, the extending of such Advance shall have been issued and remain in force by any Governmental Authority against the Borrower, the Agent or any Lender, or any of their Affiliates; and

(d) the amount of the Revolver Usage, after giving effect to the requested Advance, shall not exceed the Availability.

3.3 CONDITIONS SUBSEQUENT. As a condition subsequent to initial closing hereunder, the Borrower shall perform or cause to be performed the following (the failure by the Borrower to so perform or cause to be performed constituting an Event of Default):

(a) within 30 days of the Closing Date, deliver to the Agent the certified copies of the policies of insurance, together with the endorsements thereto, as are required by Section 6.9, the form and substance of which shall be satisfactory to the Agent and its counsel; and

(b) within 15 Business Days of the Closing Date, deliver to the Agent an opinion of the Borrower's New York counsel, in form and substance satisfactory to the Agent in its Permitted Discretion.

3.4 TERM. This Agreement shall become effective upon the execution and delivery hereof by the Borrower and the Lender Group and shall continue in full force and effect for a term ending on December 31, 2002 (the "Maturity Date"). Either the Borrower or the Agent on behalf of the Lenders may terminate this Agreement effective on the Maturity Date or on any first year anniversary of the Maturity Date by giving the other party at least 90 days prior written notice. The foregoing notwithstanding, the Lender Group shall have the right to terminate its obligations under this Agreement immediately and without notice upon the occurrence and during the continuation of an Event of Default.

3.5 EFFECT OF TERMINATION. On the date of termination of this Agreement, all Obligations shall immediately become due and payable without notice or demand. No termination of this Agreement, however, shall relieve or discharge the Borrower of the Borrower's duties, Obligations, or covenants hereunder, continuing security interests in the Collateral, for the benefit of the Lender Group, shall remain in effect until all Obligations have been fully and finally discharged and the Lender Group's obligations to provide additional credit hereunder have been terminated. Upon termination of this Agreement and after all Obligations have been fully and finally discharged and the Lender Group's obligations to provide additional credit under the Loan Documents have been terminated irrevocably, the Agent will, at the Borrower's sole expense, execute and deliver any Uniform Commercial Code termination statements, lien releases, mortgage releases, re-assignments of trademarks, discharges of security interests, and other similar discharge or release documents (and, if applicable, in recordable form) as are reasonably necessary to release, as of record, the security interests, financing statements, and all other notices of security interests and liens previously filed by the Agent for the benefit of the Lender Group with respect to the Obligations.

3.6 EARLY TERMINATION. The Borrower has the option, at any time upon 10 Business Days prior written notice to the Agent, to terminate this Agreement by paying to the Agent, for the benefit of the Lender Group, in cash, the Obligations, in full, together with the Applicable Prepayment Premium. If the Borrower has sent a notice of termination pursuant to the provisions of this Section, but fails to pay the Obligations in full on the date set forth in said notice, then the Agent, acting upon the instructions of the Required Lenders, shall have the

election, to be made by a notice in writing sent by the Agent to the Borrower within 10 Business Days after the date that the Borrower had scheduled as the early termination date, either to (a) require the Borrower to repay the Obligations in full on a date that is 30 days after the date on which such notice is sent, or (b) continue the terms of this Agreement as if no such early termination notice had been sent. If the Agent terminates the Obligations of the Lenders hereunder to extend credit under this Agreement as a result of an occurrence of an Event of Default, then, in view of the impracticality and extreme difficulty of ascertaining actual damages and by mutual agreement of the parties as to a reasonable calculation of the Lender's lost profits as a result thereof, the Borrower shall pay to the Agent for the ratable benefit of the Lenders upon the effective date of such termination, an early termination premium in an amount equal to the Applicable Prepayment Premium. The Applicable Prepayment Premium shall be presumed to be the amount of damages sustained by the Lenders as a result of the early termination hereof and the Borrower agrees that it is a reasonable estimation thereof under the circumstances existing as of the Effective Date. The Applicable Prepayment Premium provided for in this Section 3.6 shall be deemed included in the Obligations.

4. CREATION OF SECURITY INTEREST.

4.1 GRANT OF SECURITY INTEREST. Each Credit Party hereby grants to the Agent, for the benefit of the Lender Group, a continuing security interest in all of such Credit Party's currently existing and hereafter acquired or arising Collateral in order to secure prompt repayment of any and all Obligations of such Credit Party and in order to secure prompt performance by such Credit Party of each of its covenants and duties under the Loan Documents ("Agent's Liens"). The Agent's Liens in and to the Collateral shall attach to all Collateral without further act on the part of the Lender Group or the Credit Parties. Anything contained in this Agreement or any other Loan Document to the contrary notwithstanding, except for Permitted Dispositions, the Credit Parties have no authority, express or implied, to dispose of any item or portion of the Collateral.

4.2 NEGOTIABLE COLLATERAL. In the event that any Collateral, including proceeds, is evidenced by or consists of Negotiable Collateral, and if and to the extent that perfection of priority of the Agent's security interest is dependent on possession, the applicable Credit Party, immediately upon the request of the Agent, shall endorse and deliver physical possession of such Negotiable Collateral to the Agent.

4.3 COLLECTION OF ACCOUNTS, GENERAL INTANGIBLES, AND NEGOTIABLE COLLATERAL. At any time after the occurrence and during the continuation of an Event of Default, the Agent or the Agent's designee may (a) notify customers or Account Debtors of the Credit Parties' that the Accounts, General Intangibles, or Negotiable Collateral have been assigned to the Agent for the benefit of the Lender Group or that the Agent for the benefit of the Lender Group has a security interest therein, or (b) collect the Accounts, General Intangibles, and Negotiable Collateral directly and charge the collection costs and expenses to the Loan Account. Each Credit Party agrees that it will hold in trust for the Lender Group, as the Lender Group's trustee, any Collections that it receives and will immediately deliver said Collections to the Agent in their original form as received by such Credit Party.

4.4 DELIVERY OF ADDITIONAL DOCUMENTATION REQUIRED. At any time upon the request of the Agent, the Credit Parties shall execute and deliver to the Agent, all financing statements, fixture filings, security agreements, pledges, assignments, endorsements of certificates of title, and all other documents that the Agent reasonably may request, in form and substance reasonably satisfactory to the Agent, to perfect and continue perfected the Agent's Liens in the Collateral (whether now owned or hereafter arising or acquired), and in order to fully consummate all of the transactions contemplated hereby and under the other the Loan Documents.

4.5 POWER OF ATTORNEY. Each Credit Party hereby irrevocably makes, constitutes, and appoints the Agent (and any of the Agent's officers, employees, or agents designated by the Agent) as such Credit Party's true and lawful attorney, with power to (a) if such Credit Party refuses to, or fails timely to execute and deliver any of the documents described in Section 4.4, sign the name of such Credit Party on any of the documents described in Section 4.4, (b) at any time that an Event of Default has occurred and is continuing, sign any Credit Party's name on any invoice or bill of lading relating to any Account, drafts against Account Debtors, and notices to Account Debtors, (c) send requests for verification of Accounts, (d) endorse any Credit Party's name on any Collection item that may come into the Lender Group's possession, (e) at any time that an Event of Default has occurred and is continuing, notify the post office authorities to change the address for delivery of any Credit Party's mail to an address designated by the Agent, to receive and open all mail addressed to such Credit Party (the Agent to provide copies thereof to such Credit Party), and to retain all mail relating to the Collateral and forward all other mail to such Credit Party, (f) at any time that an Event of Default has occurred and is continuing, make, settle, and adjust all claims under any Credit Party's policies of insurance covering the Collateral or related to claims that have been made against the Lender Group that the Lender Group asserts are covered by such insurance and make all determinations and decisions with respect to such policies of insurance, and (g) at any time that an Event of Default has occurred and is continuing, settle and adjust disputes and claims respecting the Accounts directly with Account Debtors, for amounts and upon terms that the Agent determines to be reasonable, and the Agent may cause to be executed and delivered any documents and releases that the Agent determines to be necessary. The appointment of the Agent as each Credit Party's attorney, and each and every one of its rights and powers, being coupled with an interest, is irrevocable until all of the Obligations have been fully and finally repaid and performed and the Lender Group's obligations to extend credit hereunder are terminated.

4.6 RIGHT TO INSPECT. The Agent and each Lender (through any of their respective officers, employees, or agents) shall have the right, from time to time hereafter to inspect the Books and to check, test, and appraise the Collateral in order to verify each Credit Party's financial condition or the amount, quality, value, condition of, or any other matter relating to, the Collateral; it being the Agent's and the Lender's expectation as of the Closing Date, that, if the Borrower's contracts, leases, agreements, books, and records are located at Borrower's chief executive office in Nashville, Tennessee, such inspection, checking, testing, and appraisal would need to be completed solely at such office.

5. REPRESENTATIONS AND WARRANTIES.

In order to induce the Lender Group to enter into this Agreement, each Credit Party makes the following representations and warranties to the Lender Group which shall be true, correct, and complete, in all material respects, as of the date hereof, and shall be true, correct, and complete in all material respects as of the Effective Date, and at and as of the date of the making of each Advance (or other extension of credit) made thereafter, as though made on and as of the date of such Advance (or other extension of credit) (except to the extent that such representations and warranties relate solely to an earlier date) and such representations and warranties shall survive the execution and delivery of this Agreement:

5.1 NO ENCUMBRANCES. Each Credit Party has good and indefeasible title to its assets, free and clear of Liens except for Permitted Liens.

5.2 ELIGIBLE ACCOUNTS. Each Account included in the Borrowing Base is an Eligible Account with bona fide existing payment obligations created by the rendition of services to the related Account Debtors in the ordinary course of the Borrower's business, owed to the Borrower without defenses, disputes, offsets, counterclaims, or rights of return or cancellation.

5.3 EQUIPMENT. All of the Equipment is used or held for use in each Credit Party's business and is fit for such purposes.

5.4 LOCATION OF INVENTORY AND EQUIPMENT. The Inventory and Equipment of each Credit Party, are not stored with a bailee, warehouseman, or similar party and are located only at the locations identified on Schedule 6.11 permitted by Section 6.11.

5.5 LOCATION OF CHIEF EXECUTIVE OFFICE; FEIN. The chief executive office of each Credit Party and each of its Subsidiaries is located at the address indicated in Schedule 5.5 and each Credit Party's FEIN is identified in Schedule 5.5.

5.6 DUE ORGANIZATION AND QUALIFICATION; SUBSIDIARIES.

(a) Each Credit Party is duly organized and existing and in good standing under the laws of the jurisdiction of its organization and qualified to do business in any state where the failure to be so qualified reasonably could be expected to have a Material Adverse Change.

(b) Set forth on Schedule 5.6, is a complete and accurate description of the authorized capital Stock of each Credit Party, by class, and, as of the Closing Date, a description of the number of shares of each such class that are issued and outstanding and the number of shares that are held in such Credit Party's treasury. Other than as described on Schedule 5.6, all such shares have been validly issued and, as of the Closing Date, are fully paid, nonassessable shares free of contractual preemptive rights. Other than as described on Schedule 5.6 there are no subscriptions, options, warrants, or calls relating to any shares of any Credit Party's capital Stock, including any right of conversion or exchange under any outstanding security or other instrument. No Credit Party is subject to any obligation (contingent or otherwise) to repurchase or otherwise acquire or retire any shares of its capital Stock or any security convertible into or exchangeable for any of its capital Stock.

(c) Set forth on Schedule 5.6 is a complete and accurate list of each Credit Party's direct and indirect Subsidiaries and Immaterial Subsidiaries, showing: (i) the jurisdiction of their incorporation; (ii) the number of shares of each class of common and preferred Stock authorized for each of such Person; and (iii) the number and the percentage of the outstanding shares of each such class owned directly or indirectly by such Credit Party. All of the issued and outstanding capital Stock of each Subsidiary has been validly issued, is held of record and beneficially by the Borrower and is fully paid and non-assessable.

(d) Except as set forth on Schedule 5.6 no capital Stock (or any securities, instruments, warrants, options, purchase rights, conversion or exchange rights, calls, commitments or claims of any character convertible into or exercisable for Stock) of any direct or indirect Subsidiary of any Credit Party is subject to the issuance of any security, instrument, warrant, option, purchase right, conversion or exchange right, call, commitment or claim of any right, title, or interest therein or thereto.

5.7 DUE AUTHORIZATION; NO CONFLICT.

(a) The execution, delivery, and performance by each Credit Party of this Agreement and the Loan Documents to which it is a party have been duty authorized by all necessary action on the part of the Borrower.

(b) The execution, delivery, and performance by each Credit Party of this Agreement and the Loan Documents to which it is a party do not and will not (i) violate any provision of federal, state, or local law or regulation applicable to such Credit Party, the Governing Documents of such Credit Party, or any order, judgment, or decree of any court or other Governmental Authority binding on such Credit Party, (ii) conflict with, result in a breach of, or constitute (with due notice or lapse of time or both) a default under any material contractual obligation of such Credit Party, (iii) result in or require the creation or imposition of any Lien of any nature whatsoever upon any properties or assets of such Credit Party, other than Permitted Liens, or (iv) except as set forth on Schedule 5.7, require any approval of stockholders or any approval or consent of any Person under any material contractual obligation of such Credit Party.

(c) Other than the taking of any action expressly required under this Agreement and the other Loan Documents and except as set forth on Schedule 5.7 the execution, delivery, and performance by each Credit Party of this Agreement and the Loan Documents to which such Credit Party is a party do not and will not require any registration with, consent, or approval of, or notice to, or other action with or by, any Governmental Authority or other Person.

(d) This Agreement and the other Loan Documents to which each Credit Party is a party, and all other documents contemplated hereby and thereby, when executed and delivered by such Credit Party will be the legally valid and binding obligations of such Credit Party, enforceable against such Credit Party in accordance with their respective terms, except as enforcement may be limited by equitable principles or by bankruptcy, insolvency, reorganization, moratorium, or similar laws relating to or limiting creditors' rights generally.

(e) Upon the filing of a financing statement in each filing office in which the chief executive office of each of the Credit Parties is located, including but not limited to the Tennessee Secretary of State's office, the Agent's Liens granted by each Credit Party to the Agent, for the benefit of the Lender Group, in and to its Accounts, General Intangibles, and Investment Property are validly created, perfected, and first priority Liens, subject only to Permitted Liens.

5.8 LITIGATION. Other than those matters disclosed on Schedule 5.8, there are no actions, suits, or proceedings pending or, to the best knowledge of each Credit Party, threatened against such Credit Party or any of its Subsidiaries, except for matters arising after the Closing Date that, if decided adversely to such Credit Party or any of its Subsidiaries, as the case may be, reasonably could not be expected to result in a Material Adverse Change.

5.9 NO MATERIAL ADVERSE CHANGE. All financial statements relating to the Credit Parties that have been delivered to the Lender Group have been prepared in accordance with GAAP (except, in the case of unaudited financial statements, for the lack of footnotes and being subject to year-end audit adjustments) and fairly present each Credit Party's financial condition as of the date thereof and results of operations for the period then ended. There has not been a Material Adverse Change with respect to any Credit Party since June 30, 2000.

5.10 FRAUDULENT TRANSFER.

(a) Each Credit Party is Solvent.

(b) No transfer of property is being made by any Credit Party and no obligation is being incurred by any Credit Party in connection with the transactions contemplated by this Agreement or the other Loan Documents with the intent to hinder, delay, or defraud either present or future creditors of such Credit Party.

5.11 EMPLOYEE BENEFITS. None of the Credit Parties, nor any of its Subsidiaries, nor any of their ERISA Affiliates maintains or contributes to any Benefit Plan.

5.12 ENVIRONMENTAL CONDITION. Other than those matters disclosed on Schedule 5.12 and except in accordance with applicable law, none of any Credit Party's properties or assets has ever been used by such Credit Party or, to the best of such Credit Party's knowledge, by previous owners or operators in the disposal of, or to produce, store, handle, treat, release, or transport, any Hazardous Materials. None of any Credit Party's properties or assets has ever been designated or identified in any manner pursuant to any environmental protection statute as a Hazardous Materials disposal site, or a candidate for closure pursuant to any environmental protection statute. No Lien arising under any environmental protection statute has attached to any revenues or to any real or personal property owned or operated by any Credit Party. No Credit Party has received a summons, citation, notice or directive from the Environmental Protection Agency or any other federal or state governmental agency concerning any action or omission by such Credit Party resulting in the releasing or disposing of Hazardous Materials into the environment.

5.13 BROKERAGE FEES. No Credit Party has utilized the services of any broker or finder in connection with obtaining financing from the Lender Group under this Agreement and no brokerage commission or finders fee is payable in connection herewith.

5.14 PERMITS AND OTHER INTELLECTUAL PROPERTY. Each Credit Party owns or possesses adequate licenses or other rights to use all Permits, trademarks, trade names, copyrights, patents, patent rights, and licenses that are necessary to the conduct of its business as currently conducted.

5.15 LEASES. Each Credit Party enjoys peaceful and undisturbed possession under all leases material to the business of such Credit Party and to which it is a party or under which it is operating. All of such leases are valid and subsisting and no material default by such Credit Party exists under any of them.

5.16 IMMATERIAL SUBSIDIARIES. Each Person composing the Immaterial Subsidiaries does not own or operate or possess any material asset, license, management contract, franchise, or right and is not liable with respect to any material Indebtedness, obligation, liability, or claim. For purposes of this section, "material" means, (i) with respect to assets, licenses, management contracts, franchises or rights of the Immaterial Subsidiaries (other than TransCor U.S.) that the aggregate value of such items for the Immaterial Subsidiaries (other than TransCor U.S.) taken as a whole does not exceed 3.0% of the aggregate value of such items for the Borrower and its subsidiaries taken as a whole; and with respect to Indebtedness, obligations, liabilities, and claims of the Immaterial Subsidiaries (other than TransCor U.S.), that the aggregate amount of such items for the Immaterial Subsidiaries (other than TransCor U.S.), taken as a whole does not exceed 3.0% of the aggregate amount of such items for the Borrower and its Subsidiaries taken as a whole; and (ii) with respect to assets, licenses, management contracts, franchises or rights of TransCor U.S., that the aggregate value of such items excluding goodwill for TransCor U.S. does not exceed 5.0% of the aggregate value of such items including goodwill for the Borrower and its Subsidiaries taken as a whole; and with respect to, Indebtedness, obligations, liabilities, and claims of TransCor U.S., that the aggregate amount of such items for TransCor U.S. does not exceed 5.0% of the aggregate amount of such items for the Borrower and its Subsidiaries taken as a whole.

5.17 COMPLIANCE WITH REQUIREMENTS. The conduct of each Credit Party's business and its management of correctional and detention facilities as currently conducted are in compliance, in all material respects, with the standards of the American Correctional Association and the requirements of applicable Governmental Authorities.

5.18 GOVERNMENTAL REGULATIONS, ETC.

(a) None of the transactions contemplated by this Agreement or the other Loan Documents (including, without limitation, the direct or indirect use of the proceeds of the Advances) 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 Credit 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 Credit 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.

5.19 DISCLOSURE. Neither this 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 Credit Party in connection with the transactions contemplated hereby or the other Loan Documents (other than projections and pro forma financial information) contained as of the date such statement, information, document or certificate was so furnished, any untrue statement of a material fact or omitted to state a material fact necessary in order to make the statements contained herein or therein not misleading. The projections and pro forma financial information contained in the materials referenced above are based upon good faith estimates and assumptions believed by management of such Credit Party to be reasonable at the time made, it being recognized by the Lenders that such financial information as it relates to future events is not to be viewed as fact and that actual results during the period or periods covered by such financial information may differ from the projected results set forth therein by a material amount.

6. AFFIRMATIVE COVENANTS.

Each Credit Party covenants and agrees that, so long as any credit hereunder shall be available and until full and final payment of the Obligations, such Credit Party or its Subsidiaries, as applicable, shall do all of the following:

6.1 ACCOUNTING SYSTEM. Maintain a system of accounting that enables such Credit Party to produce financial statements in accordance with GAAP and maintain records pertaining to the assets that contain information as from time to time reasonably may be requested by the Agent. Such Credit Party also shall keep an inventory reporting system that shows all additions, sales, claims, returns, and allowances with respect to the Inventory.

6.2 COLLATERAL REPORTING. Provide the Agent with the following documents at the following times in form reasonably satisfactory to the Agent:

(a) on a weekly basis, a collection journal and credit register since the last such schedule and a calculation of the Borrowing Base as of such date,

(b) on a monthly basis and, in any event, by no later than the 10th day of each month during the term of this Agreement,

(i) a detailed calculation of the Borrowing Base,

(ii) a detailed aging, by total, of the Accounts, together with a reconciliation to the detailed calculation of the Borrowing Base previously provided to the Agent,

(iii) a summary aging, by vendor, of the Borrower's accounts payable and any book overdraft, and

(iv) a calculation of Dilution for the prior month,

(v) notice and evidence of all new and outstanding Liens,

(c) on a quarterly basis, evidence, satisfactory to the Agent in its Permitted Discretion, of the Borrower's compliance with the terms of Section 5.16, with respect to TransCor U.S.,

(d) on an annual basis, evidence, satisfactory to the Agent in its Permitted Discretion, of the Borrower's compliance with the terms of Section 5.16, with respect to the Immaterial Subsidiaries (other than TransCor U.S.), and

(e) upon request of the Agent,

(i) copies of invoices, customer statements, credit memos, remittance advises, and reports, deposit slips, shipping and delivery documents in connection with the Accounts,

(ii) notice of all litigation, material disputes or claims,

(iii) a detailed list of the Borrower's customers, and

(iv) such other reports as to the Collateral or the financial condition of the Borrower as the Agent reasonably may request from time to time.

6.3 FINANCIAL STATEMENTS, REPORTS CERTIFICATES. Deliver to the Agent, with a copy to each Lender:

(a) as soon as available, but in any event within 45 days after the end of each month during each such Credit Parties' fiscal years,

(i) (A) a company prepared balance sheet and income statement, covering each Credit Party's operations during such period, and (B) with respect to each such month that is the last month of any fiscal quarter of such Credit Party, a company prepared statement of cash flows covering such Credit Party's operations during such fiscal quarter,

(ii) a certificate, substantially in the form of Exhibit C-2, signed by its chief financial officer to the effect that:

(A) the financial statements delivered hereunder have been prepared in accordance with GAAP (except for the lack of footnotes and being subject to year-end audit adjustments) and fairly present the financial condition of such Credit Party,

(B) the representations and warranties of such Credit Party contained in this Agreement and the other Loan Documents are true and correct in all material respects on and as of the date of such certificate, as though made on and as of such date (except to the extent that such representations and warranties relate solely to an earlier date),

(C) there does not exist any condition or event that constitutes a Default or Event of Default (or, to the extent of any non-compliance, describing such non-compliance as to which he or she may have knowledge and what action such Credit Party has taken, is taking, or proposes to take with respect thereto),

(iii) for each month that is the date on which a financial covenant in Section 7.20 is to be tested, a Compliance Certificate demonstrating, in reasonable detail, compliance at the end of such period with the applicable financial covenants contained in Section 7.20,

(b) as soon as available, but in any event within 90 days after the end of each Credit Parties' fiscal years,

(i) financial statements of each Credit Party for each such fiscal year, audited by independent certified public accountants reasonably acceptable to the Agent and certified by such accountants to have been prepared in accordance with GAAP (such audited financial statements to include a balance sheet, income statement, and statement of cash flow and, if prepared, such accountants' letter to management),

(ii) a certificate of such accountants addressed to the Agent stating that such accountants do not have knowledge of the existence of any Default or Event of Default under Section 7.20,

(c) if and when filed by any Credit Party,

(i) 10-Q quarterly reports Form 10-K annual reports, and Form 8-K current reports,

(ii) any other filings made by any Credit Party with the SEC, and

(iii) any other information that is provided by each Credit Party to its shareholders generally,

(d) if and when filed by any Credit Party or as requested by the Agent, satisfactory evidence of payment of applicable excise taxes in each jurisdictions in which (i) such Credit Party conducts business or is required to pay any such excise tax, (ii) where such Credit Party's failure to pay any such applicable excise tax would result in a Lien on the properties or assets of such Credit Party, or (iii) where such Credit Party's failure to pay any such applicable excise tax would constitute a Material Adverse Change, and

(e) upon the request of the Agent, any other report reasonably requested relating to the financial condition of any Credit Party.

Each Credit Party agrees that its independent certified public accountants are authorized to communicate with the Agent and to release to the Agent whatever financial information concerning such Credit Party that the Agent reasonably may request.

6.4 ANNUAL PROJECTIONS. As soon as available and in any event no later than 30 days after the end of each fiscal year of each Credit Party, Projections prepared by such Credit Party's management, together with a brief description of the assumptions used in the preparation thereof, in form reasonably satisfactory to the Agent.

6.5 COMPLIANCE WITH TERMS OF LEASEHOLDS. Make all payments and otherwise perform all material obligations in respect of leases of Real Property (except to the extent that the amount or validity of such payment or other obligation is being contested in good faith by proper proceedings in such a manner as would not be reasonably likely to cause the termination or forfeiture of such lease), keep such leases in full force and effect and not allow such leases to lapse or be terminated or any rights to renew such leases to be forfeited or cancelled, notify the Agent of any default by any party with respect to such leases and cooperate with the Agent in all respects to cure any such default, and cause each of its Subsidiaries to do so, notify the Agent of any lapse, termination, forfeiture, default or cancellation of any lease (whether or not in accordance with the terms of such lease or this Agreement), make available to the Agent copies of any additional or replacement material lease entered into subsequent to the Effective Date, and (i) with respect to each such replacement or additional lease between the Borrower and PRT, deliver to the Agent a Non-Disturbance Agreement, and (ii) with respect to each such replacement or additional lease between the Borrower and a lessor other than PRT, use the Borrower's best efforts to obtain and deliver to the Agent a non-disturbance agreement in form and substance reasonably satisfactory to the Agent from the lessor under any such replacement or additional lease.

6.6 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 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 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. Each Credit Party agrees that the Agent, and its representatives, may conduct an annual audit of its assets, at the expense of such Credit Party.

6.7 MAINTENANCE OF EQUIPMENT. Maintain the Equipment in good operating condition and repair (ordinary wear and tear excepted), and make all necessary replacements thereto so that the value and operating efficiency thereof shall at all times be maintained and preserved.

6.8 TAXES. Cause all assessments and taxes, whether real, personal, or otherwise, due or payable by, or imposed, levied, or assessed against each Credit Party or any of its property to be paid in full, before delinquency or before the expiration of any extension period, except to the extent that the validity of such assessment or tax shall be the subject of a Permitted Protest. Each Credit Party shall make due and timely payment or deposit of all such federal, state, and local taxes, assessments, or contributions required of it by law, and will execute and deliver to the Agent, on demand, appropriate certificates attesting to the payment thereof or deposit with respect thereto. Each Credit Party will make timely payment or deposit of all tax payments and withholding taxes required of it by applicable laws, including those laws concerning F.I.C.A., F.U.T.A., state disability, and local, state, and federal income taxes, and will, upon request, furnish the Agent with proof satisfactory to the Agent indicating that such Credit Party has made such payments or deposits.

6.9 INSURANCE.

(a) Maintain at its expense, insurance respecting the Collateral wherever located and with respect to each Credit Party's business, covering loss or damage by fire, theft, explosion, and all other hazards and risks as ordinarily are insured against by other Persons engaged in the same or similar businesses. Each Credit Party also shall maintain business interruption, public liability, and product liability insurance, as well as insurance against larceny, embezzlement, and criminal misappropriation. All such policies of insurance shall be in such amounts and with such insurance companies as are reasonably satisfactory to the Agent. Each Credit Party shall deliver certified copies of all such policies to the Agent with 438 BFU lender's loss payable endorsements or other reasonably satisfactory lender's loss payable endorsements, naming the Agent as sole loss payee or additional insured, as appropriate. Each policy of insurance or endorsement shall contain a clause requiring the insurer to give not less than 30 days prior written notice to the Agent in the event of cancellation of the policy for any reason whatsoever. If any Credit Party fails to provide and pay for such insurance, the Agent may, at its option, but shall not be required to, procure the same and charge such Credit Party's Loan Account therefor.

(b) Each Credit Party shall give the Agent prompt notice of any loss covered by such insurance. The Agent shall have the exclusive right to adjust any losses payable under any such insurance policies in excess of $1,000,000, without any liability to such Credit Party whatsoever in respect of such adjustments. Any monies in excess of $1,000,000 received as payment for any loss under any insurance policy respecting Collateral or as payment of any award or compensation for condemnation or taking by eminent domain, shall be paid over to the Agent to be applied at the option of the Required Lenders either to the prepayment of the Obligations without premium, in such order or manner as the Required Lenders may elect, or shall be disbursed to such Credit Party under staged payment terms reasonably satisfactory to the Required Lenders for application to the cost of repairs, replacements, or restorations.

6.10 NO SETOFFS OR COUNTERCLAIMS. Make payments hereunder and under the other Loan Documents by or on behalf of each Credit Party without setoff or counterclaim and free and clear of, and without deduction or withholding for or on account of, any federal, state, or local taxes.

6.11 LOCATION OF INVENTORY AND EQUIPMENT. Keep the Inventory and Equipment only at the locations identified on Schedule 6.11; provided, however, that the Borrower may amend Schedule 6.11 so long as such amendment occurs by written notice to the Agent not less than 30 days prior to the date on which the Inventory or Equipment is moved to such new location, so long as such new location is within the continental United States, and so long as, at the time of such written notification, the Borrower provides any financing statements or fixture filings necessary to perfect and continue perfected the Agent's Liens on such assets and also provides to the Agent a Collateral Access Agreement.

6.12 COMPLIANCE WITH LAWS. Comply with the requirements of all applicable laws, rules, regulations, and orders of any governmental authority, including the Fair Labor Standards Act and the Americans With Disabilities Act, other than laws, rules, regulations, and orders the non-compliance with which, individually or in the aggregate, would not result in and reasonably could not be expected to result in a Material Adverse Change.

6.13 LEASES. Pay when due all rents and other amounts payable under any leases to which any Credit Party is a party or by which any Credit Party's properties and assets are bound, unless such payments are the subject of a Permitted Protest. To the extent that such Credit Party fails timely to make payment of such rents and other amounts payable when due under its leases, the Agent shall be entitled, in its Permitted Discretion, to reserve an amount equal to such unpaid amounts against the Borrowing Base.

6.14 ENVIRONMENTAL LAWS.

(a) Each Credit Party shall, and shall cause its Subsidiaries to, 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) Each Credit Party shall, and shall cause its Subsidiaries to, 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) Each Credit Party shall defend, indemnify and hold harmless the Agent, its 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 such Credit Party 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.

6.15 CORPORATE EXISTENCE, ETC. At all time preserve and keep in full force and effect each Credit Party's valid corporate existence and good standing and any rights and franchises material to such Credit Party's businesses.

6.16 DISCLOSURE UPDATES. Promptly and in no event later than 5 Business Days after obtaining knowledge thereof, (i) notify the Agent if any written information, exhibit, or report furnished to the Lender Group contained any untrue statement of a material fact or omitted to state any material fact necessary to make the statements contained therein not misleading in light of the circumstances in which made, and (ii) correct any defect or error that may be discovered therein or in any Loan Document or in the execution, acknowledgement, filing, or recordation thereof.

6.17 COMPLIANCE WITH TERMS OF MANAGEMENT CONTRACTS. Make all payments and otherwise perform all material obligations in respect of Management Contracts (except to the extent that the amount or validity of such payment or other obligation is being contested in good faith by proper proceedings in such a manner as would not be reasonably likely to cause the termination or forfeiture of such Management Contract), keep all Management Contracts in full force and effect and not allow any Management Contract to lapse or be terminated or any rights to renew such Management Contract to be forfeited or cancelled, notify the Agent of any default (except for the matters disclosed on Schedule 6.17) by any party with respect to any Management Contract and cooperate with the Agent in all respects to cure any such default, and cause each of its Subsidiaries to do so, notify the Agent of any lapse, termination, forfeiture, default (except for the matters disclosed on Schedule 6.17) or cancellation of any Management Contract (whether or not in accordance with the terms of such Management Contract or this Agreement), and make available to the Agent copies of any additional or replacement Management Contract entered into subsequent to June 30, 2000. In furtherance of the foregoing, the Borrower agrees that all Management Contracts entered into on or after the Effective Date and all Management Agreements that are renewed on or after the Effective Date will be entered into or renewed, as the case may be, in the name of the Borrower and not in the name of any of its Subsidiaries or Affiliates.

6.18 COMPLIANCE WITH ASSIGNMENT OF CLAIMS ACT. At any time, and from time to time, upon the request of the Agent, take such actions as are required by the Agent in its Permitted Discretion to comply with (a) the Assignment of Claims Act, 31 U.S.C. ss. 3727, for all Accounts with respect to which the Account Debtor is the United States or any department, agency, or instrumentality of the United States, so as to designate Agent as the payee on all payments against such Accounts, or (b) any comparable statute of any state or other jurisdiction for all Accounts with respect to which the Account Debtor is such state or other jurisdiction, or any department, agency, or instrumentality of such state or other jurisdiction, so as to designate the Agent as the payee on all payments against such Accounts.

6.19 QUARTERLY PROJECTIONS. As soon as available and in any event not later than December 31, 2000, the Borrower shall deliver to the Agent Projections for each of the Borrower's fiscal quarters beginning with the fiscal quarter ending March 31, 2001 through the fiscal quarter ending December 31, 2004, prepared by the Borrower's management, together with a brief description of the assumptions used in the preparation thereof. Such projections shall, among other things, include projections at least one calendar quarter into the future of the Borrower's cash flows, net worth and EBITDA.

6.20 COMPLIANCE WITH REQUIREMENTS. Conduct its business and its management of correctional and detention facilities in compliance, in all material respects, with the standards of the American Correctional Association and the requirements of applicable Governmental Authority.

6.21 ADDITIONAL CREDIT PARTIES. As soon as practicable and in no event within 30 days after any Person becomes a Subsidiary (or ceases to be an Immaterial Subsidiary (but remains a Subsidiary)) of any Credit Party, the Borrower shall provide the Agent with written notice thereof setting forth information in reasonable detail describing all of the assets of such Person and, provided the PRT Credit Agreement permits, shall cause such person to execute a Joinder Agreement substantially in the form of Exhibit J-1.

6.22 ASSUMPTION OF AGREEMENT.

Upon the consummation of the Merger, CCAAS shall assume all of CCA's obligations, rights and interests under this Agreement and take all actions reasonably requested by the Agent to evidence such assumption by CCAAS.

7. NEGATIVE COVENANTS.

Each Credit Party covenants and agrees that, so long as any credit hereunder shall be available and until full and final payment of the Obligations, no Credit Party nor any of its Subsidiaries will do any of the following:

7.1 INDEBTEDNESS. Create, incur, assume, permit, guarantee, or otherwise become or remain, directly or indirectly, liable with respect to any Indebtedness, except:

(a) Indebtedness evidenced by this Agreement;

(b) guarantees of Indebtedness under the PRT Credit Agreement;

(c) Indebtedness set forth on Schedule 7.1;

(d) Purchase Money Indebtedness incurred after the Effective Date in an aggregate amount outstanding at any one time not to exceed $500,000;

(e) refinancings, renewals, or extensions of Indebtedness permitted under this Section 7.1 (and continuance or renewal of any Permitted Liens associated therewith) so long as: (i) the terms and conditions of such refinancings, renewals, or extensions do not materially impair the prospects of repayment of the Obligations by any of the Credit Parties, (ii) the net

cash proceeds of such refinancings, renewals, or extensions do not result in an increase in the aggregate principal amount of the Indebtedness so refinanced, renewed, or extended, (iii) such refinancings, renewals, refundings, or extensions do not result in a shortening of the average weighted maturity of the Indebtedness so refinanced, renewed, or extended, and (iv) to the extent that Indebtedness that is refinanced was subordinated in right of payment to the Obligations, then the subordination terms and conditions of the refinancing Indebtedness must be at least as favorable to the Lender Group as those applicable to the refinanced Indebtedness.

7.2 LIENS. Create, incur, assume, or permit to exist, directly or indirectly, any Lien on or with respect to any of its assets, of any kind, whether now owned or hereafter acquired, or any income or profits therefrom, except for Permitted Liens (including Liens that are replacements of Permitted Liens to the extent that the original Indebtedness is refinanced under Section 7.1 and so long as the replacement Liens only encumber those assets that secured the original Indebtedness).

7.3 RESTRICTIONS ON FUNDAMENTAL CHANGES.

(a) Enter into any merger, consolidation, reorganization, or recapitalization, or reclassify its Stock; provided, however, that Immaterial Subsidiaries may merge with and into the Borrower so long as the Borrower is the surviving entity in such merger, and provided, further, that this Section 7.3 shall not restrict or prevent the consummation of the Merger.

(b) Liquidate, wind up, or dissolve itself (or suffer any liquidation or dissolution).

(c) Convey, sell, assign, lease, transfer, or otherwise dispose of, in one transaction or a series of transactions, all or any substantial part of its property or assets.

(d) Permit any Immaterial Subsidiary to own or operate or possess any material asset, license, management contract, franchise, or right or be liable with respect to any material Indebtedness, obligation, liability, or claim.

7.4 DISPOSAL OF ASSETS. Sell, lease, assign, transfer, or otherwise dispose of any of its properties or assets, other than pursuant to Permitted Dispositions.

7.5 CHANGE NAME. Without providing 30 days prior written notification thereof to the Agent and so long as, at the time of such written notification, such Credit Party provides any financing statements necessary to perfect and continue perfected the Agent's Liens, change its name, FEIN, corporate structure (within the meaning of Section 9-402(7) of the Code), or identity, or add any new fictitious name, except that CCAAS is permitted to change its name following the Merger upon providing prior written notification thereof to the Agent and otherwise complying with this Section 7.5.

7.6 GUARANTEE. Guarantee or otherwise become in any way liable with respect to the obligations of any third Person except by endorsement of instruments or items of payment for deposit to its account or which are transmitted or turned over to the Agent.

7.7 NATURE OF BUSINESS. Make any change in the principal nature of its business.

7.8 PREPAYMENTS AND AMENDMENTS.

(a) Prepay, redeem, retire, defease, purchase, or otherwise acquire the Indebtedness that is the subject of the [Intercreditor Agreement] or any of the Indebtedness that is the subject of the PRT Related Documents, and

(b) Directly or indirectly, amend, modify, alter, increase, or change any of the terms or conditions of any agreement, instrument, document, indenture, or other writing evidencing or concerning the Indebtedness that is the subject of the [Intercreditor Agreement].

7.9 CHANGE OF CONTROL. Cause, permit, or suffer, directly or indirectly, any Change of Control.

7.10 DISTRIBUTIONS. Make any distribution or declare or pay any dividends (in cash or other property, other than Stock) on, or purchase, acquire, redeem, or retire any of its Stock, of any class, whether now or hereafter outstanding, provided, however, that after the consummation of the Merger, the Borrower may, in any calendar year, pay PRT amounts not to exceed $12,000,000, or such other amount as the Agent shall approve in its Permitted Discretion.

7.11 ACCOUNTING METHODS. Modify or change its method of accounting. Each Credit Party waives the right to assert a confidential relationship, if any, it may have with any accounting firm or service bureau in connection with any information requested by the Agent pursuant to or in accordance with this Agreement, and agrees that the Agent may contact directly any such accounting firm or service bureau in order to obtain such information.

7.12 INVESTMENTS. Except for Permitted Investments, directly or indirectly make, acquire, or incur any liabilities (including contingent obligations) for or in connection with any Investment; provided, however, that at any time that Advances are outstanding, the Borrower shall not have Permitted Investments in excess of $5,000,000 outstanding at any one time without the prior written consent of the Agent, which consent may be conditioned, at Agent's election, on the Borrower entering into Control Agreements or similar arrangements governing such Permitted Investments, as the Agent shall determine in its Permitted Discretion, to perfect (and further establish) Agent's Liens in such Permitted Investments.

7.13 TRANSACTIONS WITH AFFILIATES. Except for the PRT Documents, directly or indirectly enter into or permit to exist any material transaction with any Affiliate of any Credit Party except for transactions that are in the ordinary course of such Credit Party's business, upon fair and reasonable terms, that are fully disclosed to the Agent, and that are no less favorable to such Credit Party than would be obtained in an arm's length transaction with a non-Affiliate.

7.14 SUSPENSION. Suspend or go out of a substantial portion of its business.

7.15 COMPENSATION. Increase the annual fee or per-meeting fees paid to directors during any year by more than 15% over the prior year; pay or accrue total cash compensation, during any year, to officers and senior management employees in an aggregate amount in excess of 115% of that paid or accrued in the prior year; provided, however, that if any Credit Party hires or appoints an officer (who is not a replacement for another such officer), the total cash compensation paid or accrued by such Credit Party with respect to such individual (the "Additive

Amount") during such year of hire or appointment (the "Hire Year") shall not be included in the aggregate amount of total cash compensation paid or accrued by such Credit Party for purposes of calculating whether such Credit Party exceeded the aggregate amount of total cash compensation allowable during such year; provided further, however, that, in the year following the Hire Year, the Additive Amount (annualized if the individual was hired or appointed for less than a full year) shall be included in the aggregate amount of total cash compensation paid or accrued by such Credit Party for the Hire Year for the purpose of calculating the total cash compensation paid or accrued by such Credit Party for the prior year.

7.16 USE OF PROCEEDS. Use the proceeds of the Advances for any purpose other than (a) on the Closing Date, (i) to repay in full the outstanding principal, accrued interest, and accrued fees and expenses owing to Existing Lender, and (ii) to pay transactional fees, costs, and expenses incurred in connection with this Agreement, and (b) on the Closing Date and thereafter, consistent with the terms and conditions hereof, for its lawful and permitted working capital and corporate purposes.

7.17 CHANGE IN LOCATION OF CHIEF EXECUTIVE OFFICE; INVENTORY AND EQUIPMENT WITH BAILEES. Relocate its chief executive office to a new location without providing 30 days prior written notification thereof to the Agent and so long as, at the time of such written notification, such Credit Party provides any financing statements or fixture filings necessary to perfect and continue perfected the Agent's Liens and also provides to Agent a Collateral Access Agreement with respect to such new location. The Inventory and Equipment shall not at any time now or hereafter be stored with a bailee, warehouseman, or similar party without the Agent's prior written consent.

7.18 ACCOUNTING CHANGES. In the event that any "Accounting Change" (as defined below) shall occur and such change results in a change in the method of calculation of financial covenants, standards, or terms in this Agreement (including, without limitation, any such change that results in the amount of Net Worth being different than it would have been in the absence of such change), then each Credit Party and the Agent agree to enter into negotiations in order to amend such provisions of this Agreement so as to equitably reflect such Accounting Change with the intended result that the criteria for evaluating such Credit Party's financial condition shall be the same after such Accounting Change as if such Accounting Change had not been made. Until such time as such an amendment shall have been executed and delivered by such Credit Party, the Agent and the Required Lenders, all financial covenants, standards and terms in this Agreement shall continue to be calculated or construed as if such Accounting Change had not occurred. "Accounting Change" refers to any change in accounting principles, or in the application or interpretation thereof by any Credit Party's independent certified public accounts, required, or determined by such accountants to be required, by any rule, regulations, pronouncement or opinion by the Financial Accounting Standards Board of the American Institute of Certified Public Accountants, or, if applicable, the Securities and Exchange Commission, or, in each case, any successor to such entities.

7.19 AMENDMENTS OF CONTRACTS.

(a) Cancel or terminate or permit the cancellation or termination (other than at its stated maturity) of (i) any of the Management Contracts (other than in the ordinary course of

business), or (ii) any of the PRT Related Documents, except in connection with the transactions contemplated by the Merger; or

(b) amend or modify, or permit the amendment or modification of (i) any Management Contract (other than in the ordinary course of business), or (ii) any PRT Related Document in any material respect and in any manner that results in such PRT Related Document being on terms and conditions that are less favorable to the Borrower than are in effect immediately prior to such amendment or modification, except in connection with the transactions contemplated by the Merger, or (iii) any PRT Lease Agreement to increase the rentals paid thereunder in any material respect other than any increases in rentals arising in connection with additions to or expansions of the premises leased under such PRT Lease Agreement.

8. EVENTS OF DEFAULT.

8.1 EVENTS OF DEFAULT

Any one or more of the following events shall constitute an event of default (each, an "Event of Default") under this Agreement:

(a) If any Credit Party fails to pay when due and payable or when declared due and payable, any portion of the Obligations (whether of principal, interest (including any interest which, but for the provisions of the Bankruptcy Code, would have accrued on such amounts), fees and charges due the Lender Group, reimbursement of Lender Group Expenses, or other amounts constituting Obligations);

(b) If any Credit Party fails or neglects to perform, keep, or observe (i) any covenant or other provision contained in Sections 6.2, 6.3, 6.4, 6.11, 6.12, and 6.13 hereof and such failure or neglect continues for a period of 5 days after the date on which such failure or neglect first occurs, (ii) any covenant or other provision contained in Sections 6.1 and 6.7 hereof and such failure or neglect is not cured within 15 days after the date on which such failure or neglect first occurs, or (iii) any covenant or other provision contained in any Section of this Agreement or the other Loan Documents (other than a Section that is expressly provided for elsewhere in this Section 8);

(c) If a Borrower Net Worth Default or a Borrower EBITDA Default shall occur;

(d) If any material portion of any Credit Party's properties or assets is attached, seized, subjected to a writ or distress warrant, or is levied upon, or comes into the possession of any third Person;

(e) If an Insolvency Proceeding is commenced by any Credit Party;

(f) If an Insolvency Proceeding is commenced against any Credit Party and any of the following events occur: (i) such Credit Party consents to the institution of the Insolvency Proceeding against it, (ii) the petition commencing the Insolvency Proceeding is not timely controverted, (iii) the petition commencing the Insolvency Proceeding is not dismissed within 45 calendar days of the date of the filing thereof; provided, however, that, during the

pendency of such period, the Agent (including any successor agent), and any member of the Lender Group shall be relieved of their obligation to extend credit hereunder, (iv) an interim trustee is appointed to take possession of all or a substantial portion of the properties or assets of, or to operate all or any substantial portion of the business of, such Credit Party, or (v) an order for relief shall have been issued or entered therein;

(g) If any Credit Party is enjoined, restrained, or in any way prevented by court order from continuing to conduct all or any material part of its business affairs;

(h) If a notice of Lien, levy, or assessment is filed of record with respect to (i) any Credit Party's properties or assets by the United States Government, or any department, agency, or instrumentality thereof, or by any state, county, municipal, or governmental agency, or if any taxes or debts owing at any time hereafter to any one or more of such entities becomes a Lien, whether choate or otherwise, upon any of such Credit Party's properties or assets and the same is not paid on the payment date thereof, (ii) an assessment in excess of $100,000 in the aggregate is filed of record with respect to any Credit Party's assets by any state, county, municipal, or other non-federal Governmental Authority, or (iii) if any taxes or debts owing at any time hereafter to any one or more of such entities in excess of $250,000 in the aggregate becomes a Lien upon any Credit Party's assets and the same is not paid and the same is not released, discharged, or bonded against before the earlier of 30 days after the date it first arises or 5 days prior to the date when such asset is subject to being forfeited by such Credit Party;

(i) If one or more settlements of any actions, suits or proceedings, judgments or other claims involving an aggregate amount of $250,000, or more, in excess of the amount covered by insurance, becomes a Lien or encumbrance upon any Credit Party's assets and the same is not released, discharged, bonded against, or stayed pending appeal before the earlier of 30 days after the date it first arises or 5 days prior to the date on which such asset is subject to being forfeited by such Credit Party;

(j) If there is a default in one or more agreements to which any Credit Party is a party with one or more third Persons relative to such Credit Party's Indebtedness involving an aggregate amount of $250,000, or more, and such default results in a right by such third Person(s), irrespective of whether exercised, to accelerate the maturity of such Credit Party's obligations thereunder;

(k) There shall occur an event of default under the PRT License Agreement (subject to applicable grace or cure periods, if any);

(l) There shall occur (i) an event of default under the PRT Master Lease (subject to applicable grace or cure periods, if any), (ii) any payment default under any PRT Lease Agreement (not including the PRT Master Lease) between any Credit Party and PRT, or (iii) any shortening of or limitation on the term of any PRT Lease Agreement, except that the occurrence of the following events shall not constitute an Event of Default under this Section 8.1 (l): (a) the deferral by Borrower of certain of the payment obligations of PRT under the PRT Services Agreement, the PRT Tenant Incentive Agreement and the PRT Business Development Agreement, (b) the failure by Borrower to make certain of the rent payments due and to become due under each of the PRT leases.;

(m) There shall occur a PRT Change of Control;

(n) If any Credit Party makes any payment on account of Indebtedness that has been contractually subordinated in right of payment to the payment of the Obligations, except to the extent that such payment is permitted by the terms of the subordination provisions applicable to such Indebtedness; or

(o) If any material misstatement or misrepresentation exists now or hereafter in any warranty, representation, statement, or report made to the Lender Group by any Credit Party or any officer, employee, agent, or director of any Credit Party, or if any such warranty or representation is withdrawn.

