



CORRECTIONS CORPORATION OF AMERICA

**Supplemental Financial Information
For the Quarter Ended March 31, 2006**

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

CORRECTIONS CORPORATION OF AMERICA

Supplemental Financial Information For the Quarter Ended March 31, 2006

TABLE OF CONTENTS

| | |
|--|----|
| Consolidated Balance Sheets..... | 1 |
| Consolidated Statements of Operations | 2 |
| Reconciliation of Basic to Diluted Earnings Per Share..... | 3 |
| Selected Financial Information | 4 |
| Analysis of Outstanding Debt | 7 |
| Selected Operating Ratios..... | 8 |
| Facility Portfolio..... | 9 |
| Diversification of Revenue..... | 15 |
| Research Coverage / Credit Ratings..... | 16 |

John D. Ferguson, President and CEO
Irving E. Lingo, Jr., Chief Financial Officer
10 Burton Hills Boulevard
Nashville, TN 37215
Tel.: (615) 263-3000 Fax: (615) 263-3010

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

1 of 16

| ASSETS | March 31, 2006 | December 31, 2005 | September 30, 2005 | June 30, 2005 | March 31, 2005 |
|---|---------------------------|------------------------------|-------------------------------|--------------------------|---------------------------|
| Cash and cash equivalents | \$ 64,924 | \$ 64,901 | \$ 66,402 | \$ 45,951 | \$ 48,407 |
| Restricted cash | 11,399 | 11,284 | 11,182 | 11,094 | 11,021 |
| Investments | 49,481 | 19,014 | 8,897 | 8,816 | 8,744 |
| Accounts receivable, net of allowance | 167,554 | 176,560 | 173,787 | 173,023 | 150,253 |
| Deferred tax assets | 27,076 | 32,488 | 38,365 | 50,271 | 56,756 |
| Prepaid expenses and other current assets | 9,453 | 15,884 | 18,816 | 26,456 | 18,830 |
| Total current assets | <u>329,887</u> | <u>320,131</u> | <u>317,449</u> | <u>315,611</u> | <u>294,011</u> |
| Property and equipment, net | 1,722,742 | 1,710,794 | 1,691,009 | 1,677,577 | 1,665,162 |
| Investment in direct financing lease | 16,118 | 16,322 | 16,520 | 16,713 | 16,899 |
| Goodwill | 15,246 | 15,246 | 15,425 | 15,425 | 15,425 |
| Other assets | 26,057 | 23,820 | 24,862 | 26,619 | 26,875 |
| Total assets | <u>\$ 2,110,050</u> | <u>\$ 2,086,313</u> | <u>\$ 2,065,265</u> | <u>\$ 2,051,945</u> | <u>\$ 2,018,372</u> |
| LIABILITIES AND STOCKHOLDERS' EQUITY | | | | | |
| Accounts payable and accrued expenses | \$ 138,479 | \$ 142,864 | \$ 142,320 | \$ 152,972 | \$ 135,089 |
| Income tax payable | 1,715 | 1,435 | 2,032 | 2,058 | 6,404 |
| Current portion of long-term debt | 381 | 11,836 | 21,871 | 21,883 | 2,014 |
| Total current liabilities | <u>140,575</u> | <u>156,135</u> | <u>166,223</u> | <u>176,913</u> | <u>143,507</u> |
| Long-term debt, net of current portion | 976,185 | 963,800 | 964,236 | 964,694 | 985,166 |
| Deferred tax liabilities | 13,906 | 12,087 | 8,777 | 9,381 | 9,701 |
| Other liabilities | 37,719 | 37,660 | 38,264 | 38,531 | 38,458 |
| Total liabilities | <u>1,168,385</u> | <u>1,169,682</u> | <u>1,177,500</u> | <u>1,189,519</u> | <u>1,176,832</u> |
| Commitments and contingencies | | | | | |
| Common stock - \$0.01 par value | 401 | 397 | 396 | 394 | 391 |
| Additional paid-in capital | 1,504,322 | 1,506,184 | 1,501,592 | 1,497,955 | 1,492,238 |
| Deferred compensation | - | (5,563) | (6,431) | (7,338) | (7,641) |
| Retained deficit | (563,058) | (584,387) | (607,792) | (628,585) | (643,448) |
| Total stockholders' equity | <u>941,665</u> | <u>916,631</u> | <u>887,765</u> | <u>862,426</u> | <u>841,540</u> |
| Total liabilities and stockholders' equity | <u>\$ 2,110,050</u> | <u>\$ 2,086,313</u> | <u>\$ 2,065,265</u> | <u>\$ 2,051,945</u> | <u>\$ 2,018,372</u> |

CONSOLIDATED STATEMENTS OF OPERATIONS

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

| | For the Three Months Ended March 31, 2006 | 2005 | For the Year Ended December 31, 2005 |
|---|--|-------------|---|
| REVENUE: | | | |
| Management: | | | |
| Federal | \$ 124,238 | \$ 109,315 | \$ 466,784 |
| State | 153,956 | 135,462 | 579,205 |
| Local | 20,056 | 19,754 | 79,844 |
| Other | 13,180 | 11,563 | 48,018 |
| Total management revenue | 311,430 | 276,094 | 1,173,851 |
| Transportation | 3,515 | 3,740 | 14,558 |
| Rental | 1,036 | 972 | 3,991 |
| Other | 33 | 81 | 240 |
| | 316,014 | 280,887 | 1,192,640 |
| EXPENSES: | | | |
| Operating: | | | |
| Facility fixed | 172,751 | 160,328 | 659,965 |
| Facility variable | 58,254 | 49,097 | 217,471 |
| Transportation | 4,948 | 5,198 | 21,086 |
| Other | 81 | 127 | 271 |
| Total operating expenses | 236,034 | 214,750 | 898,793 |
| General and administrative | 14,377 | 12,538 | 57,053 |
| Depreciation and amortization | 15,703 | 14,037 | 59,882 |
| | 266,114 | 241,325 | 1,015,728 |
| OPERATING INCOME | 49,900 | 39,562 | 176,912 |
| OTHER (INCOME) EXPENSE: | | | |
| Interest expense, net | 15,126 | 17,428 | 63,928 |
| Expenses associated with debt refinancing and recapitalization transactions | 982 | 35,032 | 35,269 |
| Other (income) expenses | (12) | (124) | 263 |
| | 16,096 | 52,336 | 99,460 |
| INCOME (LOSS) FROM CONTINUING OPERATIONS BEFORE INCOME TAXES | 33,804 | (12,774) | 77,452 |
| Income tax expense (benefit) | (12,475) | 4,455 | (26,888) |
| INCOME (LOSS) FROM CONTINUING OPERATIONS | 21,329 | (8,319) | 50,564 |
| Income (loss) from discontinued operations, net of taxes | - | (620) | (442) |
| NET INCOME (LOSS) AVAILABLE TO COMMON STOCKHOLDERS | \$ 21,329 | \$ (8,939) | \$ 50,122 |
| BASIC EARNINGS (LOSS) PER SHARE | \$ 0.54 | \$ (0.24) | \$ 1.30 |
| DILUTED EARNINGS (LOSS) PER SHARE | \$ 0.52 | \$ (0.24) | \$ 1.25 |

