

SECURITIES AND EXCHANGE COMMISSION

FORM S-11/A

Registration statement for securities to be issued by real estate companies [amend]

Filing Date: **1997-06-16**
SEC Accession No. **0000950144-97-006949**

(HTML Version on secdatabase.com)

FILER

CCA PRISON REALTY TRUST

CIK: **1037114** | State of Incorp.: **MD** | Fiscal Year End: **1231**
Type: **S-11/A** | Act: **33** | File No.: **333-25727** | Film No.: **97624457**
SIC: **6798** Real estate investment trusts

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AS FILED WITH THE SECURITIES AND EXCHANGE COMMISSION ON JUNE 16, 1997

REGISTRATION NO. 333-25727

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

AMENDMENT NO. 1

TO

FORM S-11
REGISTRATION STATEMENT
UNDER
THE SECURITIES ACT OF 1933
OF SECURITIES OF CERTAIN REAL ESTATE COMPANIES

CCA PRISON REALTY TRUST
(Exact name of Registrant as Specified in its Governing Instruments)

2200 ABBOTT MARTIN ROAD
SUITE 201
NASHVILLE, TENNESSEE 37215
(615) 460-7452
(Address of Principal Executive Offices)

J. MICHAEL QUINLAN
CHIEF EXECUTIVE OFFICER
CCA PRISON REALTY TRUST
2200 ABBOTT MARTIN ROAD
SUITE 201
NASHVILLE, TENNESSEE 37215
(615) 460-7452
(Name and Address of Agent for Service)

COPIES TO:

<TABLE>		<C>
<S>	ELIZABETH E. MOORE STOKES & BARTHOLOMEW, P.A. SUNTRUST CENTER, NASHVILLE, TENNESSEE 37219 (615) 259-1450/FAX (615) 259-1470	F. MITCHELL WALKER, JR. BASS, BERRY & SIMS PLC FIRST AMERICAN CENTER, NASHVILLE, TENNESSEE 37238 (615) 742-6200/FAX (615) 742-6298
</TABLE>		

APPROXIMATE DATE OF COMMENCEMENT OF THE PROPOSED SALE TO THE PUBLIC: As soon as practicable after the effective date of this Registration Statement.

THE REGISTRANT HEREBY AMENDS THIS REGISTRATION STATEMENT ON SUCH DATE OR DATES AS MAY BE NECESSARY TO DELAY ITS EFFECTIVE DATE UNTIL THE REGISTRANT SHALL FILE A FURTHER AMENDMENT WHICH SPECIFICALLY STATES THAT THIS REGISTRATION STATEMENT SHALL THEREAFTER BECOME EFFECTIVE IN ACCORDANCE WITH SECTION 8(A) OF THE SECURITIES ACT OF 1933 OR UNTIL THE REGISTRATION STATEMENT SHALL BECOME EFFECTIVE ON SUCH DATE AS THE COMMISSION, ACTING PURSUANT TO SAID SECTION 8(A), MAY DETERMINE.

INFORMATION CONTAINED HEREIN IS SUBJECT TO COMPLETION OR AMENDMENT. A REGISTRATION STATEMENT RELATING TO THESE SECURITIES HAS BEEN FILED WITH THE SECURITIES AND EXCHANGE COMMISSION. THESE SECURITIES MAY NOT BE SOLD NOR MAY OFFERS TO BUY BE ACCEPTED PRIOR TO THE TIME THE REGISTRATION STATEMENT

BECOMES EFFECTIVE. THIS PROSPECTUS SHALL NOT CONSTITUTE AN OFFER TO SELL OR THE SOLICITATION OF AN OFFER TO BUY NOR SHALL THERE BE ANY SALE OF THESE SECURITIES IN ANY STATE IN WHICH SUCH OFFER, SOLICITATION OR SALE WOULD BE UNLAWFUL PRIOR TO REGISTRATION OR QUALIFICATION UNDER THE SECURITIES LAWS OF ANY SUCH STATE.

SUBJECT TO COMPLETION, DATED JUNE 16, 1997

PROSPECTUS

17,000,000 COMMON SHARES

[LOGO]

CCA PRISON REALTY TRUST

CCA Prison Realty Trust, a Maryland real estate investment trust (the "Company") was formed on April 23, 1997, to capitalize on the opportunities created by the growing trend towards privatization in the corrections industry, including the increased demand for private correctional and detention facilities. The principal business strategy of the Company will be to acquire correctional and detention facilities, that meet the Company's investment criteria, from both private prison managers and government entities, to expand its existing facilities, and to lease all such facilities under long-term leases. The Company initially will acquire nine correctional and detention facilities (collectively, the "Initial Facilities"), currently owned and operated by Corrections Corporation of America, a Tennessee corporation ("CCA") for an aggregate purchase price of \$308.1 million. The Company will also have an option for a period of three years following the closing of the purchase of the Initial Facilities, to acquire up to five additional correctional and detention facilities (collectively, the "Option Facilities") currently owned and operated or under construction or development by CCA. See "The Formation Transactions." The Company will lease all of the Facilities to CCA, and CCA will continue to manage the Facilities. The Company intends to pay regular quarterly distributions, initially at a rate of \$1.70 per share per annum, beginning with a pro-rated dividend for the quarter ended September 30, 1997. See "Distributions."

All of the common shares, \$0.01 par value per share, of the Company (the "Common Shares") offered hereby (the "Offering") are being sold by the Company. Doctor R. Crants, Chairman of the Company and Chairman and Chief Executive Officer of CCA, has agreed to acquire in the Offering approximately 500,000 Common Shares at a price per share equal to the initial public offering price. Upon completion of the Offering, Doctor R. Crants and other members of the management of the Company will collectively own, or will have options to acquire, approximately 10.1% of the Common Shares.

Prior to the Offering, there has been no public market for the Common Shares. It is currently anticipated that the initial public offering price per Common Share will be between \$19.00 and \$21.00. See "Underwriting" for a discussion of factors to be considered in determining the initial public offering price. The Common Shares have been approved for listing on the New York Stock Exchange (the "NYSE") under the symbol "PZN," subject to official notice of issuance.

SEE "RISK FACTORS" BEGINNING ON PAGE 16 OF THIS PROSPECTUS FOR A DISCUSSION OF CERTAIN FACTORS THAT SHOULD BE CONSIDERED BY PROSPECTIVE PURCHASERS OF THE COMMON SHARES OFFERED HEREBY, INCLUDING:

- The dependence on CCA, as the lessee of the Facilities;
- Potential conflicts of interest of affiliates of the Company and CCA;
- Correctional and detention facility industry risks;
- The Company's lack of operating history and lack of experience in operating as a REIT;
- The taxation of the Company as a regular corporation if it fails to qualify as a REIT; and
- Restrictions on ownership of outstanding Common Shares.

THESE SECURITIES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION NOR HAS THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION PASSED UPON THE ACCURACY OR ADEQUACY OF THIS PROSPECTUS. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

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	PRICE TO PUBLIC	UNDERWRITING DISCOUNT (1)	PROCEEDS TO COMPANY (2)
<S>	<C>	<C>	<C>
Per Share.....	\$	\$	\$
Total (3).....	\$	\$	\$

</TABLE>

- (1) The Company has agreed to indemnify the Underwriters against certain liabilities, including liabilities under the Securities Act of 1933, as amended. See "Underwriting."
- (2) Before deducting expenses estimated at \$3,000,000 payable by the Company.
- (3) The Company has granted to the Underwriters a 30-day over-allotment option to purchase up to 2,550,000 additional Common Shares on the same terms and conditions as set forth above. If all such shares are purchased by the Underwriters, the total Price to Public will be \$, the total Underwriting Discount will be \$ and the total Proceeds to Company will be \$.

The Common Shares are offered subject to receipt and acceptance by the several Underwriters, to prior sale, and to the several Underwriters' right to reject any order in whole or in part and to withdraw, cancel or modify the offer without notice. It is expected that certificates for the Common Shares will be available for delivery on or about , 1997.

J.C. Bradford & Co.
A.G. Edwards & Sons, Inc.
Legg Mason Wood Walker
incorporated
Lehman Brothers
PaineWebber Incorporated
Stephens Inc.

,1997

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All levels of government have a growing demand for prison and jail beds to house violent criminals. This demand has created an opportunity for investment of private capital to expand the system and meet the country's need for additional secure facilities.
[caption]

<C>

[A collection of photos representing views of the interior and exterior of various facilities to be acquired or that may be acquired by the Company from CCA: (i) photo of open sleeping area; (ii) photo of security personnel operating security panel; (iii) photo of common area; (iv) photo of security checkpoint; (v) photo of exterior of Eloy Detention Center; (vi) photo of common area; (vii) photo of multi-inmate cell; and (viii) photo of exterior of Northeast Ohio Correctional Center.]

</TABLE>

CERTAIN PERSONS PARTICIPATING IN THIS OFFERING MAY ENGAGE IN TRANSACTIONS THAT STABILIZE, MAINTAIN, OR OTHERWISE AFFECT THE PRICE OF THE COMMON SHARES, INCLUDING STABILIZATION AND SHORT-COVERING TRANSACTIONS. FOR A DESCRIPTION OF THESE ACTIVITIES, SEE "UNDERWRITING."

[Fold-Out]

Building on the growth of private sector corrections. [caption]

[Map of the United States showing location of

properties to be acquired or that may be acquired by the Company from CCA]

<TABLE>					
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<S>					
[Picture of Exterior of Eloy Detention Center] Eloy Detention Center Eloy, Arizona [caption]	<C>	<C>	<C>	<C>	<C>
	The Initial Facilities				[Picture of Exterior of Central Arizona Detention Center] Central Arizona Detention Center Florence, Arizona [caption]
	Eloy, Arizona				
	Florence, Arizona				
	Leavenworth, Kansas				
	Mason, Tennessee				
	Bridgeport, Texas				
	Houston, Texas				
	Laredo, Texas				
[Picture of Exterior of Houston Processing Center] Houston Processing Center Houston, Texas [caption]	Mineral Wells, Texas				[Picture of Exterior of Torrance County Detention Facility] Torrance County Detention Facility Estancia, New Mexico [caption]
	Taylor, Texas				
	The Option Facilities				
	Walsenburg, Colorado				
	Estancia, New Mexico				
	Youngstown, Ohio				
	Sayre, Oklahoma				
	Whiteville, Tennessee [caption]				
[Picture of Exterior of West Tennessee Detention Facility] West Tennessee Detention Facility Mason, Tennessee [caption]	[Picture of Exterior of T. Don Hutto Correctional Center] T. Don Hutto Correctional Center Taylor, Texas [caption]		[Picture of Exterior of Laredo Processing Center] Laredo Processing Center Laredo, Texas [caption]		[Picture of Exterior of Leavenworth Detention Center] Leavenworth Detention Center Leavenworth, Kansas [caption]
					[Picture of Exterior of Northeast Ohio Correctional Center] Northeast Ohio Correctional Center Youngstown, Ohio [caption]
</TABLE>					

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AVAILABLE INFORMATION

The Company has filed with the Securities and Exchange Commission (the "Commission") a Registration Statement on Form S-11 under the Securities Act of

1933, as amended (the "Securities Act"), with respect to the Common Shares offered hereby (the "Registration Statement"). This Prospectus, which is part of the Registration Statement, does not contain all of the information set forth in the Registration Statement and the exhibits and financial schedules thereto. For further information with respect to the Company and the Common Shares, reference is made to the Registration Statement and such exhibits and financial schedules filed therewith. Any statements contained herein concerning the provisions of any document are not necessarily complete, and, in each instance, reference is made to the copy of such document filed as an exhibit to the Registration Statement or otherwise filed with the Commission. Each such statement is qualified in its entirety by such reference.

For further information with respect to the Company and the Common Shares, reference is made to the Registration Statement and such exhibits and financial schedules, copies of which may be examined without charge at, or copies obtained upon payment of prescribed fees from, the Public Reference Section of the Commission at 450 Fifth Street, N.W., Washington, D.C. 20549 and will also be available for inspection and copying at the regional offices of the Commission located at 7 World Trade Center, Suite 1300, New York, New York 10048 and at Citicorp Center, Suite 1400, 500 West Madison Street, Chicago, Illinois 60661-2511. The Commission also maintains a web site that contains reports, proxy and information statements and other information regarding registrants that file documents with the Commission, including the Company, and the address is <http://www.sec.gov>. Moreover, the Common Shares have been approved for listing on the NYSE, subject to official notice of issuance. Accordingly, upon official notice of issuance, periodic reports, proxy material, and other information concerning the Company, when filed, may be inspected at the offices of the NYSE, Operations, 20 Broad Street, New York, New York 10005.

Following consummation of the Offering, the Company will be subject to the informational requirements of the Securities Exchange Act of 1934, as amended (the "Exchange Act") and will, therefore, be required to file reports, proxy and information statements and other information with the Commission pursuant to the reporting requirements of Section 13(a) thereof, in addition to any other legal or NYSE requirements. Such reports, statements and information can also be inspected and copied at the Commission's offices and web site listed above.

CAUTIONARY STATEMENT

Information contained in this Prospectus contains "forward-looking statements" relating to, without limitation, future economic performance, plans and objectives of management for future operations and projections of revenue and other financial items, which can be identified by the use of forward-looking terminology such as "may," "will," "should," "expect," "anticipate," "estimate" or "continue" or the negative thereof or other variations thereon or comparable terminology. The cautionary statements set forth under the caption "Risk Factors" and elsewhere in this Prospectus identify important factors with respect to such forward-looking statements, including certain risks and uncertainties, that could cause actual results to differ materially from those in such forward-looking statements.

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PROSPECTUS SUMMARY

The following summary is qualified in its entirety by the more detailed information and financial information and statements, and the notes thereto, appearing elsewhere in this Prospectus. Unless otherwise indicated, the information contained in this Prospectus assumes (i) an initial public offering price per Common Share of \$20.00 (the midpoint of the range of estimated initial public offering prices set forth on the front cover of this Prospectus); (ii) the consummation of the Formation Transactions (as hereinafter defined); and (iii) no exercise of the Underwriters' over-allotment option. See "Glossary" for the definitions of certain terms used in the Prospectus.

THE COMPANY

CCA Prison Realty Trust, a Maryland real estate investment trust (the "Company") has been formed to capitalize on the opportunities created by the growing trend towards privatization in the corrections industry, including the increased demand for private correctional and detention facilities. The principal business strategy of the Company will be to acquire correctional and detention facilities that meet the Company's investment criteria, from both private prison managers and government entities, to expand its existing facilities, and to lease all such facilities under long-term leases. The Company initially will acquire nine correctional and detention facilities (collectively, the "Initial Facilities") which have an aggregate design capacity of 6,687 beds, currently owned and operated by Corrections Corporation of America, a Tennessee

corporation ("CCA"). The Company will also have an option for a period of three years following the closing of the purchase of the Initial Facilities, to acquire up to five additional correctional and detention facilities (collectively the "Option Facilities") which have an aggregate design capacity of 5,638 beds, currently owned and operated or under construction or development by CCA. (The Initial Facilities and the Option Facilities are sometimes referred to collectively as the "Facilities"). In addition, the Company will have an option to acquire any correctional or detention facility acquired or developed and owned by CCA in the future for a period of three years following the date CCA first receives inmates at such facility (the "Service Commencement Date"). As a result of these transactions, the Company and CCA will have several ongoing relationships after the Formation Transactions, some of which could give rise to possible conflicts of interest. See "Relationship Between CCA and the Company after the Formation Transactions." Upon completion of the Offering and the Formation Transactions, the Company will be the only publicly-traded, self-administered and self-managed REIT focused on acquiring and owning correctional and detention facilities.

The Company will lease all of the Facilities to CCA, and CCA will continue to manage the Facilities. The Company believes that for the Initial Facilities and, if acquired, the Option Facilities, it will benefit significantly from the continuity of management provided by CCA. CCA is the largest manager of privatized correctional and detention facilities worldwide. CCA has developed and operated the Facilities since they were acquired or constructed by CCA at various times ranging from 1984 through 1997. See "Business of the Company and its Properties."

The Company will purchase the Initial Facilities for an aggregate cash purchase price of approximately \$308.1 million concurrent with the closing of the Offering. The Initial Facilities will be leased to CCA pursuant to long-term, non-cancelable "triple net" leases (the "Leases") which require CCA to pay all operating expenses, taxes, insurance and other costs. All of the Leases will provide for base rent with certain annual escalations and will have primary terms ranging from 10 to 12 years which may be extended at fair market rates for three additional five-year periods upon the mutual agreement of the Company and CCA. The Initial Facilities are expected to generate aggregate initial annual rent of approximately \$33.9 million which represents an 11% lease rate based on the purchase price. The Company will have general recourse to CCA under the Leases, but CCA's payment obligations under such Leases are not secured by any assets of CCA. The obligations of CCA under the leases are cross-defaulted to each of the other leases with respect to payment defaults and certain other defaults.

The Company has obtained a commitment for a \$150.0 million line of credit (the "Bank Credit Facility") from a group of banks led by First Union National Bank of Tennessee ("First Union") which will be used for the acquisition of additional correctional facilities, including the Option Facilities, and for certain

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other purposes, including the expansion of existing facilities and working capital, as necessary. The Company expects to close the Bank Credit Facility immediately following the consummation of the Offering. Upon consummation of the Offering, the Company will have no outstanding indebtedness. The Company believes that its lack of debt, coupled with the available financing through the Bank Credit Facility, will provide it with significant financial resources in pursuing correctional facility acquisition and expansion opportunities, including some or all of the Option Facilities. The Company intends to maintain a capital structure which limits consolidated indebtedness to no more than 50% of its total capitalization. See "Policies and Objectives With Respect to Certain Activities -- Financing."

The Company intends to initially focus on privately-managed facilities which are owned and operated by CCA or its subsidiaries. However, the Company will also pursue other opportunities, including acquisitions of or financings for correctional facilities owned and operated by various government entities. The Company believes it has significant access to development and acquisition opportunities by virtue of its relationship with CCA and the experience and the industry contacts of its Chief Executive Officer, J. Michael Quinlan, former Director of the Federal Bureau of Prisons (the "BOP"). The Company intends to utilize Mr. Quinlan's experience in developing and managing correctional and detention facilities to opportunistically pursue development and acquisitions of correctional facilities from both the public and private sectors. See

The Company is a self-administered and self-managed real estate investment trust that expects to qualify as a REIT for federal income tax purposes. In order to qualify as a REIT, the Company's income must be derived from certain sources, including rents from real property (and generally excluding income from the operation of a correctional facility). See "Material Federal Income Tax Considerations -- Taxation of the Company -- Income Tests." Accordingly, the Company is precluded from operating correctional facilities and, consequently, intends to lease such properties pursuant to long-term, non-cancelable triple net leases.

The Company was formed as a Maryland real estate investment trust on April 23, 1997. The Company's principal executive offices are located at, and its mailing address is, 2200 Abbott Martin Road, Suite 201, Nashville, Tennessee 37215. The Company's telephone and fax numbers are (615) 460-7452 and (615) 460-1206, respectively.

SUMMARY RISK FACTORS

Investors should carefully consider the matters discussed under "Risk Factors" in this Prospectus prior to making an investment decision regarding the Common Shares offered hereby. Such risk factors include:

- The dependence on CCA, as the lessee of the Facilities, for the Company's initial revenues and ability to make distributions to its shareholders;
- Potential conflicts of interest among affiliates of both CCA and the Company, and risks associated with the lack of third party appraisals for the Facilities and the lack of arm's-length negotiations in connection with certain aspects of the Formation Transactions;
- Ownership of the Company's facilities is subject to operating risks inherent in the corrections and detention industry;
- The taxation of the Company as a regular corporation if it fails to qualify as a REIT;
- Actual Cash Available for Distribution (defined generally as net income (loss) computed in accordance with generally accepted accounting principles of the Company plus depreciation and amortization minus capital expenditures and principal payments on indebtedness) may be insufficient to allow the Company to maintain its proposed initial distribution rate;
- Certain real estate investment considerations, which may affect the value of the Common Shares and the Company's ability to make expected distributions to shareholders, including (i) the potential liability of the Company for unknown or future environmental matters; and (ii) the possibility that a facility could sustain an uninsured loss;

- The dependence on certain key personnel, particularly Messrs. Quinlan, Crants and Devlin;
- The Company's lack of operating history and lack of experience in operating in accordance with the requirements for maintaining its qualification as a REIT;

- The Company's lack of control over CCA's day-to-day operations and management of the Facilities;

- Immediate and substantial dilution in the net tangible book value per share of the Common Shares purchased in the Offering;

- The restrictions on the ownership of outstanding Common Shares to ensure compliance with certain requirements related to qualification of the Company as a REIT;

- Anti-takeover effect of limiting actual or constructive ownership of Common Shares of the Company by a single person to 9.8% of the outstanding capital stock, subject to certain specified exceptions, and certain other provisions contained in the organizational documents of the Company, any of which may have the effect of delaying or preventing a transaction or change in control of the Company that might involve a premium price for the Common Shares or otherwise be in the best interests of the Company's shareholders;

- The ability of the Company to make changes in its investment and financing policies without the approval of its shareholders, which could result in decisions that do not fully reflect the interests of all shareholders of the Company;

- The lack of a prior market for the Common Shares and the potential impact of market interest rate increases and other factors in the trading price of the Common Shares; and

- The possibility that the Company may not be able to obtain long-term financing on favorable terms and interest rates might increase on amounts drawn under the Bank Credit Facility.

SELECTED HISTORICAL AND PRO FORMA FINANCIAL DATA

The following table sets forth (i) selected historical financial information for the Company and (ii) unaudited selected pro forma financial information for the Company. The pro forma operating information is presented as if the Formation Transactions had occurred as of the beginning of the period indicated and therefore incorporates certain assumptions that are included in the Notes to Pro Forma Statements of Operations. The pro forma balance sheet information is presented as if the Formation Transactions had occurred on March 31, 1997. The pro forma information does not purport to represent what the Company's financial position or results of operations actually would have been had the Formation Transactions, in fact, occurred on such date or at the beginning of the period indicated, or to project the Company's financial position or results of operations at any future date or for any future period.

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CCA PRISON REALTY TRUST

SELECTED HISTORICAL AND PRO FORMA FINANCIAL INFORMATION
(IN THOUSANDS, EXCEPT PER SHARE DATA)

<TABLE>
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	PRO FORMA	
	YEAR ENDED	THREE MONTHS
	DECEMBER 31, 1996	ENDED MARCH 31, 1997
	-----	-----
<S>	<C>	<C>
OPERATING DATA:		
Revenue:		
Rent income (1).....	\$33,891	\$8,473

Costs and expenses:		
Operating and administrative(2).....	1,950	487
Provision for depreciation and amortization(3).....	8,588	2,147
	-----	-----
Total costs and expenses.....	10,538	2,634
	-----	-----
Net income.....	\$23,353	\$5,839
	=====	=====
Net income per share.....	\$ 1.35	\$ 0.34
	=====	=====
Weighted average number of shares outstanding(4).....	17,301	17,301
	=====	=====

OTHER DATA:

Funds from operations(5).....	\$31,941	7,986
Cash available for distribution.....	31,941	7,986
Distributions.....	29,412	7,353
Distributions per share.....	\$ 1.70	\$0.425

</TABLE>

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	PRO FORMA AS OF MARCH 31, 1997	HISTORICAL AS OF APRIL 23, 1997
	-----	-----
<S>	<C>	<C>
BALANCE SHEET DATA:		
Real estate before accumulated depreciation.....	\$311,103	\$ --
Total assets.....	316,200	1
Shareholders' equity.....	316,200	1

</TABLE>

(1) Rent income from CCA recorded in accordance with the terms of the Leases as if the Initial Facilities had been in operation at the leased design capacity for the entire period. The Company will lease the Initial Facilities to CCA under operating leases.

(2) Recurring administrative expenses of the Company, including franchise and excise taxes, based upon management's estimates of operating and administrative costs.

(3) Depreciation expense on fixed assets purchased from CCA based on the estimated useful lives of the Initial Facilities.

(4) Weighted average shares outstanding include the founder's shares, shares issued to management and Common Shares sold in the Offering as if such shares were outstanding for the entire period.

(5) Management believes Funds from Operations is helpful to investors as a measure of the performance of an equity REIT because, along with cash flows from operating activities, financing activities and investing activities, it provides investors with an understanding of the ability of the Company to incur and service debt and make capital expenditures. Funds from Operations is calculated by management as net income (loss) (computed in accordance with GAAP), excluding gains (or losses) from debt restructuring and sales of property, plus real estate related depreciation and amortization and after adjustments for unconsolidated partnerships and joint ventures and, accordingly, may not be comparable to other REITs' Funds from Operations calculated under a differing methodology. See "Management's Discussion and Analysis of Financial Condition and Results of Operations -- Funds from Operations". Funds from Operations should be examined in conjunction with net income as presented.

<TABLE>
<CAPTION>

	YEAR ENDED DECEMBER 31, 1996	THREE MONTHS ENDED MARCH 31, 1997
	-----	-----
<S>	<C>	<C>
(AMOUNTS IN THOUSANDS)		
Calculations of Funds from Operations:		
Pro Forma Net income.....	\$23,353	\$5,839
Plus: Pro forma real estate depreciation and amortization.....	8,588	2,147
	-----	-----
Pro forma funds from operations.....	\$31,941	\$7,986
	=====	=====

Funds from Operations should not be considered as an alternative to net income (determined in accordance with GAAP) as an indication of the Company's financial performance or to cash flows from operating activities (determined in accordance with GAAP) as a measure of the Company's liquidity nor is it indicative of funds available to fund the Company's cash needs, including its ability to make distributions.

BUSINESS OBJECTIVES AND STRATEGIES

The Company's primary business objectives are to maximize current returns to shareholders through increases in cash flow available for distribution and to increase long-term total returns to shareholders through appreciation in the value of the Common Shares. The Company will seek to achieve these objectives through:

- The acquisition of the Initial Facilities and, if acquired, the Option Facilities;
- The strategic expansion of its correctional and detention facilities portfolio through the selective acquisition from both private prison managers and government entities, of correctional and detention facilities that demonstrate potential for significant revenue and cash flow;
- The expansion of its existing facilities;
- The construction and/or development of new correctional and detention facilities;
- The improvement and enhancement of the Company's holdings through proper maintenance and capital improvements;
- The structuring of fair market leases under which the lessees pay base rent with certain annual escalations and pay certain expenses in connection with the operation of the property such as real estate taxes, insurance, utilities and services, maintenance and other operating expenses;
- Providing mortgages or other appropriate financing vehicles to correctional facility operators in circumstances where ownership by the Company is not otherwise attractive;
- The monitoring of operating performance of the facilities in its portfolio to ensure that the lessees comply with their lease obligations; and
- The maintenance of a ratio of debt to total capitalization (i.e., total debt of the Company as a percentage of shareholders' equity plus total debt) of 50% or less. See "Management's Discussion and Analysis of Financial Condition and Results of Operations -- Liquidity and Capital Resources."

FUTURE GROWTH OF THE COMPANY

External Growth

Acquisition Opportunities. In addition to the possible acquisition of the Option Facilities, the Company intends to acquire from both private prison owners and operators and government entities additional correctional and detention facilities that meet its investment criteria, as described herein. The primary source of private correctional facilities to be initially acquired or financed by the Company will be facilities owned and operated by CCA. The Company believes it has a competitive advantage in the acquisition of new correctional facilities due to its relationship with CCA and the Company's significant capital resources. The Company also believes that attractive opportunities exist to acquire or develop correctional facilities from or on behalf of various government entities. In pursuing such opportunities, the Company expects to utilize the industry knowledge, experience and relationships of its Board of Trustees and management, particularly, J. Michael Quinlan, the Chief Executive Officer and the former Director of the BOP.

Financing Opportunities. High occupancy rates and prison over-crowding have resulted in an increased demand for new federal, state and local

correctional facilities. While the Company intends to grow primarily from acquisitions and expansions of correctional facilities, the Company believes that opportunities exist for it to provide mortgage or other appropriate financing vehicles to government entities and private prison operators in circumstances where ownership by the Company is not otherwise attractive.

Internal Growth

Expansion Opportunities. The Company's growth objectives will also focus on the selective expansion of its existing correctional facilities to increase cash flows and property values. The Company believes that CCA will continue to attempt to achieve economies of scale through expansions of existing facilities. Management of the Company intends to actively participate in its tenants' expansion plans and intends to provide expansion space as needed.

Rent Escalations. The rent schedule under the Leases provides for a relatively stable source of cash flow and opportunities to participate in future growth in revenues. The minimum rent for the first year for each Facility under the Leases is initially set at a fixed amount. Thereafter, minimum rent will escalate by a percentage of the rent applicable to a particular Facility in the preceding year, such percentage being equal to the greater of (i) 4% or, (ii) the percentage which is 25% of the percentage increase in the gross management revenues realized by CCA from such Facility, exclusive of any increase attributable to expansion in the size of or the number of beds in such facility (the "Base Rent Escalation").

BUSINESS OF THE COMPANY AND ITS PROPERTIES

THE FACILITIES

The Company has negotiated a purchase agreement for the nine Initial Facilities, and option agreements to purchase any or all of the five additional Option Facilities that may be exercised at any time during the three-year period following the closing of the purchase of the Initial Facilities. In addition, the Company will have an option to acquire any correctional or detention facility acquired or developed and owned by CCA in the future for a period of three years following the Service Commencement Date with respect to such facility. The Company will acquire a 100% interest in each of the facilities purchased. Certain information for the Initial Facilities and the Option Facilities is set forth in the following tables and accompanying descriptions. In general, the Facilities are all of the correctional and detention facilities owned or currently under development by CCA which will not be owned by the contracting government entity or are not the subject of below market purchase options held by contracting government entities.

THE INITIAL FACILITIES

<TABLE>
<CAPTION>

FACILITY AND LOCATION	DESIGN CAPACITY (1)	DATE OPENED	TYPE OF FACILITY (2)	CONTRACTING ENTITIES	INITIAL ANNUAL RENT (IN MILLIONS) (3)	LEASE TERM (YEARS)
Houston Processing Center.....	411	April 1984	Medium Security Processing Center	INS	\$ 1.5	12
Laredo Processing Center.....	258	March 1985	Medium Security Processing Center	INS and BOP	1.2	12
Bridgeport Pre-Parole Transfer Facility...	200	November	Minimum Security	State of Texas	0.4	12

Bridgeport, Texas		1987	Pre-Parole Transfer Facility				
Mineral Wells							
Pre-Parole Transfer Facility.....	1,119	July 1989	Minimum Security Pre-Parole Transfer Facility	State of Texas		3.0	12
West Tennessee Detention Facility.....	600	September 1990	Multi-Security Detention Center	INS, USMS (4), BOP, State of North Carolina		3.7	10
Mason, Tennessee							
Leavenworth Detention Center.....	327	June 1992	Maximum Security Detention Center	USMS		3.3	10
Leavenworth, Kansas							
Eloy Detention Center.....	1,500 (5)	July 1994	Medium Security Detention Center	INS and BOP		6.0	12
Eloy, Arizona							
Central Arizona Detention Center....	1,792	October 1994	Multi-Security Detention Center	USMS, States of Oregon, Alaska and New Mexico		12.3	10
Florence, Arizona							
T. Don Hutto Correctional Center.....	480	January 1997	Medium Security Correctional Facility	Williamson County, Texas States of Colorado and Wyoming		2.5	12
Taylor, Texas							

</TABLE>

- (1) Design capacity measures the number of beds, and accordingly the number of inmates, each facility is designed to accommodate.
- (2) Each facility is identified according to the level(s) of security maintained and the types of inmates held. Minimum security facilities are facilities having open-housing within an appropriate designated 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 or detention devices; and multi-security facilities are facilities with various areas encompassing either minimum, medium, or maximum security. Processing centers are used to house undocumented aliens for the U.S. Immigration and Naturalization Service (the "INS"); pre-parole transfer facilities are used to hold inmates that have been arrested for technical violations of their parole agreements with the State Department of Criminal Justice, Board of Pardons and Paroles; detention facilities are used to house inmates of all levels, including pre-trial and pre-sentence prisoners for the United States Marshals Service, inmates sentenced, but not yet housed in correctional facilities, inmates awaiting trial, sentencing or hearing, and persons detained by the INS; and correctional facilities are used to house inmates on a permanent basis for the duration of their sentences.
- (3) On an annualized basis.
- (4) U.S. Marshals Service (the "USMS").
- (5) Includes a 250-bed expansion which is expected to be completed in June 1997.

The Initial Facilities will be purchased from CCA for an aggregate purchase price of approximately \$308.1 million in cash. The Company will lease the Initial Facilities to CCA pursuant to Leases with terms ranging from 10 to 12 years with aggregate initial annual rents of approximately \$33.9 million. Throughout the terms of the initial Leases, annual rents will escalate by the Base Rent Escalation. The Leases may be extended at fair market rates for three additional periods of five years each upon the mutual agreement of the Company and CCA.

The initial public offering price and, accordingly, the aggregate consideration to be paid by the Company in the Formation Transactions are based on an evaluation of CCA's operation of the Initial Facilities as a whole and the factors discussed under "Underwriting" herein, rather than the valuation of individual properties. Independent valuations were not obtained to determine the

purchase price to be paid by the Company for, or the fair market value of, the Initial Facilities, and the purchase price to be paid by the Company for the Initial Facilities exceeds their historical costs. See "Risk Factors -- Conflicts of Interest." The purchase price for the Initial Facilities was determined primarily based on an evaluation of the current and anticipated cash flows and operating results of such facilities. To determine the purchase price for each of the Initial Facilities other than the T. Don Hutto Correctional Center, the anticipated annual cash flow from the facility less ongoing capital expenditures, was divided by an agreed upon coverage ratio and lease rate. Because the T. Don Hutto Correctional Center was not completed until January 1997, the purchase price of that facility was calculated as CCA's approximate cost of developing, constructing and equipping the center, plus 5% of such costs. It is possible that if the Company were to have obtained third-party valuations, the sum of the values of the Initial Facilities might have been lower than the valuation of the Company. There has not been, nor will there be, any valuation of the Company other than the initial public offering price of the Common Shares.

THE OPTION FACILITIES

<TABLE>
<CAPTION>

FACILITY AND LOCATION	DESIGN CAPACITY	ANTICIPATED OPENING DATE	TYPE OF FACILITY	CONTRACTING ENTITIES
<S>	<C>	<C>	<C>	<C>
Northeast Ohio Correctional Center..... Youngstown, Ohio	2,016	June 1997	Medium Security Correctional Facility	Pending(1)
Torrance County Detention Facility..... Estancia, New Mexico	910	October 1997(2)	Multi-Security Detention Facility	USMS, BOP, State of New Mexico, Torrance County
Southern Colorado Correctional Facility..... Walsenburg, Colorado	752	October 1997	Medium Security Correctional Facility	State of Colorado
North Fork Correctional Facility..... Sayre, Oklahoma	960	January 1998	Medium Security Correctional Facility	Under negotiation(3)
Whiteville Correctional Center..... Whiteville, Tennessee	1,000	July 1998	Medium Security Correctional Facility	Under negotiation(4)

</TABLE>

(1) CCA is reserving all 2,016 beds in this facility for use by the District of Columbia on a permanent basis. CCA is currently housing 900 inmates for the District of Columbia under a temporary contract.

(2) Anticipated opening date for a 624-bed expansion. The current 286-bed facility was opened in December 1990.

(3) CCA is currently negotiating with the State of Colorado with respect to beds in this facility.

(4) CCA is currently negotiating with various states with respect to beds in this facility.

The Company will have options to purchase, for a period of three years from the closing of the purchase of the Initial Facilities, any or all of the five Option Facilities. See "Business of the Company and its Properties -- The Option Facilities." The purchase price of each Option Facility shall be equal to CCA's actual cost of developing, constructing and equipping such Option Facility, plus 5% of such costs. The initial annual rent for each Option Facility will be the greater of (i) the fair market value of the Option Facility, or (ii) 11% of such purchase price. Using the 11% lease rate calculation, the Company and CCA believe that the purchase price and initial annual rent, respectively, for each Option Facility, if purchased, will be: (a) Northeast Ohio Correctional Center -- \$58.0 million and \$6.4 million; (b) Torrance County Detention Facility -- \$36.0 million and \$4.0 million; (c) Southern Colorado Correctional Facility -- \$27.5 million and \$3.0 million; (d) North Fork Correctional Facility -- \$29.5 million and \$3.2 million; and (e) Whiteville Correctional Center -- \$42.0 million and \$4.6 million. Total estimated purchase price and first-year rent for the Option Facilities amount to approximately \$193.0 million and \$21.2 million, respectively.

The Company will lease to CCA the Option Facilities, if acquired, pursuant to long-term, non-cancelable triple net leases on substantially the same terms and conditions as the Leases for the Initial Facilities, including the Base Rent Escalation. The Company does not intend to acquire an Option Facility until it is fully constructed, is the subject of an enforceable management contract between CCA and a government entity and

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has an occupancy rate acceptable to the Company. See "The Company -- Business Objectives and Strategies."

Because the Option Facilities are currently under development, construction or expansion by CCA, the cash consideration to be paid by the Company for each of the five Option Facilities will be determined based on CCA's costs of developing, constructing and equipping such facilities plus 5% of such costs. Independent valuations were not obtained to determine the purchase price of the Option Facilities, and the purchase price to be paid by the Company for the Option Facilities exceeds their historical costs. See "Risk Factors -- Conflicts of Interest -- Situations in Which Conflicts of Interest Have Arisen and May Continue to Arise -- Valuation of the Facilities."

THE PRIVATE CORRECTIONS INDUSTRY

The Company believes the United States private corrections industry is in a period of significant growth. In the United States, there is a growing trend toward privatization of government services and functions, including corrections and detention services, as governments of all types face continuing pressure to control costs and improve the quality of services. According to the Private Adult Correctional 1996 Facility Census, prepared by Private Corrections Project Center for Studies in Criminology and Law, University of Florida, dated March 15, 1997 (the "1996 Facility Census"), the design capacity of privately managed adult correctional and detention facilities worldwide has increased dramatically since the first privatized facility was opened by CCA in 1984. According to the 1996 Facility Census, the aggregate capacity of private facilities in operation or under construction rose from 65,593 beds at December 31, 1995 to 85,201 beds at December 31, 1996, an increase of 34%. Additionally, the 1996 Facility Census reports that the number of private facilities for which contracts have been awarded increased 27% from 104 in 1995 to 132 in 1996 and the prisoner population housed in privately managed facilities expanded by 28% in 1996.

CORRECTIONS CORPORATION OF AMERICA

CCA is the largest developer and manager of privatized correctional and detention facilities worldwide. At December 31, 1996, CCA had an estimated United States market share of 52% and an estimated global market share of 48%. CCA will be the sole lessee of the Initial Facilities and, if acquired, the Option Facilities. CCA is expected to continue to sell additional correctional and detention facilities to the Company in the future and to enter into long-term non-cancelable leases with the Company with respect to those facilities. CCA's facilities are located in 17 states in the United States, the District of Columbia, Puerto Rico, Australia and the United Kingdom. As of June 10, 1997, CCA had contracts to manage 60 correctional and detention facilities with an aggregate design capacity of 43,748 beds, of which 51 facilities representing 32,441 beds are in operation.

RELATIONSHIP BETWEEN CCA AND THE COMPANY AFTER THE FORMATION TRANSACTIONS

For the purpose of governing certain of the ongoing relationships between CCA and the Company after the Formation Transactions and to provide mechanisms for an orderly transition, prior to the completion of the Formation Transactions, CCA and the Company will have entered into the various agreements, and will adopt policies as described herein. The Company believes that the agreements are fair to it and contain terms which generally are comparable to those which would have been reached in arm's-length negotiations with unaffiliated parties. In each case, the terms of these agreements have been reviewed by the Board of Directors of CCA and by the Independent Committee of the Board of Trustees of the Company. Such agreements include (a) the Purchase

Agreement (as hereinafter defined), (b) the Option Agreements (as hereinafter defined), (c) the Right to Purchase Agreement (as hereinafter defined), and (d) the Trade Name Use Agreement (as hereinafter defined).

Purchase Agreement. Prior to the consummation of the Offering, the Company and CCA and certain of its subsidiaries will enter into an agreement of sale and purchase which provides the terms of the sale of the

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nine Initial Facilities for aggregate cash consideration of approximately \$308.1 million (the "Purchase Agreement"). Pursuant to the Purchase Agreement, the transfer of the Initial Facilities is subject to the completion of the Offering as well as the normal and customary conditions to the closing of real estate transactions. The Purchase Agreement will contain representations and warranties by CCA concerning the Initial Facilities customarily found in agreements of such types.

Option Agreements. Prior to the consummation of the Offering, the Company and CCA and certain of its subsidiaries will enter into Option Agreements (collectively, the "Option Agreements"), pursuant to which CCA and certain of its subsidiaries will grant the Company exclusive options to acquire any or all of the five Option Facilities for a period of three years following the closing of the purchase of the Initial Facilities for a purchase price equal to CCA's cost of developing, constructing and equipping such facilities plus 5%, which aggregate approximately \$193.0 million.

Right to Purchase. It is anticipated that CCA will acquire or develop additional correctional or detention facilities in the future. The Company and CCA will enter into a right to purchase agreement (the "Right to Purchase Agreement") whereby the Company has an option to acquire, at fair market value, and lease back to CCA, any correctional or detention facility acquired or developed and owned by CCA in the future for a period of three years following the Service Commencement Date with respect to such facility. For the first two years of such option period, fair market value is deemed to be CCA's cost of developing, constructing and equipping such facilities, plus 5% of such costs. Thereafter, fair market value will be based on cash flows and operating results of such facilities. For facilities acquired during the first five years of the Right to Purchase Agreement, the initial annual rent on facilities leased back to CCA will be the greater of (i) fair market rental rates, as determined by CCA and the Company, or (ii) 11% of the purchase price of such facilities. Thereafter, the initial annual rent on such facilities will be the fair market rental rates, as determined by the Company and CCA.

Trade Name Use Agreement. Pursuant to the terms of a trade name use agreement (the "Trade Name Use Agreement"), the Company will be granted the right to use the trade name "CCA" as part of its name, subject to specified terms and conditions therein, including CCA's right to terminate the Trade Name Use Agreement upon ten days' notice to the Company.

Policies and Procedures for Addressing Conflicts. After completion of the Formation Transactions, CCA and the Company will have significant contractual and other ongoing relationships, as described above and under "Leases" herein. Such ongoing relationships may present certain conflict situations for certain trustees and officers of the Company and certain directors and officers of CCA. See "Risk Factors -- Conflicts of Interest." The Company and CCA will adopt appropriate policies and procedures to be followed by the Board of Trustees of the Company and the Board of Directors of CCA to attempt to address those conflicts. Such procedures will include requiring Doctor R. Crants to abstain from making management decisions in his capacity as an officer, trustee or director of the Company and CCA, respectively, and to abstain from voting as a director or trustee of either company, with respect to matters that present a conflict of interest between the companies. Whether or not a conflict of interest situation exists will be determined by the Independent Committee on a case-by-case basis in accordance with the policies and procedures to be developed by the Board of Trustees (as hereinafter defined). See "Risk Factors -- Conflicts of Interest."

The Board of Trustees has established an Independent Committee consisting of the seven trustees who will not be employees of the Company or affiliated with CCA (the "Independent Trustees") (the "Independent Committee"). The Independent Committee will evaluate transactions involving the Company and CCA, such as the acquisition of additional facilities from CCA and lease negotiation and enforcement. Certain other significant actions of the Board of Trustees will require the approval of a minimum of two-thirds of the trustees. In addition, Michael W. Devlin, the Company's Chief Development Officer, and Vida H. Carroll,

the Company's Chief Financial Officer, both of whom have had and will have no affiliation with CCA, will assist the Independent Committee with respect to potential conflicts of interest between the Company and CCA, including the negotiation and enforcement of all Leases. See "Management" and "Conflicts of Interest."

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LEASES

Concurrently with CCA's conveyance of the Initial Facilities to the Company, the Company will lease each such facility to CCA. Each Facility will be the subject of a separate Lease that will incorporate the provisions of a master agreement to lease between the Company as landlord and CCA as tenant (the "Master Lease"). The Leases will have primary terms ranging from 10 to 12 years (the "Fixed Term"). The Lease for each Facility may be extended at fair market rates for three additional five-year terms (the "Extended Term"), upon the mutual agreement of the Company and CCA. The Leases are triple net leases which require CCA to pay substantially all expenses associated with the operation of the Facilities, such as real estate taxes, insurance, utilities and services, maintenance and other operating expenses. Each Lease requires that CCA operate the leased property only as a correctional or detention facility.

The rent schedule under the Leases provides for a relatively stable source of cash flow and opportunities to participate in future growth in revenues experienced by CCA. The rent for the first year for each Facility under the Leases is initially set at a fixed amount and will be increased each year by the Base Rent Escalation.

The obligations of CCA under each Lease are cross-defaulted to each of the other Leases with respect to payment defaults, certain bankruptcy and insolvency related defaults and defaults relating to any CCA default on a material debt obligation or any substantial adverse judgment not covered by insurance and not promptly paid by CCA. The Company will have general recourse to CCA under the Leases, but CCA's payment obligations under such Leases are not secured by any assets of CCA.

Pursuant to the Master Lease, CCA shall have a right of first refusal with respect to the sale of any Initial Facility, any Option Facility or any interest in a correctional or detention facility acquired or developed by the Company in the future and operated by CCA. Neither the Master Lease nor any of the other agreements entered into by CCA in connection with the Formation Transactions prohibits or otherwise restricts CCA's ability to lease properties from parties (domestic or foreign) other than the Company. See "Leases" for a more detailed discussion of the terms and conditions of the Leases.

THE FORMATION TRANSACTIONS

Prior to or simultaneously with the completion of the Offering, the Company and CCA will engage in a series of transactions (collectively, the "Formation Transactions") which are designed to consolidate the ownership interests in the Facilities in the Company, to facilitate the Offering and to enable the Company to qualify as a REIT for federal income tax purposes commencing with its taxable year ending December 31, 1997. These transactions include the following:

- The Company, which was formed in Maryland in April 1997, will sell 17,000,000 Common Shares in the Offering for net proceeds of approximately \$313.2 million (assuming an initial public offering price of \$20.00 per share);
- Doctor R. Crants, Chairman of the Company and Chairman and Chief Executive Officer of CCA, will acquire in the Offering approximately 500,000 Common Shares at a price per share equal to the initial public offering price;
- The Company will use the net proceeds of the Offering to acquire the nine Initial Facilities from CCA for an aggregate purchase price of approximately \$308.1 million payable in cash;
- The Company will lease the Initial Facilities to CCA pursuant to the Leases for initial terms ranging from 10 to 12 years. Each Lease may be extended at fair market rates for three additional five-year renewal terms upon the mutual agreement of CCA and the Company. Pursuant to the Leases, the Company will grant to CCA a right of first refusal to acquire the Initial Facilities, the Option Facilities or any other correctional and

detention facilities subsequently acquired by the Company and operated by CCA;

- The Company will enter into the Option Agreements with CCA pursuant to which the Company will be granted the option to acquire any or all of the five Option Facilities from CCA for a period of three

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years following the closing of the purchase of the Initial Facilities, for a purchase price generally equal to CCA's costs of developing, constructing and equipping such facilities plus 5%, which aggregate approximately \$193.0 million. If acquired, the Option Facilities will be leased to CCA on terms substantially similar to those contained in the Leases;

- In addition to the Option Agreements, CCA will grant the Company a right to acquire, at fair market value, and lease back to CCA at fair market rental rates, any correctional or detention facility acquired or developed and owned by CCA in the future for a period of three years following the Service Commencement Date with respect to such facility. For facilities acquired during the first five years, the initial annual rent on facilities leased back to CCA will be the greater of (i) fair market rental rate as determined by the Company and CCA, or (ii) 11% of the purchase price of such facilities. Thereafter, the initial annual rent on such facilities will be the fair market rental rate as determined by the Company and CCA. Additionally, CCA will grant the Company a right of first refusal to acquire any CCA-owned correctional or detention facility should CCA receive an acceptable third party-offer to acquire any such facility;

- The Company will enter into employment agreements with certain of the Company's executive officers, including J. Michael Quinlan, Chief Executive Officer, D. Robert Crants, III, President, and Michael W. Devlin, Chief Development Officer; and

- Upon consummation of the Offering, D. Robert Crants, III and Michael W. Devlin will each receive 150,000 Common Shares as a development fee and as reimbursement for expenses incurred in connection with the promotion and formation of the Company, the consummation of the Offering and the closing of the purchase of the Initial Facilities which would have a valuation for each of them, based upon the initial public offering price, of \$3.0 million. The reimbursed expenses include certain costs related to property due diligence, employee compensation, travel and overhead.

ADVANTAGES AND DISADVANTAGES TO UNAFFILIATED SHAREHOLDERS

The potential advantages of such transactions to unaffiliated shareholders of the Company include their ability to participate in the substantial cash flow of the Initial Facilities, through their ownership in the Company and the Leases, and in all future acquisitions by the Company, primarily from CCA. See "The Company -- Business Objectives and Strategies." The potential disadvantages of such transactions to unaffiliated shareholders of the Company include the lack of arm's-length valuations in determining the consideration in such transactions and the fact that Doctor R. Crants, Chairman of the Board of both the Company and CCA, will have substantial influence on the management and operations of the Company and, as a substantial shareholder of both the Company and CCA, on the outcome of any matters submitted to a vote of shareholders, and that such influence might be exercised in a manner inconsistent with the interests of other shareholders. See the more complete discussion of such matters under "Risk Factors."

BENEFITS TO THE COMPANY AND ITS OFFICERS AND TRUSTEES

The advantages of the foregoing structure to the Company and its officers and trustees include:

- The ability to access public capital markets;
- The creation of an entity which, through its payment of dividends, is able to reduce or avoid the incurrence of federal income tax, allowing its shareholders to participate in real estate investments without the "double taxation" of income that generally results from an investment in a regular corporation;

- The ability to expand the Company's acquisition and development opportunities through its strong capital base;
- The Company will enter into employment agreements with J. Michael Quinlan, D. Robert Crants, III and Michael W. Devlin providing for annual salaries of \$150,000, \$100,000 and \$100,000, respectively;

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- J. Michael Quinlan, Chief Executive Officer, will be granted options to acquire 350,000 Common Shares at the initial public offering price. Each of Doctor R. Crants, Chairman of the Board of Trustees, D. Robert Crants, III, President and Michael W. Devlin, Chief Development Officer, will be granted options to acquire 200,000 Common Shares at the initial public offering price. Vida H. Carroll, Chief Financial Officer, will be granted options to acquire 50,000 Common Shares at the initial public offering price. The options will vest ratably over a four-year period commencing with the consummation of the Offering;
- Upon consummation of the Offering, D. Robert Crants, III and Michael W. Devlin will each receive 150,000 Common Shares as a development fee and as reimbursement for expenses incurred in connection with the promotion and formation of the Company, the consummation of the Offering and the closing of the purchase of the Initial Facilities which would have a valuation for each of them, based upon the initial public offering price, of \$3.0 million. The reimbursed expenses include certain costs related to property due diligence, employee compensation, travel and overhead. The development fee compensates Messrs. Crants and Devlin for their services rendered on behalf of the Company in connection with, among other things, the preparation of the Company's initial business plan and capital and operating budgets. A significant portion of this development work commenced in the fall of 1995, and continued throughout 1996 and 1997. See "The Formation Transactions -- Benefits to the Company and its Officers and Trustees;" and
- Each non-employee trustee will receive options to acquire 5,000 Common Shares at the initial public offering price.

BENEFITS TO CCA

CCA will receive the following benefits as a result of the Formation Transactions:

- CCA will receive approximately \$308.1 million in cash in exchange for the nine Initial Facilities it will sell to the Company. The historical cost of the Initial Facilities at March 31, 1997 was approximately \$173.6 million;
- In the event the Independent Committee determines to exercise the Company's option to purchase any or all of five Option Facilities, CCA could receive up to approximately \$193.0 million in cash;
- CCA will use certain of the proceeds of the sale of the Initial Facilities to repay certain indebtedness incurred in connection with facility acquisitions; and
- CCA will expand its marketing opportunities through increased access to capital.

DISTRIBUTIONS

The Company intends to pay regular quarterly distributions to its shareholders. The Board of Trustees, in its sole discretion, will determine the actual distribution rate based on the Company's actual results of operations, economic conditions, tax considerations (including those related to REITs) and other factors. The first distribution, for the period ending September 30, 1997, is expected to equal a pro rata share of the anticipated initial quarterly distribution of \$0.425 per Common Share. On an annualized basis, the anticipated distribution is \$1.70 per share, or approximately 8% to 9% of the estimated range of the initial public offering price. The Company does not expect to change its estimated initial distribution per Common Share if the Underwriters' over-allotment option is exercised. See "The Formation Transactions."

The Company has established the initial annual distribution rate based on the Company's estimate of Cash Available for Distribution (defined as the Company's net income (loss) plus depreciation and amortization less capital

expenditures and principal payments on indebtedness (as defined in accordance with generally accepted accounting principles) for the 12 months following the Offering, which was derived from the Company's Pro Forma Funds from Operations (as defined in Note 6 to Pro Forma Statement of Operations) for the 12 months ended December 31, 1996. Funds from Operations does not represent cash generated from operating activities in accordance with generally accepted accounting principles and should not

be considered an alternative to net income as an indication of the Company's performance or to cash flows as a measure of liquidity or ability to make distributions. The expected distribution for the 12 months following completion of the Offering will equal approximately 92.1% of the estimated Cash Available for Distribution for the 12 months ending June 30, 1998. The Company's estimate of Cash Available for Distribution does not include any revenues or expenses related to the purchase of the Option Facilities or additional facilities. The Company intends to maintain its approximate initial distribution amount for at least 12 months following the consummation of the Offering unless actual results of operations, economic conditions or other factors differ from the assumptions used in calculating the estimate. Based on the Company's estimated results of operations for the 12 months ending June 30, 1998, the Company estimates that approximately 10% to 20% of the anticipated initial annual distribution to shareholders will represent a return of capital for federal income tax purposes and that the Company would have been required to distribute \$22.6 million or \$1.31 per share during such 12-month period in order to maintain its status as a REIT. If future taxable income increases above or decreases below the estimated taxable income for the 12 months following the Offering, the percentage of the anticipated initial annual distribution representing a return of capital will decrease or increase, respectively. See "Distributions" for the calculation of estimated pro forma cash available for distributions and related assumptions.

TAX CONSIDERATIONS AND TAX STATUS OF THE COMPANY

The Company will elect to be taxed as a REIT under sections 856 through 860 of the Internal Revenue Code of 1986, as amended (the "Code"), commencing with its taxable year ending December 31, 1997. If the Company qualifies for taxation as a REIT, with certain exceptions, the Company will not be subject to federal income tax at the corporate level on its taxable income that is distributed to its shareholders. A REIT is subject to a number of organizational and operational requirements, including a requirement that it distribute at least 95% of its annual taxable income. Failure to qualify as a REIT will render the Company subject to federal income tax (including any applicable alternative minimum tax) on its taxable income at regular corporate rates, and distributions to the shareholders in any such year will not be deductible by the Company. Even if the Company qualifies for taxation as a REIT, the Company may be subject to certain state and local taxes on its income and property. In connection with the Company's election to be taxed as a REIT, the Company's Amended and Restated Declaration of Trust (the "Declaration of Trust") will impose restrictions on the transfer of Common Shares. The Company will adopt the calendar year as its taxable year. See "Risk Factors -- Adverse Impact on Distributions of Failure of Company to Qualify as a REIT," "-- Limits on Changes in Control," "Material Federal Income Tax Considerations" and "Description of Capital Shares -- Restrictions on Ownership."

THE OFFERING

Common Shares offered by the Company.....	17,000,000 shares
Common Shares to be outstanding after the Offering.....	17,301,000 shares(1) (2)
Use of proceeds.....	To pay the purchase price for the Initial Facilities and for working capital. See "Use of Proceeds," "Capitalization" and "The Formation Transactions."
Proposed NYSE symbol.....	PZN

(1) Does not include an aggregate of 1,850,000 shares reserved for issuance pursuant to the Company's Employee Share Incentive Plan and the Company's Trustees' Plan (each as hereinafter defined) of which 1,075,000 shares will

be subject to outstanding options at the closing of the Offering. See "Management -- The Share Incentive Plan" and "Management -- Non-Employee Trustees' Plan."

- (2) Includes (i) 1,000 founder's shares and (ii) 300,000 shares issued to D. Robert Crants, III and Michael W. Devlin as a development fee and as reimbursement for certain expenses incurred in connection with the formation of the Company and the consummation of the Offering. See "Dilution" and "The Formation Transactions."

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RISK FACTORS

An investment in the Common Shares offered hereby involves various risks. Prospective investors should carefully consider the following risk factors in conjunction with the other information contained in this Prospectus before purchasing Common Shares in the Offering.

THE DEPENDENCE ON CCA, AS THE LESSEE OF THE FACILITIES, FOR THE COMPANY'S INITIAL REVENUES AND ABILITY TO MAKE DISTRIBUTIONS

CCA will be the lessee of all the Initial Facilities and, if acquired, the Option Facilities. The Company's initial revenues, and its ability to make distributions to its shareholders, will depend on rental payments by CCA under the Leases. The Company believes that CCA has sufficient assets and income to enable it to satisfy its obligations under the Leases at this time; however, there can be no assurance that CCA will have such assets or income in the future.

Failure by CCA to materially comply with the terms of a lease would give the Company the right to terminate such lease and enforce the obligations thereunder, but could also require the Company to find another lessee to lease such facility or risk losing its ability to elect or maintain REIT status, as applicable. Moreover, there can be no assurance that CCA will elect to renew a lease upon expiration of its initial term, which would also force the Company to find a suitable replacement lessee. In either circumstance, due to the nature of the corrections and detention industry, the Company may be unable to locate a suitable lessee or to attract such a lessee, and may, therefore, be required to reduce the rent, which would have the effect of reducing the Company's Cash Available for Distribution. See "Corrections Corporation of America," "Leases" and "Conflicts of Interest."

CONFLICTS OF INTEREST

Several conflicts of interest exist on the part of the Company, its trustees and officers and CCA, and its directors and officers. The following description sets forth the principal conflicts of interest, including the relationships through which they arise, and the policies and procedures implemented by the Company to address those conflicts.

RELATIONSHIPS WHICH MAY GIVE RISE TO CONFLICTS OF INTEREST

Doctor R. Crants is the Chairman and Chief Executive Officer of CCA and the Chairman of the Board of Trustees of the Company. D. Robert Crants, III, President of the Company, is the son of Doctor R. Crants. Doctor R. Crants and D. Robert Crants, III, as well as certain other trustees or officers of the Company or directors or officers of CCA, may also own, directly or indirectly, shares in both companies following the Offering. D. Robert Crants, III and Michael W. Devlin, Chief Development Officer of the Company, are principals of DC Investment Partners LLC, a limited liability company which serves as the general partner of three private investment partnerships. DC Investment Partners LLC is owned by D. Robert Crants, III, Michael W. Devlin, Stephens Group, Inc., an affiliate of Stephens Inc., a managing underwriter of this Offering, and one other individual. Doctor R. Crants and three other directors of CCA are investors in one or more of the private investment partnerships managed by DC Investment Partners LLC. Rusty L. Moore, a trustee, is the spouse of a shareholder of Stokes & Bartholomew, P.A., tax and securities counsel to the Company. Stokes & Bartholomew, P.A. also provides legal services to CCA, including representing CCA in certain of the Formation Transactions. J. Michael Quinlan is a former employee of CCA. C. Ray Bell, a trustee, is the principal of a construction company which, as a part of its business, builds correctional and detention facilities, including facilities for CCA. Because of Mr. Bell's experience in building correctional and detention facilities, it is anticipated that Mr. Bell's company may build correctional and detention facilities for or on behalf of the Company.

SITUATIONS IN WHICH CONFLICTS OF INTEREST HAVE ARISEN AND MAY CONTINUE TO ARISE

Valuation of the Facilities. The valuation of the Initial Facilities and the Option Facilities was determined by management of CCA and management of the Company and were not negotiated on an arm's-length basis. The purchase price of the Initial Facilities was determined based primarily on an evaluation of

the current and anticipated cash flows and operating results of such facilities. To determine the purchase price for each of the Initial Facilities other than the T. Don Hutto Correctional Center, the anticipated annual cash flow from the facility less ongoing capital expenditures, was divided by an agreed upon coverage ratio and lease rate. Because the T. Don Hutto Correctional Center was not completed until January 1997, the purchase price of that facility and of each Option Facility was calculated as CCA's approximate cost of developing, constructing and equipping such facilities, plus 5% of such costs. It is possible that if such valuations had been determined on an arm's-length basis, or been the subject of independent valuations or appraisals, the sum of the values of the Initial Facilities and, if acquired, the Option Facilities might have been lower than the sum of the values determined by the management of CCA and of the Company. The terms of the purchase of the Facilities were approved by the Independent Committee of the Company's Board of Trustees.

Terms of Leases. The Lease payment obligations with respect to the Initial Facilities were determined by management of CCA and management of the Company and were not negotiated on an arm's-length basis. However, the lease payments that CCA is obligated to make are based on an initial capitalization rate of approximately 11%, which the Company believes reflects the fair rental value of the Initial Facilities to the Company. Moreover, the terms and conditions of the Leases were the subject of independent negotiations between the Company and CCA, and the amount of the Lease payment obligations and the terms and conditions of the Leases were approved by the Independent Committee of the Company's Board of Trustees.

Potential for Future Conflicts. After the Offering, CCA and the Company may be in situations where they have differing interests resulting from the ongoing relationship between the companies. Such situations include the fact that after the Offering (i) CCA will lease the Initial Facilities which will be owned by the Company; (ii) the Company will have an exclusive option to acquire the Option Facilities and a right to purchase and a right of first refusal to purchase any correctional or detention facility developed or acquired and owned by CCA or its subsidiaries in the future and to provide mortgage financing for any correctional or detention facilities financed in excess of 90% of their cost by CCA or its subsidiaries in the future; and (iii) CCA will have a right of first refusal to acquire the Facilities. Accordingly, the potential exists for disagreements as to the compliance with the Leases or the values of the facilities acquired or lease payments therefor in the future pursuant to the Right to Purchase Agreement. Additionally, the possible need by the Company, from time to time, to finance, refinance or effect a sale of any of the properties managed by CCA may result in a need to modify the Lease with CCA with respect to such property. Any such modification will require the consent of CCA, and the lack of consent from CCA could adversely affect the Company's ability to consummate such financings or sale. Because of the relationships described above, there exists the risk that the Company will not achieve the same results in its dealings with CCA that it might achieve if such relationships did not exist.

CORRECTIONAL AND DETENTION INDUSTRY RISKS

The ability of lessees of the Company's facilities to make rental payments and the value of the Company's facilities are subject to operating risks generally inherent in the corrections and detention industry.

SHORT-TERM NATURE OF GOVERNMENT CONTRACTS. Private prison managers typically enter into facility management contracts with government entities with 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. Moreover, the contracting agency typically may terminate a facility contract without cause by giving the private prison manager written notice. Therefore, there exists the risk that a facility owned by the Company may not be the subject of a contract with a government entity at some point during its ownership by the Company since the Company's leases generally extend for periods substantially longer than the underlying contracts with government entities.

DEPENDENCE ON GOVERNMENT APPROPRIATIONS. A private prison manager's cash flow is subject to the receipt of sufficient funding 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 could have an adverse effect on the private prison manager's cash flow. Further, it is part of the Company's business strategy

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to acquire facilities from government entities and to lease those facilities to the government entity or to finance the facility for the government entity. The ability of the government entity to make payments under such leases or in connection with such financing may be dependent upon annual appropriations.

DEPENDENCE ON GOVERNMENT AGENCIES FOR INMATES. Private prison managers are dependent on government agencies supplying those facilities with a sufficient number of inmates to meet the facility's design capacities. A failure to do so may have a material adverse effect on a private prison manager's financial condition and results of operations which could affect the private prison manager's ability to make payments under a lease.

DEPENDENCE ON ABILITY TO DEVELOP NEW PRISONS. 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. Moreover, the private corrections industry is subject to public scrutiny. 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, thereby making it more difficult for a private prison manager to renew existing contracts, or to obtain new contracts or sites on which to operate new facilities.

LEGAL PROCEEDINGS. The Company's ownership and operation of correctional and detention facilities could expose it to potential third party claims or litigation by prisoners or other persons in 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 or from a disturbance or riot at a Company owned facility. In addition, as an owner of real property, the Company may be subject to certain proceedings relating to personal injury of persons at such facilities. The Company may be held responsible under state laws for claims based on personal injury or property damage despite contractual provisions in its leases with CCA and other managers providing for indemnity against such claims.

Each of the foregoing factors, among others, either individually or collectively, could adversely affect a private prison manager's or government entity's ability to generate revenues or make lease payments to the Company, which may, therefore, affect the Company's ability to make expected distributions to its shareholders.

ADVERSE IMPACT ON DISTRIBUTIONS OF FAILURE OF COMPANY TO QUALIFY AS A REIT

The Company intends to operate so as to qualify as a REIT under the Code. Although the Company believes that it will be so organized and will operate in such a manner, no assurance can be given that the Company will qualify or remain qualified as a REIT. Qualification as a REIT involves the application of highly technical and complex Code provisions for which there are only limited judicial or administrative interpretations. The determination of various factual matters and circumstances not entirely within the Company's control may affect its ability to qualify as a REIT. In addition, no assurance can be given that legislation, new regulations, administrative interpretations or court decisions will not significantly change the tax laws with respect to qualification as a REIT or the federal income tax consequences of such qualification. The Company is relying on the opinion of Stokes & Bartholomew, P.A., tax counsel to the Company, regarding various issues affecting the Company's ability to qualify, and retain qualification, as a REIT. Such opinions are not binding on the Service or any court. See "Material Federal Income Tax Considerations."

If the Company were to fail to qualify as a REIT in any taxable year, the Company would not be allowed a deduction for distributions to shareholders in computing taxable income and would be subject to federal income tax on its taxable income at regular corporate rates. Unless entitled to relief under certain statutory provisions, the Company would also be disqualified from

treatment as a REIT for the four taxable years following the year during which qualification was lost. As a result, the funds available for distribution to the Company's shareholders would be reduced for each of the years involved. Although the Company currently intends to operate in a manner designed to qualify as a REIT, it is possible that future economic, market, legal or tax considerations may cause the Company to fail to qualify as a REIT or may cause the Board of Trustees to revoke the REIT election if the Board and the holders of 66 2/3% of all outstanding shares of beneficial

interest of the Company determine that such factors make it no longer beneficial to qualify as a REIT. See "Policies and Objectives with Respect to Certain Activities" and "Material Federal Income Tax Considerations."

INITIAL DISTRIBUTION POLICY

The Company initially plans to make annual distributions, payable in quarterly installments of approximately 8.0% to 9.0% of the estimated range of the initial public offering price per share. If actual Cash Available for Distribution falls short of estimates, the Company may be unable to maintain its proposed initial distribution rate. The Company's success in implementing its distribution policy will depend significantly on the Company's ability to acquire additional facilities at attractive prices. Internal growth through increases in revenues from the Facilities is not expected to provide as much growth in Cash Available for Distribution as will the acquisition, development or expansion of additional facilities.

There can be no assurance that CCA or other entities engaged in the private corrections and detention industry will develop or acquire additional facilities to transfer to the Company. See "Risk Factors -- Correctional and Detention Industry Risks -- Dependence on Ability to Develop New Prisons." If the Company is unable to acquire additional facilities from such entities at attractive prices, the Company's ability to increase revenues and maintain or increase Cash Available for Distribution per share may be adversely affected.

REAL ESTATE INVESTMENT CONSIDERATIONS

GENERAL. Investments in the 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 Facilities and any additional 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. Revenue from the Initial Facilities and, if acquired, the Option Facilities, and yields from investments in such properties may be affected by many factors, including changes in government regulation, general or local economic conditions, the available local supply of prison beds and a decrease in the need for prison beds.

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 will be limited. There are no limitations on the percentage of the Company's assets that may be invested in any one property or venture. The Board of Trustees may establish limitations as it deems appropriate from time to time. No limitations have been set on the number of properties in which the Company will seek to invest or on the concentration of investments in any one geographic region.

ENVIRONMENTAL MATTERS. Operating costs 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 future legislation. 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. The cost of complying with environmental laws could materially adversely affect Cash Available for Distribution. Phase I environmental assessments have been obtained on all of the Facilities. The purpose of a Phase I environmental assessment is to identify potential environmental contamination that is made apparent from historical reviews of the 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 have not revealed 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.

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UNINSURED LOSS. The Leases require CCA to maintain insurance with respect to each of the Facilities. CCA carries comprehensive liability, fire, flood (for certain Facilities) and extended insurance coverage with respect to such properties with policy specifications and insurance limits customarily carried for similar properties. There are, however, certain types of losses (such as from earthquakes) which may be either uninsurable or not economically insurable. See "Leases." The Company will obtain new title insurance policies for each of the Facilities in connection with the Offering. There is no assurance, however, that the amount of title insurance coverage for any of the Facilities accurately reflects the current value of such correctional facilities or that title losses would be completely covered by such insurance. Subject to the terms of the Leases, should an uninsured loss occur, the Company could lose both its capital invested in, and anticipated profits from, one or more of the Facilities. In the opinion of management of the Company, the Facilities are adequately insured in accordance with industry standards.

DEPENDENCE ON KEY PERSONNEL

The Company is dependent on the efforts of its executive officers, J. Michael Quinlan, D. Robert Crants, III and Michael W. Devlin. In particular, the Company expects to utilize the industry knowledge, experience and relationships of Mr. Quinlan, its Chief Executive Officer. From July 1987 through December 1992, Mr. Quinlan served as the Director of the BOP. The loss of the services of any one of these individuals could have a material adverse effect on the Company. Specifically, if the Company were to lose the services of Mr. Quinlan, it would lose the benefit of his extensive knowledge of and experience in the prison industry. The Company has entered into employment agreements with each of the above named executive officers. See "Management -- Employment Agreements."

LACK OF OPERATING HISTORY

The Company has been recently organized and has no operating history. There can be no assurance that the Company will be able to generate sufficient revenue from operations to make anticipated distributions. The Company also will be subject to the risks generally associated with the formation of any new business. The Company's management has no experience operating a public company or a REIT.

LACK OF CONTROL OVER DAY-TO-DAY OPERATIONS AND MANAGEMENT OF THE FACILITIES

To qualify as a REIT for federal income tax purposes, the Company may not operate, or participate in decisions affecting the operations of the Initial Facilities and, if acquired, the Option Facilities. CCA will control the operations of the Facilities under the Leases, each of which will have initial terms ranging from 10 to 12 years and three renewal terms of five years each, exercisable upon the mutual agreement of CCA and the Company. During the terms of the Leases, the Company will not have the authority to require CCA to operate the Facilities in a particular manner or to govern any particular aspect of their operation except as set forth in the Leases. Thus, even if the Company believes CCA is operating the Facilities inefficiently or in a manner adverse to the Company's interests, the Company may not require CCA to change its method of operation. The Company is limited to seeking redress only if CCA violates the terms of a Lease, in which case the Company's primary remedy is to terminate the Lease or, in certain circumstances, all of the Leases, and seek to recover damages from CCA. If a Lease is terminated, the Company will be required to find another suitable lessee or risk losing its ability to elect or maintain REIT status, as applicable.

DILUTION

The purchasers of the Common Shares offered hereby will experience an immediate dilution of \$1.72 per share in the net tangible book value of the Common Shares (\$1.68 per share assuming full exercise of the Underwriters' over-allotment option).