9. THE LENDER GROUP'S RIGHTS AND REMEDIES.

9.1 RIGHTS AND REMEDIES.

The Agent may, and at the direction of the Required Lenders shall, upon the occurrence, and during the continuation, of an Event of Default, the Required Lenders (at their election but without notice of their election and without demand) may, except to the extent otherwise expressly provided or required below, authorize and instruct the Agent to do any one or more of the following on behalf of the Lender Group (and the Agent, acting upon the instructions of the Required Lenders, shall do the same on behalf of the Lender Group), all of which are authorized by the Credit Parties:

(a) Declare all Obligations, whether evidenced by this Agreement, by any of the other Loan Documents, or otherwise, immediately due and payable;

(b) Cease advancing money or extending credit to or for the benefit of the Borrower under this Agreement, under any of the Loan Documents, or under any other agreement between the Borrower and the Lender Group;

(c) Terminate this Agreement and any of the other Loan Documents as to any future liability or obligation of the Lender Group, but without affecting the Agent's rights and security interests, for the benefit of the Lender Group, in the Collateral and without affecting the Obligations;

(d) Settle or adjust disputes and claims directly with Account Debtors for amounts and upon terms which the Agent considers advisable, and in such cases, the Agent will credit the Borrower's Loan Account with only the net amounts received by the Agent in payment of such disputed Accounts after deducting all Lender Group Expenses incurred or expended in connection therewith;

(e) Cause the Borrower to hold all returned Inventory in trust for the Lender Group, segregate all returned Inventory from all other property of the Borrower or in the Borrower's possession and conspicuously label said returned Inventory as the property of the Lender Group;

(f) Without notice to or demand upon the Borrower, make such payments and do such acts as the Agent considers necessary or reasonable to protect its security interests in the Collateral. The Borrower agrees to assemble the Collateral if the Agent so requires, and to make the Collateral available to the Agent as the Agent may designate. The Borrower authorizes the Agent to enter the premises where the Collateral is located, to take and maintain possession of the Collateral, or any part of it, and to pay, purchase, contest, or compromise any encumbrance, charge, or Lien that in the Agent's determination appears to conflict with the Agent's Liens and to pay all expenses incurred in connection therewith. With respect to any of the Borrower's owned or leased premises, the Borrower hereby grants the Agent a license to enter into possession of such premises and to occupy the same, without charge, for up to 120 days in order to exercise any of the Lender Group's rights or remedies provided herein, at law, in equity, or otherwise;

(g) Without notice to the Borrower (such notice being expressly waived), and without constituting a retention of any collateral in satisfaction of an obligation (within the meaning of Section 9-505 of the Code), set off and apply to the Obligations any and all (i) balances and deposits of the Borrower held by the Lender Group (including any amounts received in the Lockbox Accounts), or (ii) indebtedness at any time owing to or for the credit or the account of the Borrower held by the Lender Group;

(h) Hold, as cash collateral, any and all balances and deposits of the Borrower held by the Lender Group, and any amounts received in the Lockbox Accounts, to secure the full and final repayment of all of the Obligations;

(i) Ship, reclaim, recover, store, finish, maintain, repair, prepare for sale, advertise for sale, and sell (in the manner provided for herein) the Collateral. The Borrower is hereby grants to the Agent a license or other right to use, without charge, the Borrower's labels, patents, copyrights, rights of use of any name, trade secrets, trade names, trademarks, service marks, and advertising matter, or any property of a similar nature, as it pertains to the Collateral, in completing production of, advertising for sale, and selling any Collateral and the Borrower's rights under all licenses and all franchise agreements shall inure to the Lender Group's benefit;

(j) Sell the Collateral at either a public or private sale, or both, by way of one or more contracts or transactions, for cash or on terms, in such manner and at such places (including the Borrower's premises) as the Agent determines is commercially reasonable. It is not necessary that the Collateral be present at any such sale;

(k) The Agent shall give notice of the disposition of the Collateral as follows:

(i) The Agent shall give the Borrower and each holder of a security interest in the Collateral who has filed with the Agent a written request for notice, a notice in writing of the time and place of public sale, or, if the sale is a private sale or some other disposition other than a public sale is to be made of the Collateral, then the time on or after which the private sale or other disposition is to be made;

(ii) The notice shall be personally delivered or mailed, postage prepaid, to the Borrower as provided in Section 12, at least 5 days before the date fixed for the sale, or, at least 5 days before the date on or after which the private sale or other disposition is to be made; no notice needs to be given prior to the disposition of any portion of the Collateral that is perishable or threatens to decline speedily in value or that is of a type customarily sold on a recognized market. Notice to Persons other than the Borrower claiming an interest in the Collateral shall be sent to such addresses as they have furnished to the Agent;

(iii) If the sale is to be a public sale, the Agent also shall give notice of the time and place by publishing a notice one time at least 5 days before the date of the sale in a newspaper of general circulation in the county in which the sale is to be held;

(l) Any Lender in the Lender Group may credit bid and purchase at any public sale; and

(m) The Lender Group shall have all other rights and remedies available to it at law or in equity pursuant to any other Loan Documents; and

(n) Any deficiency that exists after disposition of the Collateral as provided above will be paid immediately by the Borrower. Any excess will be returned, without interest and subject to the rights of third Persons, by the Agent to the Borrower.

9.2 REMEDIES CUMULATIVE. The rights and remedies of the Lender Group under this Agreement, the other Loan Documents, and all other agreements shall be cumulative. The Lender Group shall have all other rights and remedies not inconsistent herewith as provided under the Code, by law, or in equity. No exercise by the Lender Group of one right or remedy shall be deemed an election, and no waiver by the Lender Group of any Event of Default shall be deemed a continuing waiver. No delay by the Lender Group shall constitute a waiver, election, or acquiescence by it.

10. TAXES AND EXPENSES.

If the Borrower fails to pay any monies (whether taxes, assessments, insurance premiums, or, in the case of leased properties or assets, rents or other amounts payable under such leases) due to third Persons, or fails to make any deposits or furnish any required proof of payment or deposit, all as required under the terms of this Agreement, then, to the extent that the Agent determines that such failure by the Borrower could result in a Material Adverse Change, in its discretion and without prior notice to the Borrower, the Agent may do any or all of the following: (a) make payment of the same or any part thereof; (b) set up such reserves against the Borrowing Base as the Agent deems necessary to protect the Lender Group from the exposure created by such failure; or (c) obtain and maintain insurance policies of the type described in Section 6.9, and take any action with respect to such policies as the Agent deems prudent. Any such amounts paid by the Agent shall constitute Lender Group Expenses. Any such payments made by the Agent shall not constitute an agreement by the Lender Group to make similar payments in the future or a waiver by the Lender Group of any Event of Default under this

Agreement. The Agent need not inquire as to, or contest the validity of, any such expense, tax, or Lien and the receipt of the usual official notice for the payment thereof shall be conclusive evidence that the same was validly due and owing.

11. WAIVERS; INDEMNIFICATION.

11.1 DEMAND; PROTEST; ETC. The Borrower waives demand, protest, notice of protest, notice of default or dishonor, notice of payment and nonpayment, nonpayment at maturity, release, compromise, settlement, extension, or renewal of accounts, documents, instruments, chattel paper, and guarantees at any time held by the Lender Group on which the Borrower may in any way be liable.

11.2 THE LENDER GROUP'S LIABILITY FOR COLLATERAL. The Borrower hereby agrees that: (a) so long as the Lender Group complies with its obligations, if any, under Section 9-207 of the Code, the Lender Group shall not in any way or manner be liable or responsible for: (i) the safekeeping of the Collateral; (ii) any loss or damage thereto occurring or arising in any manner or fashion from any cause; (iii) any diminution in the value thereof; or (iv) any act or default of any carrier, warehouseman, bailee, forwarding agency, or other Person; and (b) all risk of loss, damage, or destruction of the Collateral shall be borne by the Borrower.

11.3 INDEMNIFICATION. Each Credit Party shall jointly and severally pay, indemnify, defend, and hold the Agent-Related Persons, the Lender-Related Persons with respect to each Lender, each Participant, and each of their respective officers, directors, employees, counsel, agents, and attorneys-in-fact (each, an "Indemnified Person") harmless (to the fullest extent permitted by law) from and against any and all claims, demands, suits, actions, investigations, proceedings, and damages, and all reasonable attorneys fees and disbursements and other costs and expenses actually incurred in connection therewith (as and when they are incurred and irrespective of whether suit is brought), at any time asserted against, imposed upon, or incurred by any of them in connection with or as a result of or related to the execution, delivery, enforcement, performance, and administration of this Agreement and any other Loan Documents or the transactions contemplated herein, and with respect to any investigation, litigation, or proceeding related to this Agreement, any other Loan Document, or the use of the proceeds of the credit provided hereunder (irrespective of whether any Indemnified Person is a party thereto), or any act, omission, event or circumstance in any manner related thereto (all the foregoing, collectively, the "Indemnified Liabilities"). The Credit Parties shall have no obligation to any Indemnified Person under this Section 11.3 with respect to any Indemnified Liability that a court of competent jurisdiction finally determines to have resulted from the gross negligence or willful misconduct of such Indemnified Person. This provision shall survive the termination of this Agreement and the repayment of the Obligations. If any Indemnified Person makes any payment to any other Indemnified Person with respect to an Indemnified Liability for which any Credit Party was required to indemnify the Indemnified Person receiving such payment, the Indemnified Person making such payment is entitled to be indemnified and reimbursed by such Credit Party with respect thereto.

12. NOTICES.

Unless otherwise provided in this Agreement, all notices or demands by any party relating to this Agreement or any other Loan Document 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), overnight courier, or telefacsimile to the relevant party, as the case may be, at its address set forth below:

If to a Credit Party:	CORRECTIONS CORPORATION OF AMERICA 10 Burton Hills Boulevard Nashville, Tennessee 37215 Attn: Brent Turner Fax No. 615.263.3170
with copies to:	STOKES, BARTHOLOMEW, EVANS & PETREE SunTrust Center 424 Church Street, 28th Floor Nashville, Tennessee 37219 Attn: Reed Houk, Esq. Fax No. 615.259.1470
If to the Agent:	LEHMAN COMMERCIAL PAPER INC. 3 World Financial Center New York, New York 10285 Attn: Andrew Keith Fax No. 212.526-7691 Attn: Tom Buffa Fax No. 212.526-0035
with copies to:	LATHAM & WATKINS 885 Third Avenue, Suite 1000 New York, NY 10022-4802 Attn: Scott Smith, Esq. Fax No. 212.751.4864

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 all other parties. All notices or demands sent in accordance with this Section 12, other than notices by the Lender Group in connection with Sections 9-504 or 9-505 of the Code, shall be deemed received on the earlier of the date of actual receipt or 3 days after the deposit thereof in the mail. The Borrower acknowledges and agrees that notices sent by the Lender Group in connection with Sections 9-504 or 9-505 of the Code shall be deemed sent when deposited in the mail or personally delivered, or, where permitted by law, transmitted telefacsimile or other similar method set forth above.

13. CHOICE OF LAW AND VENUE; JURY TRIAL WAIVER.

THE VALIDITY OF THIS AGREEMENT AND THE OTHER LOAN DOCUMENTS (UNLESS EXPRESSLY PROVIDED, TO THE CONTRARY IN ANOTHER LOAN DOCUMENT IN RESPECT OF SUCH OTHER LOAN DOCUMENT), THE CONSTRUCTION, INTERPRETATION, AND ENFORCEMENT HEREOF AND THEREOF, AND THE RIGHTS OF THE PARTIES HERETO AND THERETO WITH RESPECT TO ALL MATTERS ARISING HEREUNDER OR THEREUNDER OR RELATED HERETO OR THERETO SHALL BE DETERMINED UNDER, GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK.

THE PARTIES AGREE THAT ALL ACTIONS OR PROCEEDINGS ARISING IN CONNECTION WITH THIS AGREEMENT AND THE OTHER LOAN DOCUMENTS SHALL BE TRIED AND LITIGATED ONLY IN THE STATE AND FEDERAL COURTS LOCATED IN THE COUNTY OF LOS ANGELES, STATE OF NEW YORK, PROVIDED, HOWEVER, THAT ANY SUIT SEEKING ENFORCEMENT AGAINST ANY COLLATERAL OR OTHER PROPERTY MAY BE BROUGHT, AT THE REQUIRED LENDERS' OPTION, IN THE COURTS OF ANY JURISDICTION WHERE THE REQUIRED LENDERS ELECT TO BRING SUCH ACTION OR WHERE SUCH COLLATERAL OR OTHER PROPERTY MAY BE FOUND. BORROWER AND THE LENDER GROUP WAIVE, TO THE EXTENT PERMITTED UNDER APPLICABLE LAW, ANY RIGHT EACH MAY HAVE TO ASSERT THE DOCTRINE OF FORUM NON CONVENIENS OR TO OBJECT TO VENUE TO THE EXTENT ANY PROCEEDING IS BROUGHT IN ACCORDANCE WITH THIS SECTION 13.

BORROWER AND THE LENDER GROUP HEREBY WAIVE THEIR RESPECTIVE RIGHTS TO A JURY TRIAL OF ANY CLAIM OR CAUSE OF ACTION BASED UPON OR ARISING OUT OF ANY OF THE LOAN DOCUMENTS OR ANY OF THE TRANSACTIONS CONTEMPLATED THEREIN, INCLUDING CONTRACT CLAIMS, TORT CLAIMS, BREACH OF DUTY CLAIMS, AND ALL OTHER COMMON LAW OR STATUTORY CLAIMS. BORROWER AND THE LENDER GROUP REPRESENT THAT EACH HAS REVIEWED THIS WAIVER AND EACH KNOWINGLY AND VOLUNTARILY WAIVES ITS JURY TRIAL RIGHTS FOLLOWING CONSULTATION WITH LEGAL COUNSEL. IN THE EVENT OF LITIGATION, A COPY OF THIS AGREEMENT MAY BE FILED AS A WRITTEN CONSENT TO A TRIAL BY THE COURT.

14. ASSIGNMENTS AND PARTICIPATIONS; SUCCESSORS.

14.1 ASSIGNMENTS AND PARTICIPATIONS.

(a) Any Lender may, with the written consent of the Agent, assign and delegate to one or more assignees (provided that no written consent of the Agent shall be required in connection with any assignment and delegation by a Lender to an Eligible Transferee) (each an "Assignee") all, or any ratable part of all, of the Obligations, the Commitments and the other rights and obligations of such Lender hereunder and under the other Loan Documents, in a minimum amount of $5,000,000; provided, however, that the Borrower and the Agent may continue to deal solely and directly with such Lender in connection with the interest so assigned to an Assignee until (i) written notice of such assignment, together with payment instructions, addresses and related information with respect to the Assignee, shall have

been given to the Borrower and the Agent by such Lender and the Assignee; (ii) such Lender and its Assignee shall have delivered to the Borrower and the Agent an Assignment and Acceptance Agreement substantially in the form of Exhibit A-1 hereto (an "Assignment and Acceptance"); and (iii) the assignor Lender or Assignee has paid to the Agent for the Agent's sole and separate account a processing fee in the amount of $5,000. Anything contained herein to the contrary notwithstanding, the consent of the Agent shall not be required (and payment of any fees shall not be required) if such assignment is in connection with any merger, consolidation, sale, transfer, or other disposition of all or any substantial portion of the business or loan portfolio of such Lender.

(b) From and after the date that the Agent notifies the assignor Lender that it has received an executed Assignment and Acceptance and payment of the above-referenced processing fee, (i) the Assignee thereunder shall be a party hereto and, to the extent that rights and obligations hereunder have been assigned to it pursuant to such Assignment and Acceptance, shall have the rights and obligations of a Lender under the Loan Documents, and (ii) the assignor Lender shall, to the extent that rights and obligations hereunder and under the other Loan Documents have been assigned by it pursuant to such Assignment and Acceptance, relinquish its rights (except with respect to Section 11.3 hereof) and be released from its obligations under this Agreement (and in the case of an Assignment and Acceptance covering all or the remaining portion of an assigning Lender's rights and obligations under this Agreement and the other Loan Documents, such Lender shall cease to be a party hereto and thereto), and such assignment shall effect a novation between the Borrower and the Assignee.

(c) By executing and delivering an Assignment and Acceptance, the assigning Lender thereunder and the Assignee thereunder confirm to and agree with each other and the other parties hereto as follows: (1) other than as provided in such Assignment and Acceptance, such assigning Lender makes no representation or warranty and assumes no responsibility with respect to any statements, warranties or representations made in or in connection with this Agreement or the execution, legality, validity, enforceability, genuineness, sufficiency or value of this Agreement or any other Loan Document furnished pursuant hereto; (2) such assigning Lender makes no representation or warranty and assumes no responsibility with respect to the financial condition of the Borrower or the performance or observance by the Borrower of any of its obligations under this Agreement or any other Loan Document furnished pursuant hereto; (3) such Assignee confirms that it has received a copy of this Agreement, together with such other documents and information as it has deemed appropriate to make its own credit analysis and decision to enter into such Assignment and Acceptance; (4) such Assignee will, independently and without reliance upon the Agent, such assigning Lender or any other Lender, and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit decisions in taking or not taking action under this Agreement; (5) such Assignee appoints and authorizes the Agent to take such action as agent on its behalf and to exercise such powers under this Agreement as are delegated to the Agent by the terms hereof, together with such powers as are reasonably incidental thereto; and (6) such Assignee agrees that it will perform in accordance with their terms all of the obligations which by the terms of this Agreement are required to be performed by it as a Lender.

(d) Immediately upon each Assignee's making its processing fee payment under the Assignment and Acceptance and receipt and acknowledgment by the Agent of such

fully executed Assignment and Acceptance, this Agreement shall be deemed to be amended to the extent, but only to the extent, necessary to reflect the addition of the Assignee and the resulting adjustment of the Commitments arising therefrom. The Commitment allocated to each Assignee shall reduce such Commitments of the assigning Lender pro tanto.

(e) Any Lender may at any time, with the written consent of the Agent, sell to one or more commercial banks, financial institutions, or other Persons not Affiliates of such Lender (a "Participant") participating interests in the Obligations, the Commitment, and the other rights and interests of that Lender (the "originating Lender") hereunder and under the other Loan Documents (provided that no written consent of the Agent shall be required in connection with any sale of any such participating interests by a Lender to an Eligible Transferee); provided, however, that (i) the originating Lender's obligations under this Agreement shall remain unchanged, (ii) the originating Lender shall remain solely responsible for the performance of such obligations, (iii) the Borrower and the Agent shall continue to deal solely and directly with the originating Lender in connection with the originating Lender's rights and obligations under this Agreement and the other Loan Documents, (iv) no Lender shall transfer or grant any participating interest under which the Participant has the right to approve any amendment to, or any consent or waiver with respect to, this Agreement or any other Loan Document, except to the extent such amendment to, or consent or waiver with respect to this Agreement or of any other Loan Document would (A) extend the final maturity date of the Obligations hereunder in which such Participant is participating; (B) reduce the interest rate applicable to the Obligations hereunder in which such Participant is participating; (C) release all or a material portion of the Collateral or guaranties (except to the extent expressly provided herein or in any of the Loan Documents) supporting the Obligations hereunder in which such Participant is participating; (D) postpone the payment of, or reduce the amount of, the interest or fees payable to such Participant through such Lender; or (E) change the amount or due dates of scheduled principal repayments or prepayments or premiums; and (v) all amounts payable by the Borrower hereunder shall be determined as if such Lender had not sold such participation; except that, if amounts outstanding under this Agreement are due and unpaid, or shall have been declared or shall have become due and payable upon the occurrence of an Event of Default, each Participant shall be deemed to have the right of set-off in respect of its participating interest in amounts owing under this Agreement to the same extent as if the amount of its participating interest were owing directly to it as a Lender under this Agreement. The rights of any Participant only shall be derivative through the originating Lender with whom such Participant participates and no Participant shall have any direct rights as to the other Lenders, the Agent, the Borrower, the Collections, the Collateral, or otherwise in respect of the Obligations. No Participant shall have the right to participate directly in the making of decisions by the Lenders among themselves.

(f) In connection with any such assignment or participation or proposed assignment or participation, a Lender may disclose all documents and information which it now or hereafter may have relating to the Borrower or the Borrower's business.

(g) Any other provision in this Agreement notwithstanding, any Lender may at any time create a security interest in, or pledge, all or any portion of its rights under and interest in this Agreement in favor of any Federal Reserve Bank in accordance with Regulation A of the Federal Reserve Bank or U.S. Treasury Regulation 31 CFR ss. 203.14, and such Federal

Reserve Bank may enforce such pledge or security interest in any manner permitted under applicable law.

14.2 SUCCESSORS. This Agreement shall bind and inure to the benefit of the respective successors and assigns of each of the parties; provided, however, that the Borrower may not assign this Agreement or any rights or duties hereunder without the Lenders' prior written consent and any prohibited assignment shall be absolutely void ab initio. No consent to assignment by the Lenders shall release the Borrower from its Obligations. A Lender may assign this Agreement and the other Loan Documents and its rights and duties hereunder and thereunder pursuant to Section 14.1 hereof and, except as expressly required pursuant to Section 14.1 hereof, no consent or approval by the Borrower is required in connection with any such assignment.

15. AMENDMENTS; WAIVERS.

15.1 AMENDMENTS AND WAIVERS. No amendment or waiver of any provision of this Agreement or any other Loan Document, and no consent with respect to any departure by any Credit Party therefrom, shall be effective unless the same shall be in writing and signed by the Required Lenders (or by the Agent at the written request of the Required Lenders) and the requesting Credit Party and then any such waiver or consent shall be effective only in the specific instance and for the specific purpose for which given; provided, however, that no such waiver, amendment, or consent shall, unless in writing and signed by all the Lenders, the requesting Credit Party and acknowledged by the Agent, may do any of the following:

(a) increase or extend the Commitment of any Lender;

(b) postpone or delay any date fixed by this Agreement or any other Loan Document for any payment of principal, interest, fees or other amounts due to the Lenders (or any of them) hereunder or under any other Loan Document;

(c) reduce the principal of, or the rate of interest specified herein on any Loan, or any fees or other amounts payable hereunder or under any other Loan Document;

(d) change the percentage of the Commitments that is required for the Lenders or any of them to take any action hereunder;

(e) amend this Section or any provision of the Agreement providing for consent or other action by all Lenders;

(f) release Collateral other than as permitted by Section 16.11;

(g) release any Guarantor from its Guaranty Obligations;

(h) change the definition of "Required Lenders";

(i) release the Borrower from any Obligation for the payment of money; or

(j) amend any of the provisions of Section 16.

and, provided further, however, that no amendment, waiver or consent shall, unless in writing and signed by the Agent, affect the rights or duties of the Agent under this Agreement or any other Loan Document; provided further, however, that no amendment, waiver or consent shall, unless in writing and signed by Lehman in its individual capacity as a Lender, affect the specific rights or duties of Lehman in its individual capacity as a Lender (as contrasted with rights or duties of Lehman as a member of the Lender Group) under this Agreement or any other Loan Document. The foregoing notwithstanding, any amendment, modification, waiver, consent, termination, or release of or with respect to any provision of this Agreement or any other Loan Document that relates only to the relationship of the Lender Group among themselves, and that does not affect the rights or obligations of the Credit Parties, shall not require consent by or the agreement of the Credit Parties.

15.2 NO WAIVERS; CUMULATIVE REMEDIES. No failure by the Agent or any Lender to exercise any right, remedy, or option under this Agreement, any other Loan Document, or any present or future supplement hereto or thereto, or in any other agreement between or among the Borrower and the Agent or any Lender, or delay by the Agent or any Lender in exercising the same, will operate as a waiver thereof. No waiver by the Agent or any Lender will be effective unless it is in writing, and then only to the extent specifically stated. No waiver by the Agent or the Lenders on any occasion shall affect or diminish the Agent's and each Lender's rights thereafter to require strict performance by the Borrower of any provision of this Agreement. The Agent's and each Lender's rights under this Agreement and the other Loan Documents will be cumulative and not exclusive of any other right or remedy which the Agent or any Lender may have.

16. AGENT; THE LENDER GROUP.

16.1 APPOINTMENT AND AUTHORIZATION OF THE AGENT. Each Lender hereby designates and appoints the Agent as its agent under this Agreement and the other Loan Documents and each Lender hereby irrevocably authorizes the Agent to take such action on its behalf under the provisions of this Agreement and each other Loan Document and to exercise such powers and perform such duties as are expressly delegated to the Agent by the terms of this Agreement or any other Loan Document, together with such powers as are reasonably incidental thereto. The Agent agrees to act as such on the express conditions contained in this Section 16. The provisions of this Section 16 are solely for the benefit of the Agent, and the Lenders, and no Credit Party shall have any rights as a third party beneficiary of any of the provisions contained herein; provided, however, that certain of the provisions of Section 16.10 hereof also shall be for the benefit of the Credit Parties. Any provision to the contrary contained elsewhere, in this Agreement or in any other Loan Document notwithstanding, the Agent shall not have any duties or responsibilities, except those expressly set forth herein, nor shall the Agent have or be deemed to have any fiduciary relationship with any Lender, and no implied covenants, functions, responsibilities, duties, obligations or liabilities shall be read into this Agreement or any other Loan Document or otherwise exist against the Agent; it being expressly understood and agreed that the use of the word "Agent" is for convenience only, that Lehman is merely the representatives of the Lenders, and has only the contractual duties set forth herein. Except as expressly otherwise provided in this Agreement, the Agent shall have and may use its sole discretion with respect to exercising or refraining from exercising any discretionary rights or taking or refraining from taking any actions which the Agent is expressly entitled to take or

assert under or pursuant to this Agreement and the other Loan Documents. Without limiting the generality of the foregoing, or of any other provision of the Loan Documents that provides rights or powers to the Agent, the Lenders agree that the Agent shall have the right to exercise the following powers as long as this Agreement remains in effect: (a) to maintain, in accordance with its customary business practices, ledgers and records reflecting the status of the Advances, the Collateral, the Collections, and related matters; (b) to execute or to file any and all financing or similar statements or notices, amendments, renewals, supplements, documents, instruments, proofs of claim, notices and other written agreements with respect to the Loan Documents; (c) to make Advances, for itself or on behalf of Lenders as provided in the Loan Documents; (d) to exclusively receive, apply, and distribute the Collections as provided in the Loan Documents; (e) to open and maintain such bank accounts and lock boxes as the Agent deems necessary and appropriate in accordance with the Loan Documents for the foregoing purposes with respect to the Collateral and the Collections; (f) to perform, exercise, and enforce any and all other rights and remedies of the Lender Group with respect to any Credit Party, the Obligations, the Collateral, the Collections, or otherwise related to any of same as provided in the Loan Documents; and (g) to incur and pay such Lender Group Expenses as the Agent may deem necessary or appropriate for the performance and fulfillment of its functions and powers pursuant to the Loan Documents.

16.2 DELEGATION OF DUTIES. Except as otherwise provided in this section, the Agent may execute any of its respective duties under this Agreement or any other Loan Document by or through agents, employees or attorneys-in-fact and shall be entitled to advice of counsel concerning all matters pertaining to such duties. The Agent shall not be responsible for the negligence or misconduct of any agent or attorney-in-fact that it selects as long as such selection was made in compliance with this section and without gross negligence or willful misconduct.

16.3 LIABILITY OF THE AGENT. None of the Agent-Related Persons shall (i) be liable for any action taken or omitted to be taken by any of them under or in connection with this Agreement or any other Loan Document or the transactions contemplated hereby (except for its own gross negligence or willful misconduct), or (ii) be responsible in any manner to any of the Lenders for any recital, statement, representation or warranty made by any Credit Party or any Subsidiary or Affiliate of any Credit Party, or any officer or director thereof, contained in this Agreement or in any other Loan Document, or in any certificate, report, statement or other document referred to or provided for in, or received by the Agent under or in connection with, this Agreement or any other Loan Document, or the validity, effectiveness, genuineness, enforceability or sufficiency of this Agreement or any other Loan Document, or for any failure of any Credit Party or any other party to any Loan Document to perform its obligations hereunder or thereunder. No Agent-Related Person shall be under any obligation to any Lender to ascertain or to inquire as to the observance or performance of any of the agreements contained in, or conditions of, this Agreement or any other Loan Document, or to inspect the Books or properties of any Credit Party or the books or records or properties of any Credit Party's Subsidiaries or Affiliates.

16.4 RELIANCE BY THE AGENT. The Agent shall be entitled to rely, and shall be fully protected in relying, upon any writing, resolution, notice, consent, certificate, affidavit, letter, telegram, facsimile, telex or telephone message, statement or other document or conversation believed by it to be genuine and correct and to have been signed, sent, or made by the proper

Person or Persons, and upon advice and statements of legal counsel (including counsel to any Credit Party or counsel to any Lender), independent accountants and other experts selected by the Agent. The Agent shall be fully justified in failing or refusing to take any action under this Agreement or any other Loan Document unless the Agent shall first receive such advice or concurrence of the Lenders as it deems appropriate and until such instructions are received, the Agent shall act, or refrain from acting, as it deems advisable. If the Agent so requests, it shall first be indemnified to its reasonable satisfaction by the Lenders against any and all liabilities and expenses that may be incurred by it by reason of taking or continuing to take any such action. The Agent shall in all cases be fully protected in acting, or in refraining from acting, under this Agreement or any other Loan Document in accordance with a request or consent of the Lenders and such request and any action taken or failure to act pursuant thereto shall be binding upon all of the Lenders.

16.5 NOTICE OF DEFAULT OR EVENT OF DEFAULT. The Agent shall not be deemed to have knowledge or notice of the occurrence of any Default or Event of Default, except with respect to defaults in the payment of principal, interest, fees, and expenses required to be paid to the Agent for the account of the Lenders, except with respect to Events of Default of which the Agent has actual knowledge, unless the Agent shall have received written notice from a Lender or any Credit Party referring to this Agreement, describing such Default or Event of Default, and stating that such notice is a "notice of default." The Agent will promptly notify the Lenders of its receipt of any such notice or of any Event of Default of which the Agent has actual knowledge. If any Lender obtains actual knowledge of any Event of Default, such Lender promptly shall notify the other Lenders and the Agent of such Event of Default. Each Lender shall be solely responsible for giving any notices to its Participants, if any. Subject to Section 16.4, the Agent shall take such action with respect to such Default or Event of Default as may be requested by the Required Lenders in accordance with Section 9; provided, however, that unless and until the Agent has received any such request, the 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.

16.6 CREDIT DECISION. Each Lender acknowledges that none of the Agent-Related Persons has made any representation or warranty to it, and that no act by the Agent hereinafter taken, including any review of the affairs of any Credit Party or its Subsidiaries or Affiliates, shall be deemed to constitute any representation or warranty by any Agent-Related Person to any Lender. Each Lender represents to the Agent that it has, independently and without reliance upon any Agent-Related Person and based on such documents and information as it has deemed appropriate, made its own appraisal of and investigation into the business, prospects, operations, property, financial and other condition and creditworthiness of the Credit Parties and any other Person (other than the Lender Group) party to a Loan Document, and all applicable bank regulatory laws relating to the transactions contemplated hereby, and made its own decision to enter into this Agreement and to extend credit to the Borrower. Each Lender also represents that it will, independently and without reliance upon any Agent-Related Person and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit analysis, appraisals and decisions in taking or not taking action under this Agreement and the other Loan Documents, and to make such investigations as it deems necessary to inform itself as to the business, prospects, operations, property, financial and other condition and creditworthiness of the Credit Parties and any other Person (other than the Lender Group) party

to a Loan Document. Except for notices, reports and other documents expressly herein required to be furnished to the Lenders by the Agent, the Agent shall have no duty or responsibility to provide any Lender with any credit or other information concerning the business, prospects operations, property, financial and other condition or creditworthiness of the Credit Parties and any other Person party to a Loan Document that may come into the possession of any of the Agent-Related Persons.

16.7 COSTS AND EXPENSES; INDEMNIFICATION. The Agent may incur and pay Lender Group Expenses to the extent that the Agent reasonably deems necessary or appropriate for the performance and fulfillment of its respective functions, powers, and obligations pursuant to the Loan Documents, including, without limiting the generality of the foregoing: court costs, reasonable attorneys fees and expenses, costs of collection by outside collection agencies and auctioneer fees and costs of security guards or insurance premiums paid to maintain the Collateral, whether or not any Credit Party is obligated to reimburse the Agent or Lenders for such expenses pursuant to the Loan Agreement or otherwise. The Agent is authorized and directed to deduct and retain sufficient amounts from Collections to reimburse itself for such out-of-pocket costs and expenses prior to the distribution of any amounts to the Lenders. In the event the Agent is not reimbursed for such costs and expenses from Collections, each Lender hereby agrees that it is and shall be obligated to pay to or reimburse the Agent for the amount of such Lender's Pro Rata Share thereof. Whether or not the transactions contemplated hereby are consummated, the Lenders shall indemnify upon demand the Agent-Related Persons (in each case, to the extent not reimbursed by or on behalf of the Credit Parties and without limiting the obligation of the Credit Parties to do so), according to their Pro Rata Shares, from and against any and all Indemnified Liabilities; provided, however, that no Lender shall be liable for the payment to any Agent-Related Person of any portion of such Indemnified Liabilities resulting solely from such Person's gross negligence or willful misconduct. Without limitation of the foregoing, each Lender shall reimburse the Agent upon demand for such Lender's ratable share of any costs or out-of-pocket expenses (including attorneys fees and expenses) incurred by the Agent in connection with the preparation, execution, delivery, administration, modification, amendment or enforcement (whether through negotiations, legal proceedings or otherwise) of, or legal advice in respect of rights or responsibilities under, this Agreement, any other Loan Document, or any document contemplated by or referred to herein, to the extent that the Agent is not reimbursed for such expenses by or on behalf of the Credit Parties. The undertaking in this section shall survive the payment of all Obligations hereunder and the resignation or replacement of the Agent.

16.8 THE AGENT IN ITS INDIVIDUAL CAPACITY. Lehman and its Affiliates may make loans to, issue letters of credit for the account of, accept deposits from, acquire equity interests in and generally engage in any kind of banking, trust, financial advisory, underwriting or other business with the Credit Parties and their Subsidiaries and Affiliates and any other Person (other than the Lender Group) party to any Loan Documents as though Lehman were not the Agent hereunder, without notice to or the consent of the Lenders. The Lenders acknowledge that, pursuant to such activities, Lehman or its Affiliates may receive information regarding the Credit Parties or their Affiliates and any other Person (other than the Lender Group) party to any Loan Documents that is subject to confidentiality obligations in favor of the Credit Parties or such other Person and that prohibit the disclosure of such information to the Lenders, and the Lenders acknowledge that, in such circumstances (and in the absence of a waiver of such confidentiality

obligations, which waiver the Agent will use its reasonable best efforts to obtain), the Agent shall be under no obligation to provide such information to them.

16.9 SUCCESSOR AGENT. The Agent may resign as Agent upon 45 days notice to the Lenders. If the Agent resigns under this Agreement, the Required Lenders shall appoint a successor Agent for the Lenders. If no successor Agent is appointed prior to the effective date of the resignation of the Agent, the Agent may appoint, after consulting with the Lenders, a successor Agent. If the Agent has materially breached or failed to perform any material provision of this Agreement or of applicable law, the Required Lenders may agree in writing to remove and replace the Agent with a successor Agent from among the Lenders. In any such event, upon the acceptance of its appointment as successor Agent hereunder, such successor Agent shall succeed to all the rights, powers and duties of the retiring Agent and the term "Agent" shall mean such successor Agent and the retiring Agent's appointment, powers and duties as Agent shall be terminated. After any retiring Agent's resignation hereunder as Agent, the provisions of this Section 16 shall inure to its benefit as to any actions taken or omitted to be taken by it while it was Agent under this Agreement, mutatis mutandis. If no successor Agent has accepted appointment as Agent by the date which is 45 days following a retiring Agent's notice of resignation, the retiring Agent's resignation shall nevertheless thereupon become effective and the Lenders shall perform all of the duties of Agent hereunder until such time, if any, as the Lenders appoint a successor Agent as provided for above.

16.10 WITHHOLDING TAX.

(a) If any Lender is a "foreign corporation, partnership or trust" within the meaning of the IRC and such Lender claims exemption from, or a reduction of, U.S. withholding tax under Sections 1441 or 1442 of the IRC, such Lender shall deliver to the Agent and the Borrower:

(i) if such Lender claims an exemption from, or a reduction of, withholding tax under a United States tax treaty, properly completed IRS Forms and W-8 BEN before the payment of any interest in the first calendar year and before the form previously delivered expires or becomes obsolete;

(ii) if such Lender claims that interest paid under this Agreement is exempt from United States withholding tax because it is effectively connected with a United States trade or business of such Lender, two properly completed and executed copies of IRS Form W-8ECI before the payment of any interest is due in the first taxable year of such Lender and before the form previously delivered expires or becomes obsolete; and

(iii) such other form or forms as may be required under the IRC or other laws of the United States as a condition to exemption from, or reduction of, United States withholding tax.

Such Lender agrees promptly to notify the Agent and the Borrower of any change in circumstances which would modify or render invalid any claimed exemption or reduction.

(b) If any Lender claims exemption from, or reduction of, withholding tax under a United States tax treaty by providing IRS Form W-8BEN and such Lender sells, assigns, grants a participation in, or otherwise transfers all or part of the Obligations of the Borrower to such Lender, such Lender agrees to notify the Agent of the percentage amount in which it is no longer the beneficial owner of Obligations of the Borrower to such Lender. To the extent of such percentage amount, the Agent will treat such Lender's IRS Form W-8BEN as no longer valid.

(c) If any Lender claiming exemption from United States withholding tax by filing IRS Form W-8ECI with the Agent sells, assigns, grants a participation in, or otherwise transfers all or part of the Obligations of the Borrower to such Lender, such Lender agrees to undertake sole responsibility for complying with the withholding tax requirements imposed by Sections 1441 and 1442 of the IRC.

(d) If any Lender is entitled to a reduction in the applicable withholding tax, the Agent may withhold from any interest payment to such Lender an amount equivalent to the applicable withholding tax after taking into account such reduction. If the forms or other documentation required by subsection (a) of this Section are not delivered to the Agent, then the Agent may withhold from any interest payment to such Lender not providing such forms or other documentation an amount equivalent to the applicable withholding tax.

(e) If the IRS or any other Governmental Authority of the United States or other jurisdiction asserts a claim that the Agent did not properly withhold tax from amounts paid to or for the account of any Lender (because the appropriate form was not delivered, was not properly executed, or because such Lender failed to notify the Agent of a change in circumstances which rendered the exemption from, or reduction of, withholding tax ineffective, or for any other reason) such Lender shall indemnify the Agent fully for all amounts paid, directly or indirectly, by the Agent as tax or otherwise, including penalties and interest, and including any taxes imposed by any jurisdiction on the amounts payable to the Agent under this Section, together with all costs and expenses (including attorneys fees and expenses). The obligation of the Lenders under this subsection shall survive the payment of all Obligations and the resignation or replacement of the Agent.

16.11 COLLATERAL MATTERS.

(a) The Lenders hereby irrevocably authorize the Agent, at its option and in its sole discretion, to release any Lien on any Collateral (i) upon the termination of the Commitments and payment and satisfaction in full by any Credit Party of all Obligations; (ii) constituting property being sold or disposed of if a release is required or desirable in connection therewith and if such Credit Party certifies to the Agent that the sale or disposition is permitted under Section 7 of this Agreement or the other Loan Documents (and the Agent may rely conclusively on any such certificate, without further inquiry); (iii) constituting property in which such Credit Party owned no interest at the time the security interest was granted or at any time thereafter; or (iv) constituting property leased to such Credit Party under a lease that has expired or is terminated in a transaction permitted under this Agreement. Except as provided above, the Agent will not execute and deliver a release of any Lien on any Collateral without the prior written authorization of (y) if the release is of all or substantially all of the Collateral, all of the Lenders, or (z) otherwise, the Required Lenders. Upon request by the Agent or any Credit Party

at any time, the Lenders will confirm in writing the Agent's authority to release any such Liens on particular types or items of Collateral pursuant to this Section 16.11; provided, however, that (1) the Agent shall not be required to execute any document necessary to evidence such release on terms that, in the Agent's opinion, would expose the Agent to liability or create any obligation or entail any consequence other than the release of such Lien without recourse, representation, or warranty, and (2) such release shall not in any manner discharge, affect, or impair the Obligations or any Liens (other than those expressly being released) upon (or obligations of such Credit Party in respect of) all interests retained by such Credit Party, including, the proceeds of any sale, all of which shall continue to constitute part of the Collateral.

(b) The Agent shall have no obligation whatsoever to any of the Lenders to assure that the Collateral exists or is owned by such Credit Party or is cared for, protected, or insured or has been encumbered, or that the Agent's Liens have been properly or sufficiently or lawfully created, perfected, protected, or enforced or are entitled to any particular priority, or to exercise at all or in any particular manner or under any duty of care, disclosure or fidelity, or to continue exercising, any of the rights, authorities and powers granted or available to the Agent pursuant to any of the Loan Documents, it being understood and agreed that in respect of the Collateral, or any act, omission or event related thereto, subject to the terms and conditions contained herein, the Agent may act in any manner it may deem appropriate, in its sole discretion given the Agent's own interest in the Collateral in its capacity as one of the Lenders and that the Agent shall have no other duty or liability whatsoever to any Lender as to any of the foregoing, except as otherwise provided herein.

16.12 RESTRICTIONS ON ACTIONS BY LENDERS; SHARING OF PAYMENTS.

(a) Each of the Lenders agrees that it shall not, without the express consent of the Agent, and that it shall, to the extent it is lawfully entitled to do so, upon the request of the Agent, set off against the Obligations, any amounts owing by such Lender to any Credit Party or any accounts of any Credit Party now or hereafter maintained with such Lender. Each of the Lenders further agrees that it shall not, unless specifically requested to do so by the Agent, take or cause to be taken any action, including, the commencement of any legal or equitable proceedings, to foreclose any Lien on, or otherwise enforce any security interest in, any of the Collateral the purpose of which is, or could be, to give such Lender any preference or priority against the other Lenders with respect to the Collateral.

(b) Subject to Section 16.8, if, at any time or times any Lender shall receive (i) by payment, foreclosure, setoff or otherwise, any proceeds of Collateral or any payments with respect to the Obligations arising under, or relating to, this Agreement or the other Loan Documents, except for any such proceeds or payments received by such Lender from the Agent pursuant to the terms of this Agreement, or (ii) payments from the Agent in excess of such Lender's ratable portion of all such distributions by the Agent, such Lender promptly shall (1) turn the same over to the Agent, in kind, and with such endorsements as may be required to negotiate the same to the Agent, or in same day funds, as applicable, for the account of all of the Lenders and for application to the Obligations in accordance with the applicable provisions of this Agreement, or (2) purchase, without recourse or warranty, an undivided interest and participation in the Obligations owed to the other Lenders so that such excess payment received shall be applied ratably as among the Lenders in accordance with their Pro Rata Shares;

provided, however, that if all or part of such excess payment received by the purchasing party is thereafter recovered from it, those purchases of participations shall be rescinded in whole or in part, as applicable, and the applicable portion of the purchase price paid therefor shall be returned to such purchasing party, but without interest except to the extent that such purchasing party is required to pay interest in connection with the recovery of the excess payment.

16.13 AGENCY FOR PERFECTION. The Agent and each Lender hereby appoint each other Lender as agent for the purpose of perfecting the Agent's Liens in assets which, in accordance with Article 9 of the UCC can be perfected only by possession. Should any Lender obtain possession of any such Collateral, such Lender shall notify the Agent thereof, and, promptly upon the Agent's request therefor shall deliver such Collateral to the Agent in accordance with the Agent's instructions.

16.14 PAYMENTS BY THE AGENT TO THE LENDERS. All payments to be made by the Agent to the Lenders shall be made by bank wire transfer or internal transfer of immediately available funds pursuant to such wire transfer instructions as each party may designate for itself by written notice to the Agent. Concurrently with each such payment, the Agent shall identify whether such payment (or any portion thereof) represents principal, premium or interest on Advances or otherwise.

16.15 CONCERNING THE COLLATERAL AND RELATED LOAN DOCUMENTS. Each member of the Lender Group authorizes and directs the Agent to enter into this Agreement and the other Loan Documents relating to the Collateral, for the benefit of the Lender Group. Each member of the Lender Group agrees that any action taken by the Agent or all Lenders, as applicable, in accordance with the terms of this Agreement or the other Loan Documents relating to the Collateral and the exercise by the Agent or all Lenders, as applicable, of their respective powers set forth therein or herein, together with such other powers that are reasonably incidental thereto, shall be binding upon all of the Lenders.