RECONCILIATION OF BASIC TO DILUTED EARNINGS PER SHARE

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

3 of 16

| | For the Three Months Ended March 31, | | For the Year Ended December 31, |
|--|---|-------------|--|
| | 2006 | 2005 | 2005 |
| Basic: | | | |
| Income (loss) from continuing operations | \$ 21,329 | \$ (8,319) | \$ 50,564 |
| Income (loss) from discontinued operations, net of taxes | - | (620) | (442) |
| Net income (loss) available to common stockholders | \$ 21,329 | \$ (8,939) | \$ 50,122 |
| Diluted: | | | |
| Income (loss) from continuing operations | \$ 21,329 | \$ (8,319) | \$ 50,564 |
| Interest expense applicable to convertible notes, net of taxes* | - | - | 129 |
| Diluted income (loss) from continuing operations | 21,329 | (8,319) | 50,693 |
| Income (loss) from discontinued operations, net of taxes | - | (620) | (442) |
| Diluted net income (loss) available to common stockholders | \$ 21,329 | \$ (8,939) | \$ 50,251 |
| Basic: | | | |
| Weighted average common shares outstanding | 39,876 | 36,763 | 38,772 |
| Unvested restricted common stock | (343) | (227) | (297) |
| Weighted average common shares outstanding-basic | 39,533 | 36,536 | 38,475 |
| Diluted: | | | |
| Weighted average common shares outstanding-basic | 39,533 | 36,536 | 38,475 |
| Effect of dilutive securities: | | | |
| Stock options and warrants** | 1,029 | - | 1,149 |
| Convertible notes** | - | - | 544 |
| Restricted stock-based compensation** | 148 | - | 113 |
| Weighted average shares and assumed conversions-diluted | 40,710 | 36,536 | 40,281 |
| Basic earnings (loss) per share: | | | |
| Income (loss) from continuing operations | \$ 0.54 | \$ (0.22) | \$ 1.31 |
| Income (loss) from discontinued operations, net of taxes | - | (0.02) | (0.01) |
| Net income (loss) available to common stockholders | \$ 0.54 | \$ (0.24) | \$ 1.30 |
| Diluted earnings (loss) per share: | | | |
| Income (loss) from continuing operations | \$ 0.52 | \$ (0.22) | \$ 1.26 |
| Income (loss) from discontinued operations, net of taxes | - | (0.02) | (0.01) |
| Diluted net income (loss) available to common stockholders | \$ 0.52 | \$ (0.24) | \$ 1.25 |
| * For the three months ended March 31, 2005, \$121 is not presented, as the effect is anti-dilutive. | | | |
| ** Although amounts are not included for the periods presented, as the effects are anti-dilutive, additional shares would have been as follows, if dilutive: | | | |
| Stock options and warrants using the treasury stock method | - | 1,277 | - |
| Convertible notes using the if-converted method | - | 2,204 | - |
| Restricted stock-based compensation using the treasury stock method | - | 75 | - |
| | - | 3,556 | - |