OWNERSHIP LIMIT

For the Company to maintain its qualification as a REIT, not more than 50% in value of its outstanding shares may be owned, directly or constructively, by five or fewer individuals (as defined in the Code). In addition, rent from related party tenants is not qualifying income for purposes of the gross income tests under the Code. See "Material Federal Income Tax Considerations -- Taxation of the Company." Two sets of constructive ownership rules (one to determine whether a REIT is closely held and one to determine whether

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rent is from a related party tenant) apply in determining whether these requirements are met. For the purpose of preserving the Company's REIT qualification, the Declaration of Trust prohibits direct or constructive ownership by any person of more than 9.8% of the Common Shares or more than 9.8% of any preferred shares, \$0.01 par value per share, of the Company (the "Preferred Shares") (such ownership limit being referred to as the "Ownership Limit"). The constructive ownership rules are complex and may cause Common Shares owned, directly or constructively, by a group of related individuals and/or entities to be deemed to be constructively owned by one individual or entity. As a result, the acquisition of less than 9.8% of the Common Shares (or the acquisition of an interest in an entity which owns Common Shares) by an individual or entity could cause that individual or entity (or another individual or entity) to own constructively in excess of 9.8% of the Common Shares, and thus subject such Common Shares to the Ownership Limit. Direct or constructive ownership of Common Shares in excess of the Ownership Limit would cause the violative transfer or ownership to be void, or cause such shares to be held in trust as Shares-in-Trust (as hereinafter defined) for the benefit of one or more charitable organizations. See "Description of Capital Shares -- Restrictions on Ownership."

LIMITS ON CHANGES IN CONTROL

Certain provisions of the Company's Declaration of Trust and Bylaws, including provisions imposing the Ownership Limits (which are described specifically in the immediately preceding paragraph and which generally prohibits any shareholder from owning more than 9.8% of the Common Shares), authorizing the issuance of preferred shares and requiring staggered terms for the Board of Trustees, and certain provisions of Maryland law regarding business combinations and "control share acquisitions" could have the effect of delaying, deferring or preventing a change in control of the Company or the removal of existing management and, as a result, could prevent the shareholders of the Company from being paid a premium for their Common Shares. The Declaration of Trust authorizes the Board of Trustees to issue preferred shares in one or more series, to establish the number of shares in each series and to fix the designations, powers, preferences and rights of each series and the qualifications, limitations or restrictions thereof, all without shareholder approval. The authorization of preferred shares may have an anti-takeover effect because it gives the Board of Trustees the power to issue preferred shares at its sole discretion on such terms as it, in its sole discretion, deems proper, which may have a dilutive effect on or otherwise deter any potential acquiror of the Company. The Declaration of Trust provides for three classes of trustees, as nearly equal in size as is practicable. Each class of trustees holds office until the third annual meeting for selection of trustees following the election of such class, except that the initial terms of the three classes expire in 1998, 1999 and 2000, respectively. The Declaration of Trust further provides that the Board of Trustees or shareholders may, at any time, remove any trustee, with or without cause, only by an affirmative vote of a majority of trustees or a majority of holders of shares entitled to vote in the election of trustees. These provisions may have an anti-takeover effect because a third party will be unable to acquire immediate control of the Board of Trustees due to the existence of the staggered board and will further be unable to remove trustees

without majority shareholder approval. See "Description of Capital Shares -- Certain Provisions of Maryland Law and of the Company's Declaration of Trust and Bylaws."

CHANGES IN INVESTMENT AND FINANCING POLICIES WITHOUT VOTE OF SHAREHOLDERS

The Board of Trustees determines the Company's investment and financing policies with respect to certain activities, including its growth, capitalization, distribution and operating policies. Although the Board of Trustees has no present intention to amend or revise these policies, the Board of Trustees may do so at any time without a vote of the Company's shareholders. See "Policies and Objectives With Respect to Certain Activities -- Investment Objectives and Policies."

NO PRIOR MARKET FOR COMMON SHARES; FACTORS AFFECTING MARKET PRICE

Prior to the Offering, there has been no public market for the Common Shares. Although the Common Shares have been approved for listing on the NYSE, subject to official notice of issuance, there can be no assurance that an active trading market will develop or be sustained or that the Common Shares may be resold at or above the initial public offering price. The initial public offering price will be determined through

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negotiations between the Company and the Underwriters and may not be indicative of the market price for the Common Shares after the Offering. See "Underwriting."

The market price of the Common Shares could be subject to significant fluctuations in response to variations in quarterly and yearly operating results, the success of the Company's business strategy, general trends in the corrections and detention industry, competition, changes in the laws affecting the Company and other factors. In addition, the stock market in recent years has experienced price and volume fluctuations that have often been unrelated or disproportionate to the operating performance of affected companies. These fluctuations may adversely affect the market price of the Common Shares.

Moreover, the price of the Company's shares in public markets may be affected by the amount of the annual distributions paid by the Company relative to the price paid for Common Shares. As a result, an increase in market interest rates could adversely affect the market price of the Common Shares to the extent that the yield on those shares compares less favorably to yields on fixed-income securities and other investments.

DEPENDENCE ON FINANCING FOR GROWTH AND ADVERSE CONSEQUENCES OF DEBT FINANCING ON ABILITY TO MAKE DISTRIBUTIONS

The Company intends to continue to pursue a growth strategy which includes acquiring correctional and detention facilities. There is a risk that the Company will not have access to sufficient debt or equity capital it may need to pursue its acquisition strategy. The Company may need access to debt or equity capital for several reasons. First, the Company generally cannot retain cash generated by operating activities. See "Material Federal Income Tax Considerations." Second, the Company's current business strategy is to maintain a ratio of debt to total capitalization of 50% or less. The Company believes that this debt policy balances the Company's desire for growth with a prudent capital structure. The Company's organizational documents, however, do not contain any limitation on the amount or percentage of indebtedness the Company may incur, and the Board of Trustees could alter or eliminate the Company's current borrowing policy. If the policy were changed or eliminated, the Company could become more highly leveraged, resulting in an increase in debt service, which could adversely affect the Company's Funds from Operations and its ability to make expected distributions to its shareholders, and result in an increased risk of default on the Company's obligations. The Company intends to enter into

the Bank Credit Facility promptly following the Offering, or shortly thereafter, although there can be no assurance that the Company will enter into the Bank Credit Facility. Moreover, the Company may, from time to time, incur additional indebtedness to acquire any or all of the Option Facilities or any other facilities. Accordingly, since the Company generally cannot retain earnings, and the amount of debt that it can incur is limited by its internal policies, the Company's ability to continue making acquisitions will depend primarily on its ability to obtain additional private or public equity financing. There is no assurance that such financing will be available.

Although the Company does not intend to incur indebtedness in connection with the Offering, the Company is authorized to raise additional funds for its future operations through debt financing. As a result of incurring debt, the Company will be subject to the risks normally associated with debt financing, including the risk that the Company's Funds from Operations will be insufficient to meet required payments of principal and interest or that Cash Available for Distribution may decrease. In addition, the Company will be subject to the risk that interest rates may increase, which could adversely affect its ability to make distributions. If a property is mortgaged to secure payment of indebtedness, and the Company is unable to meet mortgage payments, the property could be transferred to the mortgagee with a consequent loss of income and asset value to the Company. See "Policies and Objectives With Respect to Certain Activities -- Financing."

ERISA RISKS

Depending upon the particular circumstances of the plan, an investment in the Common Shares may not be an appropriate investment for an ERISA plan, a qualified plan or individual retirement accounts and individual retirement annuities (collectively "IRAs"). In deciding whether to purchase Common Shares, a fiduciary of an ERISA plan, in consultation with its advisors, should carefully consider its fiduciary responsibilities under ERISA, the prohibited transaction rules of ERISA and the Code, and the effect of the "plan asset" regulations issued by the U.S. Department of Labor.

THE COMPANY

GENERAL

The Company has been formed to capitalize on the opportunities created by the growing trend towards privatization in the corrections industry, including the increasing demand for private correctional and detention facilities. The principal business strategy of the Company will be to acquire correctional and detention facilities that meet the Company's investment criteria, from both private prison managers and government entities, to expand its existing facilities, and to lease all such facilities under long-term leases. The Company will initially acquire the nine Initial Facilities from CCA. The Company will also have options to acquire any or all of the five Option Facilities for a period of three years following the closing of the purchase of the Initial Facilities. In addition, the Company will have an option to acquire any correctional or detention facility acquired or developed and owned by CCA in the future, for a period of three years following the Service Commencement Date with respect to such facility. As a result of these transactions, the Company and CCA will have several ongoing relationships after the Formation Transactions, some of which could give rise to possible conflicts of interest. See "Relationship Between CCA and the Company after the Formation Transactions." Upon completion of the Offering and the Formation Transactions, the Company will be the only self-administered and self-managed publicly-traded REIT in the United States focused on owning and acquiring correctional and detention facilities.

The Company will lease all of the Facilities to CCA, and CCA will continue to manage the Facilities. The Company believes that, for the Initial Facilities purchased and, if acquired, the Option Facilities, it will benefit from the continuity of management provided by CCA. CCA is the largest developer and manager of privatized correctional and detention facilities worldwide. CCA has developed and operated the Initial Facilities and the Option Facilities since they were acquired or constructed by CCA at various times ranging from 1984 through 1997. See "Business of the Company and its Properties."

The Company will purchase the Initial Facilities for an aggregate purchase price of approximately \$308.1 million in cash concurrent with the closing of the Offering. The Initial Facilities will be leased to CCA pursuant to triple net Leases which require CCA to pay all operating expenses, taxes, insurance and other costs. All of the Leases will provide for base rent with certain annual escalation and will have primary terms of 10 to 12 years which may be extended at fair market rates for three additional five-year periods upon the mutual agreement of the Company and CCA. The Initial Facilities are expected to generate aggregate initial annual rent of approximately \$33.9 million which represents an 11% lease rate based on the purchase price. The Company will have general recourse to CCA under the Leases, but such Leases are not secured by any properties of CCA. The obligations of CCA under the Leases are cross-defaulted to each of the other Leases with respect to payment defaults and certain other defaults.

The Company has obtained a commitment for the \$150 million Bank Credit Facility which will be used for acquiring additional correctional facilities, including the Option Facilities, and for certain other purposes, including expanding existing facilities and working capital, as necessary. The Company has not, however, finalized negotiations on the Bank Credit Facility and there can be no assurance that the Company will obtain the Bank Credit Facility. Upon the consummation of the Offering, the Company will have no outstanding indebtedness. The Company believes that its lack of debt, coupled with its ability to obtain financing through the Bank Credit Facility will provide the Company with significant financial resources in pursuing correctional facility acquisition and expansion opportunities, including some or all of the Option Facilities. The Company intends to maintain a capital structure which limits consolidated indebtedness to no more than 50% of its total capitalization. See "Policies and Objectives With Respect to Certain Activities -- Financing."

The Company intends to initially focus its investments on privately-managed facilities which are owned and operated by CCA or its subsidiaries. However, the Company will also pursue other opportunities, including acquisitions or financings of facilities owned and operated by government entities. The Company believes it has significant access to potential development and acquisition opportunities by virtue of its relationship with CCA and the industry contacts of its Chief Executive Officer, Mr. Quinlan, former Director of the BOP. The Company intends to utilize Mr. Quinlan's experience in developing and managing

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correctional and detention facilities to opportunistically pursue development and acquisitions of correctional facilities from both the public and private sectors. See "Management."

The Company is a self-administered and self-managed REIT that expects to qualify as a REIT for federal income tax purposes. In order to qualify as a REIT, the Company's income must be derived from certain sources, including rents from real property (and generally excluding income from the operation of a correctional facility). See "Material Federal Income Tax Considerations -- Taxation of the Company -- Income Tests." Accordingly, the Company is precluded from operating correctional facilities and, as a consequence, intends to lease such properties pursuant to long-term non-cancelable leases.

The Company was formed as a Maryland real estate investment trust in April 1997. The Company's principal executive offices are located at, and its mailing address is, 2200 Abbott Martin Road, Suite 201, Nashville, Tennessee 37215. The Company's telephone and fax numbers are (615) 460-7452 and (615) 460-1206, respectively.

BUSINESS OBJECTIVES AND STRATEGIES

The Company's primary business objectives are to maximize current returns to shareholders through increases in cash flow available for distribution and to increase long-term total returns to shareholders through appreciation in the value of the Common Shares. The Company will seek to achieve these objectives through:

- The acquisition of the Initial Facilities and, if acquired, the Option Facilities;
- The strategic expansion of its correctional and detention facilities portfolio through the selective acquisition of correctional facilities

that demonstrate potential for significant revenue and cash flow from both private prison managers and government entities;

- The expansion of its existing facilities;
- The construction and/or development of new correctional and detention facilities;
- The improvement and enhancement of the Company's holdings through proper maintenance and capital improvements;
- The structuring of fair market leases under which the lessee pays base rent with certain annual escalations and pays certain expenses in connection with the operation of the property such as real estate taxes, insurance, utilities and services, maintenance and other operating expenses;
- Providing mortgages or other appropriate financing vehicles to correctional facility operators in circumstances where ownership by the Company is not otherwise attractive;
- The monitoring of operating performance of the facilities in its portfolio to ensure that the lessees comply with their lease obligations; and
- The maintenance of a ratio of debt to total capitalization (i.e., total debt of the Company as a percentage of shareholders' equity plus total debt) of 50% or less. See "Policies and Objectives with Respect to Certain Activities -- Financing."

FUTURE GROWTH OF THE COMPANY

EXTERNAL GROWTH

Acquisition Opportunities. In addition to the possible acquisition of the Option Facilities, the Company intends to acquire from both private prison owners and operators and government entities additional correctional and detention facilities that meet its investment criteria, as described below. The Company believes it has a competitive advantage in the acquisition of new private correctional facilities due to its relationship with CCA and the Company's significant capital resources. The primary source of private correctional facilities to be initially acquired or financed by the Company will be facilities owned and operated by CCA. Following any such acquisition from CCA, the Company intends to lease such properties to CCA. The Company has an option to acquire and lease back to CCA any correctional or detention facility acquired or developed and owned by CCA in the future, for a period of three years following the Service

Commencement Date with respect to such facility. The Company has a right of first refusal in the event CCA decides to sell an interest in or use mortgage financing to finance more than 90% of the cost of any correctional or detention facilities now owned or which are acquired or developed by CCA or its affiliates in the future. See "Relationship Between CCA and the Company after the Formation Transactions." In 1996, CCA invested approximately \$165.0 million in approximately 15 correctional facility projects and increased its beds under contract from 28,607 to over 41,000. Moreover, as of December 31, 1996, CCA was the largest private prison management company in the United States with an estimated national market share of 52%. Of the 21,706 beds awarded to the private sector in 1996, CCA was awarded 12,872 beds, or 58%. Notwithstanding CCA's market share and growth, less than 5% of all adult prison beds in the United States are privately managed. Management believes that as CCA and the private prison management industry continue to grow, many opportunities will exist to acquire additional private correctional facilities from CCA on attractive terms. See "Risk Factors -- Correctional and Detention Industry Risks."

The Company also believes that attractive opportunities exist to acquire or develop correctional facilities from various government entities. 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 appropriations 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 secured by an annual lease payment that is subject to

annual or bi-annual legislative appropriation of funds. Many jurisdictions are operating their correctional facilities at well above their rated capacities, and as a result are under federal court order to alleviate prison overcrowding within a certain time period. These jurisdictions are often not in a position to appropriate funds or obtain financing to construct a correctional facility because of other fiscal demands or requirements for public approval. Accordingly, the Company believes that, in an attempt to address fiscal pressures of matching revenue collections with projected expenses, many such government entities have been and will be forced to consider private ownership with respect to the development of new correctional facilities and sale-leaseback transactions or other financing alternatives with respect to existing correctional facilities. Management believes that such situations will enable the Company to acquire and develop correctional facilities from and on behalf of governments at all levels including those which might not be the subject of a private management contract. In pursuing such opportunities, the Company expects to utilize the industry knowledge, experience and relationships of its Board of Trustees and management, particularly J. Michael Quinlan, its Chief Executive Officer, and Doctor R. Crants, Chairman of the Board of Trustees. From July 1987 through December 1992, Mr. Quinlan served as the Director of the BOP. Mr. Crants currently serves as Chairman and Chief Executive Officer of CCA.

In making its decision with respect to the Initial Facilities and in evaluating the future acquisition of any or all of the Option Facilities and other facilities, the Company has considered and will consider the following criteria:

- The reputation and creditworthiness of the current owner, manager or developer of the facility;
- The proposed terms for purchasing the facility;
- The proposed terms of leasing the facility, including rental payments and lease term;
- The quality of construction of the facility;
- The quality of operations at an existing facility or the quality of other operations of a prison manager for a new facility;
- The facility's status of accreditation by the American Correctional Association (the "ACA"). The ACA is a multi-disciplinary organization of professionals representing all levels and facets of the corrections and criminal justice industry, including federal, state and military correctional facilities in prisons, county jails and detention centers, probation and parole agencies, and community corrections/half-way houses. Comprised of 70 chapters and affiliated organizations, as well as individual members numbering more than 20,000, the ACA serves as the umbrella organization for all areas of corrections, and provides a broad base of expertise in this industry; and
- The relationship between the prison manager and the contracting correctional authority.

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Financing Opportunities. High occupancy rates and prison overcrowding have resulted in an increased demand for new federal, state and local correctional facilities. This demand has not been fully met because of budgetary constraints and the reduced availability of construction financing. While the Company intends to grow primarily from acquisitions and expansions of correctional facilities, the Company believes that opportunities exist for it to provide mortgage or other appropriate financing vehicles to government entities and private prison managers in circumstances where ownership by the Company is not otherwise attractive.

The Company's ability to acquire new facilities, expand its existing facilities or provide mortgage financing will depend on its access to financing. There can be no assurance that the Company will be able to acquire correctional facilities that meet its investment criteria. Moreover, acquisitions and expansions entail risks that acquired or expanded facilities will fail to perform in accordance with expectations. See "Risk Factors -- Real Estate Investment Considerations" and "Risk Factors -- Initial Distribution Policy."

INTERNAL GROWTH

Expansion Opportunities. The Company's growth objectives will also focus on the selective expansion of its existing correctional facilities to increase cash flows and property values. In 1996, CCA expanded four of its domestic facilities by an aggregate of 992 beds and used the expansion space for its existing contracting government entities as well as to house inmates from other jurisdictions under new contracts. The Company believes that CCA (and other tenants of the Company) will continue to attempt to achieve economies of scale through expansions of existing facilities. Management of the Company intends to actively participate in its tenants' expansion plans and intends to provide expansion space as needed.

Rent Escalations. The rent schedule under the Leases provides for a relatively stable source of cash flow and opportunities to participate in future growth in revenues. The minimum rent for the first year for each Facility under the Leases is initially set at a fixed amount. Thereafter minimum rent will escalate by the Base Rent Escalation which is a percentage equal to the greater of (i) 4%, or (ii) 25% of the percentage increase in the gross management revenues realized by CCA from such Facility, exclusive of any increase attributable to expansion in the size of a number of beds in such facility.

LEASE NEGOTIATION

Concurrently with the performance of due diligence procedures related to new acquisition opportunities and/or the negotiation of the terms and conditions of new acquisitions, the Company will generally begin discussions regarding proposed lease terms. Based on current market conditions, the Company will generally seek lease terms which provide an initial annual base rent with an appropriate escalation factor in an amount similar to the Base Rent Escalation, and other terms similar to the terms of the Leases. The Company may, however, negotiate lease terms different from the foregoing.

DUE DILIGENCE PROCESS

CCA has developed a comprehensive analytical approach to bidding on and developing new correctional projects or facilities. This deliberation process has allowed CCA to assemble a portfolio of privatized correctional and detention facilities that has shown sustained growth in revenues and cash flows. The Company expects that CCA will continue to follow these procedures in acquiring privatized correctional facilities in the future. Such procedures include:

Competitive Market Analysis. CCA generally receives inquiries from or on behalf of government agencies that are considering privatization of certain facilities. When it receives such an inquiry, CCA thoroughly examines the need for its services (including the economic and demographic indicators in the area) and the legal and political climate in which the inquiring party operates. Generally, government agencies responsible for correctional and detention services procure goods and services through a competitive process involving either a Request for Proposal ("RFP") or Request for Qualification ("RFQ"). A majority of CCA's new business is secured through responding to RFPs. As part of CCA's process of responding to RFPs, CCA's management meets with appropriate personnel from the government agency making the request to best determine the agency's distinct needs. If the project falls

within CCA's strategy, CCA will then submit 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).

Pro Forma Operating Budget. CCA works closely with the government agency to develop a comprehensive pro forma budget on the property,

utilizing available financial information in addition to other information collected from a variety of sources. The expected term of the management contract is examined as well as the cost of construction of a new facility or the expansion or renovation of an existing facility. Finally, in the event of the construction of a new facility, the potential for overall capital appreciation of the facility is reviewed.

Environmental and Legal Review. In conjunction with each prospective acquisition, CCA conducts comprehensive real estate and legal due diligence on the property. This due diligence includes Phase I environmental assessments to the extent such assessments are not already existing. In addition, CCA conducts customary real estate due diligence, including a survey of the property, a review of all title documents, operating leases and contracts, zoning, and government permits and licenses, and a determination of whether the property is in compliance with all applicable laws.

Accordingly, the Company believes it will be able to acquire or finance correctional and detention facility properties from CCA with physical and market characteristics similar to the Facilities. The Company will use a similar approach in evaluating the acquisition or financing of correctional and detention facilities, including those from government entities.

USE OF PROCEEDS

The net proceeds to the Company from the sale of the Common Shares offered hereby are estimated to be approximately \$313.2 million (\$360.6 million if the Underwriters' over-allotment option is exercised in full) after deduction of the underwriting discount and estimated Offering expenses. Approximately \$308.1 million of the net proceeds of the Offering will be used by the Company to purchase the nine Initial Facilities from CCA. The purchase of the Initial Facilities will close contemporaneously with the closing of the Offering. See "The Formation Transactions." The remaining net proceeds from the Offering of approximately \$5.1 million, any net proceeds from the exercise of the Underwriters' over-allotment option, and funds available from the \$150 million Bank Credit Facility, will be used by the Company for general purposes, including the possible future acquisition of additional properties consistent with the Company's investment policies, including the Option Facilities. While the Company may engage from time to time in discussions regarding potential acquisitions, other than with respect to the Option Facilities and the Right to Purchase Agreement, it has not entered into any agreement as of the date of this Prospectus to make any such acquisition. Pending the described uses, the remaining net proceeds will be invested in short-term investment grade instruments, interest bearing bank account, certificates of deposit, money market securities, U.S. government securities or mortgage-backed securities guaranteed by Federal agencies.

CAPITALIZATION

The following table sets forth the capitalization of the Company as of April 23, 1997, the date of its formation, (i) after giving effect to the Formation Transactions and (ii) as adjusted to reflect the sale by the Company of the 17,000,000 Common Shares offered hereby and the application of the estimated net proceeds therefrom as described under "Use of Proceeds." The information set forth in the following table should be read in conjunction with the financial statements and notes thereto, the pro forma financial information and notes thereto included elsewhere in this Prospectus and "Management's Discussion and Analysis of Financial Condition and Results of Operations -- Liquidity and Capital Resources."

<TABLE>
<CAPTION>

APRIL 23, 1997	
ACTUAL	AS ADJUSTED (2)
(DOLLARS IN THOUSANDS)	
<C>	<C>

<S>
Shareholders' Equity:
Preferred Shares, \$0.01 par value, 10,000,000 shares
authorized, no shares issued and outstanding..... \$-- \$ --

Common Shares, \$0.01 par value, 90,000,000 shares authorized, 1,000 shares issued and outstanding; 17,301,000 shares, as adjusted, issued and outstanding(1).....	--	173
Additional paid-in capital.....	1	316,027
	----	-----
Total shareholders' equity.....	1	316,200
	----	-----
Total capitalization.....	\$ 1	\$316,200
	====	=====

</TABLE>

-
- (1) Does not include 1,850,000 Common Shares reserved for issuance pursuant to the Company's Share Incentive Plan or the Company's Non-Employee Trustees' Plan of which 1,075,000 shares will be outstanding upon consummation of the Offering. See "Management -- The Share Incentive Plan" and " -- Non-Employee Trustees' Plan."
- (2) Includes (i) 1,000 founder's shares and (ii) 300,000 shares issued to D. Robert Crants, III and Michael W. Devlin as a development fee and as reimbursement for certain expenses incurred in connection with the formation of the Company and the consummation of the Offering which are valued based upon the initial public offering price. See "Dilution" and "The Formation Transactions."

DISTRIBUTIONS

The Company intends to pay regular quarterly distributions to its shareholders. The Board of Trustees, in its sole discretion, will determine the actual distribution rate based on the Company's actual results of operations, economic conditions, tax considerations (including those related to REITs) and other factors. The first distribution, for the period ending September 30, 1997, is expected to equal a pro rata share of the anticipated initial quarterly distribution of \$0.425 per Common Share, which on an annualized basis, will represent a distribution of \$1.70 per share, or approximately 8% to 9% of the estimated range of the initial public offering price. The Company does not expect to change its estimated initial distribution per Common Share if the Underwriters' over-allotment option is exercised. See "The Formation Transactions."

The distribution described above is expected to represent approximately 92.1% of the Company's Pro Forma Cash Available for Distribution for the twelve months ending December 31, 1996. The Company's estimate of the pro forma Cash Available for Distribution is based upon pro forma Funds from Operations (as herein defined), with certain adjustments based on the items described below. The estimate of Cash Available for Distribution is being made solely for the purpose of setting the initial distribution and is not intended to be a projection or forecast of the Company's results of operations or its liquidity, nor is the methodology upon which such adjustments were made necessarily intended to be a basis for determining future distributions.

The following table describes the calculation of pro forma Funds from Operations for the 12 months ended December 31, 1996 and the three months ended March 31, 1997 and the adjustments made to pro forma Funds from Operations in order to calculate initial estimated distributions.

<TABLE>
<CAPTION>

	PRO FORMA	
	YEAR ENDED DECEMBER 31, 1996	THREE MONTHS ENDED MARCH 31, 1997
	(IN THOUSANDS, EXCEPT PER SHARE DATA)	
<S>	<C>	<C>
Pro forma net income.....	\$23,353	\$5,839
Plus: Pro forma real estate depreciation and amortization...	8,588	2,147
	-----	-----
Pro forma funds from operations(1).....	31,941	7,986
	=====	=====
Estimated cash available for distribution(2).....	31,941	7,986
Expected initial distribution(3).....	29,412	7,353

Expected initial distribution per common share.....	\$ 1.70	\$.0425
Expected initial payout ratio based on estimated cash available for distribution(4).....	92.1%	92.1%

</TABLE>

(1) Funds from Operations does not represent cash generated from operating activities (determined in accordance with GAAP) and should not be considered as an alternative to net income (determined in accordance with GAAP) as an indication of the Company's performance or to cash flows from operating activities (determined in accordance with GAAP) as a measure of liquidity or ability to make distributions. The Company generally considers Funds from Operations an appropriate measure of liquidity of an equity REIT because industry analysts have accepted it as a performance measure of equity REITs. "Funds from Operations" as defined by NAREIT means net income (loss) (computed in accordance with GAAP) excluding non-recurring items, gains (or losses) from debt restructuring and sales of property, plus depreciation and amortization on real estate assets and after adjustments for unconsolidated partnerships and joint ventures. The Company's Funds from Operations are not comparable to Funds from Operations reported by other REITs that do not define the term using the current NAREIT definition or that interpret the current NAREIT definition differently than does the Company. The Company believes that in order to facilitate a clear understanding of the operating results of the Company, Funds from Operations should be examined in conjunction with net income as presented in the combined financial statements and information included elsewhere in this Prospectus.

<TABLE>
<CAPTION>

	YEAR ENDED DECEMBER 31, 1996	THREE MONTHS ENDED MARCH 31, 1997
	(IN THOUSANDS)	
<S>	<C>	<C>
Calculation of Funds from Operations:		
Pro forma net income.....	\$23,353	\$5,839
Plus: Pro forma real estate depreciation and amortization.....	8,588	2,147
Pro forma funds from operations.....	\$31,941	\$7,986
	=====	=====

</TABLE>

(2) To estimate Cash Available for Distribution, pro forma Funds from Operations were adjusted (a) without giving effect to any changes in working capital resulting from changes in current assets and current liabilities (which changes are not anticipated to be material) or the amount of cash estimated to be used for (i) development, acquisition and other activities and (ii) financing activities (b) for certain known events and/or contractual commitments that may have occurred during the period but would not have been in effect for the full year and (c) for certain non-GAAP adjustments consisting of an estimate of amounts anticipated for recurring tenant improvements and capital expenditures. The estimate of Cash Available for Distribution is being made solely for the purpose of setting the initial distribution and is not intended to be a projection or forecast of the Company's results of operations or its liquidity, nor is the methodology upon which such adjustments were made necessarily intended to be a basis for determining future distributions.

(3) Represents expected initial distribution per Common Share multiplied by the 17,301,000 Common Shares to be outstanding upon completion of the Formation Transactions.

(4) Represents the anticipated initial aggregate distribution divided by Cash Available for Distribution.

The Company believes that its estimated Cash Available for Distribution constitutes a reasonable basis for setting the initial distribution rate on the Common Shares and intends to maintain its initial distribution rate for the 12 months following the Offering unless actual results from operations, economic

conditions or other factors differ from the assumptions used in its estimate. The actual return that the Company will realize and the amount available for distributions to shareholders will be affected by a number of factors, including the revenues received from the Initial Facilities, the operating expenses of the Company, the interest expense incurred on its borrowings and unanticipated capital expenditures. No assurance can be given that the Company's estimate will prove accurate. In addition, pro forma results of operations do not purport to represent the actual results that can be expected for future periods. See "Management's Discussion and Analysis of Financial Condition and Results of Operations."

The Company anticipates that Funds from Operations will exceed earnings and profits due to non-cash expenses, primarily depreciation and amortization, expected to be incurred by the Company. Distributions by the Company to the extent of its current or accumulated earnings and profits for federal income tax purposes will be taxable to shareholders as ordinary dividend income. Distributions in excess of earnings and profits generally will be treated as a non-taxable reduction of the shareholder's basis in the Common Shares to the extent thereof, and thereafter as capital gain. Distributions treated as a non-taxable reduction in basis will have the effect of deferring taxation until the sale of a shareholder's Common Shares. The Company does not intend to reduce the expected initial distribution per share if the Underwriters' over-allotment option is exercised. Based on the Company's estimated results of operations for the 12 months ending June 30, 1998, the Company estimates that approximately 10% to 20% of the anticipated initial annual distribution to shareholders will represent a return of capital for federal income tax purposes and that the Company would have been required to distribute \$22.6 million or \$1.31 per share during such 12-month period in order to maintain its status as a REIT. If actual Funds from Operations or taxable income vary from these amounts, the percentage of distributions may vary substantially in future years. For a discussion of the tax treatment of distributions to holders of Common Shares, see "Material Federal Income Tax Considerations -- Taxation of Taxable Domestic Shareholders" and "-- Taxation of Foreign Shareholders." In order to qualify to be taxed as a REIT, the Company must make annual distributions to shareholders of at least 95% of its REIT taxable income (determined by excluding any net capital gain), which the Company anticipates will be less than its share of adjusted Funds from Operations. Under certain circumstances, the Company may be required to make distributions in excess of Cash Available for Distribution in order to meet such distribution requirements. In such a case, the Company may find it necessary to arrange for short-term (or possible long-term) borrowings or to raise funds through the issuance of Preferred Shares or additional Common Shares.

Future distributions by the Company will be at the discretion of the Board of Trustees and will depend on the actual Funds from Operations of the Company, its financial condition, capital requirements, the annual distribution requirements under the REIT provisions of the Code (see "Material Federal Income Tax Considerations -- Taxation of the Company -- Requirements for Qualification"), and such other factors as the Board of Trustees deems relevant. See "Risk Factors -- Changes in Investment and Financing Policies Without Vote of Shareholders."

DILUTION

As of April 23, 1997, the founding shareholder owned 1,000 Common Shares. The net tangible book value of the Common Shares immediately subsequent to this Offering (based on an initial public offering price of \$20.00 per share, after deduction of the estimated underwriting discount and Offering expenses) will be \$18.28 per share, an increase of \$18.27 from the \$0.01 net tangible book value per share prior to the Offering (or a net tangible book value per share of \$18.32 and a per share increase of \$18.31, respectively, assuming full exercise of the Underwriters' over-allotment option). A \$1.72 per share dilution will be experienced by the purchasers of shares in this Offering (or \$1.68 per share dilution assuming full exercise of the Underwriters' over-allotment option).

The following table illustrates this dilution on a per share basis based on the initial public offering price and assuming no exercise of the Underwriters' over-allotment option:

<u><S></u>	<u><C></u>	<u><C></u>
Initial public offering price per Common Share.....		\$20.00
Historical net tangible book value per Common Share before the Offering (1)	\$ 0.01	
Increase in net tangible book value per Common Share attributable to new investors.....	18.27	
Pro forma net tangible book value per Common Share after the Offering (2)		18.28

Dilution per Common Share to new investors.....		\$ 1.72
		=====

</TABLE>

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- (1) Based on the Company's historical April 23, 1997 Balance Sheet contained elsewhere in this Prospectus.
 - (2) Based on the pro forma shareholders' equity of \$316.2 million divided by 17,301,000 Common Shares outstanding after the Offering and the Formation Transactions. Does not give effect to the Common Shares issuable under the Company's Share Incentive Plan or the Company's Non-Employee Trustees' Plan. See "Management -- The Share Incentive Plan" and " -- Non-Employee Trustees' Plan."

The following table summarizes, as of April 23, 1997, after giving effect to the sale of the Common Shares offered hereby and the Formation Transactions, (i) the number and percentage of Common Shares purchased from the Company, (ii) the total consideration for the Common Shares and (iii) the average price per Common Share paid by the public investors and the current shareholders.

<TABLE>
<CAPTION>

	SHARES OWNED		TOTAL CONSIDERATION		AVERAGE PRICE PER SHARE
	NUMBER	PERCENT	AMOUNT (IN THOUSANDS)	PERCENT	
<S>	<C>	<C>	<C>	<C>	<C>
Common Shares issued or to be issued in the Formation Transactions.....	301,000 (1)	1.7%	\$ 6,001 (2)	1.7%	\$19.94
Common Shares to be sold in the Offering.....	17,000,000	98.3	340,000	98.3	20.00

</TABLE>

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- (1) Includes (i) 1,000 founder's shares and (ii) 300,000 shares issued to D. Robert Crants, III and Michael W. Devlin as a development fee and as reimbursement for certain expenses incurred in connection with the formation of the Company and the consummation of the Offering which are valued based upon the initial public offering price. See "Dilution" and "Formation Transactions."
 - (2) Founder's shares were capitalized by \$1,000; no cash proceeds were received by the Company for the shares issued to D. Robert Crants, III and Michael W. Devlin. See "The Formation Transactions."

Upon closing of the Offering, the Company will grant options to purchase 1,075,000 Common Shares at an exercise price equal to the initial public offering price per share. The foregoing table assumes no exercise of outstanding share options. See "Management -- The Share Incentive Plan" and " -- Non-Employee Trustees' Plan."

PRO FORMA FINANCIAL STATEMENTS

The following financial statements represent the unaudited pro forma financial results for the Company as of March 31, 1997 and the three months and year ended March 31, 1997 and December 31, 1996, respectively. The pro forma Statements of Operations are presented as if the Formation Transactions had occurred as of the beginning of the period indicated and therefore incorporate certain assumptions that are included in the Notes to Pro Forma Statement of Operations. The pro forma Balance Sheet is presented as if the Formation Transactions had occurred on March 31, 1997. The Company is accounting for the Facility acquisitions under the purchase method of accounting. The pro forma information does not purport to represent what the Company's financial position or results of operations actually would have been had the Formation Transactions, in fact, occurred on such date or at the beginning of the period indicated, or to project the Company's financial position or results of operations at any future date or for any future period.

The Company's audited historical balance sheet as of April 23, 1997, and notes thereto are included elsewhere in this Prospectus along with the Report of the Independent Public Accountants. Total assets and shareholders' equity totaled \$1,000 each at April 23, 1997.

CCA PRISON REALTY TRUST

PRO FORMA STATEMENTS OF OPERATIONS

(IN THOUSANDS, EXCEPT PER SHARE DATA)

<TABLE>

<CAPTION>

	YEAR ENDED DECEMBER 31, 1996			THREE MONTHS ENDED MARCH 31, 1997		
	ACTUAL	ADJUSTMENTS	PRO FORMA	ACTUAL	ADJUSTMENTS	PRO FORMA
<S>	<C>	<C>	<C>	<C>	<C>	<C>
OPERATING DATA:						
Revenues:						
Rent income.....	\$--	\$33,891 (1)	\$33,891	\$--	\$8,473 (1)	\$ 8,473
Cost and expenses:						
Operating and administrative.....	--	1,854 (2) 96 (3)	1,950	--	463 (2) 24 (3)	487
Provision for depreciation and amortization.....	--	8,588 (4)	8,858	--	2,147 (4)	2,147
Total costs and expenses.....	--	10,538	10,538	--	2,634	2,634
Net income.....	\$--	\$23,353	\$23,353	\$--	\$5,839	\$ 5,839
Net income per share.....	===	=====	\$ 1.35	===	=====	\$ 0.34
Weighted average number of shares outstanding(5).....			17,301			17,301
OTHER DATA:						
Funds from operations(6).....			\$31,941			\$ 7,986
Cash Available for Distribution.....			31,941			7,986
Distributions.....			29,412			7,353
Number of facilities.....			9			9

</TABLE>

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- (1) To record rent income from CCA in accordance with the terms of the Leases as if the Initial Facilities had been in operation at the leased design capacity for the entire period. The Company will lease the Initial Facilities to CCA under operating leases.
 - (2) To record recurring administrative expenses of the Company based upon management's estimates of operating and administrative costs.
 - (3) To record state franchise taxes based upon the corporate structure of the Company.
 - (4) To record depreciation expense on fixed assets purchased from CCA based on the estimated useful lives of the Initial Facilities.
 - (5) Weighted average shares outstanding include the founder's shares, shares issued to management and shares sold in the Offering as if such shares were outstanding for the entire period.
 - (6) Management believes Funds from Operations is helpful to investors as a measure of the performance of an equity REIT because, along with cash flows from operating activities, financing activities and investing activities, it provides investors with an understanding of the ability of the Company to incur and service debt and make capital expenditures. Funds from Operations is calculated by management as net income (loss) (computed in accordance with GAAP), excluding gains (or losses) from debt restructuring and sales of property, plus real estate related depreciation and amortization and after adjustments for unconsolidated partnerships and joint ventures and, accordingly, may not be comparable to other REITs' Funds from Operations calculated under differing methodology. See "Management's Discussion and Analysis of Financial Condition and Results of Operations -- Funds from Operations." Funds from Operations should be examined in conjunction with net income as presented.

<TABLE>

<CAPTION>

	YEAR ENDED DECEMBER 31, 1996	THREE MONTHS ENDED MARCH 31, 1997
<S>	<C>	<C>
Calculation of Funds from Operations:		
Pro Forma Net income.....	\$23,353	\$5,839
Plus: Pro forma real estate depreciation and amortization.....	8,588	2,147
Pro forma funds from operations.....	\$31,941	\$7,986
	=====	=====

</TABLE>

Funds from Operations should not be considered as an alternative to net income (determined in accordance with GAAP) as an indication of the Company's financial performance or to cash flows from operating activities (determined in accordance with GAAP) as a measure of the Company's liquidity, nor is it indicative of funds available to fund the Company's cash needs, including its ability to make distributions.

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CCA PRISON REALTY TRUST

PRO FORMA BALANCE SHEET
(DOLLARS IN THOUSANDS)

<TABLE>
<CAPTION>

	AS OF MARCH 31, 1997		
	ACTUAL	ADJUSTMENTS	PRO FORMA
<S>	<C>	<C>	<C>
ASSETS			
Land and buildings, net.....	\$ --	\$311,103 (1)	\$311,103
Cash.....	--	313,200 (2) (308,103) (1)	5,097
	----	-----	-----
	\$ --	\$316,200	\$316,200
	=====	=====	=====
LIABILITIES AND SHAREHOLDERS' EQUITY			
Shareholders' equity:			
Preferred Shares, \$0.01 par value; 10,000,000 shares approved; none outstanding.....	\$ --	\$ --	\$ --
Common Shares, \$0.01 par value; 90,000,000 shares approved, 17,301,000 issued and outstanding, as adjusted.....	--	173 (2)	173
Additional paid-in capital.....	--	313,027 (2) 3,000 (1)	316,027
	----	-----	-----
	\$ --	\$316,200	\$316,200
	=====	=====	=====

</TABLE>

-
- (1) To record the purchase of the nine Initial Facilities from CCA using the purchase method of accounting. The capitalized cost of the land and buildings includes a \$3 million development fee to management of the Company representing one-half of the value of the 300,000 shares (valued at the assumed initial public offering price) issued to management at the closing of the Offering. The remaining fair market value of the shares issued to management is considered to be a non-recurring expense and such expense has been excluded from the pro forma financial statements.
 - (2) Reflects the initial capitalization (1,000 shares) of the Company, 300,000 shares issued to management, and issuance of 17,000,000 Common Shares, \$0.01 par value, in connection with the Offering at an assumed initial public offering price of \$20.00 per share. The estimated costs of the Offering, including the underwriting discount, estimated Offering expenses and the development fee, totaling \$29.8 million have been reflected as an offset to additional paid-in capital. The resulting net cash proceeds of the Offering total \$313.2 million.

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MANAGEMENT'S DISCUSSION AND ANALYSIS OF
FINANCIAL CONDITION AND RESULTS OF OPERATIONS

GENERAL

The Company was organized as a Maryland real estate investment trust in April 1997, and intends to make an election to qualify under the Code as a REIT commencing with its taxable year ending December 31, 1997. Substantially all of the Company's initial revenues are expected to be derived from: (i) rents received under triple net leases of correctional and detention facilities; and (ii) interest earned from the temporary investment of funds in short-term instruments. With respect to Leases for the Initial Facilities, base rent is the annual rental payment set forth in such Leases. All such Leases also provide for annual increases equal to the Base Rent Escalation.

The Company will incur operating and administrative expenses including, principally, compensation expense for its executive officers and other employees, office rental and related occupancy costs and various expenses incurred in the process of acquiring additional properties. The Company will be self-administered and managed by its executive officers and staff, and will not engage a separate advisor or pay an advisory fee for administrative or investment services, although the Company will engage legal, accounting, tax and financial advisors from time to time.

The primary non-cash expense of the Company will be the depreciation of its correctional and detention facilities. The Company expects to depreciate buildings and improvements over a 40-year period and certain equipment transferred with the Facilities over a seven-year period for both tax and financial reporting purposes.

The Company also expects to leverage its portfolio of real estate equity investments and will incur long and short-term indebtedness, and related interest expense, from time to time. See "Risk Factors -- Dependence on Debt Financing for Growth and Adverse Consequences of Debt Financing on Ability to Make Distributions."

The Company intends to declare and pay dividends to its shareholders in amounts not less than the amounts required to maintain REIT status under the Code and, in general, in amounts exceeding taxable income. The Company's ability to pay dividends will depend upon its Cash Available for Distribution.

RESULTS OF OPERATIONS

The Company has had no operations prior to April 23, 1997, (the date of organization) or through the date of this Prospectus. The Company's future results of operations will depend upon the acquisition of the Initial Facilities and other properties, including the Option Facilities, and the terms of any subsequent investments the Company may make.

PRO FORMA RESULTS OF OPERATIONS

The Company estimates that after giving effect to the Offering and the acquisition of the Initial Facilities, revenues would have been \$33.9 million for the year ended December 31, 1996 and \$8.5 million for the three months ended March 31, 1997. Net income would have been \$23.4 million or \$1.35 per share for the year ended December 31, 1996, and \$5.8 million or \$.34 per share for the three months ended March 31, 1997. Depreciation, amortization and other non-cash expenses would have been \$8.6 million for the year ended December 31, 1996 and \$2.1 million for the three months ended March 31, 1997, respectively.

LIQUIDITY AND CAPITAL RESOURCES

The Company anticipates that its initial working capital and cash from operations, together with the Bank Credit Facility anticipated to be available to the Company, will provide adequate liquidity to conduct its operations, fund administrative and operating costs, interest payments, and acquisitions and allow distributions to the Company's shareholders in accordance with the Code's requirements for qualification as a REIT and to avoid any corporate level federal income or excise tax.

In order to qualify as a REIT for federal income tax purposes, the Company will be required to make substantial distributions to its shareholders. The following factors, among others, will affect funds from operations and will influence the decisions of the Board of Trustees regarding distributions: (i) scheduled increases in base rent under the leases with respect to the facilities; and (ii) returns from short-term investments pending application of the net proceeds of the Offering. Although the Company will receive most of its

rental payments on a monthly basis, it intends to pay dividends quarterly. Amounts accumulated for distribution will be invested by the Company in short-term money market instruments.

Under the terms of the Leases, CCA is responsible for all operating expenses and taxes, including property and casualty insurance. See "Business of the Company and its Properties -- The Facilities" and "Leases." As a result of these arrangements, the Company does not believe it will be responsible for any major expenses in connection with the Initial Facilities during the terms of the respective Leases. The Company anticipates entering into similar leases with respect to additional properties, including the Option Facilities. After the terms of the respective leases expire, or in the event a lessee is unable to meet its obligations, the Company anticipates that any expenditures it might become responsible for in maintaining the facilities will be funded by cash from operations and, in the case of major expenditures, possibly by borrowings. To the extent that unanticipated expenditures or significant borrowings are required, the Company's Cash Available for Distribution and liquidity may be adversely affected.

The Company has a commitment for the \$150.0 million Bank Credit Facility which will be used to finance the acquisition of additional properties, including the Option Facilities, and for other general operating purposes, including the expansion of the Company's existing facilities. There can be no assurance that the Bank Credit Facility will be made available to the Company.

Other than the \$308.1 million purchase of the Initial Facilities using the offering proceeds, the Company has no commitments with respect to other capital expenditures. However, the Company has options at any time during the three-year period following the acquisition of the Initial Facilities to purchase any or all of the five Option Facilities for CCA's costs of developing, constructing and equipping the Option Facilities, plus 5% of such costs, aggregating approximately \$193.0 million. In addition, the Company has an option to acquire, at fair market value, and lease back to CCA, any correctional or detention facility acquired or developed and owned by CCA in the future for a period of three years following the Service Commencement Date with respect to such facility.

The Company may raise additional long-term capital by issuing, in public or private transactions, equity or debt securities, but the availability and terms of any such issuance will depend upon the market and other conditions. The Company anticipates that as a result of its initially low debt to total capitalization and its intention to maintain a debt to total capitalization of 50% or less, it will be able to obtain financing for its long-term capital needs. However, there can be no assurance that such additional financing or capital will be available on terms acceptable to the Company. The Company may, under certain circumstances, borrow additional amounts in connection with the renovation or expansion of the Initial Facilities, the acquisition of additional properties, including the Option Facilities or, as necessary, to meet certain distribution requirements imposed on REITs under the Code. See "Policies and Objectives with Respect to Certain Activities -- Investment Objectives and Policies."

Acquisitions will be made subject to the investment objectives and policies to maximize both current income and long-term growth in income described elsewhere in this Prospectus. The Company's liquidity requirements with respect to future acquisitions may be reduced to the extent the Company uses Common Shares as consideration for such purchases.

FUNDS FROM OPERATIONS

Management believes Funds from Operations is helpful to investors as a measure of the performance of an equity REIT because, along with cash flows from operating activities, financing activities and investing activities, it provides investors with an understanding of the ability of the Company to incur and service debt and make capital expenditures. Funds from Operations is calculated as net income (loss) (computed in accordance with GAAP), excluding gains (or losses) from debt restructuring and sales of property, plus real

estate related depreciation and amortization and after adjustments for unconsolidated partnerships and joint ventures. The Company computes Funds from

Operations in accordance with standards established by the White Paper on Funds from Operations approved by the NAREIT Board of Governors in March 1995, which may differ from the methodology for calculating Funds from Operations utilized by other equity REITs, and, accordingly, may not be comparable to such other REITs. Further, Funds from Operations does not represent amounts available for management's discretionary use because of needed capital replacement or expansion, debt service obligations, or other commitments and uncertainties. The Company believes that in order to facilitate a clear understanding of the pro forma operating results of the Facilities and the Company, Funds from Operations should be examined in conjunction with the income (loss) as presented in the pro forma financial statements and information included elsewhere in this Prospectus. Funds from Operations should not be considered as an alternative to net income (determined in accordance with GAAP) as an indication of the Company's financial performance or to cash flows from operating activities (determined in accordance with GAAP) as a measure of the Company's liquidity, nor is it indicative of funds available to fund the Company's cash needs, including its ability to make distributions.

INFLATION

Management believes that inflation should not have a material adverse effect on the operating expenses of the Company because such expenses are relatively insignificant as a percentage of revenues. Because the Bank Credit Facility provides for a variable interest rate, inflation could have a material adverse effect on the Company's interest expense if interest rates increase substantially during any year. Accordingly, when appropriate, based on the then current interest rates, management may seek to replace the Bank Credit Facility with a credit facility that provides for a fixed interest rate.

THE PRIVATE CORRECTIONS INDUSTRY

The Company believes the United States private corrections industry is in a period of significant growth. In the United States, there is a growing trend toward privatization of government services and functions, including corrections and detention services, as governments of all types face continuing pressure to control costs and improve the quality of services. According to the 1996 Facility Census (which was authored by Dr. Charles W. Thomas, an Independent Trustee of the Company), see "Management -- Trustees and Executive Officers," the design capacity of privately managed adult correctional and detention facilities worldwide has increased dramatically since the first privatized facility was opened by 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 132 facilities with a design capacity of 85,201 beds in 1996. The majority of all private prison management contracts are in the United States. At December 31, 1996, 118 of the 132 contracts were for United States facilities with the remaining 14 equally divided between Australia and the United Kingdom. According to the 1996 Facility Census, the aggregate capacity of private facilities in operation or under construction rose from 65,593 beds at December 31, 1995 to 85,201 beds at December 31, 1996, an increase of 34%. Additionally, the 1996 Facility Census reports that the number of private facilities for which contracts have been awarded increased 27% from 104 in 1995 to 132 in 1996 and the prisoner population housed in privately managed facilities expanded by 28% in 1996.

The 1996 Facility Census reports that at December 31, 1996 there were 25 state jurisdictions, the District of Columbia and Puerto Rico, within which there were private facilities in operation or under construction. Four of these were state jurisdictions within which facilities were located but where the facilities are not intended to house the local or state level prisoners of those state jurisdictions. An additional six state jurisdictions were contracting for the housing of state-level or local-level prisoners in private facilities located beyond their geographical boundaries. Further, all three federal agencies with prisoner custody responsibilities (i.e., the BOP, INS and USMS) continued to contract with private management firms.

Management believes that the increase in the demand for privatized correctional and detention facilities is also a result, in large part, of the general shortage of beds available in United States correctional and

detention facilities. According to reports issued by the United States Department of Justice, Bureau of Justice Statistics (the "BJS"), the number of inmates housed in United States federal and state prison facilities and in local jails increased from 744,208 at June 30, 1985 to 1,630,940 at June 30, 1996, a compound annual growth rate of 7.4%.

Industry reports also indicate that inmates convicted of violent crimes generally serve only 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, resulting in even more overcrowding in United States correctional and detention facilities. Finally, numerous courts and other government entities in the United States have mandated that additional services offered to inmates be expanded and living conditions be improved. Many governments do not have the readily-available resources to make the changes necessary to meet such mandates.

The demand for privately-managed correctional and detention centers is also increasing internationally. Management believes that many countries are faced with the same fiscal pressures as the United States and, as a result, are seeking more cost-effective means of providing prison management services. At December 31, 1996, there were a total of 14 privatized facilities in the United Kingdom and Australia, with an aggregate design capacity of 7,617 beds.

At December 31, 1996, 40 of the 118 privately managed facilities in operation or under construction in the United States were privately rather than publicly owned. To date, all private ownership of correctional facilities has been in connection with private prison management. However, management believes that the number of privately owned facilities will grow, independent of the growth in the private prison management industry. In an attempt to address the fiscal pressures of matching revenue collections with projected expenses, many government entities have been and will continue to be forced to consider private ownership in connection with the development of new correctional facilities and sale leaseback and other financing arrangements with respect to existing facilities.

CORRECTIONS CORPORATION OF AMERICA

FACILITY OPERATIONS

CCA is the largest developer and manager of privatized correctional and detention facilities worldwide. The Company initially will acquire the nine Initial Facilities from CCA. The Company will also have an option to acquire any or all of the five Option Facilities from CCA for a period of three years following the closing of the purchase of the Initial Facilities. In addition, the Company will have an option to acquire any correctional or detention facility acquired or developed and owned by CCA in the future for a period of three years following the Service Commencement Date with respect to such facility. The Company will also have a right of first refusal to acquire and provide mortgage financing for any correctional or detention facilities owned and operated by CCA in the future. CCA's facilities are located in 17 states of the United States, the District of Columbia, Puerto Rico, Australia and the United Kingdom. As of June 11, 1997, CCA had contracts to manage 60 correctional and detention facilities with an aggregate design capacity of 43,748 beds of which 51 facilities representing 32,441 beds are in operation.

The services provided by CCA to government agencies include the integrated design, construction and management of new correctional and detention facilities and the redesign, renovation and management of older facilities. In addition to providing the fundamental residential services relating to adult and juvenile inmates, CCA's facilities offer a large variety of rehabilitation and education programs including basic education, life skills and employment training and substance abuse treatment. CCA also provides health care (including medical, dental and psychiatric services), institutional food services, transportation services, and work and recreational programs. CCA's management believes that its proven ability to deliver a full range of high quality correctional and detention facility management services on a cost-effective basis to government agencies provides such agencies with sufficient incentives to choose CCA when awarding new contracts or renewing existing contracts. In addition to the opening of new facilities, over the last few years, CCA has expanded its service capabilities and broadened its geographic presence in the United States market through a

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series of strategic acquisitions of prison management companies and individual facilities as well as the acquisition of an inmate transportation company.

In addition to its domestic operations, CCA has obtained and is pursuing construction and management contracts for correctional and detention facilities outside the United States. CCA presently has contracts to operate one facility in the United Kingdom, two facilities in Australia, and also has contracts to provide inmate transportation services in Australia. In June 1994, CCA entered into an international strategic alliance with Sodexho S.A. ("Sodexho"), a French conglomerate, for the purpose of pursuing prison management business outside the United States. In connection with the alliance, Sodexho purchased a significant ownership in CCA and entered into certain agreements with CCA relating to future financings by the Company and corporate governance and control matters.

The Initial Facilities and the Option Facilities were owned and operated by CCA since the facilities were acquired or developed by CCA at various times ranging from 1984 to 1997. CCA will operate the Initial Facilities and, if acquired, the Option Facilities under the Leases with the Company. See "Business of the Company and its Properties" and "Leases."

CCA is a Tennessee corporation and is the successor to a corporation of the same name originally incorporated in January 1983. CCA's principal executive offices are located at 102 Woodmont Boulevard, Nashville, Tennessee 37205, and its telephone and fax numbers are (615) 292-3100 and (615) 269-8635, respectively. CCA's common stock and warrants are listed on the NYSE under the symbols "CXC" and "CXC/WS" respectively. CCA is not offering any of the securities offered hereby.

CERTAIN SELECTED FINANCIAL INFORMATION

The following table sets forth (i) certain selected historical financial information concerning CCA for the three months ended March 31, 1997 and 1996 and for each of the five years ended December 31, 1996 and (ii) unaudited selected consolidated pro forma financial information concerning CCA. The pro forma operating information is presented as if the Formation Transactions had occurred as of the beginning of the period indicated and therefore incorporates certain assumptions that are included in the Notes to Pro Forma Statement of Operations included elsewhere in this Prospectus. The pro forma balance sheet information is presented as if the Formation Transactions had occurred on March 31, 1997. The pro forma information does not purport to represent what the Company's financial position or results of operations actually would have been had the Formation Transactions, in fact, occurred on such date or at the beginning of the period indicated, or to project the Company's financial position or results of operations at any future date or any future period. The selected historical financial information for the three months ended March 31, 1997 and 1996 is derived from CCA's unaudited condensed consolidated financial statements. The selected historical financial information for each of the five years ended December 31, 1996 is derived from CCA's consolidated financial statements. The selected historical financial information for CCA has been included in this Prospectus due to the Company's initial dependence on CCA as the sole lessee of the Facilities. All information contained in the following table should be read in conjunction with the consolidated financial statements and related notes of CCA included elsewhere in this Prospectus. Investors should review the financial statements and other data set forth herein with respect to CCA, as well as the financial statements and other data set forth herein with respect to the Company and the Facilities.

CORRECTIONS CORPORATION OF AMERICA

SELECTED PRO FORMA AND HISTORICAL FINANCIAL INFORMATION
(IN THOUSANDS, EXCEPT PER SHARE AND OTHER DATA)

<TABLE>

<CAPTION>

	HISTORICAL					PRO FORMA YEAR ENDED DECEMBER 31, 1996 (1)	HISTORICAL QUARTER ENDED	
	YEAR ENDED DECEMBER 31,						MARCH 31, 1996	MARCH 31, 1997
	1992	1993	1994	1995	1996			
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
STATEMENT OF OPERATIONS:								
Revenues.....	\$ 95,518	\$ 132,534	\$ 152,375	\$ 207,241	\$ 292,513	\$ 292,513	\$ 63,277	\$ 91,838
Expenses:								
Operating.....	74,796	108,026	123,540	158,814	213,173	227,475	47,184	63,919
General and administrative.....	8,408	7,885	9,413	14,288	13,428	13,342	2,925	3,595
Depreciation and amortization.....	5,468	5,759	5,753	6,524	11,339	9,008	2,277	3,923
	88,672	121,670	138,706	179,626	237,940	249,825	52,386	71,437
Operating income.....	6,846	10,864	13,669	27,615	54,573	42,688	10,891	20,401
Interest expense (income), net.....	4,264	4,424	3,439	3,952	4,224	452	1,350	498
Income before income taxes.....	2,582	6,440	10,230	23,663	50,349	42,236	9,541	19,903
Provision for income								

taxes.....	50	832	2,312	9,330	19,469	13,549	3,835	7,908
Net income.....	2,532	5,608	7,918	14,333	30,880	28,687	5,706	11,995
Preferred stock dividends.....	71	425	204	--	--	--	--	--
Net income allocable to common stockholders.....	\$ 2,461	\$ 5,183	\$ 7,714	\$ 14,333	\$ 30,880	\$ 28,687	\$ 5,706	\$ 11,995
Net income per share:								
Primary.....	\$ 0.06	\$ 0.10	\$ 0.13	\$ 0.19	\$ 0.38	\$ 0.35	\$ 0.07	\$ 0.14
Fully diluted.....	\$ 0.05	\$ 0.10	\$ 0.13	\$ 0.18	\$ 0.36	\$ 0.34	\$ 0.07	\$ 0.14
Weighted average common shares outstanding.....	41,544	51,762	61,908	75,110	81,664	81,664	80,502	83,942
OTHER DATA:								
Beds in operation (period end).....	7,844	10,368	13,404	20,252	24,310	24,310	21,098	28,062
Beds under contract (period end).....	8,737	12,254	19,735	28,607	41,135	41,135	31,357	43,049
Compensated mandays(2)....	2,210,682	3,338,411	3,768,095	4,799,562	7,113,794	7,113,794	1,552,509	2,127,531
Available mandays(3).....	2,463,496	3,628,114	4,012,881	5,133,221	7,557,988	7,557,988	1,739,844	2,260,470
Average occupancy(4).....	89.7%	92.1%	93.5%	93.9%	94.1%	94.1%	89.2%	94.1%
BALANCE SHEET DATA (END OF PERIOD):								
Total assets.....	\$ 103,295	\$ 109,285	\$ 141,792	\$ 213,478	\$ 468,888		\$ 231,137	\$ 566,917
Total long-term debt.....	56,277	50,558	47,984	74,865	117,535		81,848	194,745
Total liabilities excluding deferred gain.....	75,367	75,103	80,035	116,774	187,136		119,490	269,971
Stockholders' equity.....	27,928	34,182	61,757	96,704	281,752		111,647	296,946

<CAPTION>

PRO
FORMA

QUARTER
ENDED
MARCH 31,
1997 (1)

<S>

<C>

STATEMENT OF OPERATIONS:	
Revenues.....	\$ 91,838
Expenses:	
Operating.....	68,332
General and administrative.....	3,573
Depreciation and amortization.....	2,852
	74,757
Operating income.....	17,081
Interest expense (income), net.....	(684)
Income before income taxes.....	17,765
Provision for income taxes.....	6,160
Net income.....	11,605
Preferred stock dividends.....	--
Net income allocable to common stockholders.....	\$ 11,605
Net income per share:	
Primary.....	\$ 0.14
Fully diluted.....	\$ 0.14
Weighted average common shares outstanding.....	83,942
OTHER DATA:	
Beds in operation (period end).....	28,062
Beds under contract (period end).....	43,049
Compensated mandays(2)....	2,127,531
Available mandays(3).....	2,260,470
Average occupancy(4).....	94.1%

BALANCE SHEET DATA (END OF

PERIOD):

Total assets.....	\$ 576,193
Total long-term debt.....	64,500
Total liabilities excluding deferred gain.....	141,759
Stockholders' equity.....	296,946

</TABLE>

- (1) See Corrections Corporation of America Pro Forma Consolidated Financial Statements and related notes thereto appearing elsewhere in this Prospectus.
- (2) Compensated mandays is equal to the number of beds for which CCA is paid multiplied by the number of days the beds are occupied.
- (3) Available mandays is the total number of beds in operation multiplied by the number of days in operation.
- (4) Average occupancy is the quotient of dividing compensated mandays by available mandays.

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MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following financial analysis should be read in conjunction with the above financial information concerning CCA.

General

CCA presently has contracts to manage 60 correctional and detention facilities with an aggregate design capacity of 43,748 beds. Of these 60 facilities, 51 are currently in operation and nine are under development by CCA, two of which are Option Facilities and nine of which will be financed and owned by a contracting government entity. CCA, through its United Kingdom joint venture, UK Detention Services ("UKDS"), manages one facility in the United Kingdom and, through its Australian joint venture, CC Australia, manages two facilities in Australia. CCA's ownership interest in CC Australia is accounted for under the equity method. Of the nine facilities under development by CCA, four are scheduled to commence operations during 1997 (third quarter) and five are scheduled to commence operations during 1998. In addition, at June 10, 1997, CCA had outstanding written responses to RFPs and other solicitations for 13 projects with an aggregate design capacity of 7,709 beds.

The following table sets forth the number of facilities under contract or award at the end of the periods shown:

<TABLE>

<CAPTION>

	AS OF DECEMBER 31,			AS OF MARCH 31,	
	1994	1995	1996	1996	1997
<S>	<C>	<C>	<C>	<C>	<C>
Contracts(1).....	39	47	59	48	60
Facilities in operation.....	31	38	42	37	49
Design capacity of contracts.....	19,735	28,607	41,135	31,357	43,049
Design capacity of facilities in operation.....	13,404	20,252	24,310	21,098	28,062
Compensated mandays(2).....	3,768,095	4,799,562	7,113,794	1,552,509	2,127,531

</TABLE>

- (1) Consists of facilities in operation and facilities under development for which contracts have been finalized.
- (2) Compensated mandays for a period ended are calculated, for per diem rate facilities, as the number of beds occupied by residents on a daily basis during the period ended and, for fixed rate facilities, as the design capacity of the facility multiplied by the number of days the facility was in operation during the period.

CCA derives substantially all of its revenues from the management of correctional and detention facilities for national, federal, state and local government agencies in the United States and abroad.

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Geographic Market Concentration

CCA currently manages facilities in 15 states, the District of Columbia and Puerto Rico. Management revenues by state, as a percentage of CCA's total revenues for years ended December 31, 1995 and 1996, respectively, and for the periods ended March 31, 1996 and 1997, respectively, are as follows:

<TABLE>

<CAPTION>

STATE	FISCAL 1995		FISCAL 1996		MARCH 31, 1996	
	NUMBER OF FACILITIES	PERCENTAGE OF TOTAL REVENUES	NUMBER OF FACILITIES	PERCENTAGE OF TOTAL REVENUES	NUMBER OF FACILITIES	PERCENTAGE OF TOTAL REVENUES
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Arizona.....	2	16.5%	2	14.7%	2	14.6%
Colorado.....	--	--	1	0.3	--	--
Florida.....	5	7.8	4	10.3	4	11.3
Indiana.....	1	1.4	1	0.4	--	0.0
Kansas.....	2	4.6	1	3.0	1	3.2
Louisiana.....	1	6.1	1	4.7	1	5.4
Minnesota.....	--	--	1	0.7	--	--
Mississippi.....	--	--	1	1.1	--	--
New Jersey.....					--	--
New Mexico.....	3	8.4	3	6.7	3	7.7
Oklahoma.....	1	1.9	2	3.0	1	1.4
Puerto Rico.....	1	0.1	1	4.7	1	4.5
South Carolina.....	--	--	1	2.1	--	--
Tennessee.....	8	25.2	8	19.2	7	21.0
Texas.....	12	22.7	12	23.6	11	24.6
Washington, D.C.....					--	--

<CAPTION>

STATE	MARCH 31, 1997	
	NUMBER OF FACILITIES	PERCENTAGE OF TOTAL REVENUES
<S>	<C>	<C>
Arizona.....	2	14.4%
Colorado.....	1	1.2
Florida.....	5	9.3
Indiana.....	1	0.1
Kansas.....	1	2.4
Louisiana.....	1	3.8
Minnesota.....	1	2.3
Mississippi.....	1	2.5
New Jersey.....	1	2.7
New Mexico.....	3	4.8
Oklahoma.....	2	3.6
Puerto Rico.....	3	5.3
South Carolina.....	1	2.9
Tennessee.....	7	15.8
Texas.....	12	21.9
Washington, D.C.....	1	1.0

</TABLE>

To the extent favorable or unfavorable changes in regulations or market conditions occur in these markets, such changes would likely have a corresponding impact on CCA's results of operations.

Revenues for operation of correctional and detention facilities are recognized as the services are provided, based on a net rate per day per inmate ("per diem" rate) or on a fixed monthly rate ("fixed or determined" rate). Of CCA's 48 domestic facilities in operation, 44 are compensated on a per diem basis and four are compensated at fixed monthly rates. The per diem rates or fixed monthly rates vary according to the type of facility and the extent of services provided at the facility. Transportation revenues are based on a per mile charge or a fixed fee per trip.

CCA incurs all facility operating expenses, except for certain debt service and lease payments with respect to certain facilities that CCA does not own or lease. CCA owns 13 of the domestic facilities it currently manages. CCA currently manages 31 domestic facilities that are owned or leased by a government agency, construction of which has been financed by the agency through one or more of a variety of methods.

Facility payroll and related taxes constitute the majority of facility

operating expenses for CCA. Substantially all other operating expenses consist of food, clothing, medical services, utilities, supplies, maintenance, insurance and other general operating expenses. As inmate populations increase following the start-up of a facility, operating expenses generally decrease as a percentage of related revenues. Each facility is fully staffed at the time it is opened or taken over by CCA, although it may be operating at a relatively low occupancy rate at such time.

CCA's general and administrative costs consist of salaries of officers and other corporate headquarters personnel, legal, accounting and other professional fees (including pooling expenses related to certain acquisitions), travel expenses, executive office rental, and promotional and marketing expenses. The most significant component of these costs relates to the hiring and training of experienced corrections and administrative personnel necessary for the implementation and maintenance of the facility management and transportation contracts.

Operating income for each facility depends upon the relationship between operating costs, the rate at which CCA is compensated per manday, and the occupancy rate. The rates of compensation are fixed by contract and approximately two-thirds of all operating costs are fixed costs. Therefore, operating income will vary from period to period as occupancy rates fluctuate. Operating income will be affected adversely as CCA increases the number of newly-constructed or expanded facilities under management and experiences initial

low occupancy rates. After a management contract has been awarded, CCA incurs facility start-up costs that consist principally of initial employee training, travel and other direct expenses incurred in connection with the contract. These costs are capitalized and amortized on a straight-line basis over the shorter of the term of the contract plus renewals, or five years. Depending on the contract, start-up costs are either fully recoverable as pass-through costs or are billable to the contracting agency over the original term of the contract plus renewals. CCA has historically financed start-up costs through available cash, the issuance of various securities, cash from operations and borrowings under CCA's revolving credit facility.

Newly opened facilities are staffed according to contract requirements when CCA begins receiving inmates. Inmates are typically assigned to a newly opened facility on a regulated, structured basis over a one-to-three month period. Until expected occupancy levels are reached, operating losses may be incurred.

Results of Operations

The following table sets forth, for the periods indicated, the percentage of revenues of certain items in CCA's statement of operations and the percentage change from period to period in such items:

<TABLE>
<CAPTION>

	PERIOD-TO-PERIOD PERCENTAGE CHANGES								
	DECEMBER 31,			MARCH 31,		1995	1996	MARCH 1997	
	1994	1995	1996	1996	1997	COMPARED TO 1994	COMPARED TO 1995	COMPARED TO MARCH 1996	
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	
Revenues.....	100.0%	100.0%	100.0%	100.0%	100.0%	36.0%	41.1%	45.1%	
Expenses:									
Operating.....	81.1	76.6	72.9	74.6	69.6	28.6	34.2	35.5	
General and administrative.....	6.1	6.9	4.6	4.6	3.9	51.8	(6.0)	22.9	
Depreciation and amortization.....	3.8	3.2	3.9	3.6	4.3	13.4	73.8	72.3	
Operating income.....	9.0	13.3	18.6	17.2	22.2	102.0	97.6	87.3	
Interest expense, net.....	2.3	1.9	1.4	2.1	.5	14.9	6.9	(63.1)	
Income before income taxes....	6.7	11.4	17.2	15.1	21.7	131.3	112.8	108.6	
Provision for income taxes....	1.5	4.5	6.6	6.1	8.6	303.5	108.7	106.2	
Net income.....	5.2	6.9	10.6	9.0	13.1	81.0	115.4	110.2	
Preferred stock dividends....	0.1	--	--	--	--	(100.0)	--	--	
Net income allocable to common stockholders.....	5.1%	6.9%	10.6%	9.0%	13.1%	85.8%	115.4%	110.2%	

</TABLE>

Three Months Ended March 31, 1997 Compared with Three Months Ended March 31, 1996

Revenues. CCA's total revenues for the first quarter of 1997 increased 45% over the comparable period of 1996. CCA's management revenues increased \$28,302,000 or 47%, and transportation revenues increased \$259,000 or 10%, in the first three months of 1997 as compared to the same period in 1996. The increase in management revenues was due to a 37% increase in compensated mandays. During the first quarter of 1997, CCA opened six new facilities totaling 3,496 beds and expanded one existing facility representing 256 beds. CCA also realized the full period effect in the first quarter of 1997 of 3,835 beds brought on line over the course of 1996. Transportation revenues increased due to an expanded customer base and compensated mileage realized through the opening of two new transportation hubs. In the first quarter of 1997, CCA recognized development fee income of \$1,341,000 (after tax) related to a contract to design, construct and equip a managed facility.

Facility Operating Expenses. CCA's operating expenses for the first quarter of 1997 increased 35% over the comparable quarter in 1996. This increase was due to the increased compensated mandays and compensated mileage that CCA realized in 1997. As a percentage of revenues, however, operating expenses declined to 70% in 1997 from 75% in 1996 as CCA continues to benefit from economies of scale and cost containment.

General and Administrative. CCA's general and administrative expenses increased 23% for the first quarter of 1997 as compared to the comparable quarter of 1996. The increase was due to the expanded activity

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and staffing necessary to administer the increased beds under management. General and administrative expenses decreased as a percentage of revenues to 3.9% in 1997 from 4.6% in 1996 during the comparable period.

