

CORRECTIONS CORP OF AMERICA

Form 10-Q

November 05, 2009

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**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
FORM 10-Q**

**QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
FOR THE QUARTERLY PERIOD ENDED: SEPTEMBER 30, 2009
OR**

**TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
FOR THE TRANSITION PERIOD FROM TO
COMMISSION FILE NUMBER: 001-16109
CORRECTIONS CORPORATION OF AMERICA
(Exact name of registrant as specified in its charter)**

MARYLAND
(State or other jurisdiction of
incorporation or organization)

62-1763875
(I.R.S. Employer Identification Number)

**10 BURTON HILLS BLVD., NASHVILLE, TENNESSEE 37215
(Address and zip code of principal executive offices)
(615) 263-3000**

(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer, and smaller reporting company in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting company
(Do not check if a smaller reporting company)

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

Indicate the number of shares outstanding of each class of Common Stock as of November 4, 2009:
Shares of Common Stock, \$0.01 par value per share: 115,493,675 shares outstanding.

**CORRECTIONS CORPORATION OF AMERICA
FORM 10-Q
FOR THE QUARTERLY PERIOD ENDED SEPTEMBER 30, 2009
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(UNAUDITED AND AMOUNTS IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)

	September 30, 2009	December 31, 2008
ASSETS		
Cash and cash equivalents	\$ 53,626	\$ 34,077
Accounts receivable, net of allowance of \$1,746 and \$2,689, respectively	278,453	261,101
Deferred tax assets	15,167	16,108
Prepaid expenses and other current assets	26,624	23,472
Current assets of discontinued operations	66	3,541
 Total current assets	 373,936	 338,299
 Property and equipment, net	 2,486,080	 2,478,670
 Restricted cash	 6,745	 6,710
Investment in direct financing lease	12,506	13,414
Goodwill	13,672	13,672
Other assets	27,709	20,455
Non-current assets of discontinued operations		154
 Total assets	 \$ 2,920,648	 \$ 2,871,374
LIABILITIES AND STOCKHOLDERS EQUITY		
Accounts payable and accrued expenses	\$ 213,316	\$ 189,049
Income taxes payable	482	450
Current portion of long-term debt		290
Current liabilities of discontinued operations	708	2,034
 Total current liabilities	 214,506	 191,823
 Long-term debt, net of current portion	 1,198,792	 1,192,632
Deferred tax liabilities	81,949	68,349
Other liabilities	32,050	38,211
 Total liabilities	 1,527,297	 1,491,015
 Commitments and contingencies		
	1,155	1,247

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Common stock \$0.01 par value; 300,000 shares authorized; 115,482 and 124,673 shares issued and outstanding at September 30, 2009 and December 31, 2008, respectively

Additional paid-in capital	1,476,798	1,576,177
Retained deficit	(84,602)	(197,065)
Total stockholders' equity	1,393,351	1,380,359
Total liabilities and stockholders' equity	\$ 2,920,648	\$ 2,871,374

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

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CORRECTIONS CORPORATION OF AMERICA AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
(UNAUDITED AND AMOUNTS IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2009	2008	2009	2008
REVENUE:				
Management and other	\$ 425,563	\$ 403,107	\$ 1,241,381	\$ 1,171,590
Rental	455	650	1,484	1,926
	426,018	403,757	1,242,865	1,173,516
EXPENSES:				
Operating	299,441	285,243	873,521	828,839
General and administrative	21,704	20,866	65,015	60,222
Depreciation and amortization	25,532	23,251	75,124	66,373
	346,677	329,360	1,013,660	955,434
OPERATING INCOME	79,341	74,397	229,205	218,082
OTHER EXPENSES (INCOME):				
Interest expense, net	18,339	15,087	54,935	42,671
Expenses associated with debt refinancing transactions			3,838	
Other (income) expense	49	(314)	(242)	(309)
	18,388	14,773	58,531	42,362
INCOME FROM CONTINUING OPERATIONS BEFORE INCOME TAXES	60,953	59,624	170,674	175,720
Income tax expense	(15,701)	(21,862)	(57,422)	(66,214)
INCOME FROM CONTINUING OPERATIONS	45,252	37,762	113,252	109,506
Income (loss) from discontinued operations, net of tax		129	(789)	910
NET INCOME	\$ 45,252	\$ 37,891	\$ 112,463	\$ 110,416

BASIC EARNINGS PER SHARE:

Income from continuing operations	\$	0.39	\$	0.30	\$	0.98	\$	0.88
Income (loss) from discontinued operations, net of taxes						(0.01)		0.01
Net income	\$	0.39	\$	0.30	\$	0.97	\$	0.89

DILUTED EARNINGS PER SHARE:

Income from continuing operations	\$	0.39	\$	0.30	\$	0.97	\$	0.86
Income (loss) from discontinued operations, net of taxes						(0.01)		0.01
Net income	\$	0.39	\$	0.30	\$	0.96	\$	0.87

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

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CORRECTIONS CORPORATION OF AMERICA AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(UNAUDITED AND AMOUNTS IN THOUSANDS)

	For the Nine Months Ended September 30,	
	2009	2008
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	\$ 112,463	\$ 110,416
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	75,129	67,152
Amortization of debt issuance costs and other non-cash interest	2,935	2,900
Expenses associated with debt refinancing transactions	3,838	
Deferred income taxes	12,527	4,924
Income tax benefit of equity compensation	(2,269)	(8,800)
Other income	(248)	(356)
Non-cash equity compensation	7,224	7,205
Other non-cash items	660	674
Changes in assets and liabilities, net:		
Accounts receivable, prepaid expenses and other assets	(16,905)	(499)
Accounts payable, accrued expenses and other liabilities	19,698	22,518
Income taxes payable	2,301	16,741
Net cash provided by operating activities	217,353	222,875
CASH FLOWS FROM INVESTING ACTIVITIES:		
Expenditures for facility development and expansions	(52,194)	(423,423)
Expenditures for other capital improvements	(31,663)	(23,118)
Proceeds from sale of assets	241	85
(Increase) decrease in other assets	(1,910)	83
Payments received on direct financing leases and notes receivable	805	713
Net cash used in investing activities	(84,721)	(445,660)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from issuance of debt	567,478	223,500
Principal repayments of debt	(561,334)	(43,500)
Payment of debt issuance and other refinancing costs	(11,464)	(89)
Income tax benefit of equity compensation	2,269	8,800
Purchase and retirement of common stock	(116,661)	(3,367)
Proceeds from exercise of stock options	6,629	8,209
Net cash (used in) provided by financing activities	(113,083)	193,553
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	19,549	(29,232)

CASH AND CASH EQUIVALENTS, beginning of period	34,077	57,968
CASH AND CASH EQUIVALENTS, end of period	\$ 53,626	\$ 28,736

SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:

Cash paid during the period for:

Interest (net of amounts capitalized of \$790 and \$11,282 in 2009 and 2008, respectively)	\$ 56,556	\$ 42,008
Income taxes	\$ 49,691	\$ 39,474

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

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CORRECTIONS CORPORATION OF AMERICA AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF STOCKHOLDERS EQUITY
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2009
(UNAUDITED AND AMOUNTS IN THOUSANDS)

	Common Stock		Additional	Retained	
	Shares	Par	Paid-in	Deficit	Total
		Value	Capital		
Balance as of December 31, 2008	124,673	\$ 1,247	\$ 1,576,177	\$ (197,065)	\$ 1,380,359
Comprehensive income:					
Net income				112,463	112,463
Total comprehensive income				112,463	112,463
Issuance of common stock	2		37		37
Retirement of common stock	(9,956)	(100)	(114,594)		(114,694)
Amortization of deferred compensation, net of forfeitures	(30)		4,086		4,086
Income tax benefit (charge) of equity compensation			1,370		1,370
Stock option compensation expense			3,101		3,101
Restricted stock grant	135	1	(1)		
Stock options exercised	658	7	6,622		6,629
Balance as of September 30, 2009	115,482	\$ 1,155	\$ 1,476,798	\$ (84,602)	\$ 1,393,351

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

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CORRECTIONS CORPORATION OF AMERICA AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF STOCKHOLDERS EQUITY
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2008
(UNAUDITED AND AMOUNTS IN THOUSANDS)

	Common Stock		Additional	Retained	
	Shares	Par	Paid-in	Deficit	Total
		Value	Capital		
Balance as of December 31, 2007	124,472	\$ 1,245	\$ 1,568,736	\$ (348,006)	\$ 1,221,975
Comprehensive income:					
Net income				110,416	110,416
Total comprehensive income				110,416	110,416
Issuance of common stock	1		19		19
Retirement of common stock	(126)	(1)	(3,366)		(3,367)
Amortization of deferred compensation, net of forfeitures	(29)		4,397		4,397
Income tax benefit of equity compensation			8,800		8,800
Stock option compensation expense			2,789		2,789
Restricted stock grant	279	2	(2)		
Stock options exercised	1,000	10	8,199		8,209
Balance as of September 30, 2008	125,597	\$ 1,256	\$ 1,589,572	\$ (237,590)	\$ 1,353,238

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

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**CORRECTIONS CORPORATION OF AMERICA AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2009**

1. ORGANIZATION AND OPERATIONS

As of September 30, 2009, Corrections Corporation of America, a Maryland corporation (together with its subsidiaries, the Company), owned 46 correctional and detention facilities, two of which are leased to other operators. As of September 30, 2009, the Company operated 65 facilities, located in 19 states and the District of Columbia. The Company is also constructing an additional 1,072-bed correctional facility under a contract awarded by the Office of Federal Detention Trustee in Pahrump, Nevada that is expected to be completed in the third quarter of 2010.