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

| | <u>March 31, 2006</u> | <u>December 31, 2005</u> | <u>September 30, 2005</u> | <u>June 30, 2005</u> | <u>March 31, 2005</u> |
|---|----------------------------|----------------------------|----------------------------|----------------------------|----------------------------|
| BALANCE SHEET: | | | | | |
| Property and equipment | \$ 2,099,186 | \$ 2,070,941 | \$ 2,034,759 | \$ 2,005,134 | \$ 1,977,176 |
| Accumulated depreciation and amortization | (376,444) | (360,147) | (343,750) | (327,557) | (312,014) |
| Property and equipment, net | <u>\$ 1,722,742</u> | <u>\$ 1,710,794</u> | <u>\$ 1,691,009</u> | <u>\$ 1,677,577</u> | <u>\$ 1,665,162</u> |
| Total assets | \$ 2,110,050 | \$ 2,086,313 | \$ 2,065,265 | \$ 2,051,945 | \$ 2,018,372 |
| Maintenance & technology capital expenditures for the quarter ended | \$ 9,519 | \$ 11,326 | \$ 6,628 | \$ 10,619 | \$ 7,632 |
| Total debt | \$ 976,566 | \$ 975,636 | \$ 986,107 | \$ 986,577 | \$ 987,180 |
| Equity book value | \$ 941,665 | \$ 916,631 | \$ 887,765 | \$ 862,426 | \$ 841,540 |
| LIQUIDITY: | | | | | |
| Cash and cash equivalents | \$ 64,924 | \$ 64,901 | \$ 66,402 | \$ 45,951 | \$ 48,407 |
| Investments | \$ 49,481 | \$ 19,014 | \$ 8,897 | \$ 8,816 | \$ 8,744 |
| Availability under revolving credit facility | \$ 113,519 | \$ 78,519 | \$ 66,380 | \$ 64,774 | \$ 88,274 |
| CAPITALIZATION: | | | | | |
| Common shares outstanding | 40,095 | 39,694 | 39,552 | 39,369 | 39,129 |
| Common share price at end of period | \$ 45.20 | \$ 44.97 | \$ 39.70 | \$ 39.25 | \$ 38.60 |
| Market value of common equity at end of period | <u>\$ 1,812,294</u> | <u>\$ 1,785,039</u> | <u>\$ 1,570,214</u> | <u>\$ 1,545,233</u> | <u>\$ 1,510,379</u> |
| Total equity market capitalization | <u>\$ 1,812,294</u> | <u>\$ 1,785,039</u> | <u>\$ 1,570,214</u> | <u>\$ 1,545,233</u> | <u>\$ 1,510,379</u> |
| Total market capitalization (market value of equity plus debt) | <u><u>\$ 2,788,860</u></u> | <u><u>\$ 2,760,675</u></u> | <u><u>\$ 2,556,321</u></u> | <u><u>\$ 2,531,810</u></u> | <u><u>\$ 2,497,559</u></u> |
| EBITDA | \$ 64,633 | \$ 66,158 | \$ 63,818 | \$ 52,595 | \$ 18,691 |
| ADJUSTED EBITDA | \$ 65,615 | \$ 67,147 | \$ 63,818 | \$ 52,832 | \$ 53,723 |
| ADJUSTED FREE CASH FLOW | \$ 42,983 | \$ 41,450 | \$ 43,585 | \$ 27,431 | \$ 15,697 |
| ADJUSTED FREE CASH FLOW PER SHARE: | | | | | |
| Basic adjusted free cash flow per share | <u>\$ 1.09</u> | <u>\$ 1.05</u> | <u>\$ 1.11</u> | <u>\$ 0.71</u> | <u>\$ 0.43</u> |
| Diluted adjusted free cash flow per share | <u><u>\$ 1.06</u></u> | <u><u>\$ 1.02</u></u> | <u><u>\$ 1.08</u></u> | <u><u>\$ 0.68</u></u> | <u><u>\$ 0.39</u></u> |

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

| | <u>For the Three Months Ended March 31, 2006</u> | <u>2005</u> | <u>For the Year Ended December 31, 2005</u> |
|---|--|------------------|---|
| Number of days per period | 90 | 90 | 365 |
| ALL FACILITIES: | | | |
| Average available beds | <u>70,969</u> | <u>68,625</u> | <u>69,417</u> |
| Average compensated occupancy | <u>93.7%</u> | <u>89.6%</u> | <u>91.4%</u> |
| Total compensated man-days | <u>5,985,056</u> | <u>5,533,030</u> | <u>23,155,542</u> |
| Revenue per compensated man-day | \$ 52.03 | \$ 49.90 | \$ 50.69 |
| Operating expenses per compensated man-day: | | | |
| Fixed expense | 28.86 | 28.98 | 28.50 |
| Variable expense | 9.73 | 8.87 | 9.39 |
| Total | <u>38.59</u> | <u>37.85</u> | <u>37.89</u> |
| Operating margin per compensated man-day | <u>\$ 13.44</u> | <u>\$ 12.05</u> | <u>\$ 12.80</u> |
| Operating margin rate | <u>25.8%</u> | <u>24.1%</u> | <u>25.3%</u> |
| DEPRECIATION AND AMORTIZATION: | | | |
| Depreciation expense | \$ 16,841 | \$ 15,095 | \$ 63,926 |
| Goodwill impairment | - | - | 178 |
| Amortization of intangible assets | 28 | 32 | 125 |
| Amortization of negative contract values | (1,166) | (1,090) | (4,347) |
| Depreciation and amortization | <u>\$ 15,703</u> | <u>\$ 14,037</u> | <u>\$ 59,882</u> |
| ADJUSTED FREE CASH FLOW: | | | |
| Pre-tax income available to common stockholders | \$ 33,804 | \$ (13,394) | \$ 77,010 |
| Expenses associated with debt refinancing and recapitalization transactions | 982 | 35,032 | 35,269 |
| Income taxes paid | - | (13,761) | (15,776) |
| Depreciation and amortization | 15,703 | 14,037 | 59,882 |
| Depreciation and amortization for discontinued operations | - | 163 | 186 |
| Income tax (benefit) expense for discontinued operations | - | (332) | (217) |
| Amortization of stock-based compensation reflected in G&A expenses | 778 | 206 | 2,673 |
| Amortization of debt costs and other non-cash interest | 1,235 | 1,378 | 5,341 |
| Maintenance and technology capital expenditures | (9,519) | (7,632) | (36,205) |
| Adjusted free cash flow | <u>\$ 42,983</u> | <u>\$ 15,697</u> | <u>\$ 128,163</u> |
| ADJUSTED FREE CASH FLOW PER SHARE: | | | |
| Basic | <u>\$ 1.09</u> | <u>\$ 0.43</u> | <u>\$ 3.33</u> |
| Diluted | <u>\$ 1.06</u> | <u>\$ 0.39</u> | <u>\$ 3.18</u> |

