

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 10-K

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 29, 2002

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: 1-14260

Wackenhut Corrections Corporation

(Exact name of registrant as specified in its charter)

Florida
(State or other jurisdiction of
incorporation or organization)

65-0043078
(I.R.S. Employer
Identification No.)

4200 Wackenhut Drive #100,
Palm Beach Gardens, Florida
(Address of principal executive offices)

33410-4243
(Zip Code)

Registrant's telephone number (including area code):

(561) 622-5656

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
Common Stock, \$0.01 Par Value	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act:

Title of each class	Name of each exchange on which registered
None	None

Indicate by a 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 if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

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

At June 30, 2002, the aggregate market value of the 9,236,620 shares of Common Stock held by non-affiliates of the registrant was \$131,714,201. At March 10, 2003, there were outstanding 21,245,620 shares of Common Stock.

DOCUMENTS INCORPORATED BY REFERENCE

Parts of the Registrant's Proxy Statement for its 2003 Annual Meeting of Shareholders are incorporated by reference in Part III of this report.

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PART I

Item 1. *Business*

The Company

Wackenhut Corrections Corporation (“the Company”), a 56% owned subsidiary of Group 4 Falck A/ S (“Group 4 Falck”), is an industry leader in the privatization of correctional facilities throughout the world. The Company was founded in 1984 as a division of The Wackenhut Corporation (“TWC”), a leading provider of professional security services. In 1986, the Company received its first contract, from the United States Immigration and Naturalization Service (the “INS”), to design, construct and manage a detention facility with a design capacity of 150 beds.

On May 8, 2002, TWC consummated a merger (the “Merger”) with a wholly owned subsidiary of Group 4 Falck A/ S, a Danish multinational security and correctional services company. As a result of the Merger, Group 4 Falck has become the indirect beneficial owner of TWC’s 12 million shares in the Company. The Company’s common stock continues to trade on the New York Stock Exchange.

As of December 29, 2002, the Company had 59 correctional, detention and healthcare facilities either under contract or award with an aggregate design capacity of 39,216 beds. At December 29, 2002, all 59 facilities were in operation. At December 29, 2002, the Company had outstanding written responses to Requests for Proposal (“RFPs”) for seven projects with an aggregate design capacity of 2,548 beds.

The Company offers a comprehensive range of correctional and related institutional services to federal, state, local and overseas government agencies. Correctional services include the management of a broad spectrum of facilities, including male and female adult facilities; juvenile facilities; community corrections; work programs; prison industries; substance abuse treatment facilities; and mental health, geriatric and other special needs institutions. Other management contracts include psychiatric health care, electronic home monitoring, prisoner transportation, correctional health services, and facility maintenance. The Company has an in-house capability for the design of new facilities, and offers a full privatization package to government agencies, including financing of new projects. The Company believes that its experience in delivering governmental agencies high quality, cost-effective correctional and related services provides such agencies strong incentive to select the Company when renewing and awarding contracts.

On November 1, 1998, the Company began management of the 325-bed South Florida State Hospital, representing a historic milestone for public sector mental health services and a significant diversification of the Company’s service offerings. In December 2000, the Company completed construction at the site of the new South Florida State Hospital and successfully moved all operations to the new facility. In January 2003, the Company’s initial five-year contract was extended for an additional five years.

The Company has obtained and is pursuing development and management contracts for correctional and detention facilities outside the United States including facilities in Europe, Australia, New Zealand and South Africa.

Through its wholly-owned subsidiary in Australia, Wackenhut Corrections Corporation Australia Pty Limited (“WCCA”), the Company manages four correctional centres, six immigration detention centres, two temporary detention centres and one correctional Health Care Services entity in Australia and one correctional center in New Zealand.

In the United Kingdom, the Company formed two joint ventures to pursue construction and management contracts for privatized correctional and detention facilities. Premier Custodial Group Limited (“PCG”), a joint venture with Serco Limited, currently manages six correctional facilities, one immigration detention centre, two court escort contracts and two electronic monitoring services contracts. Under court escort contracts, a private company, on behalf of a governmental agency, transports prisoners between police stations, prisons and courts and is responsible for the custody of such prisoners during

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transportation and court appearances. Electronic monitoring services involve the electronic tagging of offenders sentenced to home incarceration. In February 1994, through Wackenhut Corrections (UK) Limited, the Company formed Premier Custodial Development (“PCD”), as an unincorporated joint venture with Trafalgar House Construction Special Projects Limited (“Trafalgar”) for the design and construction of new detention facilities and prisons (Trafalgar was subsequently acquired by Kvaerner Construction Limited, which in turn was acquired by a wholly owned subsidiary of Skanska Construction). As a result of the Company’s interest in PCD, the Company has received in the past, and expects to receive in the future, consulting fees from Skanska for any construction contracts entered into between PCG and Skanska.

In South Africa, the Company formed a joint venture to pursue construction and management contracts for privatized correctional and detention centers. South African Custodial Management (“SACM”), a joint venture with Kensani Holdings Pty Ltd and Fidelity Services Group Pty Ltd, currently manages a 3,024-bed correctional facility located in the Northern Province of South Africa.

In the majority of contracts, the Company manages facilities owned or leased by a governmental agency. The agency may finance the construction of such facilities through various methods including, but not limited to, the following: (i) a one time general revenue appropriation by the governmental agency for the cost of the new facility; (ii) general obligation bonds that are secured by either a limited or unlimited tax levy by the issuing entity; or (iii) lease revenue bonds or certificates of participation secured by an annual lease payment that is subject to annual or bi-annual legislative appropriations. In some instances, the Company may be required to own and/or finance the facility. The construction of these facilities may be financed through various methods including, but not limited to the following: (i) funds from equity offerings of the Company’s stock; (ii) cash flows from operations; (iii) borrowings from banks or other institutions (which may or may not be subject to government guarantees in the event of contract termination); or (iv) lease arrangements with third parties.

The Company was incorporated in Florida in April, 1988. The Company’s principal executive offices are located at 4200 Wackenhut Drive #100, Palm Beach Gardens, Florida 33410-4243, and its telephone number is (561) 622-5656.

See the Company’s Consolidated Financial Statements and Notes to Consolidated Financial Statements included herein for financial information regarding domestic and international operations.

Certain Factors That May Affect Future Results

Prospective investors should carefully consider the following factors that may affect future results, together with the other information contained in this Annual Report on Form 10-K, in evaluating the Company and its business before purchasing its securities. In particular, prospective investors should note that this Annual Report on Form 10-K contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995 and that actual results could differ materially from those contemplated by such statements. See “Safe Harbor Statement under the Private Securities Litigation Reform Act of 1995” below. The factors listed below represent certain important factors the Company believes could cause such results to differ. These factors are not intended to represent a complete list of the general or specific risks that may affect the Company. It should be recognized that other risks may be significant, presently or in the future, and the risks set forth below may affect the Company to a greater extent than indicated.

Revenue and Profit Growth Dependent on Expansion. The Company’s growth will depend to a significant degree upon its ability to obtain additional construction and management contracts and to retain existing management contracts. The Company’s growth is generally dependent on the construction and management of new correctional and detention facilities, since contracts to manage existing public facilities are not typically offered to private operators. The rate of construction of new facilities and, therefore, the Company’s potential for growth will depend on a number of factors, including crime rates and sentencing patterns in jurisdictions in which the Company operates, governmental and public acceptance of the concept of privatization, the number of facilities available for privatization, and the Company’s ability to

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obtain awards for contracts and to integrate new facilities into its management structure on a profitable basis. The Company anticipates that there will be significant competition among operators of correctional and detention facilities for construction and management contracts for new facilities and for the renewal of contracts upon expiration. Accordingly, there can be no assurance that the Company will be able to obtain additional contracts to construct or manage new facilities or to retain its existing contracts upon their expiration.

Contracts Subject to Renewal. Thirty-three contracts are subject to renewal in 2003. These contracts represented 54% of the Company's 2002 revenue. Management believes the Company will be successful in the renegotiation of these contracts; however, there can be no assurance that the Company will be able to renew these contracts.

Possible Fluctuations in Occupancy Levels. A substantial portion of the Company's revenues are generated under facility management contracts that specify per diem payments based upon occupancy rates (some of which provide guaranteed minimum occupancy levels), while a substantial portion of the Company's cost structure is fixed. Under a per diem rate structure, a decrease in occupancy rates could cause a decrease in revenue and profitability. Average facility occupancy rates were approximately 97% in Fiscal 2002 and Fiscal 2001; however, there can be no assurance that occupancy rates will not decrease below these percentages in the future. See "Management's Discussion and Analysis of Financial Condition and Results of Operations" included herein.

Reliance Upon Government Appropriations for Payment Under Awarded Contracts. The Company's facility management contracts are subject to either annual or bi-annual legislative appropriations. A failure by a governmental agency to receive such appropriations could result in termination of the contract by such agency or a reduction of the management fee payable to the Company. In addition, even if funds are appropriated, delays in payments may occur which could negatively affect the Company's cash flow. In addition, in certain cases the development and construction of facilities to be managed by the Company are also subject to obtaining construction financing. Such financing may be obtained through a variety of means, including without limitation, sale of tax-exempt or taxable bonds or other obligations or direct governmental appropriation. 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. See "Business — Facility Overview."

Governmental Regulation. The Company's business is highly regulated by a variety of governmental agencies with oversight authority. For example, a contracting agency may assign full-time, on-site personnel to a facility to monitor the Company's compliance with contract terms and applicable regulations. Failure by the Company to comply with such contract terms or regulations could expose it to substantial penalties or contract termination. In addition, changes in existing regulations could require the Company to substantially modify the manner in which it conducts business and, therefore, could have a material adverse effect on the Company. See "Business — Business Regulations and Legal Considerations."

Limited Acceptance of Private Prison Operation. Management 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 right to delegate their traditional management responsibilities for correctional and detention facilities to private companies and further legislative changes or prohibitions could occur that further impact these limits. The operation of correctional and detention facilities by private entities is a relatively new concept and is not widely accepted by the public and has encountered resistance from certain groups, such as labor unions, local sheriffs' departments, and groups that believe that correctional and detention facility operations should only be conducted by governmental agencies. Moreover, changes in dominant political parties in any of the markets in which the Company operates could result in significant changes to previously established views of privatization in such markets. See "Business — Marketing."

Community Opposition to Facility Location. The Company's success in obtaining new awards and contracts sometimes depends, in part, upon its ability to locate land that can be leased or acquired, on

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economically favorable terms, by the Company or other entities working with the Company in conjunction with the Company's 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. Where the selection of the intended project site is to be made by the Company, the Company attempts to conduct business in communities where local community leaders and residents generally support establishment of a privatized correctional or detention facility in their community. There can be no assurance that future efforts to find suitable host communities will be successful. In many cases, 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 (e.g., weak labor pool).

Potential Legal Liability. The Company's management of correctional and detention facilities exposes it to potential third-party claims or litigation by prisoners or other persons for personal injury or other damage resulting from contact with Company-managed facilities, programs, personnel or prisoners, including damages arising from a prisoner's escape or from a disturbance or riot at a Company-managed facility. In addition, the Company's management contracts generally require the Company to indemnify the governmental agency against any damages to which the governmental agency may be subject in connection with such claims or litigation. The Company has an insurance program that provides coverage for certain liability risks faced by the Company, including accident and personal injury and bodily injury or property damage to a third party where the Company is found to be negligent. There can be no assurance, however, that the Company's insurance will be adequate to cover all potential third-party claims. See "Business — Insurance." In addition, the Company may from time to time be subjected to employment related litigation and medical malpractice claims that are not covered by insurance.

Adverse Publicity. The Company's business is subject to public scrutiny. An escape or disturbance at a Company-managed facility or another privately-managed facility may result in publicity adverse to the Company and the industry in which it operates, which could materially adversely affect the Company's business.

Reliance of Company on TWC for Certain Services. The Company has historically been reliant upon TWC for various services including payroll, tax, data processing, auditing, treasury, cash management, insurance, information technology and human resource services. During the year the Company developed the internal support structure to internally perform all functions with the exception of information technology support services. The Company and TWC have an agreement under which TWC has agreed to continue to provide information technology support services, as deemed necessary, to the Company in return for payment by the Company of a fixed annual fee.

Inflation. The Company's largest facility management expense is personnel costs. Most of the Company's facility management contracts provide for payments to the Company of either fixed management fees or fees that increase by only small amounts during their terms. If, due to inflation or other causes, the Company must increase the wages and salaries of its employees at rates faster than increases, if any, in management fees, then the Company's profitability would be adversely affected. See "Management's Discussion and Analysis of Financial Condition and Results of Operations — Inflation" included herein.

Economic Risks Associated With Development Activities. When the Company is engaged to perform construction and design services for a facility, the Company typically acts as the primary contractor and subcontracts with other companies who act as the general contractors. As primary contractor, the Company is subject to the various risks of construction (including, without limitation, shortages of labor and materials, work stoppages, labor disputes and weather interference) which could cause construction delays, and the Company is 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, despite the fact that the Company requires its general contractor to post construction bonds and insurance. Under such contracts, the Company is ultimately liable for all late delivery penalties and cost overruns. See

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“Management’s Discussion and Analysis of Financial Condition and Results of Operations” included herein.

Facility Lease Liability. The Company currently leases fifteen of the facilities that it manages. The leases for fourteen of these facilities do not terminate upon the completion of the management contracts. If a management contract for such a facility is completed and not renewed, or is terminated, the Company would be obligated to continue to make lease payments until expiration of the facility lease, even though it no longer would receive management fees under such contract and may be unable to obtain an additional contract for the use of the facility.

Control of Company. As a result of the Merger, Group 4 Falck is the indirect beneficial owner of 12 million shares, or approximately 56%, of the issued and outstanding voting common stock of the Company.

Due to certain provisions of Florida law, as part of the Merger, Group 4 Falck and TWC requested that the Company’s Board of Directors approve the Merger. In response to this request, the Company’s Board of Directors formed a Special Independent Committee to investigate and evaluate the Merger. The Special Independent Committee determined that, as a prerequisite to recommending that the Company’s Board of Directors approve the Merger, it was advisable for the Company to enter into an agreement with Group 4 Falck and TWC to govern the relationship between the Company, Group 4 Falck and TWC following the consummation of the Merger (the “Agreement”). After negotiations between the Company’s Special Independent Committee and Group 4 Falck and TWC, the Agreement was entered into by the Company, Group 4 Falck and TWC on March 8, 2002.

The Agreement provides, among other things, that (1) for a period of three years following the Merger, the Board of Directors of the Company will consist of nine members, five of which will be independent directors, two of which will be Company officers and two of which will be Group 4 Falck representatives, (2) during the one year period following the Merger, the Nominating and Compensation Committee of the Company’s Board of Directors will consist of three members, two of which will be independent directors and one of which will be a Company director nominated by Group 4 Falck, (modified in February 2003 to provide that all three members in the newly named Nominating and Governance Committee are to be independent directors) and (3) until such time as Group 4 Falck directly or indirectly owns less than 49% of the Company’s outstanding common stock, (i) neither Group 4 Falck nor TWC will engage in the business of managing or operating prison, detention facility or mental health facility management businesses anywhere in the United States, and (ii) representatives of Group 4 Falck and TWC who serve on the Company’s Board of Directors will not have access to certain proprietary, confidential information of the Company, its subsidiaries or affiliates. The Agreement also requires that any purchases of the Company’s common stock by either Group 4 Falck or TWC during the three-year period following the Merger be made only at a price approved by a majority of the independent directors of the Company.

Safe Harbor Statement under the Private Securities Litigation Reform Act of 1995

This report and the documents incorporated by referenced herein contain “forward-looking” statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. “Forward-looking” statements are any statements that are not based on historical information. Words such as “expects”, “anticipates”, “intends”, “plans”, “believes”, “seeks”, “estimates”, and variations of such words and similar expressions are intended to identify such forward-looking statements. These statements are not guarantees of future performance and involve certain risks, uncertainties and assumptions (“Future Factors”), which are difficult to predict. Therefore, actual outcomes and results may differ materially from what is expressed or forecasted in such forward-looking statements. The Company undertakes no obligation to update publicly any forward-looking statements, whether as a result of new information, future events or otherwise. Future Factors include, but are not limited to, (1) the Company’s ability to timely build and/or open facilities as planned, profitably manage such facilities and successfully integrate such facilities into the Company

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without substantial additional costs; (2) the instability of foreign exchange rates, exposing the Company to currency risks in Australia, New Zealand, South Africa and the United Kingdom; (3) an increase in labor rates beyond that which was budgeted; (4) the Company's ability to expand correctional services and diversify its services in the mental health services market; (5) the Company's ability to win management contracts for which it has submitted proposals and to retain existing management contracts; (6) the Company's ability to raise new project development capital given the short-term nature of the customers' commitment to the use of newly developed facilities; (7) the Company's ability to find a customer for its Jena, Louisiana Facility and/or to sub-lease or coordinate the sale of the facility with its owner, Correctional Properties Trust ("CPV"); (8) the Company's ability to accurately project the size and growth of the U.S. privatized corrections industry; (9) the Company's ability to estimate the government's level of utilization of privatization; (10) the Company's ability to create long-term earnings visibility; (11) the Company's ability to obtain future financing at competitive rates; (12) the Company's exposure to general liability and workers' compensation insurance costs; (13) the exercise or disposition of the controlling position in the Company held by Group 4 Falck; (14) the outcome of the litigation the Company is involved in with its joint venture partner in the United Kingdom, in which the joint venture partner claims to have the right to purchase the Company's interest in the joint venture as a result of the Merger; (15) the Company's ability to effectively internalize functions and services previously outsourced to TWC; and (16) other future factors including, but not limited to, factors contained in this report and the Company's Securities and Exchange Commission filings.

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Facilities

The following table summarizes certain information with respect to facilities currently under management contract or award for management by the Company (or a subsidiary or joint venture of the Company) at December 29, 2002.

Facility Name Location	Company Role	Design Capacity	Facility Type	Security Level	Commencement of Current Contract	Term	Renewal Option
<i>Correctional Facilities</i>							
<i>Federal Government Contracts:</i>							
Aurora INS Processing Center, Aurora, Colorado(6)	Design/ Construction/ Management	340	INS Detention Facility	Minimum/ Medium	October 2002	1 year	None
Queens Private Correctional Facility, Queens, New York(6)	Design/ Construction/ Management	200	INS Detention Facility	Minimum/ Medium	April 2002	1 year	Four, One-year
Rivers Correctional Institution, Winton, North Carolina(2)	Design/ Construction/ Management	1,200	Federal Prison	Low/ Minimum	March 2001	3 years	Seven, One-year
Taft Correctional Institution Taft, California	Management	2,048	Federal Prison	Low/ Minimum	August 2002	1 year	Four, One-year
<i>State Government Contracts:</i>							
Allen Correctional Center Kinder, Louisiana	Management	1,538	State Prison	Medium/ Maximum	December 2000	3 years	Two, One-Year
Bridgeport Correctional Center Bridgeport, Texas	Construction/ Management	520	Pre-Release Center	Minimum	September 2000	3 years	Two, One-Year
Central Texas Parole Violator Facility San Antonio, Texas	Renovation/ Management	623	Parole Violator Facility/ U.S. Marshal and INS Detention Facility	All levels	September 2001	Varies(1)	Varies(1)
Central Valley Community Correctional Facility McFarland, California(6)	Design/ Construction/ Management	550	State Community Correctional Facility	Medium	December 1997	10 years	None
Cleveland Correctional Center Cleveland, Texas	Management	520	State Prison	Medium	April 2001	3 years	None
Coke County Juvenile Justice Facility Coke County, Texas	Design/ Construction/ Management	200	Juvenile Offender Facility	Medium/ Maximum	March 2001	2 years	Unlimited, Two-year
Desert View Modified Community Correctional Facility Adelanto, California(6)	Design/ Construction/ Management	568	State Community Correctional Facility	Medium	December 1997	10 years	None
East Mississippi Correctional Facility Meridian, Mississippi	Design/ Construction/ Management	750	State Prison	Mental Health	April 1999	5 years	One, Two-year
Golden State Community Correctional Facility McFarland, California(6)	Design/ Construction/ Management	550	State Community Correctional Facility	Medium	December 1997	10 years	None
Guadalupe County Correctional Facility Santa Rosa, New Mexico(2)(9)	Design/ Construction/ Management	600	State Prison	Medium	June 2002	1 year	Annual
John R. Lindsey Correctional Facility Jack County, Texas	Design/ Consultation/ Management	1,031	State Jail Facility	Minimum/ Medium	September 2002	2 year	One, Two-year
Karnes County Correctional Center Karnes City, Texas(6)	Management	579	County Jail	All levels	January 1998	Varies(1)	Varies(1)