16.16 FIELD AUDITS AND EXAMINATION REPORTS; CONFIDENTIALITY; DISCLAIMERS BY LENDERS; OTHER REPORTS AND INFORMATION.

By signing this Agreement, each Lender:

(a) is deemed to have requested that the Agent furnish such Lender, promptly after it becomes available, a copy of each field audit or examination report (each a "Report" and collectively, "Reports") prepared by the Agent, and the Agent shall so furnish each Lender with such Reports;

(b) expressly agrees and acknowledges that neither any other Lender nor the Agent (i) makes any representation or warranty as to the accuracy of any Report, or (ii) shall be liable for any information contained in any Report;

(c) expressly agrees and acknowledges that the Reports are not comprehensive audits or examinations, that the Agent or other party performing any audit or examination will inspect only specific information regarding the Credit Parties and will rely significantly upon the Books, as well as on representations of the Credit parties' personnel;

(d) agrees to keep all Reports and other material, non-public information regarding the Credit Parties and their Subsidiaries, operations, assets, and existing and contemplated business plans in a confidential manner; it being understood and agreed by the Credit Parties that in any event such Lender may make disclosures (a) to counsel for and other advisors, accountants, and auditors to such Lender, (b) reasonably required by any bona fide potential or actual Assignee, transferee, or Participant in connection with any contemplated or actual assignment or transfer by such Lender of an interest herein or any participation interest in such Lender's rights hereunder (so long as any such Assignee, transferee, or Participant agrees to keep all such information confidential on substantially the same terms and conditions as are contained in this Section), (c) of information that has become public by disclosures made by Persons other than such Lender, its Affiliates, assignees, transferees, or participants, or (d) as required or requested by any court, governmental or administrative agency, pursuant to any subpoena or other legal process, or by any law, statute, regulation, or court order; provided, however, that, unless prohibited by applicable law, statute, regulation, or court order, such Lender shall notify such Credit Party of any request by any court, governmental or administrative agency, or pursuant to any subpoena or other legal process for disclosure of any such non-public material information concurrent with, or where practicable, prior to the disclosure thereof; and

(e) without limiting the generality of any other indemnification provision contained in this Agreement, agrees: (i) to hold the Agent and any such other Lender preparing a Report harmless from any action the indemnifying Lender may take or conclusion the indemnifying Lender may reach or draw from any Report in connection with any loans or other credit accommodations that the indemnifying Lender has made or may make to the Credit Parties, or the indemnifying Lender's participation in, or the indemnifying Lender's purchase of, a loan or loans of any Credit Party; and (ii) to pay and protect, and indemnify, defend and hold the Agent and any such other Lender preparing a Report harmless from and against, the claims, actions, proceedings, damages, costs, expenses and other amounts (including, attorney costs) incurred by the Agent and any such other Lender preparing a Report as the direct or indirect result of any third parties who might obtain all or part of any Report through the indemnifying Lender.

In addition to the foregoing: (x) Any Lender may from time to time request of the Agent in writing that the Agent provide to such Lender a copy of any report or document provided by the Borrower to the Agent that has not been contemporaneously provided by the Borrower to such Lender, and, upon receipt of such request, the Agent shall provide a copy of same to such Lender promptly upon receipt thereof from the Borrower; (y) To the extent that the Agent is entitled, under any provision of the Loan Documents, to request additional reports or information from any Credit Party, any Lender may, from time to time, reasonably request that the Agent exercise such right as specified in such Lender's notice to the Agent, whereupon the Agent promptly shall request of such Credit Party the additional reports or information specified by such Lender, and, upon receipt thereof from such Credit Party, the Agent promptly shall provide a copy of same to such Lender; and (z) Any time that the Agent renders to any Credit Party a statement regarding the Loan Account, the Agent shall send a copy of such statement to each Lender.

16.17 SEVERAL OBLIGATIONS; NO LIABILITY. Notwithstanding that certain of the Loan Documents now or hereafter may have been or will be executed only by or in favor of the Agent

in its capacity as such, and not by or in favor of the Lenders, any and all obligations on the part of the Agent (if any) to make any credit available hereunder shall constitute the several (and not joint) obligations of the respective Lenders on a ratable basis, according to their respective Commitments, to make an amount of such credit not to exceed, in principal amount, at any one time outstanding, the amount of their respective Commitments. Nothing contained herein shall confer upon any Lender any interest in, or subject any Lender to any liability for, or in respect of, the business, assets, profits, losses, or liabilities of any other Lender. Each Lender shall be solely responsible for notifying its Participants of any matters relating to the Loan Documents to the extent any such notice may be required, and no Lender shall have any obligation, duty, or liability to any Participant of any other Lender. Except as provided in Section 16.7, no member of the Lender Group shall have any liability for the acts or any other member of the Lender Group. No Lender shall be responsible to any Credit Party or any other Person for any failure by any other Lender to fulfill its obligations to make credit available hereunder, nor to advance for it or on its behalf in connection with its Commitment, nor to take any other action on its behalf hereunder or in connection with the financing contemplated herein.

17. GUARANTY

17.1 THE GUARANTY. The Guarantors hereby jointly and severally guarantee to the Agent and the Lenders, as primary obligor and not as surety, the prompt payment of the 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 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), then 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 Advances, 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 Loan Documents, 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.

17.2 OBLIGATIONS UNCONDITIONAL. The obligations of the Guarantors under Section 17.1 are joint and several, absolute and unconditional, irrespective of the value, genuineness, validity, regularity or enforceability of any of the Loan Documents, 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 Advances, 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 17.2 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 17 until such time as the Agent and the Lenders have been paid in full, all commitments under this Agreement have been terminated and no Person or Governmental Authority shall have any right to request any return or reimbursement of funds from the Agent or the Lenders in connection with monies received under the Loan Documents. 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 Advances 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 Loan Documents or any other agreement or instrument referred to in the Loan Documents shall be done or omitted;

(c) the maturity of any of the Advances shall be accelerated, or any of the Advances shall be modified, supplemented or amended in any respect, or any right under any of the Loan Documents or any other agreement or instrument referred to in the Loan Documents shall be waived or any other guarantee of any of the Advances 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 Agent or any Lender as security for any of the Advances shall fail to attach or be perfected;

(e) any of the Advances 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 Insolvency Proceeding with respect to the Borrower.

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 Agent or the Lenders exhaust any right, power or remedy or proceed against any Person under any of the Loan Documents, or any other agreement or instrument referred to in the Loan Documents or against any other Person under any other guarantee of, or security for, any of the Advances.

17.3 REINSTATEMENT. The obligations of the Guarantors under this Section 17 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 Advances is rescinded or must be otherwise restored by any holder of any of the Advances, whether as a result of any Insolvency Proceedings or otherwise, and each Guarantor agrees that it will indemnify the Agent and each Lender on demand for all reasonable costs and expenses (including, without limitation, fees and expenses of counsel) incurred by the Agent or such other 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.

17.4 CERTAIN ADDITIONAL WAIVERS. Each Guarantor agrees that such Guarantor shall have no right of recourse to security for the Advances, except through the exercise of rights of subrogation pursuant to Section 17.2 and through the exercise of rights of contribution pursuant to Section 17.6.

17.5 REMEDIES. The Guarantors agree that, to the fullest extent permitted by law, as between the Guarantors, on the one hand, and the Agent and the Lenders, on the other hand, the Advances may be declared to be forthwith due and payable as provided in Section 9 (and shall be deemed to have become automatically due and payable in the circumstances provided in said Section 9) for purposes of Section 17.1 notwithstanding any stay, injunction or other prohibition preventing such declaration (or preventing the Advances from becoming automatically due and payable) as against any other Person and that, in the event of such declaration (or the Advances being deemed to have become automatically due and payable), the Advances (whether or not due and payable by any other Person) shall forthwith become due and payable by the Guarantors for purposes of Section 17.1.

17.6 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 17.6 shall be subordinate and subject in right of payment to the prior payment in full to the Agent and the Lenders of the Guaranteed Obligations, and none of the Guarantors shall exercise any right or remedy under this Section 17.6 against any other Guarantor until payment and satisfaction in full of all of such Guaranteed Obligations. For purposes of this Section 17.6 only, (a) "Guaranteed Obligations" shall mean any obligations arising under the other provisions of this Section 17; (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 Borrower and the Guarantors exceeds the amount of all of the debts and liabilities (including contingent, subordinated, unmatured, and unliquidated liabilities, but excluding the obligations of the Borrower and the Guarantors hereunder) of the Borrower and the Guarantors; 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 Borrower and the Guarantors 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 Borrower and the Guarantors other than the maker of such Excess Payment; provided, however, that, for purposes 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.

17.7 GUARANTEE OF PAYMENT; CONTINUING GUARANTEE. The guarantee in this Section 17 is a guaranty of payment and not of collection, is a continuing guarantee, and shall apply to all Advances whenever arising.

18. GENERAL PROVISIONS.

18.1 EFFECTIVENESS. This Agreement shall be binding and deemed effective when executed by the Borrower and each member of the Lender Group whose signature is provided for on the signature pages hereof.

18.2 SECTION HEADINGS. Headings and numbers have been set forth herein for convenience only. Unless the contrary is compelled by the context, everything contained in each section applies equally to this entire Agreement.

18.3 INTERPRETATION. Neither this Agreement nor any uncertainty or ambiguity herein shall be construed or resolved against the Lender Group or the Borrower, whether under any rule of construction or otherwise. On the contrary, this Agreement has been reviewed by all parties and shall be construed and interpreted according to the ordinary meaning of the words used so as to fairly accomplish the purposes and intentions of all parties hereto.

18.4 SEVERABILITY OF PROVISIONS. Each provision of this Agreement shall be severable from every other provision of this Agreement for the purpose of determining the legal enforceability of any specific provision.

18.5 AMENDMENTS IN WRITING. This Agreement can only be amended by a writing signed by the Agent, the Required Lenders, and the Borrower.

18.6 COUNTERPARTS; TELEFACSIMILE EXECUTION. This Agreement may be executed in any number of counterparts and by different parties on separate Counterparts, each of which, when executed and delivered, shall be deemed to be an original, and all of which, when taken together, shall constitute but one and the same Agreement. Delivery of an executed counterpart of this Agreement by telefacsimile shall be equally as effective as delivery of an original executed counterpart of this Agreement. Any party delivering an executed counterpart of this Agreement by telefacsimile also shall deliver an original executed counterpart of this Agreement

but the failure to deliver an original executed counterpart shall not affect the validity, enforceability, and binding effect of this Agreement. The foregoing shall apply to each other Loan Document mutatis mutandis.

18.7 REVIVAL AND REINSTATEMENT OF OBLIGATIONS. If the incurrence or payment of the Obligations by the Borrower or the transfer by it to the Lender Group of any property should for any reason subsequently be declared to be void or voidable under any state or federal law relating to creditors' rights, including provisions of the Bankruptcy Code relating to fraudulent conveyances, preferences, and other voidable or recoverable payments of money or transfers of property (collectively, a "Voidable Transfer"), and if the Lender Group is required to repay or restore, in whole or in part, any such Voidable Transfer, or elects to do so upon the reasonable advice of its counsel, then, as to any such Voidable Transfer, or the amount thereof that the Lender Group is required or elects to repay or restore, and as to all reasonable costs, expenses, and attorneys fees of the Lender Group related thereto, the liability of the Borrower automatically shall be revived, reinstated, and restored and shall exist as though such Voidable Transfer had never been made.

18.8 INTEGRATION. This Agreement, together with the other Loan Documents, reflects the entire understanding of the parties with respect to the transactions contemplated hereby and shall not be contradicted or qualified by any other agreement, oral or written, before the date hereof.

[Signature page to follow.]

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed and delivered as of the date first above written.

CORRECTIONS CORPORATION OF AMERICA,
a Tennessee corporation

By: /S/ Brent Turner

Title: Treasurer

LEHMAN COMMERCIAL PAPER INC.,
a New York corporation, in its capacity as Agent
and a Lender

By: /S/ Francis X. Gilhool

Title: Authorized Signatory

[Certain Schedules and Exhibits
hereto intentionally omitted]

EXHIBIT N-1

FORM OF REVOLVING CREDIT NOTE

THIS NOTE AND THE OBLIGATIONS REPRESENTED HEREBY MAY NOT BE TRANSFERRED EXCEPT IN COMPLIANCE WITH THE TERMS AND PROVISIONS OF THE LOAN AGREEMENT REFERRED TO BELOW. TRANSFERS OF THIS NOTE AND THE OBLIGATIONS REPRESENTED HEREBY MUST BE RECORDED IN THE REGISTER MAINTAINED BY THE ADMINISTRATIVE AGENT PURSUANT TO THE TERMS OF SUCH LOAN AGREEMENT.

$_____ New York, New York
_____ __, 200_

FOR VALUE RECEIVED, the undersigned, Corrections Corporation of America, a Tennessee corporation (the "Borrower"), hereby unconditionally promises to pay to _____ (the "Lender") or its registered assigns at the Payment Office specified in the Loan Agreement (as hereinafter defined) in lawful money of the United States and in immediately available funds, on the Revolving Credit Termination Date the principal amount of (a) FIFTY MILLION DOLLARS ($50,000,000), or, if less, (b) the aggregate unpaid principal amount of all Revolving Credit Loans made by the Lender to the Borrower pursuant to Section 2.1 of the Loan Agreement. The Borrower further agrees to pay interest in like money at such Payment Office on the unpaid principal amount hereof from time to time outstanding at the rates and on the dates specified in Section 2.5 of the Loan Agreement.

The holder of this Note is authorized to endorse on the schedules annexed hereto and made a part hereof or on a continuation thereof which shall be attached hereto and made a part hereof the date, Type and amount of each Revolving Credit Loan made pursuant to the Loan Agreement and the date and amount of each payment or prepayment of principal thereof. Each such endorsement shall constitute prima facie evidence of the accuracy of the information endorsed. The failure to make any such endorsement or any error in any such endorsement shall not affect the obligations of the Borrower in respect of any Revolving Credit Loan.

This Note (a) is one of the Revolving Credit Notes referred to in the Loan and Security Agreement dated as of September _ , 2000 (as amended, supplemented, replaced or otherwise modified from time to time, the "Loan Agreement"), between Corrections Corporation of America, a Tennessee corporation, (the "Borrower"), the Lender, the other banks and financial institutions or entities from time to time parties thereto and Lehman Commercial Paper Inc., as agent (the "Agent"), (b) is subject to the provisions of the Loan Agreement and (c) is subject to optional and mandatory prepayment in whole or in part as provided in the Loan Agreement. This Note is secured and guaranteed as provided in the Loan Documents. Reference is hereby made to the Loan Documents for a description of the properties and assets in which a security interest has been granted, the nature and extent of the security and the guarantees, the terms and conditions upon which the security interests and each guarantee were granted and the rights of the holder of this Note in respect thereof.

Upon the occurrence of any one or more of the Events of Default, all principal and all accrued interest then remaining unpaid on this Note shall become, or may be declared to be, immediately due and payable, all as provided in the Loan Agreement.

All parties now and hereafter liable with respect to this Note, whether maker, principal, surety, guarantor, endorser or otherwise, hereby waive presentment, demand, protest and all other notices of any kind.

Unless otherwise defined herein, terms defined in the Loan Agreement and used herein shall have the meanings given to them in the Loan Agreement.

NOTWITHSTANDING ANYTHING TO THE CONTRARY CONTAINED HEREIN OR IN THE LOAN AGREEMENT, THIS NOTE MAY NOT BE TRANSFERRED EXCEPT PURSUANT TO AND IN ACCORDANCE WITH THE PROVISIONS OF THE LOAN AGREEMENT.

THIS NOTE SHALL BE GOVERNED BY, AND CONSTRUED AND INTERPRETED IN ACCORDANCE WITH, THE LAW OF THE STATE OF NEW YORK.

CORRECTIONS CORPORATION OF AMERICA,
a Tennessee corporation

By:

Name:
Title:

EXHIBIT N-2

FORM OF SWING LINE NOTE

THIS NOTE AND THE OBLIGATIONS REPRESENTED HEREBY MAY NOT BE TRANSFERRED EXCEPT IN COMPLIANCE WITH THE TERMS AND PROVISIONS OF THE CREDIT AGREEMENT REFERRED TO BELOW. TRANSFERS OF THIS NOTE AND THE OBLIGATIONS REPRESENTED HEREBY MUST BE RECORDED IN THE REGISTER MAINTAINED BY THE ADMINISTRATIVE AGENT PURSUANT TO THE TERMS OF SUCH CREDIT AGREEMENT.

$_____ NEW YORK, NEW YORK
_____ __, 200_

FOR VALUE RECEIVED, the undersigned, [_____], a _____ corporation (the "Borrower"), hereby unconditionally promises to pay _____ (the "Swing Line Lender") or its registered assigns at the payment office specified in the Credit Agreement (as herein defined) in lawful money of the United States and in immediately available funds, on the Revolving Credit Termination Date the principal amount of (a) _____ dollars ($_____), or, if less, (b) the aggregate unpaid principal amount of all Swing Line Loans made by the Swing Line Lender to the Borrower pursuant to [Section 2.6] of the Credit Agreement, as hereinafter defined. The Borrower further agrees to pay interest in like money at such office on the unpaid principal amount hereof from time to time outstanding at the rates and on the dates specified in [Section 2.15] of such Credit Agreement.

The holder of this Note is authorized to endorse on the schedules annexed hereto and made a part hereto or on a continuation thereof which shall be attached hereto and made a part hereof the date and amount of each Swing Line Loan made pursuant to the Credit Agreement and the date and amount of each payment or prepayment of principal thereof. Each such endorsement shall constitute prima facie evidence of the accuracy of the information endorsed. The failure to make any such endorsement or any error in any such endorsement shall not affect the obligations of the Borrower in respect of any Swing Line Loan.

This Note (a) is [one of] the Swing Line Notes[s] referred to in the Credit Agreement dated as of _____ __, 200_ (as amended, supplemented, replaced or otherwise modified from time to time, the "Credit Agreement"), among [_____, a _____ corporation,] the Borrower, the Swing Line Lender, the other banks and financial institutions or entities from time to time parties thereto, Lehman Brothers Inc., as advisor, lead arranger and book manager, Lehman Commercial Paper Inc., as administrative agent and Lehman Commercial Paper Inc., as syndication agent, (b) is subject to the provisions of the Credit Agreement and (c) is subject to optional and mandatory prepayment in whole or in part as provided in the Credit Agreement. This Note is secured and Guaranteed as provided in the Loan Documents. Reference is hereby made to the Loan Documents for a description of the properties and assets in which a security interest has been granted, the nature and extent of the security and the guarantees, the terms and conditions upon which the security interests and each guarantee were granted and the rights of the holder of this Note in respect thereof.

Upon the occurrence of any one or more of the Events of Default, all principal and all accrued interest then remaining unpaid on this note shall become, or may be declared to be, immediately due and payable, all as provided in the Credit Agreement.

All parties now and hereafter liable with respect to this Note, whether maker, principal, surety, guarantor, endorser or otherwise, hereby waive presentment, demand, protest and all other notices of any kind.

Unless otherwise defined herein, terms defined in the Credit Agreement and used herein shall have the meanings given to them in the Credit Agreement.

NOTWITHSTANDING ANYTHING TO THE CONTRARY CONTAINED HEREIN OR IN THE CREDIT AGREEMENT, THIS NOTE MAY NOT BE TRANSFERRED EXCEPT PURSUANT TO AND IN ACCORDANCE WITH THE REGISTRATION AND OTHER PROVISIONS OF SECTION [10.6] OF THE CREDIT AGREEMENT.

THIS NOTE SHALL BE GOVERNED BY, AND CONSTRUED AND INTERPRETED IN ACCORDANCE WITH, THE LAW OF THE STATE OF NEW YORK.

[BORROWER]

BY:

Name:
Title:

CONSENT AND FIRST AMENDMENT TO LOAN AND SECURITY AGREEMENT

CONSENT AND FIRST AMENDMENT TO LOAN AND SECURITY AGREEMENT dated as of November 30, 2000 (this "Amendment") by and among CCA of Tennessee, Inc., a Tennessee corporation (the "Borrower"), the Lenders party hereto (the "Lenders") and LEHMAN COMMERCIAL PAPER INC., as agent for the Lenders (in such capacity, the "Agent").

WITNESSETH

WHEREAS, the Borrower, the Lenders and the Agent are party to that certain Loan and Security Agreement dated as of September 15, 2000 (the "Loan Agreement"), pursuant to which the Borrower has borrowed, and may from time to time borrow, Loans from the Lenders;

WHEREAS, effective on December 1, 2000, the Service Company Merger (as defined below) will occur;

WHEREAS, the Borrower has requested that the Agent and the Lenders consent to the transactions contemplated by the Service Company Merger; and

WHEREAS, the Borrower, the Lenders and the Agent desire to amend the Loan Agreement in the manner and on the terms set forth herein.

NOW THEREFORE, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows.

I. DEFINITIONS

"Service Company Merger" means the merger of Service Company A and Service Company B with and into the Borrower such that substantially all of the assets of Service Company A, Service Company B and the Borrower as of the date of such merger are in the Borrower, and the series of related transactions occurring immediately prior to or concurrently with the Service Company Merger, including the cancellation of the Service Company A License Agreement and the Service Company B License Agreement.

Unless otherwise defined herein, capitalized terms used herein shall have the meanings assigned to them in the Loan Agreement.

II. CONSENT

The Agent and the Lenders hereby consent to the Service Company Merger.

III. AMENDMENTS TO LOAN AGREEMENT

A. The definition of "Immaterial Subsidiaries" in Section 1.1 of the Loan Agreement is hereby amended to read in its entirety as follows: ""Immaterial Subsidiaries"

means International Sub, Technical Sub, Canadian Sub, Viccor, TransCor PR, French Sub, TransCor U.S., UK Sub and the Service Company Subs."

B. Section 1.1 of the Loan Agreement is hereby further amended by adding the following terms in their proper alphabetical sequence:

"Senior Notes" means PRT's $100,000,000 in principal amount of 12% Senior Notes, due 2006 (the "Initial Senior Notes"), and the senior notes of PRT, having the same terms as the Initial Senior Notes, issued in exchange for the Initial Senior Notes as contemplated by the Senior Notes Documents.

"Senior Notes Documents" means the Senior Notes Indenture, the Underwriting Agreement and the Senior Notes.

"Senior Notes Indenture" means the Indenture, dated as of June 10, 1999, among the Borrower and State Street Bank and Trust Company, as trustee (the "Trustee"), as supplemented by that certain First Supplemental Indenture, dated as of June 11, 1999, among PRT and the Trustee, pursuant to which the PRT Senior Notes are issued.

"Service Company Subs" means Correctional Services Acquisition Sub, Inc., a Tennessee corporation, and Privatized Management Acquisition Sub, Inc., a Tennessee corporation.

"UK Sub" means CCA (UK) Limited, a company incorporated in England and Wales.

"Underwriting Agreement" means the Underwriting Agreement between PRT and Lehman Brothers Inc., entered into in connection with the issuance of the Senior Notes.

C. Section 2.1(a)(y)(i) of the Loan Agreement is hereby amended by deleting the percentage "85%" and substituting in replacement thereof the percentage "80%".

D. Section 6 of the Loan Agreement is hereby amended by deleting paragraph 6.3(a)(iii) in the entirety, and adding a new paragraph 6.3(a)(iii) containing the following words: "upon the delivery of each of the financial statements referred to in this paragraph 6.3, the Borrower shall deliver a Compliance Certificate to the Agent with a copy to each Lender,"

E. Section 7.1 of the Loan Agreement is hereby amended by adding the words "and the Senior Notes" after the word "Agreement" in paragraph (b).

F. Section 7.8 of the Loan Agreement is hereby amended by deleting the phrase "the Indebtedness that is the subject of the Intercreditor Agreement or" contained in paragraph (a) thereof in its entirety and by deleting the words "Intercreditor Agreement" contained in paragraph (b) thereof and substituting in replacement thereof the words "PRT Related Documents".

G. Section 7.10 of the Loan Agreement is hereby amended by deleting the word "year" contained therein and substituting in replacement thereof the word "month" and by

deleting the amount "$12,000,000" and substituting in replacement thereof the amount "$15,000,000".

H. Section 7.13 of the Loan Agreement is hereby amended by deleting the words "PRT Documents" and substituting in replacement thereof the words "PRT Related Documents", and by adding the words "and the transactions set forth on Schedule 7.13" after the word "Documents".

I. Schedule M-1 to the Loan Agreement is hereby amended to read in its entirety as set forth in Exhibit I hereto.

J. Schedule 5.5 to the Loan Agreement is hereby amended to read in its entirety as set forth in Exhibit II hereto.

K. Schedule 5.6 to the Loan Agreement is hereby amended to read in its entirety as set forth in Exhibit III hereto.

L. Schedule 5.7 to the Loan Agreement is hereby amended to read in its entirety as set forth in Exhibit IV hereto.

M. Schedule 5.8 to the Loan Agreement is hereby amended to read in its entirety as set forth in Exhibit V hereto.

N. Schedule 6.11 to the Loan Agreement is hereby amended to read in its entirety as set forth in Exhibit VI hereto.

O. Schedule 6.17 to the Loan Agreement is hereby amended to read in its entirety as set forth in Exhibit VII hereto.

P. Schedule 7.1 to the Loan Agreement is hereby amended to read in its entirety as set forth in Exhibit VIII hereto

Q. The Loan Agreement is hereby amended by adding a new Schedule 7.13 as set forth in Exhibit IX hereto.

R. Schedule 3 to Exhibit C-2 of the Loan Agreement is hereby amended to read in its entirety as set forth in Exhibit X hereto.

IV. REPRESENTATIONS AND WARRANTIES

A. The Borrower hereby repeats and reaffirms as of the date hereof the representations and warranties of the Borrower contained in the Loan Agreement with the same force and effect as though such representations and warranties had been made as of the date hereof; provided, that all references in such representations and warranties to the Loan Agreement shall refer to the Loan Agreement as amended by this Amendment.

B. The Borrower represents and warrants as follows:

1. The execution, delivery and performance by it of this Amendment are within its corporate powers, have been duly authorized by all necessary corporate action by it, do not contravene (A) its charter or by-laws or (B) any law or material contractual restriction binding on or affecting it, and do not result in or require the creation of any lien (other than pursuant to or permitted by the Loan Agreement) upon or with respect to any of its properties; and no transaction contemplated hereby requires compliance by it with any bulk sales act or similar law applicable to it. This Amendment has been duly executed and delivered by it.

2. Other than the taking of any actions expressly required under this Amendment, the Loan Agreement as amended hereby, any other Loan Document or any other agreement or document to be executed and delivered by it hereunder or thereunder, all of which have been completed, and except as set forth on Schedule 5.7 to the Loan Agreement, no authorization or approval or other action by, and no notice to or filing with, any governmental authority or regulatory body is required for the due execution and delivery by it of this Amendment or any other agreement or document to be executed and delivered by it hereunder or the performance by it of this Amendment, the Loan Agreement as amended hereby, any other Loan Document or any other agreement or document to be executed and delivered by it hereunder or thereunder.

3. This Amendment constitutes a legal, valid and binding obligation of the Borrower, enforceable against it in accordance with its terms, except as enforcement may be limited by equitable principles, bankruptcy, insolvency, reorganization, moratorium, or similar laws relating to or limiting creditors' rights generally.

4. Attached hereto as Exhibit A are true and correct copies of (A) a file-stamped copy of the Articles of Merger filed with the Secretary of State of the State of Tennessee evidencing the Service Company Merger, (B) resolutions of the Board of Directors of the Borrower authorizing the Service Company Merger and the execution, delivery and performance by the Borrower of this Amendment, and (C) an incumbency certificate indicating the name, position and true signatures of the officers of the Borrower authorized to execute this Amendment.

V. DELIVERABLES; FURTHER ASSURANCES.

The Borrower agrees to promptly deliver to the Agent (i) one or more opinions of counsel to the Borrower covering the matters set forth in Article IV above, and (ii) such other documents, agreements , instruments and certificates as the Agent or any Lender shall reasonably request.

VI. MISCELLANEOUS

A. Agreements to Remain in Full Force and Effect. The Borrower, the Lenders and the Agent hereby agree that, except as amended hereby, the Loan Agreement shall remain in full force and effect and is hereby ratified, adopted and confirmed in all respects. All references to the Loan Agreement in any other agreement or document shall hereafter be deemed to refer to the Loan Agreement as amended hereby.

B. Execution in Counterparts. This Amendment may be executed in any number of counterparts and by different parties hereto on separate counterparts, each of which counterparts, when so executed and delivered, shall be deemed to be an original, and all of which counterparts, when taken together, shall constitute but one and the same Amendment.

C. Governing Law. THIS AMENDMENT SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK.

D. Severability of Provisions. Any provision of this Amendment 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 or affecting the enforceability of such provision in any other jurisdiction.

E. Captions. The captions in this Amendment are for convenience of reference only and shall not define or limit any of the terms or provisions hereof.

IN WITNESS WHEREOF, the parties hereto have caused this Amendment to be executed by their representative officers thereunder duly authorized, as of the date first above written.

CCA OF TENNESSEE, INC., a Tennessee Corporation

By: /s/ Brent Turner

Name: Brent Turner
Title: Treasurer

LEHMAN COMMERCIAL PAPER INC., as Agent

By: /s/ Francis X. Gilhool

Name: Francis X. Gilhool
Title: Authorized Signatory

LEHMAN COMMERCIAL PAPER INC., as Lender

By: /s/ Francis X. Gilhool

Name: Francis X. Gilhool
Title: Authorized Signatory

[Exhibits and Schedules intentionally omitted]

EXHIBIT 10.10

WAIVER AND AMENDMENT

THIS WAIVER AND AMENDMENT, dated as of March 5, 2001 (this "Agreement"), is entered into between CORRECTIONS CORPORATION OF AMERICA, a Maryland corporation ("Company"), and PMI MEZZANINE FUND, L.P., a Delaware limited partnership ("PMI"), in light of the following:

WHEREAS, Company and PMI are parties to that certain Note Purchase Agreement, dated as of December 31, 1998, as amended by that certain Waiver and Amendment, dated as of June 30, 2000, and as further amended, supplemented, or otherwise modified from time to time (the "Note Agreement") pursuant to which Company issued to PMI its $30,000,000 8.0% convertible, extendable, subordinated note due February 28, 2005 (the "Note");

WHEREAS, Company has informed PMI that Company has violated certain of the covenants contained in the Note Agreement, as more particularly described in Section 2 below;

WHEREAS, Company has requested that PMI waive Company's breach of such covenants and agree to certain amendments to the Note Agreement and the Note, as more particularly described below;

WHEREAS, subject to the terms and conditions set forth below, PMI is willing to agree to certain waivers and amendments, as more particularly described below.

NOW THEREFORE, in consideration of the above premises and the mutual covenants, conditions, and provisions hereinafter set forth, the parties hereto agree as follows:

1. DEFINITIONS; CONSTRUCTION.

(a) Any and all initially capitalized terms used herein shall have the meanings ascribed thereto in the Note Agreement or the Note, as applicable, unless specifically defined herein. Unless the context of this Agreement clearly requires otherwise, references to the plural include the singular, references to the singular include the plural, the part includes the whole, the terms "include" and "including" are not limiting, and the term "or" has the inclusive meaning represented by the phrase "and/or".

(b) As used herein, the following terms shall have the following definition:

"Designated Event of Default" has the meaning ascribed thereto in Section 2 below.

"Senior Credit Defaults" means Company's failure to comply with certain terms of the Senior Credit Agreement as a result of the Designated Event of Default.

"Senior Notes Indenture" means Company's Indenture, dated as of June 10, 1999, between Company and State Street Bank and Trust Company, as amended by that certain First Supplemental Indenture, dated as of June 11, 1999, between Company and State Street Bank and Trust Company.

"Senior Credit Agreement" means that certain Amended and Restated Credit Agreement, dated as of August 4, 1999, by and among Company, the Subsidiary Guarantors (as defined therein), the Lenders (as defined therein), Lehman Commercial Paper Inc., as administrative agent, Societe Generale, as documentation agent, The Bank of Nova Scotia, as syndication agent, and Southtrust Bank, as co-agent, as amended by (i) that certain Waiver and Amendment, dated as of June 9, 2000, (ii) that certain Consent and Amendment, dated as of November 17, 2000, and (iii) that certain Consent and Amendment, dated as of January 10, 2001.

"Senior Credit Documents" means the Senior Credit Agreement, the Senior Notes Indenture, and any other agreement entered into now or in the future by and among Company, the Subsidiary Guarantors (as defined in the Senior Credit Agreement), the Lenders (as defined in the Senior Credit Agreement), Lehman Commercial Paper Inc., as administrative agent, Societe Generale, as documentation agent, The Bank of Nova Scotia, as syndication agent, and Southtrust Bank, as co-agent, in connection with the Senior Credit Agreement.

2. DESIGNATED EVENT OF DEFAULT.

Company hereby acknowledges that the following material event of default (the "Designated Event of Default") has occurred and is continuing: in violation of Section 6.15(b)(i) of the Note Agreement, Company failed to maintain a ratio of Total Indebtedness to LTM Post Merger EBITDA of at least 7.50:1:00 as of December 31, 2000.

3. REPRESENTATIONS AND WARRANTIES.

Company hereby represents and warrants to PMI that:

(a) Authority. Company has the requisite corporate power and authority to execute and deliver this Agreement and to perform its obligations hereunder, under the Note Agreement (as modified hereby), and under the Note (as modified hereby). The execution, delivery and performance by Company of this Agreement, the Note Agreement (as modified hereby), the Note (as modified hereby), and the transactions contemplated hereby and thereby have been duly approved by all necessary corporate action of Company and no other corporate proceedings on the part of Company are necessary to consummate such transactions (except as expressly contemplated hereby and thereby).

(b) Enforceability. This Agreement has been duly executed and delivered by Company. Each of this Agreement and, after giving effect to this Agreement, the Note Agreement, the Note, and the other Transaction Documents is the legal, valid and binding obligation of Company, enforceable against Company in accordance with its terms, and is in full force and effect.

(c) No Conflicts. Neither the execution and delivery of this Agreement, nor the consummation of the transactions contemplated hereby, nor performance of and compliance with the terms and provisions hereof by Company will, at the time of such performance, (i) violate or conflict with any provision of its charter or bylaws, (ii) violate, contravene or materially conflict with any requirement of law or any other law, regulation, order, writ, judgment, injunction, decree or permit applicable to it, except for any violation, contravention or conflict which could not reasonably be expected to have a material adverse effect, or (iii) 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 (including, without limitation, the Senior Credit Agreement or the Senior Notes Indenture), except for any violation, contravention or conflict which could not reasonably be expected to have a material adverse effect.

(d) No Default. (i) After giving effect to the waivers set forth in Section 4 hereof, no Unmatured Event of Default or Event of Default shall have occurred and be continuing under the Note Agreement, the Note, or any other Transaction Document, and (ii) other than the Senior Credit Defaults, no default or event of default exists under the Senior Credit Documents.

The foregoing representations and warranties shall be deemed made as of the date of the execution and delivery hereof and as of the date of the effectiveness of this Agreement.

4. WAIVERS.

Subject to the satisfaction of the conditions contained herein, and in reliance on the representations and warranties of Company contained herein, PMI hereby waives the Designated Event of Default, which waiver shall be effective when each of the conditions contained herein have been satisfied.

5. AMENDMENTS TO NOTE AGREEMENT.

Subject to the satisfaction of the conditions contained herein, Company and PMI hereby amend the Note Agreement as follows:

(a) Section 6.15 of the Note Agreement hereby is amended by deleting Section 6.15(b)(i) in its entirety and inserting the following new Section 6.15(b)(i) in lieu thereof:

(i) Maximum Total Leverage. At all times the ratio of Total Indebtedness to Post Merger EBITDA of the Consolidated Parties for the immediately preceding four full fiscal quarters ("LTM Post Merger EBITDA") shall be equal to or less than the ratio set forth below for such fiscal quarter.

Fiscal Quarter	Ratio
Q1 - 2001	8.58:1.00
Q2 - 2001	7.81:1.00
Q3 - 2001	6.71:1.00
Q4 - 2001 and for each fiscal quarter thereafter	6.60:1.00

(b) Section 6.15 of the Note Agreement hereby is further amended by deleting Section 6.15(b)(ii) in its entirety and inserting the following new Section 6.15(b)(ii) in lieu thereof:

(ii) Post Merger Interest Coverage Ratio. The Post Merger Interest Coverage Ratio, as of the last day of each fiscal quarter of the Consolidated Parties, shall be equal to or greater than the ratio set forth below for such fiscal quarter. For purposes of determining compliance with this Section 6.15(b)(ii), (A) during the first quarter of 2001, all necessary calculations for the immediately preceding twelve month period shall be determined by multiplying (i) the sum of the applicable component of the Post Merger Interest Coverage Ratio for the fourth quarter of 2000 plus such component for the first quarter of 2001 by (ii) two, and (B) during the second quarter of 2001, all necessary calculations for the immediately preceding twelve month period shall be determined by multiplying (i) the sum of the applicable component of the Post Merger Interest Coverage Ratio for the fourth quarter of 2000 plus such component for the first quarter of 2001 plus such component for the second quarter of 2001 by (ii) four-thirds.

Fiscal Quarter	Ratio
Q1 - 2001	1.17:1.00
Q2 - 2001	1.17:1.00
Q3 - 2001	1.22:1.00
Q4 - 2001 and for each fiscal quarter thereafter	1.22:1.00

(c) Section 6.15 of the Note Agreement hereby is further amended by deleting Section 6.15(b)(iii) in its entirety and inserting the following new Section 6.15(b)(iii) in lieu thereof:

(iii) Fixed Charge Coverage. The Fixed Charge Coverage Ratio, as of the last day of each fiscal quarter of the Consolidated Parties, shall be equal to or greater than the ratio set forth below for such fiscal quarter. For purposes of determining compliance with this Section 6.15(b)(iii), (A) during the first quarter of 2001, all necessary calculations for the immediately preceding twelve month period shall be determined by multiplying (i) the sum of the applicable component of the Fixed Charge Coverage Ratio for the fourth quarter of 2000 plus such component for the first quarter of 2001 by (ii) two, and (B) during the second quarter of 2001, all necessary calculations for the immediately preceding twelve month period shall be determined by multiplying (i) the sum of the applicable component of the Fixed Charge Coverage Ratio for the fourth quarter of 2000 plus such component for the first quarter of 2001 plus such component for the second quarter of 2001 by (ii) four-thirds.

Fiscal Quarter	Ratio
Q1 - 2001	1.00:1.00
Q2 - 2001	1.00:1.00
Q3 - 2001	1.00:1.00
Q4 - 2001 and for each fiscal quarter thereafter	1.00:1.00

6. AMENDMENTS TO NOTE.

Subject to the satisfaction of the conditions contained herein, Company and PMI hereby amend the Note as follows:

(a) The following definition set forth in Section 2 of the Note hereby is amended and restated in its entirety to read as follows:

"Conversion Price" means a price per share of Common Stock equal to $1.0677.

"Conversion Ratio" means, subject to the provisions for adjustment set forth herein, 93.659 Conversion Shares to be delivered upon conversion of One Hundred Dollars ($100) of principal amount of this Note. The Corporation acknowledges and agrees that, assuming no other adjustments, if the Corporation were to issue an aggregate of 46,900,000 shares of its Common Stock in connection with the Federal Class Action Settlements and the State Class Action Settlements on February 28, 2001, the Conversion Ratio would be adjusted so that the Holder shall be entitled to receive 112.32 Conversion Shares to be delivered upon conversion of One Hundred Dollars ($100) of principal amount of this Note.

(b) Section 2 of the Note hereby is amended by adding the following new definitions thereto:

"Federal Class Action Settlements" shall mean the settlement of each of the following lawsuits, which are pending in the United States District Court for the Middle District of Tennessee, Nashville Division: (i) In re Prison Realty Securities Litigation, Civil Action No. 3:99-0458, (ii) In re Old CCA Securities Litigation, Civil Action No. 3:99-0452, and (iii) John Neiger, on behalf of himself and all others similarly situated v. Doctor Crants, Robert Crants, and Prison Realty Trust, Inc., Civil Action No. 3:99-1205, the terms of which settlements are set forth in those certain documents entitled "Notice of Pendency of Class Actions, Proposed Settlement Thereof, Settlement Hearing and Right to Share in Settlement Fund," dated October 16, 2000, and "Supplemental Notice of Pendency of Class Actions, Proposed Settlement Thereof, Settlement Hearing and Right to Share in Settlement Fund," dated January 8, 2001.

"State Class Action Settlements" shall mean the settlement of each of the following lawsuits, which are pending in the Court of Chancery for the State of Tennessee, Twentieth Judicial District, Davidson County: (i) Dasburg, S.A., on behalf of itself and all others similarly situated v. Corrections Corporation of America, Doctor R. Crants, Thomas W. Beasley, Charles A. Blanchette, and David L. Myers, Civil Action No. 98-2391-III, the terms of which settlement are set forth in those certain documents entitled "Notice of Pendency of Class Action, Proposed Settlement Thereof, Settlement Hearing and Right to Share in Settlement Fund," dated October 13, 2000 and "Supplemental Notice of Pendency of Class Action, Proposed Settlement Thereof, Settlement Hearing and Right to Share in Settlement Fund," dated January 10, 2001, (ii) Wanstrath v. Crants, et al., Civil Action No. 99-1719-III, the terms of which settlement are set forth in those certain documents entitled Stipulation of Settlement, dated October 5, 2000, and Amendment to the Stipulation of Settlement, dated January 6, 2001, and (iii) Bernstein v. Prison Realty Trust, Inc., Civil Action No. 99-3794-II, the terms of which settlement are set forth in those certain documents entitled Stipulation of Settlement,

dated October 5, 2000, and Amendment to the Stipulation of Settlement, dated January 6, 2001.

7. CONDITIONS PRECEDENT.

The effectiveness of the waivers and amendments contained in this Agreement (but not the effectiveness of this Agreement, which will be effective upon the satisfaction of the terms contained in Section 8.2(b)) is subject to the fulfillment, to the satisfaction of PMI and its counsel, of each of the following conditions:

(a) PMI shall have received a counterpart of this Agreement duly executed and delivered by Company, and the same shall be in full force and effect;

(b) PMI and Company shall have entered into an amendment to the Registration Rights Agreement in the form attached hereto as Exhibit A (herein, the "Amendment to Registration Rights Agreement"). In this regard, from and after the date of the effectiveness of the waivers and amendments contained in this Agreement, PMI and Company agree that all references in the Note Agreement to the Registration Rights Agreement automatically shall be deemed to be references to the Registration Rights Agreement, as amended by the Amendment to Registration Rights Agreement, and that the Registration Rights Agreement, as so amended, shall evidence, for all purposes, the agreements between PMI and Company relating to the registration of shares of Registrable Stock, as defined in the Registration Rights Agreement, as amended by the Amendment to Registration Rights Agreement;

(c) after giving effect hereto, no Unmatured Event of Default or Event of Default shall have occurred and be continuing;

(d) PMI shall have received payment of all of its costs and expenses (including attorneys fees and costs) incurred in connection with the Designated Event of Default and the preparation, negotiation, execution, and delivery of this Agreement and the Amendment to Registration Rights Agreement; and

(e) each of the representations and warranties contained herein shall be true and correct in all respects on and as of the effectiveness hereof, as though made on and as of such date.

8. MISCELLANEOUS.

8.1 CHOICE OF LAW AND VENUE; JURY TRIAL WAIVER.

(a) THE VALIDITY OF THIS WAIVER, THE CONSTRUCTION, INTERPRETATION, AND ENFORCEMENT HEREOF AND THEREOF, AND THE RIGHTS OF THE PARTIES HERETO AND THERETO WITH RESPECT TO ALL MATTERS ARISING HEREUNDER OR THEREUNDER

OR RELATED HERETO OR THERETO SHALL BE DETERMINED UNDER, GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK.

(b) THE PARTIES AGREE THAT ALL ACTIONS OR PROCEEDINGS ARISING IN CONNECTION WITH THIS WAIVER SHALL BE TRIED AND LITIGATED ONLY IN THE STATE AND FEDERAL COURTS LOCATED IN THE CITY OF NEW YORK, STATE OF NEW YORK. COMPANY AND PMI WAIVE, TO THE EXTENT PERMITTED UNDER APPLICABLE LAW, ANY RIGHT EACH MAY HAVE TO ASSERT THE DOCTRINE OF FORUM NON CONVENIENS OR TO OBJECT TO VENUE TO THE EXTENT ANY PROCEEDING IS BROUGHT IN ACCORDANCE WITH THIS SECTION.

(c) COMPANY AND PMI HEREBY WAIVE THEIR RESPECTIVE RIGHTS TO A JURY TRIAL OF ANY CLAIM OR CAUSE OF ACTION BASED UPON OR ARISING OUT OF THIS WAIVER OR ANY OF THE TRANSACTIONS CONTEMPLATED THEREIN, INCLUDING CONTRACT CLAIMS, TORT CLAIMS, BREACH OF DUTY CLAIMS, AND ALL OTHER COMMON LAW OR STATUTORY CLAIMS. COMPANY AND PMI REPRESENT THAT EACH HAS REVIEWED THIS WAIVER AND EACH KNOWINGLY AND VOLUNTARILY WAIVES ITS JURY TRIAL RIGHTS FOLLOWING CONSULTATION WITH LEGAL COUNSEL. IN THE EVENT OF LITIGATION, A COPY OF THIS WAIVER MAY BE FILED AS A WRITTEN CONSENT TO A TRIAL BY THE COURT.

8.2 COUNTERPARTS; TELEFACSIMILE EXECUTION; EFFECTIVENESS.

(a) This Agreement may be executed in any number of counterparts, each of which, when so executed and delivered, shall be deemed an original. All of such counterparts shall constitute but one and the same instrument. Delivery of an executed counterpart of this Agreement by telefacsimile shall be equally as effective as delivery of an original executed counterpart of this Agreement.

(b) This Agreement shall be effective as of the date first written above when one or more counterparts hereof shall have been executed by Company and PMI and shall have been delivered to PMI.

8.3 LIMITED WAIVER.

The waivers, consents, and modifications herein are limited to the specifics hereof, shall not apply with respect to any facts or occurrences other than those on which the same are based, shall not excuse future non-compliance with the Note Agreement, and except as expressly set forth herein, shall not operate as a waiver or an amendment of any right, power or remedy of PMI, nor as a consent to any further or other matter, under the Note Agreement or the Note.

IN WITNESS WHEREOF, the parties have caused this Agreement to be executed and delivered as of the date first above written.