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

| | For the Three Months Ended March 31, 2006 | 2005 | For the Year Ended December 31, 2005 |
|---|--|-------------|---|
| MANAGED ONLY FACILITIES: | | | |
| Management revenue | \$ 85,757 | \$ 78,888 | \$ 333,051 |
| Operating expenses: | | | |
| Fixed expense | 54,478 | 50,841 | 206,491 |
| Variable expense | 18,813 | 17,550 | 72,159 |
| Total | 73,291 | 68,391 | 278,650 |
| Contribution | \$ 12,466 | \$ 10,497 | \$ 54,401 |
| | | | |
| Average available beds | 25,766 | 24,673 | 25,181 |
| | | | |
| Average compensated occupancy | 96.3% | 96.9% | 96.7% |
| | | | |
| Total compensated man-days | 2,233,010 | 2,151,818 | 8,891,861 |
| | | | |
| Revenue per compensated man-day | \$ 38.40 | \$ 36.66 | \$ 37.46 |
| Operating expenses per compensated man-day: | | | |
| Fixed expense | 24.40 | 23.63 | 23.22 |
| Variable expense | 8.42 | 8.16 | 8.12 |
| Total | 32.82 | 31.79 | 31.34 |
| | | | |
| Operating margin per compensated man-day | \$ 5.58 | \$ 4.87 | \$ 6.12 |
| Operating margin rate | 14.5% | 13.3% | 16.3% |
| | | | |
| OWNED AND MANAGED FACILITIES: | | | |
| Management revenue | \$ 225,673 | \$ 197,206 | \$ 840,800 |
| Operating expenses: | | | |
| Fixed expense | 118,273 | 109,487 | 453,474 |
| Variable expense | 39,441 | 31,547 | 145,312 |
| Total | 157,714 | 141,034 | 598,786 |
| Contribution | \$ 67,959 | \$ 56,172 | \$ 242,014 |
| | | | |
| Average available beds | 45,203 | 43,952 | 44,236 |
| | | | |
| Average compensated occupancy | 92.2% | 85.5% | 88.3% |
| | | | |
| Total compensated man-days | 3,752,046 | 3,381,212 | 14,263,681 |
| | | | |
| Revenue per compensated man-day | \$ 60.15 | \$ 58.32 | \$ 58.95 |
| Operating expenses per compensated man-day: | | | |
| Fixed | 31.52 | 32.38 | 31.79 |
| Variable | 10.51 | 9.33 | 10.19 |
| Total | 42.03 | 41.71 | 41.98 |
| | | | |
| Operating margin per compensated man-day | \$ 18.12 | \$ 16.61 | \$ 16.97 |
| Operating margin rate | 30.1% | 28.5% | 28.8% |

ANALYSIS OF OUTSTANDING DEBT

(Unaudited and amounts in thousands)

7 of 16

| | Outstanding Balance 12/31/2005 | Outstanding Balance 3/31/2006 | Stated Interest Rate | Effective Interest Rate | Maturity Date | Callable/ Redeemable |
|---|---|--|-------------------------------------|--|--------------------------|---|
| Fixed Rate: | | | | | | |
| \$250.0 Million Senior Notes | 250,000 | 250,000 | 7.50% | 7.88% | May 2011 | On or prior to May 1, 2006, 35% redeemable at 107.5% with proceeds from equity offerings; on or after May 1, 2007, 100% redeemable at various premium prices until May 1, 2009 at par |
| \$200.0 Million Senior Notes | 201,548 | 201,476 | 7.50% | 7.65% | May 2011 | On or prior to May 1, 2006, 35% redeemable at 107.5% with proceeds from equity offerings; on or after May 1, 2007, 100% redeemable at various premium prices until May 1, 2009 at par |
| \$375.0 Million Senior Notes | 375,000 | 375,000 | 6.25% | 6.50% | March 2013 | On or prior to March 15, 2008, 35% redeemable at 106.25% with proceeds from equity offerings; on or after March 15, 2009, 100% redeemable at various premium prices until March 15, 2011 at par |
| \$150.0 Million Senior Notes | - | 150,000 | 6.75% | 7.00% | January 2014 | On or prior to January 31, 2009, 35% redeemable at 106.75% with proceeds from equity offerings; on or after January 31, 2010, 100% redeemable at various premium prices until January 31, 2012 at par |
| Other Debt | 138 | 90 | Various | Various | Various | |
| Total Fixed Rate Debt | <u>826,686</u> | <u>976,566</u> | | | | |
| Floating Rate: | | | | | | |
| \$150.0 Million Revolving Credit Facility | - | - | | | February 2011 | |
| Lehman Credit Facility, Term | 138,950 | - | | | March 31, 2008 | |
| \$125.0 Million Revolving Credit Facility | 10,000 | - | | | March 31, 2006 | |
| Total Floating Rate Debt | <u>148,950</u> | <u>-</u> | | | | |
| Grand Total Debt | <u>\$ 975,636</u> | <u>\$ 976,566</u> | 6.99% | 7.28% | 6.21 | |

¹⁾ Includes amortization of debt issuance costs, net of debt premiums.

²⁾ On Feb 3, 2006 the Company replaced the old credit facility with a new \$150 million Revolving Credit Facility. The Company has \$36.5 million of letters of credit outstanding under a sub-facility, which effectively reduces the Company's borrowing capacity under the New Revolving Credit Facility to \$113.5 million. The New Revolving Credit facility currently bears interest at LIBOR plus a margin of 1.25%.

³⁾ The variable interest rate on the Term portion of the Lehman Credit Facility was LIBOR + 1.75%. This loan was fully repaid and was retired in January 2006.

⁴⁾ The variable interest rate was LIBOR + 1.5%. This credit facility was retired in February 2006.

⁵⁾ The stated and effective interest rates are zero on the New Revolving Credit Facility as there are currently no amounts outstanding.

⁶⁾ Represents the weighted average debt maturity in years.

Debt Maturity Schedule:

| Year | Total Debt Maturing | % of Debt Maturing | % of Debt Maturing |
|-------------------|--------------------------------|-------------------------------|-------------------------------|
| 2006 | \$ 309 | 0.03% | 0.03% |
| 2007 | 290 | 0.03% | 0.06% |
| 2008 | 290 | 0.03% | 0.09% |
| 2009 | 290 | 0.03% | 0.12% |
| 2010 | 290 | 0.03% | 0.15% |
| 2011 | 450,097 | 46.09% | 46.24% |
| Thereafter | <u>525,000</u> | <u>53.76%</u> | 100.00% |
| | <u>\$ 976,566</u> | <u>100.00%</u> | |

