WACKENHUT CORRECTIONS CORP
Form S-4/A
November 10, 2003

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As filed with the Securities and Exchange Commission on November 10, 2003

Registration No. 333-107709

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Amendment No. 2
to

Form S-4

REGISTRATION STATEMENT
UNDER
THE SECURITIES ACT OF 1933

Wackenhut Corrections Corporation

(exact name of registrant as specified in its charter)

Florida	**1520**	**65-0043078**
(State or other jurisdiction of incorporation or organization)	*(Primary Standard Industrial Classification Code Number)*	*(I.R.S. Employer Identification Number)*

621 NW 53rd Street, Suite 700
Boca Raton, Florida 33487
(561) 893-0101
(Address, including zip code, and telephone number, including area code, of Registrant s principal executive offices)

John J. Bulfin, Esq.
621 NW 53rd Street, Suite 700
Boca Raton, Florida 33487
(561) 893-0101
(Name, address, including zip code, and telephone number, including area code, of agent for service)

Copy to:

Stephen K. Roddenberry, Esq.

Akerman Senterfitt
One Southeast Third Avenue
(305) 374-5600 (phone)
(305) 374-5095 (fax)

Approximate date of commencement of proposed sale to the public: As soon as practicable after the effective date of this Registration Statement

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If the securities being registered on this Form are being offered in connection with the formation of a holding company and there is compliance with General Instruction G, check the following box. o

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, check the following box and list the Securities Act registration number of the earlier effective registration statement for the same offering.

If this Form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. o

The Registrant hereby amends this Registration Statement on such 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, as amended, or until the Registration Statement shall become effective on such date as the Commission, acting pursuant to said Section 8(a), may determine.

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The information in this prospectus is not complete and may be changed. We may not exchange these securities until the registration statement filed with the Securities and Exchange Commission is effective. This prospectus is not an offer to exchange these securities and is not soliciting an offer to exchange these securities in any state where the offer or sale is not permitted.

SUBJECT TO COMPLETION, DATED NOVEMBER 10, 2003

Prospectus

Wackenhut Corrections Corporation

Offer to Exchange up to

$150,000,000 of 8 1/4% Senior Notes due 2013

for

$150,000,000 of 8 1/4% Senior Notes due 2013

that have been Registered under the Securities Act of 1933

Terms of the Exchange Offer

We are offering to exchange $150,000,000 of our outstanding 8 1/4% Senior Notes due 2013, referred to as the old notes, for new notes with substantially identical terms that have been registered under the Securities Act. We will receive no proceeds from the exchange offer.

We will exchange all old notes that you validly tender and do not validly withdraw before the exchange offer expires for an equal principal amount of new notes.

The exchange offer will expire at 5:00 p.m., New York City time, 21 business days after commencement of the offer unless extended.

Tenders of old notes may be withdrawn at any time prior to the expiration of the exchange offer.

Each exchange of old notes for new notes will not be a taxable event for U.S. federal income tax purposes.

Old 8 1/4% Senior Notes

On July 9, 2003, we issued and sold $150,000,000 of 8 1/4% Senior Notes due 2013. If you tender your old notes in the exchange offer, interest will cease to accrue before your new notes are issued. If you do not tender in the exchange offer, your old notes will continue to be subject to the same terms and restrictions except that we will not be required to register your old notes under the Securities Act.

Terms of the New 8 1/4% Senior Notes Offered in the Exchange Offer

Maturity

The new notes will mature on July 15, 2013.

Interest

Interest on the new notes is payable on January 15 and July 15 of each year, beginning January 15, 2004.

Interest will accrue from July 9, 2003.

Ranking

The new notes will be

- our senior, unsecured obligations;
- senior in right of payment to all of our existing and future subordinated indebtedness;
- equal in right of payment with all of our existing and future unsecured, unsubordinated indebtedness; and
- effectively junior to any of our secured indebtedness, to the extent of the value of the assets securing the indebtedness, including indebtedness under our amended senior credit facility, and to the liabilities of our subsidiaries, including their trade payables. As of September 29, 2003, we had total secured indebtedness outstanding of approximately $120.0 million and our subsidiaries had total liabilities of approximately $58.6 million. Therefore, the new notes would have been effectively junior to a total amount of approximately $178.6 million as of that date.

See Risk Factors on page 14 for a discussion of factors you should consider before participating in the exchange offer.

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 passed upon the accuracy or adequacy of this prospectus. Any representation to the contrary is a criminal offense.

The date of this prospectus is November 10, 2003.

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This prospectus is part of a registration statement we filed with the Securities and Exchange Commission (the Commission). In making your investment decision, you should rely only on the information contained in this prospectus and in the accompanying letter of transmittal. We have not authorized anyone to provide you with any other information. If you receive any unauthorized information, you must not rely on it. We are not making an offer to sell these securities in any state where the offer is not permitted. You should not assume that the information contained in this prospectus is accurate as of any date other than the date on the front cover of this prospectus.

Each broker-dealer registered as such under the Securities Exchange Act of 1934 that receives new notes for its own account pursuant to the exchange offer must acknowledge that it will deliver a prospectus in connection with any resale of the new notes. The letter of transmittal that accompanies this prospectus states that by so acknowledging and by delivering a prospectus, a broker-dealer will not be deemed to admit that it is an underwriter within the meaning of the Securities Act. This prospectus, as it may be amended or supplemented from time to time, may be used by a broker-dealer in connection with resales of new notes received in exchange for old notes where the old notes were acquired by the broker-dealer as a result of market-making activities or other trading activities. We have agreed that, for a period of up to 180 days after the effective date of the registration statement of which this prospectus is a part, we will make this prospectus available to any broker-dealer for use in connection with any resale of new notes received by a broker-dealer for its own account. See Plan of Distribution.

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PROSPECTUS SUMMARY

The following is a summary of the material information appearing elsewhere in this prospectus. This summary should be read in conjunction with, and is qualified in its entirety by, the more detailed information contained elsewhere in this prospectus. You should carefully read this entire prospectus, including the financial statements and related notes and the risk factors set forth under Risk Factors, before making an investment decision with respect to the Notes. As used in this prospectus, the terms we, us, our and the Company refer to Wackenhut Corrections Corporation, its consolidated subsidiaries and its unconsolidated affiliates, unless otherwise expressly stated or the context otherwise requires.

As used in this prospectus and unless the context indicates otherwise, Notes refers, collectively, to (a) our 8 1/4% Senior Notes due 2013, also referred to as the old notes, and (b) our 8 1/4% Senior Exchange Notes due 2013, also referred to as the new notes.

Our Company

We are a leading provider of government-outsourced services specializing in the management of correctional, detention and mental health facilities. We believe that we are the second largest operator of privatized correctional and detention facilities in the world, with operations located in the United States, Australia, New Zealand and South Africa. We believe that we have a leading share of the privatized correctional and detention facilities management services market for the states of California, Florida and Texas, the three U.S. states with the largest inmate populations. As of September 29, 2003, we operated a total of 47 correctional, detention and mental health facilities and had over 36,000 beds under management or for which we had been awarded contracts. We maintained an average facility occupancy rate of over 97% and 99% for the fiscal year ended December 29, 2002 and the twenty-six weeks ended June 29, 2003, respectively. For the fiscal year ended December 29, 2002, we had consolidated revenues of $568.6 million and consolidated operating income of $27.9 million.

Our correctional and detention management services involve the provision of security, administrative, rehabilitation, education, health and food services, primarily at adult male correctional and detention facilities. We also develop new facilities based on contract awards, using our project development expertise and experience to design, construct and finance what we believe are state-of-the-art facilities that maximize security and efficiency. Through these management and development services, we believe that we achieve significant cost savings in comparison to public sector costs, providing substantial privatization benefits to our government customers.

Under our correctional facility management services contracts, most of our government customers pay us on a per inmate per diem basis, with some of these contracts providing for minimum guaranteed payments regardless of actual occupancy levels. Certain of our contracts also provide for fixed fee payments. Generally, our management services contracts have rate adjustments for increased costs due to inflation. Our contract renewal rate over the last five years is 94%, the average length of our current customer relationships is six years, and 30 of our 47 current contracts are with government entities to whom we have been providing services for five years or more.

Our mental health facilities management services primarily involve the provision of acute mental health and related administrative services to mentally ill patients that have been placed under public sector supervision and care. At these mental health facilities, we employ psychiatrists, physicians, nurses, counselors, social workers and other trained personnel to deliver active psychiatric treatment which is designed to diagnose, treat and rehabilitate patients for community reintegration. Since 1998, we have operated what we believe is the only fully privatized state mental health facility in the U.S. at South Florida State Hospital. In

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December 2000, we completed the design and construction of a new 325-bed facility that replaced the original facility. We are paid a fixed monthly fee for the provision of services at this facility.

Competitive Strengths

We believe that we benefit from the following competitive strengths:

- our position as a global provider of privatized correctional and detention services with a strong industry reputation, 47 facilities under management and operations in the United States, Australia, New Zealand and South Africa;
- our regional operating structure which we believe allows us to more closely supervise and support our correctional and detention facilities and deliver more responsive customer service;
- our long-term relationships with federal and state government customers which we believe lead to higher contract renewal rates and provide us with a stable and predictable source of revenue and cash flow;
- our expertise in the design, construction and financing of high quality correctional, detention and mental health facilities which we believe helps us to retain existing customers and develop new ones; and
- our experienced, proven senior management team lead by our top three senior executives, which have over 45 years of combined industry experience, have worked together at our company for more than 12 years and have established a track record of growth and profitability.