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Facility Name Location	Company Role	Design Capacity	Facility Type	Security Level	Commencement of Current Contract	Term	Renewal Option
Kyle Correctional Facility (New Vision) Kyle, Texas(3)	Construction/ Management/ Chemical Dependency Treatment	520	State Prison/ In-Prison Chemical Dependency Treatment Center	Minimum	September 2000	3 years	Two, One-Year
Lawton Correctional Facility Lawton, Oklahoma(6)	Design/ Construction/ Management	1,800	State Prison	Medium	December 2002	6 months	None
Lea County Correctional Facility Hobbs, New Mexico(6)	Design/ Construction/ Management	1,200	County Jail	All levels	May 2002	1 year	Annual
Lockhart Renaissance Facility Lockhart, Texas	Design/ Construction/ Management	500	Work Program Facility	Minimum	January 1999	4 years, 8 months	Unlimited, Two-year
Lockhart Secure Work Program Facility Lockhart, Texas	Design/ Construction/ Management	500	Work Program Facility	Minimum	January 1999	4 years, 8 months	Unlimited, Two-year
Marshall County Correctional Facility Holly Springs, Mississippi	Design/ Construction/ Management	1,000	State Prison	Medium	August 2001	2 years	Unlimited, Two-year
McFarland Community Correctional Facility McFarland, California(6)	Construction/ Management	224	State Community Correctional Facility	Minimum	July 2002	1 year	None
Michigan Youth Correctional Facility Baldwin, Michigan(2)	Design/ Construction/ Management	480	State Prison	Maximum	July 1999	4 years	Unlimited, Four-year
Moore Haven Correctional Facility Moore Haven, Florida	Design/ Construction/ Management	750	State Prison	Medium	July 2002	2 years	Unlimited, Two-year
North Texas Intermediate Sanction Facility Fort Worth, Texas	Renovation/ Management	400	Intermediate Sanction Facility	Minimum	September 2001	2 years	Unlimited, Two-year
South Bay Correctional Facility South Bay, Florida	Design/ Construction/ Management	1,318	State Prison	Medium/ Close Custody	June 2001	2 years	Unlimited, Two-year
Willacy County Unit Raymondville, Texas	Design/ Consultation/ Management	1,000	State Jail Facility	Minimum	September 2002	1 year	None
<i>Local Government Contracts:</i>							
Broward County Work Release Center Broward County, Florida(6)	Design/ Construction/ Management	300	Community Work Release Center	Non-secure	February 1998	5 years	Unlimited, Two-year
George W. Hill Correctional Facility Thornton, Pennsylvania	Design/ Construction/ Management	1,812	County Jail	All levels	September 2000	5 years	Unlimited, Two-year
Val Verde Correctional Facility Del Rio, Texas(2)(10)	Design/ Construction/ Management	784	Local Detention Facility/ County Jail	All levels	January 2001	20 years	One, Five-year
Western Region Detention Facility at San Diego San Diego, California	Renovation/ Management	616	Local Detention Facility	Maximum	July 2002	1 year	Two, One-year
<i>International Contracts:</i>							
Arthur Gorrie Correctional Centre Wacol, Australia	Management	710	Reception and Remand Centre	All levels	December 2002	5 years	One, Five-year
H.M. Prison and Youth Offender Institution Ashfield Pucklechurch, UK	Design/ Construction/ Management	400	National Prison	Medium	November 1999	25 years	None
Auckland Central Remand Prison Auckland, New Zealand	Management	383	National Prison	Medium/ Maximum	July 2000	5 years	None

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Facility Name Location	Company Role	Design Capacity	Facility Type	Security Level	Commencement of Current Contract	Term	Renewal Option
Baxter Immigration Detention Centre Baxter, Australia	Management	1,200	Immigration Detention	All levels	September 2002	1 year	None
Christmas Island Immigration Detention Centre Temporary Facility	Management	300	Immigration Detention	All levels	(7)	(7)	None
CoCos Island Immigration Detention Centre Temporary Facility	Management	150	Immigration Detention	All levels	(7)	(7)	None
Court Escort & Custody Service South East Area, England	Management	N/ A	Court Custody/ Transport-Escort	All levels	May 1996	6 1/2 years	None
Dungavel House Immigration Detention Centre South	Management	150	Immigration Detention	Low	August 2001	5 Years	None
Lanarkshire, Scotland Hassockfield Secure Training Centre	Design/ Construction/ Management	40	National Prison	Medium	September 1999	15 years	None
Medomsley, England H.M. Prison and Youth Offender Institution Doncaster Doncaster, England	Management	1,111	National Prison	All levels	October 2000	10 years	None
Fulham Correctional Centre Victoria, Australia	Design/ Consultation/ Management	725	State Prison	Minimum/ Medium	May 2000	3 years	Five, Three-year
Junee Correctional Centre Junee, Australia	Construction/ Management	750	State Prison	Minimum/ Medium	April 2001	5 years	Three, One-year
H.M. Prison Kilmarnock Kilmarnock, Scotland	Design/ Construction/ Management	548	National Prison	All levels	March 1999	25 years	None
H.M. Prison Lowdham Grange Nottinghamshire, England	Management	524	National Prison	All levels	February 1998	25 years	None
Kutama-Sinthumule Maximum Security Prison Northern Province, Republic of South Africa	Design/ Construction/ Management	3,024	National Prison	Maximum	July 1999	25 years	None
Maribyrnong Immigration Detention Centre Melbourne, Australia	Management	80	Immigration Detention	All levels	March 1999	3 years	None
Melbourne Custody Centre, Melbourne, Australia	Management	80	City Jail	All levels	March 2002	1 year	One, One-year
H.M. Prison Dovegate Marchington, England	Design/ Construction/ Management	800	National Prison and Therapeutic Community	Medium	July 2001	25 years	None
New Brunswick Youth Centre(4) New Brunswick, Canada	Design/ Consultation/ Maintenance	N/ A	Province Juvenile Facility	All levels	October 1997	25 years	None
Pacific Shores Healthcare Victoria, Australia(8)	Management	N/ A	Health Care Services	N/ A	December 2001	4 years	One, Two-year
Perth Immigration Detention Centre Perth, Australia	Management	66	Immigration Detention	All levels	December 2000	3 years	None
Port Hedland Immigration Reception & Processing Centre Port Hedland, Australia	Management	700	Immigration Detention	All levels	December 2000	3 years	None
Premier Monitoring Services Limited Norfolk, England	Management	N/ A	Home Detention Services	Non-secure	January 1999	5 years	None

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Facility Name Location	Company Role	Design Capacity	Facility Type	Security Level	Commencement of Current Contract	Term	Renewal Option
Villawood Immigration Detention Centre Sydney, Australia	Management	700	Immigration Detention	All levels	November 2000	3 Years	None
Woomera Immigration Detention Centre Woomera, Australia	Management	1,200	Immigration Detention	All levels	November 2000	3 years	None
<i>Other Facilities</i>							
South Florida State Hospital	Design/ Construction/ Management	325	State Psychiatric Hospital	N/ A	November 1998	5 years	Three, Five-year
Pembroke Pines, Florida Atlantic Shores Hospital Fort Lauderdale, Florida	Management	72	Private Psychiatric Hospital	N/ A	(5)	(5)	(5)

- (1) This facility is occupied by inmates under several contracts with varying terms and renewal options. The terms of these contracts range from two weeks to an indefinite period and the renewal option features range from no option to unlimited renewals.
- (2) The Company owns these facilities.
- (3) The Company operates a chemical dependency treatment center located in this facility under a separate contract. This contract is for a three-year term expiring August 31, 2003.
- (4) The Company holds a contract for maintenance only of this facility.
- (5) The Company purchased this facility and provides services on an individual patient basis, therefore, there are no contracts with government agencies subject to terms and/or renewals.
- (6) The Company leases these facilities from CPV. In April 1998, the Company sold three facilities owned by it and the rights to acquire four other facilities to CPV which CPV subsequently exercised. CPV purchased an eighth facility directly from a government entity. In October 1998 the Company sold the completed portion of a ninth facility to CPV. During Fiscal 1999, CPV acquired a 600-bed expansion of the ninth facility and the right to acquire a tenth facility which it subsequently exercised. During Fiscal 2000, CPV purchased an eleventh facility that the Company had the right to acquire. The facilities were then leased to the Company under operating leases. There were no purchase and sale transactions between the Company and CPV in 2001 or 2002. See Item 2 — “Properties.”
- (7) This facility represents additional services under the current detention services contractual agreement with the Department of Immigration, Multicultural and Indigenous Affairs (“DIMIA”), and is subject to a six-week termination clause depending on client needs.
- (8) The Company provides comprehensive healthcare services to 11 government-operated prisons under this contract.
- (9) The Company has a five-year contract with five one-year options to operate the facility on behalf of the county. The county, in turn, has a one-year contract, subject to annual renewal, with the state to house state prisoners at the facility.
- (10) The Company has a twenty-year contract with one five-year option to operate the facility on behalf of the county. The county, in turn, has a one-year contract, subject to annual renewal, with the U.S. Marshal Service to house federal prisoners at the facility.

Facility Overview

The Company offers services that go beyond simply housing offenders in a safe and secure manner. The Company offers a wide array of in-facility rehabilitative and educational programs. Inmates at most facilities managed by the Company can also receive basic education through academic programs designed to improve inmates’ literacy levels and to offer the opportunity to acquire General Education Development (“GED”) certificates. Most Company-managed facilities also offer vocational training for in-demand occupations to inmates who lack marketable job skills. In addition, most Company-managed facilities offer

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life skills/transition planning programs that provide inmates job search training and employment skills, anger management skills, health education, financial responsibility training, parenting skills and other skills associated with becoming productive citizens. For example, at the Lockhart Work Program Facility, Lockhart, Texas, the Company, as part of its job training program, recruited firms from private industry to employ inmates at the facility. Inmates who participate in such programs receive job skills training and are paid at least the minimum wage. The inmates' earnings are used to compensate victims, defray the inmates' housing costs and support their dependents. The Company is attempting to expand this program to the Company's correctional facilities in South Bay and Moore Haven, Florida. The Company also offers counseling, education and/or treatment to inmates with alcohol and drug abuse problems at most of the domestic facilities it manages. The Company believes that its program at the Kyle New Vision Chemical Dependency Treatment Center is the largest privately managed in-prison program of this nature in the United States.

The Company operates each facility in accordance with the Company-wide policies and procedures and with the standards and guidelines required under the relevant contract. For many facilities, the standards and guidelines include those established by the American Correctional Association ("ACA"). The ACA, an independent organization of corrections professionals, establishes correctional facility standards and guidelines that are generally acknowledged as a benchmark by governmental agencies responsible for correctional facilities. Many of the Company's contracts for facilities in the United States require the Company to seek and maintain ACA accreditation of the facility. The Company has sought and received ACA accreditation for twenty-two of the facilities it manages.

Contracts to design and construct or to redesign and renovate facilities may be financed in a variety of ways. See also "Business — Facility Design, Construction and Finance." If the project is financed using direct governmental appropriations, using proceeds of the sale of bonds or other obligations issued prior to the award of the project or by the Company directly, then financing is in place when the contract relating to the construction or renovation project is executed. If the project is financed using project-specific tax-exempt bonds or other obligations, the construction contract is generally subject to the sale of such bonds or obligations. Generally, substantial expenditures for construction will not be made on such a project until the tax-exempt bonds or other obligations are sold; and, if such bonds or obligations are not sold, construction and, therefore, management of the facility may either be delayed until alternative financing is procured or development of the project will be entirely suspended. If the project is self-financed by the Company, then financing is in place prior to the commencement of construction.

When the Company is awarded a facility management contract, appropriations for the first annual or bi-annual period of the contract's term have generally already been approved, and the contract is subject to governmental appropriations for subsequent annual or bi-annual periods.

Facility Management Contracts

Other than listed in the following table, no other single customer accounted for 10% or more of the Company's total revenues for Fiscal 2002, 2001, and 2000.

Customer	2002	2001	2000
Various agencies of the U.S. Federal Government	19%	18%	11%
Various agencies of the State of Texas	17%	16%	15%
Various agencies of the State of Florida	14%	14%	19%
Department of Immigration, Multicultural and Indigenous Affairs (Australia)	10%	11%	11%

Except for its contracts for the Taft Correctional Institution, George W. Hill Correctional Facility, Rivers Correctional Institution, South Florida State Hospital, and the facilities in the United Kingdom, Australia, South Africa and New Zealand, all of which provide for fixed monthly rates, the Company's facility management contracts provide that the Company is compensated at an inmate or patient per diem rate based upon actual or guaranteed occupancy levels. Such compensation is invoiced in accordance with

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applicable laws and paid on a monthly basis. All of the Company's contracts are subject to either annual or bi-annual legislative appropriations. A failure by a governmental agency to receive appropriations could result in termination of the contract by such agency or a reduction of the management fee payable to the Company. No assurance can be given that the governmental agencies will continue to receive appropriations in all cases.

The following table summarizes the number of the Company's contracts under consideration for renewal:

Year	Number of Contracts
2003	31
2004	5
2005	3
2006	0
2007	7
Thereafter	11
	<hr/> 57

Refer to the table in "Business — Facilities" for detail of the renewal options for these contracts. The remainder of the Company's contracts are either in negotiation currently or have varied renewal options that are dependent upon the agency contracted with, the type of inmate, and other factors. Management believes the Company will be successful in renegotiating these contracts but can provide no assurance of future renewals. Except as described below, to date, all renewal options under the Company's management contracts have been exercised. However, in connection with the exercise of the renewal option, the contracting government agency or the Company typically has requested changes or adjustments to the contract terms.

In Australia, the Department of Immigration, Multicultural and Indigenous Affairs ("DIMIA") announced its intention to enter into contract negotiations with a competitor of the Company's Australian subsidiary for the management and operation of Australia's immigration centers. DIMIA has further stated that if it is unable to reach agreement with the announced preferred bidder, it will enter into negotiations with the Company's Australian subsidiary.

The Company's contracts typically allow a contracting governmental agency to terminate a contract for cause by giving the Company written notice ranging from 30 to 180 days. Three contracts have been terminated prior to the end of the contract term. On June 30, 2000, the cooperative agreement for the management of the Jena Juvenile Justice Center between the Company and the LaSalle Hospital District No. 1 was terminated. Additionally, the contract for the management of the Travis County Community Justice Center was terminated in 1999 based on the mutual agreement of the Company, the Texas Department of Criminal Justice State Jail Division and Travis County, Texas. The Company's contract for the management of the Monroe County, Florida jail was terminated in 1990 on an amicable basis by mutual agreement of the Company and the Monroe County Board of Commissioners.

In addition, in connection with the Company's management of such facilities, the Company is required to comply with all applicable local, state and federal laws and related rules and regulations. The Company's contracts typically require it to maintain certain levels of insurance coverage for general liability, workers' compensation, vehicle liability, and property loss or damage. If the Company does not maintain the required categories and levels of coverage, the contracting governmental agency may be permitted to terminate the contract. Presently, the Company is insured under a liability insurance program which includes comprehensive general liability, automobile liability and workers' compensation coverage. The Company is self-insured for employment claims and for medical malpractice claims at Atlantic Shores Hospital and South Florida State Hospital. There can be no assurance that the Company will be able to obtain or maintain insurance levels as required by its contracts. See "Business — Insurance." In addition, the Company is required under its contracts to indemnify the contracting governmental agency for all

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claims and costs arising out of the Company's management of facilities and in some instances the Company is required to maintain performance bonds.

Facility Design, Construction and Finance

The Company provides governmental agencies consultation and management services relating to the design and construction of new correctional and detention facilities and the redesign and renovation of older facilities. As of December 29, 2002, the Company has provided service for the design and construction of thirty-three facilities and for the redesign and renovation of three facilities. See table in "Business — Facilities."

Under its construction and design management contracts, the Company agrees to be responsible for overall project development and completion. The Company makes use of an in-house staff of architects and operational experts from various corrections disciplines (e.g. security, medical service, food service, inmate programs and facility maintenance) as part of the team that participates from conceptual design through final construction of the project. When designing a facility, the Company's architects seek to utilize, with appropriate modifications, prototype designs the Company has used in developing prior projects. The Company believes that the use of such proven designs allows it to reduce cost overruns and construction delays and to reduce the number of officers required to provide security at a facility, thus controlling costs both to construct and to manage the facility. Security is maintained because the Company's facility designs increase the area under direct surveillance by correctional officers and make use of additional electronic surveillance.

The Company typically acts as the primary developer on construction contracts for facilities and subcontracts with national general contractors. Where possible, the Company subcontracts with construction companies with which it has previously worked. The Company has an in-house team of correctional design and operations experts that coordinate all aspects of the development with subcontractors and provide site-specific services. It has been the Company's experience that it typically takes 9 to 24 months to construct a facility after the contract is executed and financing approved. The Company may also propose that governmental agencies consider various financing structures for construction finance. The governmental agency may finance the construction of such facilities through various methods including, but not limited to, the following: (i) a one time general revenue appropriation by the government agency for the cost of the new facility; (ii) general obligation bonds that are secured by either a limited or unlimited tax levy by the issuing governmental entity; or (iii) lease revenue bonds or certificates of participation secured by an annual lease payment that is subject to annual or bi-annual legislative appropriations. The Company may also act as a source of financing or as a facilitator with respect to any financing. In these cases, the construction of such facilities may be financed through various methods including, but not limited to, the following: (i) funds from equity offerings of the Company's stock; (ii) cash flows from operations; (iii) borrowing from banks or other institutions (which may or may not be subject to government guarantees in the event of contract termination); or (iv) lease arrangements with third parties.

Marketing

Currently, the Company views governmental agencies responsible for state and federal correctional facilities in the United States and governmental agencies responsible for correctional facilities in the United Kingdom, Australia, and South Africa as its primary potential customers. The Company's secondary customers include local agencies in the United States and other foreign governmental agencies.

Governmental agencies responsible for correctional and detention facilities generally procure goods and services through Requests for Proposals ("RFPs"). A typical RFP requires bidders to provide detailed information, including, but not limited to, descriptions of the following: the services to be provided by the bidder, its experience and qualifications, and the price at which the bidder is willing to provide the services

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(which services may include the renovation, improvement or expansion of an existing facility, or the planning, design and construction of a new facility).

If the project meets the Company's profile for new projects, the Company then will submit a written response to the RFP. The Company estimates that it typically spends between \$50,000 and \$150,000 when responding to an RFP. The Company has engaged and intends in the future to engage independent consultants to assist the Company in developing privatization opportunities and in responding to RFPs, monitoring the legislative and business climate, and maintaining relationships with existing clients.

There are several critical events in the marketing process, including the issuance of an RFP by a governmental agency, submission of a response to the RFP by the Company, the award of a contract by a governmental agency and the commencement of construction or management of a facility. The Company's experience has been that a period of approximately five to ten weeks is generally required from the issuance of an RFP to the submission of the Company's response to the RFP; that between one and four months elapse between the submission of the Company's response and the agency's award for a contract; and that between one and four months elapse between the award of a contract and the commencement of construction or management of the facility. If the facility for which an award has been made must be constructed, the Company's experience is that construction usually takes between 9 and 24 months; therefore, management of a newly constructed facility typically commences between 10 and 28 months after the governmental agency's award.

Business Proposals

The Company pursues both domestic and international projects. At December 29, 2002, the Company had outstanding written responses to RFPs for seven projects with a total of 2,548 beds. The Company also is pursuing prospects for other projects for which it has not yet submitted, and may not submit, a response to an RFP. No assurance can be given that the Company will be successful in its efforts to receive additional awards with respect to any proposals submitted.

Insurance

Casualty insurance related to workers' compensation, general liability and automobile insurance coverage is provided through an independent insurer. Prior to October 2, 2002, the first \$1 million of coverage was reinsured by an insurance subsidiary of TWC. Effective October 2, 2002, the Company established a new insurance program with a \$1 million deductible per occurrence with an independent insurer. The insurance program consists of primary and excess insurance coverage. The primary general liability coverage has a \$5 million limit per occurrence with a \$20 million general aggregate limit and \$1 million deductible. The primary automobile coverage has a \$5 million limit per occurrence with a \$1 million deductible and the primary worker's compensation limits are based on state statutes and contain a \$1 million deductible. The excess coverage has a \$50 million limit per occurrence and in the aggregate. The Company believes such limits are adequate to insure against the various liability risks of its business. The Company is self-insured for employment claims and for medical malpractice claims at Atlantic Shores Hospital and South Florida State Hospital. There can be no assurance that the Company will be able to obtain or maintain insurance levels as required by its contracts.

Employees and Employee Training

At December 29, 2002, the Company had 11,412 full-time employees. Of such full-time employees, 67 were employed at the Company's headquarters and 11,345 were employed at facilities and regional offices. The Company employs management, administrative and clerical, security, educational services, health services and general maintenance personnel. The Company's correctional officer employees at George W. Hill Correctional Facility (Pennsylvania), Queens Private Correctional Facility (New York), Michigan Youth Correctional Facility (Michigan) and Desert View Modified Community Correctional Facility (California) are members of unions. The Company will renegotiate union contracts at the Queens Private Correctional Facility (New York) and George W. Hill Correctional Facility (Pennsylvania) during

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2003. In addition, the Company's correctional officer employees at Auckland Central Remand Prison (New Zealand) and the majority of our employees in our Australian operations are covered by union agreements. In addition, the employees of Premier Prison Services in the United Kingdom are covered by a national collective bargaining agreement with the Prison Service Union. Other than the contracts described above, the Company has no other union contracts or collective bargaining agreements. The Company believes its relations with its employees are good.