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

8 of 16

| | For the Three Months Ended March 31, | | For the Year Ended |
|--|---|------------------|---------------------------|
| | 2006 | 2005 | December 31, |
| | | | 2005 |
| <u>COVERAGE RATIOS:</u> | | | |
| Interest coverage ratio (Adjusted EBITDA/Interest incurred) (x) | 3.9 | 2.9 | 3.5 |
| Fixed charge coverage ratio (Adjusted EBITDA/(Interest incurred + Scheduled prin pmts)) (x) | 3.8 | 2.9 | 3.4 |
| Senior debt coverage ratio (Senior debt/Annualized Adjusted EBITDA) (x) | 3.7 | 4.6 | 4.1 |
| Total debt coverage ratio (Total debt/Annualized Adjusted EBITDA) (x) | 3.7 | 4.6 | 4.1 |
| Accounts receivable turnover (Annualized revenues/Accounts receivable) (x) | 7.5 | 7.5 | 6.8 |
| <u>DEBT/EQUITY RATIOS:</u> | | | |
| Total debt/Total market capitalization | 35.0% | 39.5% | 35.3% |
| Total debt/Equity market capitalization | 53.9% | 65.4% | 54.7% |
| Total debt/Book equity capitalization | 103.7% | 117.3% | 106.4% |
| Total debt/Gross book value of real estate assets | 46.2% | 49.5% | 46.7% |
| <u>RETURN ON INVESTMENT RATIOS:</u> | | | |
| Annualized return on operating real estate investments (Annualized Adjusted EBITDA/Average operating real estate investments (undepreciated book value)*) | 12.5% | 10.8% | 11.7% |
| Annualized return on total assets (Annualized Adjusted EBITDA/Average total assets (undepreciated book value)*) | 10.6% | 9.2% | 10.0% |
| <u>OVERHEAD RATIOS:</u> | | | |
| Annualized general & administrative expenses/Average total assets (undepreciated book value)* | 2.3% | 2.2% | 2.4% |
| General & administrative expenses/Total revenues | 4.5% | 4.5% | 4.8% |
| <u>INTEREST EXPENSE, NET</u> | | | |
| Interest income from continuing operations | \$ (1,837) | \$ (1,207) | \$ (5,359) |
| Interest incurred | 16,997 | 18,352 | 68,489 |
| Amortization of debt costs and other non-cash interest | 1,235 | 1,378 | 5,341 |
| Capitalized interest | (1,269) | (1,095) | (4,543) |
| Interest expense, net | <u>\$ 15,126</u> | <u>\$ 17,428</u> | <u>\$ 63,928</u> |
| <u>EBITDA CALCULATION:</u> | | | |
| Net income (loss) | \$ 21,329 | \$ (8,939) | \$ 50,122 |
| Interest expense, net | 15,126 | 17,428 | 63,928 |
| Depreciation and amortization | 15,703 | 14,037 | 59,882 |
| Income tax (benefit) expense | 12,475 | (4,455) | 26,888 |
| (Income) loss from discontinued operations, net of taxes | - | 620 | 442 |
| EBITDA | <u>64,633</u> | <u>18,691</u> | <u>201,262</u> |
| Stock option compensation expense associated with accelerated vesting | - | - | 989 |
| Expenses associated with debt refinancing and recapitalization transactions | <u>982</u> | <u>35,032</u> | <u>35,269</u> |
| ADJUSTED EBITDA | <u>\$ 65,615</u> | <u>\$ 53,723</u> | <u>\$ 237,520</u> |

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

FACILITY PORTFOLIO

| Facility Name | Year Constructed (A) | Primary Customer | Design Capacity (B) | Security Level | Facility Type (C) | Term | Remaining Renewal Options (D) | Compensated Occupancy % for the Quarter ended 3/31/06 |
|--|---------------------------------|--------------------------|--------------------------------|---------------------------|------------------------------|-------------|--|--|
| Owned and Managed Facilities: | | | | | | | | |
| Central Arizona Detention Center Florence, Arizona | 1994, 1998 | USMS | 2,304 | Multi | Detention | May-06 | (2) 1 year | 144.36% |
| Eloy Detention Center Eloy, Arizona | 1995, 1996 | ICE | 1,500 | Low | Detention | Indefinite | - | 75.06% |
| Florence Correctional Center Florence, Arizona | 1999, 2004 | State of Alaska | 1,824 | Multi | Correctional | Jun-08 | (6) 1 year | 116.69% |
| California City Correctional Center California City, California | 1999 | BOP | 2,304 | Medium | Correctional | Sep-06 | (4) 1 year | 113.93% |
| San Diego Correctional Facility (E) San Diego, California | 1999, 2000 | ICE | 1,216 | Minimum/ Medium | Detention | Jun-08 | (5) 3 year | 102.94% |
| Bent County Correctional Facility Las Animas, Colorado | 1992, 1997 | State of Colorado | 700 | Medium | Correctional | Jun-06 | (2) 1 year | 99.35% |
| Crowley County Correctional Facility Olney Springs, Colorado | 1998, 2004 | State of Colorado | 1,794 | Medium | Correctional | Jun-06 | (2) 1 year | 65.22% |
| Huerfano County Correctional Center (F) Walsenburg, Colorado | 1997 | State of Colorado | 752 | Medium | Correctional | Jun-06 | (2) 1 year | 97.59% |
| Kit Carson Correctional Center Burlington, Colorado | 1998 | State of Colorado | 768 | Medium | Correctional | Jun-06 | (2) 1 year | 96.78% |
| Coffee Correctional Facility (G) Nicholls, Georgia | 1998, 1999 | State of Georgia | 1,524 | Medium | Correctional | Jun-06 | (13) 1 year | 102.20% |
| McRae Correctional Facility McRae, Georgia | 2000, 2002 | BOP | 1,524 | Low | Correctional | Nov-06 | (6) 1 year | 107.06% |
| Stewart County Correctional Facility (H) Lumpkin, Georgia | 2004 | - | 1,524 | Medium | Correctional | - | - | 0.00% |
| Wheeler Correctional Facility (G) Alamo, Georgia | 1998, 1999 | State of Georgia | 1,524 | Medium | Correctional | Jun-06 | (13) 1 year | 102.34% |
| Leavenworth Detention Center Leavenworth, Kansas | 1992, 2000, 2004 | USMS | 767 | Maximum | Detention | Jun-06 | (9) 2 month | 119.21% |
| Lee Adjustment Center Beattyville, Kentucky | 1990 | State of Vermont | 816 | Minimum/ Medium | Correctional | Jun-07 | - | 92.96% |
| Marion Adjustment Center St. Mary, Kentucky | 1955, 1988 | Commonwealth of Kentucky | 826 | Minimum | Correctional | Dec-07 | (3) 2 year | 98.50% |