Depreciation and Administrative. CCA's depreciation and amortization for the first quarter of 1997 increased 72% as compared to the comparable quarter of 1996. This increase was due to the growth in total beds in facilities owned by CCA.

Interest Expenses. CCA's interest expense, net, decreased 63% for the first quarter of 1997 as compared to the first quarter of 1996 primarily due to the fact that additional facilities were under construction during 1997 and the associated interest expense was capitalized.

Year Ended December 31, 1996 Compared with Year Ended December 31, 1995

Revenues. CCA's total revenues increased 41% from 1995 to 1996 with increases in both management and transportation services. CCA's management revenues increased 43% in 1996, or \$84.2 million. This increase is due to the opening of new facilities and the expansion of existing facilities by CCA in 1995 and 1996. In 1996, CCA opened four new facilities with an aggregate design capacity of 2,501 beds, assumed management of two facilities with an aggregate design capacity of 899 beds and expanded five existing facilities to increase their design capacity by an aggregate of 1,058 beds. Accordingly, 4,458 new beds were brought on line in 1996. Due to the growth in beds, compensated mandays increased 48% in 1996 from 4,799,562 to 7,113,794. Average occupancy remained stable at 94.1% for 1996 as compared to 93.9% for 1995.

CCA's transportation revenues increased \$1.1 million or 12% in 1996 as compared to 1995. The 1996 growth was due to a continued marketing effort that expanded the customer base and resulted in increased compensated mileage.

During the second and fourth quarters of 1996, CCA purchased the remaining two-thirds of UKDS from its original joint venture partners. After consideration of several strategic alternatives related to UKDS, CCA sold 20% of the entity to Sodexho, and recognized an after-tax gain of \$515,000. In conjunction with this transaction, Sodexho was also provided the option to purchase an additional 30%

of UKDS, which option expires in 1997.

Facility Operating Expenses. CCA's facility operating expenses increased 34.2% to \$213.2 million in 1996 compared to \$158.8 million in 1995. This increase was due to the additional beds on line that increased compensated mandays and the growth in the transportation services. The average management operating cost per manday was \$28.82 for 1996 as compared to \$31.59 for 1995. The decrease in average cost per manday was due to CCA's ability to realize more economies of scale as additional beds were brought on line. As a percentage of revenues, facility operating expenses decreased to 73% from 77%. This decrease is primarily attributable to the expansion of various facilities that added lower incremental operating expenses and improved economies of scale. Salary and related employee benefits constituted approximately 63% and 58% of facility operating expenses for 1996 and 1995, respectively.

General and Administrative. CCA's general and administrative costs decreased 6% in 1996 to \$13.4 million as compared to \$14.3 million in 1995. This decrease is due to the non-recurring pooling expenses associated with acquisitions during fiscal 1995 as well as CCA's ability to reduce duplication in the general and administrative areas by integrating the acquired companies into its systems. Management believes that as CCA continues to grow, general and administrative expenses should increase in volume but continue to decrease as a percentage of revenues.

Depreciation and Amortization. CCA's depreciation and amortization increased 74% to \$11.4 million in 1996 as compared to \$6.5 million in 1995. The 1996 increase is due to the growth in total beds in Company-owned facilities as well as the one-time, non-recurring reserve of \$850,000 established for the termination of CCA's contract with South Carolina.

Interest Expenses, Net. CCA's interest expense, net increased 7% in 1996, consisting of a 48% or \$2.7 million, increase in interest expense and a 151%, or \$2.4 million, increase in interest income. Interest expense

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increased due primarily to the addition of \$50.0 million in convertible subordinated notes issued in February and April 1996, bearing interest at 7.5%. Interest income increased as a result of CCA investing the net proceeds from an equity offering, which closed in June 1996.

Year Ended December 31, 1995 Compared with Year Ended December 31, 1994

In 1994 and 1995, CCA expanded its service capabilities and broadened its geographic presence in the United States through a series of strategic acquisitions that complemented CCA's development activities (collectively, the "Acquisitions"). In December 1994, CCA acquired TransCor America, Inc. ("TransCor"), a nationwide provider of inmate transportation services. In April 1995, CCA acquired Concept Incorporated ("Concept"), a prison management company with eight facilities and 4,400 beds under contract at the time of acquisition. In August 1995, CCA acquired Corrections Partners, Inc. ("CPI"), a prison management company with seven facilities and 2,900 beds under contract at the time of acquisition. CCA's operating results for 1995 were significantly affected by the Acquisitions. All of these business combinations were accounted for as a pooling-of-interests and, accordingly, the operations of TransCor, Concept and CPI have been combined in the accompanying consolidated financial statements. The discussion herein is based upon the combined operations of CCA, TransCor, Concept and CPI for all periods presented in the accompanying consolidated financial statements.

Revenues. CCA's total revenues increased 36% from 1994 to 1995 with increases in both management and transportation services. Management revenues increased 37% in 1995, or \$53.2 million. This increase was due to the opening of new facilities and the expansions of existing facilities in 1994 and 1995 by CCA and the related Acquisitions. In 1995, CCA opened five new facilities with an aggregate design capacity 3,390 beds and assumed management of three facilities with an aggregate design capacity 1,688 beds. CCA also realized the full-year effect of three facilities added in 1994 with an aggregate design capacity 1,560 beds. The third contributing factor to growth was the expansion of 13 existing facilities to increase their design capacity by 1,887 beds. Due to the growth in the number of beds, compensated mandays increased 27% in 1995 from 3,768,095 to 4,799,562. Average occupancy remained stable at 93.9% for 1995 as compared to 93.5% for 1994.

CCA's transportation revenues increased \$1.7 million or 21% in 1995 as compared to 1994. The 1995 growth was due to a continued marketing effort that expanded the customer base and resulted in increased compensated mileage.

During the first quarter of 1995, CCA purchased the remaining 50% of CC Australia from its original joint venture partner. After consideration of several strategic alternatives related to CC Australia, CCA then sold 50% of the entity to Sodexho during the second quarter of 1995. CCA accounted for the 100% ownership period on the equity basis of accounting and recognized an after-tax

gain of \$783,000 on the sale.

Facility Operating Expenses. CCA's facility operating expenses increased 29% to \$158.8 million in 1995 compared to \$123.5 million in 1994. This increase was due to the additional beds on line that increased compensated mandays and the growth in the transportation services. The average management operating cost per manday was \$31.59 for 1995 as compared to \$31.16 for 1994. The increase in average cost per manday was due to the significant number of new beds brought on line in 1995. As the five new facilities were opened, the full complement of fixed costs was being incurred prior to full occupancy. As a percentage of revenues, however, facility operating expenses decreased to 77% from 81%. This decrease was primarily attributable to the expansion of various facilities that added lower incremental operating expenses and improved economies of scale. Salary and related employee benefits constituted approximately 58% and 55% of facility operating expenses for 1995 and 1994, respectively.

General and Administrative. CCA's general and administrative costs increased 52% in 1995 to \$14.3 million as compared to \$9.4 million in 1994. Included in 1995 were approximately \$950,000 of non-recurring pooling expenses related to the Acquisitions. CCA has also expanded its management staff to manage its significant growth. Additional staff was added to bring new business on line, resulting in cost being incurred prior to revenue being realized. Also, as all transition issues are finalized from the acquired operations and the duplicate services are consolidated, general and administrative costs should decrease as a percentage of revenues.

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Depreciation and Amortization. CCA's depreciation and amortization increased \$771,000, to \$6.5 million in 1995 as compared to \$5.8 million in 1994. The 1995 increase was due to the growth in total beds in Company-owned facilities.

Interest Expenses, Net. CCA's interest expense, net increased 15% in 1995 due to the assumption of debt related to the Eloy Detention Center in Eloy, Arizona. In July 1995, CCA acquired the remaining 50% of the investment in a partnership and assumed the assets and debts.

Income Taxes. In 1995, CCA's effective income tax rate increased to 39% as compared to 23% in 1994. This increase in taxes was due to CCA's complete utilization of net operating loss carry forwards, therefore becoming subject to full statutory tax rates.

Liquidity and Capital Resources

CCA's business is capital intensive in relation to the development of a correctional facility. CCA's efforts to obtain contracts, construct additional facilities and maintain its day-to-day operations have required the continued acquisition of funds through borrowings and equity offerings. Historically, CCA has financed these activities with cash generated from operating and bank borrowings, the issuance and sale of capital stock, subordinated convertible notes and senior secured debt, taxable and tax-exempt bonds, and by assisting governmental agencies in their issuance of municipal bonds.

CCA's current ratio increased to 1.79 in 1996 as compared to 1.31 in 1995. The increase was due to the increase in accounts receivable that resulted from additional beds on line, as well as an increase in construction receivables for facilities being constructed by CCA. Management receivables increased 56%, from \$32.5 million to \$50.6 million and construction related receivables increased from \$4.5 million to \$44.5 million. The primary reason for the significant increase in construction receivables was due to the sale of a facility to a not-for-profit organization for which the proceeds were not received until subsequent to year end. CCA's current ratio decreased to 1.11 as of March 31, 1997, due primarily to the aforementioned collection of the construction receivable. The ratio of long-term debt to total capitalization was 39% at March 31, 1997 compared to 29% at December 31, 1996 and 44% at December 31, 1995. In October 1995, CCA declared a two-for-one stock split paid in the form of a one-share dividend for every share of its common stock held on the record date. In June 1996, CCA declared a second two-for-one stock split paid in the form of a one-share dividend for every share of its common stock held on the record date. All references to number of shares have been adjusted for both stock splits.

CCA's cash flow from operations for 1996 was approximately \$24.4 million as compared to \$17.8 million in 1995 and \$11.6 million in 1994. CCA's cash flow from operations in the first quarter of 1997 was \$59.2 million, which included approximately \$38.0 million from the reduction of the construction receivables, as compared to \$4.0 million in the comparable period in 1996. CCA has strengthened its cash flow through its expanded business, additional focus on larger, more profitable facilities, its expansion of existing facilities where

economies of scale could be realized, and its continuing effort of cost containment.

In 1994, CCA entered into an international strategic alliance with Sodexho for the purpose of pursuing prison management business outside the United States. In connection with this alliance, Sodexho purchased a significant ownership interest in CCA and entered into certain agreements with CCA relating to future financings by CCA and certain corporate governance and control issues. These issues included the grant by CCA to Sodexho of a preemptive right to purchase additional shares of CCA's common stock in securities convertible into or exchangeable for common stock in any amount necessary to enable Sodexho to maintain a percentage ownership in CCA equal to 20% of the common stock on a fully diluted basis.

In February 1996, CCA issued \$30.0 million of its convertible subordinated notes to an investor. The proceeds were used to repay the outstanding principal under CCA's working capital credit facility and construction loan. The notes bear interest at 7.5%, payable quarterly, and require CCA to maintain specific ratio requirements relating to net worth, cash flow and debt coverage. The notes are convertible into shares of CCA's common stock at a conversion price, as adjusted, of \$25.91 per share. In April 1996, due to the

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triggering of its preemptive right in connection with the issuance of the convertible subordinated notes, Sodexho purchased \$20.0 million of convertible subordinated notes under the same terms and conditions.

In June 1996, CCA completed a public offering of 3,750,000 shares of its common stock at a price to the public of \$37.50 per share. The proceeds of the offering, after deducting all associated costs, were \$131.8 million.

In August 1996, CCA issued \$24.7 million of revenue bonds to finance the construction of a 480-bed medium security detention facility located in Taylor, Texas. These bonds are taxable and bear interest at a variable rate. The bonds are secured by an irrevocable direct pay letter of credit issued by a group of banks.

In September 1996, CCA entered into a new revolving credit facility with a group of banks. The new revolving credit facility replaced the \$25.0 million revolving line of credit which was scheduled to mature in May 1997. The new revolving credit facility provides for general corporate borrowings up to \$170.0 million, which includes the issuance of a maximum of \$136.0 million in letters of credit and matures in September 1999. The credit facility is secured by the pledge of stock of CCA's first tier domestic subsidiaries and bears interest, at the election of CCA, at either the agent bank's prime rate or a rate which is 0.5%, 0.75% or 1.0% above the applicable 30-, 60- or 90-day LIBOR rate, depending on CCA's leverage ratio. Interest is payable quarterly with respect to prime rate loans and at the expiration of the applicable period with respect to LIBOR rate-based loans. There are no prepayment penalties associated with the credit facility. The credit facility requires CCA, among other things, to maintain specific ratio requirements relating to net worth, leverage and debt service coverage. The facility also limits certain payments and distributions. As of December 31, 1996, there were \$4.0 million in borrowings under the facility. As of March 31, 1997, there was \$78 million borrowed under this facility. Letters of credit totaling \$63.5 million had been issued, leaving the unused commitment at \$28.5 million as of March 31, 1997.

In September 1996, CCA also closed a \$2.5 million credit facility with a bank that provides for the issuance of letters of credit and matures in September 1999. As of March 31, 1997, there were \$1.6 million in letters of credit issued, leaving the unused commitment at \$.9 million.

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BUSINESS OF THE COMPANY AND ITS PROPERTIES

THE FACILITIES

The Company has negotiated a purchase agreement for the nine Initial Facilities with an aggregate design capacity of 6,687 beds, and option agreements to purchase any or all of the five additional Option Facilities with an aggregate design capacity of 5,638 beds at any time during the three year period from the closing of the purchase of the Initial Facilities. In addition, the Company will have an option to acquire any future correctional or detention facilities acquired or developed and owned by CCA in the future for a period of

three years following the Service Commencement Date with respect to such facility. The Company will acquire a 100% interest in each of the facilities purchased. Certain information for the Initial Facilities and the Option Facilities is set forth in the following tables and accompanying descriptions.

The Initial Facilities

<TABLE>
<CAPTION>

FACILITY AND LOCATION	DESIGN CAPACITY	DATE OPENED	TYPE OF FACILITY	CONTRACTING ENTITIES	INITIAL ANNUAL RENT (IN MILLIONS)	LEASE TERM (YEARS)
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Houston Processing Center.....	411	April 1984	Medium Security Processing Center	INS	\$1.5	12
Houston, Texas						
Laredo Processing Center.....	258	March 1985	Medium Security Processing Center	INS and BOP	1.2	12
Laredo, Texas						
Bridgeport Pre-Parole Transfer Facility.....	200	November 1987	Minimum Security Pre-Parole Transfer Facility	State of Texas	0.4	12
Bridgeport, Texas						
Mineral Wells Pre-Parole Transfer Facility.....	1,119	July 1989	Minimum Security Pre-Parole Transfer Facility	State of Texas	3.0	12
Mineral Wells, Texas						
West Tennessee Detention Facility(2)...	600	September 1990	Multi-Security Detention Center	INS, USMS, BOP State of North Carolina	3.7	10
Mason, Tennessee						
Leavenworth Detention Center.....	327	June 1992	Maximum Security Detention Center	USMS	3.3	10
Leavenworth, Kansas						
Eloy Detention Center(2).....	1,500(1)	July 1994	Medium Security Detention Center	INS and BOP	6.0	12
Eloy, Arizona						
Central Arizona Detention Center(2).....	1,792	October 1994	Multi-Security Detention Center	USMS, States of Oregon, Alaska and New Mexico	12.3	10
Florence, Arizona						
T. Don Hutto Correctional Center.....	480	January 1997	Medium Security Correctional Facility	Williamson County, Texas States of Colorado and Wyoming	2.5	12
Taylor, Texas						

</TABLE>

(1) Includes a 250-bed expansion which is expected to be completed in June 1997.

(2) Annual rentals for this facility will exceed 10% of aggregate annual pro forma rentals of \$33.9 million.

The Initial Facilities will be purchased from CCA for an aggregate purchase price of approximately \$308.1 million in cash. The Company will lease the Initial Facilities to CCA pursuant to Leases with terms ranging from 10 to 12 years and with aggregate initial annual rents of approximately \$33.9 million. Throughout the terms of the initial Leases, annual rents will escalate by the Base Rent Escalation. The Leases may be extended at fair market rates for three additional periods of five years each upon the mutual agreement of the Company and CCA.

The initial public offering price and, accordingly, the aggregate consideration to be paid by the Company in the Formation Transactions are based on an evaluation of CCA's operation of the Initial Facilities as a whole and the factors discussed under "Underwriting" herein, rather than the valuation of individual properties. Independent valuations were not obtained to determine the purchase price to be paid by the Company for the fair market value of the Initial Facilities and the purchase price paid by the Company for the Initial Facilities exceeds their historical costs. See "Risk Factors -- Conflicts of Interest." The purchase price for the nine Initial Facilities to be sold by CCA to the Company was determined primarily based on an evaluation of the current

and anticipated cash flows and operating results of such facilities. To determine the purchase price for each of the Initial Facilities other than the T. Don Hutto Correctional Center, the anticipated annual cash flow from the facility less capital expenditures, was divided by an agreed upon coverage rate and lease rate. Because the T. Don Hutto Correctional Center was not completed until January 1997, the purchase price of that facility was calculated as CCA's approximate cost of developing, constructing and equipping the center, plus 5% of such costs. It is possible that if the Company were to have obtained any such third-party valuations, the sum of the values of the Initial Facilities might have been lower than the valuation of the Company. There has not been, nor will there be, any valuation of the Company other than the initial public offering price of the Common Shares.

The Option Facilities

<TABLE>
<CAPTION>

FACILITY AND LOCATION	DESIGN CAPACITY	ANTICIPATED OPENING DATE	TYPE OF FACILITY	CONTRACTING ENTITIES
<S>	<C>	<C>	<C>	<C>
Northeast Ohio Correctional Center... Youngstown, Ohio	2,016	June 1997	Medium Security Correctional Facility	Pending (1)
Torrance County Detention Facility... Estancia, New Mexico	910	October 1997 (2)	Multi-Security Detention Facility	State of New Mexico, Torrance County, USMS, and BOP
Southern Colorado Correctional Facility..... Walsenburg, Colorado	752	October 1997	Medium Security Correctional Facility	State of Colorado
North Fork Correctional Facility..... Sayre, Oklahoma	960	January 1998	Medium Security Correctional Facility	Under negotiation (3)
Whiteville Correctional Center..... Whiteville, Tennessee	1,000	July 1998	Medium Security Correctional Facility	Under negotiation (4)

</TABLE>

(1) CCA is reserving all 2,016 beds in this facility for use by the District of Columbia on a permanent basis. CCA is currently housing 900 inmates for the District of Columbia under a temporary contract.

(2) Anticipated opening date for a 624-bed expansion. The current 286-bed facility was opened in December 1990.

(3) CCA is currently negotiating with the State of Colorado with respect to beds in this facility.

(4) CCA is currently negotiating with various states with respect to beds in this facility.

The Company will have options to purchase, for a period of three years from the closing of the purchase of the Initial Facilities, any or all of the five Option Facilities. The purchase price of each Option Facility shall be equal to CCA's actual cost of developing, constructing and equipping such Option Facility, plus 5% of such costs. The initial annual rent for each Option Facility will be the greater of (i) the fair market rental value of such Option Facility or (ii) 11% of such purchase price. Using the 11% lease rate calculation, the Company and CCA believe that the purchase price and initial annual rent, respectively, for each Option Facility, if purchased, will be: (a) Northeast Ohio Correctional Center -- \$58.0 million and \$6.4 million; (b) Torrance County Detention Facility -- \$36.0 million and \$4.0 million; (c) Southern Colorado Correctional Facility -- \$27.5 million and \$3.0 million; (d) North Fork Correctional Facility -- \$29.5 million and \$3.2 million and (e) Whiteville Correctional Center -- \$42.0 million and \$4.6 million. Estimated aggregate purchase price and first-year rent amount to approximately \$193.0 million and \$21.2 million, respectively.

The Company will lease the Option Facilities, if acquired, pursuant to long-term, non-cancelable triple net leases on substantially the same terms and conditions as the Leases for the Initial Facilities, including Base Rent Escalation. The Company does not intend to acquire an Option Facility until it is fully constructed, is the subject of an enforceable management contract between CCA and a government entity and has an occupancy rate acceptable to the Company. See "The Company -- Business Objectives and Strategies."

Because the Option Facilities are currently under development, construction or expansion by CCA, the cash consideration to be paid by the Company for each of the five Option Facilities will be determined based on CCA's costs of developing, constructing and equipping such facilities plus 5% of such costs. Independent valuations were not obtained to determine the purchase price of the

Option Facilities, and the purchase price to be paid by the Company for the Option Facilities exceeds their historical costs. See "Risk Factors -- Conflicts of Interest -- Situations in Which Conflicts of Interest Have Arisen and May Continue to Arise -- Valuation of the Facilities."

DESCRIPTION OF THE FACILITIES

The Initial Facilities

Set forth below are brief descriptions of each of the Initial Facilities. Unless otherwise noted, the Company will own fee title to the Facilities, free and clear of any material liens. In general, the Facilities are operated under management contracts with various government entities with terms shorter than the terms of the Leases. The contracts, generally, have current terms that require renewals every two to five years. CCA expects to renew these contracts for periods consistent with the remaining renewal options allowed by the contract or other reasonable extensions. It has been CCA's experience generally that renewals proposed by it have been accepted by the corresponding contracting government entity. See "Risk Factors -- Correctional and Detention Industry Risks."

Pre-Parole Transfer Facilities. Pre-parole transfer facilities are used to hold inmates who have been arrested for technical violations of their parole agreements with a State Department of Criminal Justice, Board of Pardons and Paroles. Pre-parole transfer facilities are classified as minimum security facilities. The pre-parole transfer facilities to be acquired by the Company are the Bridgeport Pre-Parole Transfer Facility and the Mineral Wells Pre-Parole Transfer Facility.

The Bridgeport Pre-Parole Transfer Facility is located on approximately three acres in Bridgeport, Texas and has a design capacity of 200 beds. The 31,000 square foot facility houses females who have been arrested for technical violations of their parole agreements with the Texas Department of Criminal Justice, Board of Pardons and Paroles. The facility was opened in 1987 and was managed by Concept prior to CCA's acquisition of Concept in 1995. The facility has been operated pursuant to a contract with the State of Texas since its opening. CCA's current management contract with the State of Texas expires in August 1997 with a two-year renewal option available to CCA.

The Mineral Wells Pre-Parole Transfer Facility is located on a 23 acre tract in Mineral Wells, Texas and has a design capacity of 1,119 beds. The 196,000 square foot facility houses male inmates who have been arrested for technical violations of their parole agreements with the Texas Department of Criminal Justice, Board of Pardons and Paroles. The facility has been in operation since July 1989 and was previously managed by Concept. CCA's current management contract with the State of Texas expires in August 1997 with a two-year renewal option available to CCA.

Processing Centers. Processing centers are used to house undocumented aliens for the INS and are classified as minimum to medium security facilities. The processing centers to be acquired by the Company include the Houston Processing Center and the Laredo Processing Center.

The Houston Processing Center is located on approximately six acres in Houston, Texas and has a design capacity of 411 beds. The 68,000 square foot medium security facility, completed in April 1984, represents CCA's first design, construction and management contract. CCA has contracted with the INS to detain juveniles and adults at the center. The facility was accredited by the ACA in April 1986 and is the first privately managed adult detention facility to be awarded this status. CCA's management contract with the INS expires in September 1997 with a one-year renewal option available. CCA has managed this facility since 1984 under similar contract renewals.

The Laredo Processing Center is located on approximately four acres in Laredo, Texas and has a design capacity of 258 beds. Constructed originally as a 48,000 square foot facility, the medium security facility underwent a 50-bed, 6,400 square foot expansion in March 1990, bringing the rated capacity to its current

level. Though the facility was designed and constructed under a contract with the INS, CCA has also contracted with the BOP to detain juveniles and adults at the center. The USMS has entered into an intergovernmental contract with the BOP to detain inmates at the facility as well. CCA's current management contracts with the INS and BOP expire in December 1997. CCA is currently under negotiations with the INS, BOP and USMS regarding an additional series of contracts totaling a five-year term. CCA has managed this facility under similar contract renewals since 1985.

Detention Facilities. Detention facilities are multi-security level

facilities used to house inmates of all levels, including pre-trial and pre-sentence prisoners for the USMS, inmates sentenced but not yet housed in correctional facilities, inmates awaiting trial, sentencing or hearing and persons detained by the INS. The detention facilities to be acquired by the Company include the Central Arizona Detention Center, the Leavenworth Detention Center and the West Tennessee Detention Facility.

The Central Arizona Detention Center is located on two tracts totaling 68 acres in Florence, Arizona and has a design capacity of 1,792 beds. The 275,000 square foot, minimum to medium security facility houses male prisoners for the USMS and the States of Alaska, Oregon and New Mexico. The facility was constructed in three phases with the original construction completed in October 1994 and the final expansion completed in February 1997. CCA anticipates the facility will seek ACA accreditation. CCA's current contracts with the USMS and the States of Alaska, Oregon and New Mexico expire at various times through June 1999.

The Eloy Detention Center is located on a 146 acre tract in Eloy, Arizona and has a design capacity of 1,500 beds. The 299,500 square foot medium security center, originally designed, built and managed by Concept, represents a joint arrangement between INS and the BOP, each of which uses these beds to house either illegal aliens awaiting deportation or illegal aliens serving a short prison term prior to deportation. Originally constructed as a 1,000-bed facility, the facility was expanded by 250 beds in October 1996 and is currently undergoing a second 250-bed expansion. The facility is seeking ACA accreditation. CCA's management contract with INS commenced in July 1994 with a three-year base period that expired in February 1997 and with two one-year option periods. The current extension will expire in February 1998 and the remaining extension will expire in February 1999.

The Leavenworth Detention Center is located on a 20 acre tract in Leavenworth, Kansas and has a design capacity of 327 beds. The 75,000 square foot, maximum security facility primarily houses federal prisoners awaiting trial, sentencing or hearing and persons detained by the USMS. Opened in June 1992, the center received ACA accreditation in August 1993. CCA's current management contract with the USMS originally extended through June 1997. CCA has received a six-month extension of its current contract which will now expire in December 1997, and will be entering into negotiations with the USMS regarding a new contract.

The West Tennessee Detention Facility is located on a 45 acre tract in Mason, Tennessee and has a design capacity of 600 beds. The 121,000 square foot, multi-level security facility houses adult male and male juveniles certified as adults for the USMS, the INS, the BOP and the North Carolina Department of Corrections (the "NCDC"). The facility received its ACA accreditation in August 1992. CCA's current management contract with the State of North Carolina expires in September 1997. CCA's current management contract with the USMS, INS and BOP is set to expire in August 2001.

Correctional Facilities. Correctional facilities are used to house inmates on a permanent basis for the duration of their sentences. The correctional facility to be acquired by the Company is the T. Don Hutto Correctional Center.

The T. Don Hutto Correctional Center is located on approximately 64 acres in Taylor, Texas and has a design capacity of 480 beds. Opened in January 1997, the 136,000 square foot, secure facility was developed, designed and constructed by CCA and is CCA's newest facility. CCA anticipates the facility will seek ACA accreditation in the next two to three years. The facility currently houses inmates for Williamson County, Texas and the States of Wyoming and Colorado under contracts which extend through January 2000.

Historical Occupancy Rates of the Initial Facilities. The following chart summarizes the historical occupancy rates of the Initial Facilities for the five year period ended December 31, 1996.

HISTORICAL OCCUPANCY OF INITIAL FACILITIES

<TABLE>
<CAPTION>

	1992	1993	1994	1995	1996
	-----	-----	-----	-----	-----
<S>	<C>	<C>	<C>	<C>	<C>
Bridgeport.....	48.4%	67.3%	94.2%	83.2%	98.4%
Mineral Wells.....	121.4	99.6	93.9	83.0	96.9
Houston.....	101.0	105.3	111.6	75.5	59.8
Laredo.....	82.0	87.7	109.3	94.0	90.0
Central Arizona.....	NA	NA	33.7	92.7	104.9
Eloy.....	NA	NA	47.8	92.2	93.2
Leavenworth.....	91.2	90.6	82.9	94.2	88.4

West Tennessee.....	100.7	87.2	86.4	95.8	97.1
T. Don Hutto.....	NA	NA	NA	NA	NA

The Option Facilities

Of the five Option Facilities, four are medium security correctional facilities, and one is a multi-level security detention center.

The Northeast Ohio Correctional Center is located on approximately 72 acres in Youngstown, Ohio. The 365,000 square foot, medium security facility was completed in March 1997 with a design capacity of 1,504 beds. A 512 bed, 60,000 square foot expansion, is scheduled for completion in July 1997, bringing the design capacity to 2,016 beds. CCA is reserving all 2,016 beds in this facility for use by the District of Columbia, pending the outcome of the District's expedited solicitation process for bids to house inmates. The facility will seek ACA accreditation.

The Southern Colorado Correctional Facility is located on two tracts totaling 82 acres in Walsenburg, Colorado. The 207,000 square foot, medium security facility has a design capacity of 752 beds and is scheduled to open in October of 1997. The facility will seek ACA accreditation and will house inmates for the State of Colorado under a contract that consists of a one-year initial agreement with a series of automatic renewals.

The North Fork Correctional Facility is located on a 75 acre tract in Sayre, Oklahoma. Scheduled for completion by the first quarter of 1998, the 207,000 square foot, medium security facility will have a design capacity of 960 beds. The facility will seek ACA accreditation. CCA is currently under negotiations with the State of Colorado with regard to beds in this facility.

The Torrance County Detention Facility is located on a 2,840 acre tract in Estancia, New Mexico and has a design capacity of 910 beds. The 60,000 square foot, multi-security level facility houses pre-trial and pre-sentence prisoners for the USMS and BOP and sentenced inmates for the New Mexico Department of Corrections and Torrance County. The facility was originally constructed in December 1990 with a design capacity of 286 beds and is currently being expanded by 624 beds. The facility is seeking ACA accreditation. CCA's contract with Torrance County, New Mexico extends through May 1998. CCA's contracts with USMS and the State of New Mexico do not have specific expiration dates.

Whiteville Correctional Center will be located in Whiteville, Tennessee and will have a design capacity of 1,000 beds. The medium security facility is scheduled to open in July 1998, and the facility will seek ACA accreditation. CCA is currently negotiating with various states regarding the housing of inmates in the facility.

LEGAL PROCEEDINGS

Owners and operators of privatized correctional and detention facilities are subject to a variety of legal proceedings arising in the ordinary course of operating such facilities, including proceedings relating to personal injury and property damage. Such proceedings are generally brought against the operator of a correctional facility, but may also be brought against the owner. Although the Company is not currently a party to any legal proceeding, it is possible that in the future the Company could become a party to such proceedings. CCA is a party to certain litigation relating to the Facilities arising in the ordinary course of operations. The Company does not believe that such litigation, if resolved against CCA, would have a material adverse effect upon its business or financial position. The Leases provide that CCA is responsible for claims

based on personal injury and property damage at the Facilities and require CCA to maintain insurance for such purposes.

COMPETITION

The Facilities are, and any additional correctional and detention facilities acquired by the Company will be, subject to competition for inmates from private prison managers. The number of inmates in a particular area could have a material effect on the revenues of the Facilities. In addition, revenues of the Facilities will be affected by a number of factors including the demand for inmate beds and general economic conditions. The Company will also be subject to competition for the acquisition of correction and detention facilities with other purchasers of correctional and detention facilities.

GOVERNMENT REGULATION

Environmental Matters. Under various federal, state and local laws, ordinances and regulations, an owner or operator of real property may become liable for the costs of removal or remediation of certain hazardous substances released on or in its property. Such laws often impose such liability without regard to whether the owner or operator knew of, or was responsible for, the release of such hazardous substances. The presence of such substances, or the failure to remediate such substances properly when released, may adversely affect the owner's ability to sell such real estate or to borrow funds if the borrower is using such real estate as collateral. Neither the Company, CCA nor any of their affiliates has been notified by any government authority of any material non-compliance, liability or other claim in connection with any of the Facilities and neither the Company, CCA or any of their affiliates is aware of any other environmental condition with respect to any of the Facilities that is likely to be material to the Company. All of the Facilities have been subjected to a preliminary environmental investigation. No assurance can be given that such investigation would reveal all potential environmental liabilities, that no prior or adjacent owner created any material environmental condition not known to the Company or that future uses or conditions (including, without limitation, changes in applicable environmental laws and regulations) will not result in imposition of environmental liability or limitation on use of properties. The Company does not intend to conduct any further environmental investigation in connection with the Offering. The Leases provide that CCA will indemnify the Company for certain potential environmental liabilities at the Facilities. See "Leases."

Americans with Disabilities Act. The Facilities are subject to the Americans with Disabilities Act of 1990 (the "ADA"). The ADA has separate compliance requirements for "public accommodations" and "commercial facilities" but generally requires that public facilities such as correctional 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 capital improvements at the Facilities. Noncompliance could result in imposition of fines or an award of damages to private litigants. Under the Leases, CCA is required to make any necessary modifications or improvements to comply with the ADA. 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. CCA has undertaken, where necessary, a capital improvement program to cause the Facilities to comply with the ADA.

RELATIONSHIP BETWEEN CCA AND THE COMPANY AFTER THE FORMATION TRANSACTIONS

For the purpose of governing certain of the ongoing relationships between CCA and the Company after the Formation Transactions and to provide mechanisms for an orderly transition, prior to the completion of the Formation Transactions, CCA and the Company will have entered into the various agreements, and will adopt policies as described herein. The Company believes that the agreements are fair to it and contain terms which generally are comparable to those which would have been reached in arm's-length negotiations with unaffiliated parties. In each case, the terms of these agreements have been reviewed by the Board of Directors of CCA and by the Independent Committee (as hereinafter defined) of the Board of Trustees of the Company. Such agreements include (a) the Purchase Agreement, (b) the Option Agreements, (c) the Right to Purchase Agreement, and (d) the Trade Name Use Agreement.

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Purchase Agreement. Prior to the consummation of the Offering, the Company and CCA and certain of its subsidiaries will enter into the Purchase Agreement which provides the terms of the sale of the nine Initial Facilities for aggregate cash consideration of approximately \$308.1 million. Pursuant to the Purchase Agreement, the transfer of the Initial Facilities is subject to the completion of the Offering as well as the normal and customary conditions to the closing of real estate transactions. The Purchase Agreement will contain representations and warranties by CCA concerning the Initial Facilities customarily found in agreements of such types.

Option Agreements. Prior to the consummation of the Offering, the Company and CCA and certain of its subsidiaries will enter into the Option Agreements, pursuant to which CCA and certain of its subsidiaries will grant the Company exclusive options to acquire any or all of the five Option Facilities for a period of three years following the purchase of the Initial Facilities for CCA's costs of developing, constructing and equipping such facilities, plus 5% of such costs, which aggregate approximately \$193.0 million.

Right to Purchase. It is anticipated that CCA will acquire or develop additional correctional or detention facilities in the future. The Company and CCA will enter into the Right to Purchase Agreement whereby the Company will

have an option to acquire any correctional or detention facility acquired or developed and owned by CCA in the future, for a period of three years following the Service Commencement Date with respect to such facility. For the first two years of such option period, fair market value is deemed to be CCA's cost of developing, constructing and equipping such facilities, plus 5% of such costs. Thereafter, fair market value will be based on cash flows and operating results of such facilities. For facilities acquired during the first five years of the Right to Purchase Agreement, the initial annual rent on facilities leased back to CCA will be the greater of (i) fair market rental rates, as determined by CCA and the Company, or (ii) 11% of the purchase price of such facilities. Thereafter, the initial annual rent on such facilities will be the fair market rental rates, as determined by the Company and CCA. Additionally, the Company will have a right of first refusal in the event CCA obtains an acceptable third party offer to acquire or provide mortgage secured financing to finance more than 90% of the cost of any correctional or detention facility now owned or which is acquired or developed by it or its subsidiaries in the future. Pursuant to such right, prior to selling any such facility, or mortgaging more than 90% of the cost of such facility, CCA must first offer to sell such facility to the Company or have the Company finance such facility, as applicable, on the same terms and conditions contained in such third party offer. With respect to a sale of any such facility, if the Company declines to purchase such facility at a price or on terms set forth in such third party offer, CCA will be free to sell such facility for a specified period of time at a price at least equal to the price offered to the Company, and on terms and conditions substantially consistent with those offered to the Company. With respect to a first mortgage financing of 90% of the cost of any such facility, if the Company declines to provide such financing on the terms set forth in such third party offer, CCA will be free to obtain first mortgage financing from a third-party on terms and conditions no more favorable to CCA than those contained in the third party offer.

Trade Name Use Agreement. Pursuant to the terms of the Trade Name Use Agreement, the Company will be granted the right to use the trade name "CCA" as part of its name, in conformance with standards reasonably set by CCA for the period commencing on the date of execution and terminating on the date the Company ceases to own any correctional or detention facility managed by CCA. The agreement may also be terminated upon 10 days written notice from CCA to the Company; the occurrence of a change in control of the Company; the liquidation or bankruptcy of the Company; or in the event of an unauthorized transfer of the right to use the trade name by the Company. In addition, the Company acknowledges that CCA owns all rights, title and interest in and to the trade name and agrees that it will do nothing inconsistent with such ownership.

Policies and Procedures for Addressing Conflicts. After completion of the Formation Transactions, CCA and the Company will have significant contractual and other ongoing relationships, as described above and under "Leases" herein. Such ongoing relationships may present certain conflict situations for certain trustees and officers of the Company and certain directors and officers of CCA. See "Conflicts of Interest." CCA and the Company will adopt appropriate policies and procedures to be followed by the Board of Trustees of the Company and the Board of Directors of CCA to attempt to address those conflicts. Such procedures will include requiring Doctor R. Crants to abstain from making management decisions in his capacity as an

officer, trustee or director of the Company and CCA, respectively, and to abstain from voting as a director or trustee of either company, with respect to matters that present a conflict of interest between the companies. Whether or not a conflict of interest situation exists will be determined by the Independent Committee on a case-by-case basis in accordance with the policies and procedures to be developed by the Board of Trustees.

The Board of Trustees has established the Independent Committee to evaluate transactions involving the Company and CCA, such as the acquisition of additional facilities from CCA and lease negotiation and enforcement. Certain other significant actions of the Board of Trustees will require the approval of a minimum of two-thirds of the trustees. In addition, Michael W. Devlin, the Company's Chief Development Officer, and Vida H. Carroll, the Company's Chief Financial Officer, both of whom have had and will have no affiliation with CCA, will assist the Independent Committee of the Company's Board of Trustees with respect to certain potential conflicts of interest between the Company and CCA, including the negotiation and enforcement of all Leases. See "Conflicts of Interest."

The following summary of the Leases between the Company and CCA is qualified in its entirety by reference to the Leases, a form of which is filed as an exhibit to the Registration Statement, of which this Prospectus is a part. The following description of the Leases does not purport to be complete but contains a summary of all material provisions thereof. Capitalized terms used below but not otherwise defined have the meanings set forth in the "Glossary."

Concurrently with CCA's conveyance of the Facilities to the Company, the Company will lease each of the Facilities to CCA. Each such Facility will be the subject of a separate Lease that will incorporate the provisions of the Master Lease between the Company and CCA. The Lease of each Facility will include the land, the buildings and structures and other improvements thereon, easements, rights and similar appurtenances to such land and improvements, and permanently affixed equipment, machinery, and other fixtures relating to the operation of the Facility and all personal property necessary to operate the facility for its intended purpose, other than a limited amount of CCA's proprietary property (the "Leased Property"). Each Facility will be leased to CCA under the Master Lease which will have a primary term of 10 to 12 years (the "Fixed Term"). The Lease for each Facility may be extended at fair market rates for three additional five-year terms beyond the Fixed Term (the "Extended Terms"), but only upon the mutual agreement of the Company and CCA. Fair market rates for Extended Terms will be determined mutually by the Company and CCA based on their respective analyses of the market for the relevant Facility. Such analyses may include a review of the historical and projected economic performance of the Facility and will take into account the interest rate environment at the time of the extension and the creditworthiness of the tenant. The Fixed Term and Extended Terms under each Lease shall be subject to earlier termination upon the occurrence of certain contingencies described in the Lease. Any additional properties acquired (other than the Facilities) will be leased pursuant to similar terms and conditions as may be agreed upon between CCA and the Company at the time of such acquisitions, and such terms and conditions may vary from the terms and conditions described herein with respect to the Facilities.

Use of the Facilities. Each Lease permits CCA to operate the Leased Property solely as a correctional or detention facility. CCA has the responsibility in each Lease to obtain and maintain all licenses, certificates and permits in order to use and operate each Facility.

Amounts Payable Under the Leases; Net Provisions. During the Fixed Term and the Extended Terms, CCA will pay annual base rent ("Annual Base Rent"), which will be payable in monthly installments. Annual Base Rent for each Leased Property will be increased each year by the Base Rent Escalation. Annual Base Rent and Base Rent Escalation are collectively referred to in the Master Lease as "Rent." The Company believes that the Rent CCA will pay to the Company under the Leases represents the fair market rate for each Leased Property. The fair market rates for the Leased Properties are based on the Company's analysis of the market for the Leased Properties, including the Company's review of the historical and projected economic performance of the Leased Properties, the current interest rate environment, and the creditworthiness of CCA.

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Each Lease of a Leased Property is what is commonly known as a triple net lease or absolute net lease, under which CCA is to pay Annual Base Rent and all additional charges. All additional charges include every fine, penalty, interest expense and cost which may be added for nonpayment or late payment thereof, all taxes, assessments and levies, excises, fees, and all other government charges with respect to each Leased Property, and all charges for utilities and services, including, without limitation, electricity, telephone, trash disposal, gas, oil, water, sewer, communication and all other utilities used in each Leased Property.

CCA's Right of First Refusal. Pursuant to the Master Lease, CCA will have a right of first refusal in the event the Company obtains an acceptable third party offer to acquire any interest in any Facility or in any correctional or detention facility acquired or developed by the Company in the future and operated by CCA (each a "Future Facility"). Pursuant to such right, prior to selling any interest in any Facility or Future Facility, the Company must first offer to sell each Facility or Future Facility to CCA on the same terms and conditions contained in such third party offer. If CCA declines to purchase such facility on such terms and conditions, the Company will be free to sell each Facility or Future Facility for a specified period of time at a price at least equal to the price offered to CCA and on terms and conditions substantially consistent with those offered to CCA.

Maintenance, Modification and Capital Additions. Under each Lease, CCA will, at its sole cost and expense, maintain each Leased Property in good order, repair and appearance and will make structural and non-structural, interior and

exterior, foreseen and unforeseen, and ordinary and extraordinary repairs which may be necessary and appropriate to keep such Leased Property in good order, repair and appearance (excluding ordinary wear and tear). The Company will not be required to build or rebuild any improvements to any Leased Property, or to make any repairs, replacements, alterations, restorations or renewals to any Leased Property.

CCA, at its sole cost and expense, may make alterations, additions, changes and/or improvements to each Leased Property without the consent of the Company, provided that the value and primary intended use of such Leased Property (determined in the Company's reasonable judgment) is not impaired. All machinery, equipment, furniture, furnishings, and other personal property installed at the expense of CCA on any Leased Property, will remain the property of CCA until the expiration or earlier termination of the Lease.

Each Lease provides that, at the request of CCA, the Company may construct one or more new buildings or other improvements to a particular Leased Property which are not normal or recurring to the maintenance of a Leased Property (a "Capital Addition"). A Capital Addition to a Leased Property may necessitate an amendment to an existing Lease or new lease agreement setting forth any changes in the premises, rent, or other similar terms of the Lease as a result of the Capital Addition. In certain situations, a Capital Addition to a Leased Property may be made directly by CCA and financed by third parties. In the case of a Capital Addition not undertaken or financed by the Company, the Company will have an option to acquire and lease back to CCA such Capital Addition for a period of three years following the Service Commencement Date with respect to such Capital Addition, at a fair market price and at an annual rental rate equal to (i) for Capital Additions acquired during the first five years, the greater of (a) fair market rental rate or (b) 11% of the purchase price and (ii) for Capital Additions acquired thereafter, at fair market rental rates. For the first two years of such option, the fair market price of any such Capital Addition is deemed to be CCA's actual cost and expense to acquire, develop, design, construct and equip such Capital Addition ("CCA's Cost") plus 5% of CCA's Cost.

Insurance. Each Lease provides that CCA will maintain insurance on each Leased Property under CCA'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 the Lease, the Company will have the right to periodically review CCA's insurance coverage and provide input with respect thereto.

Environmental Matters. Each Lease provides that CCA makes various representations and warranties relating to environmental matters with respect to each Leased Property. Each Lease also requires CCA to indemnify and hold harmless the Company and any Company Mortgagee from and against all liabilities, costs and expenses imposed upon or asserted against the Company or the Leased Property on account of, among

other things, any federal, state or local law, ordinance, regulation, order or decree relating to the protection of human health or the environment in respect of the Leased Property. The Leases also provide, however, that CCA will not be liable with respect to matters or events that arise after the commencement date of the applicable Lease as a result of the negligence or misconduct of the Company.

Assignment and Subletting. The Leases provide that CCA may not, without the prior written consent of the Company, assign, sublease, mortgage, pledge, hypothecate, encumber or otherwise transfer (except to a subsidiary of CCA, performance of whose obligations will be guaranteed by CCA) any Lease or any interest therein, all or any part of the Leased Property. The Leases further state that such consent may be granted or withheld by the Company in its sole discretion. An assignment of a Lease will be deemed to include any Change of Control of CCA (as defined herein), as if such Change of Control were an assignment of the Lease. A "Change of Control" of CCA means, for purposes of the Leases, the sale by CCA of a controlling interest in CCA, or the sale or other transfer of all or substantially all of the assets of CCA. A Change of Control also means any transaction pursuant to which CCA is merged with or consolidated into another entity, and CCA is not the surviving entity. The Leases further provide that no assignment will in any way impair the continuing primary liability of CCA under the Leases.

Damage to, or Condemnation of, a Leased Property. In the event of any damage or destruction to any Facility, CCA has the obligation fully to repair or restore the same at CCA's expense, with the Annual Base Rent, real estate taxes and other impositions on the particular Facility being proportionately abated during the time of restoration, but only to the extent of any rental interruption insurance proceeds actually received by the Company. If any

Facility is damaged to such an extent that 50% of the Facility is rendered unsuitable for use as a correctional or detention facility, and if CCA has fully complied with the insurance obligations with respect to such Facility (including maintaining insurance against loss of rents), CCA may terminate the Lease of that facility, upon turning over all insurance proceeds to the Company with respect to such Facility, together with an amount equal to the difference, if any, between the amount of such insurance proceeds and the net book value of the damaged facility, as reflected on the Company's financial statements on the date of damage.

In the event of a condemnation or taking of any Leased Property, so long as such condemnation was not due to CCA's failure to maintain the particular Leased Property, the Lease will terminate as to the portion of the Leased Property taken, and in the event of a partial taking, CCA is obligated to repair the portion not taken, if the same does not render the Leased Property unsuitable for CCA's then use and occupancy, but only to the extent of the condemnation award. The total condemnation award shall be payable to the Company, except that CCA may recover the value of its improvements and the value of its leasehold interest so long as the amount of the award paid to the Company is equal to the net book value of the facility, as reflected on the Company's financial statements on the date of the condemnation.

Indemnification Generally. Under each Lease, CCA indemnifies, and is obligated to save harmless, the Company from and against all liabilities, costs and expenses (including reasonable attorneys' fees and expenses) imposed upon or asserted against the Company as owner of the applicable Leased Property on account of, among other things, (i) any accident, injury to or death of a person or loss of or damage to property on or about the Leased Property; (ii) any use, misuse, non-use, condition, maintenance or repair by CCA of the Leased Property; (iii) any impositions (which are the obligations of CCA to pay pursuant to the applicable provisions of such Lease); (iv) any claim of any person incarcerated in the Leased Property, including claims alleging breach or violation of such persons's civil or legal rights; (v) any failure on the part of CCA to perform or comply with any of the terms of the Lease or any sublease; (vi) any claims by a prisoner arising from or relating to such individual's incarceration or detention in any Leased Property; and (vii) any liability the Company may incur or suffer as a result of any permitted contest by CCA under any Lease. Under each Lease, the Company indemnifies, and is obligated to save harmless, CCA from and against all liabilities, costs and expenses (including reasonable attorneys' fees) imposed upon or asserted against CCA as a result of the Company's active negligence or willful misconduct.

Events of Default. An "Event of Default" will be deemed to have occurred under the Master Lease and any individual Lease if CCA fails to perform any covenant and does not diligently undertake to cure the same

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after 30 days' notice from the Company; if the interest of CCA in any Leased Property is levied upon or attached and is not discharged in a specified period of time; or if any representation or warranty of CCA is incorrect. An "Event of Default" will be deemed to have occurred under the Master Lease and all of the Leases, if CCA fails to pay any rent within 15 days after notice of non-payment from Company, if any bankruptcy proceedings are instituted by or against CCA and, if against CCA, they are not dismissed within 90 days; if any material part of the property of CCA is levied upon or attached in any proceeding; CCA defaults in any payment of any obligations for borrowed money having a principal balance of \$25.0 million or more in the aggregate are not discharged within 90 days; or CCA is the subject of a non-appealable final judgment in an amount greater than \$10.0 million, which is not covered by insurance or discharged by CCA within a specified period of time.

In the event of any Event of Default referable to a specific Leased Property, the Company may evict CCA from such Leased Property and either terminate the Lease or re-let the Leased Property. In either event, CCA shall remain responsible for the rental value of such Leased Property for the remainder period of the term in excess of rents received by the Company from any successor occupant. In addition, the Company may exercise any other rights that it may have under law. In the event the Company evicts CCA from a Leased Property, the Master Lease will remain in full force and effect for all other Leased Properties. With respect to certain Events of Default under the Master Lease which are not referable to a specific Leased Property (including CCA's failure to timely pay Rent), the Company shall have all of the foregoing rights and remedies with respect to all of the Leased Properties.

The Leases will be governed by and construed in accordance with Tennessee law (but not including Tennessee's conflict of laws rules) except for certain procedural laws which must be governed by the laws of the location of each Leased Property. Because the Facilities are located in various states, the Leases may be subject to restrictions imposed by applicable local law. Neither

the Master Lease nor any of the other agreements entered into by CCA in connection with the Formation Transactions or otherwise restrict the Company's ability to lease properties to parties (domestic or foreign) other than CCA.

MANAGEMENT

TRUSTEES AND EXECUTIVE OFFICERS

The Board of Trustees consists of 13 members divided into three classes serving staggered three-year terms. Four of the trustees include Doctor R. Crants, the Chairman of the Board of Trustees and Chairman and Chief Executive Officer of CCA, J. Michael Quinlan, Chief Executive Officer of the Company, D. Robert Crants, III, President of the Company, and Michael W. Devlin, Chief Development Officer of the Company. Of the remaining nine trustees, seven are Independent Trustees who are not employees of the Company or affiliated with CCA. See "Conflicts of Interest." The first annual meeting of shareholders of the Company after the Offering at which Trustees will be elected will be held in 1998. Subject to rights pursuant to any employment agreements, executive officers of the Company serve at the discretion of the Board of Trustees.

Set forth below is information with respect to the current trustees and executive officers of the Company, each of whom has served in such capacity since the formation of the Company, except for Messrs. Cardin, Carell, Eakin and Feldman who were elected to the Board of Trustees on June 6, 1997.

<TABLE>
<CAPTION>

NAME	AGE	POSITION	YEAR TERM AS TRUSTEE EXPIRES
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<S>	<C>	<C>	<C>
Doctor R. Crants.....	52	Chairman of the Board of Trustees	2000
J. Michael Quinlan.....	55	Chief Executive Officer; Trustee	2000
D. Robert Crants, III.....	28	President; Trustee	1999
Michael W. Devlin.....	37	Chief Development Officer; Trustee	1998
C. Ray Bell.....	56	Trustee	1998
Richard W. Cardin.....	62	Independent Trustee	2000
Monroe J. Carell, Jr.....	65	Independent Trustee	1998
John W. Eakin, Jr.....	43	Independent Trustee	1999
Ted Feldman.....	44	Independent Trustee	1999
Jackson W. Moore.....	48	Independent Trustee	1999
Rusty L. Moore.....	37	Trustee	1999
Joseph V. Russell.....	56	Independent Trustee	2000
Charles W. Thomas, Ph.D.	54	Independent Trustee	1998
Vida H. Carroll.....	37	Chief Financial Officer; Secretary/Treasurer	
M. Susan Smith.....	33	Vice President, Finance	

DOCTOR R. CRANTS is the Chairman of the Board of Trustees. Since June 1994, Mr. Crants has served as the Chief Executive Officer and Chairman of the Board of CCA, which he co-founded in 1983. From June 1983 to June 1994, he served in various capacities with CCA, including President, Chief Executive Officer, and Vice Chairman of the Board of Directors. Mr. Crants was graduated from the United States Military Academy at West Point in 1966, and received a joint MBA/J.D. degree from the Harvard Business School and the Harvard Law School, respectively, in 1974. Mr. Crants is the father of D. Robert Crants, III.

J. MICHAEL QUINLAN is a trustee and the Chief Executive Officer of the Company. Mr. Quinlan has been employed in the corrections and detention industry for over 25 years. Prior to joining the Company, Mr. Quinlan served as the Director of Strategic Planning for CCA for over three years. 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. in History and received a J.D. from Fordham University Law School in 1966. He

D. ROBERT CRANTS, III is a trustee and the President of the Company. Mr. Crants also serves as a principal of DC Investment Partners LLC and will continue to serve in such capacity after the Offering. DC Investment Partners LLC is a Tennessee limited liability company which serves as general partner to three investment limited partnerships and is responsible for managing the partnerships' investment activities. Notwithstanding Mr. Crant's obligation to DC Investment Partners LLC, Mr. Crants expects to devote the majority of his time to the management of the Company. From 1990 through 1996, Mr. Crants was associated with Goldman, Sachs & Company ("Goldman Sachs"), most recently serving as an associate in the Goldman Sachs Special Investments Group. During his tenure with Goldman Sachs, Mr. Crants was involved in structuring over \$3 billion in real estate transactions, including over \$1 billion in REIT public offerings. During this time, he also negotiated triple net leases for shopping centers, free standing stores and other properties on behalf of several clients. Mr. Crants was graduated from Princeton University in 1990 with an A.B., summa cum laude, in Economics. Mr. Crants is the son of Doctor R. Crants.

MICHAEL W. DEVLIN is a trustee and the Chief Development Officer of the Company. Mr. Devlin also serves as a principal of DC Investment Partners LLC and will continue in such capacity after the Offering. Notwithstanding Mr. Devlin's obligation to DC Investment Partners LLC, Mr. Devlin expects to devote the majority of his time to management of the Company. From 1993 through 1995, Mr. Devlin was a Vice President in the Business Development Group of Goldman Sachs. Immediately prior to joining Goldman Sachs, Mr. Devlin practiced law for four years at the law firm of Davis Polk & Wardwell in New York working on various corporate transactions, including leveraged leasing. During that time, he negotiated approximately \$1 billion in leases, including triple net leases. Mr. Devlin is a graduate of Yale University and the Duke University School of Law.

C. RAY BELL is a trustee of the Company. Mr. Bell is the President and owner of Ray Bell Construction Company, Inc. ("Ray Bell Construction"). Ray Bell Construction specializes in the construction of a wide range of commercial buildings, including the construction on behalf of various government entities and private companies, including CCA, of approximately 40 correctional and detention facilities, consisting of over 15,000 beds in seven states. Mr. Bell is a founding member of the Middle Tennessee Chapter of Associated Builders and Contractors. Mr. Bell is a graduate of the University of the South.

RICHARD W. CARDIN is an Independent Trustee of the Company. Mr. Cardin is currently a consultant and private investor. Prior to his retirement in 1995, Mr. Cardin was affiliated with, and a partner in, Arthur Andersen LLP, an international firm of independent public accountants and consultants, for 37 years. From 1980 through 1994, Mr. Cardin served as the managing partner of Arthur Andersen's Nashville office. Mr. Cardin is a member of the Board of Directors of United Cities Gas Company ("United Cities"), a publicly traded company, and will serve on the Board of Directors of Atmos Energy Corporation, a publicly traded company into which United Cities expects to merge in July 1997. Mr. Cardin is a certified public accountant. Mr. Cardin is a member of the Audit Committee of the Board of Trustees and is the Chairman of the Compensation Committee.

MONROE J. CARELL, JR. is an Independent Trustee of the Company. For the past 18 years, Mr. Carell has served as Chief Executive Officer and Chairman of the Board of Directors of Central Parking Corporation, a NYSE company which provides parking services ("Central Parking"). Since 1991, Mr. Carell has served as a trustee of Vanderbilt University in Nashville and he is currently a member of the Board of Trust of the Urban Land Institute. Mr. Carell is also a member of the Board of Directors of Vanderbilt University Medical Center.

JOHN W. EAKIN, JR. is an Independent Trustee of the Company. Mr. Eakin founded Eakin & Smith, Inc., a real estate development and management company ("Eakin & Smith") in 1987, and served as its President from that time until 1996, when Eakin & Smith was merged with Highwoods Properties, Inc. ("Highwoods"), a publicly traded, self-administered and self-managed, office and industrial REIT, based in Raleigh, North Carolina. Mr. Eakin is a Senior Vice President and Director of Highwoods. Mr. Eakin is also a member of the Board of Directors of Central Parking and a member of the advisory board of First

TED FELDMAN is an Independent Trustee of the Company. Mr. Feldman is currently the Chief Operating Officer of StaffMark, Inc., a provider of diversified staffing services to business, medical niches, professional and service organizations and governmental agencies, a position he has held since October 1996. Prior to joining StaffMark, Mr. Feldman founded HRA, Inc., a Nashville provider of staffing services, in 1991, and served as its President and Chief Executive Officer from that time until it merged with StaffMark in March 1996. Mr. Feldman is a member of the Compensation Committee of the Board of Trustees.

JACKSON W. MOORE is an Independent Trustee of the Company. Mr. Moore is presently a Director and the President and Chief Operating Officer of Union Planters Corporation, a multi-state bank and savings and loan holding company headquartered in Memphis, Tennessee, positions he has held since 1986, 1989 and 1994, respectively. He is also Chairman of PSB Bancshares, Inc. and a Vice President and Director of its subsidiary, The Peoples Savings Bank in Clanton, Alabama. Prior to joining Union Planters, Mr. Moore practiced law for 16 years. Mr. Moore is a graduate of the University of Alabama and Vanderbilt University School of Law. Mr. Moore is not related to Rusty Moore. Mr. Moore is the Chairman of the Independent Committee and is a member of the Audit Committee of the Board of Trustees.

RUSTY L. MOORE is a trustee of the Company. Since 1996, Mr. Moore has been a principal of the Nashville law firm of Moore & Waechter, PLC and the President of its affiliate, Bankers Title & Escrow Corporation. He is also a principal and an executive officer of a privately-held real estate investment and property management company that owns several multi-family residential properties throughout the Southeast. Mr. Moore has over 12 years of experience in negotiating and structuring real estate transactions including the development, acquisition, leasing and financing of various types of property. Prior to forming Moore & Waechter, Mr. Moore was a partner at Stokes & Bartholomew, P.A., where his practice focused on all aspects of real estate law. Mr. Moore was graduated from the University of Tennessee, where he received a B.S. in Public Administration in 1981 and a J.D. in 1985. Mr. Moore is not related to Jackson Moore. Mr. Moore is a member of the Audit Committee of the Board of Trustees.

JOSEPH V. RUSSELL is an Independent Trustee of the Company. Mr. Russell is the President and Chief Financial Officer of Elan-Polo, Inc., a Nashville based, privately-held, worldwide producer and distributor of footwear. Mr. Russell is also the Vice President of and a Partner in RCR Building Corporation, a Nashville based, privately-held builder and developer of commercial and industrial properties. He also serves on the Board of Directors of Capital Bank and Trust Company, the Footwear Distributors of America Association and US Auto Insurance Company. Mr. Russell was graduated from the University of Tennessee in 1963 with a B.S. in Finance. Mr. Russell is the Chairman of the Audit Committee of the Board of Trustees.

CHARLES W. THOMAS, PH.D. is an Independent Trustee of the Company. Dr. Thomas is a university professor who has taught and written on the criminal justice and private corrections fields for over 27 years. Currently, he is a Professor of Criminology and the Director of the Private Corrections Project Center for Studies in Criminology and Law (the "Center") at the University of Florida, Gainesville, positions he has held since 1980 and 1989, respectively. While serving as Director of the Center, Dr. Thomas authored the 1996 Facility Census. Dr. Thomas was graduated from McMurry University in 1966 with a B.S. in Secondary Education and from the University of Kentucky with a M.A. in Sociology in 1969 and a Ph.D. in Sociology in 1971. Mr. Thomas is a member of the Compensation Committee of the Board of Trustees.

VIDA H. CARROLL is Chief Financial Officer and Secretary/Treasurer. From 1991 to 1996, Ms. Carroll, as a sole proprietor, worked as a financial consultant, specializing in accounting conversions and systems design. Prior to this time, she worked in public accounting, including working as an audit manager with KPMG Peat Marwick. Ms. Carroll holds a Bachelor of Science degree from Tennessee Technological University and is a certified public accountant.

M. SUSAN SMITH is Vice President, Finance of the Company. Ms. Smith also serves as Controller of DC Investment Partners LLC and will continue in such capacity after the Offering. Ms. Smith was an audit manager with Arthur Andersen LLP in Nashville from 1992 to 1996. While at Arthur Andersen LLP, Ms. Smith worked primarily with a private investment company and a large financial institution. Prior to this time, she worked in the banking industry. Ms. Smith holds a Bachelor of Science degree from the University of Tennessee and is a certified public accountant.

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COMMITTEES OF THE BOARD OF TRUSTEES

Independent Committee. The Board of Trustees has established the Independent Committee consisting of the seven Independent Trustees to oversee the acquisition of the Initial Facilities and, if acquired, the Option Facilities, the selection of facilities acquired in the future and to evaluate transactions between the Company and CCA, including the acquisition of correctional and detention facilities and lease negotiation and enforcement. Jackson W. Moore is the Chairman of the Independent Committee.

Audit Committee. The Board of Trustees has established an audit committee consisting of Messrs. Cardin, Jackson W. Moore, Rusty L. Moore and Russell (Chairman) (the "Audit Committee"). The Audit Committee will make recommendations concerning the engagement of independent public accountants, 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 Company's internal accounting controls.

Compensation Committee. The Board of Trustees has established a compensation committee consisting of Messrs. Cardin (Chairman), Eakin, Feldman and Thomas (the "Compensation Committee"). The Compensation Committee will determine compensation, including awards under the Company's 1997 Employee Share Incentive Plan for the Company's executive officers (the "Share Incentive Plan") and the Non-Employee Trustees' Share Option Plan (the "Non-Employee Trustees' Plan") (the Share Incentive Plan and the Non-Employee Trustees' Plan are herein collectively referred to as the "Plans"). The Compensation Committee will also administer the Plans.

The Company may from time to time form other committees as circumstances warrant. Such committees will have authority and responsibility as delegated by the Board of Trustees.

COMPENSATION OF TRUSTEES

The Company intends to pay its non-employee trustees annual compensation of \$12,000 for their services. In addition, non-employee trustees will receive a fee of \$1,000 for each Board of Trustees meeting attended. Non-employee trustees attending any committee meetings will receive an additional fee of \$500 for each committee meeting attended, unless the committee meeting is held on the day of a meeting of the Board of Trustees. Non-employee trustees will also be reimbursed for reasonable expenses incurred to attend trustee and committee meetings. Officers of the Company who are trustees will not be paid any trustees' fees. Non-employee trustees, other than Doctor R. Crants, will also participate in the Non-Employee Trustees' Share Option Plan. See "Management -- Non-Employee Trustees' Plan."

INDEMNIFICATION

The Declaration of Trust provides for the indemnification of the Company's officers and trustees against certain liabilities to the fullest extent permitted under Maryland law. The Declaration of Trust also provides that the trustees and officers of the Company be exculpated from monetary damages to the fullest extent permitted under Maryland law. The trustees and officers of the Company will also enter into separate indemnification agreements with the Company pursuant to which the Company will agree to indemnify such trustees and officers against certain liabilities. In addition, the officers, trustees and controlling persons of the Company will be indemnified against certain liabilities by the Underwriters.

The Company intends to obtain trustees' and officers' liability insurance.

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EXECUTIVE COMPENSATION

Prior to the Offering, the Company did not pay any compensation to its officers. The following table sets forth the annual base salary rates and other compensation expected to be paid by the Company in 1997 to the most highly compensated executive officers of the Company (i.e., those whose cash compensation from the Company in 1997 on an annualized basis is expected to exceed \$100,000) (the "Named Executive Officers").

SUMMARY COMPENSATION TABLE

<TABLE>

<CAPTION>

NAME AND PRINCIPAL POSITION	YEAR	ANNUAL COMPENSATION		LONG-TERM COMPENSATION	
		BASE SALARY (\$) (1)	BONUS	SECURITIES UNDERLYING	
				OPTIONS (#) (2)	SHARE BONUS AWARD (#) (3)
<S>	<C>	<C>	<C>	<C>	<C>
J. Michael Quinlan..... Chief Executive Officer	1997	150,000	--	350,000	--
D. Robert Crants, III..... President and Chief Operating Officer	1997	100,000	--	200,000	150,000
Michael W. Devlin..... Chief Development Officer	1997	100,000	--	200,000	150,000

</TABLE>

(1) Amounts given are annualized salaries effective for the year ended December 31, 1997.

(2) All options will vest ratably over a three-year period and will be exercisable at a price per share equal to the initial public offering price per Common Share offered hereby.

(3) Represents Common Shares issued as a development fee and as reimbursement for actual costs incurred in connection with the formation of the Company, the consummation of the Offering, and the closing of the purchase of the Initial Facilities.

THE SHARE INCENTIVE PLAN

The Company has established the Share Incentive Plan to enable executive officers and other key employees of the Company to participate in the ownership of the Company. The Share Incentive Plan is designed to attract and retain executive officers and other key employees of the Company and to provide incentives to such persons to maximize the Company's cash flow available for distribution. The Share Incentive Plan provides for the award to executive officers and other key employees of the Company (subject to the Ownership Limit) of a broad variety of share-based compensation alternatives such as nonqualified share options, incentive share options, restricted shares, deferred shares and other share-based awards.

The Share Incentive Plan will be administered by the Compensation Committee, which is authorized to select from among the eligible employees of the Company individuals to whom options, restricted shares, deferred shares and other share-based awards are to be granted and to determine the number of shares to be subject thereto and the terms and conditions thereof. The Compensation Committee is also authorized to adopt, amend and rescind rules relating to the administration of the Share Incentive Plan. No member of the Compensation Committee will be eligible to participate in the Share Incentive Plan.

Awards Available for Issuance under the Share Incentive Plan

Nonqualified options, if granted, will provide for the right to purchase Common Shares at a specific price which may be less than fair market value on the date of grant and usually will become exercisable in installments after the grant date. Nonqualified options may be granted for any reasonable term and may be transferable in certain limited circumstances.

Incentive options, if granted, will be designed to comply with the "incentive stock option" provisions of the Code and will be subject to restrictions contained therein, including that the exercise price must generally

equal at least 100% of fair market value of Common Shares on the grant date and that the term generally must not exceed ten years. Incentive options may be modified after the grant date to disqualify them from treatment as an "incentive stock option."

Restricted shares, if issued, may be sold to participants at various prices (or issued without monetary consideration) and may be made subject to such restrictions as may be determined by the Compensation Committee. Restricted shares typically may be repurchased by the Company at the original purchase price if the conditions or restrictions are not met. In general, restricted shares may not be sold, or otherwise transferred or hypothecated, until restrictions are removed or expired. Purchasers of restricted shares, unlike recipients of options, will have voting rights and will receive dividends prior to the time when the restrictions lapse.

Deferred shares, if issued, will obligate the Company to issue Common Shares upon the occurrence or nonoccurrence of conditions specified in the deferred share award. Under a typical deferred share award, the Company may agree to issue Common Shares to an employee if he or she achieves certain performance goals or remains employed by the Company for a specified period of time. Recipients of deferred shares will not have voting rights or receive dividends until the shares are actually issued.

Other share-based awards, if granted, may be granted by the Compensation Committee on an individual or group basis. Generally, these awards will be based upon specific agreements and may be paid in cash or in Common Shares or in a combination of cash and Common Shares. Other share-based awards may include share appreciation rights and "phantom" share awards that provide for payments based upon increases in the price of the Company's Common Shares over a predetermined period. They may also include bonuses which may be granted by the Compensation Committee on an individual or group basis and which may be payable in cash or in Common Shares or in a combination of cash and Common Shares.

Shares subject to the Share Incentive Plan. A maximum of 1,700,000 shares (including shares subject to the options listed below) will be reserved for issuance under the Share Incentive Plan. There is no limit on the number of awards that may be granted to any one individual so long as the grant does not violate the Ownership Limit or cause the Company to fail to qualify as a REIT for federal income tax purposes. See "Description of Capital Shares -- Restrictions on Ownership."

The Compensation Committee will approve, prior to the completion of the Offering, the grant of options to executive officers and certain key employees of the Company, to purchase, in each case subject to the Ownership Limit, an aggregate of 1,030,000 Common Shares. The term of each of such options will be ten years from the date of grant. Each such option will vest ratably over a four-year period commencing at the consummation of the Offering and will be exercisable, at a price per share equal to the initial public offering price. The table below sets forth the expected allocation of the options to such persons:

NAME	OPTIONS
J. Michael Quinlan.....	350,000
Doctor R. Crants.....	200,000
D. Robert Crants, III.....	200,000
Michael W. Devlin.....	200,000
Vida H. Carroll.....	50,000
Other key employees.....	30,000

NON-EMPLOYEE TRUSTEES' PLAN

The Company intends to establish the Non-Employee Trustees' Plan to maintain the Company's ability to attract and retain the services of experienced and highly qualified non-employee trustees and to increase their proprietary interest in the Company's continued success.

Shares Subject to Non-Employee Trustees' Plan. A maximum of 150,000 Common Shares have been authorized and reserved for issuance under the Non-Employee Trustees' Plan. The shares so reserved for issuance and the terms of outstanding awards shall be adjusted as the Compensation Committee deems

appropriate in the event of a share dividend, share split, combination, reclassification, recapitalization or other similar event.

Transferability. The Non-Employee Trustees' Plan will provide that the options may be transferred by a non-employee trustee in certain limited circumstances to certain family members and affiliates. The options under the Non-Employee Trustees' Plan are nonqualified options intended not to qualify as incentive stock options under Section 422 of the Code.

Eligibility. The Non-Employee Trustees' Plan provides for the grant of options to purchase Common Shares to each eligible trustee of the Company. No director who is an employee of the Company or CCA is eligible to participate in the Non-Employee Trustees' Plan.

Options. The Non-Employee Trustees' Plan provides that each non-employee trustee who is a member of the Board of Trustees as of the date of this Prospectus, other than Doctor R. Crants, will be awarded nonqualified options to purchase 5,000 Common Shares on that date (each such trustee, a "Founding Trustee"). Each non-employee trustee who is not a Founding Trustee (a "Non-Founding Trustee") will receive nonqualified options to purchase 5,000 Common Shares on the date the Non-Founding Trustee is first elected or appointed to the Board of Trustees. In addition, on each of the first nine anniversary dates of the adoption of the Non-Employee Trustees' Plan, each non-employee trustee, other than Doctor R. Crants, will receive an option to purchase 5,000 Common Shares. The options granted to Founding Trustees will have an exercise price equal to the initial public offering price and will vest on the date of grant. The exercise price of options under future grants will be 100% of the fair market value of the Common Shares on the date of grant and will vest one year from the date of grant. The exercise price may be paid in cash, cash equivalents, Common Shares or a combination thereof, as acceptable to the Compensation Committee. The term of options granted under the Non-Employee Trustees' Plan generally will be ten years from the date of grant.