CORRECTIONS CORPORATION OF AMERICA,
a Maryland corporation

By: /s/ Irving E. Lingo

Its Chief Financial Officer

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

EXHIBIT A

AMENDMENT TO
REGISTRATION RIGHTS AGREEMENT

This Amendment to the Registration Rights Agreement (this "Amendment") is entered into as of March 5, 2001, by and between CORRECTIONS CORPORATION OF AMERICA, 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").

RECITALS

WHEREAS, the Company and the Investor are parties to that certain Registration Rights Agreement, dated as of December 31, 1998 (the "Registration Rights Agreement");

WHEREAS, the parties hereto desire to amend the Registration Rights Agreement in accordance with the amendment provision of Section 14(a) thereof, as set forth herein.

AGREEMENT

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties agree as follows:

1. Defined Terms. Capitalized terms used herein and not otherwise defined shall have the meanings given to them in the Registration Rights Agreement as amended hereby.

2. Amendments to Registration Rights Agreement. The Registration Rights Agreement is hereby amended as follows:

(a) Section 2(a) is hereby amended and restated in its entirety to read as follows:

Shelf Registration. 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. 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. 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).

(b) Section 2(b) is hereby amended and restated in its entirety to read as follows:

Demand Registration. At any time from time to time following the earlier of (i) the next date upon which the Corporation becomes eligible to file a registration statement on Form S-3, and (ii) December 5, 2002, Initiating Holders may make a written request for registration of their securities. After receipt of a written request (a "Demand Registration Request") from any Initiating Holder stating that such Initiating Holder desires and intends to have the Corporation register (a "Demand Registration") all or a portion of the Registrable Securities held by them under such circumstances, the Corporation shall give notice (the "Registration Notice") to all of the Holders within thirty (30) days of the Corporation's receipt of such registration request, and the Corporation shall cause to be included in such registration all Registrable Securities requested to be included therein by any such Holder within fifteen (15) days after such Registration Notice is effective (subject to the provisions of Section 2(c) and the final sentence of this Section 2(b)). After such fifteen (15)-day period, the Corporation shall file as promptly as practicable a registration statement and use its reasonable best efforts to cause such registration statement to become effective under the Act and remain effective for six (6) months or such shorter period as may be required if all such Registrable Securities covered by such registration statement are sold prior to the expiration of such six (6)-month period; provided, that, subject to the following sentence, the Corporation shall not be obligated to effect any Demand Registration pursuant to this Section 2(b) requested by the Initiating Holders after the Corporation has effected three (3) Demand Registrations requested by the Initiating Holders pursuant to this Section 2(b); provided, further, that to the extent that any Registrable Securities that are initially requested to be included by the Initiating Holder requesting the Demand Registration under this Section 2 are not so included as a result of the provisions of the final sentence of Section 2(c), the Corporation shall continue to be obligated to effect three (3) Demand Registrations for such Initiating Holder pursuant to this Section 2(b). Upon the request of either the Initiating Holders or the Corporation, a Demand Registration shall be effected as a public offering underwritten by a nationally recognized underwriter selected in accordance with Section 7 below.

(c) Section 2(c) is hereby added to read as follows:

In the event of an underwritten offering pursuant to this Section 2, if the managing underwriter of such offering shall advise the Holders in writing that, in its opinion, the distribution of a specified portion of the securities requested to be included in the registration would be reasonably likely to materially adversely affect the distribution of all securities that are to be offered by increasing the aggregate amount of the offering in excess of the maximum amount of

securities which such managing underwriter believes can reasonably be sold in the contemplated distribution within a price range acceptable to the Initiating Holders, then the securities to be included in the registration shall be limited to such number as can be sold within such price range and shall be allocated among all the Holders thereof, including the Initiating Holders, in proportion (as nearly as practicable) to the amount of Registrable Securities of the Corporation owned by each Holder requesting inclusion therein. Notwithstanding the foregoing, the parties hereto acknowledge that the managing underwriter may determine, in its sole discretion, that all or certain shares of Common Stock or other securities requested to be included in a registration pursuant to Section 2 by one or more particular parties shall be excluded or limited in order to not adversely impact the offering and that this exclusion or limitation may or may not be consistent with the pro rata stipulations of the priority provisions above.

(d) Section 6(d) is hereby deleted in its entirety.

3. Governing Law. This Amendment 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 Amendment 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 Amendment, each of the Corporation and the Investor 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.

4. Entire Amendment. This Amendment, and the terms and provisions hereof, constitute the entire agreement among the parties pertaining to the subject matter hereof and supersedes any and all prior or contemporaneous amendments relating to the subject matter hereof. Except as expressly amended hereby, the Registration Rights Agreement shall remain unchanged and in full force and effect. To the extent any terms or provisions of this Amendment conflict with those of the Registration Rights Agreement, the terms and provisions of this Amendment shall control. This Amendment shall be deemed part of and is hereby incorporated into the Registration Rights Agreement.

5. Counterparts. This Amendment may be executed in any number of counterparts, all of which taken together shall constitute one and the same instrument and any of the parties hereto may execute this Amendment by signing any such counterpart. Delivery of an executed counterpart of this Amendment by telefacsimile shall be equally as effective as delivery of an original executed counterpart of this Amendment. Any party delivering an executed counterpart of this Amendment by telefacsimile also shall deliver an original executed counterpart of this Amendment, but the failure to deliver an original executed counterpart shall not affect the validity, enforceability, and binding effect of this Amendment.

6. Amendments. This Amendment cannot be altered, amended, changed or modified in any respect or particular unless each such alteration, amendment, change or modification shall have been agreed to by each of the parties and reduced to writing in its entirety and signed and delivered by each party.

[Signature page follows.]

IN WITNESS WHEREOF, the parties have caused this Amendment to the Registration Rights Agreement to be executed and delivered as of the date first written above.

CORRECTIONS CORPORATION OF
AMERICA, a Maryland corporation

By:

Its:

PMI MEZZANINE FUND, L.P., a Delaware
limited partnership

By Pacific Mezzanine Investors, LLC, a
Delaware limited liability company, its
General Partner

By:

Its:

Address:

610 Newport Center Drive, Suite 1100
Newport Beach, California 92660
Attention: _____
Telefacsimile: (949) 720-4222

EXHIBIT 10.27

TERMINATION AGREEMENT WITH RESPECT TO MASTER AGREEMENT TO LEASE AND LEASE AGREEMENTS

This TERMINATION AGREEMENT WITH RESPECT TO MASTER AGREEMENT TO LEASE AND LEASE AGREEMENTS (the "Agreement") is entered into as of September 29, 2000, by and among Prison Realty Trust, Inc., a Maryland corporation formerly known as Prison Realty Corporation ("Prison Realty"), Corrections Corporation of America, a Tennessee corporation formerly known as Correctional Management Services Corporation ("CCA"), and CCA Acquisition Sub, Inc., a Tennessee corporation and wholly owned subsidiary of Prison Realty ("Sub"). Sub is a party to this Agreement for the purpose of acknowledging and consenting to the agreements of Prison Realty and CCA contained herein.

W I T N E S S E T H:

WHEREAS, Prison Realty, as Landlord, and CCA, as Tenant, are parties to that certain Master Agreement to Lease, dated January 1, 1999, as amended by that certain First Amendment to Master Agreement to Lease, dated December 31, 1999, and Second Master Amendment to Lease Agreement, dated June 9, 2000 (the "Master Agreement to Lease"), copies of which are attached hereto as Exhibit A, along with various supplemental Lease Agreements dated January 1, 1999 and thereafter, as amended by that certain Master Amendment to Lease Agreements, dated December 31, 1999, and that certain Second Master Amendment to Lease Agreements, dated June 9, 2000 (the "Lease Agreements");

WHEREAS, Prison Realty, CCA and Sub are parties to that certain Agreement and Plan of Merger, dated June 30, 2000, pursuant to which CCA will merge with and into Sub with Sub being the surviving corporation (the "Merger"); and

WHEREAS, pursuant to Section 7.21 of that certain Amended and Restated Credit Agreement, dated August 4, 1999, by and among Prison Realty as Borrower, certain of its subsidiaries as Guarantors, those parties identified as the Lenders thereunder, Lehman Commercial Paper Inc. ("Lehman") as Administrative Agent, Societe Generale as Documentation Agent, The Bank of Nova Scotia as Syndication Agent, and Southtrust Bank (formerly known as Southtrust Bank, N.A.) as Co-Agent, as amended by the terms of that certain Waiver and Amendment, dated June 9, 2000, by and between Prison Realty and Lehman as Administrative Agent on behalf of the Lenders, Prison Realty has agreed to cause the termination of the Master Agreement to Lease and the Lease Agreements in connection with, and at the time of, the consummation of the Merger.

NOW, THEREFORE, in consideration of the premises, and other good and valuable considerations, the receipt and sufficiency of which are hereby acknowledged, the parties hereby agree that the Master Agreement to Lease and the Lease Agreements shall be, and hereby are, terminated and shall be of no further force or effect, effective as of the completion of the Merger.

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

PRISON REALTY TRUST, INC.

By: /s/ John D. Ferguson
Title: President and Chief Executive Officer

CORRECTIONS CORPORATION OF AMERICA

By: /s/ Darrell K. Massengale
Title: Secretary and Chief Financial Officer

CCA ACQUISITION SUB, INC.

By: /s/ Darrell K. Massengale
Title: President

EXHIBIT A

[intentionally omitted]

Exhibit A

[intentionally omitted]

EXHIBIT 10.28

MASTER AGREEMENT TO LEASE

BETWEEN

CORRECTIONS CORPORATION OF AMERICA, LANDLORD

AND

CCA OF TENNESSEE, INC., TENANT

DATED: DECEMBER 31, 2000

TABLE OF CONTENTS

MASTER AGREEMENT TO LEASE

THIS MASTER AGREEMENT TO LEASE ("Agreement") dated as of the 31st day of December, 2000 by and between CORRECTIONS CORPORATION OF AMERICA, a Maryland corporation ("Landlord"), and CCA OF TENNESSEE, INC., a Tennessee corporation ("Tenant").

RECITALS

WHEREAS, Landlord currently owns those certain correctional and detention facilities listed on Schedule A, attached hereto which Tenant desires to lease in order to engage in the business of managing and operating correctional and detention facilities;

WHEREAS, Landlord and Tenant desire to set forth in this Agreement certain terms and conditions applicable to all of the Leased Property;

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

ARTICLE I

LEASED PROPERTY; TERM

1.01 Leased Property. The property that is the subject of this Agreement and that shall be considered as leased by the Landlord to the Tenant hereunder shall consist of:

(a) The facilities and related land described in Schedule A, 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").

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

Notwithstanding the foregoing, in the event that Landlord sells, transfers, conveys, leases or otherwise disposes of any portion of the Leased Property, or in the event any portion of the Leased Property is foreclosed upon by the holder of a mortgage thereon, this Agreement shall continue in full force and effect as to the remaining Leased Property, and thereafter, the term "Leased Property" shall refer to such remaining Leased Property, and the Base Rent (as defined below) shall be reduced in such equitable manner as the parties shall reasonably agree.

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

1.02 Term. The term of this Agreement (the "Term") shall commence on January 1, 2001, (the "Commencement Date"), and shall expire on December 31, 2001 (the "Expiration Date").

1.03 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.

1.04 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, at the expiration or termination of the Term broom clean, free of all Tenant's personal property, and in as good order and condition as of the Commencement Date.

1.05 Renewal. This Agreement may be renewed by the parties upon such terms as are mutually agreeable to the parties may agree in writing.

ARTICLE II

RENT

2.01 Base Rent. Tenant shall pay Landlord annual base rent for the Leased Property without notice, demand, set-off or counterclaim, in advance, in lawful money of the United States of America, in an amount equal to One Hundred Thirty-Eight Million Dollars ($138,000,000) (the "Base Rent") in consecutive monthly installments of Eleven Million Five Hundred Thousand Dollars ($11,500,000) each, payable on the last day of each month during the Term.

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

2.03 Place(s) of Payment of Rent; Direct Payment of Additional Rent. The Base Rent and 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, or by statute or otherwise in the case of nonpayment of the Rent. Tenant shall make all payments of Base Rent at Landlord's principal place of business or as Landlord may otherwise from time to time direct in writing, and all payments of 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. The lease contemplated by this Agreement 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, Tenant shall remain bound by this Agreement in accordance with its terms. Except as otherwise specifically provided in the Agreement, Tenant shall not, without the prior written consent of Landlord, modify, surrender or terminate the Agreement, 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, 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 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, 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 this Agreement 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 by termination of this Agreement other than by reason of an Event of Default.

ARTICLE III

IMPOSITIONS AND UTILITIES

3.01 Payment of Impositions. Subject to the adjustments set forth herein, Tenant shall pay, as 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 Agreement 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. 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 Date or date of earlier termination of this Agreement, whether or not such Imposition is imposed before or after such commencement, expiration or termination, and Tenant's obligation to pay its prorated share thereof shall survive such expiration or 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 unforeseen, 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 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 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 Agreement.

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 Agreement 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. Notwithstanding any provision to the contrary herein, the following provisions shall apply if the Leased Property or any part thereof is subject to any mortgage placed upon it by Landlord: (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 or which is otherwise required by the terms of the mortgage or any documents executed in connection therewith (it being understood and agreed that Tenant shall comply with the terms and conditions of any such mortgage regarding insurance coverage required thereunder).

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 Property, 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 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 hereunder. 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 the 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.

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 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 Property 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 Agreement, 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 Property. 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 hereunder; (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") (Capital Additions, and such other alterations, additions, changes and/or improvements are individually, a "Tenant Improvement," or collectively, "Tenant Improvements") with the prior written consent of the Landlord, which may be granted or withheld in Landlord's sole and absolute discretion. "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 Agreement. 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 Leased Property 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 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, materialmen'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) 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 (which may be given or withheld in Landlord's sole and absolute discretion), 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.

8.03 Rights in Tenant Improvements. Notwithstanding anything to the contrary in this Agreement, 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 hereof. Upon the Expiration Date or earlier termination hereof, 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.

8.04 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.

8.05 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.

8.06 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.

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 thirty (30) days after the date such payment is due;

(b) Tenant fails to observe and perform any other covenant, condition or agreement under this Agreement to be performed by Tenant (except those described in Section 9.01(a) of this Agreement) and such failure continues for a period of sixty (60) 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 sixty (60) 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 this Agreement or in any certificate, demand or request made pursuant hereto 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 after written notice thereof is given to Tenant, 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 after written notice thereof is given to Tenant; 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 after written notice thereof is given to Tenant.

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

9.02 Remedies. Landlord may exercise any one or more of the following remedies upon the occurrence of an Event of Default:

(a) Landlord may terminate this Agreement and exclude Tenant from possession of the Leased Property. If this Agreement 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 hereunder for the balance of the Term if this Agreement had not been so 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 hereunder if this Agreement had not been so terminated, and Landlord will be entitled to receive such damages from Tenant on each such day. Alternatively, at the option of Landlord, if this Agreement is so 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 this Agreement had not been so 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 herein will be deemed to be the sum of the following: (i) the Base Rent computed pursuant to Section 2.01; and (ii) the Additional Rent computed pursuant to Section 2.02. Such computation of Additional Rent shall be based on the Additional Rent paid for the Lease Year preceding the date of termination, increased by 4% per year thereafter.

(b) (1) Without demand or notice, Landlord may re-enter and take possession of the Leased Property or any part of Leased Property; and repossess the Leased Property as of the Landlord's former estate; and expel the Tenant and those claiming through or under Tenant from 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 the Leased Property pursuant to legal proceedings or pursuant to any notice provided by law, Landlord may, from time to time, without terminating this Agreement, re-let the Leased Property or any part of the Leased Property, either alone or in conjunction with other portions of the Improvements of which the 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 Agreement) and on such terms and conditions (which may include concessions of free rent, and the alteration and repair of the Leased Property) as Landlord, in its uncontrolled discretion, may determine. Landlord may collect and receive the Rents for the 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 Agreement unless a written notice of such intention is given to Tenant. No notice from Landlord hereunder or under a forcible entry and detainer statute or similar law will constitute an election by Landlord to terminate this Agreement 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 Agreement 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 the Leased Property according to this subparagraph (b) without terminating this Agreement, Tenant will pay Landlord (i) the Rent, Additional Rent and other sums which would be payable under the Lease if such repossession had not occurred, less (ii) the net proceeds, if any, of any re-letting of the 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.

(c) Landlord may re-enter the Leased Property and have, repossess and enjoy the Leased Property as if the Leased Property were not subject to the terms hereof, 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 hereunder then due and thereafter to become due, or to enforce performance and observance of any obligations, agreements or covenants of Tenant hereunder.

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 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 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, 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 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 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 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.

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 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 10.04, if, at any time during the Term hereof, 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 this Agreement as it relates to the particular Leased Property and, subject to the further provisions of this Section, this Agreement shall be so terminated as of the tenth (10th) day after the delivery of such notice. If this Agreement 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 this Agreement is not so terminated, Tenant shall rebuild the Leased Property in accordance with Section 10.01. If Tenant elects to terminate this Agreement pursuant to this Section 10.04, 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.

10.05 Mortgages. Notwithstanding anything to the contrary herein (other than the provisions of Section 14.21 hereof), if the Leased Property, or any part thereof is subject to any mortgage placed upon it by Landlord, then all insurance proceeds shall be applied in manner required pursuant to such mortgage. The provisions of Section 10.01 hereof requiring Landlord to make certain insurance proceeds available to Tenant for the repair or restoration of the Leased Property shall apply only to the extent permitted pursuant to the terms of any such mortgage.

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"), this Agreement shall terminate as to such Leased Property 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 this Agreement 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 hereunder at the time of the Condemnation.

11.02 Partial Taking. If a portion of any Leased Property is taken by Condemnation, this Agreement shall remain in effect as to such Leased Property 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, this Agreement shall terminate as to such Leased Property 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 this Agreement remains in full force and effect as to such Leased Property 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 hereunder; 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 Agreement (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 hereof 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 hereof, whether paid by way of damages, rent or otherwise, shall be paid to Tenant.

11.07 Mortgages. Notwithstanding anything to the contrary herein (other than the provisions of Section 14.21 hereof), if the Leased Property or any part thereof is subject to any mortgage placed upon it by Landlord, then all condemnation proceeds shall be applied in the manner required pursuant to such mortgage. The provisions of Section 11.03 hereof requiring Landlord to make certain condemnation proceeds available to Tenant for the restoration of the Leased Property shall apply only to the extent permitted pursuant to the terms of any such mortgage.

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 interest herein, 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. No assignment shall in any way impair the continuing primary liability of Tenant hereunder. 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.

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 hereof. No agreement made as permitted by Section 12.02.01 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 hereunder.

12.03.03 Copies. Tenant shall, within ten (10) days after the execution and delivery of any operating/service agreement permitted by Section 12.02.01, deliver a duplicate original thereof to Landlord.

12.03.04 Assignment of Rights in Agreements. As security for performance of its obligations hereunder, 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 12.02, 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 herein as it relates to the subject Leased Property. Any assignment or other transfer of all or any portion of Tenant's interest in this Agreement in contravention of Article XII shall be voidable at Landlord's option.

12.05 Attornment. Tenant shall insert in each sublease permitted under Section 12.02.01 provisions to the effect that (a) such sublease is subject and subordinate to all of the terms and provisions of this Agreement and to the rights of Landlord hereunder, (b) in the event this Agreement shall terminate as to the subject Leased Property 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 such termination of this Agreement, 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 hereunder, 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 hereunder.

ARTICLE XIII

QUIET ENJOYMENT, SUBORDINATION, ATTORNMENT, ESTOPPEL CERTIFICATES

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

13.02 Landlord Mortgages; Subordination. Subject to Section 13.03, without the consent of Tenant, Landlord may, from time to time, directly or indirectly, create or otherwise cause to exist any lien, encumbrance 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. Except as set forth in Section 14.21 hereof, this Agreement and Tenant's rights hereunder are subordinate to any ground lease or underlying lease, mortgage, deed of trust, or other 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 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.

13.03 Attornment; Non-Disturbance. If any holder of any mortgage, indenture, deed of trust, or other similar instrument described in Section 13.02 succeeds to Landlord's interest in any Leased Property, Tenant will pay to such holder all Rent for such Leased Property subsequently payable hereunder. 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 this Agreement. 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 this Agreement 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. Landlord and Tenant shall not enter into any modification or amendment of this Agreement without the prior written consent of such holder. 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 hereunder and provided that if such non-disturbance agreement has been obtained and no Event of Default by Tenant exists, such party will not disturb Tenant's possession, use or occupancy of the Leased Property.

13.04 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 this Agreement 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) this Agreement is in full force and effect and has not been modified, or that this Agreement 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.

13.05 Performance by Lender. Tenant acknowledges and agrees that the holder or beneficiary of a mortgage, indenture, deed of trust or similar instrument described in Section 13.02 hereof, may perform, but shall not be required to perform, any of the obligations of Landlord hereunder, and Tenant agrees to accept performance by any such holder or beneficiary as fully as though performed by Landlord.

ARTICLE XIV

MISCELLANEOUS

14.01 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 Agreement shall be in writing and shall be addressed as follows:

If to Landlord: Corrections Corporation of America
10 Burton Hills Boulevard
Nashville, Tennessee 37215
Attention: President

With a copy to: Lehman Commercial Paper, Inc.
3 World Financial Center
New York, New York 10285
Attention: Andrew Keith

And to: Latham & Watkins
885 Third Avenue
New York, New York 10022
Attention: Christopher R. Plaut

If to Tenant: CCA of Tennessee, Inc.
10 Burton Hills Boulevard
Nashville, Tennessee 37215
Attention: President

In each case, with a copy to: Stokes Bartholomew Evans & Petree, 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.

14.02 Advertisement of Leased Property. In the event the parties hereto have not executed a renewal of this Agreement as to 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.

14.03 Landlord's Access. Landlord and Landlord's lenders 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 and Landlord's lenders or 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.

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

14.05 Severability. If any term or provision of this Agreement is held or deemed by Landlord to be invalid or unenforceable, such holding shall not affect the remainder of this Agreement 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 this Agreement as it relates to such Leased Property shall forthwith terminate as if by expiration of the Term.

14.06 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.

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

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

14.09 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 exercise any other remedy granted herein on account of such existing default.

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

14.11 Authority. The persons executing this Agreement on behalf of Tenant warrant that (i) Tenant has the power and authority to enter into this Agreement; (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 on behalf of Tenant. Tenant shall, at the request of Landlord, provide evidence satisfactory to Landlord confirming these representation.

14.12 Transfer of Permits, Etc. Upon the expiration or earlier termination of the Term hereof, 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 hereof 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.

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

14.14 Incorporation by Reference. All schedules and exhibits referred to in this Agreement are incorporated into this Agreement.

14.15 No Merger. The surrender of this Agreement by Tenant or the cancellation of this Agreement by agreement of Tenant and Landlord or the termination of this Agreement 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.

14.16 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.

14.17 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.

14.18 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 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.

14.19 Construction of Lease. This Agreement has been reviewed by Landlord and Tenant and their respective professional advisors. Landlord, Tenant, and their advisors believe that this Agreement is 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.

14.20 Limitations of Landlord's Liability. Tenant agrees to look solely to Landlord's equity interest in the Leased Property for the recovery of any monetary judgment against Landlord, it being agreed that Landlord (and its officers, directors and shareholders) shall never be reasonably liable for any such judgment.

14.21 Additional Provisions Relating to Particular Facilities. (a) EDEN DETENTION CENTER. The following additional provisions apply with respect to the Eden Detention Center located in Eden, Concho County, Texas (the "Eden Detention Center"):

(i) Leased Property. The Personal Property comprising the Leased Property with respect to the Eden Detention Center will also include all those items of personal property described on Exhibit _____, attached hereto and made a part hereof, and all renewals or replacements thereof. The government surplus property described on Exhibit _____, attached hereto and made a part hereof, which is located at the Eden Detention Center, is not owned by Landlord but is on loan as part of the U.S. Government Surplus Program. Tenant agrees to assume the control of said property and be fully responsible for all care and obligations in connection therewith during the Term of this Agreement.

(ii) Subordination. This Agreement with respect to the Eden Detention Center is subject and subordinate to the terms and provisions of that certain U.S. Government Lease for

Real Property (Short Form Lease), Lease Number GS-07B-14594 (the "USA Lease"), between Landlord, as successor by merger, and the United States of America ("USA"), as the same may be amended, modified, supplemented or replaced from time to time; a copy of which has been delivered to Tenant and Tenant hereby acknowledges receipt thereof.

(iii) Consent to Subletting. To the extent, if any, required under Article XII of the Agreement, Landlord consents to the subletting of all or any portion of the Eden Detention Center by Tenant to the City of Eden, Texas (the "City"), as the same may be amended, modified, supplemented or replaced from time to time, and/or as may otherwise be reasonable, necessary or desirable in connection with that certain Intergovernmental Agreement, Contract Number 010-9, between the City and the U.S. Department of Justice, Federal Bureau of Prisons, as the same may be amended, modified, supplemented or replaced from time to time, and/or any other agreements with any other governmental entities which may contract with the City to transfer their inmates for incarceration in the Eden Detention Center.

(iv) Additional Defaults and Remedies. In addition to the Events of Default set forth in this Agreement, it shall also be an Event of Default under this Agreement in the event that certain Residential Services Agreement, dated as of April 15, 1999, between Tenant and the City, as the same may be amended, modified, supplemented or replaced from time to time, is terminated for any reason, and Landlord may, at its option, exercise any one or more of the remedies set forth in the Agreement upon the occurrence and during the continuance of such Event of Default.

(b) WEBB COUNTY CORRECTIONAL CENTER. The following additional provisions apply with respect to the Webb County Correctional Center in Laredo, Webb County, Texas (the "Webb County Correctional Center"):

(i) Master Lease and Sublease Incorporated Herein. All provisions of that certain Lease Agreement with an Option to Purchase between the Webb County Correctional Center Public Facility Corporation, as assignee of Municipal Capital Markets Corporation, as lessor, and Webb County, Texas, as lessee, dated as of October 1, 1997, as amended by amendment, dated as of December 29, 1998 (the "Master Lease"), with the exception of those provisions listed as exceptions in the Sublease (as hereinafter defined), and all provisions of that certain Sublease Agreement between Webb County, Texas, as sublessor ("Sublessor") and Landlord, as sublessee, dated as of December 29, 1998 (the "Sublease"), are hereby incorporated in and are a part of this Agreement with respect to the Webb County Correctional Center.

(ii) Subordination. This Agreement with respect to the Webb County Correctional Center is subject and subordinate to the terms, provisions, conditions and obligations of (i) the Master Lease, and (ii) the Sublease, copies of which have been provided to Tenant and Tenant hereby acknowledges receipt thereof. All of the terms, provisions, conditions and obligations of the Master Lease and the Sublease (with the exception of those provisions listed as exceptions in the Sublease), to the extent not inconsistent with the terms, provisions, conditions and obligations of this Agreement, shall be applicable to this Agreement with the same force and

effect as if the Landlord were the sublessor under the Sublease and the Tenant were the sublessee thereunder, and in the case of any breach thereof by Tenant, the Landlord shall have all the rights against Tenant as would be available to the sublessor against the sublessee under the Sublease if such breach were by the sublessee thereunder. For purposes of this Agreement, a breach by Tenant under the Sublease shall be deemed an Event of Default by Tenant under this Agreement, subject to any applicable grace or notice and cure periods provided herein. Notwithstanding anything to the contrary contained in this Agreement, this Agreement shall not terminate upon the termination of the Master Lease and the Sublease due to the transfer of fee simple title to the Webb County Correctional Center to Landlord.

Any representations or warranties of the Landlord under the Sublease which are deemed to be made by Tenant hereunder shall only be made with respect to facts and circumstances existing as of the commencement of the Term of this Agreement, and then only as to those facts or circumstances of which Tenant has actual knowledge. Any covenants of the Landlord under the Sublease which are deemed to be made by Tenant hereunder shall only apply to matters arising or occurring from and after the commencement of the Term of this Agreement and then only during the term of this Agreement. In no event shall Tenant be deemed to make any representations, warranties or covenants with respect to facts, circumstances, or matters arising or occurring prior to the commencement of the Term of this Agreement, or be obligated to keep, observe, or perform any covenants, representations, or warranties under the Sublease with respect to matters arising or occurring prior to the commencement of the Term of this Agreement. Landlord represents and warrants to Tenant that as of the commencement of the Term of this Agreement all terms, provisions, conditions, representations, warranties and covenants to be kept, observed or performed by Landlord under the Sublease prior to the commencement of the Term of this Agreement have been kept, observed, or performed by Landlord in all material respects. Landlord certifies that, as of the date of the commencement of the Term of this Agreement, neither Landlord nor Sublessor is in default under the Sublease, nor has Landlord given or received any notice of default or breach of any of the provisions of the Sublease, nor, to the knowledge of Landlord, has any act or omission occurred by or on the part of either Landlord or Sublessor which with the giving of notice, the passage of time, or both, would constitute an "Event of Default" under the Sublease.

(iii) Management Agreement/Assignment Agreement. (A) During the Term of this Agreement and until the Transfer Date (as defined in the Management Agreement hereinafter defined), Landlord hereby delegates to the Tenant, and the Tenant hereby agrees to perform, all of the duties, responsibilities, and obligations of the Landlord under that certain Management Agreement, dated as of December 29, 1998, between Webb County Correctional Center Public Facility Corporation ("PFC") and Landlord (the "Management Agreement"), together with the right to exercise such rights and remedies conferred on the Landlord under the Management Agreement with respect to such delegated duties, responsibilities and obligations.

(B) From and after the Transfer Date (as defined in the Assignment Agreement hereinafter defined) and during the Term of this Agreement, Landlord hereby delegates to the Tenant, and the Tenant hereby agrees to perform, all of the duties,

responsibilities, and obligations of the Landlord under that certain Assignment Agreement, dated as of December 29, 1998, between the PFC, Municipal Capital Markets Corporation and Landlord (the "Assignment Agreement"), together with the right to exercise such rights and remedies conferred on the Landlord under the Assignment Agreement with respect to such delegated duties, responsibilities and obligations.

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

[REMAINDER OF PAGE LEFT BLANK INTENTIONALLY,
SIGNATURES PAGE TO FOLLOW.]

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

LANDLORD:

CORRECTIONS CORPORATION OF AMERICA

By: /s/ John D. Ferguson

Title: President

TENANT:

CCA OF TENNESSEE, INC.

By: /s/ Brent Turner

Title: Treasurer

SCHEDULE A

THE FACILITIES

FACILITY NAME	LOCATION (CITY, STATE)
Bent County Correctional Facility	Las Animas, Colorado
Bridgeport Pre-Parole Transfer Facility	Bridgeport, Texas
California City Correctional Facility	California City, California
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
Eden Detention Center	Eden, Texas
Eloy Detention Center	Eloy, Arizona
Florence Correctional Center	Florence, 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	Beattyville, Kentucky
Marion Adjustment Center	St. Mary, Kentucky
Mendota Correctional Facility	Mendota, California
McRae Correctional Facility	McRae, Georgia
Mineral Wells Pre-Parole Transfer Facility	Mineral Wells, Texas

Montana Correctional Facility	Shelby, Montana
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
Pamlico Correctional Institution	Bayboro, North Carolina
Prairie Correctional Facility	Appleton, Minnesota
San Diego Correctional Facility	San Diego, California
Shelby Training Center	Memphis, Tennessee
Southern Nevada Women's Correctional Facility	Las Vegas, Nevada
Stewart County Detention Center	Lumpkin, Georgia
T. Don Hutto Correctional Center	Taylor, Texas
Tallahatchie County Correctional Center	Tutwiler, Mississippi
Torrance County Detention Facility	Estancia, New Mexico
Webb County Correctional Center	Laredo, Texas
West Tennessee Detention Center	Mason, Tennessee
Wheeler Correctional Facility	Alamo, Georgia
Whiteville Correctional Facility	Whiteville, Tennessee

EXHIBIT 10.30

AMENDED AND RESTATED SERVICES AGREEMENT

This AMENDED AND RESTATED SERVICES AGREEMENT (the "Agreement") is entered into on this 5th day of March, 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 and CMSC are parties to that certain Services Agreement, dated as of January 1, 1999 (the "Services Agreement"), pursuant to which the Company agreed to make certain incentive payments to CMSC;

WHEREAS, the purpose of the Services Agreement was to engage the services of CMSC to facilitate the construction and development of one or more additional correctional and detention facilities (the "New Facilities") or additions to its existing correctional and detention facilities (collectively with the New Facilities, the "Facilities"); and

WHEREAS, the Company and CMSC desire to amend and restate the Services Agreement to amend certain terms and provisions thereof.

NOW, THEREFORE, in consideration for the foregoing and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto hereby agree that the Services Agreement is amended and restated as follows:

1. Services; Consideration.

(a) Services; Additional 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 (the "Services"). 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. In addition, if requested by the Company, CMSC agrees to provide such additional services relating to the construction and development of correctional and detention facilities as may be designated by the Company (the "Additional Services").

(b) Consideration for Services. 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, dated as of January 1, 1999, between the parties (the "Tenant Incentive Agreement") and all fees 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 from the Company. The fees payable hereunder shall be payable in cash or by such other means as approved by CMSC.

(c) Consideration for Additional Services. If Additional Services are requested by the Company and performed by CMSC, the Company shall pay, and CMSC is entitled to receive, up to an additional 5% of the total capital expenditures (excluding the amount of the tenant incentive fee as described in Tenant Incentive Agreement and all fees herein referred to). The amount of the additional payment pursuant to this Section 1(c) for Additional Services shall be determined by mutual agreement of the Company and CMSC. 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 December 31, 2003, 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, Suite 100
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 as of the date first above written.

PRISON REALTY CORPORATION,
a Maryland corporation

By: /s/ Doctor R. Crants

Title: Chairman & CEO

CORRECTIONAL MANAGEMENT SERVICES CORPORATION,
a Tennessee corporation

By: /s/ Darrell K. Massengale

Title: CFO

EXHIBIT 10.32

TERMINATION AGREEMENT WITH RESPECT TO AMENDED AND RESTATED SERVICES AGREEMENT

This TERMINATION AGREEMENT WITH RESPECT TO AMENDED AND RESTATED SERVICES AGREEMENT (the "Agreement") is entered into as of September 29, 2000, by and among Prison Realty Trust, Inc., a Maryland corporation formerly known as Prison Realty Corporation ("Prison Realty"), Corrections Corporation of America, a Tennessee corporation formerly known as Correctional Management Services Corporation ("CCA"), and CCA Acquisition Sub, Inc., a Tennessee corporation and wholly owned subsidiary of Prison Realty ("Sub"). Sub is a party to this Agreement for the purpose of acknowledging and consenting to the agreements of Prison Realty and CCA contained herein.

W I T N E S S E T H:

WHEREAS, Prison Realty and CCA are parties to that certain Amended and Restated Services Agreement, dated March 5, 1999, as amended by Amendment Number One to Amended and Restated Services Agreement, dated as of June 9, 2000 (the "Amended and Restated Services Agreement"), copies of which are attached hereto as Exhibit A;

WHEREAS, Prison Realty, CCA and Sub are parties to that certain Agreement and Plan of Merger, dated June 30, 2000, pursuant to which CCA will merge with and into Sub with Sub being the surviving corporation (the "Merger"); and

WHEREAS, pursuant to Section 7.21 of that certain Amended and Restated Credit Agreement, dated August 4, 1999, by and among Prison Realty as Borrower, certain of its subsidiaries as Guarantors, those parties identified as the Lenders thereunder, Lehman Commercial Paper Inc. ("Lehman") as Administrative Agent, Societe Generale as Documentation Agent, The Bank of Nova Scotia as Syndication Agent, and Southtrust Bank (formerly known as Southtrust Bank, N.A.) as Co-Agent, as amended by the terms of that certain Waiver and Amendment, dated June 9, 2000, by and between Prison Realty and Lehman as Administrative Agent on behalf of the Lenders, Prison Realty has agreed to cause the termination of the Amended and Restated Services Agreement in connection with, and at the time of, the consummation of the Merger.

NOW, THEREFORE, in consideration of the premises, and other good and valuable considerations, the receipt and sufficiency of which are hereby acknowledged, the parties hereby agree that the Amended and Restated Services Agreement shall be, and hereby is, terminated and shall be of no further force or effect, effective as of the completion of the Merger.

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

PRISON REALTY TRUST, INC.

By: /s/ John D. Ferguson
Title: President and Chief Executive Officer

CORRECTIONS CORPORATION
OF AMERICA

By: /s/ Darrell K. Massengale
Title: Secretary and Chief Financial Officer

CCA ACQUISITION SUB, INC.

By: /s/ Darrell K. Massengale
Title: President

EXHIBIT A

[intentionally omitted]

EXHIBIT 10.36

TERMINATION AGREEMENT WITH RESPECT TO AMENDED AND RESTATED TENANT INCENTIVE AGREEMENT

This TERMINATION AGREEMENT WITH RESPECT TO AMENDED AND RESTATED TENANT INCENTIVE AGREEMENT (the "Agreement") is entered into as of September 29, 2000, by and among Prison Realty Trust, Inc., a Maryland corporation formerly known as Prison Realty Corporation ("Prison Realty"), Corrections Corporation of America, a Tennessee corporation formerly known as Correctional Management Services Corporation ("CCA"), and CCA Acquisition Sub, Inc., a Tennessee corporation and wholly owned subsidiary of Prison Realty ("Sub"). Sub is a party to this Agreement for the purpose of acknowledging and consenting to the agreements of Prison Realty and CCA contained herein.

W I T N E S S E T H:

WHEREAS, Prison Realty and CCA are parties to that certain Amended and Restated Tenant Incentive Agreement, dated May 4, 1999, as amended by Amendment Number One to Amended and Restated Tenant Incentive Agreement, dated as of June 9, 2000 (the "Amended and Restated Tenant Incentive Agreement"), copies of which are attached hereto as Exhibit A;

WHEREAS, Prison Realty, CCA and Sub are parties to that certain Agreement and Plan of Merger, dated June 30, 2000, pursuant to which CCA will merge with and into Sub with Sub being the surviving corporation (the "Merger"); and

WHEREAS, pursuant to Section 7.21 of that certain Amended and Restated Credit Agreement, dated August 4, 1999, by and among Prison Realty as Borrower, certain of its subsidiaries as Guarantors, those parties identified as the Lenders thereunder, Lehman Commercial Paper Inc. ("Lehman") as Administrative Agent, Societe Generale as Documentation Agent, The Bank of Nova Scotia as Syndication Agent, and Southtrust Bank (formerly known as Southtrust Bank, N.A.) as Co-Agent, as amended by the terms of that certain Waiver and Amendment, dated June 9, 2000, by and between Prison Realty and Lehman as Administrative Agent on behalf of the Lenders, Prison Realty has agreed to cause the termination of the Amended and Restated Tenant Incentive Agreement in connection with, and at the time of, the consummation of the Merger.

NOW, THEREFORE, in consideration of the premises, and other good and valuable considerations, the receipt and sufficiency of which are hereby acknowledged, the parties hereby agree that the Amended and Restated Tenant Incentive Agreement shall be, and hereby is, terminated and shall be of no further force or effect, effective as of the completion of the Merger.

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

PRISON REALTY TRUST, INC.

By: /s/ John D. Ferguson
Title: President and Chief Executive Officer

CORRECTIONS CORPORATION OF AMERICA

By: /s/ Darrell K. Massengale
Title: Secretary and Chief Financial Officer

CCA ACQUISITION SUB, INC.

By: /s/ Darrell K. Massengale
Title: President

EXHIBIT A

[intentionally omitted]

EXHIBIT 10.39

TERMINATION AGREEMENT WITH RESPECT TO BUSINESS DEVELOPMENT AGREEMENT

This TERMINATION AGREEMENT WITH RESPECT TO BUSINESS DEVELOPMENT AGREEMENT (the "Agreement") is entered into as of September 29, 2000, by and among Prison Realty Trust, Inc., a Maryland corporation formerly known as Prison Realty Corporation ("Prison Realty"), Corrections Corporation of America, a Tennessee corporation formerly known as Correctional Management Services Corporation ("CCA"), and CCA Acquisition Sub, Inc., a Tennessee corporation and wholly owned subsidiary of Prison Realty ("Sub"). Sub is a party to this Agreement for the purpose of acknowledging and consenting to the agreements of Prison Realty and CCA contained herein.

W I T N E S S E T H:

WHEREAS, Prison Realty and CCA are parties to that certain Business Development Agreement, dated May 4, 1999, as amended by Amendment Number One to Business Development Agreement, dated as of June 9, 2000 (the "Business Development Agreement"), copies of which are attached hereto as Exhibit A;

WHEREAS, Prison Realty, CCA and Sub are parties to that certain Agreement and Plan of Merger, dated June 30, 2000, pursuant to which CCA will merge with and into Sub with Sub being the surviving corporation (the "Merger"); and

WHEREAS, pursuant to Section 7.21 of that certain Amended and Restated Credit Agreement, dated August 4, 1999, by and among Prison Realty as Borrower, certain of its subsidiaries as Guarantors, those parties identified as the Lenders thereunder, Lehman Commercial Paper Inc. ("Lehman") as Administrative Agent, Societe Generale as Documentation Agent, The Bank of Nova Scotia as Syndication Agent, and Southtrust Bank (formerly known as Southtrust Bank, N.A.) as Co-Agent, as amended by the terms of that certain Waiver and Amendment, dated June 9, 2000, by and between Prison Realty and Lehman as Administrative Agent on behalf of the Lenders, Prison Realty has agreed to cause the termination of the Business Development Agreement in connection with, and at the time of, the consummation of the Merger.

NOW, THEREFORE, in consideration of the premises, and other good and valuable considerations, the receipt and sufficiency of which are hereby acknowledged, the parties hereby agree that the Business Development Agreement shall be, and hereby is, terminated and shall be of no further force or effect, effective as of the completion of the Merger.

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

PRISON REALTY TRUST, INC.

By: /s/ John D. Ferguson
Title: President and Chief Executive Officer

CORRECTIONS CORPORATION OF AMERICA

By: /s/ Darrell K. Massengale
Title: Secretary and Chief Financial Officer

CCA ACQUISITION SUB, INC.

By: /s/ Darrell K. Massengale
Title: President

EXHIBIT A

[intentionally omitted]

EXHIBIT 10.41

AMENDMENT NUMBER ONE
TO
ADMINISTRATIVE SERVICES AGREEMENT

This AMENDMENT NUMBER ONE TO ADMINISTRATIVE SERVICES AGREEMENT (the "Amendment") is entered into on this 29th day of September, 2000, by and between CORRECTIONS CORPORATION OF AMERICA, a Tennessee corporation formerly known as Correctional Management Services Corporation (the "Company"), and PRISON MANAGEMENT SERVICES, INC., a Tennessee corporation ("PMSI"). Any capitalized terms used herein and not otherwise defined shall have such meaning as may be ascribed to them in the Administrative Services Agreement, as defined below.

WITNESSETH:

WHEREAS, the Company and PMSI are parties to that certain Administrative Services Agreement, dated as of January 1, 1999, a copy of which is attached hereto as Exhibit A (the "Administrative Services Agreement"), pursuant to which the Company provides certain services to PMSI in exchange for the payment of a fee by PMSI as set forth in the Administrative Services Agreement; and

WHEREAS, the Company and PMSI desire to amend the terms of the Administrative Services Agreement to increase the payments due from PMSI to the Company thereunder as set forth below.

NOW, THEREFORE, for and in consideration of the foregoing and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto hereby agree as follows:

1. Amendments to Administrative Services Agreement.

1.1 Management Fee. Effective January 1, 2000, and subject to the terms and provisions and the satisfaction of the conditions set forth hereinafter, the Administrative Services Agreement shall be amended by deleting the existing language of Section 2(a) of the Administrative Services Agreement, and in lieu thereof inserting the following language:

> "(a) Management Fee. For and in consideration of the Company's performance of its duties under this Agreement, Service Company shall pay to the Company a monthly management fee equal to four hundred fifty thousand dollars ($450,000) per month. Such management fee shall be escalated annually at the rate of four percent (4.0%) per annum."

1.2 License Fee. Effective January 1, 2000, and subject to the terms and provisions and the satisfaction of the conditions set forth hereinafter, the Administrative Services Agreement shall be amended by adding a new Section 2(b) thereto, immediately following Section 2(a) as amended above, containing the following language:

"(b) License Fee. For and in consideration of the license described in subparagraph (j) of Section 1, the Service Company shall pay the Company, a monthly license fee equal to 2.0% of the Service Company's monthly management revenues. For the purposes of this section, Service Company's monthly management revenue shall be defined to mean such revenues of the Service Company derived solely from the operation and management of corrections and detention facilities by the Service Company. Service Company agrees to provide the Company upon request such financial and other information as may be reasonably required to determine or confirm the amount of the license fee to be paid hereunder."

1.3 Miscellaneous Amendments. In connection with the amendments set forth in Sections 1.1 and 1.2 above, the Administrative Services Agreement shall be further amended by redesignating Sections 2(b) and 2(c) as Sections 2(c) and 2(d), respectively. In addition, all other provisions contained in the Administrative Services Agreement, any exhibit or attachment thereto, and any documents or instruments referred to therein, shall hereby be amended, where appropriate and the context requires, to reflect the amendments contained in this Section 1.

2. Authorization. Each party to the Amendment hereby represents and warrants that the execution, delivery, and performance of the Amendment are within the powers of each party and have been duly authorized by the party, the execution and performance of this Amendment by each party have been duly authorized by all applicable laws and regulations, and this Amendment constitutes the valid and enforceable obligation of each party in accordance with its terms.

3. Effect of Amendment. Except as modified or amended herein, all terms and provisions of the Administrative Services Agreement shall continue and remain in full force and effect.

4. Counterparts. This Amendment 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. Headings. Section headings are for convenience or reference only and shall not be used to construe the meaning of any provision in this Amendment.

6. Governing Law. This Amendment shall be construed in accordance with the laws of the State of Tennessee.

7. Severability. Should any part of this Amendment be invalid or unenforceable, such invalidity or unenforceability shall not affect the validity and enforceability of the remaining portion.

8. Successors. This Amendment shall be binding upon and inure to the benefit of the respective parties and their permitted assigns and successors in interest.

9. Waivers. No waiver of any breach of any of the terms or conditions of this Amendment 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.

10. Entire Agreement. This Amendment constitutes the entire agreement of the parties hereto and supersedes all prior agreements and presentations with respect to the subject matter hereof.

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

CORRECTIONS CORPORATION OF AMERICA

By: /s/ Darrell K. Massengale

Its: Secretary

PRISON MANAGEMENT SERVICES, INC.

By: /s/ Darrell K. Massengale

Its: President

EXHIBIT A

[intentionally omitted]

EXHIBIT 10.43

AMENDMENT NUMBER ONE
TO
ADMINISTRATIVE SERVICES AGREEMENT

This AMENDMENT NUMBER ONE TO ADMINISTRATIVE SERVICES AGREEMENT (the "Amendment") is entered into on this 29th day of September, 2000, by and between CORRECTIONS CORPORATION OF AMERICA, a Tennessee corporation formerly known as Correctional Management Services Corporation (the "Company"), and JUVENILE AND JAIL FACILITY MANAGEMENT SERVICES, INC., a Tennessee corporation ("JJFMSI"). Any capitalized terms used herein and not otherwise defined shall have such meaning as may be ascribed to them in the Administrative Services Agreement, as defined below.