Business Strategy

Our primary business strategies are to:

- provide federal, state and local government agencies with high quality, essential services at a lower cost than they themselves could achieve;
- maintain a disciplined operating approach by, among other things:
  - managing our business on a contract by contract basis to maximize operating margins;
  - avoiding the operation of certain juvenile and female correctional facilities which we believe may be prone to operational difficulties that may result in increased litigation, higher personnel costs and reduced profitability;
  - not engaging in speculative facility development by building facilities only when we have a corresponding management contract award in place;
  - refraining from doing business in certain international markets with a history of economic and political instability;
- leverage our long-term relationships with government agencies to continue to grow our correctional, detention and mental health facilities management business and to become a preferred provider of complementary government-outsourced services; and
- use our position as a global provider of privatized correctional services to further penetrate international markets in which we currently operate and expand into new international markets which we deem attractive.

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Industry Overview

We believe that governmental agencies in the U.S. spent more than $50.0 billion on correctional and detention facilities and services in 2002. As of June 30, 2002, the total U.S. prison population exceeded 2.0 million for the first time, with only 6.1% of the federal and state population being outsourced to the private sector. We believe that the U.S. market is poised for both overall growth and increased privatization as a result of increasing incarceration rates, a growing 18 to 24 year-old at-risk male population, facility overcrowdings, governmental budgetary constraints and the desire by the public sector to provide higher quality services and performance accountability.

Increasing Prison Populations

According to the Bureau of Justice Statistics, the average annual growth rate of the prison population in the U.S. between December 1995 and June 2002 was 3.8%, with the growth rate declining slightly between June 2001 and June 2002 to 2.8%. The incarceration rate between June 2001 and June 2002 increased by 1.5%, after growing by 1.0% between December 2000 and December 2001. We believe that further growth could come from stricter sentencing guidelines and the projected growth of the 18 to 24 year-old at-risk male population, which is expected to increase by 6.5% from 2000 to 2005.

Overcrowding Pressure

As of December 31, 2001, 22 states and the federal prison system were operating between 1% and 37% above their capacity, with the federal prison system operating at 31% above capacity. Additionally, the Federal Bureau of Prisons projects that during fiscal year 2003, the federal government s prison population will reach 166,000 inmates, 35% above its projected capacity.

Budgetary Constraints

We believe that full or partial outsourcing of correctional and detention services will become a more compelling option for public officials due to increasing budgetary constraints at both the federal level and in many states. We believe that states that outsource a significant percentage of their inmate populations reduce the overall growth in their correctional spending.

Quality Improvements and Performance Accountability

We believe that private correctional and detention facilities provide superior operational quality as compared to government-operated facilities. Most correctional and detention services contracts include economic incentives for private operators to deliver high quality service, provide for continuous monitoring by government representatives and require accreditation by independent organizations such as the ACA for compliance with contract terms and industry standards. We believe these contractual incentives establish a high degree of accountability for private operators.

The Transactions

On July 9, 2003, we completed the following transactions, which we refer to as the Transactions.

Share Repurchase. We purchased all 12.0 million shares of our common stock owned by Group 4 Falck A/S, our majority shareholder, for $132.0 million in cash. Immediately following the share repurchase, we had 9,289,252 million shares of common stock issued and outstanding.

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Amendment of Senior Credit Facility. We amended our existing $175.0 million senior credit facility. The amended $150.0 million senior credit facility consists of a $50.0 million, five-year revolving credit facility, with a $40.0 million sublimit for letters of credit, and a $100.0 million, six-year term loan. See Description of Amended Senior Credit Facility for more information.

Notes Offering. We offered $150.0 million aggregate principal amount of the old notes.

The following table sets forth the sources and uses of funds for the Transactions (in millions).

Sources		Uses	
Cash on hand	$ 15.7	Share repurchase	$132.0
Borrowings under our amended senior credit facility	100.0	Refinancing of former senior credit facility	124.7
Offering of old notes	150.0	Fees and expenses of the Transactions	9.0
	$265.7		$265.7

The Sale of Our Joint Venture Interest in Premier Custodial Group Limited

On July 2, 2003, we sold our one-half interest in Premier Custodial Group Limited, our United Kingdom joint venture, which we refer to as PCG, to Serco Investments Limited, our joint venture partner, which we refer to as Serco, for approximately $80.0 million (on a pretax basis). For the twenty-six weeks ended June 29, 2003, PCG accounted for 3,573 of our beds under management, seven of our facilities under management and, for the twenty-six weeks ended June 29, 2003 and the fiscal year ended December 29, 2002, respectively, $1.7 million and $6.5 million of our equity in earnings of affiliates. In addition, for the fiscal year ended December 29, 2002, we received $1.6 million of dividends from equity affiliates through our interest in PCG. Under the terms of the indenture governing the Notes, we have an obligation to use the proceeds from the sale of our interest in PCG to reinvest in certain permitted businesses or assets, to repay indebtedness outstanding under the amended senior credit facility or to make an offer to repurchase the Notes.

We are incorporated under the laws of the State of Florida. Our principal executive offices are located at 621 NW 53rd Street, Suite 700, Boca Raton, Florida 33487. Our telephone number is (561) 893-0101.

We currently file periodic and other reports with the Commission. Information filed with the Commission is available on the Commission s web site at http://www.sec.gov. See Where You Can Find More Information.

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The Exchange Offer

On July 9, 2003, we completed a private offering of the old notes. We entered into a registration rights agreement with the initial purchasers in the offering in which we agreed to deliver to you this prospectus and to use our best efforts to cause this registration statement to become effective under the Securities Act within 180 days after the date we issued the old notes.

Exchange Offer	We are offering to exchange new senior notes for our old senior notes.
Expiration Date	The exchange offer will expire at 5:00 p.m. New York City time, 21 business days after the commencement of the offer, unless we decide to extend it.
Condition to the Exchange Offer	The registration rights agreement does not require us to accept old notes for exchange if the exchange offer or the making of any exchange by a holder of the old notes would violate any applicable law or interpretation of the staff of the Securities and Exchange Commission. A minimum aggregate principal amount of old notes being tendered is not a condition to the exchange offer.
Procedures for Tendering Old Notes	To participate in the exchange offer, you must complete, sign and date the letter of transmittal, or a facsimile of the letter of transmittal, and transmit it together with all other documents required in the letter of transmittal, including the old notes that you wish to exchange, to The Bank of New York, as exchange agent, at the address indicated on the cover page of the letter of transmittal. In the alternative, you can tender your old notes by following the procedures for book-entry transfer described in this prospectus. If your old notes are held through The Depository Trust Company and you wish to participate in the exchange offer, you may do so through the automated tender offer program of The Depository Trust Company. If you tender under this program, you will agree to be bound by the letter of transmittal that we are providing with this prospectus as though you had signed the letter of transmittal. If a broker, dealer, commercial bank, trust company or other nominee is the registered holder of your old notes, we urge you to contact that person promptly to tender your old notes in the exchange offer. For more information on tendering your old notes, please refer to the sections in this prospectus entitled Exchange Offer Terms of the Exchange Offer, Procedures for Tendering and Book-Entry Transfer.

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Guaranteed Delivery Procedures	If you wish to tender your old notes and you cannot get your required documents to the exchange agent on time, you may tender your old notes according to the guaranteed delivery procedures described in Exchange Offer Guaranteed Delivery Procedures.
Withdrawal of Tenders	You may withdraw your tender of old notes under the exchange offer at any time prior to the expiration date. To withdraw, you must have delivered a written or facsimile transmission notice of withdrawal to the exchange agent at its address indicated on the cover page of the letter of transmittal before 5:00 p.m. New York City time on the expiration date of the exchange offer.
Acceptance of Old Notes and Delivery of New Notes	If you fulfill all conditions required for proper acceptance of old notes, we will accept any and all old notes that you properly tender in the exchange offer on or before 5:00 p.m. New York City time on the expiration date. We will return any old notes that we do not accept for exchange to you without expense promptly after the expiration date. We will deliver the new notes promptly after the expiration date and acceptance of the old notes for exchange. Please refer to the section in this prospectus entitled Exchange Offer Terms of the Exchange Offer.
Fees and Expenses	We will bear all expenses related to the exchange offer. Please refer to the section in this prospectus entitled Exchange Offer Fees and Expenses.
Use of Proceeds	We will not receive any proceeds from the issuance of the new notes. We are making this exchange offer solely to satisfy our obligations under our registration rights agreement.
Appraisal Rights	Holders of old notes will not have dissenters rights or appraisal rights in connection with the exchange offer.
Resale of New Notes	Based on an interpretation by the Commission set forth in no-action letters issued to third parties, we believe that you may resell or otherwise transfer new notes issued in the exchange offer in exchange for old notes without restrictions under the federal securities laws if: you are not our affiliate ; you acquire the new notes in the ordinary course of your business; and you do not intend to participate in a distribution of the new notes. If you tender in the exchange offer with the intention of participating in any manner in a distribution of the new notes, you

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	cannot rely on such interpretations by the staff of the Commission; and
	must comply with the registration and prospectus delivery requirements of the Securities Act in connection with a secondary resale transaction.
	Only broker-dealers that acquired the old notes as a result of market-making activities or other trading activities may participate in the exchange offer. Each broker-dealer that receives new notes for its own account in exchange for old notes, where such old notes were acquired by such broker-dealer as a result of market-making activities or other trading activities, must deliver a prospectus in connection with any resale of the new notes.
Consequences of Failure to Exchange Old Notes	If you do not exchange your old notes in the exchange offer, you will no longer be able to require us to register the old notes under the Securities Act of 1933, except in the limited circumstances provided under our registration rights agreement. In addition, you will not be able to resell, offer to resell or otherwise transfer the old notes unless we have registered the old notes under the Securities Act of 1933, or unless you resell, offer to resell or otherwise transfer them under an exemption from the registration requirements of, or in a transaction not subject to, the Securities Act of 1933.
U.S. Federal Income Tax Considerations	The exchange of the new notes for the old notes in the exchange offer should not be taxable events for U.S. federal income tax purposes. Please read Material U.S. Federal Income Tax Considerations.
Exchange Agent	We have appointed The Bank of New York as exchange agent for the exchange offer. You should direct questions and requests for assistance, requests for additional copies of this prospectus or the letter of transmittal and requests for the notice of guaranteed delivery to the exchange agent addressed as follows: 101 Barclay Street, 8W, New York, New York 10286. Eligible institutions may make requests by facsimile at (212) 815-5704.