DIVIDEND REINVESTMENT PLAN

The Company may implement a dividend reinvestment plan in the future under which holders of Common Shares may elect to reinvest automatically their dividends in additional Common Shares. In the event the Company does implement such a plan, the Company may, from time to time, repurchase Common Shares in the open market or issue additional Common Shares for the purpose of fulfilling its obligations under this reinvestment plan.

DEFERRED COMPENSATION PLAN

The Company may establish a deferred compensation plan under which executive officers of the Company may elect to defer receiving a portion of their cash compensation otherwise payable in one tax year until a later tax year and thereby postpone payment of tax on the deferred amount. If the plan is established prior to the beginning of any taxable year, such executive officer may elect to defer such amount of cash compensation until a future date or until an event selected by such persons pursuant to the terms of the plan. Deferred compensation may be invested in a separate trust account.

EMPLOYMENT AGREEMENTS

The Company will have seven employees. J. Michael Quinlan, D. Robert Crants, III and Michael W. Devlin have entered into employment agreements with the Company for terms of four years (the "Employment Agreements"). The agreements provide for annual compensation in the amounts set forth under "Executive Compensation" and incentive compensation determined by the Compensation Committee on the terms set forth therein. Each agreement includes provisions restricting the officers from competing, directly or indirectly, with the Company during employment and, except in certain circumstances, for three years after termination of employment. Under applicable Tennessee law, which governs the interpretation and enforceability of the Employment Agreements, specific performance is not available as a remedy for violation of the agreements; however the Company may generally enforce the provisions of the agreement against the employee if the provisions contained therein are deemed reasonable. In particular, Tennessee courts will enforce noncompetition provisions such as the ones contained in the Employment Agreements provided the

restrictions contain a reasonable geographic scope and duration, will impose no undue hardship on the employee, and would cause serious damage and injury to the

Company if violated. Also, the courts will enjoin violations of the covenants not to compete if the scope of employment is deemed to require special skills and competence of the employees that could not be attained by another employee of average competence.

The Company generally may terminate each employee's employment with 30 days' prior written notice upon the happening of any one of the following events: (a) any act of the employee which constitutes fraud, gross misconduct, gross negligence or a material breach of the employment agreement, (b) frequent and repeated failure to perform services which have been reasonably requested by the Board of Trustees and which are consistent with the terms of the employment agreement, (c) the death of the employee, (d) the disability of the employee or (e) a decision by the Company to terminate its business and liquidate; provided that the Company generally may not terminate an employee's employment under clause (a) or (b) unless it provides the employee with 15 days' notice of the conduct giving rise to the Company's right of termination and gives the employee a reasonable period of time to cure. Each employee may terminate his employment upon 30 days' written notice to the Company.

CERTAIN RELATIONSHIPS AND TRANSACTIONS

SHARE ACQUISITIONS BY MANAGEMENT

Doctor R. Crants, Chairman of the Board of the Company, has agreed to purchase in the Offering approximately 500,000 of the Company's Common Shares for a purchase price per share equal to the initial public offering price per share sold to the public in the Offering.

Prior to the formation of the Company on April 23, 1997, D. Robert Crants, III and Michael W. Devlin served as promoters of the Company. Upon consummation of the Offering, Mr. Crants and Mr. Devlin, who currently serve as President and Chief Development Officer, respectively, of the Company, will each receive 150,000 Common Shares as a development fee and as reimbursement of actual costs incurred in connection with the promotion and formation of the Company, the consummation of the Offering and the closing of the purchase of Initial Facilities. The reimbursed costs include certain costs related to property due diligence, employee compensation, travel and overhead.

PURCHASE OF INITIAL FACILITIES

CCA and the Company will enter into the Purchase Agreement pursuant to which the Company will acquire the nine Initial Facilities, for an aggregate cash consideration of approximately \$308.1 million. The Purchase Agreement will contain representations and warranties by CCA customarily found in agreements of such types.

OPTION FACILITIES

CCA and the Company will enter into the Option Agreements pursuant to which CCA will grant the Company options, each for a period of three years from the closing of the purchase of the Initial Facilities, to acquire any of the five Option Facilities for CCA's costs of developing, constructing and equipping such facilities, plus 5% of such costs, aggregating approximately \$193.0 million.

RIGHT TO PURCHASE

The Company and CCA will enter into the Right to Purchase Agreement whereby the Company will have an option to acquire, at fair market value, and lease back to CCA, any correctional or detention facility acquired or developed and owned by CCA in the future, for a period of three years following such facility's Service Commencement Date. The fair market value of such facilities will be determined by the Company and CCA based on their respective analyses of the market for such facility. Such analyses may include a review of the historical and projected economic performance of the facility and an estimate of the value of the facility on a replacement cost or comparative sales basis. For the first two years following the Company's

acquisition of the Initial Facilities, fair market value of any such future facility will be equal to CCA's actual costs and expenses to acquire, develop, design, construct and equip such facility, plus 5% of such costs. For facilities acquired in the first five years, the initial annual rental rates shall be equal to the greater of (i) fair market rental rates or (ii) 11% of the purchase price for such facilities. Thereafter, the initial annual rental rates shall be equal

to the fair market rental rate for such properties as determined by the Company and CCA. The fair market rental rates for such facilities will be determined by the Company and CCA based on the fair market value of such facilities, taking into account the interest rate environment at the time of the purchase and the creditworthiness of the tenant.

EMPLOYMENT AGREEMENTS

The Company will enter into employment agreements with J. Michael Quinlan, D. Robert Crants, III and Michael W. Devlin, pursuant to which Mr. Quinlan will serve as Chief Executive Officer, Mr. Crants will serve as President, and Mr. Devlin will serve as Chief Development Officer of the Company for a period of four years at an initial annual compensation of \$150,000 for Mr. Quinlan and \$100,000 for each of Messrs. Crants and Devlin, subject to any increases in base compensation approved by the Compensation Committee. See "Management -- Employment Agreements."

POLICIES AND OBJECTIVES WITH RESPECT TO CERTAIN ACTIVITIES

The following is a discussion of the Company's investment objectives and policies, financing policies and policies with respect to certain other activities. These policies are determined by the Board of Trustees and may be amended or revised from time to time at the discretion of the Board of Trustees without a vote of the Company's shareholders.

INVESTMENT OBJECTIVES AND POLICIES

The Company's investment objectives are to maximize current returns to shareholders through increases in cash flow available for distribution and to increase long-term total returns to shareholders through appreciation in the value of the Common Shares. The Company will seek to accomplish its objectives through (i) its ownership interests in the Initial Facilities and, if acquired, the Option Facilities; (ii) selective acquisitions of additional correctional and detention facilities from both private prison managers and government entities; (iii) expansion of its existing facilities; and (iv) construction or development of new correctional facilities. Although the Company intends to focus its investments on facilities owned by CCA or its affiliates in the United States, it may pursue other opportunities as well, including the acquisition or development of facilities directly from or on behalf of government entities. In addition, the Company may invest in other facilities or excess land to the extent necessary to acquire a facility.

The Company will consider a variety of factors in evaluating potential investments including (i) the reputation and creditworthiness of the current owner, manager or developer of the facility; (ii) the proposed terms for purchasing the facility; (iii) the proposed terms for leasing the facility, including rental payments and lease term; (iv) the quality of construction of the facility; (v) the quality of operations at an existing facility or the quality of other operations of a prison manager for a new facility; (vi) the status of existing facilities as facilities accredited by the ACA; and (vii) the relationship between the prison manager and the contracting correctional authority.

The Company may purchase or lease properties for long-term investment, expand and improve the facilities presently owned or sell such properties, in whole or in part, when circumstances warrant. The Company may also participate with other entities in property ownership, through joint ventures or other types of co-ownership. Equity investments may be subject to existing mortgage financing and other indebtedness which have priority over the equity interest of the Company.

While the Company emphasizes equity real estate investments, it may, in its discretion, invest in mortgages, equity or debt securities of other REITs, partnerships and other real estate interests. Such

mortgage investments may include participating in convertible mortgages. The Company does not currently intend to purchase securities of, or interests in, other entities engaged in real estate activities.

There are no limitations on the percentage of the Company's assets that may be invested in any one property, venture or type of security. The Board of Trustees may establish limitations as it deems appropriate from time to time. No limitations have been set on the number of properties in which the Company will

seek to invest or on the concentration of investments in any one geographic region.

DISPOSITIONS; CCA'S RIGHT OF FIRST REFUSAL

The Company has no current intention to cause the disposition of any of the Facilities, although it reserves the right to do so if the Board of Trustees determines that such action would be in the best interests of the Company. Pursuant to the Leases, CCA shall have a right of first refusal with respect to any sale of the Facilities or any interest in a correctional or detention facility acquired or developed and owned by the Company in the future and operated by CCA. See "Leases" for a more detailed discussion of the terms and conditions of the Leases.

FINANCING

The Company presently intends to maintain a ratio of debt to total capitalization of 50% or less. Following the completion of the Offering and the use of net proceeds therefrom, the Company will have no indebtedness. The Board of Trustees may, however, from time to time reevaluate this policy and decrease or increase such ratio accordingly. The Company will determine its financing policies in light of then current economic conditions, relative costs of debt and equity capital, market values of properties, growth and acquisition opportunities and other factors. The Company anticipates that it will obtain the \$150.0 million Bank Credit Facility which will be used in acquiring additional correctional and detention facilities, and for certain other purposes, including expanding existing facilities and working capital, as necessary. There is no assurance that the Bank Credit Facility will be obtained. If the Board of Trustees determines that additional funding is desirable, the Company may raise such funds through additional equity offerings, debt financing or retention of cash flow (subject to provisions in the Code concerning taxability of undistributed REIT income and REIT qualification), or a combination of these methods.

Indebtedness incurred by the Company may be in the form of publicly or privately placed debt instruments or financings from banks, institutional investors or other lenders, any of which indebtedness may be unsecured or may be secured by mortgages or other interests in the property owned by the Company. There are no limits on the number or amounts of mortgages or other interests which may be placed on any one property. In addition, such indebtedness may be with or without recourse to all or any part of the property of the Company or may be limited to the particular property to which the indebtedness relates. The proceeds from any borrowings may be used for the payment of distributions, and working capital or to refinance indebtedness or to finance acquisitions, expansions or developments of new properties.

In the event that the Board of Trustees determines to raise additional equity capital, the Board of Trustees has the authority, without shareholder approval, to issue additional Common Shares or other equity interests (including Preferred Shares and other securities senior to the Common Shares) of the Company in any manner (and on such terms and for such consideration) it deems appropriate, including in exchange for property. The Company's Bylaws require the approval of at least two-thirds of the members of the Board of Trustees for the Company to issue equity securities other than Common Shares issued (a) for at least the fair market value thereof at the time of issuance as determined in good faith by a majority of the Board of Trustees, (b) pursuant to any share incentive or option plans of the Company, or (c) in a bona fide underwritten public offering managed by one or more nationally recognized investment banking firms. Existing shareholders would have no preemptive right to purchase shares issued in any offering, and any such offering might cause a dilution of a shareholder's investment in the Company.

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WORKING CAPITAL RESERVES

The Company will maintain working capital reserves (and when not sufficient, access to borrowings) in amounts that the Board of Trustees determines to be adequate to meet normal contingencies in connection with the operation of the Company's business and investments.

CONFLICT OF INTEREST POLICIES

The Company will adopt certain policies and enter into certain agreements designed to minimize potential conflicts of interest. However, there can be no assurance that these policies always will be successful in eliminating the influence of such conflicts, and if they are not successful, decisions could be made that might fail to reflect fully the interests of all shareholders. See "Conflicts of Interest."

The Company's Declaration of Trust requires that at least three members of the Company's Board of Trustees be comprised of Independent Trustees, defined therein as persons who are not officers or employees of the Company and are not affiliated with CCA, any lessee or management company operating any property of the Company, any subsidiary of the Company or any partnership that is an Affiliate (as hereinafter defined) of the Company. The Declaration of Trust provides that such provisions relating to Independent Trustees may not be amended, altered or repealed without the affirmative vote of holders of two-thirds of the shares of the Company entitled to vote on the election of trustees. In addition, the Company's Bylaws provide that the selection of operators for the Company's properties and all transactions between the Company and CCA and its affiliates, including, but not limited to, the negotiation and enforcement of the terms of any lease of any of the Company's properties be approved by the Independent Trustees.

Pursuant to the Declaration of Trust, each trustee is required to discharge his or her duties in good faith, with the care an ordinarily prudent person in a like position would exercise under similar circumstances and in a manner he reasonably believes to be in the best interest of the Company.

OTHER POLICIES

The Company intends to operate in a manner that will not subject it to regulation under the Investment Company Act of 1940. The Company does not intend (i) to invest in the securities of other issuers for the purpose of exercising control over such issuer; (ii) to underwrite securities of other issuers; or (iii) to trade actively in loans or other investments.

The Company may make investments other than as previously described (including bonds, preferred stocks, common stock), although it does not currently intend to do so. The Company may repurchase or otherwise reacquire Common Shares or any other securities it may issue and may engage in such activities in the future. The Board of Trustees has no present intention of causing the Company to repurchase any of the Common Shares, and any such action would be taken only in conformity with applicable federal and state laws and the requirements for qualifying as a REIT under the Code and the Treasury Regulations (as defined herein). Although it may do so in the future, except in connection with the Formation Transactions, the Company has not issued Common Shares or any other securities in exchange for property, nor has it reacquired any of its Common Shares or any other securities. See "The Formation Transactions." The Company may make loans to third parties, including, without limitation, to its officers and to joint ventures in which it decides to participate. Such loans will generally require the approval of the Board of Trustees, and loans to CCA and its affiliates or to a joint venture in which CCA participates will require the approval of the Independent Committee.

At all times, the Company intends to make investments in such a manner as to be consistent with the requirements of the Code to qualify as a REIT unless, because of changes in future economic, market or legal conditions, or changes in the Code or in the Treasury Regulations, the Board of Trustees determines to revoke the Company's REIT election if the Board determines that such factors make it no longer beneficial to qualify as a REIT.

CONFLICTS OF INTEREST

GENERAL

Several conflicts of interest exist on the part of the Company, its trustees and officers and CCA, and its directors and officers. The following description sets forth the principal conflicts of interest, including the relationships through which they arise, and the policies and procedures implemented by the Company to address those conflicts.

RELATIONSHIPS WHICH MAY GIVE RISE TO CONFLICTS OF INTEREST

Doctor R. Crants is the Chairman and Chief Executive Officer of CCA and the Chairman of the Board of Trustees of the Company. D. Robert Crants, III, President of the Company, is the son of Doctor R. Crants. Doctor R. Crants and D. Robert Crants, III, as well as certain other trustees or officers of the Company or directors or officers of CCA, may also own, directly or indirectly, shares in both companies following the Offering. D. Robert Crants, III and Michael W. Devlin, Chief Development Officer of the Company, are principals of DC Investment Partners LLC, a limited liability company which serves as the general partner of three private investment partnerships. DC Investment Partners LLC is owned by D. Robert Crants, III, Michael W. Devlin, and Stephens Group,

Inc., an affiliate of Stephens Inc., a managing underwriter of this Offering, and one other individual. Doctor R. Crants and three other directors of CCA are investors in one or more of the private investment partnerships managed by DC Investment Partners LLC. Rusty L. Moore, a trustee, is the spouse of a shareholder of Stokes & Bartholomew, P.A., tax and securities counsel to the Company. Stokes & Bartholomew, P.A. also provides legal services to CCA, including representing CCA in certain of the Formation Transactions. J. Michael Quinlan is a former employee of CCA. C. Ray Bell, a trustee, is the principal of a construction company which, as a part of its business, builds correctional and detention facilities, including facilities for CCA. Because of Mr. Bell's experience in building correctional and detention facilities, it is anticipated that his company may build correctional or detention facilities for or on behalf of the Company.

SITUATIONS IN WHICH CONFLICTS OF INTERESTS HAVE ARISEN AND MAY CONTINUE TO ARISE

Valuation of the Facilities. The valuation of the Initial Facilities and the Option Facilities was determined by management of both CCA and the Company and was not negotiated on an arm's-length basis. The purchase price of the Initial Facilities was determined based primarily on an evaluation of the current and anticipated cash flows and operating results of such facilities. To determine the purchase price for each of the Initial Facilities other than the T. Don Hutto Correctional Center, the anticipated annual cash flow from the facility less ongoing capital expenditures, was divided by an agreed upon coverage ratio and lease rate. Because the T. Don Hutto Correctional Center was completed in January 1997, the purchase price of the T. Don Hutto Correctional Center and of each Option Facility was calculated as CCA's approximate cost of developing, constructing and equipping such facilities, plus 5% of such costs. It is possible that if such valuations been determined on an arm's-length basis, or been the subject of independent valuations or appraisals, the sum of the values of the Initial Facilities and, if acquired, the Option Facilities, might have been lower than the sum of the values determined by the management of CCA and of the Company. The terms of the purchase of the Facilities were approved by the Independent Committee.

Terms of Leases. The Lease payment obligations with respect to the Initial Facilities were determined by management of CCA and management of the Company and were not negotiated on an arm's-length basis. However, the lease payments that CCA is obligated to make are based on an initial lease rate of approximately 11%, which the Company believes reflects the fair rental value of the Initial Facilities to the Company. Moreover, the terms and conditions of the Leases were the subject of independent negotiations between the Company and CCA, and the amount of the Lease payment obligations and the terms and conditions of the Leases were approved by the Independent Committee.

Potential for Future Conflicts. After the Offering, CCA and the Company may be in situations where they have differing interests resulting from the ongoing relationship between the companies. Such situations include the fact that after the Offering (i) CCA will lease the Initial Facilities which will be owned by the

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Company; (ii) the Company will have an exclusive option to acquire the Option Facilities and any correctional or detention facilities acquired or developed, and owned, by CCA's in the future, and a right of first refusal to purchase any and all correctional facilities owned by CCA or its subsidiaries in the future and to provide mortgage financing for any correctional facilities financed in excess of 90% of their cost by CCA or its subsidiaries in the future; and (iii) CCA will have a right of first refusal to acquire the Facilities. Accordingly, the potential exists for disagreements as to the compliance with the Leases or the values of the facilities acquired in the future pursuant to the Company's option. Additionally, the possible need by the Company, from time to time, to finance, refinance or effect a sale of any of the properties managed by CCA may result in a need to modify the Lease with CCA with respect to such property. Any such modification will require the consent of CCA, and the lack of consent from CCA could adversely affect the Company's ability to consummate such financings or sale. Because of the relationships described above, there exists the risk that the Company will not achieve the same results in its dealings with CCA that it might achieve if such relationships did not exist.

STEPS TAKEN BY THE COMPANY TO ADDRESS POTENTIAL CONFLICTS OF INTEREST

Use of Independent Committee. Upon completion of the Offering, the Company's Board of Trustees will consist of 13 trustees. Four of the trustees include Doctor R. Crants, the Chairman of the Board of Trustees and Chairman and Chief Executive Officer of CCA, J. Michael Quinlan, Chief Executive Officer of the Company, D. Robert Crants, III, President of the Company, and Michael W.

Devlin, Chief Development Officer of the Company. Of the remaining nine trustees, seven will be Independent Trustees who are not employees of the Company or otherwise affiliated with CCA. The Independent Trustees will constitute the Independent Committee of the Board of Trustees. Transactions involving the Company and CCA such as the acquisition of additional facilities from CCA and lease negotiation, enforcement and renegotiation, will require the approval of the Independent Committee. Certain other significant actions of the Board of Trustees will require the approval of a minimum of two-thirds of the Board of Trustees. In addition, Michael W. Devlin and Vida H. Carroll, the Company's Chief Financial Officer, both of whom have had and will have no affiliation with CCA, will assist the Independent Committee with respect to potential conflicts of interest between the Company and CCA, including the negotiation and enforcement of all Leases. See "Management," and "Conflicts of Interest."

Agreements Between CCA and the Company. Prior to the Offering, the Company and CCA will enter into certain agreements, the terms of which are more completely described herein, designed to address in advance certain situations in which conflicts might arise. For example, CCA will grant the Company an option to acquire and lease back to CCA certain future facilities and a right of first refusal pursuant to which, prior to selling any facility, or mortgaging more than 90% of the cost of a facility, the Company will have the right to purchase such facility, or provide first mortgage financing for 90% of the acquisition costs of any such facility, as applicable, on terms equal to those offered to a third party. Pursuant to the Leases, CCA will also have a right of first refusal with respect to any sale of the Facilities or any interest in a correctional or detention facility acquired or developed and owned by the Company in the future. See "Certain Relationships and Transactions" and "Conflicts of Interest."

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THE FORMATION TRANSACTIONS

Prior to or simultaneously with the consummation of the Offering, the Company and CCA will engage in the Formation Transactions which are designed to consolidate the ownership interests in the Facilities in the Company, to facilitate the Offering and to enable the Company to qualify as a REIT for federal income tax purposes commencing with its taxable year ending December 31, 1997. None of such transactions is expected to occur unless all such transactions occur.

- The Company, which was formed on April 23 1997, will sell 17,000,000 Common Shares in the Offering for net proceeds of approximately \$313.2 million after deduction of the underwriting discount and estimated offering expenses (assuming an initial public offering price of \$20.00 per share).
- Doctor R. Crants, Chairman of the Company and Chairman and Chief Executive Officer of CCA will acquire in the Offering, 500,000 Common Shares at a price per share equal to the initial public offering price.
- The Company will use the net proceeds of the Offering to acquire the nine Initial Facilities directly from CCA for an aggregate purchase price of approximately \$308.1 million payable in cash.
- The Company will lease the Initial Facilities to CCA, pursuant to the Leases, for initial terms ranging from 10 to 12 years. Each Lease may be extended for three additional five-year renewal terms at fair market rates upon the mutual agreement of CCA and the Company. Pursuant to the Leases, the Company will grant to CCA the right of first refusal to acquire the Initial Facilities, the Option Facilities or any other correctional or detention facilities subsequently acquired by the Company and operated by CCA.
- The Company will enter into the Option Agreements with CCA pursuant to which the Company will be granted options to acquire any of the five Option Facilities directly from CCA (for a period of three years following their respective Service Commencement Dates) for a purchase price equal to CCA's cost of developing, constructing and equipping such facility, plus 5% of such costs, which aggregates approximately \$193.0 million. If acquired, the Option Facilities will be leased to CCA on terms substantially similar to those contained in the Leases.
- CCA will grant the Company a right of first refusal to acquire at fair market value and lease back to CCA, any correctional or detention facility acquired or developed and owned by CCA in the future for a period of three

years following the Service Commencement Date with respect to such facilities. The initial annual rent for facilities acquired in the first five years will be equal to the greater of (i) fair market rental rate or (ii) 11% of the purchase price. For facilities acquired thereafter, the initial annual rent will be equal to the fair market rental rate of the property. Additionally, CCA will grant the Company a right of first refusal to acquire any CCA-owned correctional or detention facility should CCA receive an acceptable third party offer to acquire any such facility.

- Upon consummation of the Offering, D. Robert Crants, III and Michael W. Devlin will each receive 150,000 Common Shares as a development fee and as reimbursement of actual costs incurred in connection with the promotion and formation of the Company, the consummation of the Offering and the closing of the purchase of the Initial Facilities which would have a valuation for each of them, based on the initial public offering price, of \$3.0 million. The reimbursed expenses include certain costs related to property due diligence, employee compensation, travel and overhead. The development fee compensates Messrs. Crants and Devlin, for their services rendered on behalf of the Company in connection with, among other things, the preparation of the Company's initial business plan and capital and operating budgets. A significant portion of this development work commenced in the fall of 1995, and continued throughout 1996 and 1997.

ADVANTAGES AND DISADVANTAGES TO UNAFFILIATED SHAREHOLDERS

The potential advantages of the Formation Transactions to unaffiliated shareholders of the Company include their ability to participate in the substantial cash flow of the Facilities through their ownership in the

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Company, and in all future acquisitions by the Company, primarily from CCA. See "The Company -- Business Objectives and Operating Strategies." The potential disadvantages of such transactions to unaffiliated shareholders of the Company include the lack of arm's-length valuations in determining the consideration in such transactions and the fact that Doctor R. Crants, Chairman of the Board of both the Company and CCA, will have substantial influence on the management and operations of the Company and, as a substantial shareholder of both the Company and CCA, on the outcome of any matters submitted to a vote of shareholders, and that such influence might be exercised in a manner inconsistent with the interests of other shareholders. See the more complete discussion of such matters under "Risk Factors."

BENEFITS TO THE COMPANY AND ITS OFFICERS AND TRUSTEES

The advantages of the foregoing structure to the Company and its officers and trustees include:

- The ability to access public capital markets.
- The creation of an entity which, through its payment of dividends, is able to reduce or avoid the incurrence of federal income tax, allowing its shareholders to participate in real estate investments without the "double taxation" of income that generally results from an investment in a regular corporation.
- The ability to expand the Company's acquisition and development opportunities through its strong capital base.
- The Company will enter into employment agreements with J. Michael Quinlan, D. Robert Crants, III, and Michael W. Devlin providing for annual salaries of \$150,000 in the case of Mr. Quinlan, and \$100,000 in the case of each of Messrs. Crants, III and Devlin.
- J. Michael Quinlan, Chief Executive Officer, will be granted options to acquire 350,000 Common Shares at the initial public offering price and each of D. Robert Crants, III, President and Michael W. Devlin, Chief Development Officer will be granted options to acquire 200,000 Common Shares at the initial public offering price. Vida H. Carroll, Chief Financial Officer, will be granted options to acquire 50,000 Common Shares at the initial public offering price. All such options will vest ratably over a three-year period.
- Upon consummation of the Offering, D. Robert Crants, III and Michael W. Devlin will each receive 150,000 Common Shares as a development fee and as reimbursement of actual costs incurred in connection with the formation of the Company, the consummation of the Offering and the closing of the purchase of the Initial Facilities which would have a valuation for each

of them, based on the initial public offering price, of \$3.0 million. The reimbursed expenses include certain costs related to property due diligence, employee compensation, travel and overhead.

- Each non-employee trustee will receive options to acquire 5,000 Common Shares at the initial public offering price.

BENEFITS TO CCA

CCA will receive the following benefits as a result of the Formation Transactions:

- CCA will receive approximately \$308.1 million in cash in exchange for the nine Initial Facilities it will sell to the Company. The historical cost of such Initial Facilities at March 31, 1997 is approximately \$175.2 million.
- In the event the Independent Committee determines to exercise the Company's option to purchase all of the five Option Facilities, CCA could receive approximately \$193.0 million in cash.
- CCA will use certain of the proceeds of the sale of the Initial Facilities to discharge certain indebtedness incurred in connection with facility acquisitions.
- CCA will expand its marketing opportunities through increased access to capital.

PRINCIPAL SHAREHOLDERS OF THE COMPANY

The following table sets forth certain information regarding the beneficial ownership of Common Shares by each trustee of the Company, by each Named Executive Officer, by all trustees and officers of the Company as a group and by each person who is expected to be the beneficial owner of 5% or more of the outstanding Common Shares immediately following completion of the Offering. The table assumes (i) the consummation of the Formation Transactions and (ii) that the Underwriters' over-allotment option will not be exercised. Each person named in the table has sole voting and investment power with respect to all the Common Shares shown as beneficially owned by such person except as otherwise set forth in the notes to the table.

<TABLE>
<CAPTION>

NAME OF BENEFICIAL OWNERS	NUMBER OF COMMON SHARES (1)	PERCENTAGE OF SHARES OF COMMON SHARES OUTSTANDING FOLLOWING THE OFFERING
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<S>	<C>	<C>
Doctor R. Crants.....	550,000	3.2%
J. Michael Quinlan.....	87,500	*
D. Robert Crants, III.....	200,000	1.2
Michael W. Devlin.....	200,000	1.2
C. Ray Bell.....	5,000	*
Richard W. Cardin.....	5,000	*
Monroe J. Carell, Jr.....	5,000	*
John W. Eakin, Jr.....	5,000	*
Ted Feldman.....	5,000	*
Jackson W. Moore.....	5,000	*
Rusty L. Moore.....	5,000	*
Joseph V. Russell.....	5,000	*
Charles W. Thomas, Ph.D.....	5,000	*
All executive officers and trustees as a group (15 persons).....	1,098,750	6.2%

</TABLE>

* Less than 1%.

(1) Includes 282,500 shares subject to options that are exercisable within 60 days after completion of the Offering.

DESCRIPTION OF CAPITAL SHARES

GENERAL

Under the Declaration of Trust, the total number of shares of all classes that the Company has authority to issue is 100,000,000 consisting of 90,000,000 Common Shares and 10,000,000 Preferred Shares. As of the date of this Prospectus, 1,000 Common Shares were outstanding, held by one record holder. No Preferred Shares are currently outstanding or will be outstanding immediately after consummation of the Offering. Under Maryland law, shareholders generally are not personally liable for the Company's obligations solely as a result of their status as shareholders.

The holders of Common Shares are entitled to one vote per share on all matters voted on by holders, including elections of trustees, and, except as otherwise required by law or provided in any resolution adopted by the Board of Trustees with respect to any series of Preferred Shares establishing the powers, designations, preferences and relative, participating, option or other special rights of such series, the holders of such Common Shares exclusively possess all voting power. The Declaration of Trust does not provide for cumulative voting in the election of trustees. Subject to any preferential rights of any outstanding series of Preferred Shares, the holders of Common Shares are entitled to such distributions as may be declared from time to time by the Board of Trustees from funds available therefor, and upon liquidation are entitled to receive pro rata all assets of the Company available for distribution to such holders. All Common Shares issued in the Offering will be fully paid and nonassessable and the holders thereof will not have preemptive rights.

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The Board of Trustees is authorized to provide for the issuance of shares of Preferred Shares in one or more series, to establish the number of shares in each series and to fix the designations, powers, preferences and rights of each such series and the qualifications, limitations or restrictions thereof.

RESTRICTIONS ON OWNERSHIP

For the Company to qualify as a REIT under the Code, it must meet certain requirements concerning the ownership of its outstanding shares of stock. Specifically, not more than 50% in value of the Company's outstanding shares of stock may be owned, directly or indirectly, by five or fewer individuals (as defined in the Code to include certain entities) during the last half of a taxable year, and the Company must be beneficially owned by 100 or more persons during at least 335 days of a taxable year of 12 months or during a proportionate part of a shorter taxable year. See "Material Federal Income Tax Considerations -- Taxation of the Company -- Requirements for Qualification." In addition, the Company must meet certain requirements regarding the nature of its gross income in order to qualify as a REIT. One such requirement is that at least 75% of the Company's gross income for each year must consist of rents from real property and income from certain other real property investments. The rents received by the Company from the lessee will not qualify as rents from real property, which likely would result in loss of REIT status for the Company, if the Company owns, directly or constructively, 10% or more of the ownership interests in the lessee within the meaning of Section 856(d)(2)(B) of the Code. See "Material Federal Income Tax Considerations -- Taxation of the Company -- Income Tests."

Because the Board of Trustees believes it is essential for the Company to continue to qualify as a REIT, the Declaration of Trust, subject to certain exceptions described below, provides that no person may own, or be deemed to own by virtue of the attribution provisions of the Code, more than 9.8% of (i) the number of outstanding Common Shares or (ii) the number of outstanding shares of any series of Preferred Shares (the "Ownership Limit"). Any transfer of Common Shares or Preferred Shares that would (i) result in any person owning, directly or indirectly, Common Shares or Preferred Shares in excess of the Ownership Limit, (ii) result in the Common Shares and Preferred Shares being owned by fewer than 100 persons (determined without reference to any rules of attribution), (iii) result in the Company being "closely held" within the meaning of Section 856(h) of the Code, or (iv) cause the Company to own, directly or constructively, 10% or more of the ownership interests in a tenant of the Company's real property, within the meaning of Section 856(d)(2)(B) of the Code, shall be null and void, and the intended transferee will acquire no rights in such Common Shares or Preferred Shares.

Subject to certain exceptions described below, any purported transfer of Common Shares or Preferred Shares that would (i) result in any person owning, directly or indirectly, Common Shares or Preferred Shares in excess of the Ownership Limit, (ii) result in the Common Shares and Preferred Shares being owned by fewer than 100 persons (determined without reference to any rules of attribution), (iii) result in the Company being "closely held" within the meaning of Section 856(h) of the Code, or (iv) cause the Company to own, directly or constructively, 10% or more of the ownership interests in a tenant

of the Company's real property, within the meaning of Section 856(d)(2)(B) of the Code, will be designated as "Shares-in-Trust" and transferred automatically to a trust (the "Share Trust") effective on the day before the purported transfer of such Common Shares or Preferred Shares. The record holder of the Common Shares or Preferred Shares that are designated as Shares-in-Trust (the "Prohibited Owner") will be required to submit such number of Common Shares or Preferred Shares to the Company for registration in the name of the trustee of the Share Trust (the "Share Trustee"). The Share Trustee will be designated by the Company, but will not be affiliated with the Company. The beneficiary of the Share Trust (the "Beneficiary") will be one or more charitable organizations that are named by the Company.

Shares-in-Trust will remain issued and outstanding Common Shares or Preferred Shares and will be entitled to the same rights and privileges as all other shares of the same class or series. The Share Trustee will receive all dividends and distributions on the Shares-in-Trust and will hold such dividends and distributions in trust for the benefit of the Beneficiary. The Share Trustee will vote all Shares-in-Trust and will designate a permitted transferee of the Shares-in-Trust, provided that the permitted transferee (i) purchases such Shares-

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in-Trust for valuable consideration and (ii) acquires such Shares-in-Trust without such acquisition resulting in a transfer to another Share Trust.

The Prohibited Owner with respect to Shares-in-Trust will be required to repay the Share Trustee the amount of any dividends or distributions received by the Prohibited Owner (i) that are attributable to any Shares-in-Trust and (ii) the record date of which was on or after the date that such shares became Shares-in-Trust. The Prohibited Owner generally will receive from the Share Trustee the lesser of (i) the price per share such Prohibited Owner paid for the Common Shares or Preferred Shares that were designated as Shares-in-Trust (or, in the case of a gift or bequest, the Market Price (as hereinafter defined) per share on the date of such transfer) or (ii) the price per share received by the Share Trustee from the sale of such Shares-in-Trust. Any amounts received by the Share Trustee in excess of the amounts to be paid to the Prohibited Owner will be distributed to the Beneficiary.

The Shares-in-Trust will be deemed to have been offered for sale to the Company, or its designee, at a price per share equal to the lesser of (i) the price per share in the transaction that created such Shares-in-Trust (or, in the case of a gift or bequest, the Market Price per share on the date of such transfer) or (ii) the Market Price per share on the date that the Company, or its designee, accepts such offer. The Company will have the right to accept such offer for a period of 90 days after the later of (i) the date of the purported transfer which resulted in such Shares-in-Trust or (ii) the date the Company determines in good faith that a transfer resulting in such Shares-in-Trust occurred.

"Market Price" means the last reported sales price of the Common Shares or Preferred Shares reported on the NYSE on the trading day immediately preceding the relevant date, or if such shares are not then traded on the NYSE, the last reported sales price of such shares on the trading day immediately preceding the relevant date as reported on any exchange or quotation system over which such shares may be traded, or if such shares are not then traded over any exchange or quotation system, then the market price of such shares on the relevant date as determined in good faith by the Board of Trustees.

Any person who acquires or attempts to acquire Common Shares or Preferred Shares in violation of the foregoing restrictions, or any person who owned Common Shares or Preferred Shares that were transferred to a Share Trust, will be required (i) to give immediately written notice to the Company of such event and (ii) to provide to the Company such other information as the Company may request in order to determine the effect, if any, of such transfer on the Company's status as a REIT.

All persons who own, directly or indirectly, more than 5% (or such lower percentages as required pursuant to regulations under the Code) of the outstanding Common Shares and Preferred Shares must, within 30 days after January 1 of each year, provide to the Company a written statement or affidavit stating the name and address of such direct or indirect owner, the number of Common Shares and Preferred Shares owned directly or indirectly by such owner, and a description of how such shares are held. In addition, each direct or indirect shareholder shall provide to the Company such additional information as the Company may request in order to determine the effect, if any, of such ownership on the Company's status as a REIT and to ensure compliance with the Ownership Limitation.

The Ownership Limitation generally will not apply to the acquisition of Common Shares or Preferred Shares by an underwriter that participates in a public offering of such shares. In addition, the Board of Trustees, upon such conditions as the Board of Trustees may direct, may exempt a person from the

Ownership Limitation under certain circumstances.

All certificates representing Common Shares or Preferred Shares will bear a legend referring to the restrictions described above.

CERTAIN PROVISIONS OF MARYLAND LAW AND OF THE COMPANY'S DECLARATION OF TRUST AND BYLAWS

The Company was formed on April 23, 1997. Pursuant to Maryland law, the Company's existence is perpetual subject to voluntary dissolution and complete distribution of its assets.

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The summary of certain provisions of Maryland law and of the Declaration of Trust and Bylaws of the Company set forth below and elsewhere in this Prospectus does not purport to be complete and is subject to and qualified in its entirety by reference to Maryland law and the Declaration of Trust and Bylaws of the Company. Copies of the Declaration of Trust and Bylaws may be obtained as described under "Available Information."

Staggered Board of Trustees. The Declaration of Trust provides for a staggered Board of Trustees consisting of three classes as nearly equal in size as practicable. Each class holds office until the third annual meeting for selection of trustees following the election of such class, except that the initial terms of the three classes expire in 1998, 1999 and 2000, respectively. The provision relating to the staggered Board may be amended only upon the vote of the holders of at least two-thirds of the outstanding Common Shares of the Company entitled to vote for the election of trustees. Such a vote could be undertaken at an annual or special meeting of shareholders called in accordance with the provisions of the Company's Bylaws. The Bylaws prohibit shareholders from calling special meetings.

Meetings of Shareholders. Pursuant to the Company's Bylaws, an annual meeting of the Company's shareholders for the election of Trustees and the transaction of other business shall be held during the month of May of each year. A special meeting of the shareholders of the Company may be called by (i) the Chairman of the Board of Trustees, (ii) a majority of the members of the Board of Trustees; or (iii) a committee of the Board of Trustees which has been duly designated by the Board of Trustees and whose powers and authority include the power to call such meetings.

Business Combinations Law. Under Maryland law, certain "business combinations" (including a merger, consolidation, share exchange, or, in certain circumstances, an asset transfer or issuance or reclassification of equity securities) between a Maryland real estate investment trust and any person who beneficially owns 10% or more of the voting power of the real estate investment trust's shares or an affiliate of the real estate investment trust who at any time within the two-year period prior to the date in question, was the beneficial owner of 10% or more of the voting power of the then-outstanding voting shares of the real estate investment trust (an "Interested Shareholder") or an affiliate thereof are prohibited for five years after the most recent date on which the Interested Shareholder became an Interested Shareholder. Thereafter, any such business combination must be recommended by the board of trustees of such real estate investment trust and approved by the affirmative vote of at least (a) 80% of the votes entitled to be cast by holders of outstanding voting shares of the real estate investment trust and (b) two-thirds of the votes entitled to be cast by holders of outstanding voting shares of the real estate investment trust other than shares held by the Interested Shareholder with whom the business combination is to be effected, unless among other things, the real estate investment trust's shareholders receive a minimum price (as defined in the MGCL) for their shares and the consideration is received in cash or in the same form as previously paid by the Interested Shareholder for its shares. The trustees of the real estate investment trust may, by resolution, exempt business combinations specifically, generally, or generally by types from the prohibitions of the business combinations law, but such exemption with respect to a potential acquiror must be in place before the acquiror becomes an Interested Shareholder.

Control Share Acquisitions. Maryland law provides that "control shares" of a Maryland real estate investment trust acquired in a "control share acquisition" have no voting rights except to the extent authorized by a vote of two-thirds of the votes entitled to be cast on the matter, excluding shares owned by the acquiror or by officers or directors who are employees of the corporation. "Control Shares" are voting shares which, if aggregated with all other such shares previously acquired by the acquiror, or in respect of which the acquiror is able to exercise or direct the exercise of voting power, would entitle the acquiror to exercise voting power in electing directors within one

of the following ranges of voting power (i) one-fifth or more but less than one-third, (ii) one-third or more but less than a majority, or (iii) a majority of all voting power. Control shares do not include shares the acquiring person is then entitled to vote as a result of having previously obtained shareholder approval. A "control share acquisition" means the acquisition of control shares, subject to certain exceptions.

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A person who has made or proposes to make a control share acquisition, upon satisfaction of certain conditions (including an undertaking to pay expenses), may compel the board of trustees to call a special meeting of shareholders to be held within 50 days of demand to consider the voting rights of the shares. If no request for a meeting is made, the real estate investment trust may itself present the question as any shareholders meeting.

If voting rights are authorized at the meeting or if the acquiring person does not deliver an acquiring person statement as required by the statute, then, subject to certain conditions and limitations, the real estate investment trust may redeem any or all of the control shares (except those for which voting rights have previously been authorized) for fair value determined without regard to the absence of voting rights for the control shares, as of the date of the last control share acquisition or of any meeting of shareholders at which the voting rights of such shares are considered and not authorized. If voting rights for control shares are authorized at a shareholders meeting and the acquiror becomes entitled to vote a majority of the shares entitled to vote, all other shareholders may exercise appraisal rights. The fair value of the share as determined for purposes of such approval rights may not be less than the highest price per share paid by the acquiror in the control share acquisition.

The control share acquisition statute does not apply to shares acquired in a merger, consolidation or share exchange if the real estate investment trust is a party to the transaction, or to an acquisition authorized or exempted by the declaration of trust or bylaws of the real estate investment trust.

The Company's Bylaws contain a provision exempting from the control share acquisition statute any and all acquisitions by any person of the Company's Common Shares. There can be no assurance that such provision will not be amended or eliminated at any point in the future. If the foregoing exemption in the Bylaws is rescinded, the control share acquisition statute could have the effect of discouraging offers to acquire the Company and of increasing the difficulty of consummating any such offer.

Interested Trustee Transactions. The Company's Bylaws contain a provision requiring approval by the Independent Trustees of the Company of actions by the Board of Trustees concerning the selection of operators of the Company's Facilities and all transactions between the Company and CCA and its affiliates.

Removal of Trustees. The Declaration of Trust provides the Board of Trustees or shareholders may, at any time, remove any trustee, with or without cause, by an affirmative vote of a majority of trustees or a majority of holders of shares entitled to vote in the election of trustees.

Amendments to the Declaration of Trust and Bylaws. The Declaration of Trust provides generally that its provisions may be amended in accordance with Maryland law except that (a) the trustees by a majority vote may amend the Declaration of Trust to increase or decrease the aggregate number of shares of any class that the Company has authority to issue, and (b) the trustees by a two-thirds vote may amend the Declaration of Trust to qualify, or continue to qualify, as a real estate investment trust under the Code or Maryland law. Maryland law requires amendments to the Declaration of Trust to be authorized by shareholders, by the affirmative vote of two-thirds of all the votes entitled to be cast on the matter,

The Bylaws provide that the Board of Trustees has the exclusive power to adopt, alter or repeal any provision of the Bylaws and to make new Bylaws, in accordance with the provisions as set forth in the Bylaws.

Restrictions on Investment. Maryland law requires that a Maryland real estate investment trust hold at least 75% of the value of its assets in real estate assets, governmental securities, cash and cash items, including receivables.

LIMITATIONS ON CHANGES IN CONTROL

The provisions of the Declaration of Trust and the Bylaws providing for ownership limitations, a staggered Board of Trustees, eliminating the ability of the shareholders to call special meetings of shareholders, and authorizing the Board of Trustees to issue Preferred Shares without shareholder approval could have the effect of delaying, deferring or preventing a change in control of the Company or the removal of existing management, and as a result could prevent the shareholders of the Company from being paid a premium for

their Common Shares. In addition, Maryland's business combinations law makes it difficult to acquire control of the Company by means of a tender offer, open market purchase, a proxy fight or otherwise, if the acquisition is not authorized in advance by the Board of Trustees. The Company has, however, elected not to be governed by the provisions of Maryland law concerning control share acquisitions.

LIMITATION OF LIABILITY AND INDEMNIFICATION OF TRUSTEES

Maryland law provides that shareholders and trustees of a Maryland real estate investment trust are not personally liable for the obligations of the real estate investment trust; provided, however, that a trustee is not relieved from any liability to a trust or its security holders for any act that constitutes (a) bad faith, (b) willful misfeasance, (c) gross negligence, or (d) reckless disregard of the trustee's duties. According to the Declaration of Trust, a trustee of the Company shall perform his duties (i) in good faith, (ii) in a manner he reasonably believes to be in the best interest of the Company, and (iii) with the care that an ordinarily prudent person in a like position would use under similar circumstances.

Maryland law permits a Maryland real estate investment trust to include in its Declaration of Trust provisions limiting the liability of its trustees and officers to the trust and its shareholders for money damages except for, in general, liability resulting from (a) actual receipt of an improper benefit or profit in money, property or services or (b) active and deliberate dishonesty established by a final judgment as being material to the matter giving rise to the cause of action. The Declaration of Trust of the Company contains a provision which eliminates a trustee's liability to the Company and its shareholders for money damages to the maximum extent permitted by Maryland law.

The Declaration of Trust and the Bylaws of the Company require the Company, to the maximum extent permitted by Maryland law, to indemnify and advance expenses to a trustee or officer of the Company in connection with a proceeding and to indemnify a trustee or officer who has been successful, on the merits or otherwise, in the defense of any proceeding to which he is made a party by reason of his service in that capacity.

Maryland law permits a Maryland real estate investment trust to indemnify and advance expenses to its trustees, officers, employees and agents to the same extent as permitted by the Maryland General Corporation Law (the "MGCL") for directors, officers, employees and agents of Maryland corporations. The MGCL permits a Maryland corporation to indemnify its present and former directors and officers, among others, against judgments, penalties, fines, settlements and reasonable expenses actually incurred by them in connection with any proceeding to which they may be made a party by reason of their service in those or other capacities unless it is established that (a) the act or omission of the director or officer was material to the matter giving rise to the proceeding and (i) was committed in bad faith or (ii) was the result of active and deliberate dishonesty, (b) the director or officer actually received an improper personal benefit in money, property or services or (c) in the case of any criminal proceeding, the director or officer had reasonable cause to believe that the act or omission was unlawful. However, a Maryland corporation may not indemnify for an adverse judgment in a suit by or in the right of the corporation. Maryland law requires a Maryland corporation to indemnify a director or officer who has been successful on the merits or otherwise, in the defense of any proceeding to which he is made a party by reason of his service in that capacity. In accordance with the MGCL, the Bylaws of the Company require it, as a condition to advancing expenses, to obtain (a) a written affirmation by the director or officer of his good faith belief that he has met the standard of conduct necessary for indemnification by the Company as authorized by the Bylaws and (b) a written undertaking by or on his behalf to repay the amount paid or reimbursed by the Company if it shall ultimately be determined that the standard of conduct was not met. The Bylaws permit the Company to indemnify and advance expenses to

any person who served a predecessor of the Company as a trustee, director, officer, or partner and to any employee or agent of the Company or a predecessor of the Company.

TRANSFER AGENT AND REGISTRAR

The Company has appointed BankBoston, N.A. as its transfer agent and registrar.

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SHARES AVAILABLE FOR FUTURE SALE

Upon the completion of the Offering, the Company will have outstanding 17,301,000 Common Shares. The Common Shares issued in the Offering will be freely tradeable by persons other than "affiliates" of the Company without restriction under the Securities Act, subject to the limitations on ownership set forth in the Declaration of Trust. See "Description of Capital Shares -- Restrictions on Ownership." The Common Shares owned by the officers and trustees of the Company, other than those Common Shares purchased in the Offering, or shares acquired upon the exercise of options registered on a registration statement on Form S-8 will be "restricted" securities within the meaning of Rule 144 promulgated under the Securities Act ("Rule 144") and may not be sold in the absence of registration under the Securities Act unless an exemption from registration is available, including exemptions contained in Rule 144.

Prior to the date of this Prospectus, there has been no public market for the Common Shares. The Common Shares have been approved for listing on the NYSE, subject to official notice of issuance. No prediction can be made as to the effect, if any, that future sales of shares, or the availability of shares for future sale, will have on the market price prevailing from time to time. Sales of substantial amounts of Common Shares or the perception that such sales could occur, could adversely affect prevailing market prices of the Common Shares. See "Risk Factors -- No Prior Market for Common Shares" and "-- Shares Available for Future Sale."

For a description of certain restrictions on transfers of Common Shares held by certain shareholders of the Company, see "Underwriting" and "Description of Capital Shares -- Restrictions on Ownership."

MATERIAL FEDERAL INCOME TAX CONSIDERATIONS

The following summary of material federal income tax considerations regarding the Offering is based on current law, is for general information only and is not tax advice. The discussion does not purport to deal with all aspects of taxation that may be relevant to particular shareholders in light of their personal investment or tax circumstances, or to certain types of shareholders (including insurance companies, tax-exempt organizations, financial institutions or broker-dealers, foreign corporations, and persons who are not citizens or residents of the United States) subject to special treatment under the federal income tax laws.

The statements in this discussion are based on current provisions of the Code, existing, temporary, and currently proposed Treasury regulations promulgated under the Code ("Treasury Regulations"), the legislative history of the Code, existing administrative rulings and practices of the Service, and judicial decisions. No assurance can be given that future legislative, judicial, or administrative actions or decisions, which may be retroactive in effect, will not affect the accuracy of any statements in this Prospectus with respect to the transactions entered into or contemplated prior to the effective date of such changes.

EACH PROSPECTIVE PURCHASER SHOULD CONSULT HIS OR HER OWN TAX ADVISOR REGARDING THE TAX CONSEQUENCES OF THE PURCHASE, OWNERSHIP AND SALE OF THE COMMON SHARES, INCLUDING THE FEDERAL, STATE, LOCAL, FOREIGN AND OTHER TAX CONSEQUENCES THEREOF AND THE POSSIBILITY THAT APPLICABLE TAX LAWS MAY CHANGE.

TAXATION OF THE COMPANY

General. The Company plans to make an election to be taxed as a REIT under Sections 856 through 860 of the Code, commencing with its taxable year ending December 31, 1997. The Company believes that, commencing with such taxable year, it will be organized and will operate in such a manner as to qualify for taxation as a REIT under the Code. Because these sections of the Code are highly technical and complex, however, no assurance can be given that the Company will

qualify or remain qualified as a REIT.

The following sets forth the material aspects of the sections that govern the federal income tax treatment of a REIT and its shareholders. This summary is qualified in its entirety by the applicable Code provisions, rules and Treasury Regulations promulgated thereunder, and administrative and judicial interpretations thereof.

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In the opinion of Stokes & Bartholomew, P.A. and Sherrard & Roe, PLC, commencing with its taxable year ending December 31, 1997, the Company will be organized in conformity with the requirements for qualification as a REIT, and its proposed method of operation will enable it to meet the requirements for qualification and taxation as a REIT under the Code. These opinions will be based upon, and subject to, certain assumptions and various factual representations of the Company, which are incorporated into such opinions and are addressed in this discussion of "Material Federal Income Tax Considerations." Opinions of counsel are not binding on the Service or a court. Accordingly, there can be no assurance that the Service will not successfully assert a position contrary to the opinion of Stokes & Bartholomew, P.A. and Sherrard & Roe, PLC, and therefore prevent the Company from qualifying as a REIT. Qualification and taxation as a REIT also depends upon the Company's ability to meet, through actual annual operating results, distribution requirements, diversity of stock ownership and the various other qualification tests imposed under the Code, the results of which will not be reviewed either by Stokes & Bartholomew, P.A. or by Sherrard & Roe, PLC. Thus, there can be no assurance that the actual results of the Company's operation for any particular taxable year will satisfy such requirements. For a discussion of the tax consequences of failure to qualify as a REIT, see "Material Federal Income Tax Considerations -- Failure to Qualify."

If the Company qualifies for taxation as a REIT, it generally will not be subject to federal corporate income taxes on its net income that is currently distributed to shareholders. This treatment substantially eliminates the "double taxation" (at the corporate and shareholder levels) of income that generally results from investment in a regular corporation. However, the Company will be subject to federal income tax as follows: First, the Company will be taxed at regular corporate rates on any undistributed REIT taxable income, including undistributed net capital gains. Second, under certain circumstances, the Company may be subject to the "alternative minimum tax" on its items of tax preference. Third, if the Company has (i) net income from the sale or other disposition of "foreclosure property" which is held primarily for sale to customers in the ordinary course of business; or (ii) other nonqualifying income from foreclosure property, it will be subject to tax at the highest corporate rate on such income. Fourth, if the Company has net income from prohibited transactions (which are, in general, certain sales or other dispositions of property held primarily for sale to customers in the ordinary course of business other than foreclosure property), such income will be subject to a 100% tax. Fifth, if the Company fails to satisfy the 75% gross income test or the 95% gross income test (as discussed below), but has nonetheless maintained its qualification as a REIT because certain other requirements have been met, it will be subject to a 100% tax on an amount equal to (a) the gross income attributable to the greater of the amount by which the Company fails the 75% or 95% test, multiplied by (b) a fraction intended to reflect the Company's profitability. Sixth, if the Company fails to distribute during each calendar year at least the sum of (i) 85% of its REIT ordinary income for such year; (ii) 95% of its REIT capital gain net income for such year; and (iii) any undistributed taxable income from prior periods, it will be subject to a 4% excise tax on the excess of such required distribution over the amounts actually distributed. Seventh, with respect to any asset (a "Built-in Gain Asset") acquired by the Company from a corporation which is or has been a C corporation (i.e., generally a corporation subject to full corporate-level tax) in certain transactions in which the basis of the Built-in Gain Asset in the hands of the Company is determined by reference to the basis of the asset in the hands of the C corporation, if the Company recognizes gain on the disposition of such asset during the 10-year period (the "Recognition Period") beginning on the date on which such asset was acquired by the Company, then, to the extent of the Built-in Gain (i.e., the excess of (a) the fair market value of such asset over (b) the Company's adjusted basis in such asset, determined as of the beginning of the Recognition Period), such gain will be subject to tax at the highest regular corporate rate. The results described above with respect to the recognition of Built-in Gain assume that the Company will make an election pursuant to IRS Notice 88-19.

Requirements for Qualification. The Code defines a REIT as a corporation, trust or association (i) which is managed by one or more trustees; (ii) the beneficial ownership of which is evidenced by transferable shares, or by transferable certificates of beneficial interest; (iii) which would be taxable as a domestic corporation, but for Sections 856 through 859 of the Code; (iv) which is neither a financial institution nor an insurance company subject to

certain provisions of the Code; (v) the beneficial ownership of which is held by 100 or more persons; (vi) during the last half of each taxable year not more than 50% in value of the outstanding stock of which is owned, directly or constructively, by five or fewer individuals (as defined

in the Code to include certain entities); and (vii) which meets certain other tests, described below, regarding the nature of its income and assets. The Code provides that conditions (i) to (iv), inclusive, must be met during the entire taxable year and that condition (v) must be met during at least 335 days of a taxable year of 12 months, or during a proportionate part of a taxable year of less than 12 months. Conditions (v) and (vi) will not apply until after the first taxable year for which an election is made to be taxed as a REIT.

The Company believes that it will have issued sufficient shares pursuant to the Offering to allow it to satisfy conditions (v) and (vi). In addition, the Company's Declaration of Trust provides for restrictions regarding the transfer and ownership of shares, which restrictions are intended to assist the Company in continuing to satisfy the share ownership requirements described in (v) and (vi) above. Such transfer and ownership restrictions are described in "Description of Capital Shares -- Restrictions on Ownership."

Income Tests. To maintain qualification as a REIT, the Company annually must satisfy three gross income requirements. First, at least 75% of the Company's gross income (excluding gross income from prohibited transactions) for each taxable year must be derived directly or indirectly from investments relating to real property or mortgages on real property (including "rents from real property," gain from the sale of real property and, in certain circumstances, interest) or from certain types of temporary investments. Second, at least 95% of the Company's gross income (excluding gross income from prohibited transactions) for each taxable year must be derived from such real property investments, dividends, interest and gain from the sale or disposition of stock or securities (or from any combination of the foregoing). Third, short-term gain from the sale or other disposition of stock or securities, gain from prohibited transactions and gain on the sale or other disposition of real property held for less than four years (apart from involuntary conversions and sales of foreclosure property) must represent less than 30% of the Company's gross income including gross income from prohibited transactions for each taxable year.

Rents received by the Company will qualify as "rents from real property" in satisfying the gross income requirements for a REIT described above only if several conditions are met. First, the amount of rent must not be based in whole or in part on the income or profits of any person. However, an amount received or accrued generally will not be excluded from the term "rents from real property" solely by reason of being based on a fixed percentage or percentages of receipts or sales. Second, rents received from a tenant will not qualify as "rents from real property" in satisfying the gross income tests if the REIT, or an owner of 10% or more of the REIT, directly or constructively owns 10% or more of such tenant (a "Related Party Tenant"). Third, if rent attributable to personal property, leased in connection with a lease of real property, is greater than 15% of the total rent received under the lease, then the portion of rent attributable to such personal property will not qualify as "rents from real property." Finally, for rents received to qualify as "rents from real property," the REIT generally must not operate or manage the property or furnish or render services to the tenants of such property, other than through an independent contractor from whom the REIT derives no revenue, except that the REIT may directly perform certain services that are "usually or customarily rendered" in connection with the rental of space for occupancy only and are not otherwise considered "rendered to the occupant" of the property.

Pursuant to the Leases, CCA will lease from the Company the land, buildings and improvements comprising the Facilities and certain personal property located at the Facilities for initial terms ranging from 10 to 12 years. Upon mutual agreement of the parties, each Lease may be extended for up to three additional five-year terms. The Leases will be "triple net" leases which will require CCA to pay substantially all expenses associated with the operation of the Facilities, such as real estate taxes, insurance, utilities and services, maintenance and other operating expenses. The minimum rent for the first year of each Lease will be a fixed amount. Thereafter, minimum rent will be increased each year by the Base Rent Escalation.

On an ongoing basis, the Company will use its best efforts; (i) not to charge rent for any property that is based in whole or in part on the income or profits of any person (except by reason of being based on a percentage of receipts or sales, as described above); (ii) not to rent any property to a Related Party Tenant (taking into account the constructive ownership rules), unless the Company determines in its discretion that the rent received from such Related Party Tenant is not material and will not jeopardize the Company's status as a REIT; (iii) not to derive rental income attributable to personal property (other than personal property

leased in connection with the lease of real property, the amount of which is less than 15% of the total rent received under the lease); or (iv) not to perform services considered to be rendered to the occupant of the property, other than through an independent contractor from whom the Company derives no revenue. Because the Code provisions applicable to REITs are complex, however, the Company may fail to meet one or more of the foregoing objectives, which failure may jeopardize the Company's status as a REIT. For a discussion of the consequences of any failure by the Company to qualify as a REIT, see "Failure to Qualify."

Rents under the Leases will constitute "rents from real property" only if the Leases are treated as true leases for federal income tax purposes and are not treated as service contracts, joint ventures, financing arrangements or some other type of arrangement. The determination of whether the Leases are true leases depends on an analysis of all surrounding facts and circumstances. In making such a determination, courts have considered a variety of factors, including the following: (i) the intent of the parties; (ii) the form of the agreement; (iii) the degree of control over the property that is retained by the property owner (e.g., whether the lessee has substantial control over the operation of the property or whether the lessee was required simply to use its best efforts to perform its obligations under the agreement); (iv) the extent to which the property owner retains the risk of loss with respect to the operation of the property (e.g., whether the lessee bears the risk of increases in operating expenses or the risk of damage to the property); and (v) the extent to which the property owner retains the burdens and benefits of ownership of the property.

Code Section 7701(e) provides that a contract that purports to be a service contract (or a partnership agreement) will be treated instead as a lease of property if the contract is properly treated as such, taking into account all relevant factors, including whether or not: (i) the service recipient is in physical possession of the property; (ii) the service recipient controls the property; (iii) the service recipient has a significant economic or possessory interest in the property (e.g., the property's use is likely to be dedicated to the service recipient for a substantial portion of the useful life of the property, the recipient shares the risk that the property will decline in value, the recipient shares in any appreciation in the value of the property, the recipient shares in savings in the property's operating costs, or the recipient bears the risk of damage to or loss of the property); (iv) the service provider does not bear any risk of substantially diminished receipts or substantially increased expenditures if there is nonperformance under the contract; (v) the service provider does not use the property concurrently to provide significant services to entities unrelated to the service recipient; and (vi) the total contract price does not substantially exceed the rental value of the property for the contract period. Since the determination whether a service contract should be treated as a lease is inherently factual, the presence or absence of any single factor may not be dispositive in every case.

The Leases should be treated as true leases for federal income tax purposes, based, in part, on the following facts: (i) the Company and CCA intend for their relationship to be that of a lessor and lessee and such relationship will be documented by lease agreements; (ii) CCA will have the right to exclusive possession and use and quiet enjoyment of the Initial Facilities during the term of the Leases; (iii) CCA will bear the cost of, and be responsible for, day-to-day maintenance and repair of the Facilities, and will dictate how the Facilities are operated, maintained, and improved; (iv) CCA will bear all of the costs and expenses of operating the Facilities during the terms of the Leases; (v) CCA will benefit from any savings in the costs of operating the Facilities during the terms of the Leases; (vi) CCA will indemnify the Company against all liabilities imposed on the Company during the term of the Leases by reason of (a) injury to persons or damage to property occurring at the Facilities, or (b) CCA's use, management, maintenance or repair of the Facilities; (vii) CCA is obligated to pay substantial fixed rent for the period of use of the Facilities; (viii) CCA stands to incur substantial losses (or reap substantial gains) depending on how successfully it operates the Facilities; (ix) the useful lives of the Facilities are significantly longer than the terms of the Leases; and (x) the Company will receive the benefit of any increase in value, and will bear the risk of any decrease in value, of the Facilities during the terms of the Leases.

Investors should be aware that there are no controlling Treasury Regulations, published rulings, or judicial decisions involving leases with terms substantially similar to those contained in the Leases that address whether such leases constitute true leases for federal income tax purposes. If the Leases are recharacterized as service contracts or partnership agreements, rather than true leases, part or all of the payments that the Company receives from CCA may not be considered rent or may not otherwise satisfy the various

requirements for qualification as "rents from real property." In that case, the Company likely would not be able to satisfy either the 75% or 95% gross income tests and, as a result, would lose its REIT status.

For the rents to constitute "rents from real property," the other requirements enumerated above also must be satisfied. One requirement is that the Rent attributable to personal property leased in connection with the lease of a Facility must not be greater than 15% of the total Rent received under the Leases. The Rent attributable to the personal property in a Facility is the amount that bears the same ratio to total rent for the taxable year as the average of the adjusted bases of the personal property in the Facility at the beginning and at the end of the taxable year bears to the average of the aggregate adjusted bases of both the real and personal property comprising the Facility at the beginning and at the end of such taxable year (the "Adjusted Basis Ratio"). The Company will lease certain personal property to CCA pursuant to the Leases. The Adjusted Basis Ratio with respect to each Lease is anticipated to be less than 15%. Accordingly, Rent received by the Company should satisfy this requirement.

A second requirement for qualification of the rents as "rents from real property" is that the Rent must not be based in whole or in part on the income or profits of any person. The Rent paid by CCA for the Facilities will be a fixed amount (as adjusted based in part on the gross revenues of each Facility) and will not be based in whole or in part on the net income of the Facilities. Thus, the Rent should also satisfy this requirement.

A third requirement for qualification of the rents as "rents from real property" is that the Company must not own, directly or constructively, 10% or more of CCA or any other tenant of the Facilities. The constructive ownership rules generally provide that if 10% or more in value of the shares of the Company are owned, directly or indirectly, by or for any person, the Company is considered as owning the shares owned, directly or indirectly, by or for such person. The Declaration of Trust provides that no person may own, directly or constructively, more than 9.8% of the Company. See "Description of Capital Shares -- Restrictions on Ownership." Assuming the Declaration of Trust is complied with, neither CCA nor any other person should ever own, directly or constructively, 10% or more of the Company, and thus the constructive ownership rules should not be triggered. Furthermore, the Company has represented that it will not rent any property to a Related Party Tenant. The constructive ownership rules, however, are highly complex and difficult to apply, and the Company may inadvertently enter into leases with tenants who, through application of such rules, will constitute Related Party Tenants. In such event, Rent paid by the Related Party Tenant will not qualify as "rents from real property," which may jeopardize the Company's status as a REIT.

A fourth requirement for qualification of the rents as "rents from real property" is that the Company cannot furnish or render noncustomary services to the tenants of the Facilities, or manage or operate the Facilities, other than through an independent contractor who is adequately compensated and from whom the Company itself does not derive or receive any income. Provided that the Leases are respected as true leases, the Company should satisfy this requirement because it is not performing for CCA any services other than customary services. Furthermore, the Company has represented that, with respect to other properties that it acquires in the future, it will not perform noncustomary services with respect to the tenant of the property. As described above, however, if the Leases are recharacterized as service contracts or partnership agreements, the rents likely would be disqualified as "rents from real property" because the Company would be considered to furnish or render services to the occupants of the Facilities and to manage or operate the Facilities other than through an independent contractor who is adequately compensated and from whom the Company derives or receives no income.

Based on the foregoing, the Rent should qualify as "rents from real property" for purposes of the 75% and 95% gross income tests. As described above, however, there can be no complete assurance that the Service will not assert successfully a contrary position and, therefore, prevent the Company from qualifying as a REIT.

If the Company fails to satisfy one or both of the 75% or 95% gross income tests for any taxable year, it may nevertheless qualify as a REIT for such year if it is entitled to relief under certain provisions of the Code. These relief provisions will be generally available if the Company's failure to meet such tests was due to reasonable cause and not due to willful neglect, the Company attaches a schedule of the sources of its income to its return, and any incorrect information on the schedules was not due to fraud with intent to evade tax. It is not possible, however, to state whether in all circumstances the Company would be entitled to the benefit of

these relief provisions. As discussed above in "-- General," even if these relief provisions apply, a tax would be imposed with respect to the excess net income.

Other Issues. Because the Facilities will be acquired from and leased back to CCA, the Service could assert that the Company realized a prepaid rental income in the year of purchase to the extent that the value of the facilities exceeds the purchase price paid by the Company. In litigated cases involving sale-leasebacks which have considered this issue, courts generally have concluded that buyers have realized prepaid rent where both parties acknowledged that the purported purchase price for the property was substantially less than fair market value, and the proposed rents were substantially less than the fair market rentals. Because of the lack of clear precedent and the inherently factual nature of the inquiry, no assurance can be given that the Service could not successfully assert the existence of prepaid rental income in such circumstances. The value of property and the fair market rent for properties involved in sale-leasebacks are inherently factual matters and always subject to challenge.

Additionally, Section 467 of the Code (concerning leases with increasing rents) may apply to these Leases because they provide for rents that increase from one period to the next. Section 467 provides that in the case of a so-called "disqualified leaseback agreement," rental income must be accrued at a constant rate. If such constant rate accrual is required, the Company would recognize rental income in excess of cash rents and, as a result, may fail to meet the 95% dividend distribution requirement. "Disqualified leaseback agreements" include leaseback transactions where a principal purpose of providing increasing rent under the agreement is the avoidance of federal income tax. The Company and CCA have represented that the principal purpose of rent increases under the Leases is not the avoidance of federal income taxes. Furthermore, under proposed Treasury Regulations, tax avoidance is not considered a principal purpose where the lessee is required to pay third party costs, such as insurance, maintenance and taxes, or where rent is adjusted based on reasonable price indices. Accordingly, the Company believes that the Leases will not be subject to rent leveling under Code Section 467. It should be noted, however, that leases involved in sale-leaseback transactions are subject to special scrutiny under this Section.

Asset Tests. The Company, at the close of each quarter of its taxable year, must also satisfy three tests relating to the nature of its assets. First, at least 75% of the value of the Company's total assets must be represented by real estate assets (including (i) its allocable share of real estate assets held by partnerships in which the Company owns an interest; and (ii) stock or debt instruments held for not more than one year purchased with the proceeds of a stock offering or long-term (at least five years) debt offering of the Company), cash, cash items and government securities. Second, not more than 25% of the Company's total assets may be represented by securities other than those in the 75% asset class. Third, of the investments included in the 25% asset class, the value of any one issuer's securities owned by the Company may not exceed 5% of the value of the Company's total assets, and the Company may not own more than 10% of any one issuer's outstanding voting securities.

The Company has represented that, as of the date of the offering, (i) at least 75% of the value of its total assets will be represented by real estate assets, cash and cash items (including receivables), and government securities; and (ii) it will not own any securities that do not satisfy the 75% asset requirement (except for the stock of subsidiaries with respect to which it has held 100% of the stock at all times during the subsidiary's existence). In addition, the Company has represented that it will not acquire or dispose of assets in the future in a way that would cause it to violate either asset requirement. Based on the foregoing, the Company should satisfy both asset requirements for REIT status.

If the Company should fail inadvertently to satisfy the asset requirements at the end of a calendar quarter, such a failure would not cause it to lose its REIT status if (i) it satisfied all of the asset tests at the close of the preceding calendar quarter; and (ii) the discrepancy between the value of the Company's assets and the standards imposed by the asset requirements either did not exist immediately after the acquisition of any particular asset or was not wholly or partly caused by such an acquisition (i.e., the discrepancy arose from changes in the market values of its assets). If the condition described in clause (ii) of the preceding sentence were not satisfied, the Company still could avoid disqualification by eliminating any discrepancy within 30 days after the close of the calendar quarter in which it arose.

Annual Distribution Requirements. The Company, to qualify as a REIT, is required to distribute dividends (other than capital gain dividends) to its shareholders in an amount at least equal to (i) the sum of (a) 95% of the Company's "REIT taxable income" (computed without regard to the dividends paid

deduction and the Company's net capital gain) and (b) 95% of the net income (after tax), if any, from foreclosure property, minus (ii) the sum of certain items of noncash income. In addition, if the Company disposes of any Built-in Gain Asset during its Recognition Period, the Company will be required to distribute at least 95% of the Built-in Gain (after tax), if any, recognized on the disposition of such asset. Such distributions must be paid in the taxable year to which they relate, or in the following taxable year if declared before the Company timely files its tax return for such year and if paid on or before the first regular dividend payment after such declaration. To the extent that the Company does not distribute all of its net capital gain or distributes at least 95%, but less than 100% of its "REIT taxable income", as adjusted, it will be subject to tax thereon at regular ordinary and capital gain corporate tax rates. Furthermore, if the Company should fail to distribute during each calendar year at least the sum of (i) 85% of its REIT ordinary income for such year; (ii) 95% of its REIT capital gain income for such year; and (iii) any undistributed taxable income from prior periods, the Company will be subject to a 4% excise tax on the excess of such required distribution over the amounts actually distributed. The Company intends to make timely distributions sufficient to satisfy this annual distribution requirement.

It is possible that the Company, from time to time, may not have sufficient cash or other liquid assets to meet the 95% distribution requirement due to timing differences between (i) the actual receipt of income and actual payment of deductible expenses; and (ii) the inclusion of such income and deduction of such expenses in arriving at taxable income of the Company. In the event that such timing differences occur, in order to meet the 95% distribution requirement, the Company may find it necessary to arrange for short-term, or possibly long-term, borrowings to pay dividends in the form of taxable stock dividends.

Under certain circumstances, the Company may be able to rectify a failure to meet the distribution requirement for a year by paying "deficiency dividends" to shareholders in a later year, which may be included in the Company's deduction for dividends paid for the earlier year. Thus, the Company may be able to avoid being taxed on amounts distributed as deficiency dividends; however, the Company will be required to pay interest based upon the amount of any deduction taken for deficiency dividends.