Under the laws applicable to most of the Company's operations, and internal Company policy, the Company's corrections officers are required to complete a minimum amount of training. At least 160 hours of pre-service training by the Company is required under most state laws before an employee is allowed to work in a position that will bring him or her in contact with inmates. In addition to a minimum of 160 hours of pre-service training most states require 40 or 80 hours of on the job training. Florida law requires that correction officers receive 520 hours of training and Michigan law requires that correction officers receive 640 hours of training. The Company's training programs meet or exceed all applicable requirements.

The Company's training begins with approximately 40 hours of instruction regarding Company policies, operational procedures and management philosophy. Training continues with an additional 120 hours of instruction covering legal issues, rights of inmates, techniques of communication and supervision, interpersonal skills and job training relating to the particular position to be held. Each Company employee who has contact with inmates receives a minimum of 40 hours of additional training each year, and each manager receives at least 24 hours of training each year.

At least 222 hours of training is required for United Kingdom employees as 240 hours of training is required for Australian employees and 160 hours of training is required for South African employees before such employees are allowed to work in positions that will bring them into contact with inmates. Company employees in the United Kingdom, Australia and South Africa receive a minimum of 40 hours of additional training each year.

Competition

The Company competes primarily on the basis of the quality and range of services offered, its experience (both domestically and internationally) in the design, construction and management of privatized correctional and detention facilities, its reputation and its pricing. The Company competes with a number of companies, including, but not limited to: Corrections Corporation of America; Correctional Services Corporation; Group 4 Falck Global Solutions Ltd; U.K. Detention Services, Ltd.; Cornell Companies, Inc.; Securicor PLC; Sodexo Alliance; and Management and Training Corporation. Some of the Company's competitors are larger and have greater resources than the Company. The Company also competes in some markets with small local companies that may have a better knowledge of the local conditions and may be better able to gain political and public acceptance. In addition, in some markets, the Company may compete with governmental agencies that are responsible for correctional facilities.

Non-U.S. Operations

Although most of the operations of the Company are within the United States, its international operations make a significant contribution to income. Wholly-owned Company subsidiaries provide correctional and detention facilities management in Australia and New Zealand.

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A summary of domestic and international operations is presented below:

	2002	2001	2000
	(000's)		
Revenues			
Domestic operations	\$451,465	\$454,053	\$426,510
International operations	117,147	108,020	109,047
Total revenues	<u>\$568,612</u>	<u>\$562,073</u>	<u>\$535,557</u>
Operating Income			
Domestic operations	\$ 26,066	\$ 19,559	\$ 9,620
International operations	1,810	4,625	9,292
Total operating income	<u>\$ 27,876</u>	<u>\$ 24,184</u>	<u>\$ 18,912</u>
Long-Lived Assets			
Domestic operations	\$200,258	\$ 47,639	\$ 48,274
International operations	6,208	6,119	6,346
Total long-lived assets	<u>\$206,466</u>	<u>\$ 53,758</u>	<u>\$ 54,620</u>

The Company has affiliates (50% owned) that provide correctional and detention facilities management in the United Kingdom and South Africa. The following table summarizes certain financial information pertaining to the United Kingdom unconsolidated foreign affiliates, on a combined basis, for the last three fiscal years.

	2002	2001	2000
	(000's)		
Statement of Operations Data			
Revenues	\$195,961	\$153,744	\$139,137
Operating income	20,078	15,277	14,950
Net income	12,921	9,881	8,980
Balance Sheet Data			
Current assets	91,220	99,294	66,382
Noncurrent assets	304,659	272,777	286,049
Current liabilities	41,245	53,082	39,451
Noncurrent liabilities	317,407	293,403	286,526
Shareholders' equity	37,227	25,586	26,454

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The following table summarizes certain financial information pertaining to the South Africa unconsolidated foreign affiliates, on a combined basis, for the last three fiscal years.

	2002	2001	2000
	(000's)		
Statement of Operations Data			
Revenues	\$15,928	\$ —	\$ —
Operating income (loss)	1,016	(1,749)	—
Net loss	(2,481)	(1,441)	—
Balance Sheet Data			
Current assets	6,426	5,112	6,561
Noncurrent assets	47,125	31,924	14,357
Current liabilities	1,808	913	32
Noncurrent liabilities	52,170	32,746	13,969
Shareholders' (deficit) equity	(427)	3,377	6,917

Business Regulations and Legal Considerations

The industry in which the Company operates is subject to national, federal, state, and local regulations in the United States, United Kingdom, Australia, South Africa, New Zealand, and Canada that are administered by a variety of regulatory authorities. Generally, prospective providers of corrections services must be able to detail their readiness to comply with, and must comply with, a variety of applicable federal, state and local regulations, including education, health care and safety regulations. The Company's contracts frequently include extensive reporting requirements and require supervision and monitoring of Company-managed facilities by representatives of contracting governmental agencies. The Company's Kyle New Vision Chemical Dependency Treatment Center is licensed by the Texas Commission on Alcohol and Drug Abuse to provide substance abuse treatment. Certain states, such as Florida and Texas, deem correctional officers to be peace officers and require Company personnel to be licensed and subject to background investigation. State law also typically requires corrections officers to meet certain training standards.

In addition, many government agencies are required to enter into a competitive bidding procedure before awarding contracts for products or services. The laws of certain jurisdictions may also require the Company to award subcontracts on a competitive basis or to subcontract with businesses owned by women or members of minority groups.

The failure to comply with any applicable laws, rules or regulations or the loss of any required license could have a material adverse effect on the Company's business, financial condition and results of operations. Furthermore, the current and future operations of the Company may be subject to additional regulations as a result of, among other factors, new statutes and regulations and changes in the manner in which existing statutes and regulations are or may be interpreted or applied. Any such additional regulations could have a material adverse effect on the Company's business, financial condition and results of operations.

Commitments and Contingencies

FACILITIES

The Company has been notified by the Texas Youth Commission of a declining need for beds in the Coke County Texas Facility. The Company has an operating and management contract that is due to expire March 31, 2003 upon the termination of the contract by the Texas Youth Commission. An unrelated third party owns the facility. The Company believes that it has no continuing obligation with respect to the facility in the event the Company's operating contract is terminated or expires. There can be

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no assurance that the contract will be extended. Termination of the contract would not have a material adverse impact on the Company's financial results or cash flows.

The Company leases the 300-bed Broward County Work Release Center in Broward County, Florida (the "Broward Facility"), from CPV under the terms of a non-cancelable lease, which expires on April 28, 2008. The Company operates the Broward Facility for the Broward County Board of County Commissioners and the Broward County Sheriff's Department under the terms of a correctional services contract that was renewed effective February 17, 2003 for an additional eight-month term. The Broward County Sheriff's Department previously advised the Company of the County's declining need for the usage of the Broward Facility, and accordingly, the renewed contract reduced the number of beds in the facility reserved for use by the County. Therefore, the Company initiated discussions with the Immigration and Naturalization Service (the "INS"), which has expressed an interest in utilizing some or all of the Broward Facility, depending on availability and INS need. The INS executed a correctional services management contract with the Company for 72 beds in the Broward Facility, effective from August 1, 2002 through September 30, 2003. Effective January 2003, the INS increased the scope of the contract to house up to 150 detainees. The Company's remaining obligation under the lease with CPV is approximately \$8.5 million.

During 2000, the Company's management contract at the 276-bed Jena Juvenile Justice Center in Jena, Louisiana (the "Facility") was terminated. The Company has incurred operating charges of \$3 million and \$3.8 million during fiscal 2001 and 2000, respectively, related to the Company's 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. In May 2002, the State of Louisiana and CPV entered into a tentative purchase and sale agreement for the Facility, subject to certain contingencies. Additionally, the Company entered into a lease termination agreement subject to the sale of the Facility that resulted in an additional operating charge of approximately \$1.1 million during 2002. The State of Louisiana did not exercise its option to purchase the Facility and the agreements expired October 2002. The Company is actively pursuing various sublease alternatives with several agencies of the federal and state governments. The Company is continuing its efforts to find an alternative correctional use or sublease for the Facility and believes that it will be successful prior to early 2004. The Company has reserved for the lease payments through early 2004 and management believes the reserve balance currently established for anticipated future losses under the lease with CPV is sufficient to cover costs under the lease until a sublease is in place or an alternative future use is established. If the Company is unable to sublease or find an alternative correctional use for the Facility by that time, an additional operating charge will be required. The remaining obligation, exclusive of the reserve for losses through early 2004, on the Jena lease through the contractual term of 2009 is approximately \$11 million.

The Company, through Premier Custodial Group Limited ("PCG"), a 50 percent owned joint venture in the United Kingdom, operates the 400-bed Youthful Offender Institution at Ashfield (the "Ashfield Facility"). On May 23, 2002, the UK Prison Service assumed operational control of the Ashfield Facility based upon the Prison Service's concern over safety and control. Control of the Ashfield Facility was restored to PCG on October 14, 2002. Under the terms of PCG's contract, PCG is paid for operational services on the basis of "Available Prisoner Places." Prior to assuming operational control, the Prison Service paid PCG based upon 400 Available Prisoner Places. From May 23, 2002 through October 23, 2002, the Prison Service paid PCG only for the number of beds actually occupied, which averaged approximately 200 during this period. As a result, PCG's revenues for the Ashfield Facility were reduced by approximately half during this period. In addition, PCG incurred costs in additional resources and staff brought in to address the operational issues at Ashfield. PCG provided the Prison Service with a comprehensive plan for addressing all operational issues at the Ashfield Facility, which was approved by the Authority and implemented by PCG. Effective October 23, 2002, the Prison Service restored payment to PCG for 400 Available Prisoner Places in accordance with the payment provisions set forth in the operating agreement. Subsequently, on January 8, 2003, the Prison Services notified PCG that due to operational issues it was again reducing payment to only pay for the number of beds actually occupied effective December 2, 2002 resulting in a reduction of facility revenues by approximately one-half. PCG

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has submitted a comprehensive plan for addressing these latest operational issues. On January 30, 2003, PCG notified the Prison Service that it considered all operational issues identified in the Prison Service Rectification Notice to be corrected and expected full payment to be restored effective from January 30, 2003. The Prison Service began an audit of the facility's operations in February 2003 and is currently considering the outcome of that audit. PCG expects full revenues to be restored effective January 30, 2003, but there can be no assurance that this will occur until the Prison Service makes its determination.

In Australia, the Department of Immigration, Multicultural and Indigenous Affairs ("DIMIA") announced its intention to enter into contract negotiations with a competitor of the Company's Australian subsidiary for the management and operation of Australia's immigration centers. DIMIA has further stated that if it is unable to reach agreement with the announced preferred bidder, it will enter into negotiations with the Company's Australian subsidiary. The Company is continuing to operate the centers under its current contract, which is due to expire on or before June 23, 2003 but may be extended by the government if negotiations are not completed with the successful tenderer. If negotiations are not successful, WCC's Australian subsidiary is the only other qualified tenderer for consideration. In 2002, the contract with DIMIA represented approximately 10% of the Company's revenue (exclusive revenue of 50-50 joint ventures). In both 2001 and 2000, DIMIA represented approximately 11% of the Company's revenue.

TWC MERGER WITH GROUP 4 FALCK

On May 8, 2002, TWC consummated a merger (the "Merger") with a wholly owned subsidiary of Group 4 Falck A/S ("Group 4 Falck"), a Danish multinational security and correctional services company. As a result of the Merger, Group 4 Falck has become the indirect beneficial owner of 12 million shares in the Company. The Company's common stock continues to trade on the New York Stock Exchange.

Subsequent to the Merger, Group 4 Falck indicated that it intends to divest its interest in the Company. As a result, the Independent Committee of the Board of Directors has hired legal and financial advisors to advise the Company with respect to Group 4 Falck's stated intentions.

In the United Kingdom, the Merger has been reviewed by the Office of Fair Trade and was referred to the Competition Commission for further investigation. The Company conducts most of its business in the United Kingdom through PCG, a 50/50 joint venture with Serco Investments Limited ("Serco"). PCG currently manages six correctional facilities, one immigration detention center, two court escort contracts and two electronic monitoring services contracts. Many of PCG's contracts include a provision that makes the failure to obtain United Kingdom Home Office approval of a change in control an event of default. The Competition Commission completed its investigation and in a report published on October 22, 2002 approved the Merger without conditions. The Youth Justice Board and the Scottish Prison Service have approved the merger. We are waiting for approval from The Home Office Prison Service, The Home Office Monitoring Service and The Immigration Service.

The Merger may affect the Company's interests in PCG. The Company's United Kingdom joint venture partner, Serco, has indicated that it believes the Merger provides Serco with a right to acquire the Company's 50 percent interest in PCG in the absence of Serco's consent to the Merger. The Company disputes the validity of this claim. Group 4 Falck has agreed that in the event the Company is ordered by a court of competent jurisdiction to sell its interest in PCG to Serco at a price below fair market value, Group 4 Falck will reimburse the Company for the amount by which the sale is below fair market value, up to a maximum of 10 percent of the fair market value of the interest. The Company has filed a declaratory judgment suit in the United Kingdom to determine its rights under the joint venture agreement with Serco. The case is scheduled to be heard in May 2003.

The Company has taken steps to safeguard its interest in PCG, as well as PCG's contract interests, but there can be no assurance that these steps will be sufficient to avoid a material adverse effect on the Company's business interests in the United Kingdom.

Availability of Reports and Other Information

The Company's corporate website is located at <http://www.wcc-corrections.com>. The Company is in the process of making available on this website, free of charge, access to the Company's Annual Report on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K, Proxy Statement on Schedule 14A and amendments to those materials filed or furnished pursuant to Section 13(a) or 15(d) of the Securities and Exchange Act of 1934 as soon as reasonably practicable after the Company electronically submits such material to the Securities and Exchange Commission. In addition, the Commission's website is located at <http://www.sec.gov>. The Commission makes available on its website, free of charge, reports, proxy and information statements, and other information regarding issuers, such as the Company, that file electronically with the Commission. Information provided on the Company's website or on the Commission's website is not part of this Annual Report on Form 10-K.

Item 2. Properties

The Company leases its corporate headquarters office space in Palm Beach Gardens, Florida, from TWC. Beginning in April 2003, the Company entered into a new lease for its corporate offices in Boca Raton, Florida. In addition, the Company leases office space for its regional offices in New Braunfels, Texas; Carlsbad, California; Palm Beach Gardens, Florida; and Sydney, Australia, and through its overseas affiliates, in Sandton, South Africa and Bracknell, England.

On April 28, 1998, CPV acquired eight correctional and detention facilities operated by the Company. The Company and CPV previously had three common members on their respective boards of directors. Effective September 9, 2002, the Companies no longer had common members serving on their respective boards of directors. CPV also was granted the fifteen-year right to acquire and lease back future correctional and detention facilities developed or acquired by the Company. During fiscal 1998 and 1999, CPV acquired two additional facilities for \$94.1 million. In fiscal 2000, CPV purchased an eleventh facility that the Company had the right to acquire for \$15.3 million. The Company recognized no net proceeds from the sale. There were no purchase and sale transactions between the Company and CPV in 2001 or 2002.

Simultaneous with the purchases, the Company entered into ten-year operating leases of these facilities from CPV. As the lease agreements are subject to contractual lease increases, the Company records operating lease expense for these leases on a straight-line basis over the term of the leases.

The Company leases the following facilities from CPV: (i) Aurora INS Processing Center; (ii) Broward County Work Release Center; (iii) Central Valley Community Correctional Facility; (iv) Desert View Community Correctional Facility; (v) Golden State Community Correctional Facility; (vi) Jena Juvenile Justice Center; (vii) Karnes County Correctional Center; (viii) Lawton Correctional Facility; (ix) Lea County Correctional Facility; (x) McFarland Community Correctional Facility and (xi) Queens Private Correctional Facility.

The Company also leases the following facilities it manages under operating leases: (i) Central Texas Parole Violator Facility; (ii) Coke County Juvenile Justice Facility; (iii) North Texas Intermediate Sanction Facility; and (iv) Western Region Detention Facility at San Diego.

The Company owns a 72-bed private psychiatric hospital in Fort Lauderdale, Florida, which it purchased and renovated in 1997.

Additionally, as a result of the refinancing transaction described in "Liquidity and Capital Resources", the Company owns the following properties: (i) Guadalupe County Correctional Facility; (ii) Michigan Youth Correctional Facility; (iii) Rivers Correctional Institution; and (iv) Val Verde Correctional Facility.

Item 3. Legal Proceedings

The Company is 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 current

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and former WCC California employees. Discovery is underway and the court has yet to hear the plaintiffs' certification motion. The Company is 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, management believes that the ultimate resolution of these matters, if settled unfavorably to the Company, could have a material adverse effect on the Company's financial position, operating results and cash flows. The Company is vigorously defending its rights in this action. The nature of the Company's business results in claims or litigation against the Company for damages arising from the conduct of its employees or others. Except for routine litigation incidental to the business of the Company, and the matter set forth above, there are no pending material legal proceedings to which the Company or any of its subsidiaries is a party or to which any of their property is subject.

Item 4. *Submission of Matters to a Vote of Security Holders*

No matters were submitted to a vote of security holders during the fourth quarter of the fiscal year covered by this report.

PART II**Item 5. Market for the Company's Common Equity and Related Stockholder Matters**

The following table shows the high and low prices for Wackenhut Corrections Corporation's ("the Company") common stock, as reported by the New York Stock Exchange, for each of the four quarters of fiscal 2002 and 2001. The prices shown have been rounded to the nearest \$1/100th. The approximate number of shareholders of record as of March 10, 2003, was 175.

Quarter	2002		2001	
	High	Low	High	Low
First	\$17.42	\$13.86	\$ 9.88	\$ 7.44
Second	15.95	13.95	14.50	8.85
Third	14.90	10.46	14.63	12.35
Fourth	12.60	10.50	16.30	11.90

The Company intends to retain its earnings to finance the growth and development of its business and does not anticipate paying cash dividends on its capital stock in the foreseeable future. Future dividends, if any, will depend, among other things, on the future earnings, capital requirements, restrictions under the Company's Senior Credit Facility and financial condition of the Company, and on such other factors as the Company's Board of Directors may consider relevant.

During fiscal 2001 the Company purchased 122,000 shares of its common stock at an average price of \$12.68 per share. The Company did not buy back any of its stock during 2002.

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Item 6. Selected Financial Data

The selected consolidated financial data should be read in conjunction with the Company's consolidated financial statements and the notes thereto.

	Fiscal Year Ended:(1)									
	2002		2001		2000		1999		1998	
RESULTS OF OPERATIONS:										
Revenues	\$ 568,612	100.0%	\$ 562,073	100.0%	\$ 535,557	100.0%	\$ 438,484	100.0%	\$ 312,759	100.0%
Operating income	27,876	4.9%	24,184	4.3%	18,912	3.5%	26,041	5.9%	22,501	7.2%
Income before cumulative effect of change in accounting for start-up costs	21,501	3.8%	19,379	3.4%	16,994	3.2%	21,940	5.0%	16,828	5.4%
Cumulative effect of change in accounting for start-up costs	—	0.0%	—	0.0%	—	0.0%	—	0.0%	(11,528)	(3.7)%
Net income	\$ 21,501	3.8%	\$ 19,379	3.4%	\$ 16,994	3.2%	\$ 21,940	5.0%	\$ 5,300	1.7%
EARNINGS PER SHARE — BASIC:										
Income before cumulative effect of change in accounting for start-up costs	\$ 1.02		\$ 0.92		\$ 0.81		\$ 1.01		\$ 0.76	
Cumulative effect of change in accounting for start-up costs	—		—		—		—		(0.52)	
Net income	\$ 1.02		\$ 0.92		\$ 0.81		\$ 1.01		\$ 0.24	
EARNINGS PER SHARE — DILUTED:										
Income before cumulative effect of change in accounting for start-up costs	\$ 1.01		\$ 0.91		\$ 0.80		\$ 1.00		\$ 0.74	
Cumulative effect of change in accounting for start-up costs	—		—		—		—		(0.51)	
Net income	\$ 1.01		\$ 0.91		\$ 0.80		\$ 1.00		\$ 0.23	
WEIGHTED AVERAGE SHARES OUTSTANDING:										
Basic	21,148		21,028		21,110		21,652		22,119	
Diluted	21,364		21,261		21,251		22,015		22,683	
FINANCIAL CONDITION:										
Current assets	\$ 139,583		\$ 140,132		\$ 129,637		\$ 134,893		\$ 94,464	
Current liabilities	74,994		72,245		73,636		55,516		28,145	
Total assets	402,658		242,023		223,571		204,425		148,008	
Total debt	125,000		—		10,000		15,000		213	
Shareholders' equity	152,642		130,361		127,164		118,684		102,940	
OPERATIONAL DATA:										
Contracts/awards	59		61		57		56		52	
Facilities in operation	59		59		51		50		40	
Design capacity of contracts	39,216		39,965		39,944		39,930		35,707	
Design capacity of facilities in operation	39,148		35,941		32,536		32,110		26,651	
Compensated resident days(2)	10,850,003		11,068,912		10,572,093		9,636,099		7,678,858	

- The Company's fiscal year ends on the Sunday closest to the calendar year end. Fiscal 1998 included 53 weeks. Fiscal 2002, 2001, 2000, and 1999 each included 52 weeks.
- Compensated resident days are calculated as follows: (a) per diem rate facilities — the number of beds occupied by residents on a daily basis during the fiscal year and, (b) 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 United Kingdom and South Africa facilities.