FACILITY PORTFOLIO

| Facility Name | Year Constructed (A) | Primary Customer | Design Capacity (B) | Security Level | Facility Type (C) | Term | Remaining Renewal Options (D) | Compensated Occupancy % for the Quarter ended 3/31/06 |
|--|---------------------------------|--------------------------|--------------------------------|---------------------------|------------------------------|-------------|--|--|
| Otter Creek Correctional Center (I) Wheelwright, Kentucky | 1993 | Commonwealth of Kentucky | 656 | Minimum/ Medium | Correctional | Jul-07 | (4) 2 year | 78.00% |
| Prairie Correctional Facility Appleton, Minnesota | 1991 | State of Washington | 1,550 | Medium | Correctional | Jun-07 | - | 100.38% |
| Tallahatchie County Correctional Facility (J) Tutwiler, Mississippi | 2000 | State of Hawaii | 1,104 | Medium | Correctional | Jun-06 | - | 92.74% |
| Crossroads Correctional Center (K) Shelby, Montana | 1999 | State of Montana | 568 | Multi | Correctional | Aug-07 | (6) 2 year | 95.13% |
| Cibola County Corrections Center Milan, New Mexico | 1994, 1999 | BOP | 1,129 | Low | Correctional | Sep-06 | (4) 1 year | 96.82% |
| New Mexico Women's Correctional Facility Grants, New Mexico | 1989, 2000 | State of New Mexico | 596 | Multi | Correctional | Jun-09 | - | 110.75% |
| Torrance County Detention Facility Estancia, New Mexico | 1990, 1997 | USMS | 910 | Multi | Detention | Indefinite | - | 85.69% |
| Northeast Ohio Correctional Center Youngstown, Ohio | 1997 | BOP | 2,016 | Low | Correctional | May-09 | (3) 2 year | 93.51% |
| Cimarron Correctional Facility (L) Cushing, Oklahoma | 1997 | State of Oklahoma | 960 | Medium | Correctional | Jun-06 | (3) 1 year | 100.44% |
| Davis Correctional Facility (L) Holdenville, Oklahoma | 1996 | State of Oklahoma | 960 | Medium | Correctional | Jun-06 | (3) 1 year | 100.75% |
| Diamondback Correctional Facility Watonga, Oklahoma | 1998, 2000 | State of Arizona | 2,160 | Medium | Correctional | Jun-06 | (1) 1 year | 91.27% |
| North Fork Correctional Facility (M) Sayre, Oklahoma | 1998 | - | 1,440 | Medium | Correctional | - | - | 0.19% |
| West Tennessee Detention Facility Mason, Tennessee | 1990, 1996 | USMS | 600 | Multi | Detention | Feb-07 | - | 102.78% |
| Shelby Training Center (N) Memphis, Tennessee | 1986, 1995 | Shelby County, TN | 200 | Secure | Juvenile | Apr-15 | - | 91.26% |
| Whiteville Correctional Facility (O) Whiteville, Tennessee | 1998 | State of Tennessee | 1,536 | Medium | Correctional | Sep-06 | (2) 1 year | 97.11% |
| Bridgeport Pre-Parole Transfer Facility Bridgeport, Texas | 1989 | State of Texas | 200 | Medium | Correctional | Feb-07 | (4) 1 year | 97.97% |

FACILITY PORTFOLIO

| Facility Name | Year Constructed (A) | Primary Customer | Design Capacity (B) | Security Level | Facility Type (C) | Term | Remaining Renewal Options (D) | Compensated Occupancy % for the Quarter ended 3/31/06 |
|--|---------------------------------|-------------------------|--------------------------------|---------------------------|------------------------------|-------------|--|--|
| Eden Detention Center Eden, Texas | 1990 | BOP | 1,225 | Low | Correctional | Apr-06 | (1) 1 year | 115.18% |
| Houston Processing Center Houston, Texas | 1984, 2005 | ICE | 905 | Medium | Detention | Sep-06 | (2) 1 year | 87.29% |
| Laredo Processing Center Laredo, Texas | 1985, 1990 | ICE | 258 | Minimum/ Medium | Detention | Indefinite | - | 98.09% |
| Webb County Detention Center Laredo, Texas | 1998 | USMS | 480 | Medium | Detention | Feb-07 | - | 108.88% |
| Mineral Wells Pre-Parole Transfer Facility Mineral Wells, Texas | 1995 | State of Texas | 2,103 | Minimum | Correctional | Feb-07 | (4) 1 year | 98.40% |
| T. Don Hutto Residential Center Taylor, Texas | 1997 | ICE | 480 | Non-secure | Detention | Indefinite | - | 0.00% |
| D.C. Correctional Treatment Facility (P) Washington D.C. | 1992 | District of Columbia | 1,500 | Medium | Detention | Mar-17 | - | 77.77% |
| Total design capacity for Owned and Managed Facilities (39 Owned and Managed Facilities) | | | <u>45,203</u> | | | | | |
| Managed Only Facilities: | | | | | | | | |
| Bay Correctional Facility Panama City, Florida | N/A | State of Florida | 750 | Medium | Correctional | Jun-07 | - | 99.50% |
| Bay County Jail and Annex Panama City, Florida | N/A | Bay County, FL | 1,150 | Multi | Detention | Sep-06 | - | 75.70% |
| Citrus County Detention Facility Lecanto, Florida | N/A | Citrus County, FL | 400 | Multi | Detention | Sep-15 | (1) 5 year | 104.54% |
| Gadsden Correctional Institution Quincy, Florida | N/A | State of Florida | 1,136 | Minimum/ Medium | Correctional | Jun-07 | - | 98.85% |
| Hernando County Jail Brooksville, Florida | N/A | Hernando County, FL | 730 | Multi | Detention | Oct-10 | - | 81.78% |
| Lake City Correctional Facility Lake City, Florida | N/A | State of Florida | 893 | Secure | Correctional | Jun-06 | - | 99.58% |
| Idaho Correctional Center Boise, Idaho | N/A | State of Idaho | 1,270 | Minimum/ Medium | Correctional | Jun-09 | - | 100.55% |
| Marion County Jail Indianapolis, Indiana | N/A | Marion County, IN | 1,030 | Multi | Detention | Dec-06 | - | 95.74% |