FAILURE TO QUALIFY

If the Company fails to qualify for taxation as a REIT in any taxable year, and the relief provisions do not apply, the Company will be subject to tax (including any applicable alternative minimum tax) on its taxable income at regular corporate rates. Distribution to shareholders in any year in which the Company fails to qualify will not be deductible by the Company nor will they be required to be made. In such event, to the extent of current and accumulated earnings and profits, all distributions to shareholders will be taxable as ordinary income, and, subject to certain limitations of the Code, corporate distributees may be eligible for the dividends received deduction. Unless entitled to relief under specific statutory provisions, the Company will also be disqualified from taxation as a REIT for the four taxable years following the year during which qualification was lost. It is not possible to state whether in all circumstances the Company would be entitled to such statutory relief.

TAXATION OF TAXABLE DOMESTIC SHAREHOLDERS

As long as the Company qualifies as a REIT, distributions made to the Company's taxable domestic shareholders out of current or accumulated earnings and profits (and not designated as capital gain dividends) will be taken into account by them as ordinary income and will not be eligible for the dividends received deduction for corporations. Distributions that are designated as capital gain dividends generally will be taxed as long-term capital gain (to the extent they do not exceed the Company's actual net capital gain for the taxable year) without regard to the period for which the shareholder has held its stock. Distributions in excess of current and accumulated earnings and profits will not be taxable to a shareholder to the extent that they do not exceed the adjusted basis of the shareholder's shares, but rather will reduce the adjusted basis of such shares. To the extent that such distributions exceed the adjusted basis of a shareholder's shares, they will be

included in income as long-term capital gain (or short-term capital gain if the shares have been held for one year or less) assuming the shares are a capital asset in the hands of the shareholder. For a discussion of how the Company anticipates that initial distributions will be characterized, see "Distributions." In addition, any shareholder of record on a specified date in any such month shall be treated as both paid by the Company and received by the shareholder on December 31 of such year provided that the dividend is actually paid by the Company during January of the following calendar year. Shareholders may not include in their individual income tax returns any net operating losses or capital losses of the Company.

In general, any loss upon a sale or exchange of shares by a shareholder who has held such shares for six months or less (after applying certain holding period rules) will be treated as a long-term capital loss to the extent of distributions from the Company required to be treated by such shareholder as long-term capital gain.

BACKUP WITHHOLDING

The Company will report to its domestic shareholders and the Service the amount of dividends paid during each calendar year, and the amount of tax withheld, if any. Under the backup withholding rules, a shareholder may be subject to backup withholding at the rate of 31% with respect to dividends paid unless such holder (a) is a corporation or comes within certain other exempt categories and, when required, demonstrates this fact, or (b) provides a taxpayer identification number, certifies as to no loss of exemption from backup withholding, and otherwise complies with applicable requirements of the backup withholding rules. A shareholder that does not provide the Company with his correct taxpayer identification number may also be subject to penalties imposed by the Service. Any amount paid as backup withholding will be creditable against the shareholder's income tax liability. In addition, the Company may be required to withhold a portion of capital gain distributions made to any shareholders who fail to certify their non-foreign status to the Company. See "-- Taxation of Foreign Shareholders."

TAXATION OF TAX-EXEMPT SHAREHOLDERS

Tax-exempt entities, including qualified employee pension and profit sharing trusts and individual retirement accounts ("Exempt Organizations"), generally are exempt from federal income taxation. However, they are subject to taxation on their unrelated business taxable income ("UBTI"). While many investments in real estate generate UBTI, the Service has issued a published ruling that dividend distributions by a REIT to an exempt employee pension trust do not constitute UBTI, provided that the shares of the REIT are not otherwise used in an unrelated trade or business of the exempt employee pension trust. Based on that ruling, amounts distributed by the Company to Exempt Organizations generally should not constitute UBTI. However, if an Exempt Organization finances its acquisition of the Common Shares with debt, a portion of its income from the Company will constitute UBTI pursuant to the "debt-financed property" rules. Furthermore, social clubs, voluntary employee benefit associations, supplemental unemployment benefit trusts, and qualified group legal services plans that are exempt from taxation under paragraphs (7), (9), (17), and (20), respectively, of Code Section 501(c) are subject to different UBTI rules, which generally will require them to characterize distributions from the Company as UBTI.

Notwithstanding the above, however, a portion of the dividends paid by a "pension held REIT" shall be treated as UBTI as to any trust which (i) is described at Section 401(a) of the Code, (ii) tax exempt under Section 501(a) of the Code and (iii) holds more than 10% (by value) of the interests in the REIT. Tax exempt pension funds that are described in Section 401(a) of the Code are referred to below as "qualified trusts."

A REIT is a "pension held REIT" if (i) it would not have qualified as a REIT but for the fact that Section 856(h)(3) of the Code provides that stock owned by qualified trusts shall be treated, for purposes of the "not closely held" requirement, as owned by the beneficiaries of the trust rather than by the trust itself and (ii) either (a) at least one such qualified trust holds more than 25% (by value) of the interest in the REIT, or (b) one or more of such qualified trusts, each of which owns more than 10% (by value) of the interests in the REIT, hold in the aggregate more than 50% (by value) of the interests in the REIT. The percentage of any REIT dividend treated as UBTI is equal to the ratio of (i) the UBTI earned by the REIT (treating the REIT

as if it were a qualified trust and therefore subject to tax on UBTI) to (ii) the total gross income of the REIT. A de minimis exception applies where the percentage is less than 5% for any year. The provisions requiring qualified trusts to treat a portion of REIT distributions as UBTI will not apply if the REIT is able to satisfy the "not closely held" requirement without relying upon the look through exception with respect to qualified trusts. As a result of certain limitations on transfer and ownership of Common Shares contained in the Declaration of Trust, the Company does not expect to be classified as a "pension held REIT."

While an investment in the Company by an Exempt Organization generally is not expected to result in UBTI except in the circumstances described herein, any gross UBTI that does arise from such an investment will be combined with all other gross UBTI of the Exempt Organization for a taxable year and reduced by all deductions attributable to the UBTI plus \$1,000. Any amount then remaining will constitute UBTI on which the Exempt Organization will be subject to tax. If the gross income taken into account in computing UBTI exceeds \$1,000, the Exempt Organization is obligated to file a tax return for such year on IRS Form 990-T.

Neither the Company, the Board of Trustees, nor any of their Affiliates expects to undertake the preparation for filing of IRS Form 990-T for any Exempt Organization in connection with an investment by such Exempt Organization in the Common Shares. Generally, IRS Form 990-T must be filed with the Service by April 15 of the year following the year to which it relates.

TAXATION OF FOREIGN SHAREHOLDERS

The rules governing United States federal income taxation of nonresident alien individuals, foreign corporations, foreign partnerships and other foreign shareholders (collectively, "Non-U.S. Shareholders") are complex and no attempt will be made herein to provide more than a summary of such rules. Prospective Non-U.S. Shareholders should consult with their own tax advisors to determine the impact of federal, state and local income tax laws with regard to an investment in shares, including any reporting requirements.

Distributions by the Company that are neither attributable to gain from sales or exchanges by the Company of United States real property interests nor designated by the Company as capital gains dividends will be treated as dividends of ordinary income to the extent that they are made out of current or accumulated earnings and profits of the Company. Such distributions, ordinarily, will be subject to a withholding tax equal to 30% of the gross amount of the distribution unless an applicable tax treaty reduces or eliminates that tax. However, if income from the investment in the shares is treated as effectively connected with the conduct by the Non-U.S. Shareholder of a United States trade or business, the Non-U.S. Shareholder generally will be subject to a tax at graduated rates, in the same manner as U.S. Shareholders are taxed with respect to such dividends (and may also be subject to the 30% branch profits tax in the case of a shareholder that is a foreign corporation). The Company expects to withhold United States income tax at the rate of 30% on the gross amount of any such dividends made to a Non-U.S. Shareholder unless (i) a lower treaty rate applies; or (ii) the Non-U.S. Shareholder files the Service's Form 4224 with the Company certifying that the investment to which the distribution relates is effectively connected to a United States trade or business of such Non-U.S. Shareholder. Lower treaty rates applicable to dividend income may not necessarily apply to dividends from a REIT such as the Company, however. Distributions in excess of current and accumulated earnings and profits of the Company will not be taxable to a shareholder to the extent that they do not exceed the adjusted basis of the shareholder's shares, but rather will reduce the adjusted basis of such shares. To the extent that such distributions exceed the adjusted basis of a Non-U.S. Shareholder's shares, they will give rise to gain from the sale or exchange of his shares, the tax treatment of which is described below. If it cannot be determined at the time a distribution is made whether or not such distribution will be in excess of current and accumulated earnings and profits, the distributions will be subject to withholding at the same rate applicable to dividends. However, amounts thus withheld are refundable if it is subsequently determined that such distribution was, in fact, in excess of current and generally accumulated earnings and profits of the Company. For a discussion of how the Company anticipates that initial distributions will be characterized, see "Distributions."

Distributions that are designated by the Company at the time of distribution as capital gains dividends (other than those arising from the disposition of a United States real property interest) generally will not be subject to taxation, unless (i) investment in the shares is effectively connected with the Non-U.S. Shareholder's United States trade or business, in which case the Non-U.S. Shareholder will be subject to the

same treatment as U.S. shareholders with respect to such gain (except that a shareholder that is a foreign corporation may also be subject to the 30% branch profits tax); or (ii) the Non-U.S. Shareholder is a nonresident alien individual who was present in the United States for 183 days or more during the taxable year and has a "tax home" in the United States, in which case the nonresident alien individual will be subject to a 30% tax on the individual's capital gains.

For any year in which the Company qualifies as a REIT, distributions that are attributable to gain from sales or exchanges by the Company of United States real property interests will be taxed to a Non-U.S. Shareholder under the provisions of the Foreign Investment in Real Property Tax Act of 1980, as amended ("FIRPTA"). Under FIRPTA, these distributions are taxed to a Non-U.S. Shareholder as if such gain were effectively connected with a United States trade or business. Non-U.S. Shareholders would thus be taxed at the same capital gain rates applicable to U.S. shareholders (subject to applicable alternative minimum tax and a special alternative minimum tax in the case of nonresident alien individuals). Also, distributions subject to FIRPTA may be subject to a 30% branch profits tax in the hands of a foreign corporate shareholder not entitled to treaty exemption. The Company is required by applicable Treasury Regulations to withhold 34% of any distribution attributable to the disposition of a United States real property interest. This amount is creditable against the Non-U.S. Shareholder's United States federal income tax liability.

Gain recognized by a Non-U.S. Shareholder upon a sale or other disposition of shares generally will not be subject to United States federal income tax if the Company is a "domestically controlled REIT", defined generally as a REIT in which at all times during a specified testing period less than 50% in value of the stock was held directly or indirectly by foreign persons. It is currently anticipated that the Company will be a "domestically controlled REIT", and therefore the sale of shares will not be subject to taxation under FIRPTA. However, gain not subject to FIRPTA will be taxable to a Non-U.S. Shareholder if (i) investment in the shares is effectively connected with the Non-U.S. Shareholder's United States trade or business, in which case the Non-U.S. Shareholder will be subject to the same treatment as U.S. shareholders with respect to such gain (except that a shareholder that is a foreign corporation may also be subject to the 30% branch profits tax); or (ii) the Non-U.S. Shareholder is a nonresident alien individual who was present in the United States for 183 days or more during the taxable year and has a "tax home" in the United States, in which case the nonresident alien individual will be subject to a 30% tax on the individual's capital gains. If the Company is not a "domestically controlled REIT," the Non-U.S. Shareholder will be subject to the same treatment as U.S. shareholders with respect to such gain (subject to applicable alternative minimum tax and a special alternative minimum tax in the case of nonresident alien individuals and, in the case of foreign corporations, subject to the possible applications of the 30% branch profits tax).

The United States Treasury has recently issued proposed Treasury Regulations regarding withholding and information reporting rules discussed above. In general, the proposed Treasury Regulations do not alter the substantive withholding and information reporting requirements but unify current certification procedures and forms and clarify and modify reliance standards. If finalized in their current form, the proposed Treasury Regulations would generally be effective for payments made after December 31, 1997, subject to certain transition rules.

OTHER TAX CONSEQUENCES

The Company and its shareholders may be subject to state or local taxation in various state or local jurisdictions, including those in which it or they transact business or reside. The state and local tax treatment of the Company and its shareholders may not conform to the federal income tax consequences discussed above. Consequently, prospective shareholders should consult their own tax advisors regarding the effect of state and local tax laws on an investment in the Company.

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ERISA CONSIDERATIONS

The following is intended to be a summary only and is not a substitute for careful planning with a professional. Employee benefit plans subject to ERISA and other sections of the Code considering purchasing the Common Shares should consult with their own tax or other appropriate counsel regarding the application of ERISA and the Code to their purchase of the Common Shares. Plans should also consider the entire discussion under the heading of "Material Federal Income Tax Considerations", as material contained therein is relevant to any decision by a Plan to purchase the Common Shares.

Certain employee benefit plans and IRAs (collectively, "Plans"), are subject to various provisions of the Employee Retirement Income Security Act of 1974, as amended ("ERISA"), and the Code. Before investing in the Common Shares of the Company, a Plan fiduciary should ensure that such investment is in accordance with ERISA's general fiduciary standards. In making such a determination, a Plan fiduciary should ensure that the investment is in accordance with the governing instruments and the overall policy of the Plan, and that the investment will comply with the diversification and composition requirements of ERISA. In addition, provisions of ERISA and the Code prohibit certain transactions in Plan assets that involve persons who have specified relationships with a Plan ("disqualified persons"). The consequences of such prohibited transactions include the imposition of excise taxes, disqualifications of IRAs and other liabilities. A Plan fiduciary should ensure that any investment in the Common Shares will not constitute such a prohibited transaction.

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UNDERWRITING

Pursuant to the Underwriting Agreement, and subject to the terms and conditions thereof, the Underwriters named below, acting through J.C. Bradford & Co., A.G. Edwards & Sons, Inc., Legg Mason Wood Walker, Incorporated, Lehman Brothers Inc., PaineWebber Incorporated and Stephens Inc., as representatives of the several Underwriters (the "Representatives"), have agreed, severally, to

purchase from the Company the number of Common Shares set forth below opposite their respective names:

<TABLE>
<CAPTION>

NAME OF UNDERWRITER -----	NUMBER OF SHARES -----
<S>	<C>
J.C. Bradford & Co.....	
A.G. Edwards & Sons, Inc.....	
Legg Mason Wood Walker, Incorporated.....	
Lehman Brothers Inc.....	
PaineWebber Incorporated.....	
Stephens Inc.....	

Total.....	17,000,000
	=====

</TABLE>

In the Underwriting Agreement, the Underwriters have agreed, subject to the terms and conditions therein set forth, to purchase all Common Shares offered hereby if any of such shares are purchased.

The Company has been advised by the Representatives that the Underwriters propose initially to offer the Common Shares to the public at the public offering price set forth on the cover page of this Prospectus, and to certain dealers, who may include the Underwriters, at such public offering price less a selling concession not in excess of \$ per share. The Underwriters may allow, and such dealers may reallow, a concession not in excess of \$ per share to certain other brokers or dealers. After the Offering, the public offering price and the concession to certain dealers and the reallowances may be changed by the Representatives. The Representatives have informed the Company that the Underwriters do not intend to confirm sales to accounts over which they exercise discretionary authority.

The offering of the Common Shares is made for delivery when, as, and if accepted by the Underwriters and subject to prior sale and to withdrawal, cancellation, or modification of the offer without notice. The Underwriters reserve the right to reject any order for the purchase of the shares.

The Company has granted to the Underwriters an option, exercisable not later than 30 days after the date of the effectiveness of the Offering, to purchase up to 2,550,000 Common Shares to cover over-allotments, if any. To the extent the Underwriters exercise this option, each of the Underwriters will have a firm commitment to purchase approximately the same percentage thereof that the number of Common Shares to be purchased by it shown in the table above bears to the total number of shares in such table, and the Company will be obligated, pursuant to the option, to sell such shares to the Underwriters. The Underwriters may exercise such option only to cover over-allotments made in connection with the sale of the Common Shares offered hereby. If purchased, the Underwriters will sell these additional shares on the same terms as those on which the shares are being offered.

The Company will pay an advisory fee equal to 0.50% of the gross proceeds of the Offering (including any exercise of the Underwriters' over-allotment option) to J.C. Bradford & Co. for advisory services in connection with the evaluation, analysis and structuring of the Company's formation and the Offering.

Subject to applicable limitations, the Underwriters, in connection with the Offering, may place bids for or make purchases of the Common Shares in the open market or otherwise, for long or short account, or cover short positions incurred, to stabilize, maintain, or otherwise affect the price of the Common Shares, which might be higher than the price that otherwise might prevail in the open market. There can be no assurance that the price of the Common Shares will be stabilized, or that stabilizing, if commenced, will not be discontinued at any time. Subject to applicable limitations, the Underwriters may also place bids or make purchases on behalf of the underwriting syndicate to reduce a short position created in connection with the Offering.

The Underwriting Agreement provides that the Company will indemnify the Underwriters and their controlling persons, if any, against certain liabilities, including liabilities under the Securities Act, or will contribute to payments that the Underwriters or any such controlling persons may be required to make in respect thereto.

The Company has agreed with the Representatives for a period of 180 days

after the consummation of the Offering, subject to certain exceptions, not to offer to sell, contract to sell, or otherwise sell, dispose of, or grant any rights with respect to any Common Shares, any options or warrants to purchase any Common Shares, or any securities convertible into or exchangeable for Common Shares other than the Company's sales of shares in the Offering and the Company's issuance of options and shares under the Share Incentive Plan, without the prior written consent of J.C. Bradford & Co. In addition, certain affiliates of the Company have agreed that, for a period of 24 months following the completion of the Offering, they and their affiliates will not, without prior written consent of J.C. Bradford & Co., subject to certain exceptions, issue, sell, contract to sell, or otherwise dispose of, any Common Shares, any options or warrants to purchase any Common Shares or any securities convertible into, exercisable for or exchangeable for Common Shares. J.C. Bradford & Co. may, in its sole discretion and at any time without notice, release all or any portion of the securities subject to lock-up agreements.

The Common Shares have been approved for listing on the NYSE, subject to official notice of issuance. Prior to the Offering, however, there has been no public market for the Common Shares. The initial public offering price will be determined through negotiations among the Company and the Representatives. Among the factors to be considered in such negotiations will be the prevailing market conditions, the expected results of operations of the Company, evaluation of the Initial Facilities and the Option Facilities, estimates of the business potential and earnings prospects of the Company, the current state of the Company's industry and the economy as a whole. The evaluation of the Initial Facilities and the Option Facilities will be based on an evaluation of CCA's operation of the Facilities as a whole rather than the valuation of individual properties. The initial public offering price to be set forth on the cover page of this Prospectus should not, however, be considered an indication of the actual value of the Common Shares. Such price is subject to change as a result of market conditions and other factors.

EXPERTS

The audited financial statements of CCA for each of the three years in the period ended December 31, 1996 and the audited balance sheet of the Company as of April 23, 1997, which are included in this Prospectus, have been included in reliance on the reports of Arthur Andersen LLP, independent public accountants, given on the authority of that firm as experts in accounting and auditing.

LEGAL MATTERS

The validity of the Common Shares offered hereby will be passed upon for the Company by Stokes & Bartholomew, P.A., Nashville, Tennessee, and certain legal matters will be passed upon for the Underwriters by Bass, Berry & Sims PLC, Nashville, Tennessee. Stokes & Bartholomew, P.A. and Bass, Berry & Sims PLC will rely as to all matters of Maryland law on the opinion of Miles & Stockbridge, a Professional Corporation, Baltimore, Maryland. Certain matters relating to the purchase and leasing of the Facilities will be passed upon for the Company by Sherrard & Roe, PLC, Nashville, Tennessee. In addition, the description of federal income tax consequences contained in this Prospectus entitled "Material Federal Income Tax Considerations" is based upon the opinions of Stokes & Bartholomew, P.A., and Sherrard & Roe, PLC. In addition to providing services to the Company, Stokes & Bartholomew, P.A. also provides legal services to CCA, including in connection with certain of the Formation Transactions. Samuel W. Bartholomew, Jr., a shareholder of Stokes & Bartholomew, P.A., is a director of CCA.

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GLOSSARY

Unless the context otherwise requires, the following capitalized terms shall have the meanings set forth below for the purposes of this Prospectus:

"ADA" means the Americans with Disabilities Act of 1990, as amended.

"Audit Committee" means the committee to be established by the Board of Trustees to make recommendations concerning the Company's accounting practices, including the engagement and review of independent public accountants.

"Bank Credit Facility" means the line of credit for which the Company anticipates that it will obtain, which will be utilized primarily to fund the acquisition or expansion of additional correctional facilities.

"Base Rent" means the fixed base rent payable under the Leases.

"Base Rent Escalation" means, for any year, the increase in minimum rent equal to a percentage of the rent applicable to a particular property for the preceding year which percentage is the greater of (i) 4% or (ii) the percentage which is 25% of the percentage increase in the gross management revenues realized by CCA from such leased property exclusive of any increase attributable to expansion in the size of or number of beds in such property.

"Beneficiary" means one or more charitable organizations that are designated by the Company as the beneficiary of a Share Trust.

"Board of Trustees" means the Board of Trustees of the Company.

"BOP" means the Federal Bureau of Prisons.

"Built-in Gain" means the difference between the fair market value and the adjusted basis of a Built-In Gain Asset.

"Built-in Gain Asset" means an asset acquired by the Company in certain transactions from a corporation which is or has been a C Corporation.

"Business Combinations" means any business combination as defined in the Declaration of Trust.

"Bylaws" means the bylaws of the Company, as amended.

"CCA" means Corrections Corporation of America, a Tennessee corporation.

"Cash Available for Distribution" means net income (loss) computed in accordance with generally accepted accounting principles of the Company plus depreciation and amortization minus capital expenditures and principal payments on indebtedness.

"Capital Addition" means construction or other capital improvements to a particular property which is leased between the Company as landlord and CCA as tenant.

"Change of Control" with respect to the Company means the acquisition of 20% or more of the combined voting power of the Company by a person or group.

"Change of Control" with respect to CCA means, for purposes of the Leases, any of the following transactions (individually, a "Transaction"): (i) the issuance and/or sale by CCA or the sale by any shareholder of CCA of a controlling interest in CCA to a person or entity other than an affiliate of CCA, 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"); (ii) the sale, conveyance or other transfer of all or substantially all of the assets of CCA (whether by operation of law or otherwise); (iii) any other transaction, or series of transactions, which results in the affiliates of CCA no longer having control of CCA (other than through a Registered Offering); or (iv) any transaction pursuant to which CCA is merged with or consolidated into another entity (other than an entity owned and controlled by an affiliate of CCA), and CCA is not the surviving entity.

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"Code" means Internal Revenue Code of 1986, as amended.

"Compensation Committee" means the committee to be established by the Board of Trustees to determine compensation for the Company's executive officers.

"Commission" means the Securities and Exchange Commission.

"Common Shares" means the Common Shares, par value \$0.01 per share, of the Company.

"Company" means CCA Prison Realty Trust, a Maryland real estate investment trust.

"Company Mortgagee" means any holder of a mortgage, deed of trust or other security agreement on a Leased Property.

"Coverage Ratio" means the ratio of CCA's net operating income to CCA's lease payment.

"Declaration of Trust" means the Amended and Restated Declaration of Trust of the Company.

"Disqualified Persons" means those persons who have specified relationships with Plans.

"Environmental Law" means any federal, state or local law, ordinance, regulation, order or decree relating to the protection of human health or the environment.

"ERISA" means the Employee Retirement Income Security Act of 1974, as amended.

"Event of Default" means an event which constitutes a default under the Leases between the Company as landlord and CCA as tenant.

"Exchange Act" means the Securities Exchange Act of 1934, as amended.

"Extended Terms" means the options to extend the term of each Lease at fair market rates for three five-year periods upon the mutual agreement of the parties.

"Facility" or "Facilities" means the Initial Facilities and the Option Facilities, including the land, buildings and other improvements, that are the subject of leases between the Company as landlord and CCA as tenant.

"FIRPTA" means the Foreign Investment in Real Property Tax Act of 1980, as amended.

"Fixed Term" means the primary term of each Lease which shall be for a term ranging from 10 to 12 years.

"Formation Transaction" means the series of transactions described in "The Formation Transactions" in this Prospectus.

"Funds from Operations" means in accordance with the resolution adopted by the Board of Governors of NAREIT, net income (loss) (computed in accordance with GAAP), excluding significant non-recurring items, gains (or losses) from debt restructuring and sales of property, plus depreciation and amortization on real estate assets, and after adjustments for unconsolidated partnerships and joint ventures.

"Future Facility" means any correctional or detention facility acquired or developed by the Company in the future.

"Independent Committee" means the independent committee of the Board of Trustees, consisting of the seven Independent Trustees.

"Independent Trustees" means the trustees who are not employed by the Company and who are unaffiliated with CCA.

"Initial Facilities" means the nine correctional and detention facilities which the Company will purchase from CCA pursuant to the Purchase Agreement.

"IRAs" means individual retirement accounts and individual retirement annuities.

"Leases" or "Lease" means the leases between the Company as landlord and CCA as tenant with respect to the Initial Facilities.

"Leased Property" means the Company's rights and interest in and to each Facility, including land, buildings and improvements, related easements and rights, and fixtures and certain personal property located at each Facility.

"Look through rule" means the ERISA rule providing that in certain circumstances where a Plan holds an interest in an entity, the assets of the entity are deemed to be the Plan's assets.

"Market Price" means the last reported sales price of the Common Shares or Preferred Shares 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 Trustees.

"Master Lease" means the lease agreement between the Company as landlord and CCA as tenant.

"MGCL" means the Maryland General Corporation Law.

"NAREIT" means the National Association of Real Estate Investment Trusts.

"Noncompetition Agreement" means the noncompetition agreement between CCA and the Company.

"Non-Employee Trustees' Plan" means the Company's Non-Employee Trustees' Share Option Plan.

"Non-U.S. Shareholders" means nonresident alien individuals, foreign corporations, foreign partnerships and other foreign shareholders.

"NYSE" means the New York Stock Exchange.

"Offering" means the offering of Common Shares of the Company, pursuant to this Prospectus.

"Offering Price" means the initial public offering price of the Common Shares, estimated to be \$20.00 per share.

"Option Agreements" means the agreements between CCA and the Company pursuant to which the Company will have an option (for a period of three years from the closing of the purchase of the Initial Facilities) to purchase any or all of the five Option Facilities.

"Option Facilities" means the five correctional and detention facilities which the Company has the option to purchase pursuant to the Option Agreements.

"Ownership Limit" means the direct or constructive ownership by any shareholder or group of affiliated shareholders of more than 9.8% of the outstanding Common Shares or more than 9.8% of the outstanding Preferred Shares.

"Ownership Limit Provision" means the provision of the Declaration of Trust that prohibits the direct or constructive ownership by any shareholder or group of affiliated shareholders of more than 9.8% of the outstanding Common Shares or more than 9.8% of the Preferred Shares.

"Preferred Shares" means preferred shares, par value \$0.01 per share, of the Company.

"Prohibited Owner" means who would be record owner of Common Shares or Preferred Shares but for the ownership limitations set forth in the Declaration of Trust.

"Purchase Agreement" means the agreement between CCA and the Company pursuant to which CCA will sell the nine Initial Facilities to the Company.

"Recognition Period" means the recognition period pertaining to Built-in Gain as defined pursuant to Treasury Regulations to be issued

under Section 337(d) of the Code.

"REIT" means real estate investment trust as defined in Section 856 of the Code.

"Related Party Tenant" means a tenant of a REIT in which the REIT, or an owner of 10% or more of the REIT, directly or constructively owns a 10% or greater ownership interest.

"Rent" means rents paid by CCA pursuant to the Leases.

"Right to Purchase Agreement" means the agreement between CCA and the Company whereby the Company has an option to acquire certain future facilities of CCA and whereby the Company will have a right of first refusal in the event CCA obtains an acceptable offer to acquire or provide first mortgage financing for any correctional or detention facility.

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

"Securities Act" means the Securities Act of 1933, as amended.

"Service" means the Internal Revenue Service.

"Service Commencement Date" means the date CCA first receives inmates at a facility.

"Share Incentive Plan" means the Company's 1997 Employee Share Incentive Plan.

"Share Trust" means any separate trust created pursuant to the Declaration of Trust to hold Shares-in-Trust for the benefit of the Beneficiary.

"Share Trustee" means any person or entity unaffiliated with both the Company and any Prohibited Owner which is designated by the Company to serve as trustee of the Share Trust.

"Shares-in-Trust" means Common Shares or Preferred Shares designated as Shares-in-Trust pursuant to the Declaration of Trust, which is held in trust by the Share Trustee for the benefit of the Beneficiary.

"Treasury Regulations" means existing, temporary and currently proposed Treasury regulations that have been promulgated under the Code.

"UBTI" means "unrelated business taxable income" as defined in Section 512(a) of the Code.

"White Paper" means the White Paper on Funds from Operations approved by the Board of Governors or NAREIT in March 1995.

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REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To CCA Prison Realty Trust:

We have audited the accompanying balance sheet of CCA Prison Realty Trust (a Maryland real estate investment trust) as of April 23, 1997. This financial statement is the responsibility of the Company's management. Our responsibility is to express an opinion on the financial statement based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the balance sheet is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the balance sheet. 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 audit provides a reasonable basis for our opinion.

In our opinion, the balance sheet referred to above presents fairly, in all material respects, the financial position of CCA Prison Realty Trust as of April 23, 1997, in conformity with generally accepted accounting principles.

/s/ ARTHUR ANDERSEN LLP

ARTHUR ANDERSEN LLP

Nashville, Tennessee
April 23, 1997

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CCA PRISON REALTY TRUST
(A MARYLAND REAL ESTATE INVESTMENT TRUST)

BALANCE SHEET
APRIL 23, 1997

<TABLE>
<S>

	ASSETS	
Cash and cash equivalents.....		\$1,000
		=====

<C>

LIABILITIES AND SHAREHOLDERS' EQUITY
Shareholders' equity:
Preferred shares, \$.01 par value; 10,000,000 shares authorized;

none outstanding.....	\$ --
Common shares, \$.01 par value; 90,000,000 shares authorized;	
1,000 shares issued and outstanding.....	1,000

	\$1,000
	=====

</TABLE>

The accompanying notes are an integral part of this balance sheet.

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CCA PRISON REALTY TRUST
(A MARYLAND REAL ESTATE INVESTMENT TRUST)

NOTES TO BALANCE SHEET
APRIL 23, 1997

1. ORGANIZATION

CCA Prison Realty Trust (the "Company") was formed April 23, 1997 as a Maryland real estate investment trust. The Company has had no operations to date but has issued 1,000 Common Shares to a founding shareholder.

2. FEDERAL INCOME TAXES

At the earliest possible date, the Company plans to qualify as a real estate investment trust ("REIT") under the Internal Revenue Code and, accordingly, will not be subject to federal income taxes on amounts distributed to shareholders provided that it distributes at least 95% of its real estate investment trust taxable income and meets certain other requirements.

3. PREFERRED SHARES

No preferred shares are outstanding. Preferred shares may be issued from time to time without shareholder approval with terms and conditions established by the Board of Trustees of the Company.

4. INTENTIONS OF THE COMPANY (UNAUDITED)

The Company has announced its intention to sell 17,000,000 Common Shares in an initial public offering. Immediately after the closing of the Offering, the Company intends to consummate the following transactions with Corrections Corporation of America ("CCA"): (a) purchase of nine correctional and detention facilities for \$308.1 million and enter into triple net leases with CCA for original fixed terms of 10 to 12 years with renewal terms upon the mutual agreement of both parties for three additional five-year terms, (b) option agreements to purchase an additional five correctional and detention facilities at a total estimated purchase price of \$193.0 million with similar leaseback terms, (c) trade name and noncompetition agreements between the Company and CCA, and (d) an agreement that provides the Company a right to purchase other facilities from CCA.

The Company will be dependent on CCA for its initial revenues. Also, due to the nature of the business and the contractual relationships with CCA, including the operating leases, the Company's ability to be successful is dependent on a number of factors, including key personnel, continuing qualification as a REIT and continued availability of financial resources.

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CORRECTIONS CORPORATION OF AMERICA
PRO FORMA CONSOLIDATED FINANCIAL STATEMENTS

The following pro forma consolidated financial statements represent the unaudited pro forma financial results for CCA as of March 31, 1997 and for the three months ended March 31, 1997 and the year ended December 31, 1996. The Pro Forma Consolidated Statements of Operations are presented as if the Formation Transactions had occurred as of the beginning of the period indicated and incorporate certain assumptions that are included in the Notes to Pro Forma Consolidated Statements of Operations. The Pro Forma Consolidated Balance Sheet is presented as if the Formation Transactions had occurred on March 31, 1997. The pro forma information does not purport to represent what CCA's financial position or results of operations actually would have been had the Formation Transactions, in fact, occurred on such date or at the beginning of the period indicated, or to project CCA's financial position or results of operations at any future date or any future period.

CORRECTIONS CORPORATION OF AMERICA
PRO FORMA CONSOLIDATED BALANCE SHEET

<TABLE>
<CAPTION>

		AS OF MARCH 31, 1997		
		ACTUAL	ADJUSTMENTS	PRO FORMA
		(IN THOUSANDS)		
<S>	<C>	<C>	<C>	<C>
ASSETS				
Cash, cash equivalents and restricted cash.....	\$ 7,101	\$ 298,953 (a)		\$174,701
		(131,940) (c)		
		587 (d)		
Accounts receivable, net of allowances.....	69,743			69,743
Other.....	6,604			6,604
	-----			-----
Total current assets.....	83,448			251,048
	-----			-----
Property and equipment.....	382,492	(173,557) (a)		208,935
Accumulated depreciation.....	(25,767)	12,742 (a)		(13,025)
	-----			-----
Property and equipment, net.....	356,725			195,910
	-----			-----
Restricted investments.....	587	(587) (d)		--
Notes receivable.....	22,748			22,748
Other assets.....	34,787	3,728 (b) (c)		37,865
		(650) (a)		
Investment in direct financing leases.....	68,622			68,622
	-----			-----
Total assets.....	\$566,917	\$ 9,276		\$576,193
	=====	=====		=====
LIABILITIES AND STOCKHOLDERS' EQUITY				
Current portion of long-term debt.....	\$ 7,249	\$ (7,249) (c)		\$ --
Accounts payable.....	42,214			42,214
Other accrued expenses.....	25,763	8,540 (b)		34,303
	-----			-----
Total current liabilities.....	75,226			76,517
	-----			-----
Long-term debt:				
Revolving line of credit.....	79,568	(79,568) (c)		--
Notes payable, less current portion.....	45,123	(45,123) (c)		--
Convertible subordinated notes.....	64,500			64,500
	-----			-----
Total long-term debt.....	189,191			64,500
	-----			-----
Deferred tax liabilities.....	4,812	(4,812) (b)		--
Deferred gain on sale of Facilities.....	--	137,488 (a)		137,488
Other noncurrent liabilities.....	742			742
Total stockholders' equity.....	296,946			296,946
	-----			-----
Total liabilities and stockholders' equity...	\$566,917	\$ 9,276		\$576,193
	=====	=====		=====

</TABLE>

CORRECTIONS CORPORATION OF AMERICA
NOTES TO PRO FORMA CONSOLIDATED BALANCE SHEET

The Company's anticipated transactions, reflected on a pro forma basis, as if the transactions had occurred on March 31, 1997, are as follows:

(a) To record the sale of the nine Initial Facilities to CCA Prison Realty Trust for \$308.1 million. The Facilities' net book value of \$162.5 million and other costs of the sale result in a total deferred gain of \$137.5 million which will be amortized over the lives of the leases entered into coincident with the sale. Prepayment obligations, the reduction in

unamortized loan costs incurred as a result of the retirement of certain debt obligations and certain other costs of the sale reduced the deferred gain on the sale.

(b) To record current liabilities and deferred tax assets for the future recognition of the gain and related taxes over the lives of the Initial Facility leases. An effective tax rate of 39% is assumed on the deferred gain.

(c) To record the retirement of debt and reduction of unamortized debt costs as a result of the sale of the nine Initial Facilities.

(d) Cash no longer restricted due to the early repayment of related debt is reclassified to current assets.

(e) CCA plans to account for the Leases of the nine Initial Facilities as operating leases.

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CORRECTIONS CORPORATION OF AMERICA
PRO FORMA CONSOLIDATED STATEMENT OF OPERATIONS

<TABLE>
<CAPTION>

	YEAR ENDED DECEMBER 31, 1996		
	ACTUAL	ADJUSTMENTS	PRO FORMA
	(IN THOUSANDS)		
<S>	<C>	<C>	<C>
Revenues:.....	\$292,513	\$ --	\$292,513
Costs and expenses:			
Operating.....	213,173	14,302 (a)	227,475
General and administrative.....	13,428	(86) (d)	13,342
Depreciation and amortization.....	11,339	(2,331) (b)	9,008
	-----	-----	-----
Operating income.....	237,940	11,885	249,825
Interest expense, net.....	54,573	(11,885)	42,688
	4,224	(3,772) (c)	452
	-----	-----	-----
Income before income taxes.....	50,349	(8,113)	42,236
Provision for income taxes.....	19,469	(5,920) (e)	13,549
	-----	-----	-----
Net income.....	30,880	(2,193)	28,687
Preferred stock dividends.....	--	--	--
	-----	-----	-----
Net income allocable to common stockholders.....	\$ 30,880	\$ (2,193)	\$ 28,687
	=====	=====	=====
Net income per common share:			
Primary.....	\$ 0.38	\$ (0.03)	\$ 0.35
Fully-diluted.....	\$ 0.36	\$ (0.02)	\$ 0.34
Weighted average common shares outstanding.....	81,664	81,664	81,664

</TABLE>

The Company's anticipated transactions, reflected on a pro forma basis, as if the transactions had occurred on January 1, 1996, are as follows:

(a) To record rent expense, net of the amortized gain on the sale of the Initial Facilities. Actual results of operations as reported do not include a full year of earnings for certain Initial Facilities with increased capacity becoming operational during 1996 and one facility opening during 1997; accordingly, the lease payments and deferred gain amortization have been reduced by \$11.0 million and \$4.3 million, respectively. The additional expenses also reflect an amount expected to be expended by CCA each year to maintain the facilities according to the lease requirements.

(b) To reduce depreciation expense on facilities sold.

(c) To reduce interest expense on debt no longer outstanding as a result of the sale of facilities.

(d) To record a reduction in state franchise taxes based upon the sale of the facilities.

(e) To adjust income tax expense to the expected effective tax rate.

(f) The pro forma income statement has not provided for interest income on the cash balances expected as a result of the sale of the facilities. Assuming a return on investment of 5%, average cash balances on

hand after the sale, payment of related taxes, payment of monthly lease payments, and debt retirement would yield interest income of \$7,166 for the year ended December 31, 1996.

(g) CCA plans to account for the Leases of the nine Initial Facilities as operating leases.

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CORRECTIONS CORPORATION OF AMERICA
PRO FORMA CONSOLIDATED STATEMENT OF OPERATIONS

<TABLE>
<CAPTION>

	THREE MONTHS ENDED MARCH 31, 1997		
	ACTUAL	ADJUSTMENTS	PRO FORMA
	(IN THOUSANDS)		
<S>	<C>	<C>	<C>
Revenues:.....	\$91,838	\$ --	\$91,838
Costs and expenses:			
Operating.....	63,919	4,413 (a)	68,332
General and administrative.....	3,595	(22) (d)	3,573
Depreciation and amortization.....	3,923	(1,071) (b)	2,852
Operating income.....	71,437	3,320	74,757
Interest expense (income), net.....	20,401	(3,320)	17,081
Income before income taxes.....	498	(1,182) (c)	(684)
Income tax provision.....	19,903	(2,138)	17,765
Net income.....	7,908	(1,748) (e)	6,160
Preferred stock dividends.....	11,995	(390)	11,605
Net income allocable to common stockholders.....	--	--	--
Net income per common share:			
Primary.....	\$ 0.14	\$ --	\$ 0.14
Fully-diluted.....	\$ 0.14	\$ --	\$ 0.14
Weighted average common shares outstanding.....	83,942	83,942	83,942

</TABLE>

The Company's anticipated transactions, reflected on a pro forma basis, as if the transactions had occurred on January 1, 1996, are as follows:

(a) To record rent expense, net of the amortized gain on the sale of the Initial Facilities. Actual results of operations as reported do not include a full quarter of earnings for certain Initial Facilities with increased capacity becoming operational during first quarter 1997; accordingly, the lease payments and deferred gain amortization have been reduced by \$1.3 million and \$0.4 million, respectively. The additional expenses also reflect an amount expected to be expended by CCA each year to maintain the facilities according to the lease requirements.

(b) To reduce depreciation expense on facilities sold.

(c) To reduce interest expense on debt no longer outstanding as a result of the sale of facilities.

(d) To record a reduction in state franchise taxes based upon the sale of the facilities.

(e) To adjust income tax expense to the expected effective tax rate.

(f) The pro forma income statement has not provided for interest income on the cash balances expected as a result of the sale of the facilities. Assuming a return on investment of 5%, average cash balances on hand after the sale, payment of related taxes, payment of monthly lease payments, and debt retirement would yield interest income of \$1,257 for the three months ended March 31, 1997.

(g) CCA plans to account for the Leases of the nine Initial Facilities as operating leases.

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To the Board of Directors and Stockholders of
 Corrections Corporation of America and Subsidiaries:

We have audited the accompanying consolidated balance sheets of CORRECTIONS CORPORATION OF AMERICA AND SUBSIDIARIES as of December 31, 1996 and 1995, and the related consolidated statements of operations, stockholders' equity and cash flows for each of the three years in the period ended December 31, 1996. 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 generally accepted auditing standards. 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.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Corrections Corporation of America and Subsidiaries as of December 31, 1996 and 1995, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 1996, in conformity with generally accepted accounting principles.

ARTHUR ANDERSEN LLP

Nashville, Tennessee
 February 18, 1997

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CORRECTIONS CORPORATION OF AMERICA AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

<TABLE>
 <CAPTION>

	DECEMBER 31,	
	1996	1995
	(IN THOUSANDS)	
<S>	<C>	<C>
ASSETS		
CURRENT ASSETS:		
Cash, cash equivalents and restricted cash.....	\$ 8,282	\$ 2,714
Accounts receivable, net of allowances.....	100,551	39,661
Prepaid expenses.....	2,940	1,569
Deferred tax assets.....	1,026	1,646
Other.....	1,643	1,020
	-----	-----
Total current assets.....	114,442	46,610
	-----	-----
RESTRICTED INVESTMENTS.....	587	443
OTHER ASSETS.....	29,405	18,752
PROPERTY AND EQUIPMENT, NET.....	288,697	137,019
NOTES RECEIVABLE.....	22,859	890
INVESTMENT IN DIRECT FINANCING LEASES.....	12,898	9,764
	-----	-----
	\$468,888	\$213,478
	=====	=====
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Accounts payable.....	\$ 39,224	\$ 10,757
Accrued salaries and wages.....	5,487	3,480
Accrued property taxes.....	1,675	1,623
Other accrued expenses.....	9,227	8,637
Current portion of long-term debt.....	8,281	11,020
	-----	-----
Total current liabilities.....	63,894	35,517
	-----	-----
LONG-TERM DEBT, NET OF CURRENT PORTION.....	117,535	74,865
DEFERRED TAX LIABILITIES.....	4,717	4,164
OTHER NONCURRENT LIABILITIES.....	990	2,228
	-----	-----
Total liabilities.....	187,136	116,774
	-----	-----
COMMITMENTS AND CONTINGENCIES		

STOCKHOLDERS' EQUITY:

Common stock -- \$1 (one dollar) par value; 150,000 shares authorized.....	75,029	64,540
Additional paid-in capital.....	165,317	16,560
Retained earnings.....	42,132	15,641
Treasury stock, at cost.....	(726)	(37)
	-----	-----
Total stockholders' equity.....	281,752	96,704
	-----	-----
	\$468,888	\$213,478
	=====	=====

</TABLE>

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

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CORRECTIONS CORPORATION OF AMERICA AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS
FOR THE YEARS ENDED DECEMBER 31, 1996, 1995 AND 1994

<TABLE>
<CAPTION>

	1996	1995	1994
	-----	-----	-----
	(IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)		
<S>	<C>	<C>	<C>
REVENUES.....	\$292,513	\$207,241	\$152,375
EXPENSES:			
Operating.....	213,173	158,814	123,540
General and administrative.....	13,428	14,288	9,413
Depreciation and amortization.....	11,339	6,524	5,753
	-----	-----	-----
OPERATING INCOME.....	54,573	27,615	13,669
INTEREST EXPENSE, NET.....	4,224	3,952	3,439
	-----	-----	-----
INCOME BEFORE INCOME TAXES.....	50,349	23,663	10,230
PROVISION FOR INCOME TAXES.....	19,469	9,330	2,312
	-----	-----	-----
NET INCOME.....	30,880	14,333	7,918
PREFERRED STOCK DIVIDENDS.....	--	--	204
	-----	-----	-----
NET INCOME ALLOCABLE TO COMMON STOCKHOLDERS.....	\$ 30,880	\$ 14,333	\$ 7,714
	=====	=====	=====
NET INCOME PER COMMON SHARE:			
Primary.....	\$.38	\$.19	\$.12
	=====	=====	=====
Fully diluted.....	\$.36	\$.18	\$.12
	=====	=====	=====
WEIGHTED AVERAGE COMMON SHARES OUTSTANDING.....	81,664	75,110	61,908
	=====	=====	=====

</TABLE>

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

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CORRECTIONS CORPORATION OF AMERICA AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 1996, 1995 AND 1994

<TABLE>
<CAPTION>

	1996	1995	1994
	-----	-----	-----
	(IN THOUSANDS)		
<S>	<C>	<C>	<C>
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net income.....	\$ 30,880	\$ 14,333	\$ 7,918
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization.....	11,339	6,524	5,753
Deferred and other noncash income taxes.....	13,117	6,162	878
Other noncash items.....	524	--	--
(Gain) loss on disposal of assets.....	(3,501)	(1,284)	11
Equity in earnings of unconsolidated entities.....	(1,098)	(619)	(422)
Changes in assets and liabilities, net of acquisitions:			
Accounts receivable.....	(55,993)	(12,750)	(7,901)

Prepaid expenses.....	(1,371)	(18)	(70)
Other current assets.....	(623)	(87)	(259)
Accounts payable.....	28,467	1,991	4,537
Accrued expenses.....	2,649	3,514	1,192
	-----	-----	-----
Net cash provided by operating activities.....	24,390	17,766	11,637
	-----	-----	-----
CASH FLOWS FROM INVESTING ACTIVITIES:			
Additions of property and equipment.....	(165,703)	(25,926)	(24,891)
Acquisition of UCLP.....	--	(5,250)	--
Increase in restricted cash and investments.....	(3,025)	(619)	(7)
Increase in other assets.....	(11,163)	(8,500)	(1,836)
Investment in affiliates, net.....	(3,138)	(3,717)	(426)
Proceeds from disposals of assets.....	6,747	3,763	25
Purchase of notes receivable.....	(22,500)	--	(900)
Increase in direct financing leases.....	(3,693)	--	--
Payments received on direct financing leases and notes receivable.....	553	328	286
	-----	-----	-----
Net cash used in investing activities.....	(201,922)	(39,921)	(27,749)
	-----	-----	-----
CASH FLOWS FROM FINANCING ACTIVITIES:			
Proceeds from issuance of long-term debt.....	74,700	7,111	15,974
Payments on long-term debt.....	(24,443)	(8,648)	(14,159)
Payments on notes payable to stockholders.....	--	--	(403)
(Payments on) proceeds from line of credit, net.....	(10,500)	13,715	270
Payment of debt issuance costs.....	(433)	(260)	--
Payments of dividends.....	--	--	(291)
Proceeds from issuance of common stock.....	131,006	7,859	10,571
Proceeds from exercise of stock options and warrants.....	9,889	868	1,137
Purchase of treasury stock and warrants.....	--	(630)	--
	-----	-----	-----
Net cash provided by financing activities.....	180,219	20,015	13,099
	-----	-----	-----
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS.....	2,687	(2,140)	(3,013)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR.....	2,145	4,285	7,298
	-----	-----	-----
CASH AND CASH EQUIVALENTS, END OF YEAR.....	\$ 4,832	\$ 2,145	\$ 4,285
	=====	=====	=====

</TABLE>

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CORRECTIONS CORPORATION OF AMERICA AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
(CONTINUED)

<TABLE>

<CAPTION>

	1996	1995	1994
	-----	-----	-----
<S>	<C>	<C>	<C>
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:			
Cash paid during the year for:			
Interest (net of amounts capitalized).....	\$ 8,979	\$ 5,145	\$ 4,854
	=====	=====	=====
Income taxes.....	\$ 6,630	\$ 3,060	\$ 1,572
	=====	=====	=====
SUPPLEMENTAL SCHEDULE OF NONCASH INVESTING AND FINANCING ACTIVITIES:			
The company entered into an international alliance and equity participation which included the deferral of the payment of certain issuance costs:			
Other assets.....	\$ --	\$ --	\$ (3,488)
Other accrued expenses.....	--	--	990
	-----	-----	-----
Other noncurrent liabilities.....	--	--	2,970
	-----	-----	-----
Additional paid-in capital.....	--	--	(472)
	-----	-----	-----
	\$ --	\$ --	\$ --
	=====	=====	=====
Long-term debt was converted into common stock through the exercise of stock warrants:			
Other assets.....	\$ --	\$ 27	\$ 9
Long-term debt.....	--	(1,428)	(357)
Common stock.....	--	400	100
Additional paid-in capital.....	--	1,001	248
	-----	-----	-----
	\$ --	\$ --	\$ --
	=====	=====	=====

Redeemable convertible preferred stock was converted into common stock:

Other assets.....	\$	--	\$	--	\$	290
Preferred stock.....		--		--		(5,000)
Common stock.....		--		--		1,400
Additional paid-in capital.....		--		--		3,310
	\$	--	\$	--	\$	--

Long-term debt was converted into common stock:

Other assets.....	\$	--	\$	53	\$	26
Long-term debt.....		--		(6,700)		(3,000)
Common stock.....		--		887		419
Additional paid-in capital.....		--		5,760		2,555
	\$	--	\$	--	\$	--

The company acquired property and equipment by assuming

long-term debt:

Property and equipment.....	\$	--	\$	(27,392)	\$	--
Long-term debt.....		--		27,392		--
	\$	--	\$	--	\$	--

</TABLE>

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

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CORRECTIONS CORPORATION OF AMERICA AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
FOR THE YEARS ENDED DECEMBER 31, 1996, 1995 AND 1994

<TABLE>
<CAPTION>

	COMMON STOCK			
	ISSUED		TREASURY	
	SHARES	AMOUNT	SHARES	AMOUNT
	(IN THOUSANDS)			
<S>	<C>	<C>	<C>	<C>
BALANCE, DECEMBER 31, 1993.....	48,600	\$48,600	(148)	\$ (340)
Issuance of common stock.....	3,712	3,712	--	--
Stock options exercised and warrants converted to stock....	3,432	3,432	70	33
Income tax benefits of incentive stock option exercises....	--	--	--	--
Conversion of long-term debt and preferred stock.....	3,636	3,636	--	--
Preferred stock dividends.....	--	--	--	--
Net income.....	--	--	--	--
BALANCE, DECEMBER 31, 1994.....	59,380	59,380	(78)	(307)
Issuance of common stock.....	1,158	1,158	--	--
Stock options exercised and warrants repurchased or converted to stock.....	2,228	2,228	74	270
Income tax benefits of incentive stock option exercises....	--	--	--	--
Conversion of long-term debt.....	1,774	1,774	--	--
Net income.....	--	--	--	--
BALANCE, DECEMBER 31, 1995.....	64,540	64,540	(4)	(37)
Issuance of common stock.....	3,700	3,700	--	--
Stock options exercised and warrants converted to stock....	6,789	6,789	(19)	(689)
Income tax benefits of incentive stock option exercises....	--	--	--	--
Compensation expense related to deferred stock awards.....	--	--	--	--
Net income.....	--	--	--	--
BALANCE, DECEMBER 31, 1996.....	75,029	\$75,029	(23)	\$ (726)

</TABLE>

<TABLE>
<CAPTION>

	ADDITIONAL PAID-IN CAPITAL	RETAINED EARNINGS (DEFICIT)	TOTAL STOCKHOLDERS' EQUITY
<S>	<C>	<C>	<C>
BALANCE, DECEMBER 31, 1993.....	\$ (10,780)	\$ (3,298)	\$ 34,182
Issuance of common stock.....	6,387	--	10,099

Stock options exercised and warrants converted to stock....	(1,430)	(550)	1,485
Income tax benefits of incentive stock option exercises....	593	--	593
Conversion of long-term debt and preferred stock.....	4,048	--	7,684
Preferred stock dividends.....	--	(204)	(204)
Net income.....	--	7,918	7,918
	-----	-----	-----
BALANCE, DECEMBER 31, 1994.....	(1,182)	3,866	61,757
	-----	-----	-----
Issuance of common stock.....	7,184	--	8,342
Stock options exercised and warrants repurchased or converted to stock.....	1,699	(2,558)	1,639
Income tax benefits of incentive stock option exercises....	3,987	--	3,987
Conversion of long-term debt.....	4,872	--	6,646
Net income.....	--	14,333	14,333
	-----	-----	-----
BALANCE, DECEMBER 31, 1995.....	16,560	15,641	96,704
	-----	-----	-----
Issuance of common stock.....	128,112	--	131,812
Stock options exercised and warrants converted to stock....	8,177	(4,389)	9,888
Income tax benefits of incentive stock option exercises....	11,944	--	11,944
Compensation expense related to deferred stock awards.....	524	--	524
Net income.....	--	30,880	30,880
	-----	-----	-----
BALANCE, DECEMBER 31, 1996.....	\$165,317	\$42,132	\$281,752
	=====	=====	=====

</TABLE>

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

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CORRECTIONS CORPORATION OF AMERICA AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 1996, 1995 AND 1994

(IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Corrections Corporation of America (together with its subsidiaries, referred to as the "company"), a Delaware corporation, operates and manages prisons and other correctional facilities and provides prisoner transportation services for governmental agencies. The company provides a full range of related services to governmental agencies, including managing, financing, designing and constructing new facilities and redesigning and renovating older facilities. The consolidated financial statements include the accounts of the company and its wholly-owned subsidiaries, TransCor America, Inc. ("TransCor"), Concept Incorporated ("Concept"), Corrections Management Affiliates, Inc. ("CMA"), Correctional Services Group, Inc. ("CSG") and CCA International, Inc. CCA International, Inc. has two wholly-owned subsidiaries, CCA France, Inc. and CCA (UK) Limited. CCA (UK) Limited has a majority owned subsidiary, UK Detention Services Limited ("UKDS"). Concept has two wholly-owned subsidiaries, Mineral Wells R.E. Holding Corp. ("Mineral Wells") and United-Concept Inc. ("United-Concept"). Concept, together with Mineral Wells, wholly owns United-Concept Limited Partnership ("UCLP"). CMA, together with CSG, wholly owns Corrections Partners, Inc. ("CPI"). The accompanying consolidated financial statements and note information reflect the accounting for the acquisitions in 1994 and 1995 of TransCor, Concept, CMA and CSG in transactions accounted for under the pooling-of-interests method of accounting and the acquisitions in 1995 and 1996 of United-Concept, UCLP and UKDS accounted for under the purchase method of accounting. All material intercompany transactions and balances have been eliminated.

At December 31, 1996, the company has a 50% interest in Corrections Corporation of Australia PTY LTD ("CC Australia"). CC Australia provides services similar to the company in Australia and surrounding countries. The company accounts for this investment under the equity method. Assets and liabilities are converted from their functional currency into the U.S. dollar utilizing the conversion rate in effect at the balance sheet date. Revenue and expense items are converted using the weighted average rate during the period. The excess of the company's investment in this unconsolidated subsidiary over the underlying equity is being amortized over twenty-five years.

Deferred project development costs consist of costs that can be directly associated with a specific anticipated contract and, if recovery from that contract is probable, are deferred until the anticipated contract has been awarded. At the time the contract is awarded to the company, the deferred project development costs are either capitalized as part of property and equipment or are transferred to project development costs. Costs of unsuccessful or abandoned contracts are charged to depreciation and amortization expense when their recovery is not considered probable. Internal costs incurred in securing new clients including costs of responding to requests for proposals are expensed as incurred. Facility start-up costs, principally costs of initial employee

training, travel and other direct expenses incurred in connection with opening of new facilities, to the extent recoverable under each negotiated contract, are deferred and recorded as other assets. Project development costs and start-up costs are amortized on a straight-line basis over the lesser of the initial term of the contract plus renewals or five years.

Debt issuance costs are amortized on a straight-line basis over the life of the related debt. This amortization is charged to depreciation and amortization expense.

Property and equipment is carried at cost. Betterments, renewals and extraordinary repairs that extend the life of the asset are capitalized; other repairs and maintenance 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 by the straight-line method for financial reporting purposes and accelerated methods for tax reporting purposes based upon the estimated useful lives of the related assets.

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CORRECTIONS CORPORATION OF AMERICA AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(CONTINUED)

Investment in direct financing leases represent the portion of the company's management contract with a governmental agency that represents payments on building and equipment leases. 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 investment in the leases. Unearned income is recognized as income over the term of the leases using the interest method.

Income taxes are accounted for under the provisions of Statement of Financial Accounting Standards ("SFAS") No. 109, "Accounting for Income Taxes." This statement generally requires the company to record deferred income taxes for the differences between book and tax bases of its assets and liabilities.

The company maintains contracts with various 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. The company expects to renew these contracts for periods consistent with the remaining renewal options allowed by the contracts or other reasonable extensions. 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 development revenue on the percentage-of-completion method.

To meet the reporting requirements of SFAS 107, "Disclosures About Fair Value of Financial Instruments," the company calculates the fair value of financial instruments using quoted market prices. At December 31, 1996, there were no material differences in the book values of the company's financial instruments and their related fair values, except for the company's convertible subordinated notes (see Note 8) and the forward contract for convertible subordinated notes (see Note 13), which based on the conversion rate on the underlying equity securities, have an estimated fair market value of approximately \$339,000.

For purposes of the statements of cash flows, the company excludes restricted cash from cash and cash equivalents. The company considers all highly liquid debt instruments with a maturity of three months or less to be cash equivalents.

The preparation of financial statements in conformity with generally accepted accounting principles 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 revenues and expenses during the reporting period. Actual results could differ from those estimates.

In March, 1995, the Financial Accounting Standards Board ("FASB") issued SFAS 121, "Accounting for the Impairment of Long-Lived Assets and Long-Lived Assets to be Disposed Of." This statement imposes stricter criteria for long-term assets by requiring that such assets be probable of future recovery at each balance sheet date. The company adopted SFAS 121 effective January 1, 1996.

The company did not experience a material impact on its results of operations, financial condition or cash flows as a result of adoption.

SFAS No. 128, "Earnings per Share" has been issued effective for fiscal years ending after December 15, 1997. SFAS No. 128 establishes standards for computing and presenting earnings per share. The company is required to adopt the provisions of SFAS No. 128 in the fourth quarter of 1997 and does not expect adoption thereof to have a material effect on the company's results of operations.

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CORRECTIONS CORPORATION OF AMERICA AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(CONTINUED)

Certain reclassifications of 1995 and 1994 amounts have been made to conform with the 1996 presentation.

2. MERGERS AND ACQUISITIONS

On August 18, 1995, the company issued 2,800 shares of its common stock for all the outstanding shares of CMA and CSG. CMA and CSG operate and manage prisons and other correctional facilities for governmental agencies.

On April 25, 1995, the company issued 5,450 shares of its common stock for all the outstanding shares of Concept. Concept operates and manages prisons and other correctional facilities for governmental agencies. Of the shares issued, 273 are held in escrow for the resolution of precombination contingencies.

On December 30, 1994, the company issued 5,200 shares of its common stock for all the outstanding shares of TransCor, a prisoner transportation company. Of the shares issued, 520 are held in escrow for the resolution of certain precombination contingencies.

The transactions above were accounted for under the pooling-of-interests method of accounting and the company has previously filed restated financial statements. In the preparation of the consolidated financial statements, the company made certain immaterial adjustments and reclassifications to the historical financial statements of TransCor, Concept, CMA and CSG to be consistent with the accounting policies of the company.

During the second and fourth quarters of 1996, the company purchased the remaining two-thirds of UKDS from its original joint venture partners. After consideration of several strategic alternatives related to UKDS, the company sold 20% of the entity to Sodexho, S.A. ("Sodexho"), a French conglomerate, and recognized an after-tax gain of \$515. In conjunction with this transaction, Sodexho was also provided the option to purchase an additional 30% of UKDS. This option expires June 30, 1997.

As discussed in Note 7, the company exercised its option to acquire the remaining 50% of its investment in UCLP during 1995. The acquisition was accounted for under the purchase method of accounting. The purchase price was allocated to assets acquired and liabilities assumed based on the estimated fair market value at the date of the acquisition. The operations of UCLP on a consolidated basis prior to the acquisition are not material to the company's results of operations.

During the first quarter of 1995, the company purchased the remaining 50% of CC Australia from its original joint venture partner. After consideration of several strategic alternatives related to CC Australia, the company sold 50% of the entity to Sodexho during the second quarter of 1995. The company accounted for the 100% ownership period on the equity basis of accounting and recognized an after-tax gain of \$783 on the sale.

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CORRECTIONS CORPORATION OF AMERICA AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(CONTINUED)

3. OTHER ASSETS

Other assets consist of the following:

<TABLE>
<CAPTION>

DECEMBER 31,

	1996	1995
	-----	-----
<S>	<C>	<C>
Deferred project development costs.....	\$ 284	\$ 1,230
Project development costs, less accumulated amortization of \$499 and \$487, respectively.....	3,989	2,275
Facility start-up costs, less accumulated amortization of \$4,296 and \$2,728, respectively.....	11,404	6,705
Debt issuance costs, less accumulated amortization of \$1,698 and \$1,289, respectively.....	2,555	1,669
Deferred placement fees.....	2,404	2,404
Investments in affiliates.....	7,893	3,756
Other assets.....	876	713
	-----	-----
	\$29,405	\$18,752
	=====	=====

</TABLE>

4. PROPERTY AND EQUIPMENT

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

<TABLE>

<CAPTION>

	DECEMBER 31,	
	-----	-----
	1996	1995
	-----	-----
<S>	<C>	<C>
Land.....	\$ 14,276	\$ 3,953
Buildings and improvements.....	140,470	114,863
Equipment.....	19,376	13,486
Office furniture and fixtures.....	2,937	2,262
Construction in progress.....	137,405	23,083
	-----	-----
	314,464	157,647
Less accumulated depreciation.....	(25,767)	(20,628)
	-----	-----
	\$288,697	\$137,019
	=====	=====

</TABLE>

Depreciation expense was \$7,147, \$4,428 and \$3,469 for 1996, 1995 and 1994, respectively.

5. NOTES RECEIVABLE

Notes receivable consists of the following:

<TABLE>

<CAPTION>

	DECEMBER 31,	
	-----	-----
	1996	1995
	-----	-----
<S>	<C>	<C>
Note receivable, principal and interest payments of \$206 monthly through September 2016, interest at 9.25%, secured by a first mortgage on a facility.....	\$22,401	\$ --
Notes receivable, \$700 is secured by a third mortgage on a facility and is due in January 1999, remaining balance is due in monthly principal and interest payments through April 1999, weighted average interest rate at 11.14%.....	876	890
	-----	-----
	23,277	890
Less current portion in accounts receivable.....	(418)	--
	-----	-----
	\$22,859	\$ 890
	=====	=====

</TABLE>

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CORRECTIONS CORPORATION OF AMERICA AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(CONTINUED)

6. INVESTMENT IN DIRECT FINANCING LEASES

At December 31, 1996, the company's investment in direct financing leases represents building and equipment leases between the company and the State of New Mexico for the New Mexico Women's Correctional Facility. The agreements

contain provisions that allow the state to purchase the buildings and equipment for predetermined prices at specific intervals during the contract period.

A schedule of minimum future rentals to be received under the direct financing leases at December 31, 1996, is as follows:

	DIRECT FINANCING LEASES RENTAL RECEIVABLE

<S>	<C>
1997.....	\$ 1,807
1998.....	1,807
1999.....	1,807
2000.....	1,807
2001.....	1,807
Thereafter.....	17,465

Total minimum obligation.....	26,500
Less unearned income.....	(13,129)

Present value of direct financing leases.....	13,371
Less current portion in accounts receivable.....	(473)

Long-term portion at December 31, 1996.....	\$ 12,898
	=====

</TABLE>

7. INVESTMENT IN UCLP

At December 31, 1994, Concept and its affiliates owned 49.9% of UCLP and Concept owned 50% of the common stock of United-Concept, which owned .2% of UCLP and was the managing general partner of UCLP. In addition, Concept had an option to purchase from its partner in UCLP the other 50% partnership interests in UCLP and the other 50% of the common stock of United-Concept. On July 17, 1995, Concept exercised its option and acquired the remaining interests of UCLP for \$5,250.

United-Concept has issued and outstanding one thousand shares of common stock (which Concept owns) and one share of voting preferred stock, which is owned by The First National Bank of Chicago under an indenture agreement related to the financing of the Eloy Facility. Each share of stock, common and preferred, has one vote. The preferred stock does not participate in income distribution by United-Concept and has a ten dollar liquidation value. The by-laws of United-Concept require 100% shareholder approval of significant corporate actions, and also require an independent director. Concept is entitled to 100% of the income of UCLP, but the independent director effectively has veto power over certain actions of United-Concept.

The company's investment in UCLP was accounted for under the equity method from inception through July 17, 1995. Since July 17, 1995, the company is entitled to 100% of the income and has responsibility for all the debt and for satisfying the contractual obligation of UCLP. As a result, the company has included UCLP in the consolidated financial statements.

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CORRECTIONS CORPORATION OF AMERICA AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(CONTINUED)

8. LONG-TERM DEBT

Long-term debt consists of the following:

	DECEMBER 31,	
	1996	1995
	-----	-----
<S>	<C>	<C>
Senior Secured Notes, principal payments of \$1,773 annually through 1997, increasing to \$2,660 in 1998 with the unpaid balance due in 2000, interest payable semi-annually at 11.08%, collateralized by property and equipment with a carrying value of \$8,424 at December 31, 1996, and by revenues from certain contracts.....	\$ 10,328	\$ 12,215
Secured Notes Payable, principal payments due annually in		

various amounts through 1997, interest payable monthly at 9.6%, collateralized by property and equipment with a carrying value of \$10,935 at December 31, 1996, and by revenues from a contract.....	1,210	2,981
Detention Center Revenue Bonds, interest payable monthly at variable rates (5.85% at December 31, 1996), principal due at maturity in 2015, collateralized by a letter of credit issued by a group of banks.....	24,700	--
Industrial Development Revenue Bonds, principal paid in full in November 1996.....	--	2,385
Notes payable to a bank, principal and interest at 10%, payable monthly until maturity in March 2000, collateralized by property and equipment with a carrying value of \$30,709 at December 31, 1996, and by revenues from a contract.....	20,911	25,608
Revolving Credit Facility payable to a group of banks, principal due September 1999, interest payable quarterly at the bank's prime rate (8.25% at December 31, 1996) or LIBOR plus .5% (6.0% at December 31, 1996), collateralized by the pledge of stock of the company's first tier domestic subsidiaries.....	4,000	--
Bank Loan, principal paid in full in February 1996.....	--	12,580
Line of credit payable to a bank, principal paid in full in February 1996.....	--	14,500
Convertible Subordinated Notes, principal due at maturity in 2002 with call provisions beginning in March 2000, interest payable quarterly at 7.5%.....	50,000	--
Convertible Subordinated Notes, principal due at maturity in 1999 with call provisions beginning in June 1999, interest payable semi-annually at 8.5%.....	7,000	7,000
Convertible Subordinated Notes, principal due at maturity in 1998 with call provisions beginning in June 1997, interest payable quarterly at 8.5%.....	7,500	7,500
Other.....	167	1,116
	-----	-----
	125,816	85,885
Less current portion.....	(8,281)	(11,020)
	-----	-----
	\$117,535	\$ 74,865
	=====	=====

</TABLE>

At December 31, 1996, the company's revolving credit facility provides for borrowings up to \$170,000. The facility bears interest at the bank's prime rate or LIBOR plus .50%, .75% or 1.0%, depending on the company's leverage ratio. The facility consists of a working capital line, which includes letters of credit.

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CORRECTIONS CORPORATION OF AMERICA AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(CONTINUED)

Letters of credit totaling \$65,011 have been issued to support an industrial development bond, a taxable bond and to secure performance bonds. The unused commitment at December 31, 1996, was \$100,989. The facility is subject to renewal on September 6, 1999.

At December 31, 1996, the company has a \$2,500 letter of credit facility. Letters of credit totaling \$1,393 have been issued to secure the company's worker's compensation insurance policy, performance bonds and utility deposits. The unused commitment at December 31, 1996, was \$1,107. The facility is subject to renewal on September 6, 1999.

Restricted cash of \$3,450 and \$569 at December 31, 1996 and 1995, respectively, represents cash held in sinking funds established for the funding of current year principal and interest on certain bonds and current construction obligations.

The company does not maintain any significant formal or informal compensating balance arrangements with financial institutions.

The Convertible Subordinated Notes are convertible into the company's common stock at prices ranging from \$1.69 to \$25.91 per share. The company may require conversion under certain conditions after the stock has a market value of 150% of the conversion price for a specified period. In 1995, Convertible Subordinated Notes with a face value of \$6,700 were converted into 1,774 shares of common stock.

The provisions of the credit facilities, bonds, and notes contain restrictive covenants, the most restrictive of which are limits on the payment

of dividends, incurrence of additional indebtedness, investments and mergers. The agreements also require that the company maintain specific ratio requirements relating to cash flow, tangible net worth, interest coverage and earnings. The company was in compliance with the covenants at December 31, 1996.

The company capitalized interest of \$502, \$717 and \$377 in 1996, 1995 and 1994, respectively. Interest expense, net is comprised of the following for each year:

	1996	1995	1994
Interest expense.....	\$ 8,200	\$ 5,534	\$ 4,954
Interest income.....	(3,976)	(1,582)	(1,515)
	\$ 4,224	\$ 3,952	\$ 3,439

Maturities of long-term debt for the next five years and thereafter are: 1997 -- \$8,281; 1998 -- \$16,357; 1999 -- \$21,007; 2000 -- \$5,471; 2001 -- \$0 and thereafter -- \$74,700.