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Item 7. Management's Discussion and Analysis of Financial Condition and results of Operations

Item 7A. Quantitative and Qualitative Disclosures About Market Risk

Introduction

The following discussion and analysis provides information which management believes is relevant to an assessment and understanding of the Company's consolidated results of operations and financial condition. The discussion should be read in conjunction with the consolidated financial statements and notes thereto.

Forward-Looking Statements

Certain statements included in this document may contain forward-looking statements regarding future events and future performance of the Company that involves risks and uncertainties that could materially affect actual results, including statements regarding estimated earnings, revenues and costs and estimated openings of new facilities and new global business development opportunities. For further discussion of these statements, refer to Item 1 "Business — Safe Harbor Statement under the Private Securities Litigation Reform Act of 1995."

Overview

The Company, a 56% owned subsidiary of The Wackenhut Corporation, a wholly-owned subsidiary of Group 4 Falck A/ S, is a leader in offering government agencies a turnkey approach to developing new correctional institutions that includes design, construction, financing and operations. It provides a broad spectrum of correctional services, which include adult corrections, juvenile facilities, community corrections and special purpose institutions. Additionally, the Company is a leading developer and manager of public sector mental health facilities.

The Company has contracts/awards to manage 59 correctional facilities in the United States, the United Kingdom, Australia, South Africa, and New Zealand with a total of 39,216 beds, and additional contracts for prisoner transportation, correctional health care services, mental health services, and facility design and construction.

Critical Accounting Policies

The consolidated financial statements are prepared in conformity with accounting principles generally accepted in the United States. As such, we are required to make certain estimates, judgments and assumptions that we believe are reasonable based upon the information available. These estimates and assumptions affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. The Company routinely evaluates its estimates based on historical experience and on various other assumptions that management believes are reasonable under the circumstances. Actual results may differ from these estimates under different assumptions or conditions. The significant accounting policies and estimates which we believe are the most critical to aid in fully understanding and evaluating our reported financial results include the following:

Revenue Recognition

In accordance with SEC Staff Accounting Bulletin No. 101 and related interpretations, facility management revenues are recognized as services are provided under facility management contracts with approved government appropriations based on a net rate per day per inmate or on a fixed monthly rate. Project development and design revenues are recognized as earned on a percentage of completion basis measured by the percentage of costs incurred to date as compared to estimated total cost for each contract. This method is used because management considers costs incurred to date to be the best available measure of progress on these contracts. Provisions for estimated losses on uncompleted contracts and changes to cost estimates are made in the period in which the Company determines that such losses

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and changes are probable. Contract costs include all direct material and labor costs and those indirect costs related to contract performance. Changes in job performance, job conditions, and estimated profitability, including those arising from contract penalty provisions, and final contract settlements may result in revisions to estimated costs and income, and are recognized in the period in which the revisions are determined.

The Company extends credit to the government agencies contracted with and other parties in the normal course of business as a result of billing and receiving payment for services thirty to sixty days in arrears. Further, the Company regularly reviews outstanding receivables, and provides estimated losses through an allowance for doubtful accounts. In evaluating the level of established reserves, the Company makes judgments regarding its customers' ability to make required payments, economic events and other factors. As the financial condition of these parties change, circumstances develop or additional information becomes available, adjustments to the allowance for doubtful accounts may be required.

Property and Equipment

As of December, 29 2002, the Company had approximately \$206 million in long-lived property and equipment. Property and equipment are recorded at cost. Depreciation is provided using the straight-line method over the estimated useful lives. Leasehold improvements are amortized on a straight-line basis over the shorter of the useful life of the improvement or the term of the lease. We perform ongoing evaluations of the estimated useful lives of our property and equipment for depreciation purposes. The estimated useful lives are determined and continually evaluated based on the period over which services are expected to be rendered by the asset. Maintenance and repair items are expensed as incurred.

The Company reviews for impairment of long-lived assets to be held and used whenever events or changes in circumstances indicate that the carrying amount of such assets may not be fully recoverable. Determination of recoverability is based on an estimate of undiscounted future cash flows resulting from the use of the asset and its eventual disposition. Measurement of an impairment loss for long-lived assets that management expects to hold and use is based on the fair value of the asset. Long-lived assets to be disposed of are reported at the lower of carrying amount or fair value less costs to sell. Management has reviewed the Company's long-lived assets and determined that there are no events requiring impairment loss recognition. Events that would trigger an impairment assessment include deterioration of profits for a business segment that has long-lived assets, or when other changes occur which might impair recovery of long-lived assets.

Income Taxes

Deferred tax assets and liabilities are recognized as the difference between the book basis and tax basis of its net assets. In providing for deferred taxes, the Company considers current tax regulations, estimates of future taxable income and available tax planning strategies. If tax regulations, operating results or the ability to implement tax-planning strategies vary, adjustments to the carrying value of deferred tax assets and liabilities may be required.

Reserves for Insurance Losses

Casualty insurance related to workers' compensation, general liability and automobile insurance coverage is provided through an independent insurer. The insurance program consists of primary and excess insurance coverage. The primary general liability coverage has a \$5 million limit per occurrence with a \$20 million general aggregate limit and a \$1 million deductible. The primary automobile coverage has a \$5 million limit per occurrence with a \$1 million deductible and the primary workers' compensation insurance limits are based on state statutes and contain a \$1 million deductible. The excess coverage has a \$50 million limit per occurrence and in the aggregate. The Company believes such limits are adequate to insure against the various liability risks of its business. The Company is self-insured for employment claims and medical malpractice.

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Because the policy is a high deductible policy, losses are recorded as reported and provision is made to cover losses incurred but not reported. Loss reserves are undiscounted and are computed based on independent actuarial studies.

Financial Condition

Liquidity and Capital Resources

The Company's principal sources of liquidity are from operations, borrowings under its credit facilities, and sale of prison facilities or of its rights to acquire prison facilities. Cash and equivalents totaled \$35.2 million at December 29, 2002, compared to \$46.1 million at December 30, 2001. Net working capital totaled \$64.6 million at December 29, 2002, compared to \$67.9 million at December 30, 2001.

Prior to December 12, 2002, the Company's sources of liquidity were a \$30 million multi-currency revolving credit facility, which included \$5 million for the issuance of letters of credit and a \$154.3 million operating lease facility established to acquire and develop new correctional institutions used in its business. No amounts were outstanding under the revolving credit facility and \$154.3 million was outstanding under the operating lease facility. The term of the operating lease facility was set to expire December 18, 2002 upon which the Company had the ability to purchase the properties in the facility for their original acquisition cost.

On December 12, 2002, the Company entered into a new \$175 million Senior Secured Credit Facility (the "Senior Credit Facility") consisting of a \$50 million, 5-year revolving loan (the "Revolving Credit Facility") and a \$125 million, 6-year term loan (the "Term Loan Facility"). Borrowings under the Term Loan Facility and corporate cash were used to purchase four correctional facilities in operation under the Company's \$154.3 million operating lease facility. The purchase price totaled approximately \$155 million, which included related fees and expenses. Simultaneous with the closing of the Senior Credit Facility, the Company terminated its \$154.3 million operating lease facility and \$30 million multi-currency revolving credit facility, both of which would have expired on December 18, 2002.

The Revolving Credit Facility contains a \$30 million limit for the issuance of standby letters of credit. At December 29, 2002, \$125 million was outstanding under the Term Loan Facility, there were no borrowings under the Revolving Credit Facility, and there were \$7.2 million of outstanding letters of credit. At December 29, 2002, \$42.8 million of the Revolving Credit Facility was available to the Company for working capital, acquisitions, general corporate purposes, and certain restricted payments, as defined.

The Senior Credit Facility permits the Company to make certain restricted payments, such as the repurchase of Company common stock. At December 29, 2002, the Company had \$15 million available for restricted payments. The amount of permitted restricted payments may increase upon the Company's generation of excess cash flow, as defined in the Senior Credit Facility and under certain permitted asset sales.

Indebtedness under the Revolving Credit Facility bears interest at the Company's option at the Base Rate (defined as the higher of the prime rate or federal funds plus 0.5%) plus a spread of 125 to 200 basis points or LIBOR plus 250 to 325 basis points, depending on the leverage ratio, as defined in the Senior Credit Facility. Indebtedness under the Term Loan Facility bears interest at LIBOR + 400 basis points, with a minimum LIBOR rate of 2.0% during the first 18-months. As LIBOR was below 2.0% at December 29, 2002, the effective rate on the Company's term loan borrowings was 6.0%.

Obligations under the Senior Credit Facility are guaranteed by the Company's material domestic subsidiaries and are secured by substantially all of the Company's tangible and intangible assets.

The Senior Credit Facility includes covenants that require the Company, among other things, to maintain a maximum leverage ratio, a minimum fixed charge coverage ratio, a minimum net worth, and to limit the amount of annual capital expenditures. The facility also limits certain payments and distributions to the Company as well as the Company's ability to enter into certain types of transactions. The Company was in compliance with the covenants of the Senior Credit Facility as of December 29, 2002.

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The Senior Credit Facility has been rated Ba3/ BB by Moody's Investors Service, Inc. ("Moody's") and Standard and Poor's Ratings Group, a division of the McGraw – Hill Companies ("S&P"), respectively. In addition, the Company obtained issuer ratings of B1/ BB- from Moody's and S&P, respectively.

At December 29, 2002 the Company also had outstanding fourteen letters of guarantee totaling approximately \$13 million under separate international credit facilities.

In connection with the financing and management of one Australian facility, the Company's wholly owned Australian subsidiary financed the facility's development with long-term debt obligations, which are non-recourse to the Company. The Company has consolidated the subsidiary's direct finance lease receivable from the state government and related non-recourse debt each totaling approximately \$31 million as of December 29, 2002. The Company has reclassified the amounts reflected in the December 30, 2001 balance sheet to reflect the asset and related non-recourse debt of approximately \$26 million to conform to current year presentation. The term of the non-recourse debt is through 2017 and it bears interest at a variable rate quoted by certain Australian banks plus 140 basis points. Any obligations or liabilities of the subsidiary are matched by a similar or corresponding commitment from the government of the State of Victoria. In connection with the non-recourse debt, the subsidiary is a party to an interest rate swap agreement to fix the interest rate on the variable rate non-recourse debt to 9.7%. Management of the Company has determined the swap to be an effective cash flow hedge. Accordingly, the Company has recorded the value of the interest rate swap in other comprehensive income, net of applicable income taxes.

Cash provided by operating activities amounted to \$22.2 million in fiscal 2002 compared to cash provided by operating activities of \$29.5 million in fiscal 2001, primarily reflecting an increase in other current assets and accounts receivable as well as a decrease in accounts payable and accrued expenses offset by higher net income and depreciation expense as well as an increase in other liabilities primarily driven by costs related to employment agreements with certain key executives triggered by the change in control from the sale of TWC as well as an acceleration of the retirement age under the senior executive deferred compensation plans, also a result of the sale of TWC.

Cash used in investing activities increased by \$155.4 million to \$159.3 million in fiscal 2002 as compared to fiscal 2001. This change is primarily due to the purchase by the Company in December 2002 of four correctional facilities in operation under the Company's prior operating lease facility. In December 2002, the Company acquired four correctional properties that were formerly included in the Company's operating lease facility for an aggregate purchase price of approximately \$155 million.

Cash provided by financing activities increased by \$140.4 million to \$129.2 million in fiscal 2002 as compared to fiscal 2001. This change primarily reflects borrowings under the Company's Senior Credit Facility completed December 12, 2002.

Current cash requirements consist of amounts needed for working capital, capital expenditures and supply purchases, investments in joint ventures, and investments in facilities. Some of the Company's management contracts require the Company to make substantial initial expenditures of cash in connection with opening or renovating a facility. The initial expenditures subsequently are fully or partially recoverable as pass-through costs or are billable as a component of the "per diem" rates or monthly fixed fees to the contracting agency over the original term of the contract.

Management believes that cash on hand, cash flows from operations and available lines of credit will be adequate to support currently planned business expansion and various obligations incurred in the operation of the Company's business, both on a near and long-term basis.

The Company's access to capital and ability to compete for future capital-intensive projects is dependent upon, among other things, its ability to meet certain financial covenants in the \$175 million Senior Credit Facility. A substantial decline in the Company's financial performance as a result of an increase in operational expenses relative to revenue could limit the Company's access to capital.

Inflation

Management believes that inflation, in general, did not have a material effect on the Company's results of operations during fiscal 2002 and 2001. However, in fiscal 2000, the Company experienced increased wage pressures due to tight labor markets in certain key geographic areas. In addition, the Company was negatively impacted by significant increases in utilities costs in fiscal 2000, particularly in the western United States. While some of the Company's contracts include provisions for inflationary indexing, inflation could have a substantial adverse effect on the Company's results of operations in the future to the extent that wages and salaries, which represent the largest expense to the Company, increase at a faster rate than the per diem or fixed rates received by the Company for its management services.

Market Risk

The Company is exposed to market risks, including changes in interest rates and fluctuations in foreign currency exchange rates between the U.S. dollar and the Australian dollar, British pound and South African rand currency exchange rates.

These exposures primarily relate to changes in interest rates with respect to the \$175 million Senior Credit Facility. Monthly payments under these facilities are indexed to a variable interest rate. Based upon the Company's interest rate and foreign currency exchange rate exposure at December 29, 2002, a hypothetical 100 basis point change in the current interest rate or a 10 percent increase in historical currency rates would have approximately a \$1.5 million effect on the Company's financial position and results of operations over the next fiscal year.

The Company has entered into certain interest rate swap arrangements fixing the interest rate on its Australian non-recourse debt to 9.7%. Additionally, the Company's UK affiliate is a party to interest swap arrangements that fix the interest rate on the UK affiliate's debt to rates ranging from 6.2% to 8.7%. The difference between the floating rate and the swap rate on these instruments is recognized in interest expense within the respective entity. Because the interest rates with respect to these instruments are fixed, a hypothetical 100 basis point change in the current interest rate would not have a material impact on our financial statements.

Additionally, the Company invests its cash in a variety of short-term financial instruments. These instruments generally consist of highly liquid investments with original maturities at the date of purchase of three months or less. While these instruments are subject to interest rate risk, a hypothetical 10% increase or decrease in market interest rates would not have a material impact on our financial statements.

Results of Operations

The following discussion should be read in conjunction with the Company's consolidated financial statements and notes thereto.

Fiscal 2002 compared with Fiscal 2001

Revenues increased \$6.5 million, or 1.2% to \$568.6 million in 2002 from \$562.1 million in 2001. The increase in revenues is the result of new facility openings and increases in per diem rates offset by lower construction revenue and the closure of a number of facilities. Specifically, revenue increased approximately \$27.4 million in 2002 compared to 2001 due to increased compensated resident days at a number of domestic facilities, including, but not limited to, the facilities opened in 2001, Val Verde Correctional Facility, Del Rio, Texas and the Rivers Correctional Institution, Winton, North Carolina and an overall increase in per diem rates. Revenues decreased by approximately \$9.4 million in 2002 compared to 2001 due to the decline in construction revenue. Offsetting the increase, revenue was reduced by approximately \$11.5 million in 2002 compared to 2001 due to the expiration of our contracts with the Arkansas Board of Correction and Community Punishment in 2001 and the expiration of the Bayamon Correctional Facility contract in June 2002.

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The number of compensated resident days in domestic facilities remained constant at 9.2 million for 2002 and 2001. Average facility occupancy in domestic facilities increased to 98.5% in 2002 from 97% in 2001. Compensated resident days in Australian facilities decreased to 1.7 million in 2002 from 1.9 million in 2001 primarily due to lower population levels at the immigration and detention centers. Average facility occupancy in Australian facilities decreased to 91.4% in 2002 from 94.3% in 2001, based on declining facility capacity designation adjusted to client needs.

In Australia, the Department of Immigration, Multicultural and Indigenous Affairs (“DIMIA”) announced its intention to enter into contract negotiations with a competitor of the Company’s Australian subsidiary for the management and operation of Australia’s immigration centers. DIMIA has further stated that if it is unable to reach agreement with the announced preferred bidder, it will enter into negotiations with the Company’s Australian subsidiary. The Company is continuing to operate the centers under its current contract, which is due to expire on or before June 23, 2003 but may be extended by the government if negotiations are not completed with the successful tenderer. If negotiations are not successful, WCC’s Australian subsidiary is the only other qualified tender for consideration. In 2002, the contract with DIMIA represented approximately 10% of the Company’s revenue (exclusive revenue of 50-50 joint ventures). In both 2001 and 2000, DIMIA represented approximately 11% of the Company’s revenue.

The Company has thirty-three existing contracts up for renewal in 2003. Management expects to renew these contracts but can provide no assurance that the Company will be successful in these efforts.

Operating expenses decreased by 1.4% to \$496.5 million in 2002 compared to \$503.5 million in 2001. As a percentage of revenues, operating expenses decreased to 87.3% in 2002 from 89.6% in 2001. This decrease primarily reflects the absence of \$3.5 million in start-up costs related to the opening of the Val Verde, Texas and Winton, North Carolina facilities in 2001, as well as significantly lower expenses related to construction activities, the expiration of the contracts with the Arkansas Board of Correction and Community Punishment and Bayamon Correctional Facility and a decrease in expenses related to the Company’s operating lease facility, which was refinanced December 12, 2002. Additionally, there are a number of secondary factors contributing to operating expenses in 2002 as compared to 2001 which include the following: lease expense for payments made to CPV of \$21.3 million offset by \$1.8 million in amortization of the deferred revenue from the sale of properties to CPV.

During 2000, the Company’s management contract at the 276-bed Jena Juvenile Justice Center in Jena, Louisiana (the “Facility”) was terminated. The Company has incurred operating charges of \$3 million and \$3.8 million during fiscal 2001 and 2000, respectively, related to the Company’s 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. In May 2002, the State of Louisiana and CPV entered into a tentative purchase and sale agreement for the Facility, subject to certain contingencies. Additionally, the Company entered into a lease termination agreement subject to the sale of the Facility that resulted in an additional operating charge of approximately \$1.1 million during 2002. The State of Louisiana did not exercise its option to purchase the Facility and the agreements expired during October 2002. The Company is actively pursuing various sublease alternatives with several agencies of the federal and state government. The Company is continuing its efforts to find an alternative correctional use or sublease for the Facility and believes that it will be successful prior to early 2004. The Company has reserved for the lease payments through early 2004 and management believes the reserve balance currently established for anticipated future losses under the lease with CPV is sufficient to cover costs under the lease until a sublease is in place or an alternative future use is established. If the Company is unable to sublease or find an alternative correctional use for the Facility by that time, an additional operating charge will be required. The remaining obligation, exclusive of the reserve for losses through early 2004, on the Jena lease through the contractual term of 2009 is approximately \$11 million.

Depreciation and amortization increased by 21.9% to \$12.1 million in 2002 from \$9.9 million in 2001 due to the newly operational facilities in 2002, the addition of the four facilities as a result of the refinancing of the Company’s operating lease facility and incremental depreciation due to assets acquired

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in the Company's development of the internal support structure previously provided by TWC. As a percentage of revenues, depreciation and amortization increased to 2.1% from 1.8% in 2001.

Contribution from operations increased 23.5% to \$60.0 million in 2002 from \$48.6 million in 2001. As discussed above, this increase is primarily attributable to the absence of start-up costs for newly constructed facilities, an overall increase in per diem rates, significantly improved financial performance at a number of existing facilities, the discontinuation of an unprofitable contract in 2001 in Arkansas, decreased expense under the Company's operating lease facility and other factors as discussed above. As a percentage of revenue, contribution from operations increased to 10.6% in 2002 from 8.6% in 2001.

General and administrative expenses increased 31.6% to \$32.1 million in 2002 from \$24.4 million in 2001. As a percentage of revenue, general and administrative expenses increased to 5.7% in 2002 from 4.3% in 2001. The increase was primarily driven by payments under employment agreements with certain key executives triggered by the change in control from the sale of TWC as well as an acceleration of the retirement age under the senior executive deferred compensation plans, also a result of the sale of TWC. Other factors impacting the increase were higher insurance costs, increased legal and professional fees and higher travel costs.

Related party transactions occur in the normal course of business between the Company and TWC. Such transactions include the purchase of goods and services and corporate costs for information technology support, office space and interest expense. Total related party transaction costs with TWC, excluding casualty insurance, were approximately \$3.1 million in fiscal 2002 as compared to \$3.2 million in fiscal 2001.