FACILITY PORTFOLIO

| Facility Name | Year Constructed (A) | Primary Customer | Design Capacity (B) | Security Level | Facility Type (C) | Term | Remaining Renewal Options (D) | Compensated Occupancy % for the Quarter ended 3/31/06 |
|--|---------------------------------|-------------------------|--------------------------------|---------------------------|------------------------------|-------------|--|--|
| Winn Correctional Center Winnfield, Louisiana | N/A | State of Louisiana | 1,538 | Medium/ Maximum | Correctional | Sep-06 | (1) 2 year | 104.80% |
| Delta Correctional Facility Greenwood, Mississippi | N/A | State of Mississippi | 1,172 | Minimum/ Medium | Correctional | Sep-06 | (1) 1 year | 93.15% |
| Wilkinson County Correctional Facility Woodville, Mississippi | N/A | State of Mississippi | 1,000 | Medium | Correctional | Sep-07 | (2) 1 year | 91.41% |
| Elizabeth Detention Center Elizabeth, New Jersey | N/A | ICE | 300 | Minimum | Detention | Sep-08 | (5) 3 year | 101.99% |
| Silverdale Facilities Chattanooga, Tennessee | N/A | Hamilton County, TN | 918 | Multi | Detention | Jan-08 | Indefinite | 88.20% |
| South Central Correctional Center Clifton, Tennessee | N/A | State of Tennessee | 1,676 | Medium | Correctional | Jul-07 | - | 97.26% |
| Metro-Davidson County Detention Facility Nashville, Tennessee | N/A | Davidson County, TN | 1,092 | Multi | Detention | Jul-06 | (2) 1 year | 91.13% |
| Hardeman County Correctional Facility Whiteville, Tennessee | N/A | State of Tennessee | 2,016 | Medium | Correctional | May-06 | (4) 3 year | 97.41% |
| B. M. Moore Correctional Center Overton, Texas | N/A | State of Texas | 500 | Minimum/ Medium | Correctional | Jan-07 | (2) 1 year | 99.65% |
| Bartlett State Jail Bartlett, Texas | N/A | State of Texas | 1,001 | Minimum/ Medium | Correctional | Jan-07 | (4) 1 year | 99.85% |
| Bradshaw State Jail Henderson, Texas | N/A | State of Texas | 1,980 | Minimum/ Medium | Correctional | Jan-07 | (4) 1 year | 99.69% |
| Dawson State Jail Dallas, Texas | N/A | State of Texas | 2,216 | Minimum/ Medium | Correctional | Jan-07 | (4) 1 year | 98.26% |
| Diboll Correctional Center Diboll, Texas | N/A | State of Texas | 518 | Minimum/ Medium | Correctional | Jan-07 | (2) 1 year | 99.93% |
| Liberty County Jail/Juvenile Center Liberty, Texas | N/A | Liberty County, Texas | 380 | Multi | Detention | Jan-07 | (1) 3 year | 88.12% |

FACILITY PORTFOLIO

| <u>Facility Name</u> | <u>Year Constructed (A)</u> | <u>Primary Customer</u> | <u>Design Capacity (B)</u> | <u>Security Level</u> | <u>Facility Type (C)</u> | <u>Term</u> | <u>Remaining Renewal Options (D)</u> | <u>Compensated Occupancy % for the Quarter ended 3/31/06</u> |
|--|---------------------------------|------------------------------|--------------------------------|---------------------------|------------------------------|-------------|--|--|
| Lindsey State Jail Jacksboro, Texas | N/A | State of Texas | 1,031 | Minimum/ Medium | Correctional | Jan-07 | (4) 1 year | 99.38% |
| Willacy State Jail Raymondville, Texas | N/A | State of Texas | 1,069 | Minimum/ Medium | Correctional | Jan-07 | (4) 1 year | 98.73% |
| Total design capacity for Managed Only Facilities (24 Managed Only Facilities) | | | <u>25,766</u> | | | | | |
| Total design capacity for All Facilities | | | <u><u>70,969</u></u> | | | | | |
| Leased Facilities: | | | | | | | | |
| Leo Chesney Correctional Center Live Oak, California | 1989 | Cornell Corrections | 240 | Minimum | Owned/Leased | Sep-10 | - | N/A |
| Queensgate Correctional Facility Cincinnati, Ohio | 1906 | Hamilton County, OH | 850 | Medium | Owned/Leased | Feb-07 | - | N/A |
| Community Education Partners (Q) Houston, Texas | N/A | Community Education Partners | - | Non-secure | Owned/Leased | Jun-08 | (3) 5 year | N/A |

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

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

(C) We manage numerous facilities that have more than a single function (i.e., housing both long-term sentenced adult prisoners and pre-trial detainees). The primary functional categories into which facility types are identified was determined by the relative size of prisoner populations in a particular facility on March 31, 2006. If, for example, a 1,000-bed facility housed 900 adult prisoners with sentences in excess of one year and 100 pre-trial detainees, the primary functional category to which it would be assigned would be that of correction facilities and not detention facilities. It should be understood that the primary functional category to which multi-user facilities are assigned may change from time to time.

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

(E) 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 buy out all, or designated portions of, the premises at various times prior to the expiration of the term at a price generally equal to the cost of the premises, or the designated portion of the premises, less an allowance for the amortization over a 20-year period. Upon expiration of the lease, ownership of the facility automatically reverts to the County of San Diego.

(F) 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 contract at a price generally equal to the cost of the facility plus 80% of the percentage increase in the Consumer Price Index, cumulated annually.