WITNESSETH:

WHEREAS, the Company and JJFMSI are parties to that certain Administrative Services Agreement, dated as of January 1, 1999, a copy of which is attached hereto as Exhibit A (the "Administrative Services Agreement"), pursuant to which the Company provides certain services to JJFMSI in exchange for the payment of a fee by JJFMSI as set forth in the Administrative Services Agreement; and

WHEREAS, the Company and JJFMSI desire to amend the terms of the Administrative Services Agreement to increase the payments due from JJFMSI to the Company thereunder as set forth below.

NOW, THEREFORE, for and in consideration of the foregoing and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto hereby agree as follows:

1. Amendments to Administrative Services Agreement.

1.1 Management Fee. Effective January 1, 2000, and subject to the terms and provisions and the satisfaction of the conditions set forth hereinafter, the Administrative Services Agreement shall be amended by deleting the existing language of Section 2(a) of the Administrative Services Agreement, and in lieu thereof inserting the following language:

"(a) Management Fee. For and in consideration of the Company's performance of its duties under this Agreement, Service Company shall pay to the Company a monthly management fee equal to four hundred fifty thousand dollars ($450,000) per month. Such management fee shall be escalated annually at the rate of four percent (4.0%) per annum."

1.2 License Fee. Effective January 1, 2000, and subject to the terms and provisions and the satisfaction of the conditions set forth hereinafter, the Administrative Services Agreement shall be amended by adding a new Section 2(b) thereto, immediately following Section 2(a) as amended above, containing the following language:

"(b) License Fee. For and in consideration of the license described in subparagraph (j) of Section 1, the Service Company shall pay the Company, a monthly license fee equal to 2.0% of the Service Company's monthly management revenues. For the purposes of this section, Service Company's monthly management revenue shall be defined to mean such revenues of the Service Company derived solely from the operation and management of corrections and detention facilities by the Service Company. Service Company agrees to provide the Company upon request such financial and other information as may be reasonably required to determine or confirm the amount of the license fee to be paid hereunder."

1.3 Miscellaneous Amendments. In connection with the amendments set forth in Sections 1.1 and 1.2 above, the Administrative Services Agreement shall be further amended by redesignating Sections 2(b) and 2(c) as Sections 2(c) and 2(d), respectively. In addition, all other provisions contained in the Administrative Services Agreement, any exhibit or attachment thereto, and any documents or instruments referred to therein, shall hereby be amended, where appropriate and the context requires, to reflect the amendments contained in this Section 1.

2. Authorization. Each party to the Amendment hereby represents and warrants that the execution, delivery, and performance of the Amendment are within the powers of each party and have been duly authorized by the party, the execution and performance of this Amendment by each party have been duly authorized by all applicable laws and regulations, and this Amendment constitutes the valid and enforceable obligation of each party in accordance with its terms.

3. Effect of Amendment. Except as modified or amended herein, all terms and provisions of the Administrative Services Agreement shall continue and remain in full force and effect.

4. Counterparts. This Amendment 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. Headings. Section headings are for convenience or reference only and shall not be used to construe the meaning of any provision in this Amendment.

6. Governing Law. This Amendment shall be construed in accordance with the laws of the State of Tennessee.

7. Severability. Should any part of this Amendment be invalid or unenforceable, such invalidity or unenforceability shall not affect the validity and enforceability of the remaining portion.

8. Successors. This Amendment shall be binding upon and inure to the benefit of the respective parties and their permitted assigns and successors in interest.

9. Waivers. No waiver of any breach of any of the terms or conditions of this Amendment 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.

10. Entire Agreement. This Amendment constitutes the entire agreement of the parties hereto and supersedes all prior agreements and presentations with respect to the subject matter hereof.

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

CORRECTIONS CORPORATION OF AMERICA

By: /s/ Darrell K. Massengale

Its: Secretary

JUVENILE AND JAIL FACILITY
MANAGEMENT SERVICES, INC.

By: /s/ Darrell K. Massengale

Its: President

EXHIBIT A

[intentionally omitted]

EXHIBIT 10.48

TERMINATION AGREEMENT WITH RESPECT TO SERVICE MARK AND TRADE NAME USE AGREEMENT

This TERMINATION AGREEMENT WITH RESPECT TO SERVICE MARK AND TRADE NAME USE AGREEMENT (the "Agreement") is entered into as of September 29, 2000, by and among Prison Realty Trust, Inc., a Maryland corporation formerly known as Prison Realty Corporation ("Prison Realty"), Corrections Corporation of America, a Tennessee corporation formerly known as Correctional Management Services Corporation ("CCA"), Prison Management Services, Inc., a Tennessee corporation and successor in interest to Prison Management Services, LLC, a Tennessee limited liability company ("PMSI"), Juvenile and Jail Facility Management Services, Inc., a Tennessee corporation and successor in interest to Juvenile and Jail Facility Management Services, LLC, a Tennessee limited liability company("JJFMSI"), and CCA Acquisition Sub, Inc., a Tennessee corporation and wholly owned subsidiary of Prison Realty ("Sub"). Sub is a party to this Agreement for the purpose of acknowledging and consenting to the agreements of Prison Realty, CCA, PMSI and JJFMSI contained herein.

W I T N E S S E T H:

WHEREAS, Prison Realty and CCA are parties to that certain Service Mark and Trade Name Use Agreement, dated December 31, 1998 (the "CCA Service Mark and Trade Name Use Agreement"), a copy of which is attached hereto as Exhibit A;

WHEREAS, Prison Realty, CCA and Sub are parties to that certain Agreement and Plan of Merger, dated June 30, 2000, pursuant to which CCA will merge with and into Sub with Sub being the surviving corporation (the "Merger");

WHEREAS, pursuant to Section 7.21 of that certain Amended and Restated Credit Agreement, dated August 4, 1999, by and among Prison Realty as Borrower, certain of its subsidiaries as Guarantors, those parties identified as the Lenders thereunder, Lehman Commercial Paper Inc. ("Lehman") as Administrative Agent, Societe Generale as Documentation Agent, The Bank of Nova Scotia as Syndication Agent, and Southtrust Bank (formerly known as Southtrust Bank, N.A.) as Co-Agent, as amended by the terms of that certain Waiver and Amendment, dated June 9, 2000, by and between Prison Realty and Lehman as Administrative Agent on behalf of the Lenders, Prison Realty has agreed to cause the termination of the CCA Service Mark and Trade Name Use Agreement in connection with, and at the time of, the consummation of the Merger;

WHEREAS, (i) PMSI and CCA are parties to that certain Service Mark and Trade Name Use Agreement, dated December 31, 1998 (the "PMSI Service Mark and Trade Name Use Agreement"), and (ii) JJFMSI and CCA are parties to that certain Service Mark and Trade Name Use Agreement, dated December 31, 1998 (the "JJFMSI Service Mark and Trade Name Use Agreement," and together with the PMSI Service Mark and Trade Name Use Agreement, the "Service Companies Service Mark and Trade Name Use Agreements"), copies of which are attached hereto as Exhibit B; and

WHEREAS, the Service Companies Service Mark and Trade Name Use Agreements are subject to termination upon the expiration or termination of the CCA Service Mark and Trade Name Use Agreement.

NOW, THEREFORE, in consideration of the premises, and other good and valuable considerations, the receipt and sufficiency of which are hereby acknowledged, the parties hereby agree that the CCA Service Mark and Trade Name Use Agreement shall be, and hereby is, terminated and shall be of no further force or effect, effective as of the completion of the Merger; provided, however, that the Service Companies Service Mark and Trade Name Use Agreements shall not be terminated as the result thereof and shall remain in full force and effect.

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

PRISON REALTY TRUST, INC.

By: /s/ John D. Ferguson

Its: President and Chief Executive Officer

CORRECTIONS CORPORATION OF AMERICA

By: /s/ Darrell K. Massengale

Its: Secretary and Chief Financial Officer

PRISON MANAGEMENT SERVICES, INC.

By: /s/ Darrell K. Massengale

Its: President

JUVENILE AND JAIL FACILITY
MANAGEMENT SERVICES, INC.

By: /s/ Darrell K. Massengale

Its: President

CCA ACQUISITION SUB, INC.

By: /s/ Darrell K. Massengale

Its: President

EXHIBIT A

[intentionally omitted]

EXHIBIT 10.67

EMPLOYMENT AGREEMENT

This EMPLOYMENT AGREEMENT (the "Agreement"), dated as of this 6th day of December, 2000, is by and between Corrections Corporation of America, a Maryland corporation with its principal place of business at 10 Burton Hills Boulevard, Nashville, Tennessee (the "Company"), and Irving E. Lingo, Jr., a resident of Lake Forest, Illinois (the "Executive").

W I T N E S S E T H:

WHEREAS, the Board of Directors of the Company has resolved that it is in the best interest of the Company that the Executive be subject to the terms of an executive employment agreement; and

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

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

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

2. Term. Subject to the provisions of termination as hereinafter provided, the initial term of the Executive's employment under this Agreement shall begin on the date hereof and shall terminate on December 31, 2001 (the "Initial Term"). Unless the Company notifies the Executive that his employment under this Agreement will not be extended or the Executive notifies the Company that he is not willing to extend his employment, the term of his employment under this Agreement shall automatically be extended for a series of three (3) additional one (1) year periods on the same terms and conditions as set forth herein (individually, and collectively, the "Renewal Term"). The Initial Term and the Renewal Term are sometimes referred to collectively herein as the "Term."

3. Notice of Non-Renewal. If the Company or the Executive elects not to extend the Executive's employment under this Agreement, the electing party shall do so by notifying the other party in writing not less than sixty (60) days prior to the expiration of the Initial Term, or sixty (60)

days prior to the expiration of any Renewal Term. The Executive's date of termination, for purposes of this Agreement, shall be the date of the Company's last payment to the Executive. For the purposes of this Agreement, the election by either the Company or the Executive not to extend the Executive's employment hereunder for any renewal term shall be deemed a termination of the Executive's employment without "Cause," as hereinafter defined.

4. Compensation.

4.1. Base Salary. The Company shall pay the Executive an annual salary ("Base Salary") of $275,000, which shall be payable to the Executive hereunder in accordance with the Company's normal payroll practices, but in no event less often than bi-weekly. Following each year of the Executive's employment with the Company, the Executive's compensation will be reviewed by the Board of Directors of the Company, or such committee or subcommittee to which compensation review has been delegated, and after taking into consideration both the performance of the Company and the personal performance of the Executive, the Board of Directors of the Company, or any such committee or subcommittee, in their sole discretion, may increase the Executive's compensation to any amount it may deem appropriate.

4.2. Bonus. In the event both the Company and the Executive each respectively achieve certain financial performance and personal performance targets, as established by the Board of Directors of the Company pursuant to a cash compensation incentive plan or similar plan established by the Company, the Company shall pay to the Executive a cash bonus pursuant to the terms of such plan. This bonus shall be payable to the Executive within ten (10) days following the confirmation by the Board of Directors that such targets have been met under the applicable plan for the relevant fiscal year. Notwithstanding the foregoing, the Company shall pay to the Executive a minimum bonus of $68,750 (the "Guaranteed Bonus Compensation") with respect to the Company's 2001 fiscal year, regardless of whether the performance targets described above have been met with respect to such fiscal year. The Guaranteed Bonus Compensation shall be payable to the Executive within ten (10) days following the confirmation by the Board of Directors that such targets have not been met under the applicable plan for the 2001 fiscal year, and in no event shall the Guaranteed Bonus Compensation be paid with respect to any subsequent fiscal year regardless of whether the performance targets for such subsequent years have been met or have not been met. If each of the performance targets described above are met for the 2001 fiscal year, then the Company shall pay to the Executive only the cash bonus due to the Executive pursuant to the applicable plan and the Guaranteed Bonus Compensation shall not be paid in addition thereto. The Board of Directors of the Company, or such committee or subcommittee to which compensation review has been delegated, may review and revise the terms of the cash compensation incentive plan or similar plan referenced above at any time, after taking into consideration both the performance of the Company and the personal performance of the Executive, among other factors, and may, in their sole discretion, amend the cash compensation incentive plan or similar plan in any manner it may deem appropriate; provided, however, that any such amendment to the plan shall not affect (i) the Executive's right to participate in such amended plan or plans, and (ii) the Executive's right to receive the Guaranteed Bonus Compensation only in the event the performance targets are not met with respect to the 2001 fiscal year.

4.3. Benefits. The Executive shall be entitled to four (4) weeks of paid vacation annually. In addition, the Executive shall be entitled to participate in all compensation or employee benefit plans or programs and receive all benefits and perquisites for which any salaried employees are eligible under any existing or future plan or program established by the Company for salaried employees. The Executive will participate to the extent permissible under the terms and provisions of such plans or programs in accordance with program provisions. These may include group hospitalization, health, dental care, life or other insurance, tax qualified pension, savings, thrift and profit sharing plans, termination pay programs, sick leave plans, travel or accident insurance, disability insurance, and contingent compensation plans including unit purchase programs and unit option plans. Nothing in this Agreement shall preclude the Company from amending or terminating any of the plans or programs applicable to salaried or senior executives as long as such amendment or termination is applicable to all salaried employees or senior executives. In addition, the Company shall pay, or reimburse Executive for, all membership fees and related costs in connection with Executive's membership in professional and civic organizations which are approved in advance by the Company.

4.4. Relocation Expenses. The Company shall reimburse Executive for all reasonable moving expenses and other customary relocation expenses incurred in connection with the sale of Executive's principal residence located in Lake Forest, Illinois and Executive's purchase of a new principal residence in the Nashville, Tennessee metropolitan area. In addition, the Company shall reimburse Executive for all reasonable and customary real estate brokerage costs related to the sale of the Executive's principal residence in Lake Forest, Illinois.

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

4.6. 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.

4.7. Stock Option. The Company hereby agrees to grant to the Executive an option to purchase shares of common stock, $.01 par value per share, of the Company, as hereinafter described. The exact number of shares to be granted to the Executive and the exercise price of such shares shall be determined following completion of a comprehensive compensation survey to be performed on behalf of the Company by an independent firm selected by the Company and the establishment of a current market value for the Company's stock by an independent firm selected by the Company. Once the valuation for the shares has been determined, the number of shares to be included in the option and the exercise price or prices of the shares shall be established so that the aggregate difference between the value of the shares included in the option and the exercise price of the shares shall equal $3,000,000. If the compensation survey determines that a majority of Chief Financial Officers from an established peer group of "like-kind" companies have received initial stock options with applicable valuations in excess of $3,000,000, then the number of shares to be granted by the Company to the Executive, and/or the exercise price of such shares, shall be adjusted

accordingly. The option to be granted to the Executive hereunder shall be subject to the applicable equity incentive plan of the Company governing the Company's stock options in effect on the date of the option grant. The terms and conditions of the option shall be set forth in an option agreement in form and substance mutually satisfactory to the Company and the Executive and as provided for under the terms of such equity incentive plan and the terms of this Agreement, provided, however, that it is hereby agreed that such option agreement shall provide that the option to purchase one-third (1/3) of the shares referenced above shall vest immediately upon execution of this Agreement, the option to purchase an additional one-third (1/3) of such shares shall vest upon the first anniversary hereof, and the option to purchase the remaining one-third (1/3) of such shares shall vest upon the second anniversary hereof. The Executive hereby agrees to execute any other documents deemed reasonably necessary by the Company and its counsel in connection with the stock option.

5. Termination of Agreement.

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

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

5.3. Definition of "Cause." For purposes of this Agreement, "Cause" shall mean: (i) the death of the Executive; (ii) the permanent disability of the Executive, which shall be defined as the inability of the Executive, as a result of physical or mental illness or incapacity, to substantially perform his duties pursuant to this Agreement for a period of one hundred eighty (180) days during any twelve (12) month period; (iii) the Executive's conviction of a felony or any act of the Executive which constitutes dishonesty or fraud, including without limitation any act or crime involving misappropriation or embezzlement of Company funds; (iv) the willful or negligent failure of the Executive to perform his duties hereunder in any material respect within 20 days after a written demand for substantial performance is delivered to the Executive by the Company specifying with reasonable particularity the duty or duties which the Company believes Executive has failed or refused to perform; (v) material breach by the Executive of a material obligation under this Agreement and failure to cure such breach within thirty (30) days after being given written notice of such breach by the Company, or breach by the Executive of his fiduciary duty to the Company or its stockholders; (vi) the Executive's intentional violation of any applicable local, state or federal law or regulation affecting the Company in any material respect, as determined by the Company and its Board of Directors.

5.4. Effect of Termination Without Cause. If the Executive's employment with the Company is terminated without Cause, the Company shall pay to the Executive: (i) an amount equal to the Executive's Base Salary, based upon the annual rate payable as of the date of termination, without any cost of living adjustments, which shall be payable for a period of one (1) year from the date of termination on the same terms and with the same frequency as the Executive's Base Salary was paid prior to termination, and (ii) an amount equal to the Guaranteed Bonus Compensation, which shall be payable within sixty (60) days following the date of termination.

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

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

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

(ii) the stockholders of the Company approve a merger or consolidation of the Company with any other corporation or entity regardless of which entity is the survivor, other than a merger or consolidation which would result in the voting securities of the Company outstanding immediately prior thereto continuing to represent (either by remaining

outstanding or being converted into voting securities of the surviving entity) at least fifty percent (50%) of the combined voting power of the voting securities of the Company or such surviving entity outstanding immediately after such merger or consolidation; or

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

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

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

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

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

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

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

8. Tax Reimbursement Payment.

(i) Anything in this Agreement to the contrary notwithstanding, in the event it shall be determined that any payment or distribution by or on behalf of the Company to or for the benefit of Executive as a result of a Change in Control, as defined herein, (whether paid or payable or distributed or distributable pursuant to the terms of this Agreement or otherwise, a "Payment") would be subject to the excise tax imposed by Section 4999 of the Code, or any interest or penalties are incurred by Executive with respect to such excise tax (such excise tax together with any such interest and penalties are hereinafter collectively referred to as the "Excise Tax"), then Executive shall be entitled to receive an additional payment (a "Gross-Up Payment") in an amount such that after payment by Executive of all taxes (including any interest or penalties imposed with respect to such taxes), including,

without limitation, any income taxes (and any interest and penalties imposed with respect thereto) and Excise Tax imposed upon the Gross-Up Payment, Executive retains an amount of the Gross-Up Payment equal to the Excise Tax imposed upon the Payments.

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

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

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

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

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

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

provided, however, that the Company shall bear and pay directly all costs and expenses (including additional interest and penalties incurred in connection with such contest and shall indemnify and hold the Executive harmless, on an after-tax basis, for any Excise Tax or income tax (including interest and penalties with respect thereto) imposed as a result of such representation and payment of costs and expenses. Without limiting the foregoing provisions of this subsection (iii), the Company shall have the right, at its sole option, to assume the defense of and control all proceedings in connection with such contest, in which case it may pursue or forego any and all administrative appeals, proceedings, hearings and conferences with the taxing authority in respect of such claim and may either direct the Executive to pay the tax claimed and sue for a refund or contest the claim in any permissible manner, and the Executive agrees to prosecute such contest to a determination before any administrative tribunal, in a court of initial jurisdiction and in one or more appellate courts, as the Company shall determine; provided, however, that if the Company directs the Executive to pay such

claim and sue for a refund, the Company shall advance the amount of such payment to the Executive, on an interest-free basis and shall indemnify and hold the Executive harmless, on an after-tax basis, from any Excise Tax or income tax (including interest or penalties with respect thereto) imposed with respect to such advance or with respect to any imputed income with respect to such advance; and further provided that any extension of the statue of limitations relating to payment of taxes for the taxable year of the Executive with respect to which such contested amount is claimed to be due is limited solely to such contested amount. Furthermore, the Company's right to assume the defense of and control the contest shall be limited to issues with respect to which a Gross-Up Payment would be payable hereunder, and the Executive shall be entitled to settle or contest, as the case may be, any other issue raised by the Internal Revenue Service or any other taxing authority.

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

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

(i) If to the Executive, to:

Irving E. Lingo
448 Douglas Drive
Lake Forest, Illinois 60045

(ii) If to the Company, to:

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

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

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

12. Entire Agreement. This instrument contains the entire agreement of the parties. It may not be changed orally but only by an agreement in writing signed by the party against whom enforcement of any waiver, change, modification, extension or discharge is sought.

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

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

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

[signature page to follow]

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

EXECUTIVE:

Irving E. Lingo, Jr.

/s/ Irving E. Lingo, Jr.

COMPANY:

Corrections Corporation of America

By: /s/ John D. Ferguson

Title: President

EXHIBIT 10.68

EMPLOYMENT AGREEMENT

THIS AGREEMENT, made on this 3rd day of August, 1999, by and between CORRECTIONS CORPORATION OF AMERICA (formerly, Correctional Management Services Corporation), a Tennessee 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 President and as its Chief Operating Officer 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 of Directors of the Company (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 $300,000 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 Board, or such subcommittee to which compensation review has been delegated (the "Subcommittee"), and may be increased (but not decreased) in the absolute discretion of the Board or the Subcommittee.

(b) Bonus. In the absolute discretion of the Board or Subcommittee, the Employee may receive a bonus in an amount to be determined by the Board or Subcommittee.

(c) Benefits. The Employee shall also be entitled:

(i) to participate in any executive deferred compensation plan, qualified retirement plan or contingent compensation plan (including stock purchase or stock option plans) adopted by the Company, subject to and on a basis consistent with the terms, conditions and overall administration of such plans; and

(ii) 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 any entity engaged in the ownership, development, financing, acquisition, management or operation 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 May 11, 2003. 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 of the Employee, 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:

CORRECTIONS CORPORATION OF AMERICA

By: /s/ Doctor R. Crants

Its: CEO

EMPLOYEE:

/s/ J. Michael Quinlan

J. Michael Quinlan

EXHIBIT 10.70

AMENDMENT NUMBER ONE
TO
EMPLOYMENT AGREEMENT WITH DOCTOR R. CRANTS

This AMENDMENT NUMBER ONE TO EMPLOYMENT AGREEMENT WITH DOCTOR R. CRANTS (the "Amendment") is entered into on this 29th day of June, 2000, by and between PRISON REALTY TRUST, INC. (formerly, Prison Realty Corporation), a Maryland corporation (the "Company"), and Doctor R. Crants, Jr. ("Crants"). All capitalized terms used herein but otherwise not defined shall have the meaning as set forth in the Employment Agreement, as hereinafter defined.

WITNESSETH:

WHEREAS, the Company and Crants are parties to that certain Employment Agreement with Doctor R. Crants, dated January 1, 1999 and attached hereto as Exhibit A (the "Employment Agreement"); and

WHEREAS, the Company and Crants now desire to amend certain terms and provisions of the Employment Agreement pursuant to the terms hereof.

NOW, THEREFORE, for and in consideration of the foregoing and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto hereby agree as follows:

1. Section 7 of the Employment Agreement shall be amended by deleting subsections (ii) and (iii) thereof, whereby following the amendment Section 7 shall read in its entirety as follows:

> 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; and
>
> (ii) The payments will cease upon death of Crants regardless of term remaining.

2. Authorization. Each party to the Amendment hereby represents and warrants that the execution, delivery, and performance of the Amendment are within the powers of each party and have been duly authorized by the party, the execution and performance of this Amendment by each party have been duly authorized by all applicable laws and regulations, and this Amendment constitutes the valid and enforceable obligation of each party in accordance with its terms.

3. Effect of Amendment. Except as modified or amended herein, all terms and provisions of the Employment Agreement shall continue and remain in full force and effect.

4. Counterparts. This Amendment 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. Headings. Section headings are for convenience or reference only and shall not be used to construe the meaning of any provision in this Amendment.

6. Governing Law. This Amendment shall be governed and interpreted under the laws of the State of Tennessee.

7. Severability. Should any part of this Amendment be invalid or unenforceable, such invalidity or unenforceability shall not affect the validity and enforceability of the remaining portion.

8. Successors. This Amendment shall be binding upon and inure to the benefit of the respective parties and their permitted assigns and successors in interest.

9. Waivers. No waiver of any breach of any of the terms or conditions of this Amendment 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.

10. Entire Agreement. Subject to Section 3 above, this Amendment 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 Amendment as of the date first above written.

PRISON REALTY TRUST, INC.,
A MARYLAND CORPORATION

By: /s/ Thomas W. Beasley

Its: Chairman of the Board of Directors

DOCTOR R. CRANTS

/s/ Doctor R. Crants

EXHIBIT A

[intentionally left blank]

EXHIBIT 10.74

AMENDMENT NUMBER ONE
TO
STOCK ACQUISITION AGREEMENT

This AMENDMENT NUMBER ONE TO STOCK ACQUISITION AGREEMENT (the "Amendment") is entered into on this 13th day of November, 2000, by and among SODEXHO ALLIANCE, S.A., a French societe anonyme ("Sodexho"); JUVENILE AND JAIL FACILITY MANAGEMENT SERVICES, INC., a Tennessee corporation ("JJFMS") and successor by merger to Juvenile and Jail Facility Management Services, LLC, a Tennessee limited liability company ("JJFMS LLC"); CCA (UK) LIMITED, a company incorporated in England and Wales whose registered number is 2147489 ("CCA UK" and, together with JJFMS, "Sellers"); CORRECTIONS CORPORATION OF AMERICA, a Maryland corporation formerly known as Prison Realty Trust, Inc. and Prison Realty Corporation ("Maryland CCA"), and successor by merger to Corrections Corporation of America, a Tennessee corporation ("Old CCA"); CCA OF TENNESSEE, INC., a Tennessee corporation and wholly owned subsidiary of Maryland CCA and successor by merger to Corrections Corporation of America, a Tennessee corporation formerly known as Correctional Management Services Corporation ("Tennessee CCA"); and PRISON MANAGEMENT SERVICES, INC., a Tennessee corporation ("PMSI") and successor by merger to Prison Management Services, LLC, a Tennessee limited liability company.

WITNESSETH:

WHEREAS, the parties hereto, or their respective predecessors, as the case may be, are parties to that certain Stock Acquisition Agreement, dated as of September 11, 2000 (the "Stock Acquisition Agreement"), pursuant to which: (i) Sodexho agreed to purchase from CCA UK fifty percent (50%) of the aggregate issued and outstanding shares of U.K. Detention Services Limited, a company incorporated in England and Wales whose registered number is 2147491 ("UKDS") (the "UKDS Shares"); and (ii) Sodexho agreed to purchase from JJFMS fifty percent (50%) of the aggregate issued and outstanding shares of Corrections Corporation of Australia Pty. Ltd. A.C.N. 010 921 641, an Australian corporation ("CCA Australia") (the "CCA Australia Shares"); and

WHEREAS, the parties now desire to amend the terms of the Stock Acquisition Agreement to provide for an adjustment to the Purchase Price (as such term is defined in the Stock Acquisition Agreement) of the UKDS Shares and the CCA Australia Shares under the Stock Acquisition Agreement as set forth herein.

NOW, THEREFORE, for and in consideration of the premises and the mutual promises, covenants, agreements, and conditions in this Amendment, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto hereby agree as follows:

1. Amendment to Stock Acquisition Agreement.

1.1 The existing language of Section 2.01 of the Stock Acquisition Agreement shall be deleted in its entirety, and, in lieu thereof, the following language shall be inserted:

"2.01. Purchase Price. The aggregate purchase price for the Shares shall be Six Million Four Hundred Thousand Dollars, U.S. ($6,400,000) (U.S.) (the "Purchase Price") of which (i) Five Million Dollars, U.S. ($5,000,000) (U.S.) shall be allocated to the UKDS Shares and (ii) One Million Four Hundred Thousand Dollars, U.S. ($1,400,000) (U.S.) shall be allocated to the CCA Australia Shares. The Purchase Price shall be paid by Sodexho to JJFMS at the Closing, by bank wire transfer or in other immediately available funds."

1.2 All other provisions contained in the Stock Acquisition Agreement, any exhibit or attachment thereto, and any documents or instruments referred to therein, shall hereby be amended, where appropriate and the context requires, to reflect the Purchase Price adjustment and the amendment contained in Section 1.1. above.

2. Authorization. Each of parties hereto hereby represent and warrant to each other that the execution, delivery, and performance of this Amendment are within the powers of such party and have been duly authorized by such party, the execution and performance of this Amendment by such party have been duly authorized by all applicable laws and regulations, and this Amendment constitutes the valid and enforceable obligation of such party in accordance with its terms.

3. Effect of Amendment. Except as modified or amended herein, all terms and provisions of the Stock Acquisition Agreement shall continue and remain in full force and effect. Any capitalized terms used herein and not otherwise defined shall have such meaning as may be ascribed to them in the Stock Acquisition Agreement.

4. Notices. All notices, requests, claims, demands and other communications hereunder shall be in writing and shall be deemed to have been duly given if delivered by hand; mailed (registered or certified mail, postage prepaid, return receipt requested); or by nationally recognized courier service as follows:

If to CCA UK:

CCA (UK) Limited
10 Burton Hills Boulevard
Nashville, Tennessee 37215
Attention: Darrell K. Massengale

With a copy to:

Elizabeth E. Moore, Esq.
Stokes Bartholomew Evans & Petree, P.A.
424 Church Street, Suite 2800
Nashville, Tennessee 37219

If to JJFMS:

Juvenile and Jail Facility Management Services, Inc.
10 Burton Hills Boulevard
Nashville, Tennessee 37215
Attention: John D. Ferguson

With a copy to:

Elizabeth E. Moore, Esq.
Stokes Bartholomew Evans & Petree, P.A.
424 Church Street, Suite 2800
Nashville, Tennessee 37219

If to PMSI:

Prison Management Services, Inc.
10 Burton Hills Boulevard
Nashville, Tennessee 37215
Attention: John D. Ferguson

With a copy to:

Elizabeth E. Moore, Esq.
Stokes Bartholomew Evans & Petree, P.A.
424 Church Street, Suite 2800
Nashville, Tennessee 37219

If to Sodexho:

Sodexho Alliance, S.A.
3, avenue newton
78180 Montigny-le-Bretonneux

FRANCE

Attention: Jean-Pierre Cuny

With a copy to:

Howard K. Fuguet, Esq.
Ropes & Gray
One International Place
Boston, Massachusetts 02110

If to Maryland CCA:

Corrections Corporation of America
10 Burton Hills Boulevard
Nashville, Tennessee 37215
Attention: John D. Ferguson

With a copy to:

Elizabeth E. Moore, Esq.
Stokes Bartholomew Evans & Petree, P.A.
424 Church Street, Suite 2800
Nashville, Tennessee 37219

or to such other address as any party may have furnished to the others in writing in accordance herewith, except that notices of change of address shall only be effective upon receipt.

5. Governing Law. This Amendment shall be governed by and be interpreted under the laws of Tennessee (except as matters relating to the transfer of shares may be governed by the laws of the United Kingdom or Australia) without regard to the conflicts of law principles thereof. Each party hereby irrevocably submits to the non-exclusive jurisdiction of the Tennessee courts, the non-exclusive jurisdiction of the United States District Court for the Southern District of New York, the English courts and the Australian courts over any action or proceeding to enforce any right under this Amendment.

6. Entire Agreement. This Amendment constitutes the entire agreement and supersedes all prior agreements and understandings, both written and oral, between the parties with respect to the subject matter hereof, except for such additional agreements as are contained in that certain Option Agreement by and between JJFMSI and Sodexho and in any agreements related thereto.

7. Headings. The section and paragraph headings contained in this Amendment are for reference purposes only and shall not affect in any way the meaning or interpretations of this Amendment.

8. Severability. The invalidity of any term or terms of this Amendment shall not affect any other term of this Amendment, which shall remain in full force and effect.

9. Amendment. No change or modification of this Amendment shall be valid unless the same is in writing and signed by the parties to this Amendment. This Amendment may be terminated at any time by an instrument in writing signed by the parties to this Amendment.

10. Counterparts. This Amendment may be executed simultaneously in one or more counterparts, with the same effect as if the signatories executing the several counterparts had executed one counterpart, provided, however, that the several executed counterparts shall together have been signed by Sodexho and the Sellers. All such executed counterparts shall together constitute one and the same instrument.

11. Waiver. No delay or omission on the part of any party hereto in exercising any right hereunder shall operate as a waiver of such right or any other right under this Amendment; however, any of the terms or conditions of this Amendment may be waived in writing at any time by the party hereto which is entitled to the benefit thereof.

IN WITNESS WHEREOF, this Amendment has been duly executed and delivered by the duly authorized officers of the parties hereto on the date first above written.

SODEXHO ALLIANCE, S.A.

By: /s/ Jean-Pierre Cuny

Title: Senior Vice President

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

By: /s/ John D. Ferguson

Title: President

CCA OF TENNESSEE, INC.

By: /s/ Darrell K. Massengale

Title: Secretary

PRISON MANAGEMENT SERVICES, INC.

By: /s/ Darrell K. Massengale

Title: President & CEO

[signatures continued on the following page]

[signatures continued from previous page]

SELLERS:

CCA (UK) LIMITED

By: /s/ Gay E. Vick

Title: Director

JUVENILE AND JAIL FACILITY MANAGEMENT SERVICES, INC.

By: /s/ Darrell K. Massengale

Title: President & CEO

EXHIBIT 10.76

AMENDMENT NUMBER ONE
TO
OPTION AGREEMENT

This AMENDMENT NUMBER ONE TO OPTION AGREEMENT (the "Amendment") is entered into on this 13th day of November, 2000, by and between JUVENILE AND JAIL FACILITY MANAGEMENT SERVICES, INC., a Tennessee corporation, or its designee ("JJFMS"), and SODEXHO ALLIANCE, S.A., a French societe anonyme, or its designee ("Sodexho").

WITNESSETH:

WHEREAS, JJFMS and Sodexho, among others, are parties to that certain Stock Acquisition Agreement, dated as of September 11, 2000 (the "Stock Acquisition Agreement"), pursuant to which: (i) Sodexho agreed to purchase from CCA (UK) Limited, a company incorporated in England and Wales whose registered number is 2147489 ("CCA UK"), fifty percent (50%) of the aggregate issued and outstanding shares of U.K. Detention Services Limited, a company incorporated in England and Wales whose registered number is 2147491 ("UKDS") (the "UKDS Shares"); and (ii) Sodexho agreed to purchase from JJFMS fifty percent (50%) of the aggregate issued and outstanding shares of Corrections Corporation of Australia Pty. Ltd. A.C.N. 010 921 641, an Australian corporation ("CCA Australia") (the "CCA Australia Shares");

WHEREAS, JJFMS and Sodexho are also parties to that certain Option Agreement, dated as of September 11, 2000 (the "Option Agreement"), pursuant to which Sodexho granted to JJFMS the option to purchase: (i) twenty-five percent (25%) of the aggregate issued and outstanding shares of UKDS (the "UKDS Option Shares"); and (ii) twenty-five (25%) of the aggregate issued and outstanding shares of CCA Australia (the "CCA Australia Option Shares"), provided that the purchase and sale of the UKDS Shares and the CCA Australia Shares is completed under the terms of the Stock Acquisition Agreement;

WHEREAS, simultaneously herewith, the parties to the Stock Acquisition Agreement have amended the terms of such agreement to provide for an adjustment to the Purchase Price (as such term is defined in the Stock Acquisition Agreement) of the UKDS Shares and the CCA Australia Shares; and

WHEREAS, in connection with the foregoing, the parties now desire to amend the terms of the Option Agreement to provide for an adjustment to the purchase price of the UKDS Option Shares and the CCA Australia Option Shares under the Option Agreement as set forth herein.

NOW, THEREFORE, for and in consideration of the premises and the mutual promises, covenants, agreements, and conditions in this Amendment, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto hereby agree as follows:

1. Amendment to Option Agreement.

1.1 The existing language of Section 3 of the Option Agreement shall be deleted in its entirety, and, in lieu thereof, the following language shall be inserted:

"3. Purchase Price of Shares. During the period beginning on the date of this Agreement and ending on 11:59 p.m., Nashville, Tennessee time, on the date which is eighteen (18) months from the date of this Agreement (the "Initial Period"), (i) the aggregate purchase price of the UKDS Option Shares shall be Three Million One Hundred Twenty-Five Thousand U.S. Dollars ($3,125,000)(US); and (ii) the aggregate purchase price of the CCA Australia Option Shares shall be Eight Hundred Seventy-Five Thousand U.S. Dollars ($875,000)(US). During the period beginning on the day immediately following the end of the Initial Period and ending on 11:59 p.m., Nashville, Tennessee time, on the day of the second anniversary of the date of this Agreement (the "Subsequent Period"), (i) the aggregate purchase price of the UKDS Option Shares shall be Three Million Two Hundred Eighty-One Thousand Two Hundred Fifty U.S. Dollars ($3,281,250)(US), and (ii) the aggregate purchase price of the CCA Australia Option Shares shall be Nine Hundred Eighteen Thousand Seven Hundred Fifty U.S. Dollars ($918,750)(US). The purchase price shall be payable by bank wire transfer or such other form of payment as may be acceptable to JJFMS and Sodexho."

1.2 All other provisions contained in the Option Agreement, any exhibit or attachment thereto, and any documents or instruments referred to therein, shall hereby be amended, where appropriate and the context requires, to reflect the Purchase Price adjustment and the amendment contained in Section 1.1. above.

2. Authorization. Each of JJMSI and Sodexho hereby represent and warrant to each other that the execution, delivery, and performance of this Amendment are within the powers of such party and have been duly authorized by such party, the execution and performance of this Amendment by such party have been duly authorized by all applicable laws and regulations, and this Amendment constitutes the valid and enforceable obligation of such party in accordance with its terms.

3. Effect of Amendment. Except as modified or amended herein, all terms and provisions of the Option Agreement shall continue and remain in full force and effect. Any capitalized terms used herein and not otherwise defined shall have such meaning as may be ascribed to them in the Option Agreement.

4. Notices. All notices, requests, claims, demands and other communications hereunder shall be in writing and shall be deemed to have been duly given if delivered by hand; mailed (registered or certified mail, postage prepaid, return receipt requested); or by nationally recognized courier service as follows:

If to JJFMS:

Juvenile and Jail Facility Management Services, Inc.
10 Burton Hills Boulevard
Nashville, Tennessee 37215
Attn: Chief Executive Officer and President

With a copy to:

Elizabeth E. Moore, Esq.
Stokes Bartholomew Evans & Petree, P.A.
424 Church Street, Suite 2800
Nashville, Tennessee 37219

If to Sodexho:

Sodexho Alliance, S.A.
3 avenue Newton
78180 Montigny-le-Bretonneux
FRANCE
Attn: Jean-Pierre Cuny

With a copy to:

Howard K. Fuguet, Esq.
Ropes & Gray
One International Place
Boston, Massachusetts 02110

5. Severability. The invalidity or unenforceability of any provision of this Amendment shall not affect the validity or enforceability of any other term or provision hereof, and this Amendment in such event shall be construed in all respects as if any invalid or unenforceable provisions were not included in this Amendment.

6. Governing Law. This Amendment shall be governed by and be interpreted under the laws of the State of New York without regard to the conflicts of law principles thereof. Each party hereby irrevocably submits to the non-exclusive jurisdiction of the United States District Court for the Southern District of New York over any action or proceeding to enforce any right under this Agreement. The parties further acknowledge that irrevocable damage would occur in the event that any of the provisions of this Amendment were not performed in accordance with their specific terms or were otherwise breached. Accordingly, the parties shall be entitled to an injunction to prevent breaches of the provisions of this Agreement and to enforce specifically the terms and provisions hereof in the United States District Court for the Southern District of New York, this being in

addition to any other remedy to which they may be entitled at law or equity. The English language version of all documents related to the transactions contemplated hereby shall govern.

7. Entire Agreement. This Amendment constitutes the entire agreement and supersedes all prior agreements and understandings, both written and oral, between the parties with respect to the subject matter hereof, except for such additional agreements as are contained in the Stock Acquisition Agreement and in any agreements related thereto.

8. Amendment. No change or modification of this Amendment shall be valid unless the same is in writing and signed by the parties to this Amendment. This Amendment may be terminated at any time by an instrument in writing signed by the parties to this Amendment.

9. Counterparts. This Amendment may be executed in any number of counterparts, each of which shall be deemed an original.

10. Section Headings. The section headings are for reference only and shall not limit or control the meaning of any provision of this Amendment.

11. Waiver. No delay or omission on the part of either party hereto in exercising any right hereunder shall operate as a waiver of such right or any other right under this Amendment; however, any of the terms or conditions of this Amendment may be waived in writing at any time by the party hereto which is entitled to the benefit thereof.

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

SODEXHO:

SODEXHO ALLIANCE, S.A.

By: /s/ Jean-Pierre Cuny

Title: Senior Vice President

JJFMS:

JUVENILE AND JAIL FACILITY MANAGEMENT SERVICES, INC.

By: /s/ Darrell K. Massengale

Title: President and CEO

EXHIBIT 10.77

INDEMNITY AGREEMENT

This INDEMNITY AGREEMENT (the "Agreement") is entered into on this 29th day of September, 2000, by and between PRISON REALTY TRUST, INC., a Maryland corporation (the "Company"), and PRISON MANAGEMENT SERVICES, INC., a Tennessee corporation ("PMSI").

WITNESSETH:

WHEREAS, the Company, PMSI, Corrections Corporation of America, a Tennessee corporation ("CCA"), and Juvenile and Jail Facility Management Services, Inc., a Tennessee corporation ("JJFMSI"), on the one hand, and Prison Acquisition Company L.L.C., a Delaware limited liability company ("Prison Acquisition"), on the other hand, are parties to that certain Securities Purchase Agreement, dated as of December 26, 1999, as amended February 28, 2000 (the "Securities Purchase Agreement");

WHEREAS, pursuant to Section 7.3 of the Securities Purchase Agreement, each of the Company, PMSI, CCA, and JJFMSI are jointly and severally liable to Prison Acquisition for, among other things, the payment of a Transaction Fee, as defined in the Securities Purchase Agreement, in the amount of $15,700,000.00, if and when such Transaction Fee is deemed due and payable under the terms thereof;

WHEREAS, pursuant to Section 7.6 of the Securities Purchase Agreement, each of the Company, PMSI, CCA, and JJFMSI are jointly and severally liable to Prison Acquisition for, among other things, the payment of a Breakup Fee, as defined in the Securities Purchase Agreement, in the amount of $7,500,000.00, if and when such Breakup Fee is deemed due and payable under the terms thereof;

WHEREAS, pursuant to Section 10.1(d) of the Securities Purchase Agreement, on April 16, 2000, the Company, PMSI, CCA, and JJFMSI terminated the Securities Purchase Agreement and agreed to a series of alternative transactions with Pacific Life Insurance Company (the "Termination");

WHEREAS, as the result of the Termination and the non-payment of the fees described above, Prison Acquisition has initiated litigation in the United Stated District Court for the Southern District of New York against the Company, PMSI, CCA, and JJFMSI to compel payment of and recover such fees, such litigation being styled Prison Acquisition Company L.L.C. vs. Prison Realty Trust, Inc., Corrections Corporation of America, Prison Management Services, Inc., and Juvenile and Jail Facility Management Services, Inc., civil action no. 00 Civ. 4269 (LAP)(the "Litigation"); and

WHEREAS, the Company and PMSI desire to enter into certain agreements regarding the satisfaction of any liabilities resulting from the Litigation as set forth herein.

NOW, THEREFORE, for and in consideration of the foregoing and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto hereby agree as follows:

1. Indemnification. The Company hereby agrees to indemnify, defend and save PMSI and its respective officers, directors, employees, agents, or other affiliates (each, an "Indemnified Party"), forever harmless from and against, and to promptly pay to an Indemnified Party or reimburse an Indemnified Party for, any and all liabilities (whether contingent, fixed or unfixed, liquidated or unliquidated, or otherwise), assessments, losses, costs, expenses, interest, fines, penalties, actual or punitive damages or costs or expenses (including reasonable fees and expenses of attorneys, accountants and other experts) (individually and collectively, the "Losses") sustained or incurred by any Indemnified Party relating to, resulting from, arising out of or otherwise by virtue of the Litigation.

2. Consideration. In consideration for the Company's indemnification of the Indemnified Parties set forth in Section 1. herein, PMSI agrees to pay to the Company an aggregate cash payment equal to $6,000,000.00, such payment being immediately due and payable upon the request of the Company.

3. 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 by the party, 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. 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.

5. Headings. Section headings are for convenience or reference only and shall not be used to construe the meaning of any provision in this Agreement.

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

7. 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.

8. Successors. This Agreement shall be binding upon and inure to the benefit of the respective parties and their permitted assigns and successors in interest.

9. 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.

10. 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.

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

PRISON REALTY TRUST, INC.

By: /s/ John D. Ferguson

Its: President

PRISON MANAGEMENT SERVICES, INC.

By: /s/ Darrell K. Massengale

Its: President

EXHIBIT 10.78

INDEMNITY AGREEMENT

This INDEMNITY AGREEMENT (the "Agreement") is entered into on this 29th day of September, 2000, by and between PRISON REALTY TRUST, INC., a Maryland corporation (the "Company"), and JUVENILE AND JAIL FACILITY MANAGEMENT SERVICES, INC., a Tennessee corporation ("JJFMSI").

WITNESSETH:

WHEREAS, the Company, JJFMSI, Corrections Corporation of America, a Tennessee corporation ("CCA"), and Prison Management Services, Inc., a Tennessee corporation ("PMSI"), on the one hand, and Prison Acquisition Company L.L.C., a Delaware limited liability company ("Prison Acquisition"), on the other hand, are parties to that certain Securities Purchase Agreement, dated as of December 26, 1999, as amended February 28, 2000 (the "Securities Purchase Agreement");

WHEREAS, pursuant to Section 7.3 of the Securities Purchase Agreement, each of the Company, JJFMSI, CCA, and PMSI are jointly and severally liable to Prison Acquisition for, among other things, the payment of a Transaction Fee, as defined in the Securities Purchase Agreement, in the amount of $15,700,000.00, if and when such Transaction Fee is deemed due and payable under the terms thereof;

WHEREAS, pursuant to Section 7.6 of the Securities Purchase Agreement, each of the Company, JJFMSI, CCA, and PMSI are jointly and severally liable to Prison Acquisition for, among other things, the payment of a Breakup Fee, as defined in the Securities Purchase Agreement, in the amount of $7,500,000.00, if and when such Breakup Fee is deemed due and payable under the terms thereof;

WHEREAS, pursuant to Section 10.1(d) of the Securities Purchase Agreement, on April 16, 2000, the Company, JJFMSI, CCA, and PMSI terminated the Securities Purchase Agreement and agreed to a series of alternative transactions with Pacific Life Insurance Company (the "Termination");

WHEREAS, as the result of the Termination and the non-payment of the fees described above, Prison Acquisition has initiated litigation in the United Stated District Court for the Southern District of New York against the Company, JJFMSI, CCA, and PMSI to compel payment of and recover such fees, such litigation being styled Prison Acquisition Company L.L.C. vs. Prison Realty Trust, Inc., Corrections Corporation of America, Prison Management Services, Inc., and Juvenile and Jail Facility Management Services, Inc., civil action no. 00 Civ. 4269 (LAP)(the "Litigation"); and

WHEREAS, the Company and JJFMSI desire to enter into certain agreements regarding the satisfaction of any liabilities resulting from the Litigation as set forth herein.