The Company specializes in owning, operating and managing prisons and other correctional facilities and providing inmate residential and prisoner transportation services for governmental agencies. In addition to providing the fundamental residential services relating to inmates, the Company's facilities offer a variety of rehabilitation and educational programs, including basic education, religious services, life skills and employment training, and substance abuse treatment. These services are intended to reduce recidivism and to prepare inmates for their successful re-entry into society upon their release. The Company also provides health care (including medical, dental and psychiatric services), food services, and work and recreational programs.

2. BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying unaudited interim consolidated financial statements have been prepared by the Company and, in the opinion of management, reflect all normal recurring adjustments necessary for a fair presentation of results for the unaudited interim periods presented. Certain information and footnote disclosures normally included in financial statements prepared in accordance with U.S. generally accepted accounting principles have been condensed or omitted. The results of operations for the interim period are not necessarily indicative of the results to be obtained for the full fiscal year. Reference is made to the audited financial statements of the Company included in its Annual Report on Form 10-K as of and for the year ended December 31, 2008 (the 2008 Form 10-K) with respect to certain significant accounting and financial reporting policies as well as other pertinent information of the Company.

Recent Accounting Pronouncements

In May 2009, the Financial Accounting Standards Board (FASB) issued Accounting Standard Codification 855, Subsequent Events (ASC 855) effective for interim or annual periods ending after June 15, 2009. ASC 855 establishes general standards of accounting for and disclosure of events that occur after the balance sheet date but before financial statements are issued or are available to be issued. Although, there is new terminology, the standard is based on the same principles as those that currently

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existed in practice. The new ASC does require companies to disclose the date through which the entity has evaluated subsequent events. The Company has evaluated subsequent events through the date of filing this quarterly report on November 5, 2009.

In June 2009, the FASB issued Accounting Standards Update (ASU) No. 2009-01 Topic 105, Generally Accepted Accounting Principles, which establishes the FASB Accounting Standards Codification (Codification) as the single source of authoritative U.S. GAAP recognized by the FASB to be applied by nongovernmental entities. Rules and interpretive releases of the SEC under authority of federal securities laws are also sources of authoritative U.S. GAAP for SEC registrants. The Codification supersedes all non-SEC accounting and reporting standards. All other non-grandfathered non-SEC accounting literature not included in the Codification is now non-authoritative. The Codification is effective for financial statements issued for interim and annual periods ending after September 15, 2009. The issuance of the Codification did not change current U.S. GAAP and did not have an impact on the Company's financial position or results of operations.

Fair Value of Financial Instruments

On April 9, 2009, the FASB modified ASC 825, Financial Instruments, and ASC 270, Interim Reporting, to extend the disclosure requirements related to fair value of financial instruments to interim financial statements of publicly traded companies. To meet the reporting requirements of ASC 825 regarding fair value of financial instruments, the Company calculates the estimated fair value of financial instruments using quoted market prices of similar instruments or discounted cash flow techniques. At September 30, 2009 and December 31, 2008, there were no material differences between the carrying amounts and the estimated fair values of the Company's financial instruments, other than as follows (in thousands):

	September 30, 2009		December 31, 2008	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Investment in direct financing lease	\$ 13,699	\$ 16,832	\$ 14,503	\$ 17,999
Note receivable from APM	\$ 5,023	\$ 8,575	\$ 4,567	\$ 7,734
Debt	\$(1,198,792)	\$(1,219,599)	\$(1,192,922)	\$(1,163,744)
AVAILABLE FOR BENEFITS				
Accrued expenses				-
				108,843
Forfeited employers' contributions available to reduce future employers' contributions				-
				75,040
Total liabilities				-
				183,883

Net assets available for benefits

\$ -

\$ 492,325,547

Humana Retirement and Savings Plan

Notes to Financial Statements, Continued

4. Investments, continued:

The changes in net assets available for benefits of the Master Trust for the years ended December 31, 2002 and 2001 are as follows:

