

CORRECTIONS CORP OF AMERICA  
Form 10-Q  
November 05, 2014

**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, 2014**

**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)  
**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)

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

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 definitions of "large accelerated filer", "accelerated filer", and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer  Accelerated filer

Non-accelerated filer  (Do not check if a smaller reporting company) 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 October 31, 2014:

Shares of Common Stock, \$0.01 par value per share: 116,476,314 shares outstanding.

---

**CORRECTIONS CORPORATION OF AMERICA**  
**FORM 10-Q**  
**FOR THE QUARTERLY PERIOD ENDED SEPTEMBER 30, 2014**

**INDEX**

	PAGE	
<b>PART I</b>	<b><u>FINANCIAL INFORMATION</u></b>	
Item 1.	<u>Financial Statements</u>	
a)	<u>Consolidated Balance Sheets (Unaudited) as of September 30, 2014 and December 31, 2013</u>	1
b)	<u>Consolidated Statements of Operations (Unaudited) for the three and nine months ended September 30, 2014 and 2013</u>	2
c)	<u>Consolidated Statements of Cash Flows (Unaudited) for the nine months ended September 30, 2014 and 2013</u>	3
d)	<u>Consolidated Statement of Stockholders' Equity (Unaudited) for the nine months ended September 30, 2014</u>	4
e)	<u>Consolidated Statement of Stockholders' Equity (Unaudited) for the nine months ended September 30, 2013</u>	5
f)	<u>Notes to Consolidated Financial Statements (Unaudited)</u>	6
Item 2.	<u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	30
Item 3.	<u>Quantitative and Qualitative Disclosures About Market Risk</u>	56
Item 4.	<u>Controls and Procedures</u>	56
<b>PART II</b>	<b><u>OTHER INFORMATION</u></b>	
Item 1.	<u>Legal Proceedings</u>	57
Item 1A.	<u>Risk Factors</u>	57
Item 2.	<u>Unregistered Sales of Equity Securities and Use of Proceeds</u>	57
Item 3.	<u>Defaults Upon Senior Securities</u>	57
Item 4.	<u>Mine Safety Disclosures</u>	57
Item 5.	<u>Other Information</u>	58
Item 6.	<u>Exhibits</u>	58
<b><u>SIGNATURES</u></b>		<b>59</b>

**PART I FINANCIAL INFORMATION****ITEM 1. FINANCIAL STATEMENTS.****CORRECTIONS CORPORATION OF AMERICA AND SUBSIDIARIES****CONSOLIDATED BALANCE SHEETS**

(UNAUDITED AND AMOUNTS IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)

	<b>September 30, 2014</b>	December 31, 2013
<b><u>ASSETS</u></b>		
Cash and cash equivalents	\$ 48,847	\$ 77,909
Accounts receivable, net of allowance of \$912 and \$1,265, respectively	292,466	244,957
Current deferred tax assets	11,430	9,241
Prepaid expenses and other current assets	26,925	20,612
Assets held for sale	4,145	
Current assets of discontinued operations		15
<b>Total current assets</b>	<b>383,813</b>	352,734
Property and equipment, net	2,614,264	2,546,613
Restricted cash	2,707	5,589
Investment in direct financing lease	3,811	5,473
Goodwill	16,110	16,110
Non-current deferred tax assets	4,537	3,078
Other assets	75,908	77,828
<b>Total assets</b>	<b>\$ 3,101,150</b>	\$ 3,007,425
<b><u>LIABILITIES AND STOCKHOLDERS EQUITY</u></b>		
Accounts payable and accrued expenses	\$ 247,762	\$ 252,277
Income taxes payable	889	1,243
Current liabilities of discontinued operations	53	886
<b>Total current liabilities</b>	<b>248,704</b>	254,406
Long-term debt	1,240,000	1,205,000
Other liabilities	110,153	45,512
<b>Total liabilities</b>	<b>1,598,857</b>	1,504,918
Commitments and contingencies		
Preferred stock \$0.01 par value; 50,000 shares authorized; none issued and outstanding at September 30, 2014 and December 31, 2013, respectively		
Common stock \$0.01 par value; 300,000 shares authorized; 116,476 and 115,923 shares issued and outstanding at September 30, 2014 and December 31, 2013, respectively	1,165	1,159
Additional paid-in capital	1,739,240	1,725,363

Edgar Filing: CORRECTIONS CORP OF AMERICA - Form 10-Q

Accumulated deficit	(238,112)	(224,015)
Total stockholders' equity	<b>1,502,293</b>	1,502,507
Total liabilities and stockholders' equity	<b>\$ 3,101,150</b>	\$ 3,007,425

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

## CORRECTIONS CORPORATION OF AMERICA AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF OPERATIONS

(UNAUDITED AND AMOUNTS IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)