TWC provides various general and administrative services to the Company under a Services Agreement, through which TWC provides payroll services, human resources support, tax services and information technology support services through December 31, 2002. Beginning January 1, 2003, the only services provided are for information technology support through year-end 2004. The Company has negotiated annual rates with TWC based upon the level of service to be provided under the Services Agreement. The Company also leases office space from TWC for its corporate headquarters under a non-cancelable operating lease that expires February 11, 2011. Management of the Company has decided to relocate its corporate headquarters to Boca Raton, Florida and has entered into a ten-year lease for new office space. The Company expects to complete the move by April 2003. Management is in the process of marketing the space the Company currently leases from TWC and believes that a sublease will be entered into under terms and conditions similar to those contained in the Company's lease with TWC. The remaining obligation on the lease is approximately \$5.3 million. There can be no assurance that the Company will be successful in its efforts to sublease the current office space.

Operating income increased by 15.3% to \$27.9 million in 2002 from \$24.2 million in 2001. As a percentage of revenue, operating income increased to 4.9% in 2002 from 4.3% in 2001 due to the factors impacting contribution from operations described above.

Interest income increased 12.1% to \$4.8 million in 2002 from \$4.3 million in 2001. This increase is primarily due to higher average invested cash balances.

Interest expense increased slightly to \$3.7 million in 2002 from \$3.6 million in 2001 reflecting higher effective interest rates as a result of the refinancing completed on December 12, 2002.

Income before income taxes and equity in earnings of affiliates, increased to \$28.9 million in 2002 from \$24.9 million in 2001 due to the factors described previously.

Provision for income taxes increased to \$12.7 million in 2002 from \$9.7 million in 2001 due to the increase in income before income taxes and a higher effective tax rate. The higher effective tax rate reflects an increase in the tax provision to provide for higher additional taxes due to the disallowance of certain expenses resulting from the sale of TWC.

Equity in earnings of affiliates, net of income tax provision, increased 23.7% to \$5.2 million in 2002 from \$4.2 million in 2001. Fiscal year 2001 reflects start-up costs associated with the opening of the 800-

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bed Dovegate prison in the United Kingdom, in July 2001, and the opening of the 150-bed Dungavel House Immigration Detention Centre in the United Kingdom, in August 2001. Fiscal 2002 reflects the full activation of these facilities offset by start-up costs and phase-in losses related to the 3,024-bed South African prison, which opened in February 2002. Additionally, performance issues at the Ashfield Facility negatively impacted fiscal 2002 results.

Net income increased 10.9% to \$21.5 million in 2002 from \$19.4 million in 2001 as a result of the factors described above.

Fiscal 2001 compared with Fiscal 2000

Revenues increased \$26.5 million, or 5.0% to \$562.1 million in 2001 from \$535.6 million in 2000. The increase in revenues is the result of new facility openings offset by lower construction revenue, closure of two facilities and lower compensated resident days at the DIMIA facilities in Australia. Specifically, revenue increased approximately \$52.5 million in 2001 compared to 2000 due to increased compensated resident days resulting from the opening of two facilities in 2000, (Auckland Central Remand Prison, Auckland, New Zealand in July 2000 and the Western Region Detention Facility at San Diego, San Diego, California in July 2000) and the opening of two facilities in 2001 (Val Verde Correctional Facility, Del Rio, Texas in January 2001 and the Rivers Correctional Institution, Winton, North Carolina in March 2001). Revenues decreased by approximately \$27.3 million in 2001 compared to 2000 due to less construction activity. Revenues also decreased by approximately \$10.4 million in 2001 compared to 2000 due to the cessation of operations at the Jena Juvenile Justice Center, the expiration of our contracts with the Arkansas Board of Correction and Community Punishment and a decline in compensated resident days at the DIMIA facilities. The balance of the increase in revenues was attributable to facilities open during all of both periods and increases in per diem rates.

The number of compensated resident days in domestic facilities increased to 9.2 million in 2001 from 8.8 million in 2000. Average facility occupancy in domestic facilities was 97% for 2001 and 2000. Compensated resident days in Australian facilities increased to 1.9 million in 2001 from 1.8 million in 2000 primarily due to the opening of the Auckland Central Remand Prison in July 2000. Average facility occupancy in Australian facilities decreased to 94.3% in 2001 from 99.1% in 2000.

In December 2001, the Company was issued a notice of contract non-renewal by the Administration of Corrections from the Commonwealth of Puerto Rico for the management of the Bayamon Correctional Facility. The current contract was set to expire March 23, 2002. The contract expired June 23, 2002. The termination of the management contract did not have a significant adverse impact on the Company's results of operations and cash flows.

Operating expenses increased by 3.4% to \$503.5 million in 2001 compared to \$486.9 million in 2000. As a percentage of revenues, operating expenses decreased to 89.6% in 2001 from 90.9% in 2000. This increase primarily reflects the four facilities that were opened in 2001 and 2000, as described above. Additionally, there are a number of secondary factors contributing to the increase in operating expenses in 2001 as compared to 2000 which include the following: lease expense for payments made to CPV of \$20.9 million, excluding the Jena lease payments included in the Jena charge, offset by \$1.9 million in amortization of the deferred revenue from the sale of properties to CPV; and expenses related to the construction of a new facility for the government of the Netherlands Antilles. The decrease as a percentage of revenue is the result of improved operations at a number of facilities including: Lea County Correctional Facility (New Mexico), Michigan Youth Correctional Facility (Michigan), and North Texas Intermediate Sanction Facility (Texas) and the termination of its management service contract for the Grimes and McPherson Correctional Facilities on June 30, 2001. The Company implemented strategies to improve the operational performance of these facilities and believes their performance has stabilized. However, there can be no assurance that these strategies will continue to be successful. Additionally during 2001 the Company renegotiated its management contract for the George W. Hill Correctional Facility. The Company purchases comprehensive general liability, automobile liability and workers' compensation with a \$1 million deductible per occurrence. The deductible portion of the Company's risk was re-insured

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by TWC's wholly-owned captive re-insurance company. The Company paid TWC a fee for the transfer of the deductible exposure. The Company's insurance costs increased significantly during the third and fourth quarter of 2001 due to a hardened seller's insurance market, which was exacerbated by the events of September 11, 2001 and historical adverse claims experience. The Company paid premiums related to this program of approximately \$22 million in fiscal 2001 as compared to approximately \$13.6 million in fiscal 2000. The Company has implemented a strategy to improve the management of future claims incurred by the Company but can provide no assurance that this strategy will result in lower insurance rates. In addition to the casualty insurance program with TWC, related party transactions occur in the normal course of business between the Company and TWC. Such transactions include the purchase of goods and services and corporate costs for management support, office space and interest expense. Total related party transaction costs with TWC, excluding casualty insurance, were approximately \$3.2 million in fiscal 2001 as compared to \$3.8 million in fiscal 2000. As previously discussed, the Company also incurred significant unanticipated wage increases in 2000 due to tight labor markets. The Company did not experience significant unanticipated wage increases in 2001.

In 2001, the Company reported an operating charge of \$3 million (\$1.8 million after tax, or \$0.09 per share), related to the Jena, Louisiana facility which represents the expected losses to be incurred on the lease through December 2002 as management believed a sale of the facility would be finalized by that date or an alternative use would have been found. At December 30, 2001, the Company's total remaining obligation under the lease agreement was approximately \$14 million. This compares with a charge of \$3.8 million in 2000 (\$2.3 million after tax, or \$0.11 per share). At that time the Company estimated the facility would remain inactive through 2001.

Depreciation and amortization increased by 14.8% to \$9.9 million in 2001 from \$8.6 million in 2000 due to the new facilities added in 2001 and a full year of depreciation on the San Diego facility added in 2000. As a percentage of revenues, depreciation and amortization increased to 1.8% from 1.6% in 2000.

Contribution from operations increased 21.4% to \$48.6 million in 2001 from \$40.0 million in 2000. As discussed above, this increase is primarily attributable to the four new facilities that opened in 2001 and 2000 and the other factors discussed above. As a percentage of revenue, contribution from operations increased to 8.6% in 2001 from 7.5% in 2000.

General and administrative expenses increased 15.6% to \$24.4 million in 2001 from \$21.1 million in 2000. The increase reflects costs related to additional personnel and infrastructure as well as increased salary costs and higher travel costs. As a percentage of revenue, general and administrative expenses increased to 4.3% in 2001 from 3.9% in 2000.

Operating income increased by 27.9% to \$24.2 million in 2001 from \$18.9 million in 2000. As a percentage of revenue, operating income increased to 4.3% in 2001 from 3.5% in 2000 due to the factors impacting contribution from operations.

Interest income decreased 29.9% to \$4.3 million in 2001 from \$6.1 million in 2000. This decrease is primarily due to lower average invested cash balances, lower interest rates and the sale of a portion of the Company's loans to overseas affiliates in 2000.

Interest expense decreased 25.0% to \$3.6 million in 2001 from \$4.8 million in 2000. This decrease is due to decreased interest rates and paying down \$10.0 million in long-term debt during 2001.

Other income in 2000 of \$0.6 million represents a gain from the sale of a portion of the Company's loans to overseas affiliates. There was no such activity in 2001.

Income before income taxes and equity in earnings of affiliates, increased to \$24.9 million in 2001 from \$20.9 million in 2000 due to the factors described previously.

Provision for income taxes increased to \$9.7 million in 2001 from \$8.4 million in 2000 due to the increase in income before income taxes. The Company's effective tax rate decreased 1% due to lower foreign tax rates.

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Equity in earnings of affiliates, net of income tax provision, decreased 6.0% to \$4.2 million in 2001 from \$4.5 million in 2000 due to phase-in costs associated with the 800-bed Dovegate prison in the United Kingdom, which opened in the third quarter of 2001, and start-up costs related to the 3,024-bed South African prison on schedule to open in mid-February, 2002.

Net income increased 14.0% to \$19.4 million in 2001 from \$17 million in 2000 as a result of the factors described above.

Item 8. *Financial Statements and Supplementary Data*

WACKENHUT CORRECTIONS CORPORATION

CONSOLIDATED STATEMENTS OF INCOME

Fiscal Years Ended December 29, 2002, December 30, 2001, and December 31, 2000

	2002	2001	2000
	(U.S. dollars in thousands, except per share data)		
REVENUES	\$568,612	\$562,073	\$535,557
OPERATING EXPENSES			
(including amounts related to The Wackenhut Corporation (TWC) of \$17,973, \$21,952, and \$13,588)	496,497	503,547	486,884
DEPRECIATION AND AMORTIZATION	12,093	9,919	8,639
CONTRIBUTION FROM OPERATIONS	60,022	48,607	40,034
GENERAL AND ADMINISTRATIVE EXPENSES			
(including amounts related to TWC of \$3,105, \$3,117, and \$3,783)	32,146	24,423	21,122
OPERATING INCOME	27,876	24,184	18,912
INTEREST INCOME			
(including amounts related to TWC of \$3, \$9, and \$8)	4,794	4,278	6,104
INTEREST EXPENSE			
(including amounts related to TWC of (\$35), (\$58), and \$(73))	(3,737)	(3,597)	(4,801)
OTHER INCOME, NET	—	—	641
INCOME BEFORE INCOME TAXES AND EQUITY IN EARNINGS OF AFFILIATES	28,933	24,865	20,856
PROVISION FOR INCOME TAXES	12,652	9,706	8,352
INCOME BEFORE EQUITY IN EARNINGS OF AFFILIATES	16,281	15,159	12,504
EQUITY IN EARNINGS OF AFFILIATES,			
(net of income tax provision of \$3,000, \$2,698, and \$2,985)	5,220	4,220	4,490
NET INCOME	\$ 21,501	\$ 19,379	\$ 16,994
EARNINGS PER SHARE			
Basic:	\$ 1.02	\$ 0.92	\$ 0.81
Diluted:	\$ 1.01	\$ 0.91	\$ 0.80
BASIC WEIGHTED AVERAGE SHARES OUTSTANDING	21,148	21,028	21,110
DILUTED WEIGHTED AVERAGE SHARES OUTSTANDING	21,364	21,261	21,251

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

WACKENHUT CORRECTIONS CORPORATION

CONSOLIDATED BALANCE SHEETS

December 29, 2002 and December 30, 2001

	2002	2001
	(U.S. dollars in thousands, except per share data)	
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 35,240	\$ 46,099
Accounts receivable, less allowance for doubtful accounts of \$1,644 and \$2,557.	84,737	79,002
Deferred income tax asset	7,161	6,041
Other	12,445	8,990
Total current assets	139,583	140,132
PROPERTY AND EQUIPMENT, NET	206,466	53,758
INVESTMENTS IN AND ADVANCES TO AFFILIATES	19,776	15,328
DEFERRED INCOME TAX ASSET	119	716
DIRECT FINANCE LEASE RECEIVABLE	30,866	25,319
OTHER NON CURRENT ASSETS	5,848	6,770
	\$402,658	\$242,023
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES		
Accounts payable	\$ 10,138	\$ 14,079
Accrued payroll and related taxes	17,489	13,318
Accrued expenses	43,046	41,573
Current portion of deferred revenue and non-recourse debt	3,071	3,275
Current portion of long-term debt	1,250	—
Total current liabilities	74,994	72,245
DEFERRED REVENUE	7,348	9,817
OTHER	13,058	4,281
LONG-TERM DEBT	123,750	—
NON-RECOURSE DEBT	30,866	25,319
COMMITMENTS AND CONTINGENCIES		
SHAREHOLDERS' EQUITY		
Preferred stock, \$.01 par value, 10,000,000 shares authorized	—	—
Common stock, \$.01 par value, 30,000,000 shares authorized, 21,245,620 and 20,977,224 shares issued and outstanding	212	210
Additional paid-in capital	63,500	61,157
Retained earnings	111,337	89,836
Accumulated other comprehensive loss	(22,407)	(20,842)
Total shareholders' equity	152,642	130,361
	\$402,658	\$242,023

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

WACKENHUT CORRECTIONS CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS
Fiscal Years Ended December 29, 2002, December 30, 2001, and December 31, 2000

	2002	2001	2000
(U.S. dollars in thousands)			
CASH FLOW FROM OPERATING ACTIVITIES:			
Net income	\$ 21,501	\$ 19,379	\$ 16,994
Adjustments to reconcile net income to net cash provided by operating activities			
Depreciation and amortization expense	12,093	9,919	8,639
Deferred tax benefit	(711)	(670)	(1,952)
Provision for doubtful accounts	2,368	3,636	1,755
Gain on sale of loans receivable	—	—	(641)
Equity in earnings of affiliates, net of tax	(5,220)	(4,220)	(4,490)
Tax benefit related to employee stock options	1,081	315	—
Changes in assets and liabilities			
(Increase) decrease in assets			
Accounts receivable	(6,851)	(3,219)	(6,227)
Other current assets	(9,048)	1,383	204
Other assets	475	(414)	(3,325)
Increase (decrease) in liabilities			
Accounts payable and accrued expenses	(3,485)	1,525	15,669
Accrued payroll and related taxes	3,936	756	1,768
Deferred revenue	(2,673)	(3,192)	(2,488)
Other liabilities	8,777	4,281	—
Net cash provided by operating activities	22,243	29,479	25,906
CASH FLOW FROM INVESTING ACTIVITIES:			
Investments in and advances to affiliates	(171)	(130)	(4,515)
Repayments of investments in and advances to affiliates	1,617	4,559	246
Proceeds from the sale of loans receivable	—	—	2,461
Capital expenditures	(160,698)	(8,326)	(19,138)
Net cash used in investing activities	(159,252)	(3,897)	(20,946)
CASH FLOW FROM FINANCING ACTIVITIES:			
Proceeds from long-term debt and non-recourse debt	127,981	—	9,000
Payments on long-term debt	—	(10,000)	(14,000)
Proceeds from the exercise of stock options	1,264	397	12
Repurchase of common stock	—	(1,547)	(4,933)
Net cash provided by (used in) financing activities	129,245	(11,150)	(9,921)
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS			
	(3,095)	(2,154)	(2,247)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS			
	(10,859)	12,278	(7,208)
CASH AND CASH EQUIVALENTS, beginning of period	46,099	33,821	41,029
CASH AND CASH EQUIVALENTS, end of period	\$ 35,240	\$ 46,099	\$ 33,821
SUPPLEMENTAL DISCLOSURES:			
Cash paid during the year for:			
Income taxes	\$ 5,589	\$ 5,339	\$ 6,140
Interest	\$ 525	\$ 479	\$ 631

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

WACKENHUT CORRECTIONS CORPORATION
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
AND COMPREHENSIVE INCOME
Fiscal Years Ended December 29, 2002, December 30, 2001, and December 31, 2000

	Common Stock		Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Total Shareholders' Equity
	Number of Shares	Amount				
	(U.S. dollars in thousands)					
BALANCE, JANUARY 2, 2000	21,509	\$215	\$66,908	\$ 53,463	\$ (1,902)	\$ 118,684
Proceeds from stock options exercised	4	—	12	—	—	12
Common stock repurchased and retired	(500)	(5)	(4,928)	—	—	(4,933)
Comprehensive income:						
Net income	—	—	—	16,994	—	
Change in foreign currency translation, net of income tax benefit of \$2,395.	—	—	—	—	(3,593)	
Total comprehensive income	—	—	—	—	—	13,401
BALANCE, DECEMBER 31, 2000	21,013	210	61,992	70,457	(5,495)	127,164
Proceeds from stock options exercised	86	1	396	—	—	397
Tax benefit related to employee stock options	—	—	315	—	—	315
Common stock repurchased and retired	(122)	(1)	(1,546)	—	—	(1,547)
Comprehensive income:						
Net income	—	—	—	19,379	—	
Change in foreign currency translation, net of income tax benefit of \$1,777.	—	—	—	—	(2,780)	
Cumulative effect of change in accounting principle related to affiliate's derivative instruments	—	—	—	—	(12,093)	
Unrealized loss on derivative instruments	—	—	—	—	(474)	
Total comprehensive income	—	—	—	—	—	4,032
BALANCE, DECEMBER 30, 2001	20,977	210	61,157	89,836	(20,842)	130,361
Proceeds from stock options exercised	269	2	1,262	—	—	1,264
Tax benefit related to employee stock options	—	—	1,081	—	—	1,081
Comprehensive income:						
Net income	—	—	—	21,501	—	
Change in foreign currency translation, net of income tax expense of \$1,426.	—	—	—	—	2,230	
Minimum pension liability adjustment, net of income tax benefit of \$323.	—	—	—	—	(505)	
Unrealized loss on derivative instruments, net of income tax benefit of \$1,688.	—	—	—	—	(3,290)	
Total comprehensive income	—	—	—	—	—	19,936
BALANCE, DECEMBER 29, 2002	21,246	\$212	\$63,500	\$ 111,337	\$ (22,407)	\$ 152,642

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Fiscal Years Ended December 29, 2002, December 30, 2001, and December 1, 2000

1. General

Wackenhut Corrections Corporation, a Florida corporation, and subsidiaries (the "Company") is a leading developer and manager of privatized correctional, detention and public sector mental health services facilities located in the United States, the United Kingdom, Australia, South Africa, and New Zealand. The Company is a majority owned subsidiary of The Wackenhut Corporation ("TWC"), which owns 12 million shares of the Company's stock.

On May 8, 2002, TWC consummated a merger (the "Merger") with a wholly owned subsidiary of Group 4 Falck A/ S ("Group 4 Falck"), a Danish multinational security and correctional services company. As a result of the Merger, Group 4 Falck acquired TWC and has become the indirect beneficial owner of 12 million shares of the Company. The Company's common stock continues to trade on the New York Stock Exchange.

2. Summary of Significant Accounting Policies

Fiscal Year

The Company's fiscal year ends on the Sunday closest to the calendar year end. Fiscal 2002, 2001 and 2000 each included 52 weeks.

Basis of Financial Statement Presentation

The consolidated financial statements include the accounts of the Company and its subsidiaries. Investments in 20 percent to 50 percent owned affiliates are accounted for under the equity method. All significant intercompany transactions and balances between the Company and its subsidiaries have been eliminated in consolidation. Certain reclassifications of the prior year's financial statements have been made to conform to the current year's presentation.

Use of Estimates

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. The Company's significant estimates include allowance for doubtful accounts, construction cost estimates, employee deferred compensation accruals, reserves for insurance and legal, the reserve related to the Jena Facility and certain reserves required under its operating contracts. While the Company believes that such estimates are fair when considered in conjunction with the consolidated financial statements taken as a whole, the actual amounts of such estimates, when known, will vary from these estimates.

Fair Value of Financial Instruments

The carrying value of cash and cash equivalents, accounts receivable, accounts payable and accrued expenses approximate their fair value due to the short maturity of these items. The carrying value of the Company's long-term debt and non-recourse debt approximates fair value based on the variable interest rates on the debt.