	2002	2001
Additions:		
Investment income:		
Net appreciation in fair value of investments	\$ -	\$ 2,247,928
Interest	-	6,497,727
Dividends	-	1,768,398
	-	10,514,053
Transfer from participating plans for contributions:		
Participants	-	30,726,196
Employers	-	29,553,955
Transfer from the MSCH Plan	-	7,233,121
Forfeited employers' contributions	-	(1,900,632)
Total additions	-	76,126,693
Deductions:		
Transfer to participating plans for benefit payments	-	63,057,502
Administrative expenses	-	668,665
Net depreciation in fair value of investments	-	57,621,681
Elimination of Master Trust and transfer of assets to Charles Schwab Trust Company	492,325,547	-
Total deductions	492,325,547	121,347,848
Net decrease	(492,325,547)	(45,221,155)
Net assets available for benefits:		

Beginning of year	492,325,547	537,546,702
End of year	\$ -	\$ 492,325,547

Humana Retirement and Savings Plan

Notes to Financial Statements, Continued

5. Reconciliation of Financial Statements to Form 5500:

The following is a reconciliation of benefits paid to participants per the financial statements to the Form 5500:

	For the Year Ended December 31,	
	2002	2001
Benefits paid to participants per the financial statements	\$ 41,060,317	\$ 62,812,951
Add: Amounts allocated to withdrawing participants at end of year	-	-
Less: Amounts allocated to withdrawing participants at beginning of year	-	(229,225)
Benefits paid to participants per the Form 5500	\$ 41,060,317	\$ 62,583,726

Amounts allocated to withdrawing participants are recorded on the Form 5500 for benefit claims that have been processed and approved for payment prior to December 31 but not yet paid as of that date.

6. Income Tax Status:

The Internal Revenue Service has determined, and informed the Company by a letter dated December 15, 1999, that the Plan and related Master Trust are designed in accordance with applicable sections of the IRC. The Plan has been amended since receiving the determination letter; however, the Plan Administrator and the Plan's Tax Counsel believe that the Plan is designed and is currently being operated in compliance with the applicable requirements of the IRC.

7. Plan Termination:

Although it has not expressed any intent to do so, the Company has the right under the Plan to discontinue its contributions at any time and to terminate the Plan subject to the provisions of ERISA. If the Plan is terminated, the interest of each participant would continue to be nonforfeitable and would be distributed as determined by the Company.

8. Related Party Transactions:

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Administrative expenses of the Plan are paid by the Plan and allocated to the participants' accounts. Certain Plan investments are shares of mutual funds managed by the trustee and therefore, these transactions qualify as party-in-interest transactions.

Humana Retirement and Savings Plan

Plan #002 EIN #61-0647538

Schedule H, Line 4i - Schedule of Assets (Held at End of Year)

December 31, 2002

		Description of Investment Including	Fair Value/
		Maturity Date, Rate of Interest,	Contract
	Issuer	Collateral, Par or Maturity Value	Value
Investments, at fair value:			
	* Participant Loan Fund	Participant Loans (Interest Rates	
		5.25%-10.50%)	\$ 10,045,680
	* Humana Stock Fund	Employer Securities	76,575,645
	* Schwab Instl Large Cal C1	Common Collective Trust Fund	42,503,572
	Russell 3000 Stock Index Fund	Common Collective Trust Fund	55,110,419
	PCRA	Self-Directed Brokerage Account	1,720,555
	ABN Amro/Veredus Aggr Growth N	Registered Investment Company	19,252,447
	Armada Small Cap Value CI 1	Registered Investment Company	40,284,442
	Artisan International Fund	Registered Investment Company	21,198,696
	Pimco Total Return - Admin Class	Registered Investment Company	31,730,735
	Van Kampen Emerging Growth CI A	Registered Investment Company	25,177,329
Investments, at contract value:			
	Primco Stable Value Fund	Common Collective Trust Fund	106,653,538
			\$ 430,253,058
	*Party-in-interest to the Plan		

Humana Retirement and Savings Plan

Plan #002 EIN #61-0647538

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Schedule H, Line 4j - Schedule of Reportable Transactions

for the year ended December 31, 2002

							Current Value	
					Expense		of Asset on	
		Purchase	Selling	Lease	Incurred	Cost	Transaction	Net
Identity of Party Involved	Description of Asset	Price	Price	Rental	With Transaction	of Asset	Date	Gain (Loss)
No reportable transactions.								

Signatures

Pursuant to the requirements of the Securities Exchange Act of 1934, the Humana Retirement and Savings Plan has duly caused this report to be signed by the undersigned thereunto duly authorized.

HUMANA RETIREMENT AND SAVINGS PLAN

BY:

James H. Bloem

 Humana Inc.
 James H. Bloem
 Senior Vice President and
 Chief Financial Officer

June 23, 2003

Exhibit

Exhibit Index

Exhibit 23	Consent of Independent Accountants
Exhibit 99	Section 906 Certification