	For the Three Months Ended		For the Nine Months	
	September 30,		Ended	
	2014	2013	2014	2013
<b>REVENUES:</b>	\$ 408,474	\$ 421,466	\$ 1,223,390	\$ 1,263,194
<b>EXPENSES:</b>				
Operating	282,712	301,489	857,702	903,712
General and administrative	27,635	23,570	79,586	80,162
Depreciation and amortization	28,277	28,151	85,413	83,203
Asset impairments		985	2,238	985
	338,624	354,195	1,024,939	1,068,062
<b>OPERATING INCOME</b>	<b>69,850</b>	<b>67,271</b>	<b>198,451</b>	<b>195,132</b>
<b>OTHER (INCOME) EXPENSE:</b>				
Interest expense, net	10,376	10,378	29,088	34,856
Expenses associated with debt refinancing transactions				36,528
Other income	(143)	(184)	(1,143)	(120)
	10,233	10,194	27,945	71,264
<b>INCOME FROM CONTINUING OPERATIONS BEFORE INCOME TAXES</b>	<b>59,617</b>	<b>57,077</b>	<b>170,506</b>	<b>123,868</b>
Income tax (expense) benefit	(2,071)	(4,571)	(5,490)	133,253
<b>INCOME FROM CONTINUING OPERATIONS</b>	<b>57,546</b>	<b>52,506</b>	<b>165,016</b>	<b>257,121</b>
Loss from discontinued operations, net of taxes		(663)		(3,757)
<b>NET INCOME</b>	<b>\$ 57,546</b>	<b>\$ 51,843</b>	<b>\$ 165,016</b>	<b>\$ 253,364</b>
<b>BASIC EARNINGS PER SHARE:</b>				
Income from continuing operations	\$ 0.50	\$ 0.46	\$ 1.42	\$ 2.38
Loss from discontinued operations, net of taxes		(0.01)		(0.03)
Net income	\$ 0.50	\$ 0.45	\$ 1.42	\$ 2.35
<b>DILUTED EARNINGS PER SHARE:</b>				
Income from continuing operations	\$ 0.49	\$ 0.45	\$ 1.41	\$ 2.35
Loss from discontinued operations, net of taxes		(0.01)		(0.03)

Edgar Filing: CORRECTIONS CORP OF AMERICA - Form 10-Q

Net income	\$	<b>0.49</b>	\$	0.44	\$	<b>1.41</b>	\$	2.32
<b>REGULAR DIVIDENDS DECLARED PER SHARE</b>	\$	<b>0.51</b>	\$	0.48	\$	<b>1.53</b>	\$	1.49
<b>SPECIAL DIVIDENDS DECLARED PER SHARE</b>	\$		\$		\$		\$	6.66

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

## CORRECTIONS CORPORATION OF AMERICA AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CASH FLOWS

(UNAUDITED AND AMOUNTS IN THOUSANDS)

	For the Nine Months Ended September 30,	
	2014	2013
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Net income	\$ 165,016	\$ 253,364
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	85,413	84,002
Expenses associated with debt refinancing transactions		36,528
Asset impairments	2,238	3,622
Amortization of debt issuance costs and other non-cash interest	2,325	2,740
Deferred income taxes	(3,648)	(146,881)
Non-cash revenue and other income	(3,384)	
Income tax benefit of equity compensation	(222)	(40)
Non-cash equity compensation	10,438	9,695
Other expenses and non-cash items	3,603	1,608
Changes in assets and liabilities, net:		
Accounts receivable, prepaid expenses and other assets	16,366	33,634
Accounts payable, accrued expenses and other liabilities	(29,324)	4,430
Income taxes payable	(132)	902
Net cash provided by operating activities	248,689	283,604
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Expenditures for facility development and expansions	(47,178)	(18,292)
Acquisition of businesses, net of cash acquired		(36,249)
Expenditures for other capital improvements	(31,545)	(27,482)
Capitalized lease payment	(70,000)	
Decrease in restricted cash	2,983	
Proceeds from sale of assets	806	443
Decrease (increase) in other assets	1,967	(2,367)
Payments received on direct financing lease and notes receivable	1,473	1,379
Net cash used in investing activities	(141,494)	(82,568)
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Proceeds from issuance of debt	185,000	1,183,000
Principal repayments of debt	(150,000)	(1,118,000)
Payment of debt issuance and other refinancing and related costs		(37,242)
Income tax benefit of equity compensation	222	40
Purchase and retirement of common stock	(3,052)	(5,454)
Proceeds from exercise of stock options	6,349	28,538
Increase in restricted cash for dividends	(100)	(810)



Dividends paid	(174,686)	(243,782)
Net cash used in financing activities	(136,267)	(193,710)
<b>NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>(29,072)</b>	7,326
<b>CASH AND CASH EQUIVALENTS, beginning of period</b>	<b>77,919</b>	62,897
<b>CASH AND CASH EQUIVALENTS, end of period</b>	<b>\$ 48,847</b>	<b>\$ 70,223</b>
<b>SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:</b>		
Cash paid during the period for:		
Interest (net of amounts capitalized of \$1,664 and \$504 in 2014 and 2013, respectively)	\$ 22,525	\$ 22,312
Income taxes	\$ 14,299	\$ 6,066

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

**CORRECTIONS CORPORATION OF AMERICA AND SUBSIDIARIES**

**CONSOLIDATED STATEMENT OF STOCKHOLDERS EQUITY**

**FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2014**

(UNAUDITED AND AMOUNTS IN THOUSANDS)