Cash and Cash Equivalents

The Company classifies as cash equivalents all interest-bearing deposits or investments with original maturities of three months or less.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS —(Continued)

Inventories

Food and supplies inventories are carried at the lower of cost or market, on a first-in first-out basis and are included in “other current assets” in the accompanying consolidated balance sheets. Uniform inventories are carried at amortized cost and are amortized over a period of eighteen months. The current portion of unamortized uniforms is included in “other current assets.” The long-term portion is included in “other assets” in the accompanying consolidated balance sheets.

Property and Equipment

Property and equipment are stated at cost, less accumulated depreciation. Maintenance and repairs are expensed as incurred. Depreciation is computed using the straight-line method over the estimated useful lives of the related assets. Accelerated methods of depreciation are generally used for income tax purposes. Leasehold improvements are amortized on a straight-line basis over the shorter of the useful life of the improvement or the term of the lease. Interest is capitalized in connection with the construction of correctional and detention facilities. Capitalized interest is recorded as part of the asset to which it relates and is amortized over the asset’s estimated useful life. No interest cost was capitalized in 2002 or 2001.

Impairment of Long-lived Assets

The Company reviews for impairment of long-lived assets to be held and used whenever events or changes in circumstances indicate that the carrying amount of such assets may not be fully recoverable. Determination of recoverability is based on an estimate of undiscounted future cash flows resulting from the use of the asset and its eventual disposition. Measurement of an impairment loss for long-lived assets that management expects to hold and use is based on the fair value of the asset. Long-lived assets to be disposed of are reported at the lower of carrying amount or fair value less costs to sell. Management has reviewed the Company’s long-lived assets and determined that there are no events requiring impairment loss recognition. Events that would trigger an impairment assessment include deterioration of profits for a business segment that has long-lived assets, or when other changes occur which might impair recovery of long-lived assets.

Goodwill and Other Intangible Assets

Effective December 31, 2001, the Company adopted Statement of Financial Accounting Standards (“SFAS”) No. 142, “Goodwill and Other Intangible Assets.” As a result of adopting SFAS No. 142, the Company’s goodwill is no longer amortized, but are subject to an annual impairment test. In accordance with SFAS No. 142, the Company ceased amortizing goodwill as of the beginning of 2002. The Company’s goodwill at December 29, 2002 was associated with its Australian subsidiary in the amount of \$0.4 million and in its UK affiliate in the amount of \$1.1 million. SFAS 142 requires that transitional impairment tests be performed at its adoption, and provides that resulting impairment losses for goodwill and other intangible assets with indefinite useful lives be reported as the effect of a change in accounting principle. There was no impairment of goodwill or other intangible assets as a result of adopting SFAS No. 142 or the annual impairment test completed during the fourth quarter of 2002. Excluding goodwill, the Company has no intangible assets deemed to have indefinite lives.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS —(Continued)

The following table provides a reconciliation of reported net income for the year ended December 30, 2001 and December 31, 2000 to net income adjusted as if SFAS No. 142 had been applied as of the beginning of 2000:

	Year Ended December 30, 2001	Year Ended December 31, 2000
	(in thousands, except per share amounts)	
Net income as reported	\$19,379	\$16,994
Goodwill amortization, net of taxes	569	151
Equity method goodwill amortization, net of taxes	746	690
Adjusted net income	\$20,694	\$17,835
BASIC EARNINGS PER SHARE:		
Net income as reported	\$ 0.92	\$ 0.81
Goodwill amortization, net of taxes	0.03	0.01
Equity method goodwill amortization, net of taxes	0.04	0.03
Adjusted net income	\$ 0.98	\$ 0.84
DILUTED EARNINGS PER SHARE:		
Net income as reported	\$ 0.91	\$ 0.80
Goodwill amortization, net of taxes	0.03	0.01
Equity method goodwill amortization, net of taxes	0.04	0.03
Adjusted net income	\$ 0.97	\$ 0.84

Goodwill represents the cost of acquired enterprises in excess of the fair value of the net tangible and identifiable intangible assets acquired. Prior to the adoption of SFAS 142 the Company amortized goodwill on a straight-line basis over periods of 5 to 10 years. Accumulated amortization totaled approximately \$2.6 million and \$1.8 million at December 30, 2001 and December 31, 2000, respectively. Amortization expense was \$0.9 million in 2001 and includes the write-off of approximately \$0.6 million of goodwill associated with the Company's mental health services. Amortization expense was \$0.3 million in 2000.

Deferred Revenue

Deferred revenue primarily represents the unamortized net gain on the development of properties and on the sale and leaseback of properties by the Company to Correctional Properties Trust ("CPV"), a Maryland real estate investment trust. The Company leases these properties back from CPV under operating leases. Deferred revenue is being amortized over the lives of the leases and is recognized in income as a reduction of rental expenses.

Revenue Recognition

In accordance with SEC Staff Accounting Bulletin No. 101 and related interpretations, facility management revenues are recognized as services are provided under facility management contracts with approved government appropriations based on a net rate per day per inmate or on a fixed monthly rate. The Company performs ongoing credit evaluations of its customers' financial condition and generally does not require collateral. The Company maintains reserves for potential credit losses, and such losses traditionally have been within management's expectations.

Project development and design revenues are recognized as earned on a percentage of completion basis measured by the percentage of costs incurred to date as compared to estimated total cost for each contract. This method is used because management considers costs incurred to date to be the best available measure of progress on these contracts. Provisions for estimated losses on uncompleted contracts

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS —(Continued)

and changes to cost estimates are made in the period in which the Company determines that such losses and changes are probable. Contract costs include all direct material and labor costs and those indirect costs related to contract performance. Changes in job performance, job conditions, and estimated profitability, including those arising from contract penalty provisions, and final contract settlements may result in revisions to estimated costs and income, and are recognized in the period in which the revisions are determined.

Operating Expenses

Operating expenses consist primarily of compensation and other personnel related costs, facility lease and operational costs, inmate related expenses, and medical expenses and are recognized as incurred.

Income Taxes

The Company accounts for income taxes in accordance with Statement of Financial Accounting Standards No. 109, "Accounting for Income Taxes." Under this method, deferred income taxes are determined based on the estimated future tax effects of differences between the financial statement and tax bases of assets and liabilities given the provisions of enacted tax laws. Deferred income tax provisions and benefits are based on changes to the assets or liabilities from year to year. Valuation allowances are recorded related to deferred tax assets if their realization does not meet the "not more likely than not" criteria.

Earnings Per Share

Basic earnings per share is computed by dividing net income by the weighted-average number of common shares outstanding. In the computation of diluted earnings per share, the weighted-average number of common shares outstanding is adjusted for the dilutive effect of shares issuable upon exercise of stock options calculated using the treasury stock method.

Direct Finance Leases

The Company accounts for the portion of its contracts with certain governmental agencies that represent capitalized lease payments on buildings and equipment as investments in direct finance leases. Accordingly, the minimum lease payments to be received over the term of the leases less unearned income are capitalized as the Company's investments in the leases. Unearned income is recognized as income over the term of the leases using the interest method.

Reserves for Insurance Losses

Casualty insurance related to workers' compensation, general liability and automobile insurance coverage is provided through an independent insurer. Prior to October 2, 2002, the first \$1 million of coverage was reinsured by an insurance subsidiary of TWC. Effective October 2, 2002, the Company established a new insurance program with a \$1 million deductible per occurrence with an independent insurer. The insurance program consists of primary and excess insurance coverage. The primary general liability coverage has a \$5 million limit per occurrence with a \$20 million general aggregate limit and a \$1 million deductible. The primary automobile coverage has a \$5 million limit per occurrence with a \$1 million deductible and the primary worker's compensation limits are based on state statutes and contain a \$1 million deductible. The excess coverage has a \$50 million limit per occurrence and in the aggregate. The Company believes such limits are adequate to insure against the various liability risks of its business. The Company is self-insured for employment claims and medical malpractice. There can be no assurance that the Company will be able to obtain or maintain insurance levels as required by its contracts.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS —(Continued)

Because the policy is a high deductible policy, losses are recorded as reported and provision is made to cover losses incurred but not reported. Loss reserves are undiscounted and are computed based on independent actuarial studies.

Debt Issuance Costs

Debt issuance costs totaling \$2.8 million at December 29, 2002, are included in other non current assets in the consolidated balance sheets and are amortized into interest expense on a straight-line basis, which is not materially different than the interest method, over the term of the related debt.

Comprehensive Income

SFAS No. 130, "Reporting Comprehensive Income" requires companies to report all changes in equity in a financial statement for the period in which they are recognized, except those resulting from investment by owners and distributions to owners. The Company has disclosed Comprehensive Income, which encompasses net income, foreign currency translation adjustments, unrealized loss on derivative instruments and the minimum pension liability adjustment in the Consolidated Statements of Shareholders' Equity and Comprehensive Income.

Concentration of Credit Risk

Financial instruments that potentially subject the Company to concentrations of credit risk consist principally of cash and cash equivalents, trade accounts receivable, direct finance lease receivable, long-term debt and financial instruments used in hedging activities. The Company's cash management and investment policies restrict investments to low-risk, highly liquid securities, and the Company performs periodic evaluations of the credit standing of the financial institutions with which it deals. As of December 29, 2002, and December 30, 2001, management believes the Company had no significant concentrations of credit risk except as disclosed in Note 9.

Foreign Currency Translation

The Company's foreign operations use their local currencies as their functional currencies. Assets and liabilities of the operations are translated at the exchange rates in effect on the balance sheet date and goodwill, certain other assets, and shareholders' equity are translated at historical rates. Income statement items are translated at the average exchange rates for the year. The impact of currency fluctuation is included in shareholders' equity as a component of accumulated other comprehensive income.

Interest Rate Swaps

In accordance with Statement of Financial Accounting Standards No. 133, "Accounting for Derivative Instruments and Hedging Activities," and its related interpretations and amendments, the Company records derivatives as either assets or liabilities on the balance sheet and measures those instruments at fair value. For derivatives that are designed as and qualify as effective cash flow hedges, the portion of gain or loss on the derivative instrument effective at offsetting changes in the hedged item is reported as a component of accumulated other comprehensive income and reclassified into earnings when the hedged transaction affects earnings.

The Company formally documents all relationships between hedging instruments and hedge items, as well as its risk-management objective and strategy for undertaking various hedge transactions. This process includes attributing all derivatives that are designated as cash flow hedges to floating rate liabilities. The Company also assesses whether each derivative is highly effective in offsetting changes in the cash flows of the hedged item. Fluctuations in the value of the derivative instruments are generally offset by changes in the hedged item; however, if it is determined that a derivative is not highly effective as a hedge or if a

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS —(Continued)

derivative ceases to be a highly effective hedge, the Company will discontinue hedge accounting prospectively for the affected derivative.

The Company's 50% owned equity affiliate operating in the United Kingdom has entered into interest rate swaps to fix the interest rate on its variable rate credit facility to rates ranging from 6.2% to 8.7%. Management of the Company has determined the swaps to be effective cash flow hedges. Accordingly, the Company records its share of the affiliate's change in other comprehensive income as a result of applying SFAS No. 133. The adoption of SFAS No. 133 on January 1, 2001 resulted in a \$12.1 million reduction of shareholders' equity. The fair value of the swaps was a liability to the Company of approximately \$11.9 million, net of taxes of approximately \$6.7 million, and is reflected as a reduction in Investments in and Advances to Affiliates in the accompanying consolidated balance sheet at December 29, 2002.

In connection with the financing and management of one Australian facility, the Company's wholly-owned Australian subsidiary financed the facility's development with long-term debt obligations, which are non-recourse to the Company. In connection with the non-recourse debt, the subsidiary is a party to an interest rate swap agreement to fix the interest rate on the variable rate non-recourse debt. Management of the Company has determined the swap to be an effective cash flow hedge. Accordingly, the Company has recorded the value of the interest rate swap in other comprehensive income, net of applicable income taxes. The total value of the swap liability as of December 29, 2002 was approximately \$6 million and is recorded as a component of other liabilities in the accompanying consolidated financial statements.

Accounting for Stock-Based Compensation

Statement of Financial Accounting Standards No. 123, "Accounting for Stock-Based Compensation," defines a fair value method of accounting for issuance of stock options and other equity instruments. Under the fair value method, compensation cost is measured at the grant date based on the fair value of the award and is recognized over the service period, which is usually the vesting period. Pursuant to SFAS No. 123, companies are not required to adopt the fair value method of accounting for employee stock-based transactions. Companies are permitted to account for such transactions under Accounting Principles Board Opinion No. 25 ("APB Opinion No. 25), "Accounting for Stock Issued to Employees," but are required to disclose in a note to the financial statements pro forma net income and per share amounts as if the Company had applied the methods prescribed by SFAS No. 123.

The Company applies APB Opinion No. 25 and related interpretations in accounting for its stock options granted to employees and non-employee directors and has complied with the disclosure requirements of SFAS No. 123. Except for non-employee directors, the Company has not granted any options to non-employees. See Note 13 for more information regarding the Company's stock option plans.

Recent Accounting Pronouncements

In August 2001, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets." SFAS No. 144 is effective for fiscal years beginning after December 15, 2001. For long-lived assets to be held and used, SFAS No. 144 retains the existing requirements to (a) recognize an impairment loss only if the carrying amount of a long-lived asset is not recoverable from its discounted cash flows and (b) measure an impairment loss as the difference between the carrying amount and the fair value of the asset. SFAS No. 144 establishes one accounting model to be used for long-lived assets to be disposed of by sale and revises guidance for assets to be disposed of other than by sale. The adoption of SFAS No. 144 did not have an impact on the Company's financial position, results of operations or cash flows.

In October 2001, the FASB issued SFAS No. 143, "Accounting for Asset Retirement Obligations." This standard requires companies to record the fair value of a liability for an asset retirement obligation in the period in which it is incurred. When the liability is initially recorded, the Company capitalizes a cost by increasing the carrying amount of the related long-lived asset. Over time, the liability is accreted to its

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS —(Continued)

present value each period, and the capitalized cost is depreciated over the useful life of the related asset. Upon settlement of the liability, the Company either settles the obligation for its recorded amount or incurs a gain or loss upon settlement. The standard is effective for fiscal years beginning after June 15, 2002, with earlier application encouraged. Management expects that the adoption of SFAS No. 143 will not have a material impact on the Company's financial position, results of operations or cash flows in the year of adoption.

In April 2002, the FASB issued SFAS No. 145, "Rescission of FASB Statements No. 4, 44, and 64, Amendment of FASB Statement No. 13, and Technical Corrections." SFAS No. 145, among other things, requires gains and losses on extinguishment of debt to be classified as part of continuing operations rather than treated as extraordinary, as previously required in accordance with SFAS No. 4. SFAS No. 145 also modifies accounting for subleases where the original lessee remains the secondary obligor and requires certain modifications to capital leases to be treated as a sale-leaseback transaction. The Company plans to adopt SFAS No. 145 at the beginning of fiscal 2003 and expects no material impact on its financial position, results of operations or cash flows.

In July 2002, the FASB issued SFAS No. 146, "Accounting for Costs Associated with Exit or Disposal Activities." SFAS No. 146 nullifies the guidance previously provided under Emerging Issues Task Force Issue No. 94-3, "Liability Recognition for Certain Employee Termination Benefits and Other Costs to Exit an Activity (including Certain Costs Incurred in a Restructuring)." Among other things, SFAS No. 146 requires that a liability for a cost associated with an exit or disposal activity be recognized when the liability is incurred as opposed to when there is commitment to a restructuring plan as set forth under the nullified guidance. The Company has early adopted SFAS No. 146 and there was no material impact on its financial position, results of operations or cash flows as a result of adoption.

In November 2002, the FASB issued FASB Interpretation No. 45, "Guarantors Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others, an Interpretation of FASB Statements No. 5, 57, and 107 and rescission of FASB Interpretation No. 34" ("FIN 45"). FIN 45 elaborates on the disclosures to be made by a guarantor in its interim and annual financial statements about its obligations under certain guarantees that it has issued. It also clarifies that a guarantor is required to recognize, at the inception of a guarantee, a liability for the fair value of the obligation undertaken in issuing the guarantee. The initial recognition and initial measurement provisions shall be applied only on a prospective basis to guarantees issued or modified after December 31, 2002. The guarantor's previous accounting for guarantees issued prior to the date of FIN 45's initial application shall not be revised or restated to reflect the effect of the recognition and measurement provisions of FIN 45. The disclosure requirements are effective for financial statements of interim or annual periods ending after December 15, 2002. The Company implemented the disclosure requirements of FIN 45 as of December 29, 2002 and there was no material impact on its financial position, results of operations or cash flows as a result of this implementation.

In December 2002, the FASB issued SFAS No. 148, "Accounting for Stock-Based Compensation – Transition and Disclosure, an Amendment of FASB Statement No. 123." SFAS No. 148 amends FASB Statement No. 123, Accounting for Stock-Based Compensation, to provide alternative methods of transition for a voluntary change to the fair value based method of accounting for stock-based employee compensation. In addition, SFAS No. 148 amends the disclosure requirements of Statement 123 to require prominent disclosures in both annual and interim financial statements about the method of accounting for stock-based employee compensation and the effect of the method used on reported results. Currently, the Company accounts for stock option plans under APB Opinion No. 25, under which no compensation has been recognized. SFAS 148 is effective for fiscal years beginning after December 15, 2002. The Company does not intend to change its policy with regard to stock based compensation and expects no impact on the Company's financial position, results of operations or cash flows upon adoption.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS —(Continued)

In January 2003, the FASB issued FIN No. 46, "Consolidation of Variable Interest Entities," which addresses consolidation by a business of variable interest entities in which it is the primary beneficiary. FIN No. 46 is effective immediately for certain disclosure requirements and variable interest entities created after January 1, 2003, and in the first fiscal year or interim period beginning after June 15, 2003 for all other variable interest entities. The Company is currently in the process of determining the effects, if any, on its financial position, results of operations and cash flows that will result from the adoption of FIN No. 46.

3. Property and Equipment

Property and equipment consist of the following at fiscal year end:

	Useful Life	2002	2001
	(Years)	(In thousands)	
Land	—	\$ 3,258	\$ 2,115
Buildings and improvements	2 to 40	203,639	52,913
Equipment	3 to 7	21,607	15,502
Furniture and fixtures	3 to 7	4,584	2,601
		<u>\$233,088</u>	<u>\$ 73,131</u>
Less-accumulated depreciation and amortization		(26,622)	(19,373)
		<u>\$206,466</u>	<u>\$ 53,758</u>

Capitalized interest is recorded as part of the asset to which it relates and is amortized over the asset's estimated useful life. No interest was capitalized in 2002 and 2001.

In December 2002, the Company acquired four correctional properties that were formerly included in the Company's operating lease facility for an aggregate purchase price of approximately \$155 million.

4. Long-Term Debt

Prior to December 12, 2002, the Company was a party to a \$30 million multi-currency revolving credit facility, which included \$5.0 million for the issuance of letters of credit and a \$154.3 million operating lease facility established to acquire and develop new correctional institutions used in its business. No amounts were outstanding under the revolving credit facility and \$154.3 million was outstanding under the operating lease facility. The term of the operating lease facility was set to expire December 18, 2002 upon which the Company had the ability to purchase the properties in the facility for their original acquisition cost.

On December 12, 2002, the Company entered into a new \$175 million Senior Secured Credit Facility (the "Senior Credit Facility") consisting of a \$50 million, 5-year revolving loan (the "Revolving Credit Facility") and a \$125 million, 6-year term loan (the "Term Loan Facility"). Borrowings under the Term Loan Facility and corporate cash were used to purchase four correctional facilities in operation under the Company's \$154.3 million operating lease facility. The purchase price totaled approximately \$155 million, which included related fees and expenses. Simultaneous with the closing of the Senior Credit Facility, the Company terminated its \$154.3 million operating lease facility and \$30 million multi-currency revolving credit facility, both of which would have expired on December 18, 2002.

The Revolving Credit Facility contains a \$30 million limit for the issuance of standby letters of credit. At December 29, 2002, \$125 million was outstanding under the Term Loan Facility, there were no borrowings under the Revolving Credit Facility, and there were \$7.2 million of outstanding letters of credit. At December 29, 2002, \$42.8 million of the Revolving Credit Facility was available to the Company for

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS —(Continued)

working capital, acquisitions, general corporate purposes, and for restricted payments as defined in the Senior Credit Facility.

The Senior Credit Facility permits the Company to make certain restricted payments such as the repurchase of Company common stock. At December 29, 2002, the Company had \$15 million available for restricted payments. The amount of permitted restricted payments may increase upon the Company's generation of excess cash flow and under certain permitted asset sales.

Indebtedness under the Revolving Credit Facility bears interest at the Company's option at the base rate (defined as the higher of the prime rate or federal funds plus 0.5%) plus a spread of 125 to 200 basis points or LIBOR plus 250 to 325 basis points, depending on the leverage ratio. Indebtedness under the Term Loan Facility bears interest at LIBOR + 400 basis points, with a minimum LIBOR rate of 2.0% during the first 18-months. As LIBOR was below 2.0% at December 29, 2002, the effective rate on the Company's term loan borrowings was 6.0%.