NOW, THEREFORE, for and in consideration of the foregoing and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto hereby agree as follows:

1. Indemnification. The Company hereby agrees to indemnify, defend and save JJFMSI and its respective officers, directors, employees, agents, or other affiliates (each, an "Indemnified Party"), forever harmless from and against, and to promptly pay to an Indemnified Party or reimburse an Indemnified Party for, any and all liabilities (whether contingent, fixed or unfixed, liquidated or unliquidated, or otherwise), assessments, losses, costs, expenses, interest, fines, penalties, actual or punitive damages or costs or expenses (including reasonable fees and expenses of attorneys, accountants and other experts) (individually and collectively, the "Losses") sustained or incurred by any Indemnified Party relating to, resulting from, arising out of or otherwise by virtue of the Litigation.

2. Consideration. In consideration for the Company's indemnification of the Indemnified Parties set forth in Section 1. herein, JJFMSI agrees to pay to the Company an aggregate cash payment equal to $6,000,000.00, such payment being immediately due and payable upon the request of the Company.

3. 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 by the party, 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. 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.

5. Headings. Section headings are for convenience or reference only and shall not be used to construe the meaning of any provision in this Agreement.

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

7. 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.

8. Successors. This Agreement shall be binding upon and inure to the benefit of the respective parties and their permitted assigns and successors in interest.

9. 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.

10. 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.

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

PRISON REALTY TRUST, INC.

By: /s/ John D. Ferguson

Its: President

JUVENILE AND JAIL FACILITY
MANAGEMENT SERVICES, INC.

By: /s/ Darrell K. Massengale

Its: President

EXHIBIT 10.80

STOCK PURCHASE AGREEMENT
BY AND AMONG

CORRECTIONS CORPORATION OF AMERICA,

ABBEY NATIONAL TREASURY SERVICES PLC

AND

AGECROFT PROPERTIES (NO. 2) LIMITED

April 10, 2001

TABLE OF CONTENTS

INDEX OF SCHEDULES

STOCK PURCHASE AGREEMENT

This STOCK PURCHASE AGREEMENT (the "AGREEMENT"), made and entered into as of the 10th day of April, 2001, by and among ABBEY NATIONAL TREASURY SERVICES plc, a public limited company incorporated in England and Wales and registered with company number 2338548 ("ANTS"), AGECROFT PROPERTIES (NO. 2) LIMITED, a private limited company incorporated in England and Wales and registered with company number 4167343 and a wholly-owned subsidiary of ANTS ("API 2"), and CORRECTIONS CORPORATION OF AMERICA, a Maryland corporation formerly known as Prison Realty Corporation and as Prison Realty Trust, Inc. ("CCA"). Capitalized terms used herein and not otherwise defined shall have the meaning ascribed to such term in Section 11.05 hereof.

W I T N E S S E T H:

WHEREAS, CCA owns 1,000 shares of common stock, no par value, of Agecroft Properties, Inc., a Tennessee corporation ("API"), which constitutes all of the issued and outstanding shares of capital stock (the "SHARES") of API;

WHEREAS, API was formed as a special purpose entity solely to design, develop, construct, finance and sublease a prison facility located in the United Kingdom at Agecroft Road, Salford, England (the "PROJECT");

WHEREAS, CCA desires to sell to API 2, and API 2 desires to acquire from CCA, the Shares, on the terms and subject to the conditions contained in this Agreement;

WHEREAS, the boards of directors of each of CCA, API 2 and ANTS have approved the sale by CCA, and the purchase by API 2, respectively, of the Shares upon the terms and subject to the conditions set forth in this Agreement; and

WHEREAS, the parties hereto desire to consummate all transactions contemplated under this Agreement, all in accordance with the terms and conditions of this Agreement.

NOW, THEREFORE, in consideration of the foregoing and of the representations, warranties, conditions, covenants and agreements contained herein, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereby agree as follows:

ARTICLE I
PURCHASE AND SALE OF CAPITAL STOCK

SECTION 1.01 PURCHASE AND SALE OF CAPITAL STOCK. On and subject to all of the terms and conditions of this Agreement, CCA agrees to sell, transfer, convey and deliver to API 2, and ANTS agrees to cause API 2 to purchase and acquire from CCA, all of the rights, title and interest of CCA in and to the Shares, free and clear of all Liens, on the Closing Date. The certificate representing the Shares (the "CERTIFICATE") shall be in genuine and unaltered form, duly endorsed in blank by

CCA, or accompanied by a stock power duly executed by CCA endorsed in blank and delivered to API 2 at Closing, pursuant to the additional terms and conditions set forth herein.

SECTION 1.02 PURCHASE PRICE. Upon the terms and subject to satisfaction of the conditions set forth in this Agreement, in consideration of the sale, assignment, transfer, conveyance and delivery of the Shares, at the Closing ANTS will cause API 2 to pay to CCA, or to Lehman as agent under the Credit Agreement Documents as directed by CCA in writing, an aggregate purchase price of U.K. (pound)46,585,000.00 (the "PURCHASE PRICE"), less the Estimated Taxes Due, the Retention Amount and any commissions and fees as directed by CCA in writing, pursuant to Section 2.17 hereof, payable in cash as provided in Section 1.03 below.

SECTION 1.03 CLOSING. The closing of the transactions contemplated by this Agreement (the "CLOSING") shall take place and be effective, for all purposes on the date (the "CLOSING DATE") which is (i) the later of April 10, 2001 or the fifth (5th) Business Day after all conditions to the respective obligations of the parties, as set forth herein in Articles VI and VII, have been satisfied or waived, or (ii) such other date on which the parties mutually agree. The Closing shall take place at the offices of Stokes Bartholomew Evans & Petree, P.A., in Nashville, Davidson County, Tennessee, U.S.A., unless another place is mutually agreed upon by the parties hereto. At the Closing, API 2 will pay the Purchase Price to or for the benefit of CCA by wire transfer or other form of immediately available funds to such account designated by CCA in writing to API 2 at least three (3) Business Days prior to the Closing Date. Simultaneously, CCA will assign, transfer and convey to API 2 good and valid title in and to the Shares, free and clear of all Liens, by delivering to API 2 the Certificate in accordance with Section 1.01 of this Agreement. At the Closing there shall also be delivered by CCA, ANTS and API 2 the agreements and documents required to be delivered by them under Article IX hereto.

ARTICLE II
REPRESENTATIONS AND WARRANTIES OF CCA

CCA, on behalf of itself and API, as applicable, hereby represents and warrants to ANTS and API 2, as follows:

SECTION 2.01 ORGANIZATION AND EXISTENCE. Each of CCA and API is a corporation duly organized and validly existing and in good standing under the laws of the jurisdiction of its incorporation, with full corporate power and authority to conduct its business as now conducted, and is duly qualified or authorized to do business and is in good standing in all jurisdictions (foreign, state or local) in which the conduct or nature of its business makes such qualification or licensing necessary, except for those jurisdictions where the failure to so qualify would not have, individually or in the aggregate, a Material Adverse Effect. Except as set forth on Schedule 2.01, API is not required to be licensed or qualified to do business as a foreign corporation in any jurisdiction other than in the State of Tennessee, and no such jurisdiction has demanded, requested or otherwise indicated that API is required so to qualify.

SECTION 2.02 SUBSIDIARIES. API does not have a direct or indirect ownership or economic interest in, and is not obligated, by contract or otherwise, to purchase any direct or indirect ownership or economic interest in, any Subsidiary.

SECTION 2.03 AUTHORIZATION. CCA has all requisite corporate power and authority to execute, deliver and perform its obligations under this Agreement (including, without limitation, to own, hold, sell and transfer the Shares) and all agreements and other documents executed and delivered, or to be executed and delivered, by it pursuant to this Agreement, and has taken all corporate action required to authorize the execution, delivery and performance of this Agreement and such related documents. The execution and delivery by CCA of this Agreement, the performance by CCA and API of its obligations hereunder and the consummation by CCA and API of the transactions contemplated hereby have been duly and validly authorized by the Board of Directors of CCA, no other corporate action on the part of CCA or its shareholders being necessary. This Agreement has been duly and validly executed and delivered by CCA and is a valid, legal and binding obligation of CCA enforceable against it in accordance with its terms, subject to bankruptcy, insolvency, reorganization, fraudulent conveyance, moratorium or other similar laws of general application affecting the enforcement of creditors' rights generally or by principles of equity, whether applied in a proceeding at law or in equity.

SECTION 2.04 NO VIOLATION. The execution and delivery of this Agreement by CCA does not, and the consummation by CCA of the transactions contemplated hereby will not:

(a) conflict with or violate or result in the breach of any provision of the charter or bylaws of CCA, API or any of their respective subsidiaries;

(b) conflict with or result in a violation or breach of any Law or Order applicable to CCA, API or any of their respective Subsidiaries or Assets and Properties; or

(c) except as set forth on Schedule 2.04(c), (i) conflict with or result in a violation or breach of, (ii) constitute (with or without notice or lapse of time or both) a default under, (iii) require CCA, API or any of their respective Subsidiaries to obtain any consent, approval or action of, or make any filing with or give notice to any Person as a result or under the terms of, (iv) result in or give to any Person any right of termination, cancellation, acceleration or modification in or with respect to, (v) result in or give to any Person any additional rights or entitlement to increased, additional, accelerated or guaranteed payments under, or (vi) result in the creation or imposition of any Lien upon CCA, API, or any of their respective Subsidiaries or Assets and Properties under any Material Contract or License to which CCA, API or any of their respective Subsidiaries is a party or by which any of their respective Assets and Properties is bound, or, to the knowledge of CCA, under the DCMF Agreement, the Lease or the O&M Contract;

except in the case of paragraphs (b) and (c)(i)-(vi) only, for such violations, breaches, defaults, consents or filings, terminations or accelerations or other events or matters for which the occurrence or the failure to occur would not have a Material Adverse Effect.

Without limiting the foregoing, the consummation of the transactions contemplated by the Agreement will not, to the knowledge of CCA, implicate: (i) any obligations under the Maryland Business Combination Act (Maryland General Corporation Law, Title 3, Subtitle 6) or (ii) any veto or other contractual rights of current or former shareholders of CCA or any other Person to veto the transactions contemplated by the Agreement.

SECTION 2.05 CAPITAL STRUCTURE OF API.

(a) As of the date hereof, the authorized capital stock of API consists solely of one thousand (1,000) shares of common stock, no par value per share, of which one thousand (1,000) shares are issued and outstanding, all of which are owned of record by CCA.

(b) Other than as set forth above, there are no issued and outstanding shares of capital stock of API and no Indebtedness having the right to vote (or convertible into or exchangeable for securities having the right to vote) on any matters on which the shareholders of API may vote is issued or outstanding. All of the Shares are owned beneficially and of record by CCA, are duly authorized and validly issued and are fully paid and nonassessable, were issued in compliance with all applicable federal and state securities laws of the United States and will be delivered to API 2 free and clear of all Liens, including without limitation that certain Promissory Note dated July 6, 1998 from API, as maker, payable to the order of CCA, in the principal amount of U.S. $65.0 million (the "NOTE"), which shall be contributed to the capital of API at or prior to Closing. The Shares are not subject to preemptive rights. Except as contemplated by this Agreement, there are no outstanding Options with respect to API or the Shares, and no securities of API are reserved for issuance for any purpose. There are no outstanding obligations of CCA or API to repurchase, redeem or otherwise acquire the Shares and, as of the date hereof, no irrevocable proxies have been granted with respect to the Shares. The delivery of the Certificate at the Closing representing the Shares in the manner provided in Section 1.03 will transfer to API 2 good and valid title to the Shares, free and clear of all Liens.

SECTION 2.06 CONSENTS. Except for the Stock Transfer Consent and except as set forth on Schedule 2.06 hereto or in respect of any filings, registrations, permits, authorizations, consents, waivers, declarations, orders, approvals or notices required by API 2 or ANTS, neither the execution, delivery or performance of this Agreement by CCA, nor the consummation by CCA of the transactions contemplated hereby, nor compliance by CCA with any of the provisions hereof, will require any filing or registration with, or permit, authorization, waiver, consent, declaration, order or approval of, or notice to, any Person or Governmental Authority (each a "PERMIT"), including any filing pursuant to the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended (the "HSR ACT"), except for such Permits the failure of which to obtain or make would not have a Material Adverse Effect. CCA acknowledges that the Stock Transfer Consent has been obtained from the Authority.

SECTION 2.07 CCA SEC REPORTS AND FINANCIAL STATEMENTS.

(a) Since January 1, 1998, CCA (or its predecessors) has filed with the Securities and Exchange Commission (the "SEC") all forms, statements, reports and documents (including all

exhibits, post-effective amendments and supplements thereto) (the "CCA SEC REPORTS") required to be filed by it under each of the Securities Act of 1933, as amended, and the rules and regulations promulgated thereunder (the "SECURITIES ACT"), and the Securities Exchange Act of 1934, as amended, and the rules and regulations promulgated thereunder (the "EXCHANGE ACT"). As of their respective dates, the CCA SEC Reports (i) complied as to form in all material respects with the applicable requirements of the Securities Act and the Exchange Act, as the case may be, and (ii) except with respect to (A) misstatements or omissions which would not, individually or in the aggregate, have a material adverse effect on the business, operations, financial position, results of operation, prospects or condition (financial or otherwise) of CCA, and/or (B) alleged misstatements or omissions which formed the factual basis for that series of class action lawsuits brought against CCA by current and former stockholders of CCA and its predecessors, which have been definitively settled pursuant to the terms of settlement agreements receiving final court approvals in February 2001, did not 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. None of CCA's Subsidiaries is required to file any forms, reports, schedules, statements or other documents with the SEC. Except as specifically disclosed in the CCA SEC Reports filed prior to the date of this Agreement, there are no other transactions, agreements, arrangements or understandings between CCA and its Subsidiaries, on the one hand, and API, on the other, that would be required to be disclosed under Item 404 of Regulation S-K promulgated under the Securities Act.

(b) The audited consolidated financial statements and the unaudited interim consolidated financial statements (including, in each case, the notes, if any, thereto) included in the CCA SEC Reports (collectively, the "CCA FINANCIAL STATEMENTS") complied as to form in all material respects with the published rules and regulations of the SEC with respect thereto, were prepared in accordance with United States generally accepted accounting principles applied on a consistent basis during the periods involved ("GAAP") (except as may be indicated therein or the notes thereto and except with respect to unaudited statements as permitted by Form 10-Q of the SEC) and fairly present (subject, in the case of the unaudited interim financial statements, to normal, recurring year-end audit adjustments which are not expected to be, individually, or in the aggregate, materially adverse to CCA and its Subsidiaries taken as a whole) the consolidated financial position of the Company and its consolidated Subsidiaries as of the respective dates thereof and the consolidated results of their operations and cash flows for their respective periods then ended.

SECTION 2.08 API FINANCIAL STATEMENTS; NO UNDISCLOSED LIABILITIES.

(a) Attached as Schedule 2.08(a) are true and complete copies of the unaudited balance sheets and income statements of API as of and for the periods ending December 31, 1998, 1999 and 2000 and the unaudited balance sheet (the "LATEST BALANCE SHEET") and income statement (the "LATEST INCOME STATEMENT") of API as of March 31, 2001 (collectively, the "API FINANCIAL STATEMENTS"). Except for the absence of (x) information that ordinarily would be contained in the notes to audited financial statements and (y) normal year-end adjustments which an audit would reveal, none of which in the aggregate would be material, the API Financial Statements were based on the Books and Records of API, were prepared in accordance with United States GAAP applied on a consistent basis during the periods involved and fairly present, in all material respects, the

financial condition and results of operations of API as of the dates and for the periods indicated therein.

(b) There are no Liabilities or obligations of, relating to or affecting API or its Assets and Properties of any nature, whether absolute, accrued, contingent or otherwise, that are not either fully reflected or reserved against in the API Financial Statements or disclosed in Schedule 2.08(b).

SECTION 2.09 ASSETS.

(a) The only Assets and Properties of API are as shown on the Latest Balance Sheet and the Contracts listed on Schedule 2.13.

(b) Except for the Sub-Lease and the Access Agreement, API does not own or hold any interest in any real property.

(c) The Assets and Properties of API as shown on the Latest Balance Sheet and the Contracts listed on Schedule 2.13 constitute all assets, properties and rights necessary to operate the business of API in substantially the manner in which it is currently being operated. To the knowledge of CCA, and except as set forth in the Agecroft Agreements, there is no resolution or proposal for compulsory acquisition of any of API's Assets and Properties by any Governmental Authority.

SECTION 2.10 ABSENCE OF CHANGES; SUBSEQUENT EVENTS. Except for the execution and delivery of this Agreement and the transactions contemplated hereby, since December 29, 2000 there has not been any change, event or development which, individually or in the aggregate, has had or could reasonably be expected to have a Material Adverse Effect or a material adverse effect on the business, operations, financial position, results of operation, prospects or condition (financial or otherwise) of CCA, except for such events which have been previously publicly disseminated by CCA via either (i) press release or (ii) the CCA SEC Reports, including without limitation any changes or amendments to the Agecroft Agreements. Except as set forth in Schedule 2.10 or as contemplated by this Agreement, since December 29, 2000 API has conducted its business only in the ordinary course consistent with past practice, and neither CCA nor API has taken any action which, if taken after the date hereof, would constitute a breach of any provision of Section 4.05.

SECTION 2.11 SOLVENCY. CCA and API are solvent and, after giving effect to the transactions contemplated hereby, each of CCA and API will have Assets and Properties having a fair value in excess of the amount required to pay its probable liabilities on its existing Indebtedness and other Liabilities as they become absolute and matured.

SECTION 2.12 TAX MATTERS.

(a) Except as set forth in Schedule 2.12 hereto:

(i) Each of API and CCA have timely filed, or caused to be filed on its behalf, all Tax returns required to be filed by it or by the common parent of a consolidated, combined or unitary Tax group, on its behalf (collectively, the "TAX RETURNS") and as of the time of filing, all the applicable Tax Returns were complete and accurate in all material respects. Each of CCA and API has paid all Taxes (whether or not shown on any Tax Return) due or claimed to be due from it by federal, state, local or foreign taxing authorities, except for Taxes being contested in good faith as to which adequate reserves have been provided and which are disclosed in the CCA or API Financial Statements, as applicable, and Taxes currently payable without penalty or interest, except where failure to so file or make such payments could not reasonably be expected to have a Material Adverse Effect.

(ii) Neither CCA nor API has requested any extension of time within which to file or send any Tax Return, which Tax Return has not since been filed or sent.

(iii) No deficiency for any Taxes with respect to either CCA or API has been proposed, asserted or assessed against either CCA or API, except for Taxes as to which adequate reserves have been provided and which are disclosed in the CCA or API Financial Statements, as applicable.

(iv) No agreement or other document extending, or having the effect of extending, the period of assessment or collection of any Tax with respect to either CCA or API, and no power of attorney with respect to any such Tax, has been filed with the United States Internal Revenue Service or any other Governmental Authority.

(v) No claim for unpaid Tax with respect to CCA or API has become a Lien of any kind against the Assets and Properties of CCA or API or is being asserted against either CCA or API.

(vi) Neither CCA nor API is a party to or is otherwise bound by (or has any Assets and Properties bound by) any Tax sharing agreement, Tax indemnity obligation or similar agreement or arrangement.

(b) For purposes of this Agreement, "TAX" means any federal, state, local or foreign income, gross receipts, license, payroll, employment, excise, severance, stamp, occupation, premium, windfall profits, environmental (including Taxes under Section 59A of the United States Internal Revenue Code of 1986, as amended (the "CODE")), customs duties, capital stock, franchise, profits, withholding, social security (or similar), unemployment, disability, real property, personal property, sales, use, transfer, registration, value added, alternative or additional minimum, estimated or other Tax of any kind whatsoever, including any interest, penalty or addition thereto, whether disputed or not.

(c) No claim has ever been made by any Governmental Authority in a jurisdiction where API does not file a Tax Return that it is or may be subject to taxation by that jurisdiction.

(d) API has withheld and paid all Taxes required to have been withheld and paid in connection with amounts paid or owing to any employee, independent contractor, creditor, shareholder, or other third party.

(e) Schedule 2.12(e) lists all jurisdictions in which federal, state, local and foreign Tax Returns are filed with respect to API and indicates those Tax Returns that have been audited or that are currently the subject of audit.

(f) API has not filed a consent under Code Section 341(f) concerning collapsible corporations. API is not required to include in income any adjustment pursuant to Code Section 481(a) by reason of a change in accounting method. API has not made any payments, is not obligated to make any payments, and is not a party to any agreement that under certain circumstances could obligate it to make any payments that will not be deductible under Code Section 162(m) or 280G. API has not been a United States real property holding corporation within the meaning of Code Section 897(c)(2) during the applicable period specified in Code Section 897(c)(1)(A)(ii). API has disclosed on its federal income Tax Returns all positions taken therein that could give rise to a substantial understatement of federal income Tax within the meaning of Code Section 6662. API has not been a member of an Affiliated Group filing a consolidated federal income Tax Return (other than an Affiliated Group the common parent of which was CCA) and API has no Liability for the Taxes of any Person under Treasury Regulation Section 1.1502-6 (or any similar provision of Law), as a transferee or successor, by contract, or otherwise.

(g) API (A) has not participated in an international boycott as defined in Code Section 999; (B) has no permanent establishment in any foreign country as defined in any applicable Tax treaty or convention between the United States and that foreign country; and (C) has no material item of income or gain reported for financial accounting purposes in a pre-closing period which is required to be included in taxable income for a post-closing period.

(h) CCA has filed a consolidated federal income Tax Return with API for the taxable year immediately preceding the current taxable year and CCA is eligible to make an election under Section 338(h)(10) of the Code (and any comparable election under applicable state, local or foreign Tax law) with respect to API.

(i) API is not and has never been resident in the United Kingdom for any Tax purposes.

(j) API does not and never has carried on a trade within the United Kingdom.

(k) All amounts paid or payable to API under the Access Agreement or the Sub-Lease have been or will be made without deduction or withholding of any Tax.

(l) The Tax Returns for API disclose all capital allowances taken by API pursuant to the Capital Allowances Act of 1990 with respect to the periods covered thereby; true, correct and complete copies of such Tax Returns have been provided to API 2. CCA shall provide or procure the provision to ANTS or API 2 of all information and assistance which API, API 2 or ANTS or any successor in title to any asset or class of assets owned by API prior to or as at the date of this Agreement (in this Section 2.12(l), the "ASSETS") may reasonably require to prepare and make any claims in respect of United Kingdom capital allowances in relation to any of the Assets.

(m) API is registered for the purposes of the Value Added Tax Act 1994 (the "VATA").

(n) API has elected to waive exemption under paragraph 2 of Schedule 10 to the VATA in relation to the land and premises situated in the United Kingdom at Agecroft Road, Salford, England.

(o) API is entitled under the VATA to credit or repayment for all of its input tax.

(p) VAT is chargeable on all supplies made for VATA purposes by API pursuant to the Access Agreement and the Sub-Lease.

(q) API is not obliged to make at any time, nor has it made since the date of its last accounts for the period ended December 31, 2000, any payments which will not either:

(i) be wholly deductible in the accounting period in which they will be, or have been, paid or incurred either as a trading expense or as a charge on income; or

(ii) be deductible as depreciation or amortization expenses under applicable tax depreciation and amortization regulations over the period or periods specified therein; or

(iii) be eligible for relief from Tax, in the accounting period in which such payments are accrued under an accruals basis of accounting which satisfies the requirements of the relevant legislation, under the provisions of Chapter II of Part II of the Finance Act 1993, Chapter II of Part IV of the Finance Act 1994 or Chapter II of Part IV of the Finance Act 1996.

(r) All Material Contracts by virtue of which API has any right or in the enforcement of which API is interested have been duly stamped, or will be duly stamped in connection with Closing, to the extent required by applicable Laws.

SECTION 2.13 LEASES AND CONTRACTS.

(a) Except for the Note, Schedule 2.13 sets forth for API a true and complete list of all Contracts (whether written or oral) (true and complete copies or, if none, reasonably complete and accurate written descriptions of which have been delivered to API 2 prior to the execution of

this Agreement) to which API is a party or by which it or any of its Assets and Properties may be subject or bound (each, a "MATERIAL CONTRACT" and, collectively, the "MATERIAL CONTRACTS").

(b) None of the Material Contracts or, to the knowledge of CCA, the DCMF Agreement, the Lease or the O&M Contract, have been modified or amended, or assigned or transferred, except as specified in Schedule 2.13(b). Each Material Contract is in full force and effect and constitutes a legal, valid and binding agreement, enforceable in accordance with its terms, of CCA, API, or their respective Subsidiaries, as the case may be, and, to the knowledge of CCA, of each other party thereto; and except as disclosed in Schedule 2.13(b) neither CCA, API, nor any of their respective Subsidiaries, as the case may be, nor, to the knowledge of CCA, any other party to such Contract, is in violation or breach of or default under any such Contract (or with notice or lapse of time or both, would be in violation or breach of or default under any such Contract), the effect of which, individually or in the aggregate, would have or could reasonably be expected to have a Material Adverse Effect. CCA has no knowledge that the DCMF Agreement, the Lease or the O&M Contract are not in full force and effect and do not constitute a legal, valid and binding agreement, enforceable in accordance with its terms, of each party thereto, or that any party thereto is in violation or breach under any such Contracts (or with notice or lapse of time or both, would be in violation or breach of or default under any such Contracts), the effect of which, individually or in the aggregate, would or could reasonably be expected to have, a Material Adverse Effect.

(c) No event or condition presently exists which constitutes a default or breach, or, after notice or lapse of time or both, would constitute a default or breach by CCA, API, or their respective Subsidiaries, as the case may be, or, to the knowledge of CCA, any other party thereto, under any of the Material Contracts or the DCMF Agreement, the Lease or the O&M Contract, the effect of which, individually or in the aggregate, would have or could reasonably be expected to have a Material Adverse Effect, and the consummation of the transactions contemplated hereby will not cause any such default or breach under any of the Material Contracts, or, to the knowledge of CCA, under the DCMF Agreement, the Lease or the O&M Contract.

(d) Neither CCA, API nor any of their respective Subsidiaries, nor to the knowledge of CCA, any other party, is in violation or breach of or default under (or with notice or lapse of time or both, would be in violation or breach of or default under) (i) any of the Material Contracts, the DCMF Agreement, the Lease or the O&M Contract, (ii) the Credit Agreement Documents, the 12% Note Documents, the Subordinated Note Documents, or (iii) any other Contract to which CCA or any of its Subsidiaries is a party or by which any of them or their Assets and Properties are subject or bound, the violation or breach of or default under would have or could reasonably be expected to have a Material Adverse Effect.

(e) As of the date of this Agreement, the rental payments payable under Clause 9 of the Access Agreement are in the amount of (pound)423,667 per month, and have not been varied in accordance with Clause 10 of the Access Agreement or Clause 15 of the Development Agreement.

(f) Prior to the Novation Date (as defined in clause 2.22 of the Development Agreement) no liabilities accrued in respect of API under the Development Agreement, the

Construction Agreement or the Construction Direct Agreement which remained outstanding on the Novation Date.

(g) API is a "Qualifying Developer" pursuant to Section 11.2 of the Access Agreement.

SECTION 2.14 LEGAL PROCEEDINGS. Except as disclosed in Schedule 2.14, there are no claims, actions, suits, proceedings, arbitrations, audits or investigations, either at law (criminal or civil) or in equity ("ACTIONS OR PROCEEDINGS") pending or, to the knowledge of CCA, threatened by or against or otherwise affecting CCA or any Subsidiary (including API) or their respective Assets and Properties which could reasonably be expected, if decided in a manner adverse to CCA or such Subsidiary (including API), to result in liability to API or which could otherwise have a Material Adverse Effect. There are no Actions or Proceedings pending or, to the knowledge of CCA, threatened or proposed, involving CCA or any Subsidiary (including API) or any of their respective Assets and Properties, that (i) questions the validity of this Agreement, (ii) seeks to delay, prohibit or restrict in any manner any action taken or to be taken by CCA or API under this Agreement or (iii) would otherwise result in a diminution of the benefits contemplated by this Agreement to API 2. There are no outstanding Orders against or affecting API or its Assets and Properties. To the knowledge of CCA, there are no facts or circumstances known to CCA or API, that could reasonably be expected to give rise to any such Action or Proceeding or Order that would be required to be disclosed above.

SECTION 2.15 COMPLIANCE WITH APPLICABLE LAWS AND ORDERS. The business and operations of API are and, except as could not reasonably be expected to have a Material Adverse Effect, have been operated in compliance with all applicable Laws and other requirements of Governmental Authorities. As of the date of this Agreement, to the knowledge of CCA, no investigation or review by any Governmental Authority with respect to API or any of their respective officers or directors (present and former) is pending or threatened, nor has any Governmental Authority indicated an intention to conduct the same. Except as disclosed on Schedule 2.15, neither CCA nor API is, nor has it received any notice that it is, in violation of or in default under any Law or Order applicable to CCA, API or any of their respective Assets and Properties the effect of which, individually or in the aggregate with other such violations and defaults, would or could reasonably be expected to have a Material Adverse Effect.

SECTION 2.16 LICENSES. Schedule 2.16 contains, to the knowledge of CCA, a true and complete list of all Licenses which are used in and material to the business or operations of API. Prior to the execution of this Agreement, CCA or API has delivered to API 2 true and complete copies of all such Licenses. Except as set forth in Schedule 2.16, (i) API owns or validly holds all Licenses that are material to, and are necessary for the effective operation of, its business or operations; (ii) each License listed on Schedule 2.16 is valid, binding and in full force and effect and not subject to any conditions, except as contained in such License; (iii) API has performed and is in compliance with each obligation, condition, restriction, agreement and other legal and administrative requirements of such License; and (iv) neither CCA nor API has received any notice that API is, and API is not, in violation of or in default under (or with the giving of notice or lapse of time or both, would be in violation of or in default under) any such License, except for such

nonperformance, noncompliance, violations and defaults that would not have nor could reasonably be expected to have, a Material Adverse Effect.

SECTION 2.17 COMMISSIONS AND FEES. Except as disclosed in Schedule 2.17 to this Agreement, there are no claims for brokerage commissions, investment banker's fees or finder's fees in connection with the transactions contemplated by this Agreement resulting from any action taken by CCA or API or, to the knowledge of CCA, any of their officers, directors or agents. All such commissions, fees and expenses are the responsibility of CCA.

SECTION 2.18 CORPORATE RECORDS. API has delivered or provided to API 2 for its review true, complete and correct copies of the following items with respect to API, as amended and presently in effect: (a) charter, (b) bylaws, (c) minute books, (d) stock registration books (or other books showing the transfer of equity interests in an entity) and (e) other similar records (all hereinafter referred to as the "CORPORATE RECORDS"). The Corporate Records contain a true and complete record, in all material respects, of all action taken at all meetings and by all written consents in lieu of meetings of the shareholders, the board of directors and all committees of the board of directors of API from the date of API's incorporation or formation to the date hereof. The stock registration books are complete and accurate, contain a true and complete record of all transactions with regard to equity interests in API from the date of its incorporation or formation to the date hereof, are kept outside the United Kingdom and the Shares are not paired with the shares of a United Kingdom company or a company whose stock registration books are kept in the United Kingdom. Schedule 2.18 contains a true, complete and correct list of each director, officer, employee or independent contractor of API as of the date hereof and since its date of incorporation, and the position held by, salary or other compensation earned by or paid to, and any Contracts with, each with or from API and/or CCA.

SECTION 2.19 API SEC FILINGS. API has never issued any security covered by a registration statement filed with the SEC pursuant to the Securities Act or the United States Investment Company Act of 1940, as amended, and the rules and regulations promulgated thereunder (the "1940 ACT"), and no security issued by API has ever been registered pursuant to the Exchange Act. All shares of API capital stock were issued pursuant to a valid exemption from the registration requirements of the Securities Act and applicable state securities laws.

SECTION 2.20 NO SHAREHOLDER APPROVAL. Except for the approval of CCA as the sole shareholder of API, no approval by the shareholders of any entity (including CCA) is required as to CCA for the purpose of this Agreement or the consummation of the transactions hereunder by CCA.

SECTION 2.21 INSURANCE. Schedule 2.21 contains a true and complete list of all material insurance policies maintained by API, or for the benefit of API, and currently in effect that insure the business, operations, Assets and Properties, employees or directors of API or affect or relate to the ownership and operation of API and its Assets and Properties, and such policies constitute all policies required by the Agecroft Agreements, or, to the knowledge of CCA, the DCMF Agreement, the Lease or the O&M Contract, to be maintained by or for the benefit of API in such amounts as required therein. All such policies are valid and binding and in full force and effect, all premiums

due and payable thereon have been paid, no notice of cancellation or termination has been received with respect to any such policy and API is not in default thereunder in any material respect. The insurance policies referred to in Schedule 2.21 will remain in full force and effect and will not in any way be affected by or terminate by reason of, any of the transactions contemplated hereby. Neither CCA, API nor any of their respective Subsidiaries has received notice that any insurer under any policy referred to in this Section 2.21 is denying liability with respect to a claim thereunder or defending under a reservation of rights clause.

SECTION 2.22 BANK AND BROKERAGE ACCOUNTS; INVESTMENT ASSETS. Schedule 2.22 sets forth (a) a true and complete list of the names and locations of all banks, trust companies, securities brokers and other financial institutions at which API has an account or safe deposit box or maintains a banking, custodial, trading or other similar relationship; (b) a true and complete list and description of each such account, box and relationship, indicating in each case the account number and the names of the respective officers, employees, agents or other similar representatives of API having signatory power with respect thereto; and (c) a list of each Investment Asset, the location of the certificates, if any, therefor, the maturity date, if any, and any stock or bond powers or other authority for transfer granted with respect thereto deposited in such bank or other institution.

SECTION 2.23 POWER OF ATTORNEY. API does not have any powers of attorney or comparable delegations of authority outstanding, including, without limitation, any agents.

SECTION 2.24 ACCOUNTS RECEIVABLE. Except as set forth in Schedule 2.24, the accounts and notes receivable of API reflected on the Latest Balance Sheet included in the API Financial Statements, (i) arose from bona fide sales transactions in the ordinary course of business and are payable on ordinary trade terms, (ii) to the knowledge of CCA, are legal, valid and binding obligations of the respective debtors enforceable in accordance with their terms, (iii) are not subject to any valid set-off or counterclaim, (iv) do not represent obligations for goods sold on consignment, on approval or on a sale-or-return basis or subject to any other repurchase or return arrangement, (v) are collectible in the ordinary course of business consistent with past practice in the aggregate recorded amounts thereof, net of any applicable reserve reflected in the Latest Balance Sheet included in the API Financial Statements, and (vi) are not the subject of any Actions or Proceedings brought by or on behalf of API. Schedule 2.24 sets forth a description of any security arrangements and collateral securing the repayment or other satisfaction of receivables of API. All steps necessary to render all such security arrangements legal, valid, binding and enforceable, and to give and maintain for API a perfected security interest in the related collateral, have been taken.

SECTION 2.25 FOREIGN CORRUPT PRACTICES ACT; 1940 ACT; CORRUPT GIFTS AND PAYMENTS.

(a) Neither CCA nor any Subsidiary (including API), nor, to the knowledge of CCA, any director, officer, agent, employee or other person associated with or acting on behalf of CCA or any Subsidiary (including API), has, with respect to API or any of its Assets or Properties: (i) used any corporate funds for any unlawful contribution, gift, entertainment or other unlawful expense relating to political activity; (ii) made any direct or indirect unlawful payment to any foreign or domestic government official or employee from corporate funds; (iii) violated or is in

violation of any provision of the Foreign Corrupt Practices Act of 1977 or any other Law; or (iv) made any bribe, rebate, payoff, influence payment, kickback or other unlawful payment.

(b) Neither CCA nor API is an "investment company" within the meaning of such term under the 1940 Act.

(c) Neither CCA nor any Subsidiary (including API), nor, to the knowledge of CCA, any director, officer, agent, employee or other personnel associated with or acting on behalf of CCA or any Subsidiary (including API), has breached or allegedly breached Clause 51.1 of the DCMF Agreement.

SECTION 2.26 ENVIRONMENTAL MATTERS. To the knowledge of CCA, no Order has been issued, no claim that CCA or API (with respect to the Project) has violated any Environmental Law has been filed, no penalty has been assessed and no investigation, review or proceeding is pending or threatened by any Governmental Authority with respect to any alleged failure by CCA or API (with respect to the Project) to have any License required under applicable Environmental Laws in connection with the conduct of the business of API and, to the knowledge of CCA, there are no facts or circumstances in existence which could reasonably be expected to form the basis for any of the foregoing. Neither CCA nor API (in respect of the Project) is in violation of, and has not received any claim or notice that it is in violation of, any Environmental Law in connection with its conduct of the Project. There has been no storage, disposal, generation, manufacture, refinement, transportation, handling or treatment of Hazardous Materials by CCA, API, or any of their respective Subsidiaries or, to the knowledge of CCA, any other Person, at the Project in violation of any applicable Law, License or Order, or which would require remedial action under any applicable Law, License or Order. There has been no material spill, discharge, leak, emission, injection, escape, dumping or release of any kind onto the Project or into the environment surrounding the Project of any Hazardous Materials due to or caused by CCA or any of its Subsidiaries (including API) or, to the knowledge of CCA, any other Person.

SECTION 2.27 EMPLOYEE BENEFIT PLANS.

(a) There are no Company Plans except as set forth on Schedule 2.27; provided, however, that a Company Plan which does not cover and has never covered any employee or independent contractor of API shall not be required to be set forth on Schedule 2.27 unless such Company Plan is or has ever been subject to Section 412 of the Code, Part 3 of Subtitle B of Title I of ERISA or Title IV of ERISA. With respect to each Company Plan listed on Schedule 2.27, to the extent applicable:

(i) all contributions, premiums and other payments required by Law or any Company Plan or applicable collective bargaining agreement to have been made under any such Company Plan (without regard to any waivers granted under Section 412 of the Code or Part 3 of Subtitle B of Title I of ERISA) to any fund, trust or account established thereunder or in connection therewith have been made by the due date thereof, and no amounts are or will be due to the PBGC (except for premiums in the ordinary course of business); and any and all contributions, premiums and other payments with respect to compensation or service before and through the Closing, or

otherwise with respect to periods before and through the Closing, due from any of CCA, API or any of their Affiliates to, under or on account of each Company Plan shall have been paid prior to Closing or shall have been fully reserved and provided for on the API Financial Statements;

(ii) no Company Plan that is or has ever been subject to Part 3 of Subtitle B of Title I of ERISA or Section 412 of the Code has incurred any "accumulated funding deficiency" (as defined therein), whether or not waived, no liability under Part 3 of Subtitle B of Title I of ERISA or Title IV of ERISA has been incurred or is expected to be incurred with respect to any such Company Plan subject thereto (other than premiums incurred and paid when due), nor has there been any "reportable event" within the meaning of Section 4043(c) of ERISA with respect to any such Company Plan;

(iii) the actuarial present value on a termination basis of accrued benefits under each of the Plans sponsored by CCA, API or any ERISA Affiliate which is subject to Part 3 of Subtitle B of Title I of ERISA or Title IV of ERISA, based upon the interest rate assumptions that would be utilized by the PBGC to value annuities for a pension plan termination and the other actuarial assumptions and methods currently used for such Company Plan, did not, as of its latest valuation date, exceed the then current value of the assets of such Company Plan;

(iv) no event has occurred and no condition exists with respect to any Company Plan that has resulted or could result in: (A) liability under Section 4069 or 4212(c) or any other provision of Part 3 of Subtitle B of Title I of ERISA or Title IV of ERISA, to API 2 or any of its Affiliates that would not have been incurred by API 2 or any of its Affiliates but for the transactions contemplated hereby, or to CCA or API, or (B) a Lien on or after the Closing under Section 401(a)(29) of the Code or under ERISA with respect to any property of API 2, CCA, API or any of their Affiliates that would not been incurred but for the transactions contemplated hereby, or with respect to any Asset and Property of CCA or API, API 2 or any subsidiary;

(v) none of CCA, API or any "party in interest" (as defined in Section 3(14) of ERISA) or any "disqualified person" (as defined in Section 4975 of the Code) with respect to any Plan, has engaged in a non-exempt "prohibited transaction" within the meaning of Section 4975 of the Code or Section 406 of ERISA;

(vi) there has been no violation of Section 4980B of the Code or Sections 601 through 608 of ERISA with respect to any Plan that could result in any material liability;

(vii) except as identified on Schedule 2.27, none of CCA, API or any ERISA Affiliate has at any time: (A) had any obligation to contribute to any "multiemployer plan" as defined in Section 3(37) of ERISA, and (B) withdrawn in any complete or partial withdrawal from any "multiemployer plan" as defined in Section 3(37) of ERISA; and, if CCA, API and each ERISA Affiliate were to, as of the date hereof, completely withdraw from all multiemployer plans in which any of them participate, or to which any of them otherwise have any obligation to contribute, none of CCA, API or any ERISA Affiliate would incur any withdrawal liability, except as set forth on Schedule 2.27; and

(viii) with respect to each Title IV Plan, true, correct, and complete copies of the applicable following documents have been delivered to API 2: Forms 5500, financial statements, and actuarial reports for the last three Company Plan years.

(b) Without limiting any other provision of this Section 2.27, no event has occurred and no condition exists, with respect to any Company Plan, that has subjected or could subject CCA, API or any Company Plan or any successor thereto, to any Tax, fine, penalty or other liability (other than, in the case of API and the Company Plans, a liability arising in the normal course to make contributions or payments, as applicable, when ordinarily due under a Company Plan with respect to any employee of API). No event has occurred and no condition exists, with respect to any Company Plan that could subject API or any of its Affiliates, or any Company Plan maintained by API or any Affiliate thereof, to any Tax, fine, penalty or other liability, that would not have been incurred by API or any of its Affiliates, or any such Company Plan, but for the transactions contemplated hereby. API has no liability for, under, with respect to or otherwise in connection with any Company Plan, which liability arises under ERISA or the Code, by virtue of API being aggregated in a controlled group or affiliated service group with any ERISA Affiliate (other than API) for purposes of ERISA or the Code at any relevant time prior to the Closing. No Company Plan other than a Company Plan is or will be directly or indirectly binding on API 2 by virtue of the transactions contemplated hereby.

SECTION 2.28 AFFILIATE TRANSACTIONS. Except as disclosed in Schedule 2.28 or in the Material Contracts (with respect to API and APM only) and except for the Note, as of the date of this Agreement, (i) there are no intercompany Liabilities between API, on the one hand, and CCA, or, to the knowledge of CCA, any officer, director, Affiliate or Associate of CCA or any Associate of any such officer, director or Affiliate (other than API), on the other, (ii) neither CCA nor, to the knowledge of CCA, any such officer, director, Affiliate or Associate provides or causes to be provided any assets, services or facilities to API, (iii) API does not provide or cause to be provided any assets, services or facilities to CCA or, to the knowledge of CCA, any such officer, director, Affiliate or Associate and (iv) API does not beneficially own, directly or indirectly, any Investment Assets of CCA or, to the knowledge of CCA, any such officer, director, Affiliate or Associate. Except as disclosed in Schedule 2.28, each of the Liabilities and transactions listed in Schedule 2.08(a) was incurred or engaged in, as the case may be, on an arm's-length basis. Except as disclosed in Schedule 2.28 or provided in Section 6.07, since the date of the Latest Balance Sheet, all settlements of intercompany Liabilities between API, on the one hand, and CCA or, to the knowledge of CCA, any such officer, director, Affiliate or Associate, on the other, have been made, and all allocations of intercompany expenses have been applied, in the ordinary course of business consistent with past practice.

SECTION 2.29 FULL DISCLOSURE. Documents delivered or to be delivered by CCA to API 2 or in the Schedules hereto are true, correct and complete in all material respects, and no representation or warranty made by CCA in this Agreement and no statements made by or on behalf of or relating to CCA or API or their respective Assets and Properties contained in the Schedules or attachments hereto or in any certificate or document furnished or made available to API 2 pursuant to this Agreement contains any untrue statement of a material fact or omits to state any material fact necessary to make such representation, warranty or statement not misleading.

Documents delivered or to be delivered to API 2 pursuant to this Agreement are or will be true and complete copies of what they purport to be. Since December 29, 2000, CCA has provided API 2 with all information and documents reasonably requested by API 2 in connection with the transactions contemplated hereby.

ARTICLE III
REPRESENTATIONS AND WARRANTIES OF ANTS AND API 2

ANTS, on behalf of itself and API 2, as applicable, hereby represents and warrants to CCA as follows:

SECTION 3.01 ORGANIZATION AND EXISTENCE. ANTS is a public limited company, and API 2 is a private limited company, each of which is duly organized and validly existing and in good standing under the laws of England and Wales with full corporate power and authority to conduct its business as now conducted, and is duly qualified or authorized to do business and is in good standing in all jurisdictions (foreign, state or local) in which the ownership, use or leasing of its Assets and Properties or the conduct or nature of its business makes such qualification or licensing necessary, except for those jurisdictions where the failure to so qualify would not have, individually or in the aggregate, an adverse effect on the validity or enforceability of this Agreement or on the ability of ANTS or API 2 to perform their respective obligations hereunder.

SECTION 3.02 AUTHORIZATION. ANTS and API 2 have all requisite power and authority to execute, deliver and perform their respective obligations under this Agreement and all agreements and other documents executed and delivered, or to be executed and delivered, by them pursuant to this Agreement, and have taken all corporate action required to authorize the execution, delivery and performance of this Agreement and such related documents. The execution and delivery of this Agreement, and the consummation of the transactions hereunder, have been approved by the respective Boards of Directors of ANTS and API 2 in accordance with their respective memoranda and articles of association, no other corporate action on the part of ANTS, API 2 or their respective shareholders being necessary. This Agreement has been duly executed and delivered by ANTS and API 2 and is a valid and binding obligation of ANTS and API 2 enforceable against each of them in accordance with its terms, subject to bankruptcy, insolvency, reorganization, fraudulent conveyance, moratorium or other similar laws of general application affecting the enforcement of creditor's rights generally or by principles of equity, whether applied in a proceeding at law or in equity.