Terms of New 8 1/4% Senior Notes due 2013

The new notes will be identical to the old notes of the same issue except that the new notes are registered under the Securities Act of 1933 and will not have the transfer restrictions or registration rights applicable to the old notes. The new notes will evidence the same indebtedness as the old notes, and the same indenture will govern the new notes and the old notes.

For more information concerning the new notes, please refer to the section of this document entitled Description of New Notes.

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Issuer	Wackenhut Corrections Corporation (WCC)
Notes offered	$150,000,000 principal amount of 8 1/4% Senior Notes due 2013.
Maturity	July 15, 2013.
Interest rate	8 1/4% per year (calculated using a 360-day year).
Interest payment dates	Each January 15 and July 15, beginning on January 15, 2004. Interest will accrue from the issue date of the Notes.
Ranking	The Notes will be general, unsecured, senior obligations of WCC. Accordingly they will rank: senior to any of our future subordinated indebtedness; equal in right of payment with all of our existing and future unsecured, unsubordinated indebtedness; and effectively junior to any of our secured indebtedness, to the extent of the value of the assets securing the indebtedness, including indebtedness under our amended senior credit facility, and to the liabilities of our subsidiaries, including their trade payables. As of September 29, 2003, we had total secured indebtedness outstanding of approximately $120.0 million and our subsidiaries had total liabilities of approximately $58.6 million. Therefore, the new notes would have been effectively junior to a total amount of $178.6 million as of that date. The indenture governing the Notes allows us to incur an unlimited amount of additional indebtedness and to secure indebtedness, including any indebtedness incurred under credit facilities, provided that we meet the fixed charge coverage ratio test set forth in the indenture. See the covenant described under Description of New Notes Certain Covenants *Incurrence of Indebtedness and Issuance of Preferred Stock.*
Optional redemption	After July 15, 2008, we may redeem some or all of the Notes at the redemption prices listed in the Description of New Notes section under the sub-heading Optional Redemption, plus accrued and unpaid interest, and liquidated damages, if any, to the redemption date. At any time on or prior to July 15, 2006, we can choose to redeem up to 35% of the Notes with money that we raise in one or more equity offerings, as long as: we pay 108.250% of the principal amount of the Notes, plus accrued and unpaid interest, and liquidated damages, if any, to the redemption date; we redeem the Notes within 90 days of completing the equity offering; and

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	at least 65% of the aggregate principal amount of Notes originally issued remains outstanding after such redemption.
Change of control offer	If a change of control of our company occurs, we must, subject to certain conditions, give holders the opportunity to sell their Notes to us at 101% of their principal amount, plus accrued and unpaid interest, and liquidated damages, if any, to the date of purchase. We might not be able to pay the required price for Notes presented to us at the time of a change of control because: we might not have enough funds at the time; or the terms of our amended senior credit facility may prevent us from purchasing the Notes.
Asset sale proceeds	If we or certain of our subsidiaries engage in asset sales, we generally must either invest the net proceeds from such sales in our business within a period of time, prepay indebtedness under our amended senior credit facility or make an offer to purchase a principal amount of the Notes equal to the excess net proceeds. The purchase price of the Notes will be 100% of their principal amount plus accrued and unpaid interest, and liquidated damages, if any, to the date of purchase.
Certain indenture provisions	The indenture governing the Notes contains covenants that, among other things, limit our and our restricted subsidiaries ability to: incur additional indebtedness; pay dividends or distributions on our capital stock or repurchase our capital stock or prepay subordinated indebtedness; issue preferred stock of subsidiaries; make certain types of investments; guarantee other indebtedness; create liens on our assets; enter into sale and leaseback transactions; enter into transactions with affiliates; create or permit restrictions on the ability of our restricted subsidiaries to pay dividends or make other distributions to us; merge or consolidate with another company; and transfer and sell assets. These covenants are subject to a number of important limitations and exceptions. See Description of New Notes.

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Risk factors	Investing in the Notes involves risks. See Risk Factors beginning on page 14 of this prospectus for a description of the material risks you should consider before investing in the Notes.
Transfer Restrictions; Absence of a Public Market for the Notes	The new notes generally will be freely transferable, but will also be new securities for which there will not initially be a market. There can be no assurance that any market for the new notes will develop. There will be no public market for any old notes not tendered in this exchange offer.

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Summary Historical Financial and Other Data

The following summarizes certain of our consolidated historical financial and operating data. The consolidated statement of operations data and other financial data for the fiscal years ended December 31, 2000, December 30, 2001 and December 29, 2002 and the consolidated balance sheet data as of December 29, 2002 were derived from our audited consolidated financial statements included elsewhere in this prospectus. The consolidated statement of operations data and other financial data for the twenty-six week periods ended June 30, 2002 and June 29, 2003 and the consolidated balance sheet data as of June 29, 2003 were derived from our unaudited condensed consolidated financial statements included elsewhere in this prospectus. We have prepared the unaudited statement of operations data, balance sheet data and other financial data on the same basis as the audited consolidated financial statements and have included all adjustments, consisting only of normal recurring adjustments, necessary to present fairly the data for such periods. The results for the twenty-six weeks ended and as of June 29, 2003 are not necessarily indicative of results for the full year.

The information contained in this summary should be read in conjunction with the Unaudited Pro Forma Condensed Consolidated Financial Statements, Selected Consolidated Financial and Other Data, Management s Discussion and Analysis of Financial Condition and Results of Operations and our consolidated financial statements and notes thereto appearing elsewhere in this prospectus. All amounts are presented in thousands except operational data.

	Fiscal year ended			Twenty-six weeks ended	
	December 31, 2000	December 30, 2001	December 29, 2002	June 30, 2002	June 29, 2003
Statement of operations data:					
Revenues	$535,557	$562,073	$568,612	$281,374	$298,461
Operating expenses	486,884	503,547	496,497	246,648	252,840
General and administrative	21,122	24,423	32,146	16,401	19,050
Depreciation and amortization	8,639	9,919	12,093	4,924	6,919
Operating income	18,912	24,184	27,876	13,401	19,652
Interest and other income	6,745	4,278	4,794	2,116	2,544
Interest expense	(4,801)	(3,597)	(3,737)	(1,674)	(6,091)
Income before income taxes and equity in earnings of affiliates	20,856	24,865	28,933	13,843	16,105
Provision for income taxes	8,352	9,706	12,652	6,475	6,692
Income before equity in earnings of affiliates	12,504	15,159	16,281	7,368	9,413
Equity in earnings of affiliates	4,490	4,220	5,220	3,220	2,058
Net income	$ 16,994	$ 19,379	$ 21,501	$ 10,588	$ 11,471

	As of December 29, 2002	As of June 29, 2003
Balance sheet data:		
Cash and cash equivalents	$ 35,240	$ 58,955
Total assets	402,658	434,279
Total long-term debt, including current portion(1)	125,000	124,688
Common stock	212	213
Shareholders equity	152,642	169,293

	Fiscal year ended			Twenty-six weeks ended	
	December 31, 2000	December 30, 2001	December 29, 2002	June 30, 2002	June 29, 2003
Other financial data:					
Cash flow from (used in) operating activities	$ 25,906	$ 29,479	$ 22,243	$ 2,628	$ 22,234
Cash flow from (used in) investing activities	(20,946)	(3,897)	(159,252)	(1,776)	(4,019)
Cash flow from (used in) financing activities	(9,921)	(11,150)	129,245	897	2,215
EBITDA(2)	32,682	38,323	45,189	21,545	28,629
Ratio of earnings to fixed charges(3)	1.85x	1.99x	2.29x	1.66x	1.72x
Operational data:					
Facilities in operation(4)(6)	51	59	59		
Compensated resident days(5)	10,572,093	11,068,912	10,850,003	5,436,616	5,542,365
Revenue producing beds(6)	31,218	33,925	35,428	33,812	37,544
Average occupancy	97.7%	96.5%	97.4%	97.0%	99.1%

(1) Our presentation of total long-term debt, including current portion, excludes non recourse debt. We had $31.4 and $39.7 million of non-recourse debt outstanding as of December 29, 2002 and June 29, 2003, respectively.