Obligations under the Senior Credit Facility are guaranteed by the Company's material domestic subsidiaries and are secured by substantially all of the Company's tangible and intangible assets.

The Senior Credit Facility includes covenants that require the Company, among other things, to maintain a maximum leverage ratio, a minimum fixed charge coverage ratio, a minimum net worth, and to limit that amount of annual capital expenditures. The facility also limits certain payments and distributions to the Company as well as the Company's ability to enter into certain types of transactions. The Company was in compliance with the covenants of the Senior Credit Facility as of December 29, 2002.

The Senior Credit Facility has been rated Ba3/ BB by Moody's Investors Service, Inc. ("Moody's") and Standard and Poor's Ratings Group, a division of the McGraw-Hill Companies ("S&P"), respectively. In addition, the Company obtained issuer ratings of B1/ BB- from Moody's and S&P, respectively.

The debt amortization schedule requires annual repayments of \$1.25 million for fiscal years 2003 through 2007 and \$118.25 million thereafter.

At December 29, 2002 the Company also had outstanding fourteen letters of guarantee totaling approximately \$13 million under separate international facilities.

The Company's wholly-owned Australian subsidiary financed the facility's development with long-term debt obligations, which are non-recourse to the Company. The term of the non-recourse debt is through 2017 and it bears interest at a variable rate quoted by certain Australian banks plus 140 basis points. Any obligations or liabilities of the subsidiary are matched by a similar or corresponding commitment from the government of the State of Victoria. In connection with the non-recourse debt, the subsidiary is a party to an interest rate swap agreement to fix the interest rate on the variable rate non-recourse debt to 9.7%. See Note 2. The debt amortization schedule requires annual repayments of \$0.5 million in 2003, \$1.1 million in 2004, \$1.2 million in 2005, \$1.3 million in 2006, \$1.5 million in 2007 and \$25.8 million thereafter.

5. Investment in Direct Finance Leases

The Company's investment in direct finance leases relates to the financing and management of one Australian facility. The Company's wholly-owned Australian subsidiary financed the facility's development with long-term debt obligations, which are non-recourse to the Company. The Company has consolidated the subsidiary's direct finance lease receivable from the state government and related non-recourse debt each totaling approximately \$31 million as of December 29, 2002. The Company has reclassified the amounts reflected in the December 30, 2001 balance sheet to reflect the asset and related non-recourse debt of approximately \$26 million to conform to current year presentation.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS —(Continued)

The future minimum rentals to be received are as follows (in thousands):

Fiscal Year	Annual Repayment
	(In thousands)
2003	\$ 520
2004	1,058
2005	1,197
2006	1,333
2007	1,492
Thereafter	25,786
	<hr/> \$31,386
Current portion of direct finance lease receivable	(520)
Non current portion of direct finance lease receivable	<hr/> \$30,866

6. Transactions with Correctional Properties Trust (“CPV”)

On April 28, 1998, CPV acquired eight correctional and detention facilities operated by the Company. The Company and CPV previously had three common members on their respective boards of directors. Effective September 9, 2002, the Companies no longer had common members serving on their respective boards of directors. CPV also was granted the fifteen-year right to acquire and lease back future correctional and detention facilities developed or acquired by the Company. During fiscal 1998 and 1999, CPV acquired two additional facilities for \$94.1 million. In fiscal 2000, CPV purchased an eleventh facility that the Company had the right to acquire for \$15.3 million. The Company recognized no net proceeds from the sale. There were no purchase and sale transactions between the Company and CPV in 2001 or 2002.

Simultaneous with the purchases, the Company entered into ten-year operating leases of these facilities from CPV. As the lease agreements are subject to contractual lease increases, the Company records operating lease expense for these leases on a straight-line basis over the term of the leases.

The deferred unamortized net gain related to sales of the facilities to CPV at December 29, 2002, which is included in “Deferred Revenue” in the accompanying consolidated balance sheets, is \$9.9 million with \$2.6 million short-term and \$7.3 million long-term. The gain is being amortized over the ten-year lease terms. The Company recorded net rental expense related to the CPV leases of \$19.6 million, \$19.1 million and 19.7 million in 2002, 2001 and 2000, respectively, excluding the Jena rental expense (See Note 7).

The future minimum lease commitments under the leases for these eleven facilities are as follows:

Fiscal Year	Annual Rental
	(In thousands)
2003	\$ 23,451
2004	23,527
2005	23,606
2006	23,688
2007	23,773
Thereafter	18,287
	<hr/> \$136,332

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS —(Continued)

7. Commitments and Contingencies*Facilities*

The Company has been notified by the Texas Youth Commission of a declining need for beds in the Coke County Texas Facility. The Company has an operating and management contract that is due to expire March 31, 2003 upon the termination of the contract by the Texas Youth Commission. An unrelated third party owns the facility. The Company believes that it has no continuing obligation with respect to the facility in the event the Company's operating contract is terminated or expires. There can be no assurance that the contract will be extended. Termination of the contract would not have a material adverse impact on the Company's financial results or cash flows.

The Company leases the 300-bed Broward County Work Release Center in Broward County, Florida (the "Broward Facility"), from CPV under the terms of a non-cancelable lease, which expires on April 28, 2008. The Company operates the Broward Facility for the Broward County Board of County Commissioners and the Broward County Sheriff's Department under the terms of a correctional services contract that was renewed effective February 17, 2003 for an additional eight-month term. The Broward County Sheriff's Department previously advised the Company of the County's declining need for the usage of the Broward Facility, and accordingly, the renewed contract reduced the number of beds in the facility reserved for use by the County. Therefore, the Company initiated discussions with the Immigration and Naturalization Service (the "INS"), which has expressed an interest in utilizing some or all of the Broward Facility, depending on availability and INS need. The INS executed a correctional services management contract with the Company for 72 beds in the Broward Facility, effective from August 1, 2002 through September 30, 2003. Effective January 2003, the INS increased the scope of the contract to house up to 150 detainees. The Company's remaining obligation under the lease with CPV is approximately \$8.5 million.

During 2000, the Company's management contract at the 276-bed Jena Juvenile Justice Center in Jena, Louisiana (the "Facility") was terminated. The Company has incurred operating charges of \$3 million and \$3.8 million during fiscal 2001 and 2000, respectively, related to the Company's 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. In May 2002, the State of Louisiana and CPV entered into a tentative purchase and sale agreement for the Facility, subject to certain contingencies. Additionally, the Company entered into a lease termination agreement subject to the sale of the Facility that resulted in an additional operating charge of approximately \$1.1 million during 2002. The State of Louisiana did not exercise its option to purchase the Facility and the agreements expired during October 2002. The Company is actively pursuing various sublease alternatives with several agencies of the federal and state government. The Company is continuing its efforts to find an alternative correctional use or sublease for the Facility and believes that it will be successful prior to early 2004. The Company has reserved for the lease payments through early 2004 and management believes the reserve balance currently established for anticipated future losses under the lease with CPV is sufficient to cover costs under the lease until a sublease is in place or an alternative future use is established. If the Company is unable to sublease or find an alternative correctional use for the Facility by that time, an additional operating charge will be required. The remaining obligation, exclusive of the reserve for losses through early 2004, on the Jena lease through the contractual term of 2009 is approximately \$11 million.

The Company, through Premier Custodial Group Limited ("PCG"), a 50 percent owned joint venture in the United Kingdom, operates the 400-bed Youthful Offender Institution at Ashfield (the "Ashfield Facility"). On May 23, 2002, the UK Prison Service assumed operational control of the Ashfield Facility based upon the Prison Service's concern over safety and control. Control of the Ashfield Facility was restored to PCG on October 14, 2002. Under the terms of PCG's contract, PCG is paid for operational services on the basis of "Available Prisoner Places." Prior to assuming operational control, the Prison Service paid PCG based upon 400 Available Prisoner Places. From May 23, 2002 through

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS —(Continued)

October 23, 2002, the Prison Service paid PCG only for the number of beds actually occupied, which averaged approximately 200 during this period. As a result, PCG's revenues for the Ashfield Facility were reduced by approximately half during this period. In addition, PCG incurred costs in additional resources and staff brought in to address the operational issues at Ashfield. PCG provided the Prison Service with a comprehensive plan for addressing all operational issues at the Ashfield Facility, which was approved by the Authority and implemented by PCG. Effective October 23, 2002, the Prison Service restored payment to PCG for 400 Available Prisoner Places in accordance with the payment provisions set forth in the operating agreement. Subsequently, on January 8, 2003, the Prison Services notified PCG that due to operational issues it was again reducing payment to only pay for the number of beds actually occupied effective December 2, 2002 resulting in a reduction of facility revenues by approximately one-half. PCG has submitted a comprehensive plan for addressing these latest operational issues. On January 30, 2003, PCG notified the Prison Service that it considered all operational issues identified in the Prison Service Rectification Notice to be corrected and expected full payment to be restored effective from January 30, 2003. The Prison Service began an audit of the facility's operations in February 2003 and is currently considering the outcome of that audit. PCG expects full revenues to be restored effective January 30, 2003, but there can be no assurance that this will occur until the Prison Service makes its determination.

In Australia, the Department of Immigration, Multicultural and Indigenous Affairs ("DIMIA") announced its intention to enter into contract negotiations with a competitor of the Company's Australian subsidiary for the management and operation of Australia's immigration centers. DIMIA has further stated that if it is unable to reach agreement with the announced preferred bidder, it will enter into negotiations with the Company's Australian subsidiary. The Company is continuing to operate the centers under its current contract, which is due to expire on or before June 23, 2003 but may be extended by the government if negotiations are not completed with the successful tenderer. If negotiations are not successful, WCC's Australian subsidiary is the only other qualified tenderer for consideration. In 2002, the contract with DIMIA represented approximately 10% of the Company's revenue (exclusive revenue of 50-50 joint ventures). In both 2001 and 2000, DIMIA represented approximately 11% of the Company's revenue.

TWC MERGER WITH GROUP 4 FALCK

On May 8, 2002, TWC consummated a merger (the "Merger") with a wholly owned subsidiary of Group 4 Falck A/ S ("Group 4 Falck"), a Danish multinational security and correctional services company. As a result of the Merger, Group 4 Falck has become the indirect beneficial owner of 12 million shares in the Company. The Company's common stock continues to trade on the New York Stock Exchange.

Subsequent to the Merger, Group 4 Falck indicated that it intends to divest its interest in the Company. As a result, the Independent Committee of the Board of Directors has hired legal and financial advisors to advise the Company with respect to Group 4 Falck's stated intentions.

In the United Kingdom, the Merger has been reviewed by the Office of Fair Trade and was referred to the Competition Commission for further investigation. The Company conducts most of its business in the United Kingdom through PCG, a 50/50 joint venture with Serco Investments Limited ("Serco"). PCG currently manages six correctional facilities, one immigration detention center, two court escort contracts and two electronic monitoring services contracts. Many of PCG's contracts include a provision that makes the failure to obtain United Kingdom Home Office approval of a change in control an event of default. The Competition Commission completed its investigation and in a report published on October 22, 2002 approved the Merger without conditions. The Youth Justice Board and the Scottish Prison Service have approved the merger. We are waiting for approval from The Home Office Prison Service, The Home Office Monitoring Service and The Immigration Service.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS —(Continued)

The Merger may affect the Company's interests in PCG. The Company's United Kingdom joint venture partner, Serco, has indicated that it believes the Merger provides Serco with a right to acquire the Company's 50 percent interest in PCG in the absence of Serco's consent to the Merger. The Company disputes the validity of this claim. Group 4 Falck has agreed that in the event the Company is ordered by a court of competent jurisdiction to sell its interest in PCG to Serco at a price below fair market value, Group 4 Falck will reimburse the Company for the amount by which the sale is below fair market value, up to a maximum of 10 percent of the fair market value of the interest. The Company has filed a declaratory judgment suit in the United Kingdom to determine its rights under the joint venture agreement with Serco. The case is scheduled to be heard in May 2003.

The Company has taken steps to safeguard its interest in PCG, as well as PCG's contract interests, but there can be no assurance that these steps will be sufficient to avoid a material adverse effect on the Company's business interests in the United Kingdom.

LEASES

The Company leases correctional facilities, office space, computers and vehicles under non-cancelable operating leases expiring between 2003 and 2012. The future minimum commitments under these leases exclusive of lease commitments related to CPV, are as follows:

Fiscal Year	Annual Rental
	(In thousands)
2003.	\$ 6,779
2004	6,897
2005	6,911
2006	6,925
2007	3,710
Thereafter	21,061
	<hr/> \$52,283 <hr/>

Rent expense was approximately \$15.7 million, \$15.8 million, and \$12.2 million for fiscal 2002, 2001, and 2000 respectively and included lease expense under our operating lease facility that expired in December 2002 (See Note 4).

Litigation, Claims and Assessments

The Company is 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 current and former WCC California employees. Discovery is underway and the court has yet to hear the plaintiffs' certification motion. The Company is 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, management believes that the ultimate resolution of these matters, if settled unfavorably to the Company, could have a material adverse effect on the Company's financial position, operating results and cash flows. The Company is vigorously defending its rights in this action. The nature of the Company's business results in claims or litigation against the Company for damages arising from the conduct of its employees or others. Except for routine litigation incidental to the business of the Company, there are no pending material legal proceedings to which the Company or any of its subsidiaries is a party or to which any of their property is subject.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS —(Continued)

8. Common, Preferred and Shares Repurchased and Retired

In April 1994, the Company's Board of Directors authorized 10,000,000 shares of "blank check" preferred stock. The Board of Directors is authorized to determine the rights and privileges of any future issuance of preferred stock such as voting and dividend rights, liquidation privileges, redemption rights and conversion privileges.

On February 18, 2000, the Company's Board of Directors authorized the repurchase of up to 500,000 shares of its common stock, in addition to the 1,000,000 shares previously authorized for repurchase. As of December 30, 2001, the Company had repurchased all of the 1.5 million common shares authorized for repurchase at an average price of \$15.52. For fiscal 2001, the Company repurchased 122,000 shares at an average price of \$12.68. There were no share repurchases in 2002.

9. Business Segment and Geographic Information

The Company operates in one industry segment encompassing the development and management of privatized government institutions located in the United States, the United Kingdom, Australia, South Africa, and New Zealand.

The Company operates and tracks its results in geographic operating segments. Information about the Company's operations in different geographical regions is shown below. Revenues are attributed to geographical areas based on location of operations and long-lived assets consist of property, plant and equipment.

Fiscal Year	2002	2001	2000
	(In thousands)		
REVENUES:			
Domestic operations	\$451,465	\$454,053	\$426,510
International operations	117,147	108,020	109,047
Total revenues	<u>\$568,612</u>	<u>\$562,073</u>	<u>\$535,557</u>
OPERATING INCOME:			
Domestic operations	\$ 26,066	\$ 19,559	\$ 9,620
International operations	1,810	4,625	9,292
Total operating income	<u>\$ 27,876</u>	<u>\$ 24,184</u>	<u>\$ 18,912</u>
LONG-LIVED ASSETS:			
Domestic operations	\$200,258	\$ 47,639	\$ 48,274
International operations	6,208	6,119	6,346
Total long-lived assets	<u>\$206,466</u>	<u>\$ 53,758</u>	<u>\$ 54,620</u>

The Company's international operations represent its wholly owned Australian subsidiaries. Through its wholly owned subsidiary, Wackenhut Corrections Corporation Australia Pty. Limited, the Company currently manages five correctional facilities, including a facility in New Zealand and six immigration detention centers and two temporary detention centers.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS —(Continued)

Except for the major customers noted in the following table, no single customer provided more than 10% of the Company's consolidated revenues during fiscal 2002, 2001 and 2000:

Customer	2002	2001	2000
Various agencies of the U.S. Federal Government	19%	18%	11%
Various agencies of the State of Texas	17%	16%	15%
Various agencies of the State of Florida	14%	14%	19%
Department of Immigration, Multicultural and Indigenous Affairs (Australia)	10%	11%	11%

Concentration of credit risk related to accounts receivable is reflective of the related revenues.

Equity in earnings of affiliates represents the operations of the Company's 50% owned joint ventures in the United Kingdom (Premier Custodial Group Limited) and South Africa (South African Custodial Management Pty. Limited and South African Custodial Services Pty. Limited). These entities and their subsidiaries are accounted for under the equity method. Premier Custodial Group Limited commenced operations of an initial prison in fiscal 1994, two court escort and transport contracts in fiscal 1996, a second correctional facility in fiscal 1998, three correctional facilities and electronic monitoring contracts in fiscal 1999 and a correctional facility and an immigration facility in fiscal 2001. Total equity in the undistributed earnings for Premier Custodial Group Limited, before income taxes, for fiscal 2002, 2001, and 2000 was \$10.2 million, \$7.6 million and \$7.5 million, respectively. South African Custodial Management Pty. Limited and South African Custodial Services Pty. Limited commenced operations on their first prison in fiscal 2002. Total equity in undistributed loss for South African Custodial Management Pty Limited and South African Custodial Services Pty. Limited was (\$2.0) million, (\$0.7) million and zero in 2002, 2001 and 2000 respectively.

A summary of financial data for the Company's equity affiliates in the United Kingdom is as follows:

Fiscal Year	2002	2001	2000
(In thousands)			
STATEMENT OF OPERATIONS DATA			
Revenues	\$195,961	\$153,744	\$139,137
Operating income	20,078	15,277	14,950
Net income	12,921	9,881	8,980
BALANCE SHEET DATA			
Current assets	91,220	99,294	66,382
Noncurrent assets	304,659	272,777	286,049
Current liabilities	41,245	53,082	39,451
Noncurrent liabilities	317,407	293,403	286,526
Shareholders' equity	37,227	25,586	26,454

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS —(Continued)

A summary of financial data for the Company's equity affiliates in South Africa is as follows:

Fiscal Year	2002	2001	2000
(In thousands)			
STATEMENT OF OPERATIONS DATA			
Revenues	\$15,928	\$ —	\$ —
Operating income (loss)	1,016	(1,749)	—
Net loss	(2,481)	(1,441)	—
BALANCE SHEET DATA			
Current assets	6,426	5,112	6,561
Noncurrent assets	47,125	31,924	14,357
Current liabilities	1,808	913	32
Noncurrent liabilities	52,170	32,746	13,969
Shareholders' (deficit) equity	(427)	3,377	6,917

10. Income Taxes

The provision for income taxes in the consolidated statements of income consists of the following components:

Fiscal Year	2002	2001	2000
(In thousands)			
Federal income taxes:			
Current	\$ 8,354	\$6,497	\$ 3,718
Deferred	(603)	(972)	(1,429)
	7,751	5,525	2,289
State income taxes:			
Current	\$ 2,262	\$1,382	\$ 1,341
Deferred	(76)	(123)	(180)
	2,186	1,259	1,161
Foreign:			
Current	\$ 2,747	\$2,497	\$ 5,245
Deferred	(32)	425	(343)
	2,715	2,922	4,902
Total	\$12,652	\$9,706	\$ 8,352

A reconciliation of the statutory U.S. federal tax rate (35.0%) and the effective income tax rate is as follows:

	2002	2001	2000
(In thousands)			
Provisions using statutory federal income tax rate	\$10,127	\$8,703	\$7,300
State income taxes, net of federal tax benefit	1,421	775	692
Change in control costs	896	—	—
Other, net	208	228	360
	\$12,652	\$9,706	\$8,352

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS —(Continued)

The components of the net current deferred income tax asset at fiscal year end are as follows:

	2002	2001
	(In thousands)	
Uniforms	\$ (156)	\$ (264)
Allowance for doubtful accounts	508	1,241
Accrued vacation	1,023	870
Accrued liabilities	5,786	4,194
	<u>\$7,161</u>	<u>\$6,041</u>

The components of the net non-current deferred income tax asset at fiscal year end are as follows:

Fiscal Year	2002	2001
	(In thousands)	
Depreciation	\$(2,454)	\$(2,049)
Deferred revenue	6,464	7,517
Deferred charges	2,929	2,111
Income of foreign subsidiaries and affiliates	(6,773)	(6,826)
Other, net	(47)	(37)
	<u>\$ 119</u>	<u>\$ 716</u>

The exercise of non-qualified stock options which have been granted under the Company's stock option plans give rise to compensation which is includable in the taxable income of the applicable employees and deducted by the Company for federal and state income tax purposes. Such compensation results from increases in the fair market value of the Company's common stock subsequent to the date of grant. In accordance with Accounting Principles Board Opinion No. 25, such compensation is not recognized as an expense for financial accounting purposes and related tax benefits are credited directly to additional paid-in-capital.

11. Earnings Per Share

The table below shows the amounts used in computing earnings per share ("EPS") in accordance with Statement of Financial Accounting Standards No. 128 and the effects on income and the weighted average number of shares of potential dilutive common stock.