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CORRECTIONS CORPORATION OF AMERICA AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(CONTINUED)

9. INCOME TAXES

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. The provision for income taxes is comprised of the following components:

	FOR THE YEARS ENDED DECEMBER 31,		
	1996	1995	1994
CURRENT PROVISION			
Federal.....	\$ 5,567	\$2,853	\$1,319
State.....	785	315	115
	6,352	3,168	1,434
INCOME TAXES CHARGED TO EQUITY			
Federal.....	10,719	3,567	531
State.....	1,225	420	62
	11,944	3,987	593
DEFERRED PROVISION			
Federal.....	1,052	1,946	99
State.....	121	229	186
	1,173	2,175	285
Provision for income taxes.....	\$19,469	\$9,330	\$2,312

Significant components of the company's deferred tax assets and liabilities are as follows:

	DECEMBER 31,	
	1996	1995
CURRENT DEFERRED TAX ASSETS		
Asset reserves and liabilities not yet deductible for tax...	\$2,067	\$1,473
Alternative minimum tax carryforward.....	--	173

Total current deferred tax assets.....	2,067	1,646
	-----	-----
CURRENT DEFERRED TAX LIABILITY		
Income item not yet taxable.....	1,041	--
	-----	-----
Total current deferred tax liability.....	1,041	--
	-----	-----
Net current deferred tax assets.....	\$1,026	\$1,646
	=====	=====

</TABLE>

<TABLE>
<CAPTION>

	DECEMBER 31,	
	1996	1995
	-----	-----
<S>	<C>	<C>
NONCURRENT DEFERRED TAX ASSETS		
Other.....	\$ 788	\$ 35
	-----	-----
Total noncurrent deferred tax assets.....	788	35
	-----	-----
NONCURRENT DEFERRED TAX LIABILITIES		
Tax in excess of book depreciation and amortization.....	3,876	3,565
Income items not yet taxable and other.....	1,629	634
	-----	-----
Total noncurrent deferred tax liabilities.....	5,505	4,199
	-----	-----
Net noncurrent deferred tax liabilities.....	\$4,717	\$4,164
	=====	=====

</TABLE>

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CORRECTIONS CORPORATION OF AMERICA AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(CONTINUED)

A reconciliation of the statutory federal income tax rate and the effective tax rate as a percentage of pretax income for the years ended December 31, is as follows:

	1996	1995	1994
	----	----	----
<S>	<C>	<C>	<C>
Statutory federal rate.....	35.0%	34.0%	34.0%
State taxes, net of federal tax benefit.....	4.0	4.0	4.0
Utilization of net operating loss carryforward.....	--	--	(15.4)
Other items, net.....	(.3)	1.4	--
	-----	-----	-----
	38.7%	39.4%	22.6%
	=====	=====	=====

</TABLE>

10. EARNINGS PER SHARE

Primary net income per common share is computed using the weighted average number of shares of common stock and common stock equivalents outstanding. Stock warrants and stock options are considered common stock equivalents. The convertible subordinated notes are not common stock equivalents. In computing fully diluted net income per common share, the 8.5% convertible subordinated notes are considered dilutive using the if-converted method. In 1994, the 8.5% convertible subordinated notes were antidilutive. The following table presents information necessary to calculate fully diluted earnings per share for the years ended December 31:

	1996	1995	1994
	-----	-----	-----
<S>	<C>	<C>	<C>
Net income allocable to common stockholders.....	\$30,880	\$14,333	\$ 7,714
Interest expense applicable to convertible subordinated notes, net of tax.....	752	740	--
	-----	-----	-----
Adjusted net income.....	\$31,632	\$15,073	\$ 7,714
	=====	=====	=====
Fully diluted weighted average common shares outstanding.....	81,740	77,355	62,440

Conversion of convertible subordinated notes.....	6,249	6,249	--
Adjusted fully diluted common shares outstanding.....	87,989	83,604	62,440
Fully diluted earnings per share.....	\$.36	\$.18	\$.12

</TABLE>

11. STOCKHOLDERS' EQUITY

Preferred Stock

The company has authorized 1,000 shares of \$1 par value preferred stock.

In December 1991, the company sold 50 shares of Series A preferred stock for \$5,000. The preferred stock earned dividends at 8.5% and were paid quarterly from January 31, 1993 through June 23, 1994. Each share of the Series A preferred stock was convertible into 56 shares of common stock. In June 1994, the Series A preferred stock was converted at par value into 2,800 shares of common stock. At December 31, 1996, no preferred stock was issued or outstanding.

Stock Offering

On June 5, 1996, the company completed a secondary public offering of 3,700 new shares of its common stock. The net proceeds of \$131,812 were used to develop, acquire and expand correctional and detention facilities.

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CORRECTIONS CORPORATION OF AMERICA AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(CONTINUED)

Stock Split

On June 5, 1996, the Board of Directors declared a two-for-one stock split of the company's common stock to be effective on July 2, 1996. An amount equal to the par value of the common shares outstanding as of July 2, 1996, was transferred from additional paid-in capital to the common stock account. On October 4, 1995, the Board of Directors declared a two-for-one stock split of the company's common stock to be effective on October 31, 1995. An amount equal to the par value of the common shares outstanding as of October 31, 1995, was transferred from additional paid-in capital to the common stock account. All references to number of shares and to per share data in the consolidated financial statements have been adjusted for these stock splits.

Stock Warrants

The company has issued stock warrants to certain affiliated and unaffiliated parties for providing certain financing, consulting and brokerage services to the company and to stockholders as a dividend. Stock warrants outstanding at December 31, 1996, are as follows:

<TABLE>

<CAPTION>

DATE OF ISSUANCE	NUMBER OF WARRANTS	EXERCISE PRICE	EXPIRATION DATE
September 4, 1992.....	839	\$ 8.50/share	September 14, 1997
June 23, 1994.....	1,100	\$15.80/share	December 31, 1999

</TABLE>

Each warrant entitles the warrant holder to four common shares upon exercise. The warrants are exercisable from the date of issuance except for the warrants issued September 4, 1992, which were exercisable beginning April 30, 1993. In 1996, the company extended the expiration date of the warrants issued June 23, 1994, from December 31, 1998, to December 31, 1999.

In 1996, 1,313 warrants were exercised at \$8.50 per share. In 1995, 268 warrants were exercised at prices ranging from \$7.14 to \$8.50 per share. In 1995, the company purchased 60 warrants at the market price of \$18 per share from a warrant holder.

Stock Option Plans

The company has incentive and nonqualified stock option plans under which options may be granted to "key employees" as designated by the Board of Directors. The options are granted with exercise prices that equal market value

on the date of grant. The options 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 the grant.

The company's Board of Directors authorized a stock repurchase program for up to an aggregate of 400 shares of the company's stock for the purpose of funding the employee stock options, stock ownership and stock award plans.

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CORRECTIONS CORPORATION OF AMERICA AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(CONTINUED)

Stock option transactions relating to the company's incentive and nonqualified stock option plans are summarized below:

<TABLE>
<CAPTION>

	1996	
	NUMBER OF SHARES	WEIGHTED AVERAGE EXERCISE PRICE
<S>	<C>	<C>
Outstanding at beginning of period.....	3,916	\$ 3.73
Granted.....	903	27.06
Exercised.....	(1,297)	2.92
Canceled.....	(19)	22.97
	-----	-----
Outstanding at end of period.....	3,503	\$ 9.96
	=====	=====
Available for future grant.....	2,950	--
	=====	=====
Exercisable.....	2,601	\$ 4.06
	=====	=====

</TABLE>

<TABLE>
<CAPTION>

	1995	
	NUMBER OF SHARES	WEIGHTED AVERAGE EXERCISE PRICE
<S>	<C>	<C>
Outstanding at beginning of period.....	3,470	\$ 2.31
Granted.....	1,248	7.61
Exercised.....	(754)	3.49
Canceled.....	(48)	5.82
	-----	-----
Outstanding at end of period.....	3,916	\$ 3.73
	=====	=====
Available for future grant.....	3,818	--
	=====	=====
Exercisable.....	2,680	\$ 1.93
	=====	=====

</TABLE>

<TABLE>
<CAPTION>

	1994	
	NUMBER OF SHARES	
<S>	<C>	<C>
Outstanding at beginning of period.....	6,382	
Granted.....	178	
Exercised.....	(3,060)	
Canceled.....	(30)	

Outstanding at end of period.....	3,470	
	=====	
Available for future grant.....	1,020	
	=====	
Exercisable.....	3,386	
	=====	

</TABLE>

The weighted average fair value of options granted during 1996 and 1995 was \$12.28 and \$3.21 per option, respectively. The options outstanding at December 31, 1996, have exercise prices between \$.96 and \$33.13 and a weighted average remaining contractual life of 7 years.

In addition to the plans mentioned above, the company has a nonqualified stock option plan to encourage stock ownership by selected employees of the company. Pursuant to the plan, stock options may be granted to key employees upon authorization by the Board of Directors. The aggregate number of options that may be granted under the plan is 1,440. As of December 31, 1996, 240 options were outstanding at an option price of \$1.35 per share.

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CORRECTIONS CORPORATION OF AMERICA AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(CONTINUED)

During 1995, the company authorized the issuance of 337 shares of common stock to certain key employees as a deferred stock award. The award becomes fully vested ten years from the date of grant based on continuous employment with the company. The company is expensing the \$3,670 of awards over the vesting period.

In October 1995, the FASB issued SFAS 123, "Accounting for Stock-Based Compensation." SFAS 123 establishes new financial accounting and reporting standards for stock-based compensation plans. The company has adopted the disclosure-only provisions of SFAS 123. As a result, no compensation cost has been recognized for the company's stock option plans. Had compensation cost for the stock option plans been determined based on the fair value at the grant date for awards in 1996 and 1995 consistent with the provisions of SFAS 123, the company's net income and net income per share would have been reduced to the pro forma amounts indicated below for the years ended December 31:

<TABLE>
<CAPTION>

	1996	1995
	-----	-----
<S>	<C>	<C>
Net income -- as reported.....	\$30,880	\$14,333
Net income -- pro forma.....	25,995	13,550
Net income per share -- Primary -- as reported.....	\$.38	\$.19
Net income per share -- Primary -- pro forma.....	.32	.17
Net income per share -- Fully Diluted -- as reported.....	\$.36	\$.18
Net income per share -- Fully Diluted -- pro forma.....	.30	.16

</TABLE>

Because the SFAS 123 method of accounting has not been applied to options granted prior to January 1, 1995, the pro forma compensation cost may not be representative of that to be expected in 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:

<TABLE>
<CAPTION>

	1996	1995
	-----	-----
<S>	<C>	<C>
Expected dividend yield.....	0.0%	0.0%
Expected stock price volatility.....	49.5%	50.3%
Risk-free interest rate.....	5.9%	6.8%
Expected life of options.....	4 years	4 years

</TABLE>

Employee Stock Ownership Plan

The company has an Employee Stock Ownership Plan whereby each employee of the company who is at least 18 years of age is eligible for membership in the plan as of January 1 of their first anniversary year in which they have completed at least one thousand hours of service.

Benefits, which become 40% vested after four years of service and 100% vested after five years of service, are paid on death, retirement or termination. The Board of Directors has discretion in establishing the amount of the company contributions. The company's contributions to the plan may be in the form of common stock, cash or other property. Contributions to the plan amounted to \$2,086, \$1,366 and \$1,059 for the years ended December 31, 1996, 1995 and 1994, respectively.

12. REVENUES AND EXPENSES

Approximately 99% of the company's revenues for the years ended December 31, 1996, 1995 and 1994, relate to amounts earned from federal, state and local governmental management and transportation contracts.

The company had revenues of 21%, 23% and 17% from the federal government and 54%, 49% and 54% from state governments for the years ended December 31, 1996, 1995 and 1994, respectively. One state

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CORRECTIONS CORPORATION OF AMERICA AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(CONTINUED)

government had revenues of 16%, 18% and 24% for the years ended December 31, 1996, 1995 and 1994, respectively. In addition, another state government had revenues of 11% for the year ended December 31, 1994.

Accounts receivable include \$55,924 and \$37,057 due from federal, state and local governments at December 31, 1996 and 1995, respectively. Accounts receivable and accounts payable at December 31, 1996, consist of the following:

<TABLE>
<CAPTION>

	ACCOUNTS RECEIVABLE	ACCOUNTS PAYABLE
	-----	-----
<S>	<C>	<C>
Trade.....	\$ 50,618	\$10,766
Construction.....	44,469	28,458
Other.....	5,464	--
	-----	-----
	\$100,551	\$39,224
	=====	=====

</TABLE>

Salaries and related benefits represented 63%, 58% and 54% of operating expenses for the years ended December 31, 1996, 1995 and 1994, respectively.

For the year ended December 31, 1996, the company recognized development fee income of \$1,629 (after tax) related to a contract to design, construct and equip a managed detention facility.

13. INTERNATIONAL ALLIANCE

The company has 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 the company by acquiring several instruments. In 1994, the company sold Sodexho 2,800 shares of common stock at \$3.75 per share and a \$7,000 convertible subordinated note bearing interest at 8.5%. Sodexho also received 1,100 warrants at \$15.80 per warrant that expire December 1999. Each warrant entitles Sodexho to four common shares upon exercise. In consideration of the placement of the aforementioned securities, the company agreed to pay Sodexho \$3,960 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 and are charged to debt issuance costs or equity as the respective financings are completed. Sodexho is subject to a standstill agreement that limits their ownership to 25% in the company and has certain preemptive rights to retain its percentage ownership.

In 1995, Sodexho purchased 1,090 shares of common stock for \$7.63 per share pursuant to their contractual preemptive right. Also during 1995, the company and Sodexho entered into a forward contract whereby Sodexho would purchase up to \$20,000 of convertible subordinated notes at any time prior to December 1997. The notes will bear interest at LIBOR plus 1.35% and will be convertible into common shares at a conversion price of \$6.83 per share.

In 1996, the company sold \$20,000 of convertible notes to Sodexho pursuant to their contractual preemptive right. The notes bear interest at 7.5% and are convertible into common shares at a conversion price of \$25.91 per share.

14. RELATED PARTY TRANSACTIONS

The company pays legal fees to a law firm of which one of the partners is a stockholder and a member of the Board of Directors of the company. Legal fees, including fees related to the company's mergers and acquisitions, paid to the

CORRECTIONS CORPORATION OF AMERICA AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(CONTINUED)

15. COMMITMENTS AND CONTINGENCIES

The company leases certain facilities, office space and equipment under long-term operating leases expiring through 2001. Rental expense was approximately \$2,786, \$5,904 and \$3,490 for the years ended December 31, 1996, 1995 and 1994, respectively. Minimum rental commitments for noncancelable leases are as follows:

YEAR	AMOUNT
1997.....	\$4,147
1998.....	3,520
1999.....	1,741
2000.....	322
2001.....	37

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, there are no pending legal proceedings that would have a material effect on the consolidated financial position or results of operations of the company.

The company has an employment agreement with its chief executive officer through September 30, 1997. The agreement includes a non-compete agreement covering the same period and requires payments during the period if employment is terminated.

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, workers 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.

The company guarantees \$113 of a bank facility for CC Australia. The company has provided a \$1,000 performance bond in connection with UKDS's management contract with the United Kingdom.

The company provides a limited guarantee related to a bond issue on the Eden Detention Center in Eden, Texas. The maximum obligation as of December 31, 1996 was \$22,875. In the event the company is required to fund amounts pursuant to this limited guarantee, the company will obtain ownership rights to the facility.

16. EVENT SUBSEQUENT TO DECEMBER 31, 1996 (UNAUDITED)

On January 30, 1997, the company purchased the fixed and movable assets of a correctional treatment facility in Washington, D.C. for \$52,000. The company has entered into additional agreements to manage this facility and to lease the facility to Washington, D.C. over a period of twenty years. At the end of the lease, the facility reverts to the District of Columbia authorities. The Company intends to account for the purchase and lease as a financing transaction.

CORRECTIONS CORPORATION OF AMERICA AND SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEETS

(UNAUDITED)

<TABLE>
<CAPTION>

	MARCH 31, 1997	DECEMBER 31, 1996
	(IN THOUSANDS)	
<S>	<C>	<C>
ASSETS		
Current assets:		
Cash, cash equivalents and restricted cash.....	\$ 7,101	\$ 8,282
Accounts receivable, net of allowances.....	69,743	100,551
Prepaid expenses.....	4,144	2,940
Deferred tax assets.....	22	1,026
Other.....	2,438	1,643
	-----	-----
Total current assets.....	83,448	114,442
Restricted investments.....	587	587
Other assets.....	34,787	29,405
Property and equipment, net.....	356,725	288,697
Notes receivable.....	22,748	22,859
Investment in direct financing leases.....	68,622	12,898
	-----	-----
	\$566,917	\$468,888
	=====	=====
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable.....	\$ 42,214	\$ 39,224
Accrued salaries and wages.....	6,410	5,487
Accrued property taxes.....	605	1,675
Other accrued expenses.....	18,748	9,227
Current portion of long-term debt.....	7,249	8,281
	-----	-----
Total current liabilities.....	75,226	63,894
Long-term debt, net of current portion.....	189,191	117,535
Deferred tax liabilities.....	4,812	4,717
Other noncurrent liabilities.....	742	990
	-----	-----
Total liabilities.....	269,971	187,136
	-----	-----
Stockholders' equity:		
Common stock.....	75,945	75,029
Additional paid-in capital.....	167,082	165,317
Retained earnings.....	54,127	42,132
Treasury stock, at cost.....	(208)	(726)
	-----	-----
Total stockholders' equity.....	296,946	281,752
	-----	-----
	\$566,917	\$468,888
	=====	=====

</TABLE>

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CORRECTIONS CORPORATION OF AMERICA AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(UNAUDITED)

<TABLE>
<CAPTION>

	THREE MONTHS ENDED MARCH 31,	
	1997	1996
	(IN THOUSANDS, EXCEPT PER SHARE DATA)	
<S>	<C>	<C>
Revenues.....	\$91,838	\$63,277
Expenses:		
Operating.....	63,919	47,184

General and administrative.....	3,595	2,925
Depreciation and amortization.....	3,923	2,277
	-----	-----
	71,437	52,386
	-----	-----
Operating income.....	20,401	10,891
Interest expense, net.....	498	1,350
	-----	-----
Income before income taxes.....	19,903	9,541
Provision for income taxes.....	7,908	3,835
	-----	-----
Net income.....	\$11,995	\$ 5,706
	=====	=====
Net income per common share:		
Primary.....	\$ 0.14	\$ 0.07
	=====	=====
Fully diluted.....	\$ 0.14	\$ 0.07
	=====	=====
Weighted average common shares outstanding:		
Primary.....	83,942	80,502
	=====	=====
Fully diluted.....	89,659	87,168
	=====	=====

</TABLE>

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CORRECTIONS CORPORATION OF AMERICA AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(UNAUDITED)

<TABLE>
<CAPTION>

	THREE MONTHS ENDED	
	MARCH 31,	
	1997	1996
	-----	-----
	(IN THOUSANDS)	
	<C>	<C>
Cash Flows from Operating Activities:		
Net income.....	\$ 11,995	\$ 5,706
Adjustments to reconcile net income to net cash provided		
by operating activities:		
Depreciation and amortization.....	3,923	2,277
Deferred and other noncash income taxes.....	2,329	6,077
Other noncash items.....	92	--
Loss (gain) on disposal of assets.....	(20)	11
Equity in earnings of unconsolidated entities.....	(252)	(150)
Changes in assets and liabilities:		
Accounts receivable.....	30,830	(8,034)
Prepaid expenses.....	(1,204)	62
Other current assets.....	(795)	(309)
Accounts payable.....	2,990	2,250
Accrued expenses.....	9,374	(3,823)
	-----	-----
Net cash provided by operating activities.....	59,262	4,067
	-----	-----
Cash Flows from Investing Activities:		
Decrease (increase) in restricted and escrow cash.....	1,365	(402)
Increase in other assets.....	(6,165)	(2,771)
Additions of property and equipment.....	(70,919)	(9,602)
Proceeds from disposals of assets.....	8	6
Increase in direct financing leases.....	(55,850)	--
Payments received on direct financing leases and notes		
receivable.....	215	91
	-----	-----
Net cash used in investing activities.....	(131,346)	(12,678)
	-----	-----
Cash Flows from Financing Activities:		
Proceeds from issuance of long-term debt.....	--	30,000
Payments on long-term debt.....	(2,476)	(15,444)
Proceeds from (payments on) line of credit, net.....	74,000	(9,723)
Payment of debt issuance cost.....	(248)	(496)

Proceeds from exercise of stock options and warrants.....	992	3,044
Net cash provided by financing activities.....	72,268	7,381
Net increase (decrease) in cash.....	184	(1,230)
CASH AND CASH EQUIVALENTS, beginning of period.....	4,832	2,145
CASH AND CASH EQUIVALENTS, end of period.....	\$ 5,016	\$ 915

</TABLE>

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CORRECTIONS CORPORATION OF AMERICA AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(UNAUDITED)

<TABLE>
<CAPTION>

	THREE MONTHS ENDED MARCH 31,	
	1997	1996
	(IN THOUSANDS)	
	<C>	<C>
Supplemental Disclosures of Cash Flow Information:		
Cash paid during the period for:		
Interest.....	\$ 840	\$ 1,986
Income taxes.....	\$ 609	\$ 1,565
Supplemental Schedule of Noncash Investing and Financing Activities:		
The Company acquired treasury stock and issued common stock through the exercise of stock options:		
Common stock.....	\$ 134	\$ 911
Additional paid-in capital.....	411	2,885
Retained earnings.....	--	(2,847)
Treasury stock, at cost.....	(545)	(949)
	\$ --	\$ --
Long term debt was converted into common stock:		
Other assets.....	\$ 15	\$ --
Long-term debt.....	(900)	--
Common Stock.....	531	--
Additional paid-in capital.....	354	--
	\$ --	\$ --

</TABLE>

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CORRECTIONS CORPORATION OF AMERICA AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(UNAUDITED)

1. CONSOLIDATED FINANCIAL STATEMENTS

The consolidated balance sheet as of March 31, 1997, and the consolidated statements of operations and cash flows for the three month periods ended March 31, 1997 and 1996, have been prepared by the Company in accordance with the accounting policies described in its Annual Report to Stockholders for the year ended December 31, 1996 and should be read in conjunction with the notes thereto.

In the opinion of management, all adjustments (which include only normal recurring adjustments) necessary to present fairly the financial positions, results of operations and changes in cash flows at March 31, 1997 and for all periods presented have been made. The results of operations for the period ended March 31, 1997, are not necessarily indicative of the operating results for the full year.

2. INVESTMENT IN DIRECT FINANCING LEASES

In January 1997, the Company purchased the fixed and movable assets of a correctional treatment facility in Washington, D.C. for \$52,000,000, and agreed to make certain renovations totaling \$3,850,000. The Company has entered into additional agreements to manage this facility and to lease the facility back to Washington, D.C. over a period of twenty years. At the end of the lease, the facility reverts to the District of Columbia authorities. The Company is accounting for the purchase and lease as a financing transaction.

3. EARNINGS PER SHARE

Statement of Financial Accounting Standards No. 128, "Earnings per Share" ("SFAS 128"), has been issued effective for fiscal periods ending after December 15, 1997. SFAS 128 establishes standards for computing and presenting earnings per share. The Company is required to adopt the provisions of SFAS 128 in the fourth quarter of 1997. Under the standards established by SFAS 128, earnings per share is measured at two levels: basic earnings per share and diluted earnings per share. Basic earnings per share is computed by dividing net income by the weighted average number of common shares outstanding during the year. Diluted earnings per share is computed by dividing net income by the weighted average number of common shares after considering the additional dilution related to preferred stock, convertible debt, options and warrants.

The following pro forma amounts represent the basic earnings per share and diluted earnings per share as if the Company had adopted SFAS 128 for the quarters presented:

<TABLE>
<CAPTION>

	THREE MONTHS ENDED MARCH 31,	
	-----	-----
	1997	1996
	----	----
<S>	<C>	<C>
Basic earnings per share.....	\$.16	\$.09
	====	====
Diluted earnings per share.....	\$.14	\$.07
	====	====

</TABLE>

=====

NO DEALER, SALESPERSON OR ANY OTHER PERSON HAS BEEN APPROVED TO GIVE ANY INFORMATION OR TO MAKE ANY REPRESENTATIONS NOT CONTAINED IN THIS PROSPECTUS IN CONNECTION WITH THE OFFER CONTAINED HEREIN, AND, IF GIVEN OR MADE, SUCH INFORMATION OR REPRESENTATION MUST NOT BE RELIED UPON AS HAVING BEEN APPROVED BY

THE COMPANY OR ANY UNDERWRITER. THIS PROSPECTUS DOES NOT CONSTITUTE AN OFFER TO SELL OR A SOLICITATION OF AN OFFER TO BUY THE COMMON SHARES OFFERED HEREBY BY ANYONE IN ANY JURISDICTION IN WHICH SUCH OFFER OR SOLICITATION IS NOT APPROVED, OR IN WHICH THE PERSON MAKING SUCH OFFER OR SOLICITATION IS NOT QUALIFIED TO DO SO, OR TO ANY PERSON TO WHOM IT IS UNLAWFUL TO MAKE SUCH SOLICITATION OR OFFER. NEITHER THE DELIVERY OF THIS PROSPECTUS NOR ANY SALE MADE HEREUNDER SHALL, UNDER ANY CIRCUMSTANCES, CREATE ANY IMPLICATION THAT THERE HAS BEEN NO CHANGE IN THE AFFAIRS OF THE COMPANY SINCE THE DATE HEREOF OR THAT THE INFORMATION CONTAINED HEREIN IS CORRECT AS OF ANY TIME SUBSEQUENT TO THE DATE HEREOF.

UNTIL (25 DAYS AFTER THE DATE OF THIS PROSPECTUS), ALL DEALERS EFFECTING TRANSACTIONS IN THE SECURITIES OFFERED HEREBY, WHETHER OR NOT PARTICIPATING IN THIS DISTRIBUTION, MAY BE REQUIRED TO DELIVER A PROSPECTUS. THIS IS IN ADDITION TO THE OBLIGATION OF DEALERS TO DELIVER A PROSPECTUS WHEN ACTING AS UNDERWRITERS AND WITH RESPECT TO THEIR UNSOLD ALLOTMENTS OR SUBSCRIPTIONS.

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=====
 17,000,000 SHARES

CCA PRISON REALTY TRUST

COMMON SHARES

J.C. BRADFORD & CO

A.G. EDWARDS & SONS, INC.

LEGG MASON WOOD WALKER
 INCORPORATED

LEHMAN BROTHERS

, 1997

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PART II

INFORMATION NOT REQUIRED IN PROSPECTUS

ITEM 30. OTHER EXPENSES OF ISSUANCE AND DISTRIBUTION.

Set forth below are certain registration, filing and listing fees and an estimate of the other fees and expenses to be incurred in connection with the issuance and distribution of the Common Shares offered hereby.

<TABLE> <S>	<C>
Securities and Exchange Commission Registration Fee.....	\$ 124,410
NASD Filing Fee.....	30,500
New York Stock Exchange Original Listing Fee.....	152,730
Blue Sky Fees and Expenses (including attorneys' fees).....	2,500
Accounting Fees and Expenses.....	400,000
Attorneys' Fees and Expenses.....	*
Printing and Engraving Expenses.....	500,000
Transfer Agent's Fees.....	12,000
Trustees' and Officers' Insurance.....	175,000
Miscellaneous Expenses.....	*

Total.....	\$ *
	=====

</TABLE>

* To be filed by amendment.

ITEM 31. SALES TO SPECIAL PARTIES.

The Company was formed as a Maryland real estate investment trust in April 1997, with Jim Phillips being issued 1,000 Common Shares in consideration of \$1,000.

Upon consummation of the Offering, D. Robert Crants, III and Michael W. Devlin will each receive 150,000 Common Shares as a development fee and for services rendered and as reimbursement of actual costs incurred in connection with the formation of the Company, the consummation of the Offering and the closing of the Initial Facilities. The reimbursed costs include certain costs related to property due diligence, employee compensation, travel and overhead.

ITEM 32. RECENT SALES OF UNREGISTERED SECURITIES.

All of the Common Shares issued by the Company discussed in Item 31 above were issued pursuant to an exemption from the registration requirements of the Securities Act contained in Section 4(2) of the Securities Act.

ITEM 33. INDEMNIFICATION OF TRUSTEES AND OFFICERS.

The Declaration of Trust of the Company provides for indemnification of trustees and officers to the full extent permitted by the laws of the State of Maryland.

Section 8-301 of the Corporation and Associations Article of the Annotated Code of Maryland permits a Maryland real estate investment trust to indemnify trustees, officers, employees and agents of the real estate investment trust to the same extent as is permitted for directors, officers, employees and agents of a Maryland corporation under Section 2-418 of the MGCL.

Section 2-418 of the MGCL generally permits indemnification of any trustee made a party to any proceedings by reason of service as a trustee unless it is established that (i) the act or omission of such person 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; or (ii) such person actually received an improper personal benefit in money, property or services; or (iii) in the case of any criminal proceeding, such person had reasonable cause to

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believe that the act or omission was unlawful. The indemnity may include judgments, penalties, fines, settlements and reasonable expenses actually incurred by the trustee in connection with the proceeding; but, if the proceeding is one by, or in the right of, the corporation, indemnification is not permitted with respect to any proceeding in which the trustee has been adjudged to be liable to the corporation, or if the proceeding is one charging improper personal benefit to the trustee, whether or not involving action in the trustee's official capacity, indemnification of the trustee is not permitted if the trustee was adjudged to be liable on the basis that personal benefit was improperly received. The termination of any proceeding by conviction or upon a plea of nolo contendere or its equivalent, or an entry of an order of probation prior to judgment, creates a rebuttable presumption that the trustee did not meet the requisite standard of conduct required for permitted indemnification. The termination of any proceeding by judgment, order or settlement, however, does not create a presumption that the trustee failed to meet the requisite standard of conduct for permitted indemnification.

Indemnification under the provisions of the MGCL is not deemed exclusive of any other rights, by indemnification or otherwise, to which a trustee may be entitled under the Declaration of Trust, Bylaws, any resolution of shareholders or trustees, any agreement or otherwise.

The statute permits a Maryland real estate investment trust to indemnify its officers, employees and agents to the same extent as its trustees. The Company's Declaration of Trust provides for indemnification of the Company's officers, employees or agents to the fullest extent permitted by law.

The Company will enter into indemnification agreements (the "Indemnification Agreements") with its trustees and certain of its executive officers. The Indemnification Agreements are intended to provide indemnification to the maximum extent allowable by or not in violation of any law of the State of Maryland. Each Indemnification Agreement provides that the Company shall indemnify a trustee or officer who is a party to the agreement (the "Indemnitee") if he or she was or is a party to or otherwise involved in any proceeding (other than a derivative proceeding) by reason of the fact that he or she was or is a trustee or officer of the Company, against losses incurred in connection with the defense or settlement of such proceeding. The indemnification provided under each Indemnification Agreement is limited to instances where the act or omission giving rise to the claim for which indemnification is sought was not otherwise indemnified by the Company or insurance maintained by the Company, was not established to have been committed in bad faith or the result of active and deliberate dishonesty, did not involve receipt of improper personal benefit, did not result in a judgment of liability to the Company in a proceeding by or in the right of the Company, did not involve an accounting of profits pursuant to Section 16(b) of the Securities Exchange Act of 1934, as amended, and, with respect to any criminal proceeding, the Indemnitee had no reasonable cause to believe his or her conduct was unlawful.

The Company will obtain trustees and officers liability insurance.

ITEM 34. TREATMENT OF PROCEEDS FROM SECURITIES BEING REGISTERED.

ITEM 35. FINANCIAL STATEMENTS AND EXHIBITS.

(a) Financial Statements Included in this Registration Statement, including the Prospectus:

<TABLE>	
<S>	<C>
CCA Prison Realty Trust	
Report of Independent Public Accountants.....	F-2
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CCA Prison Realty Trust	
Pro Forma Financial Statements	
Pro Forma Statements of Operations for the year ended	
December 31, 1996 and the three months ended March 31,	
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Pro Forma Balance Sheet as of March 31, 1997.....	37
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Pro Forma Condensed Consolidated Balance Sheet as of March	
31, 1997.....	F-6
Pro Forma Condensed Consolidated Statement of Operations	
for the year ended December 31, 1996.....	F-8
Report of Independent Public Accountants.....	F-9
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Consolidated Statements of Operations for the years ended	
December 31, 1996, 1995 and 1994.....	F-11
Consolidated Statements of Cash Flows for the years ended	
December 31, 1996, 1995 and 1994.....	F-12
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years ended December 31, 1996, 1995 and 1994.....	F-14
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CCA Condensed Consolidated Financial Statements (Unaudited)	
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Condensed Consolidated Statements of Operations for the	
three months ended March 31, 1997 and 1996.....	F-31
Condensed Consolidated Statements of Cash Flows for the	
three months ended March 31, 1997 and 1996.....	F-32
Notes to Condensed Consolidated Financial Statements...	F-34
</TABLE>	

(B) EXHIBITS:

<TABLE>	
<CAPTION>	
EXHIBIT	
NUMBER	

<C>	<C> <S>
**1	-- Form of Underwriting Agreement
*2	-- Form of Agreement of Sale and Purchase Between CCA Prison
	Realty Trust and Corrections Corporation of America
**3.1	-- Amended and Restated Declaration of Trust of CCA Prison
	Realty Trust
**3.2	-- Amended and Restated Bylaws of CCA Prison Realty Trust
**3.3	-- Specimen of certificate representing the Common Shares
*4	-- Provisions defining the rights of shareholders are found
	Sections 8-10 and 15 and Article II in the Amended and
	Restated Declaration of Trust and Amended and Restated
	Bylaws, respectively, of CCA Prison Realty Trust (included
	as Exhibits 3.1 and 3.2 to the Registration Statement)
***5.1	-- Opinion of Stokes & Bartholomew, P.A. regarding the validity
	of the Common Shares being offered hereby
***5.2	-- Opinion of Miles & Stockbridge, A Professional Corporation,
	regarding the validity of the Common Shares being offered
	hereby
***8.1	-- Opinion of Stokes & Bartholomew, P.A. regarding certain
	federal income tax matters.
***8.2	-- Opinion of Sherrard & Roe, PLC regarding certain federal
	income tax matters
</TABLE>	

<TABLE>	<C>	<S>
	*10.1	-- Form of Option Agreement Between CCA Prison Realty Trust and Corrections Corporation of America with respect to the Option Facilities
	*10.2	-- Form of Master Agreement to Lease Between CCA Prison Realty Trust and Corrections Corporation of America
	*10.3	-- Form of Supplemental Lease Between CCA Prison Realty Trust and Corrections Corporation of America with respect to the Leased Properties
	*10.4	-- Form of Right to Purchase Agreement Between CCA Prison Realty Trust and Corrections Corporation of America
	*10.5	-- Form of Trade Name Use Agreement Between CCA Prison Realty Trust and Corrections Corporation of America
	**10.6	-- Commitment for Arrangement of Bank Credit Facility and Financing with Summary of Terms and Conditions from First Union National Bank of Tennessee and First Union Capital Market Corp. and accepted by CCA Prison Realty Trust
	*10.7	-- Form of Officer and Trustee Indemnification Agreement between CCA Prison Realty Trust and its trustees and officers
	*10.8	-- Form of Employment Agreement between J. Michael Quinlan and CCA Prison Realty Trust
	*10.9	-- Form of Employment Agreement between D. Robert Crants, III and CCA Prison Realty Trust
	*10.10	-- Form of Employment Agreement between Michael W. Devlin and CCA Prison Realty Trust
	*10.11	-- Form of CCA Prison Realty Trust 1997 Employee Share Incentive Option Plan
	**10.12	-- Form of CCA Prison Realty Trust Non-Employee Trustees' Share Option Plan, as amended
	*21	-- List of Subsidiaries of CCA Prison Realty Trust
	***23.1	-- Consent of Stokes & Bartholomew, P.A. (included in Exhibits 5.1 and 8.1)
	**23.2	-- Consent of Arthur Andersen LLP (with respect to Corrections Corporation of America)
	**23.3	-- Consent of Arthur Andersen LLP (with respect to CCA Prison Realty Trust)
	***23.4	-- Consent of Miles & Stockbridge, A Professional Corporation (included in Exhibit 5.2)
	***23.5	-- Consent of Sherrard & Roe, PLC (included in Exhibit 8.2)
	***23.6	-- Consent of Private Corrections Project Center for Studies in Criminology and Law -- University of Florida at Gainesville
	**24	-- Power of Attorney (included in the signature pages)
	*27	-- Financial Data Schedules

</TABLE>

* Previously filed

** Filed herewith

*** To be filed by a future Amendment

ITEM 36. UNDERTAKINGS.

(1) The undersigned Registrant hereby undertakes to provide to the Underwriters at the closing specified in the Underwriting Agreement, certificates in such denominations and registered in such names as required by the Underwriters to permit prompt delivery to each purchaser.

(2) Insofar as indemnification for liabilities arising under the Securities Act may be permitted to trustees, officers and controlling persons of the Registrant pursuant to the foregoing provisions, or otherwise, the Registrant has been advised that in the opinion of the Commission such indemnification is against public policy as expressed in the Securities Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the Registrant of expenses incurred or paid by a trustee, officer or controlling person of the Registrant in the successful defense of any action, suit or proceeding) is asserted by such trustee, officer or controlling person in connection with

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the Common Shares, the Registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Securities Act and will be governed by the final adjudication of such issue.

(3) For purposes of determining any liability under the Securities Act, the information omitted from the form of prospectus filed as part of this Registration Statement in reliance upon Rule 430A under the Securities Act and contained in a form of prospectus filed by the Registrant pursuant to Rule 424(b)(1) or (4) or 497(h) under the Securities Act shall be deemed to be part of this Registration Statement as of the time it was declared

effective.

(4) For the purpose of determining any liability under the Securities Act, each post-effective amendment that contains a form of prospectus shall be deemed to be a new Registration Statement relating to the securities offered therein, and the offering of such securities at the time shall be deemed to be the initial bona fide offering thereof.

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SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, the Registrant has duly caused this Amendment Number 1 to its Registration Statement to be signed on its behalf by the undersigned, thereunto duly approved, in the City of Nashville, State of Tennessee, on the 16th day of June, 1997.

CCA PRISON REALTY TRUST

By: /s/ J. MICHAEL QUINLAN

J. Michael Quinlan
Chief Executive Officer

POWER OF ATTORNEY

Each person whose signature appears below hereby constitutes and appoints J. Michael Quinlan, D. Robert Crants, III and Michael W. Devlin and each of them, the true and lawful attorneys-in-fact and agents of the undersigned, with full power of substitution and resubstitution, for and in the name, place and stead of the undersigned, in any and all capacities, to sign any and all amendments (including post-effective amendments) to this Amendment Number 1 to the Registration Statement, and to file the same, with all exhibits thereto, and other documents in connection therewith, with the Securities and Exchange Commission, and hereby grants to such attorneys-in-fact and agents, and each of them, full power and authority to do and perform each and every act and thing requisite and necessary to be done, as fully to all intents and purposes as the undersigned might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact and agents, or any of them, or their or his substitute or substitutes, may lawfully do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Act of 1933, this Amendment Number 1 to the Registration Statement has been signed by the following persons in the capacities and on the dates indicated.

<TABLE>

<CAPTION>

SIGNATURE -----	TITLE -----	DATE ----
<C> /s/ J. MICHAEL QUINLAN ----- J. Michael Quinlan	<C> Chief Executive Officer (Principal Executive Officer) and Trustee	<C> June 16, 1997
/s/ D. ROBERT CRANTS, III ----- D. Robert Crants, III	President and Trustee	June 16, 1997
/s/ MICHAEL W. DEVLIN ----- Michael W. Devlin	Chief Development Officer and Trustee	June 16, 1997
/s/ VIDA H. CARROLL ----- Vida H. Carroll	Chief Financial Officer (Principal Financial and Accounting Officer)	June 16, 1997
/s/ DOCTOR R. CRANTS ----- Doctor R. Crants	Chairman; Trustee	June 16, 1997
/s/ C. RAY BELL ----- C. Ray Bell	Trustee	June 16, 1997
/s/ RICHARD W. CARDIN -----	Trustee	June 16, 1997

/s/ MONROE J. CARELL, JR.

Trustee

June 16, 1997

Monroe J. Carell, Jr.

</TABLE>

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<TABLE>
<CAPTION>

SIGNATURE -----	TITLE -----	DATE ----
<C> /s/ JOHN W. EAKIN, JR.	<C> Trustee	<C> June 16, 1997
----- John W. Eakin, Jr.		
/s/ TED FELDMAN	Trustee	June 16, 1997
----- Ted Feldman		
/s/ JACKSON W. MOORE	Trustee	June 16, 1997
----- Jackson W. Moore		
/s/ RUSTY L. MOORE	Trustee	June 16, 1997
----- Rusty L. Moore		
/s/ JOSEPH V. RUSSELL	Trustee	June 16, 1997
----- Joseph V. Russell		
/s/ CHARLES W. THOMAS, PH.D	Trustee	June 16, 1997
----- Charles W. Thomas, Ph.D		

</TABLE>

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INDEX TO EXHIBITS

<TABLE>
<CAPTION>

EXHIBIT NUMBER -----	DESCRIPTION OF EXHIBITS -----	SEQUENTIALLY NUMBERED PAGE -----
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**3.2	-- Amended and Restated Bylaws of CCA Prison Realty Trust.....	
**3.3	-- Specimen of certificate representing the Common Shares.....	
*4	-- Provisions defining the rights of shareholders are found Sections 8-10 and 15 and Article II in the Amended and Restated Declaration of Trust and Amended and Restated Bylaws, respectively, of CCA Prison Realty Trust (included as Exhibits 3.1 and 3.2 to the Registration Statement).....	
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* Previously filed

** Filed herewith

*** To be filed by a future Amendment

CCA PRISON REALTY TRUST
17,000,000 COMMON SHARES

UNDERWRITING AGREEMENT

June __, 1997

J.C. BRADFORD & CO., L.L.C.
A.G. EDWARDS & SONS, INC.
LEGG MASON WOOD WALKER, INCORPORATED
LEHMAN BROTHERS INC.
PAINWEBBER INCORPORATED
STEPHENS INC.

As Representatives of the Several Underwriters
c/o J.C. Bradford & Co.
J.C. Bradford Financial Center
330 Commerce Street
Nashville, Tennessee 37201

Ladies and Gentlemen:

CCA Prison Realty Trust, a Maryland real estate investment trust (the "Company"), proposes to issue and sell to the underwriters named in Schedule I hereto (the "Underwriters") for whom you are acting as the representatives (the "Representatives") 17,000,000 shares (collectively, the "Firm Shares"), of the Common Shares, \$.01 par value per share (the "Common Shares"), of the Company. Such Common Shares are to be sold to the Underwriters, acting severally and not jointly, in such amounts as are set forth in Schedule I hereto opposite the name of such Underwriter. The Company proposes to grant to the Underwriters an option to purchase up to 2,550,000 additional Common Shares as provided for in Section 2 of this Agreement for the purpose of covering over-allotments (the "Option Shares"). The Firm Shares and the Option Shares purchased pursuant to this Agreement are herein called the "Shares."

1. Representations and Warranties of the Company. The Company represents and warrants to, and agrees with, each of the Underwriters that:

(a) The Company has filed with the Securities and Exchange Commission (the "Commission") under the Securities Act of 1933, as amended (the "Securities Act"), a registration statement on Form S-11 (Registration No.

preliminary prospectus relating to the Shares. Copies of such registration statement and any amendments, including any post-effective amendments, and all forms of the related prospectuses contained therein and any supplements thereto, have been delivered to you. Such registration statement, including the prospectus, Part II, all financial schedules and exhibits thereto, all information deemed to be a part of such registration statement pursuant to Rule 430A under the Securities Act and any related registration statement filed pursuant to Rule 462(b) under the Securities Act, at the time when they shall become effective are herein referred to as the "Registration Statement," and the prospectus included as part of the Registration Statement on file with the Commission that discloses all the information that was omitted from the prospectus on the effective date pursuant to Rule 430A of the Rules and Regulations (as defined below) and in the form filed pursuant to Rule 424(b) under the Securities Act is herein referred to as the "Final Prospectus." The prospectus included as part of the Registration Statement on the date when the Registration Statement became effective is referred to herein as the "Effective Prospectus." Any prospectus included in the Registration Statement and in any amendment thereto prior to the effective date of the Registration Statement is referred to herein as a "Preliminary Prospectus." For purposes of this Agreement, "Rules and Regulations" mean the rules and regulations promulgated by the Commission under either the Securities Act or the Securities Exchange Act of 1934, as amended (the "Exchange Act"), as applicable.

(b) The Commission has not issued any order preventing or suspending the use of any Preliminary Prospectus, and each Preliminary Prospectus, at the time of filing thereof, complied with the requirements of the Securities Act and the Rules and Regulations, and did not include any untrue statement of a material fact or omit to state any 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; except that the foregoing does not apply to statements or omissions made in reliance upon and in conformity with written information relating to any Underwriter furnished to the Company by any Underwriter specifically for use therein. When the Registration Statement becomes effective and at all times subsequent thereto up to and including the First Closing Date (as hereinafter defined), (i) the Registration Statement, the Effective Prospectus and Final Prospectus and any amendments or supplements thereto will contain all statements which are required to be stated therein in accordance with the Securities Act and the Rules and Regulations and will comply with the requirements of the Securities Act and the Rules and Regulations, and (ii) neither the Registration Statement, the Effective Prospectus nor the Final Prospectus nor any amendment or supplement thereto

will include any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances in which they are made, not misleading; except that the foregoing does not apply to statements or omissions made in reliance upon and in conformity with written information relating to any Underwriter furnished to the Company by any Underwriter specifically for use therein.

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(c) The Company is duly formed and validly existing and in good standing under the laws of the State of Maryland with full power and authority to own its properties and conduct its business as now conducted and is duly qualified or authorized to do business and is in good standing in all jurisdictions where the failure to so qualify could have a material adverse effect upon the conduct of business or the ownership or leasing of property by the Company in such jurisdiction. The Company holds all material licenses, consents and approvals, and has satisfied all material eligibility and other similar requirements imposed by federal and state regulatory bodies, administrative agencies or other governmental bodies, agencies or officials, in each case as required for the conduct of the business in which it is engaged and is contemplated to be engaged in the Effective Prospectus and the Final Prospectus. The Company does not have a direct or indirect ownership interest in any corporation, joint venture, partnership or other entity.

(d) The capitalization of the Company is as set forth under the caption "Capitalization" in the Effective Prospectus and the Final Prospectus, and the Company's capital shares conform to the description thereof contained under the caption "Description of Capital Shares" in the Effective Prospectus and the Final Prospectus. All the issued capital shares of the Company have been duly authorized and validly issued, are fully paid and nonassessable. None of the issued capital of the Company have been issued in violation of, or are subject to, any preemptive or similar rights. The Shares to be sold by the Company hereunder have been duly and validly authorized and, upon issuance and delivery and payment therefor in the manner herein described, will be validly issued, fully paid and nonassessable and will not be subject to preemptive rights or other rights to subscribe for or to purchase. Except as set forth in the Effective Prospectus and the Final Prospectus, (i) the Company does not have outstanding any options to purchase, or any rights or warrants to subscribe for, or any securities or obligations convertible into, or any contracts or commitments to issue or sell, any Common Shares and (ii) there are no preemptive rights or other rights to subscribe for or to purchase, or any restriction upon the transfer of, any Common Shares pursuant to the

Company's declaration of trust, bylaws or any agreement or other instrument to which the Company is a party or by which it may be bound. Neither the filing of the Registration Statement nor the offer or sale of the Shares as contemplated by this Agreement gives rise to any rights, other than those which have been waived or satisfied, for or relating to the registration of any Common Shares or any other securities of the Company. The Underwriters will receive good and marketable title to the Shares to be issued and delivered hereunder, free and clear of all liens, encumbrances, claims, security interests, restrictions, shareholders' agreements and voting trusts whatsoever.

(e) The form of share certificate to be used to evidence the Common Shares will be in due and proper form and will comply with all applicable legal requirements.

(f) All offers and sales by the Company of the Company's securities prior to the date hereof were at all relevant times duly registered or the subject of an available

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exemption from the registration requirements of the Securities Act, and were duly registered or the subject of an available exemption from the registration requirements of the applicable state securities or Blue Sky laws.

(g) The Company has full legal right, power and authority to enter into this Agreement and to sell and deliver the Shares to be sold by it to the several Underwriters as provided herein, and this Agreement has been duly authorized, executed and delivered by the Company and constitutes a valid and binding agreement of the Company enforceable against the Company in accordance with its terms. No consent, approval, authorization or order of any court or governmental agency or body or third party is required for the performance of this Agreement by the Company or the consummation by the Company of the transactions contemplated hereby, except such as have been obtained and such as may be required by the National Association of Securities Dealers, Inc. ("NASD") or under the Securities Act or state securities or Blue Sky laws in connection with the purchase and distribution of the Shares by the several Underwriters. The issue and sale of the Shares by the Company, the Company's performance of this Agreement and the consummation of the transactions contemplated hereby will not result in a breach or violation of, or conflict with, any of the terms and provisions of, or constitute a default by the Company under, any indenture, mortgage, deed of trust, loan agreement, lease or other agreement or instrument to which the Company is a party or to which the Company or any

of its properties is subject, the declaration of trust, bylaws or other governing instruments of the Company or any statute or any judgment, decree, order, rule or regulation of any court or governmental agency or body applicable to the Company or any of its properties, except for such breach, violation or conflict which could, singly or in the aggregate, have a material adverse effect on the Company or could, singly or in the aggregate, materially impair the performance by the Company of its obligations under this Agreement. The Company is not in violation of its declaration of trust, bylaws or other governing instruments or any law, administrative rule or regulation or arbitrators' or administrative court decree, judgment or order or in violation or default (there being no existing state of facts which with notice or lapse of time or both would constitute a default) in the performance or observance of any material obligation, agreement, covenant or condition contained in any contract, indenture, deed of trust, mortgage, loan agreement, note, lease, agreement or other instrument or permit to which it is a party or by which it or any of its properties is or may be bound, except for such violation or conflict which could, singly or in the aggregate, have a material adverse effect on the Company or could singly or in the aggregate, materially impair the performance by the Company of its obligations under this Agreement.

(h) At the Closing Date, each of the Purchase Agreement, the Option Agreements, the Right to Purchase Agreement, the Trade Name Use Agreement, the Leases, the Master Lease, (each as defined in the Effective Prospectus), and the employment agreements with each of J. Michael Quinlan, D. Robert Crants III and Michael W. Devlin (collectively, the "Employment Agreements") will have

been duly and validly authorized, executed and delivered by the Company and will be valid and binding agreements of the Company enforceable in accordance with their respective terms. At the Closing Date, the agreements pursuant to which certain persons have agreed not to sell their Common Shares for a specified period of time (the "Lockup Agreements") will have been duly and validly authorized, executed and delivered by the parties thereto and will be valid and binding agreements, enforceable in accordance with their terms. The Purchase Agreement, the Option Agreements, the Right to Purchase Agreement, the Trade Name Use Agreement, the Leases, the Master Lease, the Employment Agreements and the Lockup Agreements are sometimes hereinafter called the "Operative Documents." The execution, delivery and performance of the Operative Documents and the consummation of the transactions contemplated therein and compliance by the Company with its obligations thereunder have been duly authorized by all necessary

action and will not contravene any provision of applicable law or the declaration of trust or by-laws of the Company or any agreement or other instrument binding upon the Company, or any judgment, order or decree of any governmental body, agency or court having jurisdiction over the Company, and no consent, approval, authorization or order of or qualification with any governmental body or agency is required for the performance by the Company of its obligations under the Operative Documents, except (i) such as may be required by the federal securities laws or the securities or Blue Sky laws of the various states in connection with the offer and sale of the Shares and (ii) to the extent that the failure to obtain such would not, singly or in the aggregate, have a material adverse effect on the Company.

(i) The historical and pro forma financial statements, together with the related schedules and notes, of the Company, included in the Registration Statement, the Effective Prospectus and the Final Prospectus, conform to the requirements of the Securities Act and the Rules and Regulations. Such historical financial statements fairly present the financial position of the Company at the respective dates indicated in accordance with generally accepted accounting principles applied on a consistent basis for the periods indicated. Such pro forma financial statements have been prepared on a basis consistent with such historical statements, except for the pro forma adjustments specified therein, and give effect to assumptions made on a reasonable basis and present fairly the transactions reflected thereby as indicated in the Prospectus. The financial and statistical data set forth in the Effective Prospectus and the Final Prospectus fairly presents the information set forth therein on the basis stated in the Effective Prospectus and the Final Prospectus. Arthur Andersen LLP, whose report is included in the Effective Prospectus and the Final Prospectus, are independent accountants as required by the Securities Act and the Rules and Regulations.

(j) Subsequent to April 23, 1997, the Company has not sustained any material loss or interference with its business or properties from fire, flood, hurricane, accident or other calamity, whether or not covered by insurance, or from any labor dispute or court or governmental action, order or decree, which is not disclosed in the Effective Prospectus

and the Final Prospectus; and subsequent to the respective dates as of which information is given in the Registration Statement, the Effective Prospectus and the Final Prospectus, (i) the Company has not incurred any material liabilities or obligations, direct or contingent, or entered into

any transactions not in the ordinary course of business, and (ii) there has not been any issuance of options, warrants or rights to purchase interests in, or the capital shares of, the Company, or any adverse change, or any development involving a prospective adverse change, in the general affairs, management, business, prospects, financial position, net worth or results of operations of the Company, except in each case as described in the Effective Prospectus and the Final Prospectus.

(k) Except as described in the Effective Prospectus and the Final Prospectus, there is not pending, or to the knowledge of the Company threatened, any legal or governmental action, suit, proceeding, inquiry or investigation, to which the Company or any of its officers or trustees is a party, or to which the property of the Company is subject, before or brought by any court or governmental agency or body, wherein an unfavorable decision, ruling or finding could prevent or materially hinder the consummation of this Agreement or the Operative Documents or result in a material adverse change in the business condition (financial or other), prospects, financial position, net worth or results of operations of the Company.

(l) (i) Except as has been disclosed in writing to the Representatives or their counsel prior to the date hereof, to the knowledge of the Company, the Initial Facilities (as defined in the Effective Prospectus) are presently operated in compliance in all material respects with all Environmental Laws (as defined below).

(ii) Except as has been disclosed in the Effective Prospectus and the Final Prospectus, there are no Environmental Laws requiring any material remediation, clean up, repairs, constructions or capital expenditures (other than normal maintenance) with respect to the Initial Facilities.

(iii) Except as has been disclosed in writing to the Representatives or their counsel prior to the date hereof, (A) no notices of any violation or alleged violation of any Environmental Laws relating to the Initial Facilities or their uses have been received by the Company, or, to the best knowledge of the Company, by Corrections Corporation of America ("CCA") or any prior owner, operator or occupant of the Initial Facilities, and (B) there are no writs, injunctions, decrees, orders or judgments outstanding, or any actions, suits, claims, proceedings or investigations pending, or to the knowledge of the Company threatened, relating to the ownership, use, maintenance or operation of the Initial Facilities.

(iv) Except as has been disclosed in writing to the Representatives or their counsel prior to the date hereof, all material permits and licenses required under any Environmental Laws in respect of the operations of the Initial Facilities have been

obtained, and the Initial Facilities and CCA are in compliance, in all material respects, with the terms and conditions of such permits and licenses.

(v) All reports of environmental surveys, audits, investigations and assessments in the possession or control of the Company or CCA relating to the Initial Facilities have been disclosed to the Representatives or their counsel.

(vi) "Environmental Law" means all applicable statutes, regulations, rules, ordinances, codes, licenses, permits, orders, demands, approvals, authorizations and similar items of all governmental agencies, departments, commissions, boards, bureaus or instrumentalities of the United States, states and political subdivisions thereof and all applicable judicial, administrative and regulatory decrees, judgments and orders relating to the protection of human health or the environment as in effect as of the date hereof, including but not limited to those pertaining to reporting, licensing, permitting, investigation and remediation of emissions, discharges, releases or threatened releases of "Hazardous Materials," substances, pollutants, contaminants or hazardous or toxic substances, materials or wastes whether solid, liquid or gaseous in nature, into the air, surface water, ground water or land, or relating to the manufacture, processing, distribution, use, treatment, storage, disposal, transport or handling of substances, pollutants, contaminants or hazardous or toxic substances, materials or wastes, whether solid, liquid or gaseous in nature, including by way of illustration and not by way of limitation, (x) the Comprehensive Environmental Response, Compensation and Liability Act (42 U.S.C. ss.ss. 960111 et seq.), the Resource Conservation and Recovery Act (42 U.S.C. ss.ss.69011 et seq.), the Clean Air Act (42 U.S.C. ss.ss. 7401 et seq.), the Federal Water Pollution Control Act (33 U.S.C. ss.ss. 1251), the Safe Drinking Water Act (42 U.S.C. ss.ss. 300f et seq.), the Toxic Substances Control Act (15 U.S.C. ss.ss. 2601 et seq.), the Endangered Species Act (16 U.S.C. ss.ss. 1531 et seq.), the Emergency Planning and Community Right-to-Know Act of 1986 (42 U.S.C. ss.ss. 11001 et seq.) and (y) analogous state and local provisions.

(vii) "Hazardous Material" means any chemical substance:

(A) the presence of which requires investigation or remediation under any federal, state or local statute, regulation, ordinance, order, action or policy, administrative request or civil complaint under any of the foregoing or under common law; or

(B) which is defined as a "hazardous waste" or "hazardous substance" under any federal, state or local statute, regulation or ordinance or amendments thereto as in effect as of the date hereof, or as hereafter amended, including, without limitation, the Comprehensive Environmental Response, Compensation and Liability Act (42 U.S.C. Section 9601 et seq.)

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and or the Resource Conservation and Recovery Act (42 U.S.C. Section 6901 et seq.); or

(C) which is toxic, explosive, corrosive, flammable, infectious, radioactive, carcinogenic, mutagenic or otherwise hazardous and is regulated by any governmental authority, agency, department, commission, board, agency or instrumentality of the United States, or any state or any political subdivision thereof having or asserting jurisdiction over any of the Initial Facilities; or

(D) the presence of which on any of the Initial Facilities causes a nuisance upon such facilities or to adjacent properties or poses a hazard to the health or safety of persons on or about any of the Initial Facilities; or

(E) the presence of which on adjacent properties constitutes a trespass by any owner or operator of the Initial Facilities; or

(F) which contains gasoline, diesel fuel or other petroleum hydrocarbons, polychlorinated biphenyls (PCBs) or asbestos or asbestos-containing materials or urea formaldehyde foam insulation; or

(G) radon gas.

(m) Except as disclosed in the Operative Documents, (i) on the Closing Date, the Company will have good and marketable title to the Initial Facilities and good and marketable title to all personal property owned or proposed to be owned by it which is material to the business of the Company, in each case free and clear of all liens, encumbrances and defects except such as are described in the Effective Prospectus and Final Prospectus or in the title policies delivered to the Company on such date or such as do not materially affect the value of such property and do not interfere materially with the use made and proposed to be made of such

property by the Company; (ii) all permits which are necessary for the operation of the Initial Facilities at the Closing Date (A) shall remain in full force and effect and (B) permit the Initial Facilities to be operated in compliance with all laws, rules, codes and regulations; (iii) the operation of the buildings, fixtures and other improvements located on the Initial Facilities as presently conducted is not in violation of any applicable building code, zoning ordinance or other law or regulation; (iv) neither the Company nor CCA has received notice of any proposed special assessment or any proposed material change in any property tax, zoning or land use laws; (v) there do not exist any material violations of any declaration of covenants, conditions and restrictions with respect to any of the Initial Facilities, nor, to the best of the Company's knowledge, is there any existing state of facts or circumstances or condition or event which could, with the giving of notice or passage of time, or both, constitute such a violation; and (vi) the

improvements comprising any portion of the Initial Facilities (the "Improvements") are free of undue infestation and are free of any and all material physical, mechanical, structural, design and construction defects; the Improvements (including, without limitation, all water, electric, sewer, plumbing, heating, ventilating, gas and air conditioning servicing the Improvements) are in good condition and proper working order and are free of material defects, except as disclosed in the Operative Documents or except as is not material in the aggregate.

(n) At the Closing Date, the Company will be organized in conformity with the requirements for qualification as a real estate investment trust under Sections 856 through 860 of the Internal Revenue Code of 1986, as amended (the "Code"), and its proposed method of operation as described in the Registration Statement will enable it to meet the requirements for taxation as a real estate investment trust under the Code for the taxable period commencing with the year ending December 31, 1997.

(o) _____ Common Shares, including the Shares, have been approved for listing on the New York Stock Exchange (the "NYSE"), subject to official notice of issuance.

(p) The Company has obtained title insurance on all of the Initial Facilities and such title insurance is in full force and effect.

(q) Neither the Company, nor any of its trustees, officers or controlling persons, has taken or will take, directly or indirectly, any

action resulting in a violation of Regulation M under the Exchange Act, or designed to cause or result under the Exchange Act or otherwise in, or which has constituted or which reasonably might be expected to constitute, the stabilization or manipulation of the price of any securities of the Company or facilitation of the sale or resale of the Shares.

(r) None of the entities that prepared environmental inspection reports with respect to the Initial Facilities was employed for such purpose on a contingent basis or has any substantial interest in the Company or, to the knowledge of the Company, CCA, and none of them nor any of their directors, officers or employees is connected with the Company or, to the knowledge of the Company, CCA as a promoter, selling agent, voting trustee, trustee, officer or employee.

(s) There are no contracts or other documents required by the Securities Act or by the Rules and Regulations to be described in the Registration Statement, the Effective Prospectus or the Final Prospectus or to be filed as exhibits to the Registration Statement which have not been described or filed as required. All such contracts to which the Company is a party have been duly authorized, executed and delivered by the Company, constitute valid and binding agreements of the Company and are enforceable against the Company in accordance with the terms thereof. The Company has performed all material

obligations required to be performed by it, and is neither in default in any material respect nor has it received notice of any default or dispute under, any such contract or other material instrument to which it is a party or by which its property is bound or affected. To the best knowledge of the Company, no other party under any such contract or other material instrument to which it is a party is in default in any material respect thereunder.

(t) The Company's system of internal accounting controls is sufficient to meet the broad objectives of internal accounting controls insofar as those objectives pertain to the prevention or detection of errors or irregularities in amounts that would be material in relation to the Company's financial statements.

(u) The Company has filed all foreign, federal, state and local income and franchise tax returns required to be filed through the date hereof and has paid all taxes shown as due therefrom to the extent such taxes have become due and are not being contested in good faith; and there is no tax deficiency that has been, nor does the Company have knowledge of any tax

deficiency which is likely to be, asserted against the Company, which if determined adversely could materially and adversely affect the earnings, assets, affairs, business prospects or condition (financial or other) of the Company.

(v) The Company operates its business in conformity in all material respects with all applicable statutes, common laws, ordinances, decrees, orders, rules and regulations of governmental bodies. The Company has all licenses, approvals or consents to operate its businesses in all locations in which such businesses are currently being operated, and the Company is not aware of any existing or imminent matter which may materially adversely impact its operations or business prospects other than as specifically disclosed in the Effective Prospectus and the Final Prospectus.

(w) The Company has not failed to file with the applicable regulatory authorities any material statements, reports, information or forms required by all applicable laws, regulations or orders; all such filings or submissions were in material compliance with applicable laws when filed, and no material deficiencies have been asserted by any regulatory commission, agency or authority with respect to such filings or submissions. The Company has not failed to maintain in full force and effect any material licenses, registrations or permits necessary or proper for the conduct of its business, or received any notification that any revocation or limitation thereof is threatened or pending, and there is not to the knowledge of the Company pending any change under any law, regulation, license or permit which would materially adversely affect the business, operations, property or business prospects of the Company. The Company has not received any notice of violation of or been threatened with a charge of violating and is not under investigation with respect to a possible violation of any provision of any law, regulation or order.

(x) No labor dispute exists or is imminent with any of the employees of the Company or otherwise which could materially adversely affect the Company. The

Company is not aware of any existing or imminent labor disturbance by employees of the Company or CCA which could be expected to materially adversely affect the condition (financial or otherwise), results of operations, properties, affairs, management, business affairs or business prospects of the Company. The Company is in compliance with all federal, state and local employment and labor laws, including, but not limited to, laws relating to non-discrimination in hiring, promotion and pay of employees.

(y) The Company owns or is in the process of obtaining or can obtain on reasonable terms all material licenses, copyrights, trademarks, service marks and trade names presently employed by it in connection with the businesses proposed to be operated by it, and the Company has not received any notice of infringement of or conflict with asserted rights of others with respect to any of the foregoing which, alone or in the aggregate, if the subject of an unfavorable decision, ruling or finding, could result in any material adverse change in the condition, financial or otherwise, or in the earnings, business affairs or business prospects of the Company.

(z) The Company is insured by insurers of recognized financial responsibility against such losses and risks and in such amounts as are prudent and customary in the businesses in which it is engaged and in which it proposes to engage; and the Company has no reason to believe that it will not be able to renew its existing insurance coverage as and when such coverage expires or to obtain similar coverage from similar insurers as may be necessary to continue its business.

(aa) Neither the Company nor, to the knowledge of the Company, any trustee, officer, agent, employee or other person acting on behalf of the Company has (i) used, or authorized the use of, any corporate or other funds for unlawful payments, contributions, gifts or entertainment, (ii) made unlawful expenditures relating to political activity to government officials or others, or (iii) established or maintained any unlawful or unrecorded funds in violation of any federal, state, local or foreign law or regulation, including Section 30A of the Exchange Act. Neither the Company nor, to the knowledge of the Company, any trustee, officer, agent, employee or other person acting on behalf of the Company has accepted or received any unlawful contributions, payments, gifts or expenditures.

(bb) The Company is not, will not become as a result of the transactions contemplated hereby, and does not intend to conduct its business in a manner that would cause it to become, an "investment company" or a company "controlled" by an "investment company" within the meaning of the Investment Company Act of 1940.

2. Purchase, Sale and Delivery of the Shares.

(a) On the basis of the representations, warranties, agreements and covenants herein contained and subject to the terms and conditions herein set forth, the Company

agrees to sell to the several Underwriters the Firm Shares, and each of the

Underwriters, severally and not jointly, agrees to purchase at a purchase price of \$_____ per share, the number of Firm Shares set forth opposite such Underwriter's name in Schedule I hereto. The Underwriters agree to offer the Firm Shares to the public on the terms set forth in the Final Prospectus under the caption "Underwriting."

(b) The Company hereby grants to the Underwriters an option to purchase, solely for the purpose of covering over-allotments in the sale of Firm Shares, all or any portion of the Option Shares at the purchase price per share set forth above. The option granted hereby may be exercised as to all or any part of the Option Shares at any time (but only once) within 30 days after the date of the Final Prospectus. The Underwriters shall not be under any obligation to purchase any Option Shares prior to the exercise of such option. The option granted hereby may be exercised by the Underwriters by J.C. Bradford & Co. ("Bradford") giving written notice to the Company setting forth the number of Option Shares to be purchased and the date and time for delivery of and payment for such Option Shares and stating that the Option Shares referred to therein are to be used for the purpose of covering over-allotments in connection with the distribution and sale of the Firm Shares. If such notice is given prior to the First Closing Date (as defined herein), the date set forth therein for such delivery and payment shall not be earlier than two full business days thereafter or the First Closing Date, whichever occurs later. If such notice is given on or after the First Closing Date, the date set forth therein for such delivery and payment shall not be earlier than three full business days thereafter. In either event, the date so set forth shall not be more than four full business days after the date of such notice. The date and time set forth in such notice is herein called the "Option Closing Date." Upon exercise of the option, the Company shall become obligated to sell to the Underwriters, and, subject to the terms and conditions herein set forth, the Underwriters shall become obligated to purchase, for the account of each Underwriter, from the Company, severally and not jointly, the number of Option Shares specified in such notice. Option Shares shall be purchased for the accounts of the Underwriters in proportion to the number of Firm Shares set forth opposite such Underwriter's name in Schedule I hereto, except that the respective purchase obligations of each Underwriter shall be adjusted so that no Underwriter shall be obligated to purchase fractional Option Shares.

(c) The Company shall not be obligated to deliver any of the Shares to be delivered on the First Closing Date or on the Option Closing Date, as the case may be, except upon payment for all the Shares to be purchased on such Closing Date, as provided herein.

(d) Certificates in definitive form for the Firm Shares which each Underwriter has agreed to purchase hereunder shall be delivered by or on behalf of the Company to the Representatives for the account of each Underwriter against payment by each such Underwriter or on its behalf of the purchase price therefor by wire transfer of federal or other immediately available funds to the order of the Company at an account previously

designated by the Company, at the offices of Bradford, 330 Commerce Street, Nashville, Tennessee 37201, or at such other place as may be agreed upon by Bradford and the Company, at 10:00 A.M., Nashville time, on the third full business day after this Agreement becomes effective, or, at the election of the Representatives, on the fourth full business day after this Agreement becomes effective, if it becomes effective after 4:30 P.M. Eastern time, or at such other time not later than the seventh full business day thereafter as the Representatives and the Company may determine, such time of delivery against payment being herein referred to as the "First Closing Date." The First Closing Date and the Option Closing Date are herein individually referred to as the "Closing Date" and collectively referred to as the "Closing Dates." Certificates in definitive form for the Option Shares which each Underwriter shall have agreed to purchase hereunder shall be similarly delivered by or on behalf of the Company on the Option Closing Date. The certificates in definitive form for the Shares to be delivered will be in good delivery form and in such denominations and registered in such names as Bradford may request not less than 48 hours prior to the First Closing Date or the Option Closing Date, as the case may be. Such certificates will be made available for checking and packaging at a location in New York, New York as may be designated by Bradford, on a business day at least 24 hours prior to the First Closing Date or the Option Closing Date, as the case may be. It is understood that Bradford may (but shall not be obligated to) make payment on behalf of any Underwriter or Underwriters for the Shares to be purchased by such Underwriter or Underwriters. No such payment shall relieve such Underwriter or Underwriters from any of its or their obligations hereunder.

3. Offering by the Underwriters. After the Registration Statement becomes effective, the several Underwriters propose to offer for sale to the public the Firm Shares and any Option Shares which may be sold at the price and upon the terms set forth in the Final Prospectus.

4. Covenants of the Company. The Company covenants and agrees with each of the Underwriters that:

(a) The Company shall comply with the provisions of and make all requisite filings with the Commission pursuant to Rules 424 and 430A of the Rules and Regulations and shall notify the Representatives promptly (in writing, if requested) of all such filings. The Company shall notify the Representatives promptly of any request by the Commission for any amendment of or supplement to the Registration Statement, the Effective Prospectus or the Final Prospectus or for additional information; the Company shall

prepare and file with the Commission, promptly upon the Representatives' request, any amendments of or supplements to the Registration Statement, the Effective Prospectus or the Final Prospectus which, in the Representatives' opinion, may be necessary or advisable in connection with the distribution of the Shares; and the Company shall not file any amendment of or supplement to the Registration Statement, the Effective Prospectus or the Final Prospectus which is not approved by the Representatives after reasonable notice thereof. The Company shall advise the Representatives promptly of the issuance by the

Commission or any jurisdiction or other regulatory body of any stop order or other order suspending the effectiveness of the Registration Statement, suspending or preventing the use of any Preliminary Prospectus, the Effective Prospectus or the Final Prospectus or suspending the qualification of the Shares for offering or sale in any jurisdiction, or of the institution of any proceedings for any such purpose; and the Company shall use its best efforts to prevent the issuance of any stop order or other such order and, should a stop order or other such order be issued, to obtain as soon as possible the lifting thereof.

(b) The Company will take or cause to be taken all necessary action and furnish to whomever the Representatives direct such information as may be reasonably required in qualifying the Shares for offer and sale under the securities or Blue Sky laws of such jurisdictions as the Underwriters may designate and will continue such qualifications in effect for as long as may be reasonably necessary to complete the distribution of the Shares.

(c) Within the time during which a Final Prospectus relating to the Shares is required to be delivered under the Securities Act, the Company shall comply with all requirements imposed upon it by the Securities Act, as now and hereafter amended, and by the Rules and Regulations, as from time to time in force, so far as is necessary to permit the continuance of sales of or dealings in the Shares as contemplated by the provisions hereof and the Final Prospectus. If during such period any event occurs as a result of which the Final Prospectus as then amended or supplemented would include an untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in the light of the circumstances then existing, not misleading, or if during such period it is necessary to amend the Registration Statement or supplement the Final Prospectus to comply with the Securities Act, the Company shall promptly notify the Representatives and shall amend the Registration Statement or supplement the Final Prospectus (at the expense of the Company) so as to correct such statement or omission or effect such compliance.