SECTION 3.03 CONSENTS. Except for the Stock Transfer Consent, neither the execution, delivery or performance of this Agreement by ANTS and API 2 nor the consummation by ANTS and API 2 of the transactions contemplated hereby, nor compliance by ANTS and API 2 with any of the provisions hereof, will require any Permit, including any filing pursuant to the HSR Act, except as would not have an adverse effect on the validity or enforceability of this Agreement or on the ability of ANTS or API 2 to perform their respective obligations hereunder. ANTS and API 2 each acknowledge that the Stock Transfer Consent has been obtained from the Authority.

SECTION 3.04 LEGAL PROCEEDINGS. There are no Actions or Proceedings before any Governmental Authority of any kind, now pending or to the knowledge of ANTS or API 2 threatened or proposed, or any outstanding Orders, involving ANTS or API 2 or any of their respective Assets and Properties, that (i) questions the validity of this Agreement, (ii) seeks to delay, prohibit or restrict in any manner any action taken or to be taken by ANTS or API 2 under this Agreement, or (iii) would otherwise result in a diminution of the benefits contemplated by this Agreement to CCA. To the knowledge of ANTS or API 2, there are no facts or circumstances that could reasonably be expected to give rise to any such Action or Proceeding or Order that would be required to be disclosed above.

SECTION 3.05 COMMISSIONS AND FEES. There are no claims for brokerage commissions, investment banker's fees or finder's fees in connection with the transactions contemplated by this Agreement resulting from any action taken by ANTS or API 2 or, to the knowledge of ANTS and API 2, any of their officers, directors, agents or Subsidiaries.

SECTION 3.06 NO VIOLATION. The execution and delivery of this Agreement by ANTS and API 2 does not, and the consummation by ANTS and API 2 of the transactions contemplated hereby will not:

(a) conflict with or violate or result in the breach of any provision of the respective memoranda or articles of association of ANTS or API 2;

(b) to the knowledge of ANTS and API 2, conflict with or result in a violation or breach of any Law or Order applicable to ANTS or API 2 or any of their respective Assets and Properties; or

(c) to the knowledge of ANTS and API 2, (i) conflict with or result in a violation or breach of, (ii) constitute (with or without notice or lapse of time or both) a default under, (iii) require ANTS or API 2 to obtain any consent, approval or action of, or make any filing with or give notice to any Person as a result or under the terms of, (iv) result in or give to any Person any right of termination, cancellation, acceleration or modification in or respect to, (v) result in or give to any Person any additional rights or entitlement to increased, additional, accelerated or guaranteed payments under, or (vi) result in the creation or imposition of any Lien upon ANTS, API 2, or any of their respective Assets and Properties under, any Contract or License to which ANTS or API 2 is a party or by which any of their respective Assets and Properties is bound;

except in the case of paragraphs (b) and (c)(i)-(vi) only, for such violations, breaches, defaults, consents or filings, terminations or accelerations or other events or matters for which the occurrence or the failure to occur would not have an adverse effect on the validity or enforceability of this Agreement or on the ability of ANTS or API 2 to perform their respective obligations hereunder.

SECTION 3.07 NO SHAREHOLDER APPROVAL. No approval by the shareholders of ANTS or API 2 or any of their Affiliates is required for the purpose of this Agreement or the consummation of the transactions hereunder by ANTS or API 2.

SECTION 3.08 UNDERSTANDING REQUIRED BY DIRECT AGREEMENT. Either ANTS or API 2 has provided to the Authority those written undertakings required by Section 21.3(v) of the Direct Agreement.

ARTICLE IV
ADDITIONAL AGREEMENTS

ANTS, API 2 and CCA each agree to the following from and after the date hereof to and including the Closing Date or such other time as specified by the mutual agreement of the parties hereto:

SECTION 4.01 REGULATORY AND OTHER APPROVALS.

(a) CCA will and will cause API to (i) take all commercially reasonable steps necessary or desirable, and proceed diligently and in good faith and use all commercially reasonable efforts, as promptly as reasonably practicable to obtain, in a timely, accurate and complete manner, all consents, approvals or actions of, to make all filings with and to give all notices to all Governmental Authorities or any other Person required of CCA, API or any of their respective Subsidiaries to consummate the transactions contemplated hereby, including, without limitation, the Stock Transfer Consent and any other consents or approvals required of CCA or API from the Authority pursuant to the Agecroft Agreements, (ii) provide such other information and communications to such Governmental Authorities or other Persons as API 2 or such Governmental Authorities or other Persons may reasonably request and (iii) cooperate with API 2 as promptly as is reasonably practicable in obtaining all consents, approvals or actions of, making all filings with and giving all notices to Governmental Authorities or other Persons required of API 2 to consummate the transactions contemplated hereby. CCA will provide prompt notification to API 2 when any such consent, approval, action, filing or notice referred to in clause (i) above is obtained, taken, made or given, as applicable, and will advise API 2 of any communications (and, unless precluded by Law, provide copies of any such communications that are in writing) with any Governmental Authority or other Person regarding any of the transactions contemplated by this Agreement.

(b) ANTS will and will cause API 2 to (i) take all commercially reasonable steps necessary or desirable, and proceed diligently and in good faith and use all commercially reasonable efforts, as promptly as reasonably practicable to obtain, in a timely, accurate and complete manner, all consents, approvals or actions of, to make all filings with and to give all notices to Governmental Authorities or any other Person required of API 2 to consummate the transactions contemplated hereby; including, but not limited to, those written undertakings required of ANTS and/or API 2 under Section 21.3(v) of the Direct Agreement as a condition precedent to the Stock Transfer Consent and any consents or approvals required of ANTS or API 2 from the Authority under the Agecroft Agreements or any other Person to the Deed of Novation, (ii) provide such other information and communications to such Governmental Authorities or other Persons as CCA, API or such Governmental Authorities or other Persons may reasonably request and (iii) cooperate with CCA and API as promptly as is reasonably practicable in obtaining all consents, approvals or actions of, making all filings with and giving all notices to Governmental Authorities or other Persons

required of CCA or API to consummate the transactions contemplated hereby. API 2 will provide prompt notification to CCA when any such consent, approval, action, filing or notice referred to in clause (i) above is obtained, taken, made or given, as applicable, and will advise CCA of any communications (and, unless precluded by Law, provide copies of any such communications that are in writing) with any Governmental or Regulatory Authority or other Person regarding any of the transactions contemplated by this Agreement.

SECTION 4.02 NO SOLICITATION. From the date of this Agreement until and including the Closing Date, CCA will not take, nor will it permit API (or authorize or permit any investment banker, financial advisor, attorney, accountant or other Person retained by or acting for or on behalf of CCA or API) to take, directly or indirectly, any action to initiate, assist, solicit, receive, negotiate, encourage or accept any offer or inquiry from any Person (a) to engage in any Business Combination with respect to or involving API, (b) to reach any agreement or understanding (whether or not such agreement or understanding is absolute, revocable, contingent or conditional) for, or otherwise attempt to consummate, any transaction referred to in subclause (a) above, (c) to furnish or cause to be furnished any information with respect to or involving API or its Assets and Properties to any Person who CCA (or any such Person acting for or on their behalf) knows or has reason to believe is in the process of considering any such transaction. Notwithstanding the foregoing, neither CCA nor API (nor any Person retained by or acting on behalf of CCA or API) shall be precluded from providing information to, or discussing, negotiating and executing agreements with, any person or entity that makes a proposal pursuant to which such other person or entity would engage in a Business Combination with respect to or involving API, if and to the extent the Board of Directors of CCA reasonably determines in good faith (after consultation with its legal counsel) that they are required to authorize such actions by their fiduciary duties. If CCA or API (or any such Person acting for or on their behalf) receives from any Person (other than API 2 or its Representatives) any offer, inquiry or informational request referred to above, CCA will promptly advise such Person, by written notice, of the terms of this Section 4.02 and will promptly, orally and in writing, advise API 2 of such offer, inquiry or request and deliver a copy of such notice to API 2.

SECTION 4.03 COOPERATION. Subject to the terms and conditions of this Agreement, each of ANTS, API 2 and CCA shall use all reasonable efforts, in the most expeditious manner reasonably practicable, and shall proceed diligently and in good faith, (i) to take, or cause to be taken, all actions reasonably necessary, proper or advisable to effectuate and complete the transactions contemplated herein, including, without limitation, the satisfaction of their respective conditions to the transactions contemplated hereby listed in Articles VI or VII, as applicable, and their respective delivery requirements listed in Article IX and (ii) to cause their respective obligations hereto to be satisfied as promptly as reasonably practicable.

SECTION 4.04 ACCESS. After the execution of this Agreement and continuing until the Closing, CCA will, and shall cause API to, permit API 2 and its counsel, accountants, engineers and other representatives (the "REPRESENTATIVES"), full reasonable access during normal business hours to all of the directors, officers, employees and contractors, Books and Records, Contracts, commitments and other records of or relating to or involving API and its Assets and Properties and, subject to the terms and conditions of the Access Agreement and the other Agecroft Agreements, as applicable, full reasonable access during normal business hours to the Project and to the Assets

and Properties of API, and will furnish API 2 and its Representatives during such period with all such information concerning API's affairs and such copies of such documents relating thereto, as API 2 or its Representatives may reasonably request.

SECTION 4.05 CONDUCT OF BUSINESS.

(a) During the period from the date hereof until the Closing Date, CCA (i) will cause API to conduct business only in, and none of CCA or its Subsidiaries (including API) shall take any action with respect to API and its Assets and Properties, except in the ordinary course of business consistent with past practice and (ii) will, and will cause its Subsidiaries (including API) to, comply with the terms and conditions of each of the Agecroft Agreements as applicable.

(b) Without limiting the generality of the foregoing, during the period from the date hereof to the Closing Date, (i) CCA and API will use all commercially reasonable efforts to preserve intact the present business organization and reputation of API, maintain the Assets and Properties of API in good working order and condition, ordinary wear and tear excepted, not engage in any action that would adversely affect the insurance policies listed on Schedule O of the DCMF Agreement, maintain the goodwill of customers, vendors, suppliers, lenders and other Persons with whom API has significant business relationships, maintain the Books and Records of, or with respect to, API (including all accounting, financial, tax or other reporting and other policies and procedures, in the usual, regular and ordinary manner and comply, in all material respects, with all Licenses, Laws and Orders applicable to API and its Assets and Properties and (ii) without the prior written consent of API 2, such consent not to be unreasonably conditioned or withheld, and, except as contemplated by this Agreement, CCA will not permit or cause API to, and API will not:

(i) amend or propose to amend its charter or bylaws (or other comparable organizational documents) or take any action with respect to any reorganization, liquidation or dissolution of API;

(ii) authorize, issue, sell or otherwise dispose of any shares of capital stock of or any Options with respect to API, or modify or amend any right of any holder of its outstanding shares of capital stock or Options;

(iii) declare, set aside or pay any dividend or other distribution in respect of its capital stock, or directly or indirectly redeem, purchase or otherwise acquire any of its capital stock or any of its Options;

(iv) split, combine, reclassify or take action with respect to any of its capital stock or adopt a plan of complete or partial liquidation or resolutions providing therefor;

(v) acquire or dispose of, or incur any Lien on, any of its Assets and Properties;

(vi) (a) enter into, amend, modify, terminate (partially or completely), grant any waiver under or give any consent with respect to (1) any Contract, or (2) any material License or (b) granting any irrevocable powers of attorney;

(vii) violate, breach or default under in any material respect, or take or fail to take any action that (with or without notice or lapse of time or both) would constitute a material violation or breach of, or default under, any term or provision of any License held or used by API or any Contract or Order to which API is a party or by which any of its Assets and Properties is bound;

(viii) (a) incur, create, assume, guarantee or otherwise become liable for any Indebtedness, or (b) voluntarily purchase, cancel, prepay or otherwise provide for a complete or partial discharge in advance of a scheduled payment date with respect to, or waive any right of API under, any such Indebtedness or Liability of or owing to API, other than in accordance with Section 6.07 hereof;

(ix) engage with any Person in any Business Combination, except as provided in Section 4.02;

(x) make capital expenditures or commitments for additions to property, plant or equipment constituting capital assets or acquire any assets;

(xi) make any change in the lines of business in which it participates or is engaged;

(xii) write off or write down any of API's Assets and Properties outside the ordinary course of business consistent with past practice;

(xiii) except as required by Law, (x) permit any material change in (1) any pricing, marketing, purchasing, investment, accounting, financial reporting, inventory, credit allowance or Tax practice or policy or (2) any method of calculating any bad debt, contingency or other reserve for accounting, financial reporting or Tax purposes, or (y) make any material Tax election or settle or compromise any material income Tax liability with any Governmental Authority;

(xiv) take or agree to take any action that would make any representation or warranty in this Agreement untrue or incorrect, in any material respect, result in any condition to close in Article VI not to be satisfied or would otherwise violate this Agreement or prevent the consummation of the transactions contemplated hereby, except as provided in Section 4.02; or

(xv) enter into any agreement to do or engage in any of the foregoing.

SECTION 4.06 AFFILIATE TRANSACTIONS. Immediately prior to the Closing, all Indebtedness and other amounts owing under Contracts other than the Material Contracts (with respect to API and APM only) between CCA, any officer, director, Affiliate or Associate of CCA or any associate of

any such officer, director or Affiliate (other than API), on the one hand, as listed in Schedule 2.28, and API, on the other, will be paid in full, except as provided in Section 6.07 hereof, and CCA will terminate and will cause any such officer, director, Affiliate or Associate to terminate each Contract with API other than the Material Contracts. Prior to the Closing, API will not enter into any Contract or amend or modify any existing Contract, and will not engage in any transaction outside the ordinary course of business consistent with past practice or not on an arm's-length basis, with CCA or any such officer, director, Affiliate or Associate, except with the consent of API 2.

SECTION 4.07 BOOKS AND RECORDS. On the Closing Date, CCA will deliver to API 2 at the offices of API all of the Books and Records, and if at any time after the Closing CCA discovers in its possession or under its control any other Books and Records, it will promptly deliver such Books and Records to API 2.

SECTION 4.08 NOTICE AND CURE. Each of CCA and API, on the one hand, and ANTS and API 2, on the other, will notify the other promptly in writing of, and contemporaneously will provide such other party with true and complete copies of any and all information or documents relating to, and will use all commercially reasonable efforts to cure before the Closing, any event, transaction or circumstance occurring after the date of this Agreement that causes or will cause any covenant or agreement of CCA or API, on the one hand, or ANTS or API 2, on the other, under this Agreement to be breached or that renders or will render untrue any representation or warranty of such party contained in this Agreement as if the same were made on or as of the date of such event, transaction or circumstance or will prevent the fulfillment of any condition to close or delivery requirement of such party. Each party also will notify the other promptly in writing of, and will use all commercially reasonable efforts to cure, no later than fifteen (15) days following receipt of any such notice from the other party (but in no event later than the fifteenth (15th) day after the date specified in Section 5.01(g)), any violation or breach of any representation, warranty, covenant or agreement made by such party in this Agreement, whether occurring or arising before, on or after the date of this Agreement. No notice given pursuant to this Section 4.08 shall have any effect on the representations, warranties, covenants or agreements contained in this Agreement for purposes of determining satisfaction of any condition contained herein.

SECTION 4.09 TERMINATION OF EMPLOYEES. Immediately prior to the Closing or at an earlier time, API shall terminate all of its employees or independent contractors, as listed on Schedule 2.18, with the result that, as of the Closing, API shall cease to employ any employees or have any independent contractors. Any Liabilities owing to any such employees or independent contractors shall be satisfied in full prior to the Closing, and any Contracts with such employees or independent contractors shall be terminated.

SECTION 4.10 CONFIDENTIALITY.

(a) CCA, ANTS and API 2 each covenant and agree with the other party that: all discussions and negotiations by the parties with respect to this Agreement or the transactions contemplated by this Agreement and all information furnished by or obtained from the other party in connection with this Agreement or the transactions contemplated by this Agreement are to be kept confidential and are not to be disclosed to third parties without the prior written consent of the other

parties, except, in each case, (i) as required by applicable Law or legal process or the rules and regulations of any Governmental Authority, (ii) becomes generally available to the public other than through a disclosure by any party or their respective Representatives, (iii) for information that was or becomes available to any party or any of their respective Representatives on a non-confidential basis from a person that is not under an obligation (whether contractual, legal or fiduciary) to keep such information confidential, (iv) to those directors, officers, employees of the parties hereto, and those representatives of the parties' legal, accounting and financial advisors, who need to know of such discussions and negotiations for purposes of evaluating the transactions contemplated by this Agreement, and (v) to those third parties as may be reasonably necessary to facilitate the consummation of the transactions contemplated by this Agreement; including, but not limited to, the Authority in connection with obtaining the Stock Transfer Consent, the Deed of Novation or any other consents or approvals in connection with this Agreement or the consummation of the transactions contemplated by this Agreement. Any disclosure of confidential information proposed to be made by a party pursuant to (i) above shall only be of such portion of the confidential information as is legally required to be disclosed after notice to and consultation with the other party. The obligations of CCA, ANTS and API 2 under this Section 4.10(a) shall survive the Closing of this transaction or any termination of this Agreement.

(b) Neither party hereto shall make any public announcement or release regarding the transactions contemplated by this Agreement without the prior consent of the other parties, which consent shall not be unreasonably withheld except as required by applicable Law, the rules and regulations of any Governmental Authority (including without limitation any regulation of the SEC) or any rule of the New York Stock Exchange or any other stock exchange on which the securities of either CCA or the parent company of ANTS, as the case may be, may be listed in the future. The parties will use their reasonable best efforts to consult with each other regarding any public announcement or release contemplated hereby.

(c) In the event the transactions contemplated by this Agreement are not consummated, for any reason, ANTS and API 2 will promptly return to CCA all records, documents and other information provided to them from CCA or API, and CCA will promptly return to ANTS and API 2 all records, documents and other information provided to CCA from them, and all parties will treat all such records and information as confidential.

SECTION 4.11 USE OF PROCEEDS. CCA shall apply the Purchase Price in accordance with the terms and conditions of the Credit Agreement Documents.

ARTICLE V
TERMINATION OF AGREEMENT

SECTION 5.01 TERMINATION. This Agreement may be terminated at any time prior to the Closing: (a) by mutual agreement of CCA, ANTS and API 2; (b) by ANTS and API 2, if there has been a material violation or breach by CCA of any of the agreements, representations or warranties contained in this Agreement which has not been cured as provided in Section 4.08 hereof or waived in writing; (c) by ANTS and API 2, if any of the conditions set forth in Article VI hereof have not been satisfied by the Closing or have not been waived in writing by ANTS and API 2; (d) by CCA,

if there has been a material violation or breach by ANTS or API 2 of any of the agreements, representations or warranties contained in this Agreement which has not been cured as provided in Section 4.08 hereof or waived in writing; (e) by CCA, if any of the conditions set forth in Article VII hereof have not been satisfied by the Closing or have not been waived in writing by CCA; (f) by CCA if the Board of Directors of CCA determines in the exercise of its fiduciary duties to authorize a Business Combination with respect to or involving API other than the transactions contemplated by this Agreement; (g) by CCA or by ANTS and API 2 at any time after April 30, 2001 if the transactions contemplated by this Agreement shall not have been consummated and such failure to consummate was not caused by a breach of this Agreement by the terminating party; or (h) by any party in the event that any Order or Law becomes effective restraining, enjoining or otherwise prohibiting or making illegal the consummation of the transactions contemplated by this Agreement.

SECTION 5.02 EFFECT OF TERMINATION. In the event of the termination of this Agreement as provided in Section 5.01, in the absence of fraud or willful breach on the part of ANTS or API 2, on the one hand, or on the part of CCA, on the other hand, CCA will not have any liability to ANTS or API 2, and neither ANTS nor API 2 shall have any liability to CCA, as the case may be, under this Agreement, provided, however, that (i) the provisions of Sections 4.10 and 11.03 herein shall survive such termination and (ii) nothing contained herein shall relieve any party hereto from liability for fraud or the willful breach of its representations, warranties, covenants or agreements contained in this Agreement.

ARTICLE VI
CONDITIONS TO OBLIGATIONS OF ANTS AND API 2

All obligations of ANTS and API 2 hereunder are subject to the fulfillment, prior to or at the Closing, of each of the following conditions (all or any of which may be waived specifically in writing by API 2 in whole or in part):

SECTION 6.01 REPRESENTATIONS AND WARRANTIES. Each of the representations and warranties made by CCA in this Agreement shall be true and correct in all material respects as of the date hereof (other than those made as of a specified date) and at and as of the time of the Closing as though such representations and warranties were made at and as of Closing (or such specified date).

SECTION 6.02 PERFORMANCE. CCA and API shall have performed and complied with all agreements, obligations, conditions and covenants required by this Agreement to be so complied with or performed prior to Closing.

SECTION 6.03 CLOSING DOCUMENTS. CCA shall have delivered (or caused to have been delivered) to API 2 each of the items to be delivered by CCA or API at Closing pursuant to Section 9.01, together with such other documents (good standing certificates, incumbency certificates, secretary's certificates, etc.) as API 2 or its counsel may reasonably request.

SECTION 6.04 NO ACTION/PROCEEDING. No Action or Proceeding before a court or any other Governmental Authority shall have been instituted or threatened to restrain or prohibit the transactions contemplated herein or that could otherwise reasonably be expected to result in (a) a diminution of the benefits to API 2 of the transactions contemplated hereby or (b) a Material Adverse Effect, and no Governmental Authority shall have taken any other action or made any request of CCA, API, ANTS or API 2 as a result of which ANTS, API 2 and CCA (collectively, reasonably and in good faith) deem that to proceed with the transactions hereunder may constitute a violation of Law.

SECTION 6.05 CONSENTS. Intentionally Omitted.

SECTION 6.06 NO MATERIAL ADVERSE EFFECT. There shall not have occurred since December 29, 2000 any event or events or any development which, individually or in the aggregate, could reasonably be expected to have a Material Adverse Effect.

SECTION 6.07 CONTRIBUTION OF NOTE. CCA shall have contributed the Note to the capital of API.

SECTION 6.08 WAIVER UPON CLOSING. In the event ANTS and API 2 proceed to close the transactions contemplated hereby on the Closing Date, then all unsatisfied conditions precedent set forth herein shall be deemed to have been waived by ANTS and API 2.

ARTICLE VII
CONDITIONS TO OBLIGATIONS OF CCA

All obligations of CCA under this Agreement are subject to the fulfillment, prior to or at the Closing, of each of the following conditions (all or any of which may be waived specifically in writing by CCA in whole or in part):

SECTION 7.01 REPRESENTATIONS AND WARRANTIES. Each of the representations and warranties made by ANTS and/or API 2 in this Agreement shall be true and correct in all material respects as of the date hereof (other than those made as of a specified date) and at and as of the time of the Closing as though such representations and warranties were made at and as of Closing (or such specified date).

SECTION 7.02 PERFORMANCE. ANTS and API 2 shall have performed and complied with all agreements, obligations, conditions and covenants required by this Agreement to be so complied with or performed prior to Closing.

SECTION 7.03 CLOSING DOCUMENTS. ANTS and API 2 shall have delivered (or caused to have been delivered) to CCA each of the items to be delivered by ANTS and/or API 2 at Closing pursuant to Section 9.02, together with such other documents (good standing certificates, incumbency certificates, etc.) as CCA or its counsel may reasonably request.

SECTION 7.04 NO ACTION/PROCEEDING. No Action or Proceeding before a court or any other Governmental Authority shall have been instituted or threatened to restrain or prohibit the transactions contemplated herein or that could otherwise reasonably be expected to result in (a) a diminution of the benefits to CCA of the transactions contemplated hereby, or (b) an adverse effect on the validity or enforceability of this Agreement or on the ability of ANTS or API 2 to perform their respective obligations hereunder, and no Governmental Authority shall have taken any other action or made any request of CCA, API, ANTS or API 2 as a result of which CCA, ANTS and API 2 (collectively, reasonably and in good faith) deem that to proceed with the transactions hereunder may constitute a violation of Law.

SECTION 7.05 WAIVER UPON CLOSING. In the event CCA proceeds to close the transactions contemplated hereby on the Closing Date, then all unsatisfied conditions precedent set forth herein shall be deemed to have been waived by CCA.

SECTION 7.06 CONSENTS. ANTS or API 2 shall have provided to the Authority those written undertakings required by Section 21.3(v) of the Direct Agreement as a condition precedent to the Stock Transfer Consent, and all Orders required to be issued by any Governmental Authority in connection with the recording of the Access Agreement and the Sub-Lease shall have been obtained.

SECTION 7.07 NO MATERIAL ADVERSE EFFECT. There shall not have occurred since December 29, 2000 any event or events or any development which, individually or in the aggregate, could reasonably be expected to have an adverse effect on the validity or enforceability of this Agreement or on the ability of ANTS or API 2 to perform their respective obligations hereunder.

ARTICLE VIII
TAX COVENANTS

SECTION 8.01 SECTION 338 ELECTION.

(a) API 2 and CCA shall jointly make an election under Section 338(h)(10) of the Code and the Treasury Regulations promulgated under the Code (the "TREASURY REGULATIONS") and any corresponding or similar elections under applicable state, local or foreign Tax law (collectively, a "SECTION 338(H)(10) ELECTION") with respect to the purchase and sale of the Shares in accordance with the provisions of this Section 8.01.

(b) CCA and API 2 shall report, in connection with the determination of income, franchise or other taxes measured by net income, the transactions being undertaken pursuant to this Agreement in a manner consistent with the Section 338(h)(10) Election and this Agreement. API 2 shall be responsible for the preparation of two (2) copies of all forms and documents required in connection with the Section 338(h)(10) Election (including Internal Revenue Service Form 8023). Once API 2 properly prepares documents and forms as may be required by applicable Tax laws to complete and make properly the Section 338(h)(10) Election and timely delivers two (2) copies of such forms and documents to CCA, CCA shall execute both copies no later than thirty (30) days following receipt of such forms and timely file one (1) copy of such forms and documents with its appropriate federal income Tax Return with the United States Internal Revenue Service and return

the other copy to API 2 for timely filing with the Internal Revenue Service District Director or other appropriate official or office.

(c) API 2 shall allocate the Purchase Price in the manner required by Code Section 338 and the regulations thereunder. CCA shall file all Tax Returns and statements in connection therewith in a manner consistent with such allocations and shall take no position contrary thereto unless required to do so by applicable Tax laws. CCA shall have the right to review and approve (which approval shall not be unreasonably withheld) any such allocations and any such forms and schedules relating to such allocations, prior to the filing thereof. Any disputes regarding the allocation or the preparation, execution or filing of the forms and documents required in connection with making the Section 338(h)(10) Election shall be resolved in an arbitration to be conducted by a Big Five accounting firm jointly selected by API 2 and CCA (the "SELECTED ACCOUNTING FIRM"), whose fees shall be borne equally by ANTS and/or API 2, on the one hand, and by CCA, on the other hand. Each of the parties to this Agreement shall be bound by the decision of the Selected Accounting Firm rendered in such arbitration.

(d) To the extent permitted by state, local or foreign Tax laws, the principles and procedures of this Section 8.01 shall also apply with respect to a Section 338(h)(10) Election under state, local, United Kingdom or other foreign law. CCA shall join with API 2 in making any election similar to the Section 338(h)(10) Election which is optional under any state, local, United Kingdom or other foreign law, and shall cooperate and join in any election made by API 2 to effect such an election so as to treat the transactions contemplated herein as a sale of assets for state, local, United Kingdom or other foreign income Tax purposes.

(e) Subject to the provisions of Section 10.07, CCA shall be responsible for all federal income Taxes attributable to API for periods ending on or before the Closing Date (including any Tax resulting from the Code Section 338(h)(10) Election). In addition, CCA shall be liable for any state, local, or foreign income Tax attributable to an election under the state, local, or foreign law similar to the election available under Section 338(h)(10) of the Code. Further, if a state, local or foreign jurisdiction does not have provisions similar to the election available under Section 338(h)(10) of the Code, CCA will be liable for any income Tax imposed on API or with respect to API by such state, local and/or foreign jurisdiction resulting from the transactions contemplated by this Agreement.

SECTION 8.02 PREPARATION OF TAX RETURNS. (a) CCA shall prepare and file, or cause to be prepared and filed, all income and franchise Tax Returns (including for the avoidance of doubt, any computations and returns required for UK Tax or VATA purposes) for API for all periods ending on or prior to the Closing Date which are filed after the Closing Date. Such Tax Returns shall be prepared in a manner consistent with past practice, unless contrary treatment is required by an intervening change in Law. CCA shall permit API 2 to review and comment on each such Tax Return described in the preceding sentence prior to filing, but CCA shall have the final determination as to information to be included in such filed returns. To the extent permitted by applicable Law, CCA shall include any income, gain, loss, deduction or other Tax items for such periods on its Tax Returns.

(b) For purposes of this Agreement, the amount of Taxes of API attributable to the pre-Closing portion of any taxable period beginning before and ending after the Closing Date (the "STRADDLE PERIOD") shall be determined based upon a hypothetical closing of the taxable year on such Closing Date with the Closing Date being included in the pre-Closing portion of such Straddle Period (except to the extent of any extraordinary actions taken by API 2 after the Closing on the Closing Date); provided, however, real and personal property Taxes (which are not based on income) shall be determined by reference to the relative number of days in the pre-Closing and post-Closing portions of such Straddle Period. Prior to the Closing, CCA shall estimate in good faith the amount, if any, of Taxes attributable to the pre-Closing portion of any Straddle Period and shall subtract from such amount any estimated Tax payments made prior to the Closing Date (the amount so determined being referred to herein as the "ESTIMATED TAXES DUE"). Following the Closing, API 2 shall prepare and timely file all Tax Returns of API for the Straddle Period and shall pay and discharge all Taxes shown to be due on such Tax Returns. If the actual amount of Taxes attributable to the pre-Closing portion of the Straddle Period, less any estimated payments made prior to the Closing Date, exceeds the Estimated Taxes Due, then CCA, subject to the provisions of Section 10.07, shall pay to API 2 the amount of the excess. If the actual amount of Taxes attributable to the pre-Closing portion of the Straddle Period, less any estimated payments made prior to the Closing Date, is less than the Estimated Taxes Due, then API 2 shall pay to CCA the amount of the difference. Any payments by CCA or API 2 hereunder shall be made not later than ten (10) days prior to the due date of the applicable Tax Returns. CCA shall have a reasonable opportunity to review all such Tax Returns, which shall be provided to CCA no later than fifteen (15) business days prior to the due date of such Tax Returns.

(c) Notwithstanding anything to the contrary in this Agreement, neither API 2 nor CCA shall, or shall permit API to, file any amended Tax Return relating to API (or otherwise change such Tax Returns) with respect to taxable periods ending on or prior to the Closing Date without a written consent of the other party if such amendment adversely affects the other party or API, unless required to do so by Law.

(d) Any refunds of the Taxes of API, plus any interest received with respect thereto from the applicable taxing authorities for any pre-Closing period (including without limitation) refunds arising from amended Tax Returns filed after the Closing Date) shall be for the account of CCA and, if received by ANTS, API 2 or API shall be paid to CCA within ten (10) calendar days after API 2 or API receives such refund, provided, however, API 2 may elect (or cause API to elect) to carryback losses from post-closing periods to pre-closing periods in which case the refunds attributable to such carryback shall be for the account of API 2. Any refunds or credits of Taxes of API for any Straddle Period shall be apportioned between CCA and API 2 in the same manner as the liability for such Taxes is apportioned above (except as described above with respect to a carryback from a post-closing period).

SECTION 8.03 RETENTION OF RECORDS. API 2 and CCA shall (and API 2 shall cause API to) cooperate fully, as and to the extent reasonably requested by the other party, in connection with the filing of Tax Returns pursuant to this section and any audit, litigation or other proceeding with respect to Taxes. Such cooperation shall include the retention and (upon the other party's request) the provision of records and information which are reasonably relevant to any such audit,

litigation or other proceeding and making employees available on a mutually convenient basis to provide additional information and explanation of any material provided hereunder. Each of CCA and API 2 shall (and shall cause API to) retain all Books and Records and other Corporate Records with respect to Tax matters pertinent to API relating to any taxable period beginning before the Closing Date until the expiration of the statute of limitations (and, to the extent notified by API 2 or CCA, any extensions thereof) of the respective taxable periods, and to abide by all record retention agreements entered into with any taxing authority, and to give the other party reasonable written notice prior to transferring, destroying or discarding any such Books and Records or other Corporate Records and, if the other party so requests, to allow (or shall cause API to allow) the other party to take possession of such Books and Records or other Corporate Records.

ARTICLE IX
CLOSING DELIVERIES

SECTION 9.01 DELIVERIES BY CCA. At the Closing, CCA shall deliver, or cause to be delivered, to ANTS or API 2 the following (each of which will be reasonably satisfactory to ANTS or API 2):

(a) The Certificate to be delivered in accordance with the provisions of Section 1.01 hereof.

(b) A certificate of CCA, dated the Closing Date and executed by the President or the Chief Financial Officer of CCA, on behalf of itself and API, certifying (i) as to the accuracy, in all material respects, of the representations and warranties of CCA at and as of the Closing Date and (ii) that each of CCA and API has performed or complied, in all material respects, with all of the covenants, agreements, terms, provisions and conditions to be performed or complied with by each of CCA and API at or prior to the Closing Date.

(c) An opinion of Stokes Bartholomew Evans & Petree, P.A., as counsel to CCA and API, dated the Closing Date, addressed to ANTS and API 2, to the effect that:

(i) Each of CCA and API is a corporation duly organized and validly existing and in good standing under the laws of the State of Maryland or Tennessee, as applicable, and has full corporate power and authority to conduct its business as now conducted. Each of CCA and API is duly qualified or authorized to do business and is in good standing in all jurisdictions in which the conduct or nature of its business makes such qualification or licensing necessary except for those jurisdictions where the failure to so qualify would not have, individually or in the aggregate, a Material Adverse Effect.

(ii) The authorized capital stock of API consists solely of one thousand (1,000) shares of common stock, no par value per share, of which one thousand (1,000) shares of common stock are issued and outstanding, all of which are owned of record by CCA. Such shares have been duly authorized and validly issued and are fully paid and nonassessable. To the knowledge of such counsel, there are no other shares of capital stock of API outstanding, there are no outstanding Options with respect to API or the Shares, and no securities of API are reserved for

issuance for any purpose. Assuming that API 2 acquires the Shares in good faith and without notice of any adverse claim within the meaning of Section 8-105 of the Uniform Commercial Code as in effect in Tennessee (the "UCC"), upon the delivery of the Certificate in accordance with, and in the manner provided in, Section 1.01 of the Agreement, API 2 will have acquired all of the rights of CCA in the Shares, free, to our knowledge, of any adverse claim within the meaning of Section 8-102(a)(i) of the UCC, or any Lien in favor of API.

(iii) CCA has all requisite corporate power and authority to execute, deliver and perform its obligations under the Agreement (including, without limitation, to own, hold, sell and transfer the Shares). The execution and delivery by CCA of the Agreement, the performance by CCA of its respective obligations thereunder and the consummation by CCA of the transactions contemplated thereby, have been duly and validly authorized by the Board of Directors of CCA, no other corporate action on the part of CCA or its shareholders being necessary.

(iv) The Agreement has been duly and validly executed and delivered by CCA and constitutes a legal, valid and binding obligation of CCA, enforceable against CCA in accordance with its terms, except that such enforceability may be subject to (i) bankruptcy, liquidation, conservation, dissolution, insolvency, reorganization, moratorium, fraudulent conveyance or other similar laws affecting the enforcement of creditors' rights generally and (ii) the effects of general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law), including, without limitation, (A) the possible unavailability of specific performance, injunctive relief or any other equitable remedy and (B) concepts of materiality, reasonableness, good faith and fair dealing.

(v) The execution, delivery and performance by CCA of the Agreement and the consummation of the transactions contemplated hereby did not and will not (a) conflict with, violate, or result in the breach of any provision of the charter or bylaws of CCA, API, or any of their respective Subsidiaries, (b) conflict with or result in a violation or breach of any Law or Order of which we are aware applicable to CCA, API, or any of their respective Subsidiaries or Assets and Properties or (c) except as set forth on Schedule 2.04(c) to the Agreement, (i) conflict with or result in a violation or breach of, (ii) constitute (with or without notice or lapse of time or both) a default under, (iii) require CCA, API, or any of their respective Subsidiaries to obtain any consent, approval or action of, make any filing with or give any notice to any Person as a result or under the terms of, (iv) result in or give to any Person any right of termination, cancellation, acceleration or modification in or with respect to, (v) result in or give to any Person any additional rights or entitlement to increased, additional, accelerated or guaranteed payments under or (vi) result in the creation or imposition of any Lien upon CCA, API or any of their respective Subsidiaries or any of their respective Assets and Properties under, any Material Contract, the Credit Agreement Documents, the 12% Note Documents and the Subordinated Note Documents, or any Contract or License known to us to which CCA or API or any of their respective Subsidiaries is a party or by which any of their respective Assets and Properties is bound; except in the case of paragraphs (b) and (c)(i)-(vi) only, for such violations, breaches, defaults, consents or filings, terminations or accelerations or other events or matters for which the occurrence or the failure to occur would not have a Material Adverse Effect.

(vi) To the knowledge of such counsel, and except for the Stock Transfer Consent and except as set forth on Schedule 2.06 to the Agreement or in respect of any filings, registrations, permits, authorizations, consents, waivers, declarations, orders, approvals or notices required by ANTS or API 2, no Permit, including any filing pursuant to the HSR Act, on the part of CCA, is required in connection with the execution, delivery and performance of the Agreement or the consummation of the transactions contemplated thereby or compliance with the provisions thereof, except for such Permits the failure of which to obtain or make would not have a Material Adverse Effect.

(vii) Except as set forth in Schedule 2.14 to the Agreement, to the knowledge of such counsel, there are no Actions or Proceedings or Orders pending or threatened by or against CCA or API which could reasonably be expected, if decided in a manner adverse to CCA or API, to result in liability to API or which could otherwise have a Material Adverse Effect.

(d) The written resignation of each of the employees, officers and directors of API, accompanied by a written general release by each of them releasing API from any and all claims or Liabilities, and the written termination of any Contract with any independent contractor, each effective as of the Closing Date.

(e) A copy of the resolutions of the Board of Directors of CCA, on behalf of itself and as the sole shareholder of API, authorizing the execution, delivery and performance of this Agreement and the other documents referred to herein to be executed by CCA, and the consummation of the transactions contemplated hereby, certified by the Secretary of CCA.

(f) Copies of the material consents, approvals, authorizations, registrations, filings or declarations referred to in Sections 2.06 and 4.01(a) hereof required to be obtained by CCA or API, and all other consents, approvals, authorizations, registrations, filings or declarations required to be obtained by CCA or API for the consummation of the transactions contemplated hereby, all of which shall (i) be in form and substance reasonably satisfactory to API 2, (ii) have been duly obtained or made, as the case may be, (iii) not be subject to the satisfaction of any condition that has not been satisfied or waived (other than any condition to be satisfied by ANTS or API 2) and (iv) be in full force and effect.

(g) The Corporate Records of API and relevant organizational documents of CCA and API, certified by the Secretaries of each of CCA and API, as applicable.

(h) Documents evidencing the contribution of the Note to API's capital as described in Section 6.07.

(i) Documents evidencing the full and unconditional release of all recorded or filed security interests and Liens, if any, on the Shares and the Note and the Assets and Properties of API, including, without limitation, any filed UCC termination statements.

(j) The Access Agreement and Sub-Lease.

(k) A letter from Lehman acknowledging the sale of the Certificate to API 2 under this Agreement and that such transaction complies with the Credit Agreement Documents.

(l) Such other documents as API 2 or its counsel may reasonably request.

SECTION 9.02 DELIVERIES BY ANTS OR API 2. At the Closing, ANTS or API 2 shall deliver to CCA the following (each of which will be reasonably satisfactory to CCA):

(a) The Purchase Price as specified in Section 1.02 herein.

(b) A certificate of ANTS, dated the Closing Date and executed by a Director or any authorized signatory of ANTS, on behalf of itself and API 2, certifying (i) as to the accuracy, in all material respects, of the representations and warranties of ANTS and API 2 at and as of the Closing Date and (ii) that each of ANTS and API 2 has performed or complied, in all material respects, with all of the covenants, agreements, terms, provisions and conditions to be performed or complied with by each of ANTS and API 2 at or prior to the Closing Date.

(c) Copy of the resolutions of the Board of Directors of each of ANTS and API 2 or the power of attorney authorizing the execution, delivery and performance of this Agreement, and the other documents referred to herein to be executed by each of ANTS and API 2 and the consummation of the transactions contemplated hereby, certified by a relevant officer of each of ANTS and API 2, as applicable.

(d) Copies of the material consents, approvals, authorizations, registrations, filings or declarations referred to in Sections 3.03 and 4.01(b) hereof required to be obtained by ANTS or API 2, and all other consents, approvals, authorizations, registrations, filings or declarations required to be obtained by ANTS or API 2 for the consummation of the transactions contemplated hereby, all of which shall (i) be in form and substance reasonably satisfactory to CCA, (ii) have been duly obtained or made, as the case may be, (iii) not be subject to the satisfaction of any condition that has not been satisfied or waived (other than any condition to be satisfied by CCA) and (iv) be in full force and effect.

(e) The relevant organizational documents of ANTS and API 2, certified by the respective Secretaries of each of ANTS and API 2, as applicable.

(f) Documents evidencing ANTS' agreement to provide those undertakings required by Section 21.3(v) of the Direct Agreement and/or otherwise satisfy any conditions contained in the Stock Transfer Consent to be satisfied by ANTS or API 2.

(g) Such other documents as CCA or its counsel may reasonably request.

ARTICLE X
INDEMNIFICATION

SECTION 10.01 SURVIVABILITY. Notwithstanding any right of any party (whether or not exercised) to investigate the accuracy of the representations and warranties of the other party contained in this Agreement, CCA, ANTS and API 2 have the right to rely fully upon the representations, warranties, covenants and agreements of the other parties contained in this Agreement. The representations, warranties, covenants and agreements of CCA, ANTS and API 2 contained in this Agreement will survive the Closing (a) indefinitely with respect to the representations and warranties contained in Sections 2.03, 2.05, 2.17, 3.02, 3.05 and 10.06, (b) until three (3) months after the expiration of all applicable statutes of limitation (including all periods of extension, whether automatic or permissive) with respect to matters covered by Sections 2.11, 2.12, 2.26, 2.27 and 8.01, (c) until the first anniversary of the Closing in the case of all other representations and warranties and any covenant or agreement to be performed in whole or in part on or prior to the Closing or (d) with respect to each other covenant or agreement contained in this Agreement, for one (1) year following the last date on which such covenant or agreement is to be performed, except that any representation, warranty, covenant or agreement that would otherwise terminate in accordance with clause (a), (b) or (c) above will continue to survive if a Claim Notice or Indemnity Notice (as applicable) shall have been timely given under Sections 10.02 and 10.03 on or prior to such termination date, until the related claim for indemnification has been satisfied or otherwise resolved as provided in Sections 10.02 and 10.03.

SECTION 10.02 INDEMNIFICATION.

(a) Subject to the provisions of Section 10.02(b) hereof, CCA shall indemnify, defend and hold harmless ANTS and API 2 and each of its directors, officers, employees, agents and Affiliates in respect of, and from and against, any and all liabilities and Losses suffered, incurred or sustained by any of them or to which any of them becomes subject, resulting from, arising out of or relating to any misrepresentation, breach of warranty or nonfulfillment of or failure to perform any covenant, obligation, agreement or condition on the part of CCA or API contained in this Agreement or any certificate or document of CCA or API delivered pursuant to this Agreement.

(b) The provisions of Section 10.02(a) notwithstanding, if all individual Losses claimed by one party hereto relating to breaches of covenants, obligations, representations and warranties as described above do not exceed (pound)50,000 (or the equivalent amount of United States dollars) in the aggregate, they shall all be deemed not to be Losses for which indemnification is required under this Section 10.02(b), it being intended that there shall be no liability hereunder for the first (pound)50,000 of Losses incurred by each party hereto.

SECTION 10.03 CAP ON INDEMNIFICATION OBLIGATIONS. The provisions of Sections 10.01 and 10.02 notwithstanding, there shall be no indemnification hereunder for any Losses which in the aggregate exceed the Purchase Price. It is expressly agreed that this Section 10.03 shall not apply to the indemnification provided for in Sections 10.05 and 10.06.

SECTION 10.04 METHOD OF ASSERTING CLAIMS. All claims for indemnification by any indemnified party under Section 10.02 will be asserted and resolved as follows:

(a) In the event any claim or demand in respect of which an indemnifying party might seek indemnity under this Article X is asserted against or sought to be collected from such indemnified party by a Person other than CCA, ANTS, API 2 or any Affiliate thereof (a "THIRD PARTY CLAIM"), the indemnified party shall deliver a Claim Notice with reasonable promptness to the indemnifying party. If the indemnified party fails to provide the Claim Notice with reasonable promptness after the indemnified party receives notice of such Third Party Claim, the indemnifying party will not be obligated to indemnify the indemnified party with respect to such Third Party Claim to the extent that the indemnifying party's ability to defend has been irreparably prejudiced by such failure of the indemnified party. The indemnifying party will notify the indemnified party as soon as practicable within the Dispute Period whether the indemnifying party disputes its liability to the indemnified party under this Article X and whether the indemnifying party desires, at its sole cost and expense, to defend the indemnified party against such Third Party Claim.

(i) If the indemnifying party notifies the indemnified party within the Dispute Period that the indemnifying party desires to defend the indemnified party with respect to the Third Party Claim pursuant to this Section 10.04(a), then the indemnifying party will have the right to defend, with counsel reasonably satisfactory to the indemnified party, at the sole cost and expense of the indemnifying party, such Third Party Claim by all appropriate proceedings, which proceedings will be vigorously and diligently prosecuted by the indemnifying party to a final conclusion or will be settled at the discretion of the indemnifying party (but only with the consent of the indemnified party in the case of any settlement that provides for any relief other than the payment of monetary damages or that provides for the payment of monetary damages as to which the indemnified party will not be indemnified in full pursuant to this Article X). The indemnifying party will have full control of such defense and proceedings, including any compromise or settlement thereof; provided, however, that the indemnified party may, at the sole cost and expense of the indemnified party, at any time prior to the indemnifying party's delivery of the notice referred to in the first sentence of this clause (i), file any motion, answer or other pleadings or take any other action that the indemnified party reasonably believes to be necessary or appropriate to protect its interests; and provided further, that if requested by the indemnifying party, the indemnified party will, at the sole cost and expense of the indemnifying party, provide reasonable cooperation to the indemnifying party in contesting any Third Party Claim that the indemnifying party elects to contest. The indemnified party may participate in, but not control, any defense or settlement of any Third Party Claim controlled by the indemnifying party pursuant to this clause (i), and except as provided in the preceding sentence, the indemnified party will bear its own costs and expenses with respect to such participation. Notwithstanding the foregoing, the indemnified party may take over the control of the defense or settlement of a Third Party Claim at any time if it irrevocably waives its right to indemnity under this Article X with respect to such Third Party Claim.