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

(H) During the fourth quarter of 2004, 273 beds were completed and available for use. The construction on the remaining 1,251 beds was completed and available for use in October 2005. We are currently pursuing new management contracts and other opportunities to take advantage of the beds that are available at the Stewart County Correctional Facility, but can provide no assurance that we will be successful in doing so.

(I) The facility is subject to a deed of conveyance with the city of Wheelwright, KY which includes provisions that would allow assumption of ownership by the city of Wheelwright under the following occurrences: (1) we cease to operate the facility for more than two years, (2) our failure to maintain at least one employee for a period of sixty consecutive days, or (3) a conversion to a maximum security facility based upon classification by the Kentucky Corrections Cabinet.

(J) The facility is subject to a purchase option held by the Tallahatchie County Correctional Authority which grants Tallahatchie County Correctional Authority the right to purchase the facility at any time during the contract at a price generally equal to the cost of the premises less an allowance for amortization over a 20-year period. During October 2005, we completed an amendment to extend the

FACILITY PORTFOLIO

| <u>Facility Name</u> | <u>Year Constructed (A)</u> | <u>Primary Customer</u> | <u>Design Capacity (B)</u> | <u>Security Level</u> | <u>Facility Type (C)</u> | <u>Term</u> | <u>Remaining Renewal Options (D)</u> | <u>Compensated Occupancy % for the Quarter ended 3/31/06</u> |
|----------------------|---------------------------------|-------------------------|--------------------------------|---------------------------|------------------------------|-------------|--|--|
|----------------------|---------------------------------|-------------------------|--------------------------------|---------------------------|------------------------------|-------------|--|--|

amortization period through 2035, which could be further extended to 2050 in the event we expand the facility by at least 200 beds.

(K) The State of Montana has an option to purchase the facility generally at any time during the term of the contract with us at fair market value less the then present value of a pre-determined portion of per-diem payments made to us by the state of Montana.

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

(M) During the third quarter of 2003, all of the Wisconsin inmates housed at the North Fork Correctional Facility were transferred to the Diamondback Correctional Facility in order to satisfy a contractual provision mandated by the state of Wisconsin. Upon completion of the inmate transfers, North Fork Correctional Facility was closed until the first quarter of 2006. During the first quarter of 2006, we reopened the North Fork Correctional Facility by transferring Vermont inmates from another one of our owned and operated facilities. We are currently pursuing new management contracts and other opportunities to take advantage of the beds that are available at the North Fork Correctional Facility, but can provide no assurance that we will be successful in doing so.

(N) Upon conclusion of the thirty-year lease with Shelby County, Tennessee, the facility will become the property of Shelby County. Prior to such time, if the County terminates the lease without cause, or breaches the lease or the State fails to fund the contract, we may purchase the property for \$150,000. If we terminate the lease without cause, or breach the contract, we will be required to purchase the property for its fair market value as agreed to by the County and us.

(O) The state of Tennessee has the option to purchase the facility in the event of our bankruptcy, or upon an operational breach, as defined, at a price equal to the book value, as defined.

(P) The District of Columbia has the right to purchase the facility at any time during the term of the contract at a price generally equal to the present value of the remaining lease payments for the premises. Upon expiration of the lease, ownership of the facility automatically reverts to the District of Columbia.

(Q) The alternative educational facility is currently configured to accommodate 900 at-risk juveniles and may be expanded to accommodate a total of 1,400 at-risk juveniles.

DIVERSIFICATION OF REVENUE

(Unaudited and amounts in thousands)

15 of 16

| Customer | Management Revenue For the Three Months Ended March 31, 2006 | Percent of Management Revenue For the Three Months Ended March 31, 2006 |
|---|---|--|
| Bureau of Prisons | \$ 51,023 | 16.38% |
| United States Marshals | 47,723 | 15.32% |
| United States Immigration and Customs Enforcement | 25,541 | 8.20% |
| Texas | 23,587 | 7.57% |
| Tennessee | 18,153 | 5.83% |
| Florida | 15,081 | 4.84% |
| Colorado | 14,942 | 4.80% |
| Georgia | 12,860 | 4.13% |
| Hawaii | 7,919 | 2.54% |
| Oklahoma | 7,728 | 2.48% |
| | <u>\$ 224,557</u> | <u>72.11%</u> |
| Total Management Revenue | <u>\$ 311,430</u> | <u>100.00%</u> |

RESEARCH / ANALYST COVERAGE

Equity Research Coverage:

| | | |
|----------------------------|--------------------|----------------|
| Avondale Partners | Patrick Swindle | (615) 467-3462 |
| Bank of America | T.C. Robillard | (212) 583-8382 |
| BB&T Capital Markets | Barry Stouffer | (615) 340-8283 |
| First Analysis Corporation | James Macdonald | (312) 258-1400 |
| Jefferies & Company, Inc. | Anton Hie | (615) 963-8395 |
| Lehman Brothers | Jeffery T. Kessler | (212) 526-5162 |

Debt Research Coverage:

| | | |
|---------------------------------|----------------|----------------|
| Lehman Brothers | Susan Jansen | (212) 526-6470 |
| SG Cowen Securities Corporation | Brad E. Eilert | (212) 278-5290 |

Rating Agency Coverage:

| | | |
|---------------------------|--------------------|----------------|
| Moody's Investors Service | Christopher Wimmer | (212) 553-2947 |
| Standard & Poor's | Jean Stout | (212) 438-7865 |

Credit Ratings:

| | <u>Standard & Poor's</u> | <u>Moody's</u> |
|-------------------------|------------------------------|----------------|
| Corporate Credit Rating | BB- | Not rated |
| Senior Unsecured Debt | BB- | Ba3 |

Any opinions, estimates and/or forecasts regarding the Company's performance made by the analysts and/or rating agencies listed above are theirs alone and do not necessarily represent the opinions, forecasts or predictions of the Company or its management. The Company does not by its reference above imply its endorsement of or concurrence with such information, conclusions or recommendations and the Company has not undertaken to verify any of the information provided by such analysts or agencies.