(d) The Company will furnish without charge to the Representatives and make available to the Underwriters copies of the Registration Statement (four of which shall be signed and shall be accompanied by all exhibits, each Preliminary Prospectus, the Effective Prospectus and the Final Prospectus, and all amendments and supplements thereto, including any prospectus or supplement prepared after the effective date of the Registration Statement, in each case as soon as available and in such quantities as the Underwriters may reasonably request.

(e) The Company will (A) deliver to the Representatives at such office or offices as the Representatives may designate as many copies of the Preliminary Prospectus and Final Prospectus as the Representatives may reasonably request, (B) for a period of not more than nine months after the Registration Statement becomes effective, send to the Underwriters as many additional copies of the Final Prospectus and any supplement thereto

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as the Representatives may reasonably request, and (C) following nine months after the Registration Statement becomes effective, send to the Underwriters at their expense as many additional copies of the Final Prospectus and any supplement thereto as the Representatives may reasonably request.

(f) The Company shall make generally available to its security holders, in the manner contemplated by Rule 158(b) under the Securities Act as promptly as practicable and in any event no later than 45 days after the end of its fiscal quarter in which the first anniversary of the effective date of the Registration Statement occurs, an earnings statement satisfying the provisions of Section 11(a) of the Securities Act covering a period of at least 12 consecutive months beginning after the effective date of the Registration Statement.

(g) The Company will apply the net proceeds from the sale of the Shares to be sold by it as set forth under the caption "Use of Proceeds" in the Final Prospectus and will timely file reports on Form SR with the Commission in accordance with Rule 463 of the Securities Act or any successor provision.

(h) During a period of five years from the effective date of the Registration Statement or such longer period as the Representatives may reasonably request, the Company will furnish to the Representatives copies of all reports and other communications (financial or other) furnished by the Company to its shareholders and, as soon as available, copies of any

reports or financial statements furnished or filed by the Company to or with the Commission or any national securities exchange on which any class of securities of the Company may be listed.

(i) The Company will, from time to time, after the effective date of the Registration Statement file with the Commission such reports as are required by the Securities Act, the Exchange Act and the Rules and Regulations, and shall also file with foreign, state and other governmental securities commissions in jurisdictions where the Shares have been sold by the Underwriters (as the Representatives shall have advised the Company in writing) such reports as are required to be filed by the securities acts and the regulations of those states.

(j) Except pursuant to this Agreement or with the Representatives' written consent, for a period of 180 days from the effective date of the Registration Statement, the Company will not, and the Company has provided agreements executed by each of its officers and trustees providing that for a period of 24 months from the effective date of the Registration Statement, such person will not, offer for sale, sell (other than the issuance by the Company of Common Shares pursuant to the exercise of options granted pursuant to existing employee benefit plans and agreements), grant any options (other than pursuant to existing employee benefit plans and agreements), rights or warrants with respect to any Common Shares, securities convertible into Common Shares or any other capital shares

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of the Company, or otherwise dispose of, directly or indirectly, any Common Shares or such other securities or capital shares.

(k) Neither the Company nor any of its officers, trustees or affiliates will take, directly or indirectly, any action resulting in a violation of Regulation M under the Exchange Act, or designed to cause or result in, or which might constitute or be expected to constitute, stabilization or manipulation of the price of the Common Shares.

(l) The Company will either conduct its business and operations as described in the Final Prospectus or, if the Company makes any material change to its business or operations as so conducted, promptly disclose such change generally to the Company's security holders.

(m) If at any time during the 25 day period after the Registration Statement is declared effective, any rumor, publication or event relating

to or affecting the Company shall occur as a result of which, in the Representatives' opinion, the market price for the Shares has been or is likely to be materially affected (regardless of whether such rumor, publication or event necessitates a supplement to or amendment of the Final Prospectus), the Company will, after written notice from the Representatives advising it as to the effect set forth above, prepare, consult with the Representatives concerning the substance of and, subject to the Rules and Regulations, disseminate a press release or other public statement, reasonably satisfactory to the Representatives, responding to or commenting on such rumor, publication or event.

(n) The Company will use its best efforts to effect the listing of the Common Shares, subject to notice of issuance, on the NYSE on or before the effective date of the Registration Statement.

(o) The Company will use its best efforts to meet the requirements to qualify, effective for the taxable period commencing with the year ending December 31, 1997 and in each year thereafter, as a real estate investment trust under the Code.

(p) Subject to the terms thereof, the Company will do and perform its obligations under each of the Operative Documents to which it is a party to the extent required to consummate the transactions set forth therein and all things required to be done or performed prior to the Closing Date pursuant to this Agreement.

5. Expenses. The Company agrees with the Underwriters that (a) whether or not the transactions contemplated by this Agreement are consummated or this Agreement becomes effective or is terminated, the Company will pay all fees and expenses incident to the performance of the obligations of the Company hereunder, including, but not limited to, (i) the Commission's registration fee, (ii) the expenses of printing (or reproduction) and distributing the Registration Statement (including the financial statements therein and all amendments and exhibits thereto),

each Preliminary Prospectus, the Effective Prospectus, the Final Prospectus, any amendments or supplements thereto, any Marketing Materials (as defined herein) and this Agreement and other underwriting documents, including Underwriter's Questionnaires, Underwriter's Powers of Attorney, Blue Sky Memoranda, Agreements Among Underwriters and Selected Dealer Agreements, (iii) fees and expenses of accountants and counsel for the Company, (iv) expenses of registration or qualification of the Shares under state Blue Sky and securities laws, including the fees and disbursements of counsel to the Underwriters in connection

therewith, (v) filing fees paid or incurred by the Underwriters in connection with filings with the NASD, (vi) expenses of listing the outstanding Common Shares on the NYSE, (vii) all travel, lodging and reasonable living expenses incurred by the Company in connection with marketing, dealer and other meetings attended by the Company and the Underwriters in marketing the Shares, (viii) the costs and charges of the Company's transfer agent and registrar and the cost of preparing the certificates for the Shares, and (ix) all other costs and expenses incident to the performance of its obligations hereunder not otherwise provided for in this Section; and (b) all out-of-pocket expenses, including counsel fees, disbursements and expenses, incurred by the Underwriters in connection with investigating, preparing to market and marketing the Shares and proposing to purchase and purchasing the Shares under this Agreement, will be borne and paid by the Company if the sale of the Shares provided for herein is not consummated (i) by reason of the termination of this Agreement by the Company pursuant to Section 12(a) (i) or (ii) by reason of the termination of this Agreement by the Representatives pursuant to Section 12(b) (ii), (iii), (iv) or (v) of this Agreement.

6. Conditions of the Underwriters' Obligations. The respective obligations of the Underwriters to purchase and pay for the Firm Shares shall be subject to the accuracy of the representations and warranties of the Company herein as of the date hereof and as of the Closing Date as if made on and as of the Closing Date, to the accuracy of the statements of the Company's officers made pursuant to the provisions hereof, to the performance by the Company of all of its covenants and agreements hereunder and to the following additional conditions:

(a) The Registration Statement and all post-effective amendments thereto shall have become effective not later than 5:30 P.M., Washington, D.C. time, on the day following the date of this Agreement, or such later time and date as shall have been consented to by the Representatives and all filings required by Rule 424 and Rule 430A of the Rules and Regulations shall have been made; no stop order suspending the effectiveness of the Registration Statement shall have been issued and no proceedings for that purpose shall have been instituted or threatened or, to the knowledge of the Company or the Underwriters, shall be contemplated by the Commission; any request of the Commission for additional information (to be included in the Registration Statement or the Final Prospectus or otherwise) shall have been complied with to the Representatives' satisfaction; and the NASD, upon review of the terms of the public offering of the Shares, shall not have objected to such offering, such terms or the Underwriters' participation in the same.

(b) No Representative shall have advised the Company that the Registration Statement, Preliminary Prospectus, the Effective Prospectus or Final Prospectus, or any amendment or any supplement thereto, contains an untrue statement of fact which, in the Representatives' reasonable judgment, is material, or omits to state a fact which, in the Representatives' reasonable judgment, is material and is required to be stated therein or necessary to make the statements therein not misleading.

(c) The Representatives shall have received opinions, dated the Closing Date, from Stokes & Bartholomew, P.A., and Sherrard & Roe, PLC, counsel for the Company, to the effect that:

(i) The Company has been duly formed and is validly existing as a real estate investment trust under the laws of the State of Maryland, with corporate power and authority to own its properties and conduct its business as now conducted, and, based solely on certificates from public officials, the Company is duly qualified to transact business as a foreign corporation and is in good standing under the laws of the States of Arizona, Kansas and Texas. The Company holds all licenses, certificates, permits, franchises and authorizations from governmental authorities necessary for the conduct of its business.

(ii) The Company does not have any interest, directly or indirectly, in any corporation, joint venture, partnership or other entity.

(iii) As of the dates specified therein, the Company had authorized and issued capital stock as set forth under the caption "Capitalization" in the Final Prospectus. All of the outstanding Common Shares have been duly authorized and are validly issued, fully paid and nonassessable, and the Shares to be sold by the Company have been duly authorized, and upon issuance thereof and payment therefor as provided herein, will be validly issued, fully paid and nonassessable; none of the issued shares have been issued in violation of or subject to any preemptive rights provided for by law, agreement or the Company's declaration of trust or bylaws. To the knowledge of such counsel, the Company does not have outstanding any options to purchase, or any rights or warrants to subscribe for, or any securities or obligations convertible into, or any contracts or commitments to issue or sell any capital shares, and there are no preemptive rights or other rights to subscribe for or purchase any capital shares of the Company, or any restriction upon the transfer of, the Shares pursuant to the Company's declaration of trust or bylaws or any agreement or other instrument to which the Company is a party or by which it may be bound, except as described in the Effective Prospectus and Final Prospectus. Neither the filing of the Registration Statement nor the offer or sale of the Shares as contemplated by this Agreement gives rise to any rights, other than those which have been waived or satisfied, for or relating to the

will receive valid title to the Shares to be issued and delivered by the Company pursuant to this Agreement, free and clear of all liens, encumbrances, claims, security interests, restrictions, shareholders agreements and voting trusts whatsoever. The capital shares of the Company and the Shares conform in all material respects to the description thereof contained in the Final Prospectus. All offers and sales of the Company's interests and securities prior to the date hereof were at all relevant times duly registered or exempt from the registration requirements of the Securities Act and were duly registered or the subject of an exemption from the registration requirements of applicable state securities or Blue Sky laws.

(iv) The form of shares certificate to be used to evidence the Common Shares will be in due and proper form and will comply with all applicable legal requirements under the Maryland General Corporation Law.

(v) No consent, approval, authorization or order of any court or federal, Arizona, Kansas, Maryland, Tennessee or Texas governmental agency or body or third party is required for the performance of this Agreement by the Company or the consummation by the Company of the transactions contemplated hereby, except such as have been obtained under the Securities Act and such as may be required by the NASD and under state securities or Blue Sky laws in connection with the purchase and distribution of the Shares by the several Underwriters, as to which such counsel need not express an opinion. The performance of this Agreement by the Company and the consummation by the Company of the transactions contemplated hereby will not conflict with or result in a breach or violation by the Company of any of the terms or provisions of, or constitute a default by the Company under, any material indenture, mortgage, deed of trust, loan agreement, lease or other agreement or instrument known to such counsel to which the Company is a party or to which the Company or its properties is subject, the declaration of trust or bylaws of the Company, any statute, or any judgment, decree, order, rule or regulation of any court or governmental agency or body known to such counsel to be applicable to the Company or its properties.

(vi) The Company has full legal right, power and authority to enter into this Agreement and to issue, sell and deliver the Shares to

be sold by it to the Underwriters as provided herein, and this Agreement has been duly authorized, executed and delivered by the Company and constitutes the valid and legally binding obligation of the Company enforceable against the Company in accordance with its terms, subject to the effect of bankruptcy, insolvency, reorganization, arrangement, moratorium, fraudulent conveyance, fraudulent transfer and other similar laws relating to or affecting the rights of creditors.

(vii) No consent, approval, authorization or order of any court or governmental agency or body or third party is required for the performance of the Operative Documents by the Company or the consummation by the Company of the transactions contemplated thereby, except such as have been obtained under the Securities Act and such as may be required and under state securities or Blue Sky laws in connection with the purchase and distribution of the Shares by the several Underwriters. The performance of the Operative Documents by the Company and the consummation by the Company of the transactions contemplated thereby will not conflict with or result in a breach or violation by the Company of any of the terms or provisions of, or constitute a default by the Company under, any material indenture, mortgage, deed of trust, loan agreement, lease or other agreement or instrument known to such counsel to which the Company is a party or to which the Company or its properties is subject, the declaration of trust or bylaws of the Company, any statute, or any judgment, decree, order, rule or regulation of any court or governmental agency or body known to such counsel to be applicable to the Company or its properties.

(viii) The Company has full legal right, power and authority to enter into each of the Operative Documents to which it is a party, and each of the Operative Documents to which it is a party has been duly authorized, executed and delivered by the Company and constitutes the valid and legally binding obligation of the Company enforceable against the Company in accordance with its terms, subject to the effect of bankruptcy, insolvency, reorganization, arrangement, moratorium, fraudulent conveyance, fraudulent transfer and other similar laws relating to or affecting the rights of creditors.

(ix) Except as described in the Final Prospectus, there is not pending or, to the knowledge of such counsel, threatened any action,

suit, proceeding, inquiry or investigation, to which the Company is a party, or to which the property of the Company is subject, before or brought by any court or governmental agency or body, which, if determined adversely to the Company, could result in any material adverse change in the business, financial position, net worth or results of operations, or could materially adversely affect the properties or assets, of the Company.

(x) To the knowledge of such counsel, no default exists, and no event has occurred which with notice or after the lapse of time to cure or both, would constitute a default, in the due performance and observance of any term, covenant or condition of any material indenture, mortgage, deed of trust, loan agreement, lease or other agreement or instrument known to such counsel to which the Company is a party or to which its properties are subject, or of the declaration of trust or bylaws of the Company.

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(xi) To the knowledge of such counsel, the Company is not in violation of any law, ordinance, administrative or governmental rule or regulation applicable to the Company or any decree of any court or governmental agency or body having jurisdiction over the Company which would have a material adverse effect on the Company.

(xii) To the knowledge of such counsel, there are no contracts or documents of the Company which are required to be filed as exhibits to the Registration Statement by the Securities Act or by the Rules and Regulations which have not been so filed.

(xiii) The Company is not an "investment company" or an entity "controlled" by an "investment company," as such terms are defined in the Investment Company Act of 1940, as amended.

(xiv) The Registration Statement and all post-effective amendments thereto have become effective under the Securities Act, and, to the knowledge of such counsel, no stop order suspending the effectiveness of the Registration Statement has been issued and no proceedings for that purpose have been instituted or, to the knowledge of such counsel, are threatened, pending or contemplated by the Commission. All filings required by Rule 424 and Rule 430A of the Rules and Regulations have been made; the Registration Statement, the Effective Prospectus and Final Prospectus, and any amendments or

supplements thereto, as of their respective effective or issue dates, complied as to form in all material respects with the applicable requirements of the Securities Act and the Rules and Regulations; the descriptions in the Registration Statement, the Effective Prospectus and the Final Prospectus of statutes, regulations, legal and governmental proceedings, and contracts and other documents are accurate in all material respects and present fairly in all material respects the information required to be stated; and such counsel does not know of any pending or threatened legal or governmental proceedings, statutes or regulations required to be described in the Final Prospectus which are not described as required nor of any contracts or documents of a character required to be described in the Registration Statement or the Final Prospectus or to be filed as exhibits to the Registration Statement which are not described and filed as required.

In addition to the matters set forth above, such opinion shall also include a statement to the effect that nothing has come to the attention of such counsel which leads them to believe that the Registration Statement, the Effective Prospectus and the Final Prospectus or any amendment or supplement thereto contains an untrue statement of a material fact or omits to state a material fact required to be stated therein or necessary to make the statements therein not misleading in light of the circumstances under which they were made (except that such counsel need express no view as to financial statements, schedules and other financial or statistical information included therein).

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(d) The Representatives shall have received an opinion, dated the Closing Date, of Stokes & Bartholomew, P.A., tax counsel to the Company, reasonably acceptable to the Representatives that, upon completion of the Formation Transactions, the Company will be in compliance with the requirements for qualification as a real estate investment trust under the Code, and the proposed method of operation of the Company as described in the Registration Statement and the Final Prospectus and a certificate of a responsible officer of the Company will enable the Company to meet the requirements for taxation as a real estate investment trust under the Code beginning with the year ended December 31, 1997.

(e) The Representatives shall be entitled to rely on the opinions rendered by Sherrard & Roe, PLC, counsel to the Company, pursuant to the Operative Documents.

The opinions to be rendered pursuant to paragraphs (c), (d) and (e) may be

limited to federal law, and as to foreign and state law matters, to the laws of the states or jurisdictions in which such counsel is admitted to practice. As to matters of Maryland law, such counsel may rely upon the opinion of Miles & Stockbridge, a Professional Corporation, and as to matters of fact, on certificates of officers of the Company and public officials.

(f) The Underwriters shall have received an opinion or opinions, dated the Closing Date, of Bass, Berry & Sims PLC, counsel for the Underwriters, with respect to the Registration Statement and the Final Prospectus, and such other related matters as the Underwriters may require, and the Company shall have furnished to such counsel such documents as they may reasonably request for the purpose of enabling them to pass upon such matters.

(g) The Representatives shall have received from Arthur Andersen LLP, a letter dated the date hereof and, at the Closing Date, a second letter dated the Closing Date, in form and substance satisfactory to the Representatives, stating that they are independent public accountants with respect to the Company within the meaning of the Securities Act and the applicable Rules and Regulations, and containing statements and information of the type ordinarily included in accountants' "comfort letters" to underwriters with respect to the financial statements and certain financial information of the Company contained in the Registration Statement and the Prospectus.

(h) The Representatives shall have received from Arthur Andersen LLP, a letter dated the date hereof and, at the Closing Date, a second letter dated the Closing Date, in form and substance satisfactory to the Representatives, stating that they are independent public accountants with respect to CCA within the meaning of the Securities Act and the applicable Rules and Regulations, and to the effect that:

(i) In their opinion, the consolidated financial statements and schedules of CCA examined by them and included in the Registration Statement comply as to form in all material respects with the applicable accounting

requirements of the Securities Act and the published Rules and Regulations and are presented in accordance with generally accepted accounting principles; and they have made a review in accordance with standards established by the American Institute of Certified Public Accountants of the interim consolidated financial statements, selected financial data and/or condensed financial statements derived from

audited financial statements of CCA;

(ii) The unaudited selected consolidated financial information of CCA included in the Preliminary Prospectus and the Final Prospectus under the caption "CORRECTIONS CORPORATION OF AMERICA -- CERTAIN SELECTED FINANCIAL INFORMATION" for the five years ended December 31, 1996, agrees with the corresponding amounts in the audited consolidated financial statements included in the Final Prospectus or previously reported on by them;

(iii) On the basis of a reading of the latest available interim financial statements (unaudited) of CCA and its subsidiaries, a reading of the minute books of CCA and its subsidiaries, inquiries of officials of CCA and its subsidiaries responsible for financial and accounting matters and other specified procedures, all of which have been agreed to by the Representatives, nothing came to their attention that caused them to believe that:

(A) The amounts included in the Preliminary Prospectus and the Final Prospectus under the caption "CORRECTIONS CORPORATION OF AMERICA -- CERTAIN SELECTED FINANCIAL INFORMATION" for the five years ended December 31, 1996 do not agree with the corresponding amounts in the audited consolidated financial statements included in the Final Prospectus or previously reported on by them;

(B) The unaudited pro forma financial information included in the Registration Statement does not comply as to form in all material respects with the applicable accounting requirements of the Securities Act and the Rules and Regulations or that the pro forma adjustments have not been properly applied to the historical amounts in the compilation of the pro forma information.

(C) The unaudited consolidated financial statements of CCA included in the Registration Statement, including the amounts included under the caption "CORRECTIONS CORPORATION OF AMERICA -- CERTAIN SELECTED FINANCIAL INFORMATION" do not comply as to form in all material respects with the accounting requirements of the federal securities laws and the related published rules and regulations thereunder or are not in conformity with generally accepted accounting

principles applied on a basis substantially consistent with the basis for the audited financial statements contained in the Registration Statement;

(D) Any other unaudited consolidated financial statement data included in the Final Prospectus do not agree with the corresponding items in the audited consolidated financial statements from which data was derived and any such unaudited data were not determined on a basis substantially consistent with the basis for the corresponding amounts in the audited financial statements contained in the Final Prospectus;

(E) at a specified date not more than five days prior to the date of delivery of such respective letter, there was any change in the capital stock, decline in total assets or stockholders' equity or increase in long-term debt of CCA and its subsidiaries, in each case as compared with amounts shown in the latest balance sheets included in the Final Prospectus, except in each case for changes, decreases or increases which are described in such letters; and

(F) for the period from the closing date of the latest statements of earnings included in the Effective Prospectus and the Final Prospectus to a specified date not more than five days prior to the date of delivery of such respective letter, there were any decreases in revenues, net income and net income per share of CCA, in each case as compared with the corresponding period of the preceding year, except in each case for decreases which are described in such letter.

(iv) They have carried out certain specified procedures, not constituting an audit, with respect to certain amounts, percentages and financial information specified by you which are derived from the general accounting records of CCA and its subsidiaries, which appear in the Effective Prospectus and the Final Prospectus and have compared and agreed such amounts, percentages and financial information with the accounting records of CCA and its subsidiaries or to analyses and schedules prepared by CCA and its subsidiaries from its detailed accounting records.

In the event that the letters to be delivered referred to above set forth any such changes, decreases or increases, it shall be a further condition to the obligations of the Underwriters that the Underwriters shall have determined, after discussions with officers of CCA responsible for financial and accounting matters and with Arthur Andersen LLP, that such changes, decreases or increases as are set forth in such letters do not reflect a material adverse change in the total assets, stockholders' equity or long-term debt of CCA as compared with the amounts shown in the latest balance sheets of CCA included in the Final

Prospectus, or a material adverse change in revenues or net income of CCA, in each case as compared with the corresponding period of the prior year.

(i) There shall have been furnished to the Representatives a certificate, dated the Closing Date and addressed to you, signed by the Chief Executive Officer and Chief Financial Officer of the Company, to the effect that:

(i) the representations and warranties of the Company in Section 1 of this Agreement are true and correct, as if made at and as of the Closing Date, and the Company has complied with all the agreements and satisfied all the conditions on its part to be performed or satisfied at or prior to the Closing Date;

(ii) no stop order suspending the effectiveness of the Registration Statement has been issued, and no proceedings for that purpose have been initiated or are pending, or to their knowledge, threatened under the Securities Act;

(iii) all filings required by Rule 424 and Rule 430A of the Rules and Regulations have been made;

(iv) they have carefully examined the Registration Statement, the Effective Prospectus and the Final Prospectus, and any amendments or supplements thereto, and such documents do not include any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary to make the statements therein not misleading in light of the circumstances under which they were made; and

(v) since the effective date of the Registration Statement, there has occurred no event required to be set forth in an amendment or supplement to the Registration Statement, the Effective Prospectus or the Final Prospectus which has not been so set forth.

(j) The Formation Transactions shall have been effected in accordance with all the terms and conditions set forth in the Operative Documents, subject only to the transfer of funds related thereto, or shall occur simultaneously with the purchase and sale of the Firm Shares hereunder.

(k) CCA and the Company shall have entered into an agreement with the

Underwriters in form and substance satisfactory to the Representatives and the representations and warranties of CCA set forth therein shall be true and correct, as if made at and as of the Closing Date, and CCA shall have complied with all the agreements on its part to be performed pursuant to such agreement at or prior to the Closing Date.

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(l) Subsequent to the respective dates as of which information is given in the Registration Statement and the Final Prospectus, and except as stated therein, the Company has not sustained any material loss or interference with its business or properties from fire, flood, hurricane, accident or other calamity, whether or not covered by insurance, or from any labor dispute or any court or governmental action, order or decree, or become a party to or the subject of any litigation which is material to the Company, nor shall there have been any material adverse change, or any development involving a prospective material adverse change, in the business, properties, key personnel, capitalization, prospects, net worth, results of operations or condition (financial or other) of the Company, which loss, interference, litigation or change, in the Representatives' reasonable judgment shall render it unadvisable to commence or continue the offering of the Shares at the offering price to the public set forth on the cover page of the Prospectus or to proceed with the delivery of the Shares.

(m) The Shares shall be approved for listing on the NYSE, subject only to official notice of issuance and evidence of satisfactory distribution.

(n) The Representatives shall have received the Lockup Agreements.

All such opinions, certificates, letters and documents delivered pursuant to this Agreement will comply with the provisions hereof only if they are reasonably satisfactory to the Representatives and their counsel. The Company shall furnish to the Representatives such conformed copies of such opinions, certificates, letters and documents in such quantities as the Representatives shall reasonably request.

The respective obligations of the Underwriters to purchase and pay for the Option Shares shall be subject, in their discretion, to the conditions of this Section 6, except that all references to the "Closing Date" shall be deemed to refer to the Option Closing Date, if it shall be a date other than the Closing Date.

7. Condition of the Company's Obligations. The obligations hereunder of the

8. Indemnification and Contribution.

(a) The Company agrees to indemnify and hold harmless each Underwriter, and each person, if any, who controls any Underwriter within the meaning of the Securities Act, against any losses, claims, damages or liabilities to which such Underwriter or controlling person may become subject under the Securities Act or otherwise, insofar as such losses, claims, damages or liabilities (or actions in respect thereof) arise out of or are based in whole or in part upon: (i) any inaccuracy in the representations and warranties of the Company contained herein; (ii) any failure of the Company to perform its obligations hereunder or under law; (iii) any untrue statement or alleged untrue statement

of any material fact contained in (A) the Registration Statement, any Preliminary Prospectus, the Effective Prospectus or Final Prospectus, or any amendment or supplement thereto, (B) any audio or visual materials supplied by the Company expressly for use in connection with the marketing of the Shares, including without limitation, slides, videos, films and tape recordings (the "Marketing Materials") or (C) in any Blue Sky application or other written information prepared or executed by the Company filed in any state or other jurisdiction in order to qualify any or all of the Shares under the securities laws thereof (a "Blue Sky Application"); or (iv) the omission or alleged omission to state in the Registration Statement, any Preliminary Prospectus, the Effective Prospectus or Final Prospectus or any amendment or supplement thereto, any Marketing Materials or Blue Sky Application a material fact required to be stated therein or necessary to make the statements therein not misleading; and will reimburse each Underwriter and each such controlling person for any legal or other expenses reasonably incurred by such Underwriter or such controlling person in connection with investigating or defending any such loss, claim, damage, liability or action as such expenses are incurred; provided, however, that the Company will not be liable in any such case to the extent that any such loss, claim, damage, or liability arises out of or is based upon any untrue statement or alleged untrue statement or omission or alleged omission made in the Registration Statement, the Preliminary Prospectus, the Effective Prospectus or Final Prospectus, or any amendment or supplement thereto, or any Marketing Materials or Blue Sky Application in reliance upon and in conformity with written information relating to any Underwriter furnished to the Company by any Underwriter specifically for use therein; and, provided, further, that the foregoing indemnity with respect to any Preliminary Prospectus shall not inure to the benefit of any Underwriter

from whom the person asserting any such loss, claim, damage or liability purchased Shares if a copy of the Final Prospectus (or any Preliminary Prospectus as supplemented) was not sent or given by or on behalf of such Underwriter to such person at or prior to the written confirmation of the sale of such Shares to such person in any case where such delivery is required by the Securities Act and the Final Prospectus would have cured the defect giving rise to such loss, claim, damage or liability.

(b) Each Underwriter will indemnify and hold harmless the Company, each of its trustees, each of the Company's officers who signed the Registration Statement and each person, if any, who controls the Company within the meaning of the Securities Act against any losses, claims, damages or liabilities to which the Company or any such trustee, officer or controlling person may become subject, under the Securities Act or otherwise, insofar as such losses, claims, damages or liabilities (or actions in respect thereof) arise out of or are based upon any untrue statement or alleged untrue statement of any material fact contained in the Registration Statement, any Preliminary Prospectus, the Effective Prospectus or Final Prospectus, or any amendment or supplement thereto, or arise out of or are based upon the omission or the alleged omission to state in the Registration Statement, any Preliminary Prospectus, the Effective Prospectus or Final Prospectus, or any amendment or supplement thereto, a material fact required to be stated therein or necessary to make the statements therein not misleading, in each case to the extent, but

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only to the extent, that such untrue statement or alleged untrue statement or omission or alleged omission was made in reliance upon and in conformity with written information relating to any Underwriter furnished to the Company by any Underwriter specifically for use therein; and will reimburse any legal or other expenses reasonably incurred by the Company and each such controlling person in connection with investigating or defending any such loss, claim, damage, liability or action as such expenses are incurred.

(c) Promptly after receipt by an indemnified party under this Section 8 of notice of the commencement of any action, including governmental proceedings, such indemnified party will, if a claim in respect thereof is to be made against the indemnifying party under this Section 8 notify the indemnifying party of the commencement thereof; but the omission so to notify the indemnifying party will not relieve it from any liability which it may have to any indemnified party hereunder except to the extent the indemnifying party hereunder has been materially prejudiced thereby and in any event shall not relieve it from liability otherwise than under this

Section 8. In case any such action is brought against any indemnified party, and it notifies the indemnifying party of the commencement thereof, the indemnifying party will be entitled to participate therein, and to the extent that it may wish, jointly with any other indemnifying party similarly notified, to assume the defense thereof, with counsel satisfactory to such indemnified party; and after notice from the indemnifying party to such indemnified party of its election so to assume the defense thereof, the indemnifying party will not be liable to such indemnified party under this Section 8 for any legal or other expenses subsequently incurred by such indemnified party in connection with the defense thereof other than reasonable costs of investigation except that the indemnified party shall have the right to employ separate counsel if, in the indemnified party's reasonable judgment, it is advisable for the indemnified party to be represented by separate counsel, and in that event the fees and expenses of separate counsel shall be paid by the indemnifying party.

(d) In order to provide for just and equitable contribution in circumstances in which the indemnity agreement provided for in the preceding part of this Section 8 is for any reason held to be unavailable to the Underwriters or the Company or is insufficient to hold harmless an indemnified party, then the Company shall contribute to the damages paid by the Underwriters, and the Underwriters shall contribute to the damages paid by the Company; provided, however, that no person guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the Securities Act) shall be entitled to contribution from any person who was not guilty of such fraudulent misrepresentation. The amount of such contribution shall (i) be in such proportion as shall be appropriate to reflect the relative benefits received by the Company on the one hand and the Underwriters on the other from the offering of the Shares and the consummation of the Formation Transactions or (ii) if the allocation provided by clause (i) above is not permitted by applicable law, be in such proportion as is appropriate to reflect not only the relative benefits referred to in clause (i) above but also the relative fault of the Company on the one hand and the Underwriters on the other with respect to the statements or omissions which resulted in

such loss, claim, damage or liability, or action in respect thereof, as well as any other relevant equitable considerations. The relative benefits received by the Company on the one hand and the Underwriters on the other with respect to such offering shall be deemed to be in the same proportion as the total net proceeds from the offering of the Shares purchased under

this Agreement (before deducting expenses) received by the Company, in the case of the Company, and the total underwriting discounts and commissions received by the Underwriters with respect to the Shares purchased under this Agreement, in the case of the Underwriters, bear to the total gross proceeds from the offering of the Shares under this Agreement, in each case as set forth in the Prospectus. The relative fault shall be determined by reference to whether the untrue or alleged untrue statement of a material fact or omission or alleged omission to state a material fact relates to information supplied by the Company or the Underwriters, the intent of the parties and their relative knowledge, access to information and opportunity to correct or prevent such statement or omission. The Company and the Underwriters agree that it would not be equitable if the amount of such contribution were determined by pro rata or per capita allocation (even if the Underwriters were treated as one entity for such purpose). Notwithstanding the foregoing, no Underwriter or person controlling such Underwriter shall be obligated to make contribution hereunder which in the aggregate exceeds the underwriting discount applicable to the Shares purchased by such Underwriter under this Agreement, less the aggregate amount of any damages which such Underwriter and its controlling persons have otherwise been required to pay in respect of the same or any similar claim. The Underwriters' obligations to contribute hereunder are several in proportion to their respective obligations and not joint. For purposes of this Section, each person, if any, who controls an Underwriter within the meaning of Section 15 of the Securities Act shall have the same rights to contribution as such Underwriter, and each trustee of the Company, each officer of the Company who signed the Registration Statement, and each person, if any, who controls the Company within the meaning of Section 15 of the Securities Act, shall have the same rights to contribution as the Company.

(e) No indemnifying party shall, without the prior written consent of the indemnified party, effect any settlement of any pending or threatened action, suit or proceeding in respect of which any indemnified party is a party or is (or would be, if a claim were to be made against such indemnified party) entitled to indemnity hereunder, unless such settlement includes an unconditional release of such indemnified party from all liability on claims that are the subject matter of such action, suit or proceeding.

9. Default of Underwriters. If any Underwriter defaults in its obligation to purchase Shares hereunder and if the total number of Shares which such defaulting Underwriter agreed but failed to purchase is ten percent or less of the total number of Shares to be sold hereunder, the non-defaulting Underwriters shall be obligated severally to purchase (in the respective proportions which the number of Shares set forth opposite the name of each non-defaulting Underwriter in Schedule I hereto bears to the total number of Shares set forth opposite the names of all the non-defaulting Underwriters), all the Shares which such defaulting Underwriter or Underwriters agreed

but failed to purchase. If any Underwriter so defaults and the total number of Shares with respect to which such default or defaults occur is more than ten percent of the total number of Shares to be sold hereunder, and arrangements satisfactory to the other Underwriters and the Company for the purchase of such Shares by other persons (who may include the non-defaulting Underwriters) are not made within 36 hours after such default, this Agreement, insofar as it relates to the sale of the Shares, will terminate without liability on the part of the non-defaulting Underwriters or the Company except for (i) the provisions of Section 8 hereof, and (ii) the expenses to be paid or reimbursed by the Company pursuant to Section 5. As used in this Agreement, the term "Underwriter" includes any person substituted for an Underwriter under this Section 9. Nothing herein shall relieve a defaulting Underwriter from liability for its default.

10. Survival Clause. The respective representations, warranties, agreements, covenants, indemnities and other statements of the Company, its officers and the Underwriters set forth in this Agreement or made by or on behalf of them, respectively, pursuant to this Agreement shall remain in full force and effect, regardless of (a) any investigation made by or on behalf of the Company, any of its officers, directors or trustees, any Underwriter or any controlling person, (b) any termination of this Agreement and (c) delivery of and payment for the Shares.

11. Effective Date. This Agreement shall become effective at whichever of the following times shall first occur: (i) at 11:30 A.M., Washington, D.C. time, on the next full business day following the date on which the Registration Statement becomes effective or (ii) at such time after the Registration Statement has become effective as the Representatives shall release the Firm Shares for sale to the public; provided, however, that the provisions of Sections 5, 8, 10 and 11 hereof shall at all times be effective. For purposes of this Section 11, the Firm Shares shall be deemed to have been so released upon the release by the Representatives for publication, at any time after the Registration Statement has become effective, of any newspaper advertisement relating to the Firm Shares or upon the release by the Representatives of telegrams offering the Firm Shares for sale to securities dealers, whichever may occur first.

12. Termination.

(a) The Company's obligations under this Agreement may be terminated by the Company by notice to the Representatives (i) at any time before it becomes effective in accordance with Section 11 hereof, or (ii) in the event that the condition set forth in Section 7 shall not have been satisfied at or prior to the First Closing Date.

(b) This Agreement may be terminated by the Representatives by notice to the Company (i) at any time before it becomes effective in accordance with Section 11 hereof; (ii) in the event that at or prior to the First Closing Date the Company shall have failed, refused or been unable to perform any agreement on the part of the Company to be performed hereunder or any other condition to the obligations of the Underwriters hereunder is not fulfilled; (iii) if at or prior to the Closing Date trading in securities on the NYSE, the American Stock Exchange or the over-the-counter market shall have been

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suspended or materially limited or minimum or maximum prices shall have been established on either of such exchanges or such market, or a banking moratorium shall have been declared by Federal or state authorities; (iv) if at or prior to the Closing Date trading in securities of the Company shall have been suspended; or (v) if there shall have been such a material adverse change in general economic, political or financial conditions or if the effect of international conditions on the financial markets in the United States shall be such as, in your reasonable judgment, makes it inadvisable to commence or continue the offering of the Shares at the offering price to the public set forth on the cover page of the Prospectus or to proceed with the delivery of the Shares.

(c) Termination of this Agreement pursuant to this Section 12 shall be without liability of any party to any other party other than as provided in Sections 5 and 8 hereof.

13. Notices. All communications hereunder shall be in writing and, if sent to any of the Underwriters, shall be mailed or delivered or telegraphed and confirmed in writing to the Representatives in care of J. C. Bradford & Co., J. C. Bradford Financial Center, 330 Commerce Street, Nashville, Tennessee 37201, Attention: Catherine Gemmato-Smith, or if sent to the Company shall be mailed, delivered or telegraphed and confirmed in writing to the Company at 2200 Abbott Martin Road, Suite 201, Nashville, Tennessee 37215, Attention: J. Michael Quinlan.

14. Miscellaneous. This Agreement shall inure to the benefit of and be binding upon the several Underwriters, the Company and their respective successors and legal representatives. Nothing expressed or mentioned in this Agreement is intended or shall be construed to give any other person any legal or equitable right, remedy or claim under or in respect of this Agreement. This Agreement and all conditions and provisions hereof are intended to be for the sole and exclusive benefit of the Company and the several Underwriters and for

the benefit of no other person except that (a) the representations and warranties and indemnities of the Company contained in this Agreement shall also be for the benefit of any person or persons who control any Underwriter within the meaning of Section 15 of the Securities Act, and (b) the indemnities by the Underwriters shall also be for the benefit of the trustees of the Company, officers of the Company who have signed the Registration Statement and any person or persons who control the Company within the meaning of Section 15 of the Securities Act. No purchaser of Shares from any Underwriter will be deemed a successor because of such purchase. The validity and interpretation of this Agreement shall be governed by the laws of the State of Tennessee. This Agreement may be executed in two or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument. Bradford hereby represents and warrants to the Company that it has authority to act hereunder on behalf of the several Representatives and Underwriters, and any action hereunder taken by the Representatives will be binding upon all the Underwriters.

If the foregoing is in accordance with your understanding of our agreement, please indicate your acceptance thereof in the space provided below for that purpose, whereupon this

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letter shall constitute a binding agreement among the Company and each of the several Underwriters.

Very truly yours,

CCA PRISON REALTY TRUST

By: _____
Title: _____

Confirmed and accepted as of the date first above written.

J.C. BRADFORD & CO., L.L.C.
A.G. EDWARDS & SONS, INC.
LEGG MASON WOOD WALKER, INCORPORATED
LEHMAN BROTHERS INC.
PAINWEBBER INCORPORATED
STEPHENS INC.
For themselves and as
Representatives of the Several

By: _____
Partner

SCHEDULE I
UNDERWRITERS

<TABLE>
<CAPTION>

Underwriter -----	Number of Firm Shares to be Purchased -----
<S>	<C>
J.C. Bradford & Co.....	
A.G. Edwards & Sons, Inc.....	
Legg Mason Wood Walker, Incorporated.....	
Lehman Brothers Inc.....	
PaineWebber Incorporated.....	
Stephens Inc.....	

Total.....	----- 17,000,000
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AMENDED AND RESTATED
DECLARATION OF TRUST
OF
CCA PRISON REALTY TRUST

1. Name. The name of the trust is CCA Prison Realty Trust (the "Trust").
2. Purposes and Powers. The Trust is a for-profit real estate investment trust organized for the purpose of engaging in any activity permitted to real estate investment trusts under the laws of the State of Maryland. The Trust shall have all the powers granted to real estate investment trusts generally by the Maryland REIT Law or any successor statute and shall have further powers as are not inconsistent with and are appropriate to promote and attain its purposes.
3. Registered and Principal Office. The address of the Trust's initial registered office is 32 South Street, Baltimore, Maryland 21202. The address of the Trust's initial principal office is 2200 Abbott Martin Road, Suite 201, Nashville, Tennessee 37215.
4. Registered Agent. The name of the Trust's initial registered agent at that office is Corporation Trust Incorporated.
5. Authorized Capital Shares. The total number of shares which the Trust has authority to issue is ninety million (90,000,000) shares of a class denominated Common Shares, \$.01 par value per share, and ten million (10,000,000) shares of a class denominated Preferred Shares, \$.01 par value per share.

Common Shares maybe issued from time to time upon authorization by the Board of Trustees of the Trust. The Preferred Shares may be issued from time to time upon authorization by the Board of Trustees of the Trust, 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 Trustees, except as otherwise set forth in this Declaration of Trust. Shares may be issued for such consideration as the Board of Trustees determines, or, if issued as a result of a share dividend or share split, without any consideration, and all shares so issued will be fully paid and non-assessable by the Trust.

6. Annual Meeting. A meeting of shareholders shall be held annually after the delivery of the annual report at a convenient location upon proper notice as set forth in the Bylaws of the Trust.

7. Trustees. (a) The Trust shall have a Board of Trustees consisting of not less than three (3) nor more than fifteen (15) members, as determined from time to time by the Board of Trustees by resolution of the Board of Trustees in accordance with the Bylaws of the Trust, provided that the number of trustees shall never be less than the minimum number required by the Maryland REIT Law. The Board of Trustees shall initially consist of nine (9) trustees. At least three (3) members of the Board of Trustees must be Independent Trustees. An "Independent Trustee" is defined to be an individual who qualifies as a trustee under the Bylaws of the Company but who is neither an officer or an employee of the Trust nor an officer or an employee of Corrections

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Corporation of America, a Delaware corporation ("CCA"), or any lessee or tenant of Trust property. A trustee need not be a shareholder. The business and affairs of the Trust shall be managed under the direction of the trustees and the trustees shall have full, exclusive and absolute power, control, and authority over the assets of the Trust and over the business of the Trust as if they, in their own right, are the sole owners of the Trust. This Declaration of Trust shall be construed with the presumption in favor of the grant of power and authority to the trustees.

(b) The trustees of the Trust (other than any trustees who may be elected by holders of Preferred Shares as provided for pursuant to Section 5 hereof) shall be and are divided into three classes: Class I, Class II and Class III. The number of trustees in each class shall be as nearly equal as the then-authorized number of trustees constituting the Board of Trustees permits. Each trustee shall serve for a term ending on the date of the third Annual Meeting following the Annual Meeting at which such trustee was elected; provided, however, that each initial director in Class I shall serve for a term ending on the date of the Annual Meeting held in 1998, each initial trustee in Class II shall serve for a term ending on the date of the Annual Meeting held in 1999, and each trustee in Class III shall serve for a term ending on the date of the Annual Meeting held in 2000. Any trustee who may be elected by holders of Preferred Shares as provided for pursuant to Section 5 hereof shall serve for a term ending on the date of the Annual Meeting next following the Annual Meeting at which such trustee was elected. The names of the initial Class I trustees are: Charles Ray Bell, Michael W. Devlin, and Charles W. Thomas. The names of the initial Class II trustees are: D. Robert Crants, III, Jackson W. Moore, and Rusty L. Moore. The names of the initial Class III trustees are: Doctor R. Crants, Jr., J. Michael Quinlan, and Joseph V. Russell.

(c) In the event of any increase or decrease in the authorized number of trustees:

1. Each trustee then serving shall nevertheless continue as a trustee of the class of which he is a member until the expiration of his term or his prior death, retirement, resignation or removal;

and

2. Except to the extent that an increase or decrease in the authorized number of trustees occurs in connection with the rights of holders of Preferred Shares to elect additional trustees, the newly-created or eliminated trusteeships resulting from any increase or decrease shall be apportioned by the Board of Trustees among the three classes so as to keep the number of trustees in each class as nearly equal as possible.

(d) Notwithstanding the provisions of subsections (b) and (c) of this Section 7, each trustee shall serve until his successor is elected and qualified or until his death, retirement, resignation or removal.

(e) The Board of Trustees or shareholders may, at any time, remove any trustee, with or without cause, by an affirmative vote of a majority of trustees or a majority of holders of shares entitled to vote in the election of trustees, as the case may be.

(f) Except as may otherwise be provided pursuant to Section 5 hereof with respect to any rights of holders of Preferred Shares to elect additional trustees or any agreement relating to the right to designate nominees for election to the Board of Trustees, should a vacancy in the Board of Trustees occur or be created (whether arising through death, retirement, resignation or removal or

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through an increase but not a decrease in the number of authorized trustees), such vacancy shall be filled by the affirmative vote of a majority of the remaining trustees, even though less than a quorum of the Board of Trustees may exist. A trustee so elected to fill a vacancy shall serve for the remainder of the term of the class to which he was elected.

(g) During any period when the holders of any series of Preferred Shares have the right to elect additional trustees as provided for or fixed pursuant to the provisions of Section 5 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 trustees of the Trust shall automatically be increased by the number of such additional trustees, and such holders of Preferred Shares shall be entitled to elect the additional trustees so provided for or fixed pursuant to said provisions, and (ii) each such additional trustee shall serve until such trustee's successor shall have been duly elected and qualified, or until such trustee's right to hold such office terminates pursuant to said provisions, whichever occurs earlier, subject to his earlier death, disqualification, resignation or removal.

(h) The provisions set forth in this Section 7 may not be repealed or amended in any respect, and no provision imposing cumulative voting in the election of trustees may be added, unless such action is approved by the affirmative vote of the holders of not less than two-thirds (2/3) of all of the outstanding shares of the Trust entitled to vote generally in the election of trustees.

(i) (a) A trustee shall perform his or her duties as a trustee, including his or her duties as a member of a committee of the board of Trustees on which he or she serves:

(i) in good faith;

(ii) in a manner he or she reasonably believes to be in the best interest of the Trust; and

(iii) with the care that an ordinarily prudent person in a like position would use under similar circumstances.

(b) In performing his or her duties, a trustee is entitled to rely on any information, opinion, report or statement, including any financial statement or other financial data, prepared or presented by:

(i) an officer or employee of the Trust whom the trustee reasonably believes to be reliable and competent in the manners presented;

(ii) a lawyer, certified public accountant or other person, as to the matter which the trustee reasonably believes to be within the person's professional or expert competence; or

(iii) a committee of the Board of Trustees on which the trustee does not serve, as to a matter within its designated authority, if the trustee reasonable believes the committee to merit confidence.

8. Dividends and Rights Upon Liquidation. After the provisions

with respect to preferential dividends of any series of Preferred Shares, if any, shall have been satisfied, and subject to any other conditions that may be fixed in accordance with the provisions of Section 5, then, and not otherwise, all Common Shares will participate equally in dividends payable to holders of shares of Common Shares when and as declared by the Board of Trustees at their discretion. In the event of voluntary or involuntary dissolution or liquidating of the Trust, after distribution in full of the preferential amounts, if any, to be distributed to the holders of Preferred Shares, the holders of Common Shares shall, subject to the additional rights if any of the holders of Preferred Shares fixed in accordance with Section 5, be entitled to receive all of the remaining assets of the Trust, tangible and intangible, of whatever kind available for distribution to shareholders ratably in proportion to the number of Common Shares held by them respectively.

9. Voting. Each holder of Common Shares shall be entitled to one vote per share on all matters to be voted on by the shareholders of the Trust. The holders of Preferred Shares shall have no voting rights and shall have no rights to receive notice of any meetings, except as required by law or as expressly provided in the resolution establishing any series thereof.

10. Preemptive Rights. No holder of Common Shares or Preferred Shares of the Trust shall have any preemptive or preferential rights to subscribe to or purchase (i) any shares of any class of the Trust, whether now or hereafter authorized; (ii) any warrants, rights, or options to purchase any such shares; or (iii) any securities or obligations convertible into any such shares or into warrants, rights, or options to purchase any such shares.

11. Limitation on Liability. To the maximum extent that Maryland law in effect from time to time permits limitation of liability of trustees or officers of real estate investment trusts, no trustee or officer of the Trust shall be liable to the Trust or its shareholders for money damages. Neither the amendment nor repeal of this provision, nor the adoption or amendment of any other provision of this Declaration of Trust or Bylaws inconsistent with this provision, shall apply to or affect 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.

12. Indemnification. The Trust shall indemnify and advance expenses to a trustee, officer, employee or agent of the Trust in connection with a proceeding to the fullest extent permitted by and in accordance with the laws of the State of Maryland in effect from time to time.

13. Insurance. The Trust may purchase and maintain insurance on behalf of any person who is or was a trustee, officer, employee or agent of the Trust or who, while a trustee, officer, employee or agent of the Trust is or was serving at the request of the Trust as a director, officer, partner, trustee, employee or agent of another foreign or domestic corporation, partnership, joint

venture, trust, employee benefit plan or other enterprise, against liability asserted against or incurred by such person in that capacity or arising from such person's status as a trustee, officer, employee or agent, whether or not the Trust would have power to indemnify such person against the same liability under Section 12 hereof.

14. REIT Status. The Trust is intended to qualify as a real estate investment trust under the Maryland REIT Law, or any successor statutes. The Trust shall seek to elect and maintain status as a real estate investment trust ("REIT") under Sections 856-860 of the Internal Revenue Code of 1986, as amended from time to time (the "Code"). It shall be the duty of the Board of Trustees to ensure that the Trust satisfies the requirements for qualification as a REIT under the Code, including, but not limited to, the ownership of its outstanding shares, the nature of its assets, the sources of its income, and the amount and timing of its distributions to its shareholders. The Board of Trustees shall take no action to disqualify the Trust as a REIT or to otherwise revoke the Trust's election to be taxed as a REIT without the affirmative vote of the holders of not less than two-thirds (2/3) of all of the outstanding shares of the Trust entitled to vote on such matter at a meeting of the Shareholders.

15. Restrictions.

(a) Restrictions on Transfer.

(1) Definitions. The following terms shall have the following meanings:

(A) "Beneficial Ownership" shall mean ownership of Equity Shares by a Person who would be treated as an owner of such Equity Shares either directly or indirectly through the application of Section 544 of the Code, as modified by Section 856(b)(1)(B) of the Code. The terms "Beneficial Owner", "Beneficially Owns", and "Beneficially Owned" shall have correlative meanings.

(B) "Beneficiary" shall mean, with respect to any Share Trust, one or more organizations described in each of Section 170(b)(1)(A) and Section 170(c) of the Code that are named by the Trust as the beneficiary or beneficiaries of such Share Trust, in accordance with the provisions of Section 15(a) hereof.

(C) "Board of Trustees" shall mean the Board of Trustees of the Trust.

(D) "Code" shall mean the Internal Revenue Code

of 1986, as amended from time to time.

(E) "Constructive Ownership" shall mean ownership of equity interests by a Person who would be treated as an owner of such interests either directly or indirectly through the application of Section 318 of the Code, as modified by Section 856(d)(5) of the Code. The terms

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"Constructive Owner", "Constructively Owns", and "Constructively Owned" shall have correlative meanings.

(F) "Equity Shares" shall mean Preferred Shares and Common Shares. The term "Equity Shares" shall include all Preferred Shares and Common Shares that are held as Shares-in-Trust in accordance with the provisions of Section 15 hereof.

(G) "Initial Public Offering" means the sale of Common Shares pursuant to the Trusts's first effective registration statement for such Common Shares filed under the Securities Act of 1933, as amended.

(H) "Market Price" shall mean, with respect to Common Shares or Preferred Shares, the last reported sales price of such shares reported on the New York Stock Exchange on the trading day immediately preceding the relevant date, or if such shares are not then traded on the New York Stock Exchange, the last reported sales price of such shares on the trading day immediately preceding the relevant date as reported on any exchange or quotation system over which such shares may be traded, or if such shares are not then traded over any exchange or quotation system, then the market price of such shares on the relevant date as determined in good faith by the Board of Trustees of the Trust.

(I) "Non-Transfer Event" shall mean an event other than a purported Transfer that would cause any Person to Beneficially Own or Constructively Own Equity Shares in excess of the Ownership Limit, including, but not limited to, the granting of any option or entering into any agreement for the sale, transfer or other disposition of Equity Shares or the sale, transfer, assignment or other disposition of any securities or rights convertible into or exchangeable for Equity Shares.

(J) "Ownership Limit" shall mean, with respect to the Common Shares, 9.8% of the number of outstanding Common Shares and, with respect to the Preferred Shares, 9.8% of the number of outstanding Preferred Shares.

(K) "Permitted Transferee" shall mean any Person designated as a Permitted Transferee in accordance with the provisions of subparagraph 15(b) (5) hereof.

(L) "Person" shall mean an individual, corporation, partnership, estate, trust (other than a trust qualified under Section 401(a) or 501(c) (17) of the Code), a portion of a trust permanently set aside for or to be used exclusively for the purposes described in Section 642(c) of the Code, association, private foundation within the meaning of Section 509(a) of the Code, joint stock company or other entity and also includes a group as that term is used for purposes of Section 13(d) (3) of the Securities Exchange Act of 1934, as amended.

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(M) "Prohibited Owner" shall mean, with respect to any purported Transfer or Non-Transfer Event, any Person who, but for the provisions of Section 15(b) hereof, would own record title to Equity Shares.

(N) "REIT" shall mean a real estate investment trust under Section 856 of the Code.

(O) "Restriction Termination Date" shall mean the first day after the date of the Initial Public Offering on which the Board of Trustees and the shareholders of the Trust determine that it is no longer in the best interests of the Trust to attempt to, or continue to, qualify as a REIT.

(P) "Shares-in-Trust" shall mean any Equity Shares designated Shares-in-Trust pursuant to Section 15(a) (3) hereof.

(Q) "Share Trust" shall mean any separate trust created pursuant to Section 15(a) (3) hereof and administered in accordance with the terms of Section 15(b) hereof, for the exclusive benefit of any Beneficiary.

(R) "Share Trustee" shall mean any person or entity unaffiliated with both the Trust and any Prohibited Owner, such Share Trustee to be designated by the Trust to act as trustee of any Share Trust, or any successor trustee thereof.

(S) "Transfer" shall mean any sale, transfer, gift, assignment, devise or other disposition of Equity Shares, whether voluntary or involuntary, whether of record, constructively or beneficially and whether by operation of law or otherwise.

(2) Restriction on Transfers.

(A) Except as provided in subparagraph 15(a)(7) hereof, from the date of the Initial Public Offering and prior to the Restriction Termination Date, (i) no person shall Beneficially Own or Constructively Own outstanding Equity Shares in excess of the Ownership Limit and (ii) any Transfer or Non-Transfer Event that, if effective, would result in any Person Beneficially Owning or Constructively Owning Equity Shares in excess of the Ownership Limit shall be void ab initio as to that number of Equity Shares which would be otherwise Beneficially Owned or Constructively Owned by such Person in excess of the Ownership Limit, and the intended transferee shall acquire no rights with respect to such excess Equity Shares.

(B) Except as provided in subparagraph 15(a)(7) hereof, from the date of the Initial Public Offering and prior to the Restriction Termination Date, any Transfer or Non-Transfer Event that, if effective, would result in the Equity Shares being beneficially owned by fewer than 100 Persons (determined without reference to any rules of attribution) shall be void ab initio as to the Transfer of that number of shares which would result in the Equity Shares being beneficially

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owned by fewer than 100 persons, and the intended transferee shall acquire no rights with respect to such excess Equity Shares.

(C) From the date of the Public Offering and prior to the Restriction Termination Date, any Transfer or Non-Transfer Event that, if effective, would result in the Trust being "closely held" within the meaning of Section 856(b) of the Code shall be void ab initio as to that number of Equity Shares which would cause the Trust to be "closely held" within the meaning of Section 856(b) of the Code, and the intended transferee shall acquire no rights with respect to such excess Equity Shares.

(D) From the date of the Initial Public Offering and prior to the Restriction Termination Date, any Transfer or Non-Transfer Event that, if effective, would cause the Trust to Constructively Own 10% or more of the ownership interests in a tenant of the Trust's real property, within the meaning of Sections 856(d)(2) of the Code, shall be void ab initio as to that number of Equity Shares which would cause the Trust to Constructively Own 10% or more of the ownership interests in a tenant of the Trust's real property, within the meaning of Section 856(d)(2) of the Code, and the intended transferee shall acquire no rights with respect to such excess Equity Shares.

(3) Transfer to Share Trust.

(A) If, notwithstanding the other provisions contained in this Section 15, at any time after the date of the Initial Public Offering and prior to the Restriction Termination Date, there is a purported Transfer or Non-Transfer Event such that any Person would either Beneficially Own or Constructively Own Equity Shares in excess of the Ownership Limit, then, (i) except as otherwise provided in Section 15(a)(7) hereof, the purported transferee shall acquire no right or interest (and, in the case of a Non-Transfer Event, the person holding record title to the Equity Shares Beneficially Owned or Constructively Owned by such Beneficial Owner or Constructive Owner, shall cease to own any right or interest) in such number of Equity Shares which would cause such Beneficial Owner or Constructive Owner to Beneficially Own or Constructively Own Equity Shares in excess of the Ownership Limit, and (ii) such number of Equity Shares in excess of the Ownership Limit (rounded up to the nearest whole share) shall be designated Shares-in-Trust and, in accordance with the provisions of Section 15(b) hereof, transferred automatically and by operation of law to a Share Trust to be held in accordance with that Section 15(b). Such transfer to a Share Trust and the designation of shares as Shares-in-Trust shall be effective as of the close of business on the business day prior to the date of the Transfer or Non-Transfer Event, as the case may be.

(B) If, notwithstanding the provisions contained in this Section 15, at any time after the date of the Initial Public Offering and prior to the Restriction Termination Date, there is a purported Transfer or Non-Transfer Event that, if effective, would cause the Trust to become "closely held" within the meaning of Section 856(b) of the Code or would cause the Trust to Constructively Own 10% or more of the ownership interests in a tenant of the Trust's real property, within the meaning of Section 856(b)(2)(B) of the Code, then (i) the purported transferee shall not acquire any right or interest (and, in the case of a Non-Transfer Event, the person holding record title

to the Equity Shares with respect to which such Non-Transfer Event, occurred, shall cease to own any right or interest) in such number of Equity Shares the ownership of which by such purported transferee or record holder would cause the Trust to be "closely held" within the meaning of Section 856(b) of the Code or would cause the Trust to Constructively Own 10% or more of the ownership interests in a tenant of the Trust's real property, within the meaning of Sections 856(b)(2)(B) of the Code, and (ii) such number of Equity Shares (rounded up to the nearest whole share) shall be designated Shares-in-Trust

and, in accordance with the provisions of Section 15(b) hereof, transferred automatically and by operation of law to a Share Trust to be held in accordance with that Section 15(b). Such transfer to a Share Trust and the designation of shares as Shares-In-Trust shall be effective as of the close of business on the business day prior to the date of the Transfer or Non-Transfer Event, as the case may be.

(4) Remedies For Breach. If the Trust or its designees shall at any time determine in good faith that a Transfer has taken place in violation of Section 15(a)(2) hereof or that a Person intends to acquire or has attempted to acquire Beneficial Ownership or Constructive Ownership of any Equity Shares in violation of Section 15(a)(2) hereof, the Trust shall take such action as it deems advisable to refuse to give effect to or to prevent such Transfer or acquisition, including, but not limited to, refusing to give effect to such Transfer on the books of the Trust or instituting proceedings to enjoin such Transfer or acquisition.

(5) Notice of Restricted Transfer. Any Person who acquires or attempts to acquire Equity Shares in violation of Section 15(a)(2) hereof, or any Person who owned Equity Shares that were transferred to a Share Trust pursuant to the provisions of Section 15(a)(3) hereof, shall immediately give written notice to the Trust of such event and shall provide to the Trust such other information as the Trust may request in order to determine the effect, if any, of such Transfer or the Non-Transfer Event, as the case may be, on the Trust's status as a REIT.

(6) Owners Required to Provide Information. From the date of the Initial Public Offering and prior to the Restriction Termination Date:

(a) Every Beneficial Owner or Constructive Owner of more than 5%, or such lower percentages as required pursuant to regulations under the Code, of the outstanding Equity Shares of the Trust shall, within 30 days after January 1 of each year, give written notice to the Trust stating the name and address of such Beneficial Owner or Constructive Owner, the number of shares of Equity Shares Beneficially Owned or Constructively Owned, and a description of how such shares are held. Each such Beneficial Owner or Constructive Owner shall provide to the Trust such additional information as the Trust may request in order to determine the effect, if any, of such Beneficial Ownership or Constructive Ownership on the Trust's status as a REIT and to ensure compliance with the Ownership Limit.

(b) Each person who is a Beneficial Owner or Constructive Owner of Equity Shares and each Person (including the shareholder of record) who is holding Equity Shares for a Beneficial Owner or Constructive Owner shall provide to the Trust such information as the

Trust may request in order to determine the Trust's status as a REIT and to ensure compliance with the Ownership Limit.

(7) Exception. The Board of Trustees, in its discretion, may exempt a Person from the Ownership Limit, if such Person is (i) not an individual for purposes of Section 542(a)(2) of the Code or (ii) is an underwriter which participates in a public offering of the Equity Shares for a period of 90 days following the purchase by such underwriter of the Equity Shares, provided that the Board of Trustees obtains such representations and undertakings from such Person as are reasonably necessary to ascertain that the Trust's status as a REIT will not be adversely affected.

(b) Shares-in-Trust.

(1) Share Trust. Any Equity Shares transferred to a Share Trust and designated Shares-in-Trust pursuant to Section 15(a)(3) hereof shall be held for the exclusive benefit of the Beneficiary. The Trust shall name a Beneficiary of each Share Trust within five days after discovery of the existence thereof. Any transfer to a Share Trust, and subsequent designation of Equity Shares as Shares-in-Trust pursuant to Section 15(a)(3) hereof, shall be effective as of the close of business on the business day prior to the date of the Transfer or Non-Transfer Event that results in the transfer to the Share Trust. Shares-in-Trust shall remain issued and outstanding Equity Shares of the Trust and shall be entitled to the same rights and privileges on identical terms and conditions as are all other issued and outstanding Equity Shares of the same class and series. When transferred to the Permitted Transferee in accordance with the provisions of Section 15(b)(5) hereof, such Shares-in-Trust shall cease to be designated as Shares-in-Trust.

(2) Dividend Rights. The Share Trustee, as record holder of Shares-in-Trust, shall be entitled to receive all dividends and distributions as may be declared by the Board of Trustees on such Equity Shares and shall hold such dividends or distributions in trust for the benefit of the Beneficiary. The Prohibited Owner with respect to Shares-in-Trust shall repay to the Share Trustee the amount of any dividends or distributions received by it that (i) are attributable to any Equity Shares designated Shares-in-Trust and (ii) the record date of which was on or after the date that such shares became Shares-in-Trust. The Trust shall take all measures that it determines are reasonably necessary to recover the amount of any such dividend or distribution paid to a Prohibited Owner, including, if necessary, withholding any portion of future dividends or distributions payable on Equity Shares Beneficially Owned or Constructively Owned by the Person who, but for the provisions of Section 15(a)(3) hereof, would Constructively Own or Beneficially Own the Shares-in-Trust; and, as soon as reasonably practicable following the Trust's receipt or withholding thereof, received or withheld, as the case may be.

(3) Rights Upon Liquidation. In the event of any voluntary or involuntary liquidation, dissolution or winding up of, or in a distribution of the assets of, the Trust. The Share Trustee of Shares-in-Trust shall be entitled to receive on behalf of each Share Trust, ratably with each

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other holder of Equity Shares of the same class or series, that portion of the assets of the Trust which is available for distribution to the holders of such class and series of Equity Shares. The Share Trustee shall distribute to the Prohibited Owner the amounts received upon such liquidation, dissolution, or winding up, or distribution; provided, however, that the Prohibited Owner shall not be entitled to receive amounts pursuant to this Section 15(b)(3) in excess of, in the case of a purported Transfer in which the Prohibited Owner gave value for Equity Shares and which Transfer resulted in the transfer of the shares to the Share Trust, the price per share, if any, such Prohibited Owner paid for the Equity Shares and, in the case of a Non-Transfer Event or Transfer in which the Prohibited Owner did not give value for such shares (e.g., if the shares were received through a gift or devise) and which Non-Transfer Event or Transfer, as the case may be, resulted in the transfer of shares to the Share Trust, the price per share equal to the Market Price on the date of such Non-Transfer Event or Transfer. Any remaining amount in such Share Trust shall be distributed to the Beneficiary.

(4) Voting Rights. The Share Trustee shall be entitled to vote all Shares-in-Trust. Any vote by a Prohibited Owner as a holder of Equity Shares prior to the discovery by the Trust that the Equity Shares are Shares-in-Trust shall, subject to applicable law, be rescinded and shall be void ab initio with respect to such Shares-in-Trust and the Prohibited Owner shall be deemed to have given, as of the close of business on the business day prior to the date of the purported Transfer or Non-Transfer Event that results in the transfer to the Share Trust of Equity Shares under Section 15(a)(3) hereof, an irrevocable proxy to the Share Trustee to vote the Shares-in-Trust in the manner in which the Share Trustee, in its sole and absolute discretion, desires.

(5) Designation of Permitted Transferee. The Share Trustee shall have the exclusive and absolute right to designate a Permitted Transferee of any and all Shares-in-Trust. As soon as reasonably practicable, in an orderly fashion so as not to materially adversely affect the Market Price of the Shares-in-Trust, the Share Trustee shall designate any Person as Permitted Transferee, provided, however, that (i) the Permitted Transferee so designated purchases for valuable consideration (whether in a public or private sale) the Shares-in-Trust, and (ii) the Permitted Transferee so designated may

acquire such Shares-in-Trust without such acquisition resulting in a transfer to a Share Trust and the redesignation of such Equity Shares so acquired as Shares-in-Trust under Section 15(a)(3) hereof. Upon the designation by the Share Trustee of a Permitted Transferee in accordance with the provisions of this Section 15(b)(5), the Share Trustee of a Share Trust shall (i) cause to be transferred to the Permitted Transferee that number of Shares-in-Trust acquired by the Permitted Transferee, (ii) cause to be recorded on the books of the Trust that the Permitted Transferee is the holder of record of such number of Equity Shares, and (iii) distribute to the Beneficiary any and all amounts held with respect to the Shares-in-Trust after making that payment to the Prohibited Owner pursuant to Section 15(b)(6) hereof.

(6) Compensation to Record Holder of Equity Shares that Become Shares-in-Trust. Any Prohibited Owner shall be entitled (following discovery of the Shares-in-Trust and subsequent designation of the Permitted Transferee in accordance with Section 15(b)(5) hereof) to receive from the Share Trustee the lesser of (i) in the case of (a) a purported Transfer in which the

Prohibited Owner gave value for Equity Shares and which purported Transfer resulted in the transfer of the shares to the Share Trust, the price per share, if any, such Prohibited Owner paid for the Equity Shares, or (b) a Non-Transfer Event or Transfer in which the Prohibited Owner did not give value for such shares (e.g., if the shares were received through a gift or devise) and which Non-Transfer Event or Transfer, as the case may be, resulted in the transfer of shares to the Share Trust, the price per share equal to the Market Price on the date of such Non-Transfer Event or Transfer, and (ii) the price per share received by the Share Trustee of the Share Trust from the sale or other disposition of such Shares-in-Trust in accordance with Section 15(b)(5) hereof. Any amounts received by the Share Trustee in respect of such Shares-in-Trust and in excess of such amounts to be paid the Prohibited Owner pursuant to this Section 15(b)(6) shall be distributed to the Beneficiary in accordance with the provisions of Section 15(b)(5) hereof. Each Beneficiary and Prohibited Owner waive any and all claims that they may have against the Share Trustee and the Share Trust arising out of the disposition of Shares-in-Trust, except for claims arising out of the gross negligence or willful misconduct of, or any failure to make payments in accordance with this Section 15 by such Share Trustee or the Trust.

(7) Purchase Right in Shares-in-Trust. Shares-in-Trust shall be deemed to have been offered for sale to the Trust, or its designee, at a price per share equal to the lesser of (i) the price per share in the transaction that created such Shares-in-Trust (or, in the case of devise, gift

or Non-Transfer Event, the Market Price at the time of such devise, gift, or Non-Transfer Event) and (ii) the Market Price on the date the Trust, or its designee, accepts such offer. The Trust shall have the right to accept such offer for a period of ninety (90) days after the later of (i) the date of the Non-Transfer Event or purported Transfer which resulted in such Shares-in-Trust and (ii) the date the Trust determines in good faith that a Transfer or Non-Transfer Event resulting in Shares-in-Trust has occurred, if the Trust does not receive a notice of such Transfer or Non-Transfer Event pursuant to Section 15(a) (3) hereof.

(c) Remedies not Limited. Nothing contained in this Article 15 shall limit the authority of the Trust to take such other action as it deems necessary or advisable to protect the Trust and the interests of its shareholders by preservation of the Trust's status as a REIT and to ensure compliance with the Ownership Limit; provided, however, that nothing in this Section 15 shall preclude settlement of any transaction entered into through the facilities of the New York Stock Exchange.

(d) Ambiguity. In the case of an ambiguity in the application of any of the provisions of Article 15, including any definition contained in Section 15(a) hereof, the Board of Trustees shall have the power to determine the application of the provisions of this Article 15 with respect to any situation based on the facts known to it.

(e) Legend. Each certificate for Equity Shares shall bear the following legend:

"The [Common or Preferred] Shares represented by this certificate are subject to restrictions on transfer as set forth in the Declaration of Trust of the Trust. No Person may (i) Beneficially Own or Constructively Own Common Shares in excess of 9.8% of the number of outstanding Common Shares, (ii) Beneficially Own or Constructively Own Preferred Shares in excess of 9.8% of the

number of outstanding Preferred Shares, (iii) Beneficially Own Equity Shares that would result in the Trust being "closely held" under Section 856(b) of the Internal Revenue Code of 1986, as amended (the "Code"), or (iv) Constructively Own Equity Shares that would cause the Trust to Constructively Own 10% or more of the ownership interests in a tenant of the Trust's real property, within the meaning of Sections 856(d) (2) (B) of the Code. Any Person who attempts to Beneficially Own or Constructively Own shares of Equity Shares in excess of the above limitations must immediately notify the Trust in writing. If the restrictions above are violated, the Equity Shares represented hereby will be

transferred automatically and by operation of law to a Share Trust and shall be designated Shares-in-Trust. All capitalized terms in this legend have the meanings defined in the Trust's Declaration of Trust, as the same may be further amended from time to time, a copy of which, including the restrictions on transfer, will be sent without charge to each shareholder who so requests."

(f) Severability. If any provision of this Section 15 or any application of any such provision is determined to be invalid by any federal or state court having jurisdiction over the issues, the validity of the remaining provisions shall not be affected and other applications of such provision shall be affected only to the extent necessary to comply with the determination of such court.

16. Amendment. This Declaration of Trust may be amended only in accordance with the applicable laws of the State of Maryland, except that (a) Section 7 of this Declaration of Trust may be amended only as provided therein, (b) the trustees by a majority vote may amend this Declaration of Trust to increase or decrease the aggregate number of shares or the number of shares of any class that the Trust has authority to issue, and (c) the trustees by a two-thirds (2/3) vote may amend this Declaration of Trust to qualify, or continue to qualify, as a real estate investment trust under the Code or under Maryland law.

17. Miscellaneous. Notwithstanding any provision contained herein to the contrary, nothing in this Declaration of Trust shall preclude the settlement of a transaction entered into or through the facilities of the New York Stock Exchange.