(2) We define EBITDA as earnings before interest expense, net, income taxes and depreciation and amortization. However, other companies may calculate EBITDA differently than we do. EBITDA is not a measure of performance under generally accepted accounting principles, or GAAP, and it should not be considered as an alternative to cash flow from operating activities as a measure of liquidity or as an alternative to net income as an indicator of our operating performance, or any other measure of performance derived in accordance with GAAP. EBITDA is presented because management believes that EBITDA it is a useful measure of our liquidity, as it provides investors, security analysts, lenders and other interested third parties with an additional basis to evaluate our ability to incur and service debt and to fund capital expenditures. In evaluating EBITDA for any given period, we believe that investors should consider, among other things, the amount by which EBITDA exceeds interests costs, how EBITDA compares to principal repayments on debt and how EBITDA compares to capital expenditures. The components of EBITDA such as revenues and operating expenses, and the variability of such components over time, should also be considered. This data should be read in conjunction with our consolidated financial statements and related notes included elsewhere in this prospectus. A reconciliation of EBITDA to cash flow from operating activities computed in accordance with GAAP is as follows:

	Fiscal year ended			Twenty-six weeks ended	
	December 31, 2000	December 30, 2001	December 29, 2002	June 30, 2002	June 29, 2003
Net cash provided by operating activities	$ 25,906	$29,479	$ 22,243	$ 2,628	$22,234
Depreciation and amortization	(8,639)	(9,919)	(12,093)	(4,924)	(6,919)
Decrease(increase) in deferred tax asset	1,952	670	711	(76)	2,203
Tax benefit related to employee stock options		(315)	(1,081)	(1,060)	(113)
Gain on sale of loans receivable	641				
Equity in earnings of affiliates	4,490	4,220	5,220	3,220	2,058
Amortization of deferred revenue	2,488	3,192	2,673	1,378	952
Net change in other non current assets and liabilities	3,325	(3,867)	(9,252)	(7,873)	(1,525)
Net change in working capital requirements	(13,169)	(4,081)	13,080	17,295	(7,419)
Net income	16,994	19,379	21,501	10,588	11,471
Provision for income tax	8,352	9,706	12,652	6,475	6,692
Interest income/expense, net	(1,303)	(681)	(1,057)	(442)	3,547
Depreciation and amortization	8,639	9,919	12,093	4,924	6,919

EBITDA	$ 32,682	$ 38,323	$ 45,189	$ 21,545	$ 28,629

Our calculation of EBITDA includes the following expenses:

	Fiscal year ended			Twenty-six weeks ended	
	December 31, 2000	December 30, 2001	December 29, 2002	June 30, 2002	June 29, 2003
Payments under our former operating lease facility	$ 5,354	$ 7,880	$ 5,110	$ 2,544	$
Change in control costs			1,890		1,531

Payments under our former operating lease facility relate to our use of four properties previously subject to lease agreements under that operating lease facility. The operating lease facility was terminated in December 2002 when we purchased the four properties and therefore, we no longer incur lease expense for those four properties.

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Change in control costs represent certain compensation related expenses triggered under executive employment agreements by the acquisition of The Wackenhut Corporation, our former parent company, which we refer to as TWC, by Group 4 Falck. These costs will continue to be incurred through May 2004.

(3) Ratio of earnings to fixed charges is calculated by dividing income before income taxes and equity in earnings of affiliates plus fixed charges by fixed charges. Fixed charges consist of interest expense (including the interest element of rental expense) and amortization of deferred financing fees.

(4) Facilities in operation includes a court escort services contract and a home detention monitoring contract, each in the United Kingdom for all periods.

(5) Compensated resident days are calculated as follows: for per diem rate facilities, the number of beds occupied by residents on a daily basis during the period; and for fixed rate facilities, the design capacity of the facility multiplied by the number of days the facility was in operation during the fiscal year. Amounts exclude compensated resident days for our United Kingdom and South Africa facilities.

(6) The sale of our interest in PCG on July 2, 2003 resulted in a reduction of 10 facilities operated by PCG, including those discussed in footnote 4 above, and 3,919 of our beds under management.

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RISK FACTORS

You should carefully consider the risk factors set forth below, as well as the other information contained in this prospectus, before deciding whether to invest in the Notes.

Risks Related to Our High Level of Indebtedness

Our significant level of indebtedness could adversely affect our financial condition and prevent us from fulfilling our debt service obligations.

We have a significant amount of indebtedness. Our total consolidated long-term indebtedness as of September 29, 2003 was $270.0 million, excluding non recourse debt of $38.9 million. In addition, as of September 29, 2003, we had $25.5 million outstanding in letters of credit under the revolving loan portion of our former senior credit facility. As a result, as of that date, we would have had the ability to borrow an additional approximately $4.5 million under the revolving loan portion of our amended senior credit facility, subject to our satisfying the relevant borrowing conditions under those facilities with respect to the incurrence of additional indebtedness.

Our substantial indebtedness could have important consequences to you. For example, it could:

- make it more difficult to satisfy our obligations with respect to the Notes;
- require us to dedicate a substantial portion of our cash flow from operations to payments on our indebtedness, thereby reducing the availability of our cash flow to fund working capital, capital expenditures, and other general corporate purposes;
- limit our flexibility in planning for, or reacting to, changes in our business and the industry in which we operate;
- increase our vulnerability to adverse economic and industry conditions;
- place us at a competitive disadvantage compared to competitors that may be less leveraged; and
- limit our ability to borrow additional funds or refinance existing indebtedness on favorable terms.

If we are unable to meet our debt service obligations, we may need to reduce capital expenditures, restructure or refinance our indebtedness, including the Notes, obtain additional equity financing or sell assets. We may be unable to restructure or refinance our indebtedness, obtain additional equity financing or sell assets on satisfactory terms or at all. In addition, our ability to incur additional indebtedness will be restricted by the terms of our amended senior credit facility and the indenture governing the Notes.

Despite current indebtedness levels, we may still incur more indebtedness. This could further exacerbate the risks described above.

The terms of the indenture governing the Notes and our amended senior credit facility restrict our ability to incur but do not prohibit us from incurring significant additional indebtedness in the future. In addition, we may refinance all or a portion of our indebtedness, including borrowings under our amended senior credit facility, and incur more indebtedness as a result. If new indebtedness is added to our and our subsidiaries current debt levels, the related risks that we and they now face could intensify. As of September 29, 2003, we would have had the ability to borrow an additional approximately $4.5 million under the revolving loan portion of our amended senior credit facility.

The indenture governing the Notes and our amended senior credit facility impose significant operating and financial restrictions which may adversely affect our ability to operate our business.

The indenture governing the Notes and our amended senior credit facility impose significant operating and financial restrictions on us and certain of our subsidiaries, which we refer to as restricted subsidiaries. These restrictions limit our ability to, among other things:

- incur additional indebtedness;
- pay dividends and or distributions on our capital stock or repurchase our capital stock, purchase, redeem or retire our capital stock, prepay subordinated indebtedness and make investments;
- issue preferred stock of subsidiaries;
- make certain types of investments;
- guarantee other indebtedness;
- create liens on our assets;
- transfer and sell assets;
- create or permit restrictions on the ability of our restricted subsidiaries to make dividends or make other distributions to us;
- enter into sale/leaseback transactions;
- enter into transactions with affiliates; and
- merge or consolidate with another company or sell all or substantially all of our assets.

These restrictions could limit our ability to finance our future operations or capital needs, make acquisitions or pursue available business opportunities. In addition, our amended senior credit facility will require us to maintain specified financial ratios and satisfy certain financial covenants, including maintaining maximum senior and total leverage ratios, a minimum fixed charge coverage ratio, a minimum net worth and a limit on the amount of our annual capital expenditures. Some of these financial ratios become more restrictive over the life of the amended senior credit facility. We may be required to take action to reduce our indebtedness or to act in a manner contrary to our business objectives to meet these ratios and satisfy these covenants. Our failure to comply with any of the covenants under our amended senior credit facility and the indenture governing the Notes could cause an event of default under such documents and result in an acceleration of all of our outstanding indebtedness. If all of our outstanding indebtedness were to be accelerated, we likely would not be able to simultaneously satisfy all of our obligations under such indebtedness, which would materially adversely affect our ability to make payments under the Notes.

Servicing our indebtedness will require a significant amount of cash. Our ability to generate cash depends on many factors beyond our control.

Our ability to make payments on our indebtedness, including the Notes, and to fund planned capital expenditures will depend on our ability to generate cash in the future. This, to a certain extent, is subject to general economic, financial, competitive, legislative, regulatory and other factors that are beyond our control.

Our business may not be able to generate sufficient cash flow from operations or future borrowings may not be available to us under our amended senior credit facility or otherwise in an amount sufficient to enable us to pay our indebtedness, including the Notes, or new debt securities, or to fund our other liquidity needs. We may need to refinance all or a portion of our

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indebtedness on or before maturity. However, we may not be able to complete such refinancing on commercially reasonable terms or at all.

Because portions of our indebtedness have floating interest rates, a general increase in interest rates will adversely affect cash flows.

Our amended senior credit facility bears interest at a variable rate. To the extent our exposure to increases in interest rates is not eliminated through interest rate protection agreements, such increases will adversely affect our cash flows. We do not currently have any interest rate protection agreements in place to protect against interest rate fluctuations related to the amended senior credit facility. Our estimated total annual interest expense based on borrowings outstanding as of September 29, 2003 is approximately $22.1 million, $5.0 million of which is interest expense attributable to borrowings of $120.0 million currently outstanding under the amended senior credit facility. As a result, for every one percent increase in the interest rate applicable to the amended senior credit facility, our total annual interest expense will increase by $1.2 million.

In addition, effective September 18, 2003, we entered into interest rate swap agreements in the aggregate notional amount of $50.0 million. The agreements, which have payment and expiration dates that coincide with the payment and expiration terms of the Notes, effectively convert $50.0 million of the Notes into variable rate obligations. Under the agreements, we receive a fixed interest rate payment from the financial counterparties to the agreements equal to 8.25% per year calculated on the notional $50.0 million amount, while we make a variable interest rate payment to the same counterparties equal to the six-month London Interbank Offered Rate plus a fixed margin of 3.45%, also calculated on the notional $50.0 million amount. As a result, for every one percent increase in the interest rate applicable to the swap agreements, our total annual interest expense will increase by $0.5 million.

We will depend on distributions from our subsidiaries to make payments on our indebtedness, including the Notes. These distributions may not be made.