(ii) If the indemnifying party fails to notify the indemnified party within the Dispute Period that the indemnifying party desires to defend the Third Party Claim pursuant to Section 10.04(a), or if the indemnifying party gives such notice but fails to prosecute vigorously and diligently or settle the Third Party Claim, or if the indemnifying party fails to give any notice

whatsoever within the Dispute Period, then the indemnified party will have the right to defend, at the sole cost and expense of the indemnifying party, the Third Party Claim by all appropriate proceedings, which proceedings will be prosecuted by the indemnified party in a reasonable manner and in good faith or will be settled at the discretion of the indemnified party. The indemnified party will have full control of such defense and proceedings, including any compromise or settlement thereof; provided, however, that if requested by the indemnified party, the indemnifying party will, at the sole cost and expense of the indemnifying party, provide reasonable cooperation to the indemnified party and its counsel in contesting any Third Party Claim which the indemnified party is contesting. Notwithstanding the foregoing provisions of this clause (ii), if the indemnifying party has notified the indemnified party within the Dispute Period that the indemnifying party disputes its liability hereunder to the indemnified party with respect to such Third Party Claim and if such dispute is resolved in favor of the indemnifying party in the manner provided in clause (iii) below, the indemnifying party will not be required to bear the costs and expenses of the indemnified party's defense pursuant to this clause (ii) or of the indemnifying party's participation therein at the indemnified party's request, and the indemnified party will reimburse the indemnifying party in full for all reasonable costs and expenses incurred by the indemnifying party in connection with such litigation. The indemnifying party may participate in, but not control, any defense or settlement controlled by the indemnified party pursuant to this clause (ii), and the indemnifying party will bear its own costs and expenses with respect to such participation.

(iii) If the indemnifying party notifies the indemnified party that it does not dispute its liability to the indemnified party with respect to the Third Party Claim under Article X or fails to notify the indemnified party within the Dispute Period whether the indemnifying party disputes its liability to the indemnified party with respect to such Third Party Claim, the Loss in the amount specified in the Claim Notice will be conclusively deemed a liability of the indemnifying party under this Article X and the indemnifying party shall pay the amount of such Loss to the indemnified party on demand. If the indemnifying party has timely disputed its liability with respect to such claim, the indemnifying party and the indemnified party will proceed in good faith to negotiate a resolution of such dispute, and if not resolved through negotiations within the Resolution Period, such dispute shall be resolved by litigation in a court of competent jurisdiction.

(b) In the event any indemnified party should have a claim under this Article X against any indemnifying party that does not involve a Third Party Claim, the indemnified party shall deliver an Indemnity Notice with reasonable promptness to the indemnifying party. The failure by any indemnified party to give the Indemnity Notice shall not impair such party's rights hereunder except to the extent that an indemnifying party demonstrates that it has been irreparably prejudiced thereby. If the indemnifying party notifies the indemnified party that it does not dispute the claim described in such Indemnity Notice or fails to notify the indemnified party within the Dispute Period whether the indemnifying party disputes the claim described in such Indemnity Notice, the Loss in the amount specified in the Indemnity Notice will be conclusively deemed a liability of the indemnifying party under this Article X and the indemnifying party shall pay the amount of such Loss to the indemnified party on demand. If the indemnifying party has timely disputed its liability with respect to such claim, the indemnifying party and the indemnified party will proceed in good faith to negotiate a resolution of such dispute, and if not resolved through negotiations within the Resolution Period, such dispute shall be resolved by litigation in a court of competent jurisdiction.

(c) In the event of any Loss resulting from a misrepresentation, breach of warranty or nonfulfillment or failure to be performed of any covenant or agreement contained in this Agreement as to which an indemnified party would be entitled to claim indemnity under Section 10.02 but for the provisions of paragraph (c) thereof, such indemnified party may nevertheless deliver a written notice to the indemnifying party containing the information that would be required in a Claim Notice or an Indemnity Notice, as applicable, with respect to such Loss. If the indemnifying party notifies the indemnified party that it does not dispute the claim described therein or fails to notify the indemnified party within the Dispute Period whether the indemnifying party disputes the claim described in such Claim Notice or Indemnity Notice, as the case may be, the Loss specified in the notice will be conclusively deemed to have been incurred by the indemnified party for purposes of making the determination set forth in paragraph (c) of Section 10.02. If the indemnifying party has timely disputed the claim described in such Claim Notice or Indemnity Notice, as the case may be, the indemnifying party and the indemnified party will proceed in good faith to negotiate a resolution of such dispute, and if not resolved through negotiations within the Resolution Period, such dispute shall be resolved by litigation in a court of competent jurisdiction.

SECTION 10.05 TAX INDEMNIFICATION.

(a) CCA agrees to indemnify, defend and hold harmless API 2, its affiliates (including API) and the successors to the foregoing (and their respective shareholders, officers, directors, employees and agents) against (A) all Taxes imposed on API or asserted against the properties, income or operations of API for any taxable period of API ending on or prior to the Closing Date including the pre-Closing portion of any Straddle Period; (B) the Taxes described in Section 8.01 relating to the election under Code Section 338(h)(10); (C) Taxes of another Person claimed from API as a result of API being included prior to the Closing Date in a combined, consolidated or unitary tax group under Treasury Regulations Section 1.1502-6 (or any similar provision of state, local or foreign Law) or, as a transferee or successor, by contract or otherwise; and (D) being treated as a member of a group, or having been controlled by any Person for United Kingdom Tax purposes.

(b) Each of CCA and API 2 shall notify the other party in writing within thirty (30) calendar days of receipt of written notice of any pending or threatened Tax examination, audit or other administrative or judicial proceeding (a "TAX CONTEST") that could reasonably be expected to result in an indemnification obligation under this Section 10.05 of such other party pursuant to this Section 10.05. If the recipient of such notice of a Tax Contest fails to provide such notice to the other party, it shall not be entitled to indemnification for any Taxes arising in connection with such Tax Contest, but only to the extent, if any, that such failure or delay shall have adversely affected the indemnifying party's ability to defend against, settle, or satisfy any action, suit or proceeding against it, or any damage, loss, claim or demand for which the indemnified party is entitled to indemnification hereunder. If a Tax Contest relates to any pre-Closing period or to any Taxes for which CCA is liable in full hereunder, CCA shall at its expense control the defense and settlement of such Tax Contest. If such Tax Contest relates to any post-Closing period, API 2 shall at its own expense control the defense and settlement of such Tax Contest. Notwithstanding the foregoing CCA shall not agree to any settlement concerning Taxes for a pre-Closing period which may adversely impact API 2, API or its Subsidiaries for a post-Closing period or the Tax attributes

of API or its Subsidiaries without the prior written consent of API 2, which consent shall not be unreasonably conditioned or withheld. The party not in control of the defense shall have the right to be kept fully informed of any material developments and receive copies of all correspondence and shall have the right to observe the conduct of any Tax Contest (through attendance at meetings) at its own expense, including through its own counsel and other professional experts. API 2 and CCA shall jointly represent and control API in any Tax Contest relating to a Straddle Period, and fees and expenses related to such representation shall be paid equally by API 2 and CCA.

(c) In the event that a dispute arises between CCA and API 2 as to the amount of Taxes or indemnification or any matter relating to Taxes attributable to API, the parties shall attempt in good faith to resolve such dispute, and any agreed upon amount shall be paid to the appropriate party. If such dispute is not resolved thirty (30) calendar days thereafter, the parties shall submit the dispute to an independent accounting firm mutually chosen by API 2 and CCA for resolution, which resolution shall be final, conclusive and binding on the parties. Notwithstanding anything in the Agreement to the contrary, the fees and expenses of the independent account firm in resolving this dispute shall be borne equally by CCA and API 2.

(d) This Section 10.05 shall survive until three months after the expiration of the statute of limitations with respect to the applicable Tax (including all periods of extension, whether automatic or permissive).

SECTION 10.06 PLAN INDEMNIFICATION. On and after the Closing, API and API 2 shall not be liable for, or assume, and, CCA and any Affiliate thereof expressly agree to remain liable for, and to indemnify, defend and hold harmless ANTS and API 2 and each of their respective directors, officers, employees, agents and Affiliates in respect of, and from and against all liabilities and Losses relating or pertaining to any Company Plan, or otherwise pertaining to the employment or other services of any present or former employees or independent contractors of API.

SECTION 10.07 ADDITIONAL TAX INDEMNIFICATION MATTERS. The indemnity contained in Section 10.05(a) shall not apply:

(a) to any liability for Tax to the extent that the Tax giving rise to the same has been paid by CCA;

(b) to any liability for Tax to the extent that the same shall have arisen by reason of any act, omission or transaction of API and/or ANTS or API 2 after the Closing otherwise than by reason of the Section 338(h)(10) Election or in the ordinary course of the business of API conducted at the time of Closing or as otherwise described herein;

(c) to any liability for Tax to the extent that the same would not have arisen or is increased as a result of any failure by API, ANTS or API 2 to comply with their respective obligations under this Agreement;

(d) to any liability for Tax to the extent that it would not have arisen but for the passing of or any change in, after the date of this Agreement, any Law or Order or an increase in the

rate of Tax or any imposition of Tax not actually or prospectively in force at the date of this Agreement;

(e) to any liability for Tax to the extent that the liability giving rise to the claim for the Tax in question results in a current reduction in Tax;

(f) to the extent that any amount otherwise subject to the covenant contained in Section 10.05(a) has been recovered under this Agreement.

SECTION 10.08 LIMITATION ON TAX LIABILITY. Notwithstanding any other provisions of this Agreement, CCA shall not be liable for any liability for Tax under this Agreement where the total liability for the Tax in question would (but for this Section) have been less than (pound)25,000 in the aggregate.

ARTICLE XI
MISCELLANEOUS

SECTION 11.01 STATEMENTS AS REPRESENTATIONS. All statements contained in any certificate, schedule, list, document or other writing delivered by a party pursuant hereto or in connection with the transactions contemplated hereby shall be deemed representations and warranties of such party for all purposes of this Agreement.

SECTION 11.02 REMEDIES CUMULATIVE. The remedies provided herein shall be cumulative and shall not preclude the assertion by any party hereto of any other rights or the seeking of any other remedies against the other party hereto.

SECTION 11.03 EXPENSES. Each party hereto shall be responsible for all of its own legal, accounting, and other advisory costs, fees and expenses incurred in the preparation of this Agreement and the performance of its terms and provisions subject, however, to the following:

(a) If the transactions contemplated by this Agreement do not occur due to the failure to obtain the Stock Transfer Consent or any consent listed on Schedule 2.06, ANTS' and API 2's liability for any costs, fees and expenses described above incurred during the period from January 14, 2001 until the date of termination of this Agreement as the result of the failure to obtain such consents shall not exceed fifty percent (50%) of its total costs, fees and expenses incurred during such period, subject to a monetary cap of (pound)40,000 (including VAT)(the "CAP"). CCA shall be responsible for such costs, fees and expenses of ANTS and API 2 incurred during such period exceeding the Cap and for fifty percent (50%) of the Cap (the "EXCESS COSTS"). ANTS and API 2 shall provide to CCA copies of all bills, statements, invoices and such other supporting documentation reasonably required by CCA to evidence the Excess Costs. CCA shall pay the Excess Costs promptly within fifteen (15) days following receipt of such documentation.

(b) If CCA terminates this Agreement other than pursuant to Sections 5.01(a), (d), (e), (g) or (h) herein or if API 2 terminates this Agreement pursuant to Section 5.01(b) herein, CCA shall be responsible for all of the costs, fees and expenses of ANTS and API 2 described above

(the "TOTAL COSTS"). ANTS and API 2 shall provide to CCA copies of all bills, statements and invoices and such other supporting documentation reasonably required by CCA to evidence the Total Costs. CCA shall pay the Total Costs promptly within thirty (30) days following its receipt of such documentation.

SECTION 11.04 NOTICES. Any notice, request, demand, instruction or other communication hereunder shall be in writing and shall be either (a) delivered in person, (b) sent by certified mail, return receipt requested, (c) delivered by a nationally recognized delivery service, or (d) sent by facsimile transmission, and addressed as follows:

IF TO CCA TO:
Corrections Corporation of America
10 Burton Hills Boulevard
Nashville, Tennessee 37215
Telephone: (615) 263-3002
Facsimile: (615) 263-3010
Attention: John D. Ferguson, President and Chief Executive Officer

WITH A COPY TO:
Stokes Bartholomew Evans & Petree, P.A.
424 Church Street, Suite 2800
Nashville, Tennessee 37219
Telephone: (615) 259-1450
Facsimile: (615) 259-1470
Attention: Elizabeth E. Moore, Esq.

IF TO API 2 TO:
c/o Abbey National Treasury Services PLC
26-28 Dorset Square
London NW1 6QG
Telephone: 44 207 612 4000
Facsimile: 44 207 487 0543
Attention: W. R. Doughty, Deputy Head of Project Finance

WITH A COPY TO:
Clifford Chance Rogers & Wells LLP
200 Park Avenue
New York, New York 10166-0153
Telephone: (212) 878-8000
Facsimile: (212) 878-8375
Attention: Bonnie A. Barsamian, Esq.

and

Clifford Chance LLP
200 Aldersgate Street
London EC1A 4JJ, England
Telephone: 44 207 600 1000
Facsimile: 44 207 600 5555
Attention: David Bickerton, Esq.

or at such other address, and to the attention of such other person, as the parties shall give notice as herein provided. A notice, request, demand, instruction and other communication shall be deemed to be duly received: (a) if delivered in person or by a nationally recognized delivery service, on the date when delivered to the address of the recipient; (b) if sent by mail, on the date of receipt by the recipient as shown on the return receipt card; or (c) if sent by facsimile, upon receipt by the sender of an acknowledgment or transmission report generated by the machine from which the facsimile was sent indicating that the facsimile was sent in its entirety to the recipient's facsimile number; provided that if a notice, request, demand, instruction or other communication is served by hand or is received by facsimile on a day which is not a Business Day, as hereinafter defined, or after 5:00 P.M. at the addressee's location on any Business Day, such notice or communication shall be deemed to be duly received by the recipient at 9:00 A.M. at the addressee's location on the first Business Day thereafter.

SECTION 11.05 DEFINITIONS.

(a) "ACTIONS OR PROCEEDINGS" has the meaning assigned to it in Section 2.14.

(b) "AFFILIATE" means any Person that directly, or indirectly through one of more intermediaries, controls or is controlled by or is under common control with the Person specified. For purposes of this definition, control of a Person means the power, direct or indirect, to direct or cause the direction of the management and policies of such Person whether by Contract or otherwise and, in any event and without limitation of the previous sentence, any Person owning ten percent (10%) or more of the voting securities of a second Person shall be deemed to control that second Person.

(c) "AFFILIATED GROUP" shall mean any affiliated group within the meaning of Code Section 1504 (or any similar group defined under a similar provision of state, Federal or foreign law).

(d) "AGECROFT AGREEMENTS" means (i) the Direct Agreement dated July 6, 1998, between API, H.M. Principal Secretary of State for the Home Department (the "AUTHORITY"), Agecroft Prison Management Limited, a company incorporated in England and Wales ("APM"), Corrections Corporation of America, a Tennessee corporation ("OLD CCA") and predecessor in interest to CCA, and CCA Prison Realty Trust, a Maryland real estate investment trust ("CCA TRUST") and predecessor in interest to CCA (the "DIRECT AGREEMENT"), (ii) the Sub-Lease of Agecroft Prison, Agecroft Road, Pendlebury, Salford, Greater Manchester, dated July 6, 1998,

between API and APM (the "SUB-LEASE"), (iii) the Access Agreement, dated January 20, 2000, among APM, API and CCA Trust (the "ACCESS AGREEMENT"), (iv) the Development Agreement, dated July 6, 1998, between API and APM (the "DEVELOPMENT AGREEMENT"),(v) the Refinancing Agreement, dated July 6, 1998, between APM, Old CCA, CCA Trust and API (the "REFINANCING AGREEMENT"), (vi) the Construction Direct Agreement, dated July 6, 1998, between APM, Tilbury Douglas Construction Limited ("TILBURY"), API and Tilbury Douglas plc ("TILBURY PARENT") (the "CONSTRUCTION DIRECT AGREEMENT"), (vii) the Construction Contract, dated July 6, 1998, between API and Tilbury, (viii) the Parent Guarantee, dated July 6, 1998, between API and Tilbury Parent, (ix) the Performance Bond, dated July 6, 1998, between API, Tilbury and St. Paul International Insurance Company Limited ("ST. PAUL"), (x) the Retention Bond, dated July 6, 1998, between API, Tilbury and St. Paul, and (xi) the Appointment of Planning Supervisor, dated July 6, 1998, between API and Ove Arup & Partners.

(e) "AGREEMENT" has the meaning assigned to it in the introductory paragraph hereto.

(f) "AMC" has the meaning assigned to it in Section 11.18.

(g) "ANTS" has the meaning assigned to it in the introductory paragraph hereto.

(h) "API" has the meaning assigned to it in the recitals hereto.

(i) "API 2" has the meaning assigned to it in the introductory paragraph hereto.

(j) "API FINANCIAL STATEMENTS" has the meaning assigned to it in Section 2.08(a).

(k) "APM" has the meaning assigned to it in Section 11.05(d).

(l) "ASSETS AND PROPERTIES" of any Person means all assets and properties of every kind, nature, character and description (whether real, personal or mixed, whether tangible or intangible, whether absolute, accrued, contingent, fixed or otherwise and wherever situated), including the goodwill related thereto, operated, owned or leased by such Person, including without limitation cash, cash equivalents, Investment Assets, accounts and notes receivable, chattel paper, documents, instruments, general intangibles, real estate, equipment, inventory, goods and intellectual property.

(m) "ASSOCIATE" means, with respect to any Person, any corporation or other business organization of which such Person is an officer or partner or is the beneficial owner, directly or indirectly, of ten percent (10%) or more of any class of equity securities, any trust or estate in which such Person has a beneficial interest or as to which such Person serves as a trustee or in a similar capacity and any relative or spouse of such Person, or any relative of such spouse, who has the same home as such Person.

(n) "AUTHORITY" has the meaning assigned to it in Section 11.05(d).

(o) "BOOKS AND RECORDS" means all files, documents, instruments, papers, books and records relating to the business or condition of API, including without limitation financial statements, Tax Returns and related work papers and letters from accountants, budgets, pricing guidelines, ledgers, journals, deeds, title policies, minute books, stock certificates and books, stock transfer ledgers, Contracts, Licenses, customer lists, computer files and programs, retrieval programs, operating data and plans and environmental studies and plans.

(p) "BUSINESS COMBINATION" means with respect to any Person any merger, consolidation or combination to which such Person is a party, any sale, dividend, split or other disposition of capital stock or other equity interests of such Person or any sale, dividend or other disposition of all or substantially all of the Assets and Properties of such Person.

(q) "BUSINESS DAY" shall mean any calendar day other than a Saturday, Sunday or legal holiday at the addressee's location.

(r) "CAP" has the meaning assigned to it in Section 11.03(a).

(s) "CCA" has the meaning assigned to it in the introductory paragraph hereto.

(t) "CCA FINANCIAL STATEMENTS" has the meaning assigned to it in Section 2.07(b).

(u) "CCA SEC REPORTS" has the meaning assigned to it in Section 2.07(a).

(v) "CCA TRUST" has the meaning assigned to it in Section 11.05(d).

(w) "CERCLA" means the Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended, and the rules and regulations promulgated thereunder.

(x) "CERTIFICATE" has the meaning assigned to it in Section 1.01.

(y) "CLAIM NOTICE" shall mean written notification of a Third Party Claim as to which indemnity under Section 10.02 is sought by an indemnified party, enclosing a copy of all papers served, if any, and specifying the nature of and basis for such Third Party Claim and for the indemnified party's claim against the indemnifying party under Section 10.02, together with the amount or, if not then reasonably ascertainable, the estimated amount, determined in good faith, of such Third Party Claim.

(z) "CLOSING" has the meaning assigned to it in Section 1.03.

(aa) "CLOSING DATE" has the meaning assigned to it in Section 1.03.

(bb) "CODE" has the meaning assigned to it in Section 2.12(b).

(cc) "COMPANY PLAN" means a Plan which CCA, API or any ERISA Affiliate, sponsors, maintains, has any obligation to contribute to, has liability under or is otherwise a party to, or which otherwise provides benefits for employees, former employees, independent contractors or former independent contractors (or their dependents and beneficiaries) of CCA or API existing on the date of this Agreement or at any time subsequent thereto and on or prior to the Closing and, in the case of a Plan which is subject to Part 3 of Subtitle B of Title I of ERISA, Section 412 of the Code or Title IV of ERISA, at any time during the five-year period preceding the date of this Agreement.

(dd) "CONTRACT" means any agreement, understanding, lease, mortgage, indenture, note, bond, loan, instrument, security agreement, license, commitment or other contract (whether written or oral).

(ee) "CORPORATE RECORDS" has the meaning assigned to it in Section 2.18.

(ff) "CREDIT AGREEMENT DOCUMENTS" means the Amended and Restated Credit Agreement, dated as of August 4, 1999, among CCA, certain Subsidiaries, several lenders thereunder, Lehman, as administrative agent, and various other parties, as amended by that certain Waiver and Amendment, dated as of June 9, 2000, that certain Limited Waiver and Consent, dated as of September 15, 2000, that certain Consent and Amendment, dated as of November 17, 2000 and that certain Amendment, dated as of March 13, 2001 (as amended to the Closing Date, and together with the various debt instruments and all waivers and other documents issued thereunder).

(gg) "DCMF AGREEMENT" shall mean the Contract for the Design, Construction, Management and Financing of a Custodial Service at Agecroft, Salford, dated July 6, 1998, between the Authority and APM.

(hh) "DEED OF NOVATION" shall mean the Deed of Novation to be entered into as of the Closing Date, between the Authority, APM, API, CCA, ANTS and API 2.

(ii) "DIRECT AGREEMENT" has the meaning assigned to it in Section 11.05(d).

(jj) "DISPUTE PERIOD" means the period ending thirty (30) calendar days following receipt by an indemnifying party of either a Claim Notice or an Indemnity Notice.

(kk) "ENVIRONMENTAL LAW" means any Law relating to human health, safety or protection of the environment or to emissions, discharges, releases or threatened releases of pollutants, contaminants or Hazardous Materials in the environment (including, without limitation, ambient air, surface water, ground water, land surface or subsurface strata), or otherwise relating to the treatment, storage, disposal, transport or handling of any Hazardous Material.

(ll) "ERISA" means the Employee Retirement Income Security Act of 1974, as amended and the rules and regulations promulgated thereunder.

(mm) "ERISA AFFILIATE" means an entity required to be aggregated with API under Sections 414(b), (c), (m) or (o) of the Code or Section 4001 of ERISA.

(nn) "ESTIMATED TAXES DUE" has the meaning assigned to it in Section 8.02(b).

(oo) "EXCESS COSTS" has the meaning assigned to it in Section 11.03(a).

(pp) "EXCHANGE ACT" has the meaning assigned to it in Section 2.07(a).

(qq) "GAAP" has the meaning assigned to it in Section 2.07(b).

(rr) "GOVERNMENTAL AUTHORITY" means any court, tribunal, arbitrator, authority, agency, commission, official or other instrumentality or any other self regulatory organization of the United States, any foreign country or any state, county, city or other political subdivision of the United States or any foreign country.

(ss) "GOVERNMENTAL CONTRACT" means any contract with any Governmental Authority.

(tt) "HAZARDOUS MATERIAL" means (A) any petroleum or petroleum products, radioactive materials, asbestos in any form that is or could become friable, urea formaldehyde foam insulation and transformers or other equipment that contain dielectric fluid containing levels of polychlorinated biphenyls (PCBs); (B) any chemicals, materials, substances or wastes which are now or hereafter become defined as or included in the definition of "hazardous substances," "hazardous wastes," "hazardous materials," "extremely hazardous wastes," "restricted hazardous wastes," "toxic substances," "toxic pollutants," "medical wastes," "solid wastes" or words of similar import, under any Environmental Law; and (C) any other natural or artificial chemical, material, substance, organism or waste, exposure to which is now or hereafter prohibited, limited or regulated by any Governmental Authority or proves to be harmful to the environment or a living organism or which is prohibited or restricted under Environmental Law.

(uu) "HSR ACT" has the meaning assigned to it in Section 2.06.

(vv) "INDEBTEDNESS" of any Person means all obligations of such Person (i) for borrowed money, (ii) evidenced by notes, bonds, debentures or similar instruments, (iii) for the deferred purchase price of goods or services (other than trade payables or accruals incurred in the ordinary course of business), (iv) under capital leases and (v) in the nature of guarantees of the obligations described in clauses (i) through (iv) above of any other Person.

(ww) "INDEMNITY NOTICE" shall mean written notice of a claim for indemnity under Article X by an indemnified party, specifying the nature of and basis for such claim, together with the amount or, if not then reasonably ascertainable, the estimated amount, determined in good faith, of such claim.

(xx) "INDICATIVE PROPOSAL" has the meaning assigned to it in Section 11.09.

(yy) "INVESTMENT ASSET" means all debentures, notes and other evidences of Indebtedness, stocks, securities (including rights to purchase and securities convertible into or exchangeable for other securities), interests in joint ventures and general and limited partnerships, mortgage loans and other investment or portfolio assets owned of record or beneficially by API.

(zz) "KNOWLEDGE OF CCA," "KNOWN TO CCA," "KNOWLEDGE OF ANTS AND/OR API 2," or "KNOWN TO ANTS AND/OR API 2" or other words of similar meaning shall be limited to the actual knowledge of the President or Chief Financial Officer of CCA, or the Chief Executive or Company Secretary of ANTS or API 2, as the case may be, without any obligation on the part of any such officer of any such party to undertake any inquiry or investigation.

(aaa) "LATEST BALANCE SHEET" has the meaning assigned to it in Section 2.08(a).

(bbb) "LATEST INCOME STATEMENT" has the meaning assigned to it in Section 2.08(a).

(ccc) "LAWS" means all laws, statutes, rules, regulations, orders and other governmental requirements and pronouncements having the effect of law of the United States of America, any foreign country or any domestic or foreign state, county, city or other political subdivision or of any Governmental Authority.

(ddd) "LEASE" shall mean the Lease of Agecroft Prison, Agecroft Road, Pendlebury, Salford, Greater Manchester, dated July 6, 1998, among the Authority, UK Detention Services Limited, a company incorporated in England and Wales ("UKDS") and APM.

(eee) "LEHMAN" means Lehman Commercial Paper Inc., as administrative agent under the Credit Agreement Documents.

(fff) "LIABILITIES" means all Indebtedness, obligations and other liabilities of a Person (whether absolute, accrued, contingent, fixed or otherwise, or whether due or to become due).

(ggg) "LICENSES" means all licenses, permits, certificates of authority, authorizations, approvals, registrations, franchises and similar consents granted or issued by any Governmental Authority or Person.

(hhh) "LIEN" means any lien, pledge, hypothecation, encumbrance, mortgage, charge, security interest, claim, lease, option, right of first refusal, easement, exception, reservation, transfer restriction under any shareholder or similar agreement, conditional sale or title retention Contract, or any Contract to give any of the foregoing.

(iii) "LOSS" means any and all damages, fines, fees, penalties, deficiencies, losses and expenses (including without limitation interest, court costs, reasonable fees of attorneys, accountants and other experts or other reasonable expenses of litigation or other proceedings or of any claim, default or assessment).

(jjj) "MATERIAL ADVERSE EFFECT" shall mean any change, effect, event, circumstance or occurrence that, individually or in the aggregate, has or causes or is reasonably likely to have or cause (i) an adverse effect on the validity or enforceability of, or on the ability of CCA or API to perform their respective obligations under, this Agreement or any of the Agecroft Agreements, or, to the knowledge of CCA, an adverse effect on the ability of any Person to perform its obligations under any of the Agecroft Agreements, the DCMF Agreement, the Lease or the O&M Contract, or (ii) a material adverse effect on the Assets and Properties, business, operations, financial position or results of operations, prospects or condition (financial or otherwise) of API.

(kkk) "MATERIAL CONTRACT" has the meaning assigned to it in Section 2.13(a).

(lll) "MDP PURCHASE AGREEMENT" means the Note Purchase Agreement, dated as of December 31, 1998, between MDP Ventures IV LLC, a New York limited liability company, and CCA (as amended or replaced to the Closing Date) pursuant to which the MDP Subordinated Notes were issued.

(mmm) "MDP SUBORDINATED NOTES" refers to all 9.5% Convertible Subordinated Notes (as amended or replaced to the Closing Date, and together with all other instruments issued in replacement of any of them) issued under the MDP Purchase Agreement.

(nnn) "NOTE" has the meaning assigned to it in Section 2.05(b).

(ooo) "OLD CCA" has the meaning assigned to it in Section 11.05(d).

(ppp) "O&M CONTRACT" shall mean the Operation and Management Contract, dated July 6, 1998, between APM and UKDS, as amended.

(qqq) "OPTION" with respect to any Person means any security, right, subscription, warrant, option, "phantom" stock right, preemptive right or other Contract that gives the right to (i) purchase or otherwise receive or be issued any shares of capital stock of such Person or any security of any kind convertible into or exchangeable or exercisable for any shares of capital stock of such Person or (ii) receive any benefits or rights similar to any rights enjoyed by or accruing to the holder of shares of capital stock of such Person, including any rights to participate in the equity, income or election of directors or officers of such Person.

(rrr) "ORDER" means any writ, judgment, decree, award, injunction or similar order of any Governmental Authority (in each such case whether preliminary or final).

(sss) "PBGC" means the Pension Benefit Guaranty Corporation.

(ttt) "PERMIT" has the meaning assigned to it in Section 2.06.

(uuu) "PERMITTED LIEN" means (i) any Lien for Taxes not yet due or delinquent or being contested in good faith by appropriate proceedings, (ii) any statutory Lien arising in the

ordinary course of business or by operation of Law; including, but not limited to, overriding interests (as defined in UK Section 70(1) of the Land Registration Act of 1925), and (iii) any minor imperfection of title or similar lien or encumbrance which individually or in the aggregate with other such imperfections of title, Liens or encumbrances could not reasonably be expected to have a Material Adverse Effect.

(vvv) "PERSON" shall mean an individual, a corporation, a company, a partnership, a joint venture, an association, a joint stock company, a trust (including any beneficiary thereof), an incorporated or unincorporated organization or a government or any agency or political subdivision thereof or any other entity.

(www) "PLAN" means any employment, bonus, incentive compensation, deferred compensation, pension, profit sharing, retirement, stock purchase, stock option, stock ownership, stock appreciation rights, phantom stock, equity (or equity-based), leave of absence, layoff, vacation, day or dependent care, legal services, cafeteria, life, health, medical, accident, disability, workmen's compensation or other insurance, severance, separation, termination, change of control or other benefit plan, agreement (including any collective bargaining agreement), practice, policy or arrangement of any kind, whether written or oral, and whether or not subject to ERISA, including, but not limited to any "employee benefit plan" within the meaning of Section 3(3) of ERISA.

(xxx) "PMI PURCHASE AGREEMENT" means the Note Purchase Agreement, dated as of December 31, 1998 (as amended or replaced to the Closing Date), between PMI Mezzanine Fund, L.P., a Delaware limited partnership, and CCA, pursuant to which the PMI Subordinated Notes were issued.

(yyy) "PMI SUBORDINATED NOTES" refers to all 7.5% Convertible Subordinated Notes (as amended or replaced to the Closing Date, and together with all other instruments issued in replacement of any of them) issued under the PMI Purchase Agreement.

(zzz) "PROJECT" has the meaning assigned to it in the recitals hereto.

(aaaa) "PURCHASE PRICE" has the meaning assigned to it in Section 1.02.

(bbbb) "RELIEF" means any allowance, credit, exemption, deduction or relief from or in computing Tax or any right to the repayment of Tax.

(cccc) "REPRESENTATIVES" has the meaning assigned to it in Section 4.04.

(dddd) "RESOLUTION PERIOD" shall mean the period ending forty-five (45) calendar days following receipt by an indemnified party of a Dispute Notice.

(eeee) "RETENTION AMOUNT" has the meaning assigned to it in Section 11.18.

(ffff) "SEC" has the meaning assigned to it in Section 2.07(a).

(gggg) "SECTION 338(H)(10) ELECTION" has the meaning assigned to it in Section 8.01(a).

(hhhh) "SECURITIES ACT" has the meaning assigned to it in Section 2.07(a).

(iiii) "SELECTED ACCOUNTING FIRM" has the meaning assigned to it in Section 8.01(c).

(jjjj) "SHARES" has the meaning assigned to it in the recitals hereto.

(kkkk) "STAMP DUTY" has the meaning assigned to it in Section 11.18.

(llll) "STOCK TRANSFER CONSENT" means the consent of the Authority to the transfer of the Shares by CCA to API 2 pursuant to the terms and conditions of Section 21 of the Direct Agreement.

(mmmm) "STRADDLE PERIOD" has the meaning assigned to it in Section 8.02(b).

(nnnn) "SUBORDINATED NOTE DOCUMENTS" refers, collectively, to the Subordinated Notes, the MDP Purchase Agreement and the PMI Purchase Agreement.

(oooo) "SUBORDINATED NOTES" refers, collectively, to the PMI Subordinated Notes and the MDP Subordinated Notes.

(pppp) "SUBSIDIARY" means any Person in which CCA, API, ANTS or API 2, as the case may be, directly or indirectly through one or more Subsidiaries or otherwise, beneficially owns more than fifty percent (50%) of either the equity interests or the voting control.

(qqqq) "TAX" has the meaning assigned to it in Section 2.12(b).

(rrrr) "TAX CONTEST" has the meaning assigned to it in Section 10.05(b).

(ssss) "TAX RETURNS" has the meaning assigned to it in Section 2.12(a).

(tttt) "THIRD PARTY CLAIM" has the meaning assigned to it in Section 10.04(a).

(uuuu) "TITLE IV PLAN" means any Company Plan that is or has ever been subject to Section 412 of the Code, Part 3 of Subtitle B of Title I of ERISA or Title IV of ERISA.

(vvvv) "TOTAL COSTS" has the meaning assigned to it in Section 11.03(b).

(wwww) "TREASURY REGULATIONS" has the meaning assigned to it in Section 8.01(a).

(xxxx) "UKDS" has the meaning assigned to it in Section 11.05(ddd).

(yyyy) "VATA" has the meaning assigned to it in Section 2.12(m).

(zzzz) "12% NOTES" means the 12% Senior Notes Due 2006 (as amended or replaced to the Closing Date).

(aaaaa) "12% NOTE DOCUMENTS" means, collectively, the 12% Notes, the 12% Note Indenture and the 12% Note Supplemental Indenture.

(bbbbb) "12% NOTE INDENTURE" means the Indenture, dated as of June 10, 1999, by CCA to State Street Bank and Trust Company as Trustee ("STATE STREET") (as amended or replaced to the Closing Date) pursuant to which the 12% Notes were issued.

(ccccc) "12% NOTE SUPPLEMENTAL INDENTURE" means the First Supplemental Indenture, dated as of June 11, 1999, by CCA to State Street (as amended or replaced to the Closing Date) pursuant to which the 12%Notes were issued.

(ddddd) "1940 ACT" has the meaning assigned to it in Section 2.19.

SECTION 11.06 FURTHER ASSURANCES. Each party hereto agrees to perform any further acts and to execute and deliver any documents which may be reasonably necessary to carry out the provisions of this Agreement.

SECTION 11.07 GOVERNING LAW. All questions with respect to this Agreement and the rights and liabilities of the parties shall be governed by and construed in accordance with the laws of the State of Tennessee, without regard to principles of conflicts of law, and, where applicable, the laws of the United States of America.

SECTION 11.08 CAPTIONS. The captions or headings in this Agreement are intended solely for convenience of reference and shall be given no effect in the construction or interpretation of this Agreement.

SECTION 11.09 ENTIRE AGREEMENT; AMENDMENT. This Agreement, including the exhibits, Schedules, lists and other documents and writings referred to herein or delivered pursuant hereto, which form a part hereof, contains the entire understanding of the parties with respect to its subject matter, and it is understood and agreed by the parties that this Agreement supersedes all previous undertakings, negotiations and agreements between the parties with regard to its subject matter, including, but not limited to, the Indicative Proposal from ANTS dated December 22, 2000, and accepted by CCA on December 29, 2000 (the "INDICATIVE PROPOSAL"). There are no restrictions, agreements, promises, warranties, covenants or undertakings other than those expressly set forth herein or therein. This Agreement may be amended only by a written instrument duly executed by all parties hereto or their respective heirs, successors, assigns or legal personal representatives. Any condition to a party's obligations hereunder may be waived, but only by a written instrument signed by the party entitled to the benefits thereof. The failure or delay of any party at any time or times to require performance of any provision or to exercise its rights with respect to any provision hereof,

shall in no manner operate as a waiver of or affect such party's right at a later time to enforce the same.

SECTION 11.10 COUNTERPARTS. This Agreement may be executed simultaneously in one or more counterparts, each of which will be deemed an original, but all of which together will constitute one and the same instrument.

SECTION 11.11 SEVERABILITY. The invalidity, illegality or unenforceability of any particular provision of this Agreement shall not affect the other provisions hereof, and this Agreement shall be construed in all respects as if such invalid, illegal or unenforceable provision were omitted. Furthermore, in lieu of such invalid, illegal, or unenforceable provision, there shall be added automatically as a part of this Agreement a provision as similar in terms to such illegal, invalid or unenforceable provision as may be possible and as may be valid, legal, and enforceable.

SECTION 11.12 ASSIGNMENT; BINDING EFFECT. Neither this Agreement nor any of the rights, interests or obligations hereunder shall be assigned by either of the parties hereto (whether by operation of law or otherwise) without the prior written consent of the other party; provided, however that API 2 may assign this agreement to any Affiliate upon written consent of CCA, which will not be unreasonably conditioned or withheld. Subject to the preceding sentence, this Agreement will be binding upon, inure to the benefit of and be enforceable by the parties and their respective successors and assigns.

SECTION 11.13 PARTIES IN INTEREST. Notwithstanding anything contained in this Agreement to the contrary, express or implied, is intended to confer on any person other than the parties hereto or their respective permitted assigns any rights, remedies, obligations or liabilities under or by reason of this Agreement. Such provisions may be enforced directly by the beneficiaries thereof.

SECTION 11.14 WAIVERS STRICTLY CONSTRUED. With regard to any power, remedy, or right provided herein or otherwise available to either party hereunder: (i) no waiver or extension of time will be effective unless expressly contained in a writing signed by the waiving party; and (ii) no alteration, modification, or impairment will be implied by reason of any previous waiver, extension of time, delay, omission in exercise, or other indulgence.

SECTION 11.15 TRANSFER TAXES. API 2 shall be responsible for the filing of Tax Returns (including any documentation) with respect to all transfer, documentation, sales, use, stamp, registration, and similar Taxes imposed on API 2 as the purchaser of the Shares and incurred in connection with this Agreement or any transaction contemplated thereby, provided, however, that CCA shall be responsible for the payment of such Taxes and shall reimburse API 2 for the amount of such Taxes upon evidence of receipt.

SECTION 11.16 CHARACTER OF PAYMENTS. To the extent permitted by applicable law, the parties agree that any indemnification payments (and/or payments or adjustments) made with respect to this Agreement shall be treated for all Tax purposes as an adjustment to the purchase price.

SECTION 11.17 NO THIRD PARTY BENEFICIARY. The terms and provisions of this Agreement are intended solely for the benefit of each party hereto and their respective successors or permitted assigns, and it is not the intention of the parties to confer third-party beneficiary rights upon any other Person other than any Person entitled to indemnity under Article X.

SECTION 11.18 STAMP DUTY. On the Closing Date, the amount of (pound)250,000 of the Purchase Price (the "RETENTION AMOUNT") shall be paid by API 2 to the client account of Ashurst Morris Crisp ("AMC") for CCA for the payment of the stamp duties and any penalty, interest, surcharge and fine in respect thereof (if any) due on the Access Agreement and the Sub-Lease (the "STAMP DUTY"). CCA shall at the same time irrevocably instruct AMC to present the Access Agreement and the Sub-Lease to the Stamp Office for adjudication of such Stamp Duty on behalf of CCA as soon as practicable after the Closing, and, upon receipt by AMC of such adjudication from the Stamp Office, shall irrevocably instruct AMC to pay out of the Retention Amount the amount so adjudicated as the Stamp Duty to the Stamp Office. The balance, if any, of the Retention Amount, including all interest thereon, after payment of the Stamp Duty shall be paid to or on behalf of CCA, as directed by CCA. If the actual amount of Stamp Duty so adjudicated exceeds the Retention Amount, including all interest thereon, then CCA shall pay to AMC the amount of the excess not later than ten (10) days following receipt by CCA of the adjudication, and CCA shall irrevocably instruct AMC to pay the Stamp Duty to the Stamp Office on its behalf out of such monies. CCA shall irrevocably instruct AMC to provide to API 2 evidence of the payment of the Stamp Duty promptly following the payment by AMC on its behalf.

SECTION 11.19 PAYMENT OF VAT RECEIVABLE. On or prior to the Closing Date, CCA shall pay to or for the benefit of API the VAT receivable shown on the Latest Balance Sheet in the amount of (pound)74,141.73, which CCA received from APM for or on behalf of API.

SECTION 11.20 POST-CLOSING MATTERS. The Deed of Novation shall be executed immediately following the Closing and become effective on the Effective Date (as defined in the Deed of Novation) and the executed Access Agreement and the executed Sub-Lease shall be delivered following Closing in accordance with the terms and provisions of Section 11.18 herein.

[Signature page to follow]

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

ABBEY NATIONAL TREASURY SERVICES, PLC

By: /s/ William R. Doughty
Name: William R. Doughty
Title: Authorized Signatory

AGECROFT PROPERTIES (NO. 2) LIMITED

By: /s/ William R. Doughty
Name: William R. Doughty
Title: Authorized Signatory

CORRECTIONS CORPORATION OF AMERICA

By: /s/ Irving E. Lingo, Jr.
Name: Irving E. Lingo, Jr.
Title: Chief Financial Officer

[Schedules intentionally omitted]

EXHIBIT 21

LIST OF SUBSIDIARIES OF CORRECTIONS CORPORATION OF AMERICA
(as of December 31, 2000)

First Tier Subsidiaries:	CCA of Tennessee, Inc., a Tennessee corporation
	JJFMSI Acquisition Sub, Inc., a Tennessee corporation
	PMSI Acquisition Sub, Inc., a Tennessee corporation
	*Agecroft Properties, Inc., a Tennessee corporation
	Prison Realty Management, Inc., a Tennessee corporation
Second Tier Subsidiaries:	Correctional Service Acquisition Sub, Inc., a Tennessee corporation
	CCA (UK) Ltd., a United Kingdom corporation
	Corrections Corporation of Canada, Inc., a Canadian corporation
	CCA International, Inc., a Delaware corporation
	Viccor Investments PTY. LTD., a Victoria (Australia) corporation
	Technical and Business Institutes of America, Inc., a Tennessee corporation
	TransCor Puerto Rico, Inc., a Puerto Rico corporation
	TransCor America, LLC, a Tennessee limited liability company
	Privatized Management Acquisition Sub, Inc., a Tennessee corporation
Third Tier Subsidiaries:	CCA France, a French corporation

- ----------
* Sold by the Company on April 10, 2001.

EXHIBIT 23.1

CONSENT OF INDEPENDENT PUBLIC ACCOUNTANTS

As independent public accountants, we hereby consent to the incorporation of our report dated April 16, 2001 included in this Annual Report on Form 10-K of Corrections Corporation of America (formerly Prison Realty Trust, Inc.), into Corrections Corporation of America's previously filed Registration Statement File Numbers 333-65017, 333-70419, 333-70625, 333-77997, 333-78023, 333-80413 and 333-41778. It should be noted that we have not audited any financial statements of Corrections Corporation of America subsequent to December 31, 2000, or performed any audit procedures subsequent to the date of our report.

ARTHUR ANDERSEN LLP

Nashville, Tennessee
April 16, 2001

EXHIBIT 99.18

Contact: Karin Demler (615) 263-3005

CORRECTIONS CORPORATION OF AMERICA
COMPLETES SALE OF INTEREST IN
AGECROFT PRISON FACILITY LOCATED IN SALFORD, ENGLAND

NASHVILLE, Tenn. - (BUSINESS WIRE) - April 10, 2001 - Corrections Corporation of America (NYSE: CXW - news) announced today that it has completed the sale of its interest in its Agecroft prison facility located in Salford, England to an affiliate of Abbey National Treasury Services, a London-based banking institution. The sale, which was completed through the sale of all of the stock of Agecroft Properties, Inc., a wholly-owned subsidiary of CCA, generated cash proceeds to CCA of approximately $65.7 million, after the payment of certain closing costs and tax withholding, which were used to immediately pay down a like portion of amounts outstanding under CCA's senior credit facility. Under the terms of the senior credit facility, the Agecroft transaction was required to be completed on or before April 30, 2001, the expiration of the applicable grace period under the facility.

"We are pleased to have completed the Agecroft transaction under the terms of our credit facility and pay down an additional portion of our outstanding debt," stated William F. Andrews, chairman of the board of directors of CCA. "This is another important step in CCA's efforts to restructure its indebtedness in a manner that will rationalize our capital structure and allow us to seek more attractive refinancing terms for our permanent debt."

On April 2, 2001, CCA filed for an extension with the U.S. Securities and Exchange Commission (the "Commission") to the filing deadline for its Annual Report on Form 10-K for the year ended December 31, 2000 in connection with its efforts to complete the Agecroft transaction. CCA intends to file the Form 10-K with the Commission as soon as is practicable, but in no event later than April 17, 2001.

ABOUT THE COMPANY

CCA is the world's largest provider of detention and corrections services to governmental agencies, with approximately 61,000 beds in 65 facilities under contract for management in the United States and Puerto Rico. CCA's full range of services includes design, construction, ownership, renovation and management of new or existing jails and prisons, as well as long distance inmate transportation services.

FORWARD-LOOKING STATEMENTS

This press release contains statements that are forward-looking statements as defined within the Private Securities Litigation Reform Act of 1995. These forward-looking statements are subject to risks and uncertainties that could cause actual results to differ materially from the statements made. Factors that could cause actual results to differ are described in CCA's documents filed with the Commission. CCA does not undertake any obligation to publicly release the result of any revisions to forward-looking statements that may be made to reflect events or circumstances after the date hereof or to reflect the occurrence of unanticipated events.