IN WITNESS WHEREOF, these Articles of Amendment and Restatement have been executed on May 29, 1997 by the undersigned trustees, representing a majority of the entire number of trustees of the Trust, each of whom acknowledges that this document is the act of the Trust, that to the best of his knowledge, information, and belief, the matters and facts set forth herein are true in all material respects and that this statement is made under the penalty of perjury.

/s/ DOCTOR R. CRANTS

DOCTOR R. CRANTS

/s/ MICHAEL W. DEVLIN

MICHAEL W. DEVLIN

/s/ D. ROBERT CRANTS, III

D. ROBERT CRANTS, III

/s/ JOSEPH V. RUSSELL

JOSEPH V. RUSSELL

/s/ RUSTY L. MOORE

RUSTY L. MOORE

AMENDED AND RESTATED
BYLAWS OF
CCA PRISON REALTY TRUST

ARTICLE I

OFFICES

Section 1. PRINCIPAL OFFICE. The principal office of the Trust shall be located at such place or places as the Trustees may designate.

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

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

ARTICLE II

MEETINGS OF SHAREHOLDERS

Section 1. PLACE. All meetings of shareholders shall be held at the principal office of the Trust 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 shareholders for the election of Trustees and the transaction of any business within the powers of the Trust shall be held during the month of May of each year, after the delivery of the annual report, referred to in Section 12 of this Article II, at a convenient location and on proper notice, on a date and at the time set by the Trustees, beginning with the year 1998. Failure to hold an annual meeting does not invalidate the Trust's existence or affect any otherwise valid acts of the Trust.

Section 3. SPECIAL MEETINGS. The Chairman of the Board, a majority of the Trustees or a committee of the Board of Trustees which has been duly designated by the Board of Trustees and whose powers and authority, as provided in a resolution of the Board of Trustees or these Bylaws, include the power to call such meetings may call special meetings of the shareholders. Special

meetings may not be called by any other person or persons or entity.

Section 4. NOTICE. Not less than 10 nor more than 90 days before each meeting of shareholders, the secretary shall give to each shareholder entitled to vote at such meeting and to each shareholder 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 shareholder personally or by leaving it at his residence or usual place of business. If mailed,

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such notice shall be deemed to be given when deposited in the United States mail addressed to the shareholder at his post office address as it appears on the records of the Trust, with postage thereon prepaid.

Section 5. SCOPE OF NOTICE. Any business of the Trust may be transacted at an annual meeting of shareholders 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 shareholders except as specifically designated in the notice.

Section 6. ORGANIZATION. At every meeting of the shareholders, 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 shareholders, the presence in person or by proxy of shareholders 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 Declaration of Trust for the vote necessary for the adoption of any measure. If, however, such quorum shall not be present at any meeting of the shareholders, the shareholders 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 shareholders duly called and at which a quorum is present shall be sufficient to elect a Trustee. Each share may be voted for as many individuals as there are Trustees to be elected and for whose election the share is entitled to be voted. A majority of the votes cast at a meeting of shareholders 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 Declaration of Trust. Unless otherwise provided in the Declaration, each outstanding share, regardless of class, shall be entitled to one vote on each matter submitted to a vote at a meeting of shareholders.

Section 9. PROXIES. A shareholder may vote the shares owned of record by him, either in person or by proxy executed in writing by the shareholder or by his duly authorized attorney in fact. Such proxy shall be filed with the secretary of the Trust 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.

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Section 10. VOTING OF SHARES BY CERTAIN HOLDERS. Shares of the Trust 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 trustee 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 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. Any trustee or other fiduciary may vote shares registered in his name as such fiduciary, either in person or by proxy.

The Trustees may adopt by resolution a procedure by which a shareholder may certify in writing to the Trust that any shares registered in the name of the shareholder are held for the account of a specified person other than the shareholder. The resolution shall set forth the class of shareholders 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 share transfer books, the time after the record date or closing of the share transfer books within which the certification must be received by the Trust; and any other provisions with respect to the procedure which the Trustees 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 shareholder of record of the specified

shares in place of the shareholder who makes the certification.

Title 3, Subtitles 7 of the Corporations and Associations Article of the Annotated Code of Maryland (or any successor statute) shall not apply to any acquisition by any person of shares of beneficial interest of the Trust.

Section 11. INSPECTORS. At any meeting of shareholders, the chairman of the meeting may, or upon the request of any shareholder shall, appoint one or more persons as inspectors for such meeting. Such inspectors shall ascertain and report the number of shares 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 shareholders.

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 represented at the meeting and the results of the voting shall be prima facie evidence thereof.

Section 12. REPORTS TO SHAREHOLDERS.

(a) Not later than 90 days after the close of each fiscal year of the Trust, the Trustees shall deliver or cause to be delivered a report of the business and operations of the Trust

during such fiscal year to the shareholders, containing a balance sheet and a statement of income and surplus of the Trust, accompanied by the certification of an independent certified public accountant based on the accountant's full examination of the books and records of the real estate investment trust in accordance with generally accepted auditing procedure, and such further information as the Trustees may determine is required pursuant to any law or regulation to which the Trust is subject. A signed copy of the annual report and the accountant's certificate shall be placed on file at the principal office of the Trust and filed by the Trustees with such governmental agencies, if any, as may be required by law and as the Trustees may deem appropriate.

(b) Not later than 45 days after the end of each of the first three quarterly periods of each fiscal year, the Trustees shall deliver or cause to be delivered an interim report to the shareholders containing unaudited financial statements for such quarter and for the period from the beginning of the fiscal year to the end of such quarter, and such further

information as the Trustees may determine is required pursuant to any law or regulation to which the Trust is subject.

Section 13. NOMINATIONS AND SHAREHOLDER BUSINESS.

(a) Annual Meetings of Shareholders.

(1) Nominations of persons for election to the Board of Trustees and the proposal of business to be considered by the shareholders may be made at an annual meeting of shareholders (i) pursuant to the Trust's notice of meeting, (ii) by or at the direction of the Trustees or (iii) by any shareholder of the Trust who was a shareholder of record at the time of giving of notice provided for in this Section 13 (a), who is entitled to vote at the meeting and who complied with the notice procedures set forth in this Section 13(a).

(2) For nominations or other business to be properly brought before an annual meeting by a shareholder pursuant to clause (iii) of paragraph (a)(1) of this Section 13, the shareholder must have given timely notice thereof in writing to the secretary of the Trust. To be timely, a shareholder's notice shall be delivered to the secretary at the principal executive offices of the Trust 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 shareholder 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 shareholder's notice shall set forth (i) as to each person whom the shareholder proposes to nominate for election or reelection as a Trustee all information relating to such person that is required to be disclosed in solicitations of proxies for election of Trustees, 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 Trustee if elected); (ii) as to any other business that the shareholder 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 shareholder and of the beneficial owner, if any, on whose behalf the proposal is made; and (iii)

as to the shareholder 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 shareholder, as they appear on the Trust's books, and of such beneficial owner and (z) the number of each class of shares of the Trust which are owned beneficially and of record by such shareholder and such beneficial owner.

(3) Notwithstanding anything in the second sentence of paragraph (a) (2) of this Section 13 to the contrary, in the event that the number of Trustees to be elected to the Board of Trustees is increased and there is no public announcement naming all of the nominees for Trustee or specifying the size of the increased Board of Trustees made by the Trust at least 70 days prior to the first anniversary of the preceding year's annual meeting, a shareholder's notice required by this Section 13 (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 Trust not later than the close of business on the tenth day following the day on which such public announcement is first made by the Trust.

(b) Special Meetings of Shareholders. Only such business shall be conducted at a special meeting of shareholders as shall have been brought before the meeting pursuant to the Trust's notice of meeting. Nominations of persons for election to the Board of Trustees may be made at a special meeting of shareholders at which Trustees are to be elected (i) pursuant to the Trust's notice of meeting (ii) by or at the direction of the Board of Trustees or (iii) provided that the Board of Trustees has determined that Trustees shall be elected at such special meeting, by any shareholder of the Trust who was a shareholder of record at the time of giving of notice provided for in this Section 13(b), who is entitled to vote at the meeting and who complied with the notice procedures set forth in this Section 13(b). In the event the Trust calls a special meeting of shareholders for the purpose of electing one or more Trustees to the Board of Trustees, any such shareholder may nominate a person or persons (as the case may be) for election to such position as specified in the Trust's notice of meeting, if the shareholder's notice containing the information required by paragraph (a) (2) of this Section 13 shall be delivered to the secretary at the principal executive offices of the Trust 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 Trustees 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 13 shall be eligible to serve as Trustees and only such business shall be conducted at a meeting of shareholders as shall have been brought before the meeting in accordance with the procedures set forth in this Section 13. 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 13 and, if any proposed nomination or business is not in compliance with this Section 13, to declare that such defective nomination or proposal be disregarded.

(2) For purposes of this Section 13, "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 Trust with the Securities and Exchange Commission pursuant to Sections 13, 14 or 15(d) of the Exchange Act.

(3) Notwithstanding the foregoing provisions of this Section 13, a shareholder 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 13. Nothing in this Section 13 shall be deemed to affect any rights of shareholders to request inclusion of proposals in the Trust's proxy statement pursuant to Rule 14a-8 under the Exchange Act.

Section 14. INFORMAL ACTION BY SHAREHOLDERS. Any action required or permitted to be taken at a meeting of shareholders may be taken without a meeting if a consent in writing, setting forth such action, is signed by each shareholder entitled to vote on the matter and any other shareholder entitled to notice of a meeting of shareholders (but not to vote thereat) has waived in writing any right to dissent from such action, and such consent and waiver are filed with the minutes of proceedings of the shareholders.

Section 15. VOTING BY BALLOT. Voting on any question or in any election may be viva voce unless the presiding officer shall order or any shareholder shall demand that voting be by ballot.

ARTICLE III

TRUSTEES

Section 1. GENERAL POWERS; QUALIFICATIONS; TRUSTEES HOLDING OVER. The business and affairs of the Trust shall be managed under the direction of its Board of Trustees. A Trustee shall be an individual at least 21 years of age who is not under legal disability. Unless otherwise agreed between the Trust

and the Trustee, each individual Trustee, including each Independent Trustee (as defined in the Trust's Declaration of Trust) , may engage in other business activities of the type conducted by the Trust and is not required to present to the Trust any investment opportunities presented to them even though the investment opportunities may be within the scope of the Trust's investment policies. In case of failure to elect Trustees at an annual meeting of the shareholders, the Trustees holding over shall continue to direct the management of the business and affairs of the Trust until their successors are elected and qualify.

Section 2. ANNUAL AND REGULAR MEETINGS. An annual meeting of the Trustees shall be held immediately after and at the same place as the annual meeting of shareholders, no notice

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other than this Bylaw being necessary. The Trustees may provide, by resolution, the time and place, either within or without the State of Maryland, for the holding of regular meetings of the Trustees without other notice than such resolution.

Section 3. SPECIAL MEETINGS. Special meetings of the Trustees 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 Trustees then in office. The person or persons authorized to call special meetings of the Trustees may fix any place, either within or without the State of Maryland, as the place for holding any special meeting of the Trustees called by them.

Section 4. NOTICE. Notice of any special meeting shall be given by written notice delivered personally, telegraphed or mailed to each Trustee 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 Trustee 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 Trustees 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 Trustees shall constitute a quorum for transaction of business at any meeting of the Trustees, provided that, if less than a majority of such Trustees are present at said meeting, a majority of the Trustees present may adjourn the meeting from time to time without further notice, and provided further that if, pursuant to the Declaration of Trust or these Bylaws, the vote of a majority of a particular group of Trustees is required for action, a quorum must also include a majority of such group.

The Trustees present at a meeting which has been duly called and convened may continue to transact business until adjournment, notwithstanding the withdrawal of enough Trustees 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 Trustees present at a meeting at which a quorum is present shall be the action of the Trustees, unless the concurrence of a greater proportion is required for such action by the Declaration of Trust, these Bylaws or applicable statute.

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(b) Notwithstanding the foregoing, two-thirds of the Trustees 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 of the Trustees. Such action includes:

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

(2) Any amendment to the Declaration of Trust or these Bylaws (except for such amendments as may be required in the reasonable discretion of two-thirds (2/3) of the Board of Trustees to maintain the Trust'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 Declaration of Trust);

(4) The issuance of any equity securities (other than Common Shares issued (a) for at least the fair market value thereof at the

time of issuance as determined in good faith by a majority of the Board of Trustees, (b) pursuant to any share incentive or option plans of the Company, or (c) in a bona fide underwritten public offering managed by one or more nationally recognized investment banking firms) or rights to acquire any such securities; and

(5) Acquisitions, dispositions or financings of asset by the Trust 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 Trust 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 Trust'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 Trust shall mean any transaction or series of transactions (whether by purchase of existing Common Shares, issuance of Common Shares, merger, consolidation or otherwise) the result of which is that either (i) any Person or Group becomes the Beneficial Owner, directly or indirectly, 20% or more of the total voting power in the aggregate of all classes of beneficial interests of the Trust then outstanding normally entitled to vote in the election of Trustees of the Trust (or any surviving entity) or (ii) the Beneficial Owners of the beneficial interests of the Trust normally entitled to vote in the election of Trustees immediately prior to the transaction beneficially own less than 80% of the total voting power in the aggregate of all classes of beneficial interests of the Trust then outstanding normally entitled to vote in the election of Trustees of the Trust (or any surviving entity) immediately after such transaction.

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(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 Securities Exchange Act of 1934, as amended.

(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 Securities Exchange Act of 1934, as amended.

(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 Securities Exchange Act of 1934, as amended, except that a Person shall be deemed to have beneficial ownership of all shares 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 Declaration of Trust.

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

(G) The term "Market Value" with respect to Common Shares 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 (v) 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 Trustees of the Trust.

Section 7. TELEPHONE MEETINGS. Trustees 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 TRUSTEES. Any action required or permitted to be taken at any meeting of the Trustees may be taken without a meeting, if a consent in writing to such action is signed by each Trustee and such written consent is filed with the minutes of proceedings of the Trustees.

Section 9. VACANCIES. If for any reason any or all the Trustees cease to be Trustees, such event shall not terminate the Trust or affect these Bylaws or the powers of the remaining Trustees

hereunder (even if fewer than two Trustees remain). Any vacancy (including a vacancy created by an increase in the number of Trustees) shall be filled, at any regular meeting or at any special meeting called for that purpose, by a majority of the Trustees. Any individual so elected as Trustee shall hold office for the unexpired term of the Trustee he is replacing.

Section 10. COMPENSATION. Trustees shall not receive any stated salary for their services as Trustees but, by resolution of the Trustees, may receive cash compensation or a fixed sum of common shares of the Trust for any service or activity they performed or engaged in as Trustees. By resolution of the Trustees, Trustees 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 Trustees 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 Trustees; but nothing herein contained shall be construed to preclude any Trustees from serving the Trust in any other capacity and receiving compensation therefor.

Section 11. REMOVAL OF TRUSTEES. The shareholders may, at any time, remove any Trustee in the manner provided in the Declaration of Trust.

Section 12. LOSS OF DEPOSITS. No Trustee 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 have been deposited.

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

Section 14. QUALIFICATIONS. Trustees need not be shareholders of the Trust.

Section 15. INTERESTED TRUSTEE TRANSACTIONS. Notwithstanding any other provision of these Bylaws, the following actions of the Board of Trustees shall require the approval of the Independent Committee, as defined in Article IV of these Bylaws: (i) the election of operators for the Trust's properties; and (ii) all transactions between the Trust and Corrections Corporation of America and its affiliates, including, but not limited to, the negotiation, enforcement and renegotiation of the terms of any lease of any of the Trust's properties.

ARTICLE IV

COMMITTEES

Section 1. GENERAL. The Board of Trustees 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

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of the Trustees of the Trust. The board may designate one or more Trustees 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 Trustees shall have and may exercise all the powers and authority of the Board of Trustees in the management of the business and affairs of the Trust, and may authorize the seal of the Trust to be affixed to all papers which may require it; but no such committee shall have the power or authority in reference to amending the Declaration of Trust (except that a committee may, to the extent authorized in the resolution or resolutions providing for the issuance of shares adopted by the Board of Trustees, fix the designations and any of the preferences or rights of such shares relating to dividends, redemption, dissolution, any distribution or assets of the Trust or the conversion into, or the exchange of such shares for, shares of any other class or classes or any other series of any series of shares or authorize the increase or decrease of the shares of any series), adopting an agreement of merger or consolidation, recommending to the shareholders the sale, lease or exchange of all or substantially all of the Trust's property and assets, recommending to the shareholders a dissolution of the Trust or a revocation of a dissolution, or amending the Bylaws of the Trust; and, unless the resolution or the Declaration of Trust expressly so provides, no such committee shall have the power or authority to declare a dividend, to authorize the issuance of shares or to adopt a certificate of ownership and merger.

Section 2. COMMITTEES. The Trust 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 Trustees.

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

(b) An Audit Committee, which will consist solely of Independent Trustees 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 accounts, review the independence of the independent public accounts, consider the range of audit and non-audit fees and review the adequacy of the Trust's initial accounting controls.

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

Section 3. RECORDS OF COMMITTEE MEETINGS. Each committee shall keep regular minutes of its meetings and report the same to the Board of Trustees 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 Trust 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 Trustees 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 Trust shall be elected annually by the Trustees at the first meeting of the Trustees held after each annual meeting of shareholders. 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 Trustees may leave unfilled any office except that of President and Secretary. Election of an officer or agent shall not of itself create contract rights between the Trust and such officer or agent.

Section 2. REMOVAL AND RESIGNATION. Any officer or agent of the Trust may be removed by the Trustees if in their judgment the best interests of the

Trust 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 Trust may resign at any time by giving written notice of his resignation to the Trustees, 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 Trust.

Section 3. VACANCIES. A vacancy in any office may be filled by the Trustees 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 Trustees and of the shareholders at which he shall be present and shall in general oversee all of the business and affairs of the Trust. 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 Trustees or by these Bylaws to some other officer or agent of the Trust 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 Trustees.

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Section 5. CHIEF EXECUTIVE OFFICER. The Trustees 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 Trust, as determined by the Trustees, and for the administration of the business affairs of the Trust. In the absence of both the Chairman and Vice Chairman of the Board, the Chief Executive Officer shall preside over the meetings of the Trustees and of the shareholders at which he shall be present.

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

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

Section 8. CHIEF FINANCIAL OFFICER. The Trustees may designate a Chief Financial Officer from among the elected officers. Said officer will have the responsibilities and duties as set forth by the Trustees 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 Trustees and of the shareholders at which he shall be present. In the absence of a designation of a Chief Executive Officer by the Trustees, 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 Trustees. 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 Trustees or by these Bylaws to some other officer or agent of the Trust 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 Trustees 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 Trustees. The Trustees 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 shareholders, the Trustees and committees of the Trustees 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 trust records and of the seal of the Trust; (d) keep a

register of the post office address of each shareholder which shall be furnished to the Secretary by such shareholder; (e) have general charge of the share transfer books of the Trust; 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 Trustees.

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

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

If required by the Trustees, the Treasurer shall give the Trust a bond in such sum and with such surety or sureties as shall be satisfactory to the Trustees for the faithful performance of the duties of his office and for the restoration to the Trust, 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 Trust.

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 Trustees. The Assistant Treasurers shall, if required by the Trustees, give bonds for the faithful performance of their duties in such sums and with such surety or sureties as shall be satisfactory to the Trustees.

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

ARTICLE VI

CONTRACTS, LOANS, CHECKS AND DEPOSITS

Section 1. CONTRACTS. The Trustees 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 Trust 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 Trustees or by an authorized person shall be valid and binding upon the Trustees and upon the Trust when authorized or ratified by action of the Trustees.

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 Trust shall be signed by such officer or officers, agent or agents of the Trust in such manner as shall from time to time be determined by the Trustees.

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

ARTICLE VII

SHARES

Section 1. CERTIFICATES. Each shareholder shall be entitled to a certificate or certificates which shall represent and certify the number of shares of each class of beneficial interests held by him in the Trust. Each certificate shall be signed by the Chief Executive Officer, the President or a Vice President 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 Trust. The signatures may be either manual or facsimile. Certificates shall be consecutively numbered; and if the Trust shall, from time to time, issue several classes of shares, 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 representing shares which are restricted as to their transferability or voting powers, which are preferred or limited as to their dividends or as to their allocable portion of the assets upon liquidation or which are redeemable at the option of the Trust, shall have a statement of such restriction, limitation, preference or redemption provision, or a summary thereof, plainly stated on the certificate. In lieu of such statement or summary, the Trust may set forth upon the face or back of the certificate a statement that the Trust will furnish to any shareholder, 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 they represent shall be transferred by delivery

Maryland stock corporation. No transfers of shares of the Trust shall be made if (i) void ab initio pursuant to any provision of the Declaration of Trust or (ii) the Board of Trustees, pursuant to any provision of the Declaration of Trust, shall have refused to permit the transfer of such shares. Permitted transfers of shares of the Trust shall be made on the share records of the Trust 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 properly endorsed or accompanied by a duly executed share transfer power and the payment of all taxes thereon. Upon surrender to the Trust or the transfer agent of the Trust of a certificate for shares 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 Declaration of Trust or by action of the Board of Trustees thereunder, it shall be the duty of the Trust 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 Trustees may direct a new certificate to be issued in place of any certificate previously issued by the Trust 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 Trustees 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 Trust 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 Trustees may set, in advance, a record date for the purpose of determining shareholders entitled to notice of or to vote at any meeting of shareholders or determining shareholders entitled to receive payment of any dividend or the allotment of any other rights, or in order to make a determination of shareholders 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 shareholders not less than ten days, before the date on which the meeting or particular action

requiring such determination of shareholders of record is to be held or taken.

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

If no record date is fixed and the share transfer books are not closed for the determination of shareholders, (a) the record date for the determination of shareholders entitled to notice of or to vote at a meeting of shareholders 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 shareholders entitled to receive payment of a dividend

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or an allotment of any other rights shall be the close of business on the day on which the resolution of the Trustees, declaring the dividend or allotment of rights, is adopted.

When a determination of shareholders entitled to vote at any meeting of shareholders 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. SHARE LEDGER. The Trust shall maintain at its principal office or at the office of its counsel, accountants or transfer agent, an original or duplicate share ledger containing the name and address of each shareholder and the number of shares of each class held by such shareholder.

Section 6. FRACTIONAL SHARES; ISSUANCE OF UNITS. The Trustees may issue fractional shares 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 Declaration of Trust or these Bylaws, the Trustees may issue units consisting of different securities of the Trust. Any security issued in a unit shall have the same characteristics as any identical securities issued by the Trust, except that the Trustees may provide that for a specified period

securities of the Trust issued in such unit may be transferred on the books of the Trust only in such unit.

ARTICLE VIII

DISTRIBUTIONS

Section 1. AUTHORIZATION. Dividends and other distributions upon the shares of the Trust may be authorized and declared by the Board Trustees in their discretion, subject to the provisions of law and the Declaration of Trust. Dividends may be paid in cash, property or shares of the Trust, subject to the provisions of law and the Declaration of Trust.

Section 2. CONTINGENCIES. Before payment of any dividends, there may be set aside out of any funds of the Trust available for dividends such sum or sums as the Trustees 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 Trust or for such other purpose as the Trustees shall determine to be in the best interest of the Trust, and the Trustees may modify or abolish any such reserve in the manner in which it was created.

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ARTICLE IX

SEAL

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

Section 2. AFFIXING SEAL. Whenever the Trust 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 Trust.

ARTICLE X

INDEMNIFICATION AND ADVANCES FOR EXPENSES

To the maximum extent permitted by Maryland law in effect from time to time, the Trust, without requiring a preliminary determination of the ultimate entitlement to indemnification, shall indemnify (a) any Trustee or officer or any former Trustee or officer (including among the foregoing, for all purposes of this Article X and without limitation, any individual who, while a Trustee or officer and at the express request of the Trust, serves or has served another corporation, partnership, joint venture, trust, employee benefit plan or any other enterprise as a director, officer, shareholder, partner or trustee 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 Trustee or officer or any former Trustee 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 Trust shall pay or reimburse, in advance of final disposition of a proceeding, reasonable expenses incurred by a Trustee or officer or former Trustee or officer made a party to a proceeding by reason such status, provided that, the Trust shall have received (i) a written affirmation by the Trustee or officer of his good faith belief that he has met the applicable standard of conduct necessary for indemnification by the Trust as authorized by these Bylaws and (ii) a written undertaking by or on its behalf to repay the amount paid or reimbursed by the Trust if it shall ultimately be determined that the applicable standard of conduct was not met. The Trust may, with the approval of its Trustees, provide such indemnification or payment or reimbursement of

expenses to any Trustee or officer or any former Trustee or officer who served a predecessor of the Trust and to any employee or agent of the Trust or a predecessor of the Trust. Neither the amendment nor repeal of this Article, nor the adoption or amendment of any other provision of the Declaration of Trust 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 Maryland General Corporation Law (the "MGCL") for directors of Maryland corporations. The Trust may provide to Trustees, officers and shareholders 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 Declaration of Trust 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 Trustees 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.

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ARTICLE XIII

MISCELLANEOUS

All references to the Declaration of Trust shall include any amendments thereto.

COMMON SHARES

COMMON SHARES

NUMBER

SHARES

PZN

CCA PRISON REALTY TRUST

FORMED UNDER THE LAWS OF THE STATE OF MARYLAND

THIS CERTIFICATE IS TRANSFERABLE
IN NEW YORK, NEW YORK
OR BOSTON, MASSACHUSETTS

CUSIP 12486R 10-8
SEE REVERSE FOR CERTAIN DEFINITIONS

THIS CERTIFIES THAT

is the registered holder of

FULLY-PAID AND NON-ASSESSABLE COMMON SHARES, PAR VALUE \$.01 PER SHARE, OF

[SHARE CERTIFICATE WATERMARK]

CCA Prison Realty Trust transferable on the books of the Company by the holder hereof in person or by duly authorized attorney upon surrender of his certificate properly endorsed. This certificate is not valid until countersigned by the Transfer Agent and registered by the Registrar. In Witness Whereof, the Company has caused the facsimile signatures of its duly authorized officers and the facsimile of its seal to be printed hereon.

Dated:

COUNTERSIGNED AND REGISTERED:
BANKBOSTON, N.A.

TRANSFER AGENT
AND REGISTRAR,

BY:

AUTHORIZED SIGNATURE

/s/ Vida H. Carroll

Vida H. Carroll

/s/ D. Robert Crants, III

D. Robert Crants, III

CHIEF FINANCIAL OFFICER, SECRETARY
AND TREASURER

PRESIDENT

[CCA PRISON REALTY TRUST
CORPORATE
SEAL
1997
MARYLAND SEAL]

CCA PRISON REALTY TRUST

The securities represented by this certificate are subject to restrictions on transfer as set forth in the Declaration of Trust of the Company. No Person may (i) Beneficially Own or Constructively Own Common Shares in excess of 9.8% of the number of outstanding Common Shares, (ii) Beneficially Own or Constructively Own Preferred Shares in excess of 9.8% of the number of outstanding Preferred Shares, (iii) Beneficially Own Equity Shares that would result in the Trust being "closely held" under Section 856(b) of the Internal

Revenue Code of 1986, as amended (the "Code"), or (iv) Constructively Own Equity Shares that would cause the Trust to Constructively Own 10% or more of the ownership interests in a tenant of the Trust's real property, within the meaning of Sections 856(d)(2)(8) of the Code. Any Person who attempts to Beneficially Own or Constructively Own shares of Equity Shares in excess of the above limitations must immediately notify the Trust in writing. If the restrictions above are violated, the Equity Shares represented hereby will be transferred automatically and by operation of law to a Share Trust and shall be designated Shares-in-Trust. All capitalized terms in this legend have the meanings defined in the Company's Declaration of Trust, as the same may be further amended from time to time, a copy of which, including the restrictions on transfer, will be sent without charge to each shareholder who so requests.

THE COMPANY HAS THE AUTHORITY TO ISSUE SHARES OF MORE THAN ONE CLASS. THE COMPANY WILL, ON REQUEST AND WITHOUT CHARGE, FURNISH A FULL STATEMENT OF THE DESIGNATIONS AND ANY PREFERENCES, CONVERSION AND OTHER RIGHTS, VOTING POWERS, RESTRICTIONS, LIMITATIONS AS TO DIVIDENDS, QUALIFICATIONS, AND TERM AND CONDITIONS OF REDEMPTION OF THE SHARES OF EACH CLASS WHICH THE COMPANY IS AUTHORIZED TO ISSUE. SUCH REQUEST MAY BE MADE TO THE SECRETARY OF THE COMPANY AT ITS PRINCIPAL OFFICE.

The following abbreviations, when used in the inscription on the face of this certificate, shall be construed as though they were written out in full according to applicable laws or regulations:

<TABLE>		<C>	
<S>		UNIF GIFT MIN ACT	Custodian
TEN COM	-- as tenants in common	-----	-----
TEN ENT	-- as tenants by the entireties	(Cust)	(Minor)
JT TEN	-- as joint tenants with right of survivorship and not as tenants in common	Under Uniform Gifts to Minors Act	
		-----	-----
			(State)

</TABLE>

Additional abbreviations may also be used though not in the above list.

For value received, _____ hereby sell, assign and transfer unto

PLEASE INSERT SOCIAL SECURITY OR OTHER IDENTIFYING NUMBER OF ASSIGNEE

 (PLEASE PRINT OR TYPEWRITE NAME AND ADDRESS, INCLUDING ZIP CODE, OR ASSIGNEE)

----- shares of the Common Shares represented by the within certificate, and do hereby irrevocably constitute and appoint _____ Attorney to transfer the said stock on the books of the within named Corporation with full power of substitution in the premises.

Dated:

<TABLE>
 <S> <C>
 Signature:

 Notice: The signature to this assignment must correspond with the name as written upon the face of the certificate in every particular, without alteration or enlargement or any change whatever.

Signature guaranteed:

 THE SIGNATURE(S) SHOULD BE GUARANTEED BY AN ELIGIBLE GUARANTOR INSTITUTION (BANKS, STOCKBROKERS, SAVINGS AND LOAN ASSOCIATIONS AND CREDIT UNIONS WITH MEMBERSHIP IN AN APPROVED SIGNATURE GUARANTEE MEDALLION PROGRAM), PURSUANT TO S.E.C. RULE 17 Act 10.

</TABLE>

May 2, 1997

CCA Prison Realty Trust
2200 Abbott Martin Road, Suite 201
Nashville, Tennessee 37215
Attention: D. Robert Crants, III, President

Re: Commitment for Arrangement of Facility and Financing

Dear Bob:

You have advised us that CCA Prison Realty Trust (the "Borrower"), a Maryland real estate investment trust, seeks financing to fund the acquisition of public and private sector completed correctional facilities and the other purposes set forth in the attached Summary of Terms and Conditions (the "Term Sheet"). The Term Sheet describes the general terms and conditions for an aggregate \$150 million senior secured revolving credit facility (the "Facility").

First Union Capital Markets Corp. ("FUCMC") is pleased to advise you of its commitment, as Arranger for the Facility, to use its reasonable best efforts to secure commitments for the Facility from a syndicate of banks and financial institutions (the "Lenders") reasonably acceptable to the Borrower upon the terms and subject to the conditions set forth herein, in the Term Sheet and in the fee letter of even date delivered to you with this commitment letter (the "Fee Letter"). Furthermore, First Union National Bank of Tennessee ("First Union") is pleased to advise you of its commitment to serve as Administrative Agent of the Facility and provide \$40 million in aggregate principal amount of the Facility upon the terms and subject to the conditions set forth herein, in the Term Sheet and in the Fee Letter.

The commitments of FUCMC and First Union hereunder are based upon the financial and other information regarding the Borrower previously provided to FUCMC and First Union. Accordingly, the commitments hereunder are subject to the condition, among others, that (i) there shall not have occurred after the date of such financial and other information any material adverse change in the business, assets, liabilities (actual or contingent), operations, condition (financial or otherwise) or prospects of the Borrower, (ii) FUCMC and First Union continue to be satisfied, upon completion of their due diligence, with such business, assets, liabilities, operations condition and prospects of the Borrower, (iii) the information concerning the Borrower shall not differ in any material respect from the information previously provided to FUCMC and First Union by or on behalf of the Borrower or any representative thereof, (iv) no change in governmental regulations or change in or disruption of financial or capital market conditions occurring after the

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CCA Prison Realty Trust
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date hereof that in the opinion of First Union or FUCMC could reasonably be expected to adversely affect the proposed financing or the satisfactory syndication of the Facility, (v) the determination of First Union and FUCMC that, prior to and during the primary syndication of the Facility, there shall be no competing issuance of debt, securities or commercial bank facilities of the Borrower being offered, placed or arranged except with the prior written consent of First Union and FUCMC (other than the issuance of common stock of the Borrower in a fully underwritten initial public offering raising at least \$250 million in net proceeds prior to the closing of the Facility (the "Offering")), (vi) FUCMC shall have binding commitments from other banks or financial institutions for the Facility totaling at least \$110 million, (vii) the Administrative Agent's and Lenders' satisfaction with the terms of all underlying agreements with respect to the sale-leaseback transactions to be entered into by Corrections Corporation of America ("CCA") and the Borrower, including but not limited to the initial Leases, Master Lease, Purchase Agreements, Option Agreements, Right to Purchase Agreement, Trade Name Use Agreement and Non-Competition Agreement and (viii) all representations and

warranties of the Borrower and CCA contained in such underlying agreements remain true and correct and such parties remain in compliance with all covenants and agreements contained therein.

The Borrower agrees to actively assist FUCMC in achieving a syndication of the Facility that is satisfactory to FUCMC and the Borrower. In the event that such syndication cannot be achieved in a manner satisfactory to FUCMC under the structure outlined in the Term Sheet, the Borrower agrees to cooperate with FUCMC in developing an alternative structure that will permit a syndication of the Facility in a manner satisfactory to FUCMC, First Union and the Borrower. Such syndication may be accomplished by a variety of means, including direct contact during the syndication between senior management and advisors of the Borrower and the proposed syndicate members. To assist FUCMC in the syndication efforts, the Borrower hereby agrees (i) to provide and cause its advisors to provide FUCMC and the other syndicate members, upon request, with all information deemed reasonably necessary by FUCMC to complete the syndication, including but not limited to information and evaluations prepared by the Borrower and its advisors, or on their behalf, relating to the transactions contemplated hereby, (ii) to assist FUCMC upon its reasonable request in the preparation of an Information Memorandum to be used in connection with the syndication of the Facility and (iii) to otherwise assist FUCMC in its syndication efforts, including making officers and advisors of the Borrower available from time to time to attend and make presentations regarding the business and prospects of the Borrower, as appropriate, at a meeting or meetings of Lenders or prospective Lenders.

It is understood and agreed that FUCMC will manage and control all aspects of the syndication, including decisions as to the selection of proposed Lenders and any titles offered to proposed Lenders, when commitments will be accepted and the final allocations of the commitments among the Lenders, all on terms reasonably satisfactory to FUCMC, First Union and the Borrower. It is understood that no Lender participating in the Facility will receive

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CCA Prison Realty Trust
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compensation from the Borrower or anyone acting on its behalf outside the terms contained herein, in the Term Sheet and Fee Letter in order to obtain its commitment.

The Borrower hereby represents and covenants that to the best of its knowledge (i) all information, other than Projections (as defined below), which has been or is hereafter made available thereby or its representatives to FUCMC, First Union or the Lenders in connection with the transactions contemplated hereby ("Information") is and will be complete and correct in all material respects and does not and will not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements contained therein not materially misleading and (ii) all financial projections concerning the Borrower that have been or are hereafter made available thereby or its representatives to FUCMC, First Union or the Lenders (the "Projections") have been or will be prepared in good faith based upon reasonable assumptions. The Borrower agrees to supplement the Information and the Projections from time to time until the closing date so that the representation and warranty in the preceding sentence is correct on the closing date. In arranging and syndicating the Facility, FUCMC and First Union will be using and relying on the Information and the Projections.

By executing this letter agreement, the Borrower agrees to reimburse FUCMC and First Union from time to time on demand for all reasonable out-of-pocket fees and expenses (including, but not limited to, syndication expenses and the reasonable fees, disbursements and other charges of Kennedy, Covington, Lobdell & Hickman, L.L.P., counsel to FUCMC and First Union, and professional fees of consultants and other experts) incurred through the date of each corresponding invoice in connection with the Facility, including the preparation of definitive documentation for the Facility and the other transactions contemplated hereby. The Borrower agrees that such counsel shall submit periodic invoices during such preparation and on the closing date. Such counsel estimates such fees, based upon a customary negotiation and closing process, shall be \$125,000 plus expenses as incurred. (Such figure excludes fees and expenses of local counsel, if any.)

By executing this letter agreement, the Borrower further agrees to indemnify and hold harmless FUCMC, First Union, each other Lender and each director, officer, employee, attorney and affiliate of FUCMC, First Union and each other Lender (each such person or entity referred to hereafter in this paragraph as an "Indemnified Person") from any losses, claims, costs, damages, expenses or liabilities (or actions, suits or proceedings, including any inquiry or investigation, with respect thereto) to which any Indemnified Person may become subject, insofar as such losses, claims, costs, damages, expenses or liabilities (or actions, suits, or proceedings, including any inquiry or investigation, with respect thereto) arise out of, in any way relate to, or result from, this letter, the Facility or the other transactions contemplated hereby and thereby and to reimburse upon demand each Indemnified Person for any and all legal and other expenses incurred in connection with investigating, preparing to defend or defending any such loss, claim, cost, damage, expense or inquiry or investigation, with respect thereto; provided, that the

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CCA Prison Realty Trust
Page 4

Borrower shall have no obligation under this indemnity provision for liabilities resulting from gross negligence or willful misconduct of any Indemnified Person. The foregoing provisions of this paragraph shall be in addition to any right that an Indemnified Person shall have at common law or otherwise. No Indemnified Person shall be responsible or liable for consequential damages which may be alleged as a result of this letter.

The provisions of the immediately preceding two paragraphs shall remain in full force and effect regardless of whether definitive financing documentation shall be executed and delivered and notwithstanding the termination of this letter agreement or the commitment of FUCMC or First Union hereunder.

Except as required by applicable law (including applicable securities law), this letter and the contents hereof shall not be disclosed by the Borrower or its representatives to any third party without the prior consent of FUCMC and First Union, other than to their attorneys, financial advisors and accountants, who are directly involved in the consideration of this matter. In the event that the contents of this letter are disclosed in contravention of the preceding sentence, the Borrower is hereby advised that such disclosure could have a material adverse effect on the success and/or timely closing of the syndication. The Borrower acknowledges and agrees that First Union may share with any of its affiliates (including specifically FUCMC) any information relating to the Facility, the Borrower.

This letter may be executed in counterparts which, taken together, shall constitute an original. This letter, together with the Term Sheet and the Fee Letter embodies the entire agreement and understanding between FUCMC, First Union, and the Borrower with respect to the specific matters set forth above and supersedes all prior agreements and understandings relating to the subject matter hereof. No party has been authorized by FUCMC and First Union to make any oral or written statements inconsistent with this letter.

THIS LETTER SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NORTH CAROLINA WITHOUT REGARD TO THE PRINCIPLES OF CONFLICTS OF LAW.

This letter may not be assigned by the Borrower without the prior written consent of FUCMC and First Union.

If the Borrower is in agreement with the foregoing, please execute and return the enclosed copy of this Commitment Letter and Fee Letter and payment in immediately available funds of the upfront portion of the Arrangement Fee set forth in the Fee Letter no later than the close of business on May 2, 1997. This letter will become effective upon delivery to FUCMC by the Borrower of executed counterparts of this Commitment Letter and the Fee Letter and payment of such fee. This commitment shall terminate if not so accepted by you prior to that time.

CCA Prison Realty Trust
Page 5

Following acceptance by you, this commitment will terminate on August 31, 1997, unless the Facility is closed by such time.

[Signature Pages Follow]

CCA Prison Realty Trust
Page 6

Very truly yours,

FIRST UNION NATIONAL BANK
OF TENNESSEE

By: /s/ Timothy B. Fouts

Title: _____

Date: May 2, 1997

FIRST UNION CAPITAL MARKETS CORP.

By: /s/ Ted Heldring

Title: _____

Date: May 2, 1997

[Additional Signature Page Follows]

CCA Prison Realty Trust
Page 7

COMMITMENT ACCEPTED AND AGREED TO
THIS 2ND DAY OF MAY, 1997:

CCA PRISON REALTY TRUST

By: /s/ D. Robert Crants, III

Name: D. Robert Crants, III

Title: President

CCA PRISON REALTY TRUST
SUMMARY OF TERMS AND CONDITIONS
MAY 2, 1997

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BORROWER: CCA Prison Realty Trust (the "Borrower"), a Maryland real estate investment trust.

ADMINISTRATIVE

AGENT: First Union National Bank of Tennessee ("First Union" or the "Administrative Agent").

ARRANGER: First Union Capital Markets Corp.

LENDERS: First Union and a group of lenders to be selected by First Union and the Borrower (the "Lenders").

FACILITY: Revolving Credit Facility of up to \$150,000,000 (the "Facility"), with a portion of the Facility not to exceed \$5,000,000 available for swingline loans (the "Swingline Loans") from First Union on same day notice. Any such Swingline Loans shall reduce the available commitment under the Facility. Each of the Lenders shall acquire an irrevocable and unconditional pro rata participation in each such Swingline Loan.

ADMINISTRATIVE AGENT'S

COMMITMENT: \$40,000,000.00

TERM OF

FACILITY: Three years from the date of Closing (the "Termination Date").

EXTENSION: At each of the first two anniversaries of the Closing, the Facility may be extended by one year beyond the then existing Termination Date at the sole discretion of each Lender; provided that no extension shall occur for any Lender unless Lenders holding at least 80% of the commitments as of the date the extension is requested have consented to such extension. Written notification of the Borrower's election to extend must be received by the Administrative Agent at least sixty (60) but no more than ninety (90) days prior to the applicable anniversary date. The Administrative Agent shall notify the Borrower in writing of the acceptance or rejection of such extension no later than thirty (30) days after receipt of Borrower's election. If any Lender fails to consent to such extension, the Borrower shall

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have the option of obtaining a replacement Lender or continuing the Facility with a reduced aggregate commitment.

PURPOSE: To fund the acquisition of public and private sector completed correctional facilities, the further construction and development of owned correctional facilities, working capital and general corporate purposes.

SECURITY: The security for the Facility shall consist of a perfected first priority (except as otherwise permitted herein) security interest in all assets of the Borrower, including mortgages on all real property and an assignment of all leases. Upon receipt by the Borrower of a rating of at least BBB-/Baa3 by either Moody's Investor Service or Standard & Poors' Rating Service (an "Investment Grade Rating"), all collateral of the Lenders, including mortgages and collateral assignments of leases, will be released. Release of the Lenders' security interest shall also be permitted with respect to (i) the sale of any correctional facility to Corrections Corporation of America pursuant to the Right to Purchase Agreement or any other permitted sale or (ii) the refinancing of any correctional facility, if in any such case at least 75% of the initial purchase price plus all related capital additions for such facility are received by the Borrower; provided further that the aggregate proceeds (net of closing costs) from said sale or refinancing indebtedness is applied to repay outstandings under the Facility.

INTEREST RATE

OPTIONS:

The Borrower's option of:

- (1) Base Rate: The Base Rate plus the Applicable Base Rate Margin, as set forth in the pricing grid attached hereto as Exhibit I. Loans bearing interest at the Base Rate shall be for a minimum amount of \$1,000,000 and \$100,000 increments in excess thereof.

The Base Rate means the greater of (i) the Agent's Prime Rate or (ii) the overnight federal funds rate plus 0.50%.

The rate announced publicly by Administrative Agent as its Prime Rate is an index or base rate and shall not necessarily be its lowest or best rate charged to its customers or other banks.

Swingline Loans shall be maintained solely at the Base Rate and may be borrowed in minimum increments of \$100,000.

- (2) LIBOR Rate: LIBOR plus the Applicable LIBOR Margin as set forth in the pricing grid attached hereto as Exhibit I.

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Loans bearing interest at the LIBOR Rate may be requested on three business days prior written notice and shall be for a minimum amount of \$5,000,000 and \$1,000,000 increments in excess thereof.

LIBOR shall mean reserve adjusted LIBOR as set forth on Telerate Page 3750 or as determined by the Administrative Agent if such information is not available. The LIBOR Rate Option is available for Interest Periods of 1, 2, 3, or 6 months. No more than six (6) Interest Periods may be in effect at any time. The LIBOR Rate shall be adjusted for FDIC and regulatory reserve requirements.

Rate changes involving an increase or decrease in the Applicable Margin will be effected five (5) business days after a change in the Senior Debt Rating.

LIBOR Rate interest and all fees shall be calculated on a 360-day basis, while Base Rate interest shall be calculated on a 365-day basis.

INTEREST
PAYMENTS:

Interest on Base Rate loans will be due and payable quarterly in arrears. Interest on LIBOR Rate loans will be due and payable at the earlier of the end of each applicable interest period or quarterly.

DEFAULT
RATE:

Upon the occurrence and during the continuance of an Event of Default, (i) the Borrower shall no longer have the option to request LIBOR Rate loans, (ii) all amounts due and payable with respect to LIBOR Rate loans shall bear interest at a rate per annum two percent (2%) in excess of the rate then applicable to LIBOR Rate loans until the expiration of the then applicable Interest Period and thereafter at a rate equal to two percent (2%) in excess of the rate then applicable to Base Rate loans and (iii) all amounts due and payable with respect to Base Rate loans shall bear interest at a rate per annum equal to two percent (2%) in excess of the rate then applicable to Base Rate loans.

INCREASED COSTS/
CHANGE OF
CIRCUMSTANCES:

Provisions customary in facilities of this type protecting the Lenders in the event of unavailability of funding, illegality, capital adequacy requirements, increased costs, withholding taxes and funding losses.

COMMITMENT
FEES:

Twenty-five basis points per annum on the unused portion of the Facility, payable quarterly in arrears to each Lender based upon its commitment percentage.

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PREPAYMENTS:

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Base Rate Loans may be prepaid at any time. LIBOR Rate loans may be prepaid at the end of the applicable Interest Period without penalty. Upon any partial release of collateral to secure refinancing indebtedness as described above, all sale and loan proceeds (net of closing costs) received by the Borrower shall be applied to prepay the outstandings under the Facility. Prepayment of the LIBOR Rate loans prior to the end of the applicable Interest Period (whether through a voluntary or mandatory prepayment) is subject to payment of any funding losses.

OPTIONAL
REDUCTIONS:

The Borrower may voluntarily reduce the Facility at any time without penalty; provided, that prepayment of any LIBOR Rate loans in connection with such reduction prior to the end of the applicable Interest Period is subject to payment of any funding losses. Such reductions shall be permanent.

CONDITIONS
PRECEDENT TO
CLOSING:

Customary for facilities of this nature, including but not limited to, satisfactory completion of the Offering referred to in the Commitment Letter and receipt by the Borrower of not less than \$250,000,000 net proceeds therefrom; the acquisition of at least eight correctional facilities from CCA with an option to purchase at least five additional correctional facilities; no material change to terms of sale leaseback transactions outlined in the Form S-11 as filed with the Securities and Exchange Commission on April 24, 1997 and the Lenders shall be satisfied with such terms; all initial leases shall be satisfactory in form and substance to the Lenders; purchase by Doctor R. Crants of no less than \$7.5 million and no more than \$10.0 million of equity securities issued as part of such Offering; credit documentation for the Facility satisfactory to the Administrative Agent and the Lenders; all governmental, shareholder, corporate and third party consents shall have been obtained; no material pending or threatened litigation, bankruptcy or other proceeding; satisfactory review of all corporate documentation and other legal due diligence; payment of all fees and expenses due to the Administrative Agent, Administrative Agent's counsel and the Lenders; and other conditions precedent deemed reasonably necessary by the Administrative Agent, the Administrative Agent's counsel and the Lenders in the context of the proposed transaction.

CONDITIONS
PRECEDENT TO
FUNDING:

No draws shall be permitted to fund the acquisition of any correctional facility unless (a) the Administrative Agent on behalf of the Lenders has a first priority (except as otherwise permitted herein) perfected security interest in, or other security arrangement satisfactory to the Administrative Agent with respect to, such property and assets and all applicable affirmative covenants have been complied with, (b) no Default or Event of Default shall exist

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under the Facility and (c) delivery of a compliance certificate

executed by the Chief Financial Officer or other executive officer of the Borrower. In addition, no greater than the following amounts may be outstanding at any time during the term of the Facility for the corresponding purpose: (a) \$5 million for working capital and general corporate purposes, (b) \$50 million for further development of existing correctional facilities as long as the corresponding lease is in place, and if in place with a private sector counterparty, with an underlying incarceration agreement as well (or if such lease in place but no underlying incarceration agreement exists, such use shall not exceed \$25 million), (c) \$40 million for the construction of no more than two new correctional facilities at any one time, as long as the corresponding lease is in place with a public sector counterparty rated at least A-/A3 by Standard & Poor's Rating Service or Moody's Investors Service and (d) \$30 million to finance the acquisition of completed correctional facilities where such property remains subject to a first priority lien in favor of another secured party, as long as the Administrative Agent on behalf of the Lenders receives a perfected second priority lien on such property.

REPRESENTATIONS
AND WARRANTIES:

Customary for facilities of this nature, including but not limited to, valid existence and qualification as a real estate investment trust under applicable law; corporate and governmental authorization; enforceability; financial information; no material adverse changes; compliance with laws and agreements (including environmental laws); compliance with ERISA; no material litigation; payment of taxes; full disclosure; and any additional representations and warranties deemed reasonably necessary by the Administrative Agent, the Administrative Agent's counsel and the Lenders in the context of the proposed transaction.

AFFIRMATIVE
COVENANTS:

Customary for facilities of this nature, including but not limited to, receipt of financial information (including, without limitation, projections prepared by the Borrower, said projections to be delivered on an annual basis and at such other times that the Administrative Agent shall reasonably request); notification of litigation, investigations and other adverse changes; notification of defaults under incarceration agreements; payment of obligations; conduct of business; maintenance of status as a qualified real estate investment trust under applicable law; maintenance of property and insurance; maintenance of records and accounts; inspection of property and books and records; compliance with laws (including environmental laws); payment of taxes; ERISA; performance of obligations; all correctional facilities currently owned or subsequently acquired, if leased to a private sector counterparty, shall have an underlying incarceration agreement prior to their respective dates of acquisition; all leases will be triple net, non-cancelable and not contingent on the maintenance of incarceration agreements; all leases shall have minimum initial lease terms of 10 years (provided that leases with public sector counterparties may have such shorter terms

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and be subject to such appropriations limitations as are satisfactory to the Required Lenders); all new leases shall be satisfactory in form and substance to the Administrative Agent; the lessee(s) will remain responsible for all prison operations and liabilities; business of the Borrower shall be limited solely to the ownership of correctional facilities which will be managed by their respective lessee(s) (or agents in the event the lessee is a public sector counterparty); not less than 90% of all lease revenues shall be derived from leases where CCA or a counterparty rated at least A-/A3 by Standard & Poor's Rating Service or Moody's Investors Service is the lessee, provided the remaining 10% of all lease revenues shall be derived from leases with counterparties whose senior unsecured non-credit enhanced long term debt is rated Investment Grade or with any other counterparty satisfactory to the Administrative Agent; quarterly delivery of leases then in effect and financial statements of each lessee; within 18 months after the Closing, 50% of all funded debt shall be hedged by the Borrower at rates and other terms and conditions satisfactory to the Administrative Agent; and any additional affirmative covenants deemed reasonably necessary by the Administrative Agent, the Administrative Agent's counsel and the Lenders in the context of the proposed transaction.

FINANCIAL
COVENANTS:

The credit documentation will include, without limitation, the following covenants with respect to the Borrower on a consolidated basis:

1. Liabilities/Capitalization. The ratio of Total Liabilities to Capitalization shall not equal or exceed .45 to 1.0 as of any fiscal quarter end.

"Total Liabilities" means all Liabilities of the Borrower determined in accordance with GAAP, including all contingent obligations.

"Total Capitalization" means Total Liabilities plus Net Worth of the Borrower.

2. Debt/Cash Flow. The ratio of (a) Total Funded Debt less Excess Cash to (b) Cash Flow shall not exceed 12.0 to 1.0 as of any fiscal quarter end.

"Total Funded Debt" means all indebtedness for borrowed money, capital leases, deferred purchase price of property or services (other than trade accounts payable), and all contingent obligations.

"Excess Cash" means cash and cash equivalents as set forth on a consolidated balance sheet at any fiscal quarter end in excess of \$5,000,000.

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"Cash Flow" means Funds From Operations less Required Dividends less Maintenance Capital Expenditures, all for such fiscal quarter end, times four. For purpose of determining pro forma compliance for the financing of acquisitions of correctional facilities and for the purpose of determining compliance for the quarter in which any such acquisition occurs, the projected first year cash flow of the property to be acquired shall be included in such calculation.

"Required Dividends" means any dividends required to be distributed by the Borrower to maintain its status as a qualified real estate investment trust.

"Funds From Operations" is defined as net income plus depreciation and amortization minus interest income and any extraordinary gains.

3. Dividends/FFO. The ratio of Dividends to Funds From Operations for any period of four consecutive fiscal quarters ending on any date set forth below (provided that this ratio shall be determined on an annualized basis for each fiscal quarter end through March 1998), shall not exceed the corresponding ratio set forth below:

Date	Ratio
----	-----
Closing Date through 9/30/97	1.0 to 1.0
12/31/97 through 12/31/98	.95 to 1.0
3/31/99 and thereafter	.90 to 1.0

4. Coverage Ratio: The ratio of (a) Funds From Operations plus Interest Expense less Maintenance Capital

Expenditures to (b) Interest Expense plus Preferred Stock Dividends, in each case for any period of four consecutive fiscal quarters, shall be equal to or greater than 3.0 to 1.0 as of such fiscal quarter end (provided that this ratio shall be determined on an annualized basis for each fiscal quarter end through March 1998).

5. Minimum Net Worth. The Borrower will maintain as of each fiscal quarter end a Minimum Net Worth of no less than the sum of (a) 95% of the net proceeds of the Offering plus (b) \$3,000,000 (representing the accounting treatment of the initial equity interests of Bob Crants and Mike Devlin) plus (c) 75% of Net Income less (d) Dividends plus (e) 100% of any net proceeds received on the issuance of, or

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ADDITIONAL FINANCIAL
COVENANTS

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any debt satisfied on the conversion into,
any capital stock during such fiscal quarter.
1. Additional Secured Debt. Upon the incurrence of any secured indebtedness while the Facility remains secured, the Borrower shall also not permit as of any fiscal quarter end the ratio of (a) Facility Outstandings on such quarter end to (b) Revolver Secured Cash Flow for such quarter times four, to exceed 3.25 to 1.0.
- "Revolver Secured Cash Flow" shall mean Net Operating Income less Maintenance Capital Expenditures, in each case with respect to properties on which there is a perfected first priority perfected security interest in favor of the Administrative Agent for the benefit of the Lenders.
- "Net Operating Income" shall mean Funds From Operations plus Interest Expense.
2. Investment Grade Rating. Upon the receipt of an Investment Grade Rating from either Standard & Poors' Rating Service or Moody's Investor Service, the Borrower shall not permit as of each fiscal quarter end:
- (a) the ratio of (a) Total Unsecured Debt to (b) Unleveraged Cash Flow for such quarter times four, to exceed 3.25 to 1.0.
- "Total Unsecured Debt" means the aggregate principal amount of Total Funded Debt of the Borrower which is not secured by a lien on any assets thereof.
- "Unleveraged Cash Flow" shall mean Net Operating Income less Maintenance Capital Expenditures, in each case with respect to properties which are not subject to any lien.
- (b) the ratio of Total Secured Debt to Combined Fixed Asset Book Value to exceed .25 to 1.0.
- "Total Secured Debt" means the aggregate principal amount of Total Funded Debt of the Borrower which is secured by a perfected lien on any assets thereof.

NEGATIVE
COVENANTS:

Customary for facilities of this nature, including but not limited to, restrictions and limitations on: indebtedness; liens (including the capital stock and other ownership interests); contingent obligations; changes in business; mergers; sales of assets (provided that asset sales in the ordinary course of business not to exceed 20% of the net book value of fixed assets during the term of the Facility

shall be permitted);

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acquisitions (maximum limit of 35% of the net book value of fixed assets determined immediately prior to consummation of such acquisition for any single correctional facility and related assets shall be permitted); restricted payments (including dividends and other distributions); loans and investments; prohibition on creation or acquisition of subsidiaries; transactions with affiliates; optional prepayments of and material amendments to indebtedness; restrictive agreements; changes in fiscal year or accounting method; prohibition on amending leases in any way which could reasonably be expected to be adverse to the Borrower (as determined by the Administrative Agent) without prior consent of the Administrative Agent; and other negative covenants deemed reasonably necessary by the Administrative Agent, Administrative Agent's counsel and the Lenders in the context of the proposed transaction.

EVENTS OF
DEFAULT:

Customary for facilities of this nature, including but not limited to, failure to pay any interest, principal or fees under the Facility when due; failure to perform any covenant or agreement; invalidity of any loan documents; inaccurate or false representations or warranties; cross default (including any default under any correctional facility lease or any material default under any other lease or material agreement, in each case as determined by the Administrative Agent); insolvency or bankruptcy; ERISA; judgment defaults; change in control; changes in senior management; and any other events of default deemed reasonably necessary by the Administrative Agent, Administrative Agent's counsel and the Lenders in the context of the proposed transaction.

ASSIGNMENTS &
PARTICIPATION:

Each Lender will be permitted to make assignments in minimum amounts of \$10,000,000 to eligible assignees, with the prior consent of Administrative Agent, and (as long as no default or event of default exists) the Borrower, each of said consents not to be unreasonably withheld. Participations shall be permitted in minimum amounts of \$5,000,000 without the consent of the Borrower. The assigning Lender shall pay an assignment fee of \$2,500 to the Administrative Agent in connection with any such assignment.

REQUIRED
LENDERS:

66-2/3%

GOVERNING LAW/
JURISDICTION:

North Carolina law (without reference to choice of law provisions) shall govern. Waiver of jury trial, submission

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to jurisdiction and mandatory arbitration in Charlotte, North Carolina.

COUNSEL TO
ARRANGER AND

ADMINISTRATIVE
AGENT:

Kennedy Covington Lobdell & Hickman, L.L.P.

MISCELLANEOUS:

This summary of terms and conditions does not purport to summarize all the conditions, covenants, representations, warranties and other provisions which would be contained in definitive credit documentation for the Facility contemplated hereby.

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EXHIBIT I
Pricing Grid

<TABLE>
<CAPTION>

Tier	Senior Debt Rating*	Applicable Margin	
		LIBOR	Base Rate
<S>	<C>	<C>	<C>
I	>BBB +/Baa1 -	1.125%	0%
II	>BBB/Baa2 -	1.250%	0%
III	>BBB-/Baa3 -	1.375%	.125%
IV	<BBB-/Baa3	1.750%	.500%

</TABLE>

* The pricing levels shall be based upon the higher of the ratings given by Standard & Poor's Rating Service and Moody's Investor Service to the senior unsecured non-credit enhanced long-term debt of the Borrower in accordance with the schedule set forth above ("Senior Debt Rating"). As long as the Borrower leases all of its correctional facilities to Corrections Corporation of America, the rating of the senior unsecured non-credit enhanced long term debt of CCA may be substituted in lieu of such rating for the Borrower.

Until the Borrower receives an Investment Grade Rating, the Applicable Margin shall be 1.50% for LIBOR Rate Loans and .25% for Base Rate Loans.

CCA PRISON REALTY TRUST
NON-EMPLOYEE TRUSTEES' SHARE OPTION PLAN

1. Purpose. The purpose of the CCA Prison Realty Trust Non-Employee Trustees' Share Option Plan (the "Plan") is to advance the interests of CCA Prison Realty Trust (the "Company") and its shareholders by encouraging increased share ownership by members of the Board of Trustees (the "Board") of the Company who are not employees of the Company, any subsidiary of the Company, Corrections Corporation of America ("CCA"), or any subsidiary of CCA to enhance long-term shareholder value through continuing ownership of the Company's common shares.

2. Administration.

(a) The Plan shall be administered by the Compensation Committee of the Board. The Compensation Committee shall have all the powers vested in it by the terms of the Plan, which shall include the authority (within the limitations described herein) to prescribe the form of the agreements embodying awards of non-qualified options (the "Options"). The Compensation Committee, subject to the provisions of the Plan, shall grant Options under the Plan and shall have the power to construe the Plan, to determine all questions arising hereunder, and to adopt and amend such rules and regulations for the administration of the Plan as it may deem desirable. Any decision of the Compensation Committee in the administration of the Plan shall be final and conclusive. The Compensation Committee may act only by a majority of its members in office, except that the members of the Compensation Committee may authorize any one or more of their members or the Secretary or any other officer of the Company to execute and deliver documents on behalf of the Compensation Committee.

(b) Each person who is or shall have been a member of the Compensation Committee shall be indemnified and held harmless by the Company against and from any and all loss, cost, liability, or expense that may be imposed upon or reasonably incurred by him in connection with or resulting from any claim, action, suit, or proceeding to which he may be or become involved by reason of any action taken or failure to act under the Plan and against and from any and all amounts paid by him in settlement thereof (with the Company's written approval) or paid by him in satisfaction of a judgment in any such action, suit, or proceeding, except a judgment in favor of the Company based upon a finding of his lack of good faith; subject, however, to the conditions that upon the institution of any claim, action, suit, or proceeding against him, he shall in writing give the Company an opportunity, at

its expense, to handle and defend the same before he undertakes to handle and defend it on such person's own behalf. The foregoing right of indemnification shall not be exclusive of any other right to which such person may be entitled as a matter of law or otherwise, or any power that the Company may have to indemnify him or hold him harmless. Each member of the Compensation Committee and each officer and employee of the Company shall be fully justified in relying or acting in good faith upon any information furnished in connection with the administration of the Plan by an appropriate person or persons other than himself. In no event shall any person who is or shall have been a member of the Compensation

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Committee or an officer or employee of the Company be held liable for any determination made or other action taken or any omission to act in reliance upon any such information as referred to in the preceding sentence, or for any action (including the furnishing of information) taken or any omission to act, when such determination, action, or omission is made in good faith.

3. Participation. Each member of the Board of the Company who is not an employee of the Company or, subsidiary of the Company, CCA or any subsidiary of CCA (a "Non-Employee Trustee") shall receive Options in accordance with Section 5 below. As used herein, the term "subsidiary" means any corporation at least 40% of the outstanding voting stock of which is owned, directly or indirectly, by the Company or CCA, as the case may be.

4. Awards Under the Plan.

(a) Type of Awards. Awards under the Plan shall include only Options, which are rights to purchase common shares of the Company having a par value of \$.01 per share (the "Shares"). All Options are subject to the terms, conditions, and restrictions specified in Paragraph 5 below.

(b) Maximum Number of Shares That May Be Issued. No more than 150,000 Shares, subject to adjustment as provided in Paragraph 6 below, may be issued under the Plan pursuant to the exercise of Options.

(c) Rights with Respect to Shares. A Non-Employee Trustee to whom an Option is granted (and any person succeeding to such a Non-Employee Trustee rights pursuant to the Plan) shall have no rights as a shareholder with respect to any Shares issuable pursuant to any such Option until the date of the issuance of a share certificate to him for such Shares. Except as provided in Paragraph 6 below, no adjustment shall be made for dividends, distributions, or other rights (whether ordinary or extraordinary, and whether in cash, securities, or other property) for which the record date is prior to the date such share certificate is issued.

5. Non-Qualified Options. All Options shall be options which are not "incentive stock options" within the meaning of Section 422 of the Internal Revenue Code of 1986, as amended (the "Code"). Each Option shall be evidenced by an agreement in such form as the Board shall prescribe from time to time in accordance with the Plan and shall be subject to the following terms and conditions:

(a) The option price per Share shall be 100% of the fair market value per Share at grant. The fair market value per Share on any given date, unless otherwise determined by the Compensation Committee in good faith, shall be the reported closing price of a Share on the New York Stock Exchange or, if no such sale of Shares is reported on the New York Stock Exchange on such date, the fair market value of the Share as determined by the Board

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in good faith. The options granted to Founding Trustees (as defined below) upon effectiveness of the Registration Statement (as defined below) will have an exercise price equal to the initial public offering price.

(b) Each Non-Employee Trustee as of the date the initial Registration Statement on Form S-11 (the "Registration Statement") is declared effective by the Securities and Exchange Commission relating to the offering of 17,000,000 Shares will receive an Option to purchase 5,000 Shares on the date of the Registration Statement (each such trustee, a "Founding Trustee"). Each Non-Employee Trustee who is not a Founding Trustee (a "Non-Founding Trustee") will receive an Option to purchase 5,000 Shares on the date the Non-Founding Trustee is first elected or appointed to the Board of Trustees. In addition to the foregoing, each Non-Employee Trustee will receive an Option to purchase 5,000 Shares on each of the nine anniversary dates of the adoption of the Plan.

(c) The term of each Option shall be fixed by the Compensation Committee, but no Option shall be exercisable more than ten years after the date the Option is granted.

(d) Options shall be exercisable at such time or times and subject to such terms and conditions as shall be determined by the Board at or after grant. If the Compensation Committee provides, in its sole discretion, that any Option is exercisable only in installments, the Compensation Committee may waive such installment exercise provisions at any time at or after grant in whole or in part, based on such factors as the Compensation Committee shall determine,

in its sole discretion.

(e) Subject to whatever installment exercise provisions apply under subparagraph (d), Options may be exercised in whole or in part at any time during the option period, by giving written notice of exercise to the Company specifying the number of Shares to be purchased. Such notice shall be accompanied by payment in full of the purchase price either by check, note or such other instrument as the Compensation Committee may accept. As determined by the Compensation Committee in its sole discretion, at or after grant, payment in full or in part may also be made in the form of a share option or Shares already owned by the Non-Employee Trustee (based, in each case, on the fair market value of the share option or the Shares on the date the Option is exercised, as determined by the Compensation Committee in accordance with subparagraph (a)). No Shares shall be issued until full payment therefor has been made. Upon purchase of Shares, an optionee shall make such representations, warranties and covenants as the Compensation Committee may request.

(f) The Compensation Committee may, in its discretion, authorize all or a portion of the Options to be granted to a Non-Employee Trustee to be on terms which permit transfer by such optionee to (i) the spouse, children or grandchildren of the Non-Employee Trustee ("Immediate Family Members"), (ii) a trust or trusts for the exclusive benefit of such Immediate Family Members, (iii) a partnership in which such Immediate Family Members are the only partners, or (iv) certain affiliates of the Non-Employee Trustee, as determined

by the Compensation Committee, provided that (x) there may be no consideration for any such transfer, (y) the share option agreement pursuant to which such Options are granted must be approved by the Compensation Committee, and must expressly provide for transferability in a manner consistent with this Section, and (z) subsequent transfers of transferred Options shall be prohibited except those in accordance with this subparagraph (f). Following transfer, any such Options shall continue to be subject to the same terms and conditions as were applicable immediately prior to transfer, provided that for purposes of this Plan or the option agreement executed pursuant hereto, the term "optionee" or "Non-Employee Trustee" shall be deemed to refer to the transferee.

6. Capital Adjustments. In the event of any merger,

reorganization, consolidation, recapitalization, share dividend, share split or other change in corporate structure affecting the Shares, an adjustment shall be made in the aggregate number of Shares reserved for issuance under the Plan and in the number and price of Shares subject to outstanding Options granted under the Plan, as may be determined to be appropriate by the Compensation Committee, in its sole discretion, provided that the number of Shares subject to an Option shall always be a whole number.

7. Authority to Issue Shares. The Company, during the term of the Options granted hereunder, will at all times reserve and keep available, and will seek to obtain from any regulatory body having jurisdiction, any requisite authority in order to issue and sell such number of Shares as shall be sufficient to satisfy the requirements of the Options granted under the Plan. If in the opinion of its counsel the issuance or sale of any Shares hereunder shall not be lawful for any reason, including the inability of the Company to obtain from any regulatory body having jurisdiction,

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authority deemed by such counsel to be necessary to such issuance or sale, the Company shall not be obligated to issue or sell any such Shares.

8. Ownership Limitation. All Options shall be subject to the ownership limitations set forth in the Declaration of Trust of the Company. Without limiting the generality of the foregoing, any Option which causes a Non-Employee Trustee, or any constructive or beneficial owner of Shares subject to such Option (as determined under Sections 318 and 544, respectively, of the Code), to own or be deemed to own Shares in excess of such ownership limitations shall be void ab initio.

9. Miscellaneous Provisions.

(a) No Non-Employee Trustee or other person shall have any claim or right to be granted an Option under the Plan. Neither the Plan nor any action taken hereunder shall be construed as giving a Non-Employee Trustee any right to be retained in the service of the Company.

(b) Except as provided in Section 5 (f), an optionee's rights and interests under the Plan may not be assigned or transferred in whole or in part either directly or by operation of law or otherwise (except in the event of a optionee's death, by will or the laws of descent and distribution), including, but not by way of limitation, execution, levy, garnishment, attachment, pledge, bankruptcy, or in any manner, and no such right or interest of any

participant in the Plan shall be subject to any obligation or liability of such participant.

(c) No Shares shall be issued hereunder unless counsel for the Company shall be satisfied that such issuance will be in compliance with applicable federal, state, and other securities laws.

(d) The expenses of administration of the Plan shall be borne by the Company.

(e) The Plan shall be unfunded. The Company shall not be required to establish any special or separate fund or to make any other segregation of assets to ensure the issuance of Shares upon exercise of any Option under the Plan and issuance of Shares upon exercise of Options shall be subordinate to the claims of the Company's general creditors.

(f) By accepting any Option or other benefit under the Plan, each optionee and each person claiming under or through an optionee shall be conclusively deemed to have indicated his or her acceptance and ratification of, and consent to, any action taken under the Plan by the Company or the Compensation Committee.

(g) The appropriate officers of the Company shall cause to be filed any reports, returns, or other information regarding Options hereunder or any Shares issued pursuant hereto as may be required by the Securities Exchange Act of 1934, as amended, the Securities Act of 1933, as amended, or any other applicable statute, rule, or regulation

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(excluding reports pursuant to Section 16 of the Securities Exchange Act of 1934, which shall be the sole responsibility of a Non-Employee Trustee who exercises an Option).

10. Amendment. The Plan may be amended at any time and from time to time by the Board as the Board shall deem advisable. No amendment of the Plan shall materially and adversely affect any right of any optionee with respect to any Option theretofore granted without such optionee's written consent.

11. Effective Date. This Plan shall be effective on Monday, April 21, 1997.

12. Termination. This Plan shall terminate upon the earlier of the following dates or events to occur:

- (a) the adoption of a resolution of the Board terminating the Plan; or
- (b) December 31, 2007.

No termination of the Plan shall materially and adversely affect any of the rights or obligations of any person, without his consent, under any Option theretofore granted under the Plan.

CONSENT OF INDEPENDENT PUBLIC ACCOUNTANTS

As independent public accountants, we hereby consent to the use of our report dated February 18, 1997, relating to the consolidated financial statements of Corrections Corporation of America and Subsidiaries as of December 31, 1996 and 1995 and for each of the three years ending December 31, 1996 and to all references to our firm included in this First Amendment.

/s/ ARTHUR ANDERSEN LLP

ARTHUR ANDERSEN LLP

Nashville, Tennessee
June 12, 1997

CONSENT OF INDEPENDENT PUBLIC ACCOUNTANTS

As independent public accountants, we hereby consent to the use of our report dated April 23, 1997, relating to the balance sheet of CCA Prison Realty Trust as of April 23, 1997 and to all references to our firm included in this First Amendment to its registration statement.

/s/ ARTHUR ANDERSEN LLP

ARTHUR ANDERSEN LLP

Nashville, Tennessee
June 12, 1997