We generate a substantial portion of our revenues from distributions on the equity interests we hold in our subsidiaries. Therefore, our ability to meet our payment obligations on our indebtedness, including the Notes, is substantially dependent on the earnings of our subsidiaries and the payment of funds to us by our subsidiaries as dividends, loans, advances or other payments. Our subsidiaries are separate and distinct legal entities and are not obligated to make funds available for payment of the Notes or our other indebtedness in the form of loans, distributions or otherwise. Our subsidiaries ability to make any such loans, distributions or other payments to us will depend on their earnings, business results, the terms of their existing and any future indebtedness, tax considerations and legal restrictions. If our subsidiaries do not make such payments to us, our ability to pay amounts due under the Notes will be materially adversely affected. For the fiscal year ended December 29, 2002 and the twenty-six weeks ended June 29, 2003, our subsidiaries accounted for 26.9% and 23.0% of our consolidated revenues, respectively, and, as of December 29, 2002 and June 29, 2003, our subsidiaries accounted for 21.6% and 23.1% of our consolidated total assets, respectively.

Risks Related to the Notes

The Notes are effectively subordinated to our senior secured indebtedness, which could impair our ability to pay amounts due under the Notes.

The Notes are unsecured and therefore are effectively subordinated to our secured indebtedness, including the amended senior credit facility, to the extent of the value of the assets securing such indebtedness. As of September 29, 2003, borrowings under our amended senior credit facility were approximately $120.0 million. In addition, the indenture governing the Notes allows us to incur an unlimited amount of additional indebtedness and to secure indebtedness, including any

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indebtedness incurred under credit facilities provided that we meet the fixed charge coverage ratio test set forth in the indenture. In the event we are the subject of a bankruptcy, liquidation, dissolution, reorganization or similar proceeding, our assets securing our indebtedness could not be used to pay you until after all secured claims against us have been fully paid.

Our subsidiaries have not guaranteed the Notes and therefore the Notes will be effectively subordinated in right of payment to any and all indebtedness and other liabilities, including trade payables, of our subsidiaries.

None of our subsidiaries are obligors or guarantors of the Notes. Therefore, the claims of creditors of such subsidiaries, including the claims of trade creditors of such subsidiaries, the claims of preferred shareholders of such subsidiaries (if any) and, with respect to certain of our domestic subsidiaries that have guaranteed our obligations under the amended senior credit facility, the claims of lenders under the amended senior credit facility, generally will have priority with respect to the assets and earnings of such subsidiaries over the claims of our creditors. As a result, the Notes are effectively subordinated to all existing and future liabilities of our subsidiaries and your right to receive payment under the Notes will be structurally junior to all of such liabilities. In the event of a bankruptcy, liquidation, winding up, reorganization or similar proceeding involving a subsidiary, our right to receive assets of that subsidiary and your consequent right to participate in a distribution of those assets to satisfy our obligations under the Notes may be materially adversely affected. As of September 29, 2003, our subsidiaries had total indebtedness of $38.9 million, and approximately $19.7 million of other liabilities, including trade payables but excluding intercompany obligations, liabilities under guarantees of our obligations, and other obligations not reflected in our consolidated financial statements.

We may not be able to repurchase the Notes in the event of a change of control because the terms of our indebtedness or lack of funds may prevent us from doing so.

Upon a change of control, each holder of the Notes will have the right to require us to repurchase their Notes at 101% of their principal amount, plus accrued and unpaid interest, and, liquidated damages, if any, to the date of repurchase. The terms of our amended senior credit facility limit our ability to repurchase the Notes in the event of a change of control. Any future agreement governing any of our indebtedness may contain similar restrictions and provisions. Accordingly, it is possible that restrictions in our amended senior credit facility or other indebtedness that may be incurred in the future will not allow the required repurchase of Notes upon a change of control. Even if such repurchase is permitted by the terms of our then existing indebtedness, we may not have sufficient funds available to satisfy our repurchase obligations.

The Notes may not be enforceable because of fraudulent conveyance laws.

The Notes may be subject to review under U.S. federal bankruptcy law or relevant state fraudulent conveyance laws if a bankruptcy case or lawsuit is commenced by or on behalf of our unpaid creditors. Generally, under these laws, if in such a case or lawsuit a court were to find that at the time we issued the Notes:

- we issued the Notes with the intent of hindering, delaying or defrauding current or future creditors; or
- we received less than reasonably equivalent value of fair consideration for issuing the Notes and we:
  - were insolvent or were rendered insolvent by reason of the issuance of the Notes;
  - were engaged, or were about to engage, in a business or transaction for which our remaining assets constituted unreasonably small capital to carry on our business; or

intended to incur, or believed that we would incur indebtedness beyond our ability to pay such indebtedness as it matured (as all of the foregoing terms are defined in or interpreted under the relevant fraudulent transfer or conveyance statutes);

then the court could void the Notes or subordinate the amounts owing under the Notes to our presently existing or future indebtedness or take other actions detrimental to you.

The measure of insolvency for purposes of the foregoing considerations will vary depending upon the law of the jurisdiction that is being applied in any such proceeding. Generally, a company would be considered insolvent if, at the time it incurred indebtedness:

- it could not pay its debt or contingent liabilities as they become due;
- the sum of its debts (including contingent liabilities) is greater than its assets, at fair valuation; or
- the present fair saleable value of its assets is less than the amount required to pay the probable liability on its total existing debts and liabilities (including contingent liabilities) as they become absolute and matured.

If a Note is voided as a fraudulent conveyance or is found to be unenforceable for any other reason, you will not have a claim against us.

We believe that at the time of the issuance of the old notes, we were not insolvent or rendered insolvent by the issuance of the old notes, and that we were not lacking sufficient capital to run our business effectively or unable to pay obligations on the old notes as they mature or become due. This belief is based upon our analyses of internal cash flow projections and estimated values of our assets and liabilities. However, a court passing on the same questions might not reach the same conclusions.

Your ability to transfer the Notes may be limited by the absence of a trading market.

There is no established trading market for the Notes, and neither the old notes nor the new notes will be listed on any securities exchange or quoted on any automated dealer quotation system. We expect the new notes to be eligible for trading in the PORTAL Market.

The initial purchasers have indicated to us that they intend to make a market in the old notes and the new notes, but they are not obliged to do so. The initial purchasers may discontinue any market making in the old notes or the new notes at any time in their sole discretion. Accordingly, there is a risk that a liquid market may not develop for any of the old notes or the new notes, that you may not be able to sell your old notes or the new notes at a particular time and that the prices that you receive when you sell may not be favorable. Future trading prices of the old notes or the new notes will depend on many factors, including, our operating performance and financial condition, prevailing interest rates and the market for similar securities. Historically, the market for noninvestment grade debt has been subject to disruptions that have caused substantial volatility in the prices of securities similar to the old notes and the new notes. Any such disruptions may adversely affect the ability of holders of old notes and new notes to dispose of them for a profit or at all.

There could be negative consequences to you if you do not exchange your old notes for new notes.

Any old notes tendered and exchanged in the exchange offer will reduce the aggregate principal amount of old notes outstanding. Because we anticipate that most holders will elect to exchange their old notes for new notes due to the absence of most restrictions on the resale of new notes, we anticipate that the liquidity of the market for any old notes remaining outstanding after the exchange offer may be substantially limited. As a result of making the exchange offer, we will have fulfilled our obligations under the registration rights agreement relating to the old notes.

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Holders who do not tender their old notes generally will not have any further registration rights or rights to receive the liquidated damages specified in the registration rights agreement for our failure to register the new notes, and the old notes will continue to be subject to transfer restrictions. The old notes are currently eligible for sale under Rule 144A through the Portal Market.

Any old notes that are not exchanged for new notes will remain restricted securities under the Securities Act. Accordingly, the old notes may be resold only:

- to us or one of our subsidiaries;
- to a qualified institutional buyer:
- to an institutional accredited investor;
- to a party outside the United States under Regulation S under the Securities Act;
- under an exemption from registration provided by Rule 144 under the Securities Act; or
- under an effective registration statement.

Risks Related to Our Business and Industry

Our results of operations are dependent on revenues generated by our prisons and detention facilities, which are subject to the following risks associated with the corrections and detention industry.

We are subject to the termination or non-renewal of our government contracts, which could adversely affect our results of operations and liquidity, including our ability to secure new facility management contracts from other government customers. Governmental agencies typically may terminate a facility contract at any time without cause or use the possibility of termination to negotiate a lower fee for per diem rates. They also generally have the right to renew facility contracts at their option. Notwithstanding any contractual renewal option, as of July 1, 2003, 17 of our facility management contracts were scheduled to expire on or before December 29, 2003. These contracts represented 27.4% and 28.3%, respectively, of our consolidated revenues for the twenty-six weeks ended June 29, 2003 and for the fiscal year ended December 29, 2002. See Business Facilities and Facility Management Contracts. Some of these contracts may not be renewed by the corresponding governmental agency. In addition, these and any other contracting agencies may determine not to exercise renewal options with respect to any of our contracts in the future. In the event any of our management contracts are terminated or are not renewed on favorable terms or otherwise, we may not be able to obtain additional replacement contracts. The non-renewal or termination of any of our contracts with governmental agencies could materially adversely affect our financial condition, results of operations and liquidity, including our ability to secure new facility management contracts from other government customers.

In Australia, the Department of Immigration, Multicultural and Indigenous Affairs, which we refer to as DIMIA, recently entered into a contract with a division of Group 4 Falck for the management and operation of Australia s immigration centers, services which we have provided since 1997 through our Australian subsidiary. We are currently in the process of transitioning the management and operation of the DIMIA centers to the division of Group 4 Falck and expect that the transition will be fully completed by February 23, 2004, when our contract with DIMIA is scheduled to expire. Once the division of Group 4 Falck begins to fully operate the DIMIA centers, we will no longer recognize any further revenue from the DIMIA contract. For the twenty-six weeks ended June 29, 2003, the contract with DIMIA represented approximately 9.6% of our consolidated revenues. We do not have any lease obligations related to our contract with DIMIA. During the thirteen weeks ended September 29, 2003, we incurred increased costs of approximately $3.0 million related to the transitioning of the DIMIA contract to the division of Group 4 Falck, primarily related to liability insurance expenses. We may incur additional costs related to the transition in the future.

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We will continue to be responsible for certain real property payments even if our underlying facility management contracts terminate, which could adversely affect our profitability. Eleven of our facilities are leased from Correctional Properties Trust, an independent, publicly-traded REIT which we refer to as CPV. These leases have an initial ten-year term with varying renewal periods at our option, and a total average remaining initial term of 5.7 years. The facility management contracts underlying these leases generally have a term ranging from one to five years, however, they are terminable by the governmental entity at will. In the event that a facility management contract is terminated or expires and is not renewed prior to the expiration of the corresponding lease term for the facility, we will continue to be liable for the related lease payments to CPV. Our average annual obligations and aggregate total remaining obligations for lease payments under the eleven CPV leases are approximately $23.5 million and $124.3 million, respectively. Because these lease payments would not be offset by revenue from an active facility management contract, they could represent a material ongoing loss. If we are unable to find a replacement management contract or an alternative use for the facility, the loss could continue until the expiration of the lease term then in effect, which could adversely affect our profitability.

For example, during 2000, our management contract at the 276-bed Jena Juvenile Justice Center in Jena, Louisiana was discontinued by the mutual agreement of the parties. Despite the discontinuation of the management contract, we remain responsible for payments on our underlying lease of the inactive facility. We incurred an operating charge of $1.1 million during the year ended December 29, 2002, related to our lease of the inactive facility that represented the expected costs to be incurred under the lease until a sublease or alternative use could be initiated. We are continuing our efforts to find a sublease or alternative correctional use for the facility. However, parties that we previously believed might sublease the facility prior to early 2004 have recently either indicated that they do not have an immediate need for the facility or did not enter into a binding commitment for a sublease of the facility. As a result, our management has determined that it is unlikely that we will sublease the facility or find an alternative correctional use for the facility prior to the expiration of the current provision for anticipated loss in early 2004 and we have incurred an additional provision for operating loss of approximately $5.0 million during the thirteen weeks ended September 29, 2003. This additional operating charge both covers our anticipated losses under the lease for the facility until a sublease is in place and provides an estimated discount to sublease the facility to prospective sublessees. If we are unable to sublease or find an alternative correctional use for the facility prior to January 2006, an additional operating charge will be required. The remaining obligation on the Jena lease through the contractual term of 2009, exclusive of the reserve for losses through early 2006, is approximately $7.0 million.

In addition, we own four properties on which we operate correctional and detention facilities. Our purchase of these properties was financed through borrowings under our former senior credit facility which have now been incorporated into our amended senior credit facility. In the event that an underlying facility management contract for one or more of these properties terminates, we would still be responsible for servicing the indebtedness incurred to purchase those properties.

Our growth depends on our ability to secure contracts to develop and manage new correctional and detention facilities, the demand for which is outside our control. Our growth is generally dependent upon our ability to obtain new contracts to develop and manage new correctional and detention facilities, because contracts to manage existing public facilities have not to date typically been offered to private operators. Public sector demand for new facilities may decrease and our potential for growth will depend on a number of factors we cannot control, including overall economic conditions, crime rates and sentencing patterns in jurisdictions in which we operate, governmental and public acceptance of the concept of privatization and the number of facilities available for privatization. For example, in the first six months of 2002, the number of prisoners in privately operated facilities decreased by 6.1%. A continuation of this trend could have a material adverse effect on our financial condition or results of operations.

The demand for our facilities and services could be adversely affected by the relaxation of criminal enforcement efforts, leniency in conviction and sentencing practices, or through the decriminalization of certain activities that are currently proscribed by criminal laws. For instance, any changes with respect to the criminalization of drugs and controlled substances or a loosening of immigration laws could affect the number of persons arrested, convicted, sentenced and incarcerated, thereby potentially reducing demand for correctional facilities to house them. Similarly, reductions in crime rates could lead to reductions in arrests, convictions and sentences requiring incarceration at correctional facilities.

We may not be able to secure financing and desirable locations for new facilities, which could adversely affect our results of operations and future growth. In certain cases, the development and construction of facilities by us is subject to obtaining construction financing. Such financing may be obtained through a variety of means, including without limitation, the sale of tax-exempt or taxable bonds or other obligations or direct governmental appropriations. The sale of tax-exempt or taxable bonds or other obligations may be adversely affected by changes in applicable tax laws or adverse changes in the market for tax-exempt or taxable bonds or other obligations.

Moreover, certain jurisdictions, including California where we have a significant amount of operations, recently have required successful bidders to make a significant capital investment in connection with the financing of a particular project, a trend that will require us to have sufficient capital resources to compete effectively for facility management contacts. We may not be able to obtain these capital resources when needed. Additionally, our success in obtaining new awards and contracts may depend, in part, upon our 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. Our inability to secure financing and desirable locations for new facilities could adversely affect our results of operations and future growth.

We depend on a limited number of governmental customers for a significant portion of our revenues. The loss of, or a significant decrease in business from, these customers could seriously harm our financial condition and results of operations. We currently derive, and expect to continue to derive, a significant portion of our revenues from a limited number of governmental agencies. The loss of, or a significant decrease in, business from the Bureau of Prisons, the U.S. Immigration and Naturalization Service now known as the Bureau of Immigration and Customs Enforcement, which we refer to as the INS, or the U.S. Marshals Service or various state agencies could seriously harm our financial condition and results of operations. The three federal governmental agencies with correctional and detention responsibilities, the Bureau of Prisons, INS and the Marshals Service, accounted for approximately 18.8% of our total consolidated revenues for the twenty-six weeks ended June 29, 2003, with the Bureau of Prisons accounting for approximately 10.6% of our total consolidated revenues for such period, the Marshals Service accounting for approximately 4.6% of our total consolidated revenues for such period and the INS accounting for approximately 3.6% of our total consolidated revenues for such period. We expect to continue to depend upon these federal agencies and a relatively small group of other governmental customers for a significant percentage of our revenues.

A decrease in occupancy levels could cause a decrease in revenue and profitability. While a substantial portion of our cost structure is generally fixed, a significant portion of our revenues are generated under facility management contracts which provide for per diem payments based upon daily occupancy. We are dependent upon the government agencies with which we have contracts to provide inmates for our managed facilities. We cannot control occupancy levels at our managed facilities. Under a per diem rate structure, a decrease in our occupancy rates could cause a decrease in revenue and profitability. When combined with relatively fixed costs for operating each facility, regardless of the occupancy level, a decrease in occupancy levels could have a material adverse effect on our profitability.

Competition for inmates may adversely affect the profitability of our business. We compete with government entities and other private operators on the basis of cost, quality and range of services offered, experience in managing facilities, and reputation of management and personnel. Barriers to entering the market for the management of correctional and detention facilities may not be sufficient to limit additional competition in our industry. In addition, our government customers may assume the management of a facility currently managed by us upon the termination of the corresponding management contract or, if such customers have capacity at the facilities which they operate, they may take inmates currently housed in our facilities and transfer them to government-operated facilities. Since we are paid on a per diem basis with no minimum guaranteed occupancy under most of our contracts, the loss of such inmates and resulting decrease in occupancy would cause a decrease in both our revenues and our profitability.

We are dependent on government appropriations, which may not be made on a timely basis or at all. Our cash flow is subject to the receipt of sufficient funding of and timely payment by contracting governmental entities. If the contracting governmental agency does not receive sufficient appropriations to cover its contractual obligations, it may terminate our contract or delay or reduce payment to us. Any delays in payment, or the termination of a contract, could have a material adverse effect on our cash flow and financial condition, which may make it difficult to satisfy our payment obligations on our indebtedness, including the Notes, in a timely manner. In addition, as a result of, among other things, recent economic developments, federal, state and local governments have encountered, and may continue to encounter, unusual budgetary constraints. As a result, a number of state and local governments are under pressure to control additional spending or reduce current levels of spending. Accordingly, we may be requested in the future to reduce our existing per diem contract rates or forego prospective increases to those rates. In addition, it may become more difficult to renew our existing contracts on favorable terms or at all.

Public resistance to privatization of correctional and detention facilities could result in our inability to obtain new contracts or the loss of existing contracts, which could have a material adverse effect on our business, financial condition and results of operations. The management and operation of correctional and detention facilities by private entities has not achieved complete acceptance by either governments or the public. Some governmental agencies have limitations on their ability to delegate their traditional management responsibilities for correctional and detention facilities to private companies and additional legislative changes or prohibitions could occur that further increase these limitations. In addition, the movement toward privatization of correctional and detention facilities has encountered resistance from groups, such as labor unions, that believe that correctional and detention facilities should only be operated by governmental agencies. Changes in dominant political parties could also result in significant changes to previously established views of privatization. Increased public resistance to the privatization of correctional and detention facilities in any of the markets in which we operate, as a result of these or other factors, could have a material adverse effect on our business, financial condition and results of operations.

Adverse publicity may negatively impact our ability to retain existing contracts and obtain new contracts. Our business is subject to public scrutiny. Any negative publicity about an escape, riot or other disturbance or perceived poor conditions at a privately managed facility may result in publicity adverse to us and the private corrections industry in general. Any of these occurrences or continued trends may make it more difficult for us to renew existing contracts or to obtain new contracts or could result in the termination of an existing contract or the closure of one of our facilities, which could have a material adverse effect on our business.

We may incur significant start-up and operating costs on new contracts before receiving related revenues, which may impact our cash flows and not be recouped. When we are awarded a contract to manage a facility, we may incur significant start-up and operating expenses, including the cost of constructing the facility, purchasing equipment and staffing the facility, before we

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receive any payments under the contract. These expenditures could result in a significant reduction in our cash reserves and may make it more difficult for us to meet other cash obligations, including our payment obligations on the Notes. In addition, a contract may be terminated prior to its scheduled expiration and as a result we may not recover these expenditures or realize any return on our investment.

Failure to comply with extensive government regulation and unique contractual requirements could have an material adverse effect on our business, financial condition or results of operations. The industry in which we operate is subject to extensive federal, state and local regulations, including educational, environmental, health care and safety regulations, which are administered by many regulatory authorities. Some of the regulations are unique to the corrections industry, and the combination of regulations affects all areas of our operations. Facility management contracts typically include reporting requirements, supervision and on-site monitoring by representatives of the contracting governmental agencies. Corrections officers and juvenile care workers are customarily required to meet certain training standards and, in some instances, facility personnel are required to be licensed and are subject to background investigations. Certain jurisdictions also require us to award subcontracts on a competitive basis or to subcontract with businesses owned by members of minority groups. We may not always successfully comply with these and other regulations to which we are subject, and failure to comply can result in material penalties or the non-renewal or termination of facility management contracts. In addition, changes in existing regulations could require us to substantially modify the manner in which we conduct our business and, therefore, could have a material adverse effect on us.

In addition, private prison managers are increasingly subject to government legislation and regulation attempting to restrict the ability of private prison managers to house certain types of inmates, such as inmates from other jurisdictions or inmates at medium or higher security levels. Legislation has been enacted in several states, and has previously been proposed in the United States House of Representatives, containing such restrictions. Although we do not believe that existing legislation will have a material adverse effect on us, future legislation may have such an effect on us.

Government agencies may investigate and audit our contracts and, if any improprieties are found, we may be required to refund revenues we have received, to forego anticipated revenues and we may be subject to penalties and sanctions, including prohibitions on our bidding in response to Requests for Proposals, or RFPs, from governmental agencies to manage correctional facilities. Governmental agencies we contract with have the authority to audit and investigate our contracts with them. As part of that process, government agencies may review our performance of the contract, our pricing practices, our cost structure and our compliance with applicable laws, regulations and standards. For contracts that actually or effectively provide for certain reimbursement of expenses, if an agency determines that we have improperly allocated costs to a specific contract, we may not be reimbursed for those costs, and we could be required to refund the amount of any such costs that have been reimbursed. If a government audit asserts improper or illegal activities by us, we may be subject to civil and criminal penalties and administrative sanctions, including termination of contracts, forfeitures of profits, suspension of payments, fines and suspension or disqualification from doing business with certain governmental entities. Any adverse determination could adversely impact our ability to bid in response to RFPs in one or more jurisdictions.

We may face community opposition to facility location, which may adversely affect our ability to obtain new contracts. Our success in obtaining new awards and contracts sometimes depends, in part, upon our ability to locate land that can be leased or acquired, on economically favorable terms, by us or other entities working with us in conjunction with our proposal to construct and/or manage a facility. Some locations may be in or near populous areas and, therefore, may generate legal action or other forms of opposition from residents in areas surrounding a proposed site. When we select the intended project site, we attempt to conduct business in communities where local leaders and residents generally support the establishment of a privatized correctional or detention facility. Future efforts to find suitable host communities may not be successful. In many cases, the site selection is made by the contracting governmental entity. In such cases, site selection may be made for reasons related to political and/or economic development interests and may lead to the selection of sites that have less favorable environments.

Our business operations expose us to various liabilities for which we may not have adequate insurance. The nature of our business exposes us to various types of third-party legal claims, including, but not limited to, civil rights claims relating to conditions of confinement and/or mistreatment, sexual misconduct claims brought by prisoners or detainees, medical malpractice claims, claims relating to employment matters (including, but not limited to, employment discrimination claims, union grievances and wage and hour claims), property loss claims, environmental claims, automobile liability claims, contractual claims and claims for personal injury or other damages resulting from contact with our facilities, programs, personnel or prisoners, including damages arising from a prisoner s escape or from a disturbance or riot at a facility. In addition, our management contracts generally require us to indemnify the governmental agency against any damages to which the governmental agency may be subject in connection with such claims or litigation. We maintain insurance coverage for these types of claims, except for claims relating to employment matters and medical malpractice claims relating to our mental health facilities, for which we carry no insurance. Accordingly, any losses relating to employment matters or medical malpractice claims relating to our mental health facilities could have a material adverse effect on our business, financial condition or results of operations.

Claims for which we are insured that have an occurrence date of October 1, 2002 or earlier are handled by TWC and are fully insured up to an aggregate limit of between $25.0 million and $50.0 million, depending on the nature of the claim. With respect to claims for which we are insured that have an occurrence date of October 2, 2002 or later, we have a $1.0 million deductible and are insured up to an aggregate limit of between $5.0 million and $50.0 million, depending on the nature of the claim.

In addition, since the events of September 11, 2001, and due to concerns over corporate governance and recent corporate accounting scandals, liability and other types of insurance have become more difficult and costly to obtain. Unanticipated additional insurance costs could adversely impact our results of operations and cash flows, and the failure to obtain or maintain any necessary insurance coverage could have a material adverse effect on our business, financial condition or results of operations.

We are defending a wage and hour lawsuit filed in California state court by ten current and former employees. The employees are seeking certification of a class which would encompass all our current and former California correctional officers in certain selected posts. Discovery is underway and the court has yet to hear the plaintiffs certification motion. We are unable to estimate the potential loss exposure due to the current procedural posture of the lawsuit. While the plaintiffs in this case have not quantified their claim of damages and the outcome of the matters discussed above cannot be predicted with certainty, based on information known to date, our management believes that the ultimate resolution of these matters, if settled unfavorably to us, could have a material adverse effect on our financial position, operating results and cash flows. We are uninsured for any damages or costs we may incur as a result of this lawsuit, including the expenses of defending the lawsuit. We are vigorously defending our rights in this action.

We may not be able to obtain or maintain the insurance levels required by our government contracts. Our government contracts require us to obtain and maintain specified insurance levels. The occurrence of any events specific to our company or to our industry, or a general rise in insurance rates, could substantially increase our costs of obtaining or maintaining the levels of insurance required under our government contracts. If we are unable to obtain or maintain the required insurance levels, our ability to win new government contracts, renew government contracts that have expired and retain existing government contracts could be significantly impaired, which could have a material adverse affect on our business, financial condition and results of operations.

Our international operations expose us to risks which could materially adversely affect our financial condition and results of operations. We face risks associated with our operations outside the U.S. These risks include, among others, political and economic instability, exchange rate fluctuations, taxes, duties and the laws or regulations in those foreign jurisdictions in which we operate. In the event that we experience any difficulties arising from our operations in foreign markets, our business, financial condition and results of operations may be materially adversely affected. For the twenty-six weeks ended June 29, 2003 and the fiscal year ended December 29, 2002, respectively, our international operations accounted for approximately 21.0% and 20.6% of our consolidated revenues.

We conduct certain of our operations through joint ventures, which may lead to disagreements with our joint venture partners and adversely affect our interest in the joint ventures.

We conduct substantially all of our operations in South Africa through joint ventures with third parties and may enter into additional joint ventures in the future. Joint venture agreements generally provide that the joint venture partners will equally share voting control on all significant matters to come before the joint venture. Our joint venture partners may have interests that are different from ours which may result in conflicting views as to the conduct of the business of the joint venture. In the event that we have a disagreement with a joint venture partner as to the resolution of a particular issue to come before the joint venture, or as to the management or conduct of the business of the joint venture in general, we may not be able to resolve such disagreement in our favor and such disagreement could have a material adverse effect on our interest in the joint venture or the business of the joint venture in general.

We are dependent upon our senior management and our ability to attract and retain sufficient qualified personnel.

We are dependent upon the continued service of each member of our senior management team, including George C. Zoley, our Chairman and Chief Executive Officer, Wayne H. Calabrese, our Vice Chairman and President, and John G. O Rourke, our Chief Financial Officer. The unexpected loss of any of these individuals could materially adversely affect our business, financial condition or results of operations. We do not maintain key-man life insurance to protect against the loss of any of these individuals.

In addition, the services we provide are labor-intensive. When we are awarded a facility management contract or open a new facility, we must hire operating management, correctional officers and other personnel. The success of our business requires that we attract, develop and retain these personnel. Our inability to hire sufficient qualified personnel on a timely basis or the loss of significant numbers of personnel at existing facilities could have a material effect on our business, financial condition or results of operations.

Our profitability may be materially adversely affected by inflation.

Many of our facility management contracts provide for fixed management fees or fees that increase by only small amounts during their terms. While a substantial portion of our cost structure is generally fixed, if, due to inflation or other causes, our operating expenses, such as costs relating to personnel, utilities, insurance, medical and food, increase at rates faster than increases, if any, in our facility management fees, then our profitability could be materially adversely affected.

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Various risks associated with the ownership of real estate may increase costs, expose us to uninsured losses and adversely affect our financial condition and results of operations.

Our ownership of correctional and detention facilities subjects us to risks typically associated with investments in real estate. Investments in real estate, and in particular, correctional and detention facilities, are relatively illiquid and, therefore, our ability to divest ourselves of one or more of our facilities promptly in response to changed conditions is limited. Investments in correctional and detention facilities, in particular, subject us to risks involving potential exposure to environmental liability and uninsured loss. Our 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 complying with future legislation. In addition, although we maintain insurance for many types of losses, there are certain types of losses, such as losses from earthquakes, riots and acts of terrorism, which may be either uninsurable or for which it may not be economically feasible to obtain insurance coverage, in light of the substantial costs associated with such insurance. As a result, we could lose both our capital invested in, and anticipated profits from, one or more of the facilities we own. Further, it is possible to experience losses that may exceed the limits of insurance coverage.

Risks related to facility construction and development activities may increase our costs related to such activities.

When we are engaged to perform construction and design services for a facility, we typically act as the primary contractor and subcontract with other companies who act as the general contractors. As primary contractor, we are subject to the various risks associated with construction (including, without limitation, shortages of labor and materials, work stoppages, labor disputes and weather interference) which could cause construction delays. In addition, we are subject to the risk that the general contractor will be unable to complete construction at the budgeted costs or be unable to fund any excess construction costs, even though we require general contractors to post construction bonds and insurance. Under such contracts, we are ultimately liable for all late delivery penalties and cost overruns.

The rising cost and increasing difficulty of obtaining adequate levels of surety credit on favorable terms could adversely affect our operating results.

We are often required to post bid or performance bonds issued by a surety company as a condition to bidding on or being awarded a facility management contract. Availability and pricing of these surety commitments is subject to general market and industry conditions, among other factors. Recent events in the economy have caused the surety market to become unsettled, causing many reinsurers and sureties to reevaluate their commitment levels and required returns. As a result, surety bond premiums generally are increasing. If we are unable to effectively pass along the higher surety costs to our customers, any increase in surety costs could adversely affect our operating results. In addition, we may not continue to have access to surety credit or be able to secure bonds economically, without additional collateral, or at the levels required for any potential facility development or contract bids. If we are unable to obtain adequate levels of surety credit on favorable terms, we would have to rely upon letters of credit under our amended senior credit facility, which would entail higher costs even if such borrowing capacity was available when desired, and our ability to bid for or obtain new contracts could be impaired.

We may not be able to successfully transition key services previously provided by our former parent company, which may adversely affect our financial results.

We have historically been reliant upon TWC for various services including payroll, tax, data processing, internal auditing, treasury, cash management, insurance, information technology and human resource services. During 2002, we transitioned all of these services in-house with the exception of information technology support services, which TWC has agreed to provide through the end of 2003 for an annual fee of $1.75 million. Beginning in 2004, we will handle our information technology support services internally. If we are unable to capably handle any of these services previously handled by TWC, or if we handle them less efficiently or on a more costly basis than what TWC charged us to handle them, our financial results could be adversely affected.

Our former independent public accountant, Arthur Andersen LLP, has been found guilty of federal obstruction of justice charges and you are unlikely to be able to exercise effective remedies against such firm in any legal action.

Although we have dismissed Arthur Andersen as our independent public accountants and engaged Ernst & Young, LLP, our consolidated financial statements as of December 31, 2000 and December 30, 2001, and for the fiscal years then ended were audited by Arthur Andersen LLP. On March 14, 2002, Arthur Andersen was indicted on federal obstruction of justice charges arising from the federal government s investigation of Enron Corporation. On June 15, 2002, a jury returned with a guilty verdict against Arthur Andersen following a trial. In light of the jury verdict and the underlying events, on August 31, 2002 Arthur Andersen ceased practicing before the Commission. However, we are including herein the consolidated financial statements audited by Arthur Andersen as of and for the fiscal years ended December 31, 2000 and December 30, 2001.

Arthur Andersen has not performed any procedures in connection with this exchange offer. In addition, Arthur Andersen has not consented to the inclusion of their report in this prospectus, and we have dispensed with the requirement to file their consent in reliance on Rule 437a under the Securities Act. Because Arthur Andersen has not consented to the inclusion of their report in this prospectus, you may not be able to recover against Arthur Andersen under Section 11 of the Securities Act for any untrue statement of a material fact contained in the financial statements audited by Arthur Andersen or any omissions to state a material fact required to be stated in those financial statements.

Moreover, as a public company, we are required to file with the Commission periodic financial statements audited or reviewed by an independent public accountant. The Commission has said that it will continue accepting financial statements audited by Arthur Andersen on an interim basis so long as a reasonable effort is made to have Arthur Andersen reissue its reports and to obtain a manually signed accountant s report from Arthur Andersen. Arthur Andersen has informed us that it is no longer able to reissue its audit reports because both the partner and the audit manager who were assigned to our account have left the firm. In addition, Arthur Andersen is unable to perform procedures to assure the continued accuracy of its report on our audited financial statements included in this prospectus. Arthur Andersen will also be unable to perform such procedures or to provide other information or documents that would customarily be received by us in connection with financings or other transactions, including consents and comfort letters. As a result, we may encounter delays, additional expense and other difficulties in future financings. Any resulting delay in accessing or inability to access the public capital markets could have a material adverse effect on our business, financial condition or results of operations.

In addition, Statement of Financial Accounting Standards No. 144 Accounting for the Impairment or Disposal of Long-Lived Assets (SFAS No. 144) addresses financial accounting and reporting for the impairment or disposal of long-lived assets and the accounting and reporting provisions of Accounting Principles Board Opinion No. 30, Reporting the Results of Operations Reporting the Effects of Disposal of a Segment of a Business, and Extraordinary, Unusual, and Infrequently Occurring Events and Transactions, for the disposal of a segment of a business. SFAS 144 broadens the scope of defining discontinued operations. Under the provisions of SFAS 144, the identification and classification of a facility as held for sale or the termination of any of our material facility management contracts, by expiration or otherwise, would result in the classification of the operating results of such facility as a discontinued operation, so long as the financial results can be clearly identified, and so long as we do not have any significant continuing involvement in the operations of the component after the disposal or termination transaction. In the event that we have a discontinued operation in the future that requires us to present discontinued operations for fiscal years audited by Arthur Andersen, we would be required to have such fiscal years audited by another accounting firm as Arthur Andersen is unable to reissue their audit opinion for those fiscal years. As a result, we may encounter delays, additional expense and other difficulties in filing registration statements for future financings. Any resulting delay in accessing or inability to access public markets could have a material adverse effect on our business, financial condition or results of operations. In addition, any such required reaudit may result in changes to our financial statements for such fiscal years.

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FORWARD-LOOKING STATEMENTS

All statements other than statements of historical facts included in this prospectus, including, without limitation, statements regarding our future financial position, business strategy, budgets, projected costs and plans and objectives of management for future operations, are forward-looking statements. Forward-looking statements generally can be identified by the use of forward-looking terminology such as may, will, expect, anticipate, intend, plan, believe, seek, estimate or continue or the negative of such words or variations of such word expressions. These statements are not guarantees of future performance and involve certain risks, uncertainties and assumptions, which are difficult to predict. Therefore, actual outcomes and results may differ materially from what is expressed or forecasted in such forward-looking statements and we can give no assurance that such forward-looking statements will prove to be correct. Important factors that could cause actual results to differ materially from those expressed or implied by the forward-looking statements, or cautionary statements, include, but are not limited to:

- our ability to timely build and/or open facilities as planned, profitably manage such facilities and successfully integrate such facilities into our operations without substantial additional costs;
- the instability of foreign exchange rates, exposing us to currency risks in Australia, New Zealand and South Africa, or other countries in which we may choose to conduct our business;
- an increase in labor rates beyond that which was budgeted;
- our ability to expand our correctional and mental health services;
- our ability to win management contracts for which we have submitted proposals and to retain existing management contracts;
- our ability to raise new project development capital given the often short-term nature of the customers commitment to use newly developed facilities;
- our ability to find a customer for our Jena, Louisiana Facility and/or to sub-lease or coordinate the sale of the facility with its owner, Correctional Properties Trust, which we refer to as CPV;
- our ability to accurately project the size and growth of the domestic and international privatized corrections industry;
- our ability to estimate the government s level of utilization of privatization;
- our ability to obtain future financing at competitive rates;
- our exposure to general liability and workers compensation insurance costs;
- our ability to maintain occupancy rates at our facilities;
- our ability to manage health related insurance costs and medical malpractice liability claims;
- the ability of our government customers to secure budgetary appropriations to fund their payment obligations to us;
- our ability to effectively internalize functions and services previously provided by The Wackenhut Corporation, our former parent company; and
- those factors disclosed under Risk Factors and elsewhere in this prospectus, including, without limitation, in conjunction with the forward-looking statements included in this prospectus.

We undertake no obligation to update publicly any forward-looking statements, whether as a result of new information, future events or otherwise. All subsequent written and oral forward-looking statements attributable to us, or persons acting on our behalf, are expressly qualified in their entirety by the cautionary statements included in this prospectus.

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USE OF PROCEEDS

The exchange offer is intended to satisfy our obligations under the registration rights agreement. We will not receive any cash proceeds from the issuance of the new notes in the exchange offer. In consideration for issuing the new notes as contemplated by this prospectus, we will receive old notes in a like principal amount. The form and terms of the new notes are identical in all respects to the form and terms of the old notes, except the new notes do not include certain transfer restrictions. Old notes surrendered in exchange for the new notes will be retired and cancelled and will not be reissued. Accordingly, the issuance of the new notes will not result in any change in our outstanding indebtedness.

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CAPITALIZATION

The following table sets forth our unaudited consolidated cash and cash equivalents and capitalization as of June 29, 2003 (1) on an actual basis and (2) on a pro forma basis as if the Transactions and the sale of our interest in PCG had occurred on that date. See Summary Historical and Pro Forma Financial and Other Data, Use of Proceeds, Unaudited Pro Forma Condensed Consolidated Financial Statements and Selected Consolidated Financial and Other Data.

	As of June 29, 2003	
	Actual	Pro Forma
	(in thousands)	
Cash and cash equivalents	$ 58,955	$ 95,701
Long-term debt, including current portion		
Former senior term loan	124,688	
Amended senior term loan		100,000
Offering of the old notes		150,000
	124,688	250,000
Non recourse debt(1)	39,684	39,684
Shareholders equity	169,293	