Fiscal Year	2002	2001	2000
	(In thousands, except per share data)		
Net income	\$21,501	\$19,379	\$16,994
Basic earnings per share:			
Weighted average shares outstanding	21,148	21,028	21,110
Per share amount	<u>\$ 1.02</u>	<u>\$ 0.92</u>	<u>\$ 0.81</u>
Diluted earnings per share:			
Weighted average shares outstanding	21,148	21,028	21,110
Effect of dilutive securities:			
Employee and director stock options	216	233	141
Weighted average shares assuming dilution	<u>21,364</u>	<u>21,261</u>	<u>21,251</u>
Per share amount	<u>\$ 1.01</u>	<u>\$ 0.91</u>	<u>\$ 0.80</u>

For fiscal 2002, options to purchase 784,600 shares of the Company's common stock with exercise prices ranging from \$14.69 to \$26.88 per share and expiration dates between 2006 and 2012 were

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS —(Continued)

outstanding at December 29, 2002, but were not included in the computation of diluted EPS because their effect would be anti-dilutive.

For fiscal 2001, options to purchase 510,000 shares of the Company's common stock with exercise prices ranging from \$13.75 to \$26.88 per share and expiration dates between 2005 and 2011 were outstanding at December 30, 2001, but were not included in the computation of diluted EPS because their effect would be anti-dilutive.

For fiscal 2000, outstanding options to purchase 924,600 shares of the Company's common stock with exercise prices ranging from \$8.44 to \$26.88 and expiration dates between 2005 and 2010, were also excluded from the computation of diluted EPS because their effect would be anti-dilutive.

12. Related Party Transactions with The Wackenhut Corporation

Related party transactions occur in the normal course of business between the Company and TWC. Such transactions include the purchase of goods and services and corporate costs for management support, office space, insurance and interest expense.

The Company incurred the following expenses related to transactions with TWC in the following years:

Fiscal Year	2002	2001	2000
		(In thousands)	
General and administrative expenses	\$ 2,591	\$ 2,831	\$ 3,468
Casualty insurance premiums	17,973	21,952	13,588
Rent	514	286	315
Net interest expense	32	49	65
	<u>\$21,110</u>	<u>\$25,118</u>	<u>\$17,436</u>

General and administrative expenses represent charges for management and support services. TWC provides various general and administrative services to the Company under a Services Agreement, through which TWC provides payroll services, human resources support, tax services and information technology support services through December 31, 2002. Beginning January 1, 2003, the only services provided will be for information technology support through year-end 2004. The Company has negotiated annual rates with TWC based upon the level of service to be provided under the Services Agreement.

The Company also leases office space from TWC for its corporate headquarters under a non-cancelable operating lease that expires February 11, 2011. Management of the Company has decided to relocate its corporate headquarters to Boca Raton, Florida and has entered into a ten-year lease for new office space. The Company expects to complete the move by April 2003. Management is in the process of marketing the space the Company currently leases from TWC and believes that a sublease will be entered into under terms and conditions similar to those contained in the Company's lease with TWC. The remaining obligation on the lease is approximately \$5.3 million. There can be no assurance that the Company will be successful in its efforts to sublease the current office space.

13. Stock Options

The Company has four stock option plans: the Wackenhut Corrections Corporation 1994 Stock Option Plan (First Plan), the Wackenhut Corrections Corporation Stock Option Plan (Second Plan), the 1995 Non-Employee Director Stock Option Plan (Third Plan) and the Wackenhut Corrections Corporation 1999 Stock Option Plan (Fourth Plan). All outstanding options vested immediately upon the Merger.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS —(Continued)

Under the First Plan, the Company may grant up to 897,600 shares of common stock to key employees and consultants. All options granted under this plan are exercisable at the fair market value of the common stock at the date of the grant, vest 100% immediately and expire no later than ten years after the date of the grant.

Under the Second Plan and Fourth Plan, the Company may grant options to key employees for up to 1,500,000 and 550,000 shares of common stock, respectively. Under the terms of these plans, the exercise price per share and vesting period is determined at the sole discretion of the Board of Directors. All options that have been granted under these plans are exercisable at the fair market value of the common stock at the date of the grant. Generally, the options vest and become exercisable ratably over a four-year period, beginning immediately on the date of the grant. However, the Board of Directors has exercised its discretion and has granted options that vest 100% immediately. All options under the Second Plan and Fourth Plan expire no later than ten years after the date of the grant.

Under the Third Plan, the Company may grant up to 60,000 shares of common stock to non-employee directors of the Company. Under the terms of this plan, options are granted at the fair market value of the common stock at the date of the grant, become exercisable immediately, and expire ten years after the date of the grant.

A summary of the status of the Company's four stock option plans is presented below.

Fiscal Year	2002		2001		2000	
	Shares	Wtd. Avg. Exercise Price	Shares	Wtd. Avg. Exercise Price	Shares	Wtd. Avg. Exercise Price
Outstanding at beginning of year	1,417,102	\$12.40	1,315,202	\$12.70	1,132,634	\$14.21
Granted	330,000	15.41	248,500	9.40	301,000	8.45
Exercised	268,396	4.72	86,200	4.60	4,032	2.97
Forfeited/ Cancelled	68,400	18.67	60,400	17.75	114,400	16.79
Options outstanding at end of year	1,410,306	14.26	1,417,102	12.40	1,315,202	12.70
Options exercisable at year end	1,410,306	\$14.26	1,079,202	\$12.61	960,102	\$11.94

The following table summarizes information about the stock options outstanding at December 29, 2002:

Exercise Prices	Options Outstanding			Options Exercisable	
	Number Outstanding	Wtd. Avg. Remaining Contractual Life	Wtd. Avg. Exercise Price	Number Exercisable	Wtd. Avg. Exercise Price
\$ 3.75 — \$ 3.75	81,406	1.4	\$ 3.75	81,406	\$ 3.75
\$ 7.88 — \$ 9.30	467,300	7.6	8.85	467,300	8.85
\$11.88 – \$13.75	77,000	3.5	11.94	77,000	11.94
\$14.69 – \$16.88	354,000	8.9	15.38	354,000	15.38
\$18.38 – \$21.50	248,600	5.5	19.56	248,600	19.56
\$22.63 – \$25.06	169,500	4.7	24.31	169,500	24.31
\$26.13 – \$26.88	12,500	5.5	26.28	12,500	26.28
	1,410,306	6.6	\$14.26	1,410,306	\$14.26

The Company had 148,674 options available to be granted at December 29, 2002 under the aforementioned stock plans.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS —(Continued)

The Company accounts for these plans under APB Opinion No. 25, under which no compensation cost has been recognized. Had compensation cost for these plans been determined based on the fair value at date of grant in accordance with FASB Statement No. 123, the Company's net income and earnings per share would have been reduced to the pro forma amounts as follows:

Pro Forma Disclosures	2002	2001	2000
	(In thousands, except per share data)		
Pro forma net income	\$20,441	\$18,401	\$15,872
Pro forma basic net earnings per share	\$ 0.97	\$ 0.88	\$ 0.75
Pro forma diluted net earnings per share	\$ 0.96	\$ 0.87	\$ 0.75
Pro forma weighted average fair value of options granted	\$ 5.25	\$ 5.15	\$ 4.90
Risk free interest rates	2.37%–3.47%	4.61%–5.04%	5.77%–6.70%
Expected lives	4-8 years	4-8 years	4-8 years
Expected volatility	49%	52%	54%

14. Retirement and Deferred Compensation Plans

The Company has two noncontributory defined benefit pension plans covering certain of its executives. Retirement benefits are based on years of service, employees' average compensation for the last five years prior to retirement and social security benefits. Currently, the plans are not funded. The Company purchases and is the beneficiary of life insurance policies for certain participants enrolled in the plans.

The assumptions for the discount rate and the average increase in compensation used in determining the pension expense and funded status information are 6.5% and 5.5%, respectively. Prior to 2001, the Company used a discount rate of 7.5%.

The total pension expense for 2002, 2001, and 2000 was \$0.4 million, \$0.2 million, and \$0.4 million, respectively. The accumulated benefit obligation at year-end 2002 and 2001 was \$0.5 million and \$0.2 million, respectively and is included in "Other liabilities" in the accompanying consolidated balance sheets.

In 2001, the Company established non-qualified deferred compensation agreements with three key executives providing for fixed annual benefits ranging from \$150,000 to \$250,000 payable upon retirement at age 60 for a period of 25 years. In March 2002, the Company and the executives agreed to amend the retirement agreements to provide for a lump sum payment at an accelerated retirement age of 55 and to enter into employment agreements upon a change in control.

The Merger between TWC and Group 4 Falck triggered change in control provisions in the three key executives' employment and retirement agreements. The employment agreements entitle the executives, if they remain employed by the Company for at least two years following the Merger, to twenty-four consecutive monthly payments equal, in total, to three times each executive's 2002 salary plus bonus. In addition, the change in control accelerated the executive's eligibility for retirement from age 60 to 55 and provided for a one-time payment at age 55 to the executive based on the net present value of the benefit, as defined by the executive retirement agreement.

The cost of these revised agreements is being charged to expense and accrued using a present value method over the expected remaining terms of employment. The charge to expense for the amended agreements for 2002 was \$3.1 million. Currently, the plan is not funded. Subsequent to year-end, the Company and the executives amended the agreements to defer the retirement payment until the respective executives actually retire, no sooner than age 55. The Company expects to payout approximately \$3.1 million related to the change in control provisions per the employment agreements in 2003 and approximately \$1.3 million in 2004.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS —(Continued)

The accumulated benefit obligation of \$7.1 million and \$4.1 million at year-end 2002 and 2001 is included in “Other liabilities” in the accompanying consolidated balance sheet. The unamortized prior service cost of \$1 million is included in “Other noncurrent assets” in the accompanying consolidated financial statements and is being amortized over the estimated remaining service periods ranging from three to thirteen years.

The Company has established a deferred compensation agreement for non-employee directors, which allows eligible directors to defer their compensation in either the form of cash or stock. Participants may elect lump sum or monthly payments to be made at least one year after the deferral is made or at the time the participant ceases to be a director. The Company recognized total compensation expense under this plan of zero, \$0.1 million and \$0.2 million for 2002, 2001, and 2000, respectively. Payouts under the plan were approximately \$0.1 million in 2002. The liability for the deferred compensation was \$0.4 million and \$0.5 million at year-end 2002 and 2001, respectively, and is included in “Accrued expenses” in the accompanying consolidated balance sheets.

The Company also has a non-qualified deferred compensation plan for employees who are ineligible to participate in the Company’s qualified 401(k) plan. Eligible employees may defer a fixed percentage of their salary, which earns interest at a rate equal to the prime rate less 0.75%. The Company matches employee contributions up to \$400 each year based on the employee’s years of service. Payments will be made at retirement age of 65 or at termination of employment. The expense recognized by the Company in 2002, 2001, and 2000 was \$0.2 million, \$0.3 million and \$0.4 million, respectively. The liability for this plan at year-end 2002 and 2001 was \$1.3 million and \$1.1 million, respectively, and is included in “Accrued expenses” in the accompanying consolidated balance sheets.

15. Selected Quarterly Financial Data (Unaudited)

Selected quarterly financial data for the Company and its subsidiaries for the fiscal years ended December 29, 2002 and December 30, 2001, is as follows:

2002	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
	(In thousands, except per share data)			
Revenues	\$140,182	\$141,192	\$141,706	\$145,532
Operating income	\$ 5,918	\$ 7,483	\$ 7,613	\$ 6,862
Net income	\$ 5,183	\$ 5,405	\$ 5,358	\$ 5,555
Basic earnings per share	\$ 0.25	\$ 0.26	\$ 0.25	\$ 0.26
Diluted earnings per share	\$ 0.24	\$ 0.25	\$ 0.25	\$ 0.26
2001				
Revenues	\$135,003	\$141,715	\$142,207	\$143,148
Operating income	\$ 2,543	\$ 6,417	\$ 9,046	\$ 6,178
Net income	\$ 2,632	\$ 5,323	\$ 5,843	\$ 5,581
Basic earnings per share	\$ 0.13	\$ 0.25	\$ 0.28	\$ 0.27
Diluted earnings per share	\$ 0.12	\$ 0.25	\$ 0.27	\$ 0.26

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

The Board of Directors and Shareholders
Wackenhut Corrections Corporation

We have audited the accompanying consolidated balance sheet of Wackenhut Corrections Corporation as of December 29, 2002, and the related consolidated statements of income, cash flows and shareholders' equity for the year then ended. The consolidated financial statements of the Company as of December 30, 2001 and for each of the two years in the period ended December 30, 2001 were audited by other auditors who have ceased operations and whose report dated February 6, 2002, expressed an unqualified opinion on those statements. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Wackenhut Corrections Corporation as of December 29, 2002, and the consolidated results of its operations and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States.

As discussed in Note 1 to the consolidated financial statements, effective December 31, 2001, the Company changed its method of accounting for goodwill and other intangible assets.

As discussed above, the consolidated financial statements of the Company as of December 30, 2001 and for each of the two years in the period ended December 30, 2001 were audited by other auditors who have ceased operations. As described in Note 1, these financial statements have been revised to include the transitional disclosures required by Statement of Financial Accounting Standards (Statement) No. 142, *Goodwill and Other Intangible Assets*, which was adopted by the Company as of December 31, 2001. Our audit procedures with respect to the disclosures in Note 1 with respect to 2001 and 2000 included (a) agreeing the previously reported net income to the previously issued financial statements and the adjustments to reported net income representing amortization expense (including any related tax effects) recognized in those periods related to goodwill and goodwill related to equity investees to the Company's underlying records obtained from management, and (b) testing the mathematical accuracy of the reconciliation of adjusted net income to reported net income, and the related earnings-per-share amounts. In our opinion, the disclosures for 2001 and 2000 in Note 1 are appropriate. However, we were not engaged to audit, review, or apply any procedures to the 2001 and 2000 financial statements of the Company other than with respect to such disclosures and, accordingly, we do not express an opinion or any other form of assurance on the 2001 and 2000 financial statements taken as a whole.

ERNST & YOUNG LLP

West Palm Beach, Florida

February 11, 2003

THIS REPORT IS A COPY OF A REPORT PREVIOUSLY ISSUED BY ARTHUR ANDERSEN LLP. THE REPORT HAS NOT BEEN REISSUED BY ARTHUR ANDERSEN LLP NOR HAS ARTHUR ANDERSEN LLP PROVIDED A CONSENT TO THE INCLUSION OF ITS REPORT IN THIS FORM 10-K.

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

To Wackenhut Corrections Corporation:

We have audited the accompanying consolidated balance sheets of Wackenhut Corrections Corporation (a Florida corporation) and subsidiaries as of December 30, 2001 and December 31, 2000, and the related consolidated statements of operations, stockholders' equity and comprehensive income and cash flows for each of the three fiscal years in the period ended December 30, 2001. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Wackenhut Corrections Corporation and subsidiaries as of December 30, 2001 and December 31 2000, and the results of their operations and their cash flows for each of the three years in the period ended December 30, 2001 in conformity with accounting principles generally accepted in the United States.

As discussed in Note 2 to the financial statements, effective January 1, 2001, the Company changed its method of accounting for derivative instruments.

ARTHUR ANDERSEN LLP

West Palm Beach, Florida,

February 6, 2002

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

To the Shareholders of
Wackenhut Corrections Corporation:

The accompanying consolidated financial statements have been prepared in conformity with accounting principles generally accepted in the United States. They include amounts based on judgments and estimates.

Representation in the consolidated financial statements and the fairness and integrity of such statements are the responsibility of management. In order to meet management's responsibility, the Company maintains a system of internal controls and procedures and a program of internal audits designed to provide reasonable assurance that the Company's assets are controlled and safeguarded, that transactions are executed in accordance with management's authorization and properly recorded, and that accounting records may be relied upon in the preparation of financial statements.

The consolidated financial statements have been audited by Ernst & Young LLP, independent certified public accountants, whose appointment was ratified by the Company's shareholders. Their report expresses a professional opinion as to whether management's consolidated financial statements considered in their entirety present fairly, in conformity with accounting principles generally accepted in the United States, the Company's financial position and results of operations. Their audit was conducted in accordance with auditing standards generally accepted in the United States. As part of this audit, Ernst & Young LLP considered the Company's system of internal controls to the degree they deemed necessary to determine the nature, timing, and extent of their audit tests which support their opinion on the consolidated financial statements.

The Audit Committee of the Board of Directors meets periodically with representatives of management, the independent certified public accountants and the Company's internal auditors to review matters relating to financial reporting, internal accounting controls and auditing. Both the internal auditors and the independent certified public accountants have unrestricted access to the Audit Committee to discuss the results of their reviews.

GEORGE C. ZOLEY
Chairman and Chief Executive Officer

WAYNE H. CALABRESE
Vice Chairman, President and Chief Operating Officer

JOHN G. O'ROURKE
Senior Vice President
Chief Financial Officer and Treasurer

Item 9. Changes in and Disagreements With Accountants on Accounting and Financial Disclosure

None.

PART III

The information required by Items 10, 11, 12, and 13 of Form 10-K (except such information as is furnished in a separate caption “Executive Officers of the Company” and included below) will be contained in, and is incorporated by reference from, the proxy statement (with the exception of the Board Compensation Committee Report and the Performance Graph) for the Company’s 2002 Annual Meeting of Shareholders, which will be filed with the Securities and Exchange Commission pursuant to Regulation 14A within 120 days after the end of the fiscal year covered by this Annual Report.

PART IV

Item 14. Controls and Procedures

(a) Evaluation of Disclosure Controls and Procedures

Within the 90 days prior to the date of this Annual Report, the Company carried out an evaluation, under the supervision and with the participation of its management, including the Company Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of the Company’s disclosure controls and procedures pursuant to Securities Exchange Act Rule 13-a-14(c) and 15d-14(c). Based upon that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that the Company’s disclosure controls and procedures were effective as of the date of their evaluation in timely alerting them to material information relating to the Company (including its consolidated subsidiaries) required to be included in this Annual Report.

(b) Changes in Internal Controls

There were no significant changes in the Company’s internal controls or in other factors that could significantly affect such internal controls subsequent to the date of the evaluation described in paragraph (a) above. As a result, no corrective actions were required or undertaken.

Item 15. Exhibits, Financial Statement Schedules, and Reports on Form 8-K

(a) 1. *Financial Statements.*

Report of Independent Certified Public Accountants — Page 60

Consolidated Balance Sheets — December 29, 2002 and December 30, 2001 — Page 36

Consolidated Statements of Income — Fiscal years ended December 29, 2002, December 30, 2001, and December 31, 2000 — Page 35

Consolidated Statements of Cash Flows — Fiscal years ended December 29, 2002, December 30, 2001, and December 31, 2000 — Page 37

Consolidated Statements of Shareholders’ Equity and Comprehensive Income — Fiscal years ended December 29, 2002, December 30, 2001, and December 31, 2000 — Page 38

Notes to Consolidated Financial Statements — Pages 39 through 59

2. *Financial Statement Schedules.*

Schedule II — Valuation and Qualifying Accounts — Page 71

All other schedules specified in the accounting regulations of the Securities and Exchange Commission have been omitted because they are either inapplicable or not required.

Table of Contents

3. Exhibits. The following exhibits are filed as part of this Annual Report:

Exhibit Number	Description
3.1**	— Amended and Restated Articles of Incorporation of Wackenhut Corrections Corporation, dated May 16, 1994.
3.2**	— Bylaws of Wackenhut Corrections Corporation.
4.1	— Credit Agreement, dated December 12, 2002, by and among Wackenhut Corrections Corporation, Wachovia Bank, National Association, as Administrative Agent, BNP Paribas, as Syndication Agent, and the lenders who are, or may from time to time become, a party thereto (incorporated herein by reference to exhibit of the same number filed in Wackenhut Corrections Corporation's report on Form 8-K, dated December 27, 2002).
4.2*	— First Amendment to Credit Agreement, dated January 10, 2003, by and among Wackenhut Corrections Corporation, Wachovia Bank, National Association, as Administrative Agent, and BNP Paribas, as Syndication Agent.
10.1†**	— Wackenhut Corrections Corporation Stock Option Plan.
10.2†**	— Wackenhut Corrections Corporation 1994 Stock Option Plan.
10.3†**	— Form of Indemnification Agreement between Wackenhut Corrections Corporation and its Officers and Directors.
10.4†***	— Wackenhut Corrections Corporation Senior Officer Retirement Plan.
10.5†***	— Wackenhut Corrections Corporation Director Deferral Plan.
10.6†***	— Wackenhut Corrections Corporation Senior Officer Incentive Plan.
10.7	— Lease Agreement, effective as of January 3, 1994, between Wackenhut Corrections Corporation and The Wackenhut Corporation (incorporated by reference to Exhibit 10.5 of Wackenhut Corrections Corporation's Registration Statement on Form S-1, as amended, Registration Number 33-79264).
10.8*	— Wackenhut Corrections Corporation Nonemployee Director Stock Option Plan, as amended October 29, 1996.
10.9****	— Form of Master Agreement to Lease between CPT Operating Partnership L.P. and Wackenhut Corrections Corporation; Form of Lease Agreement between CPT Operating Partnership L.P. and Wackenhut Corrections Corporation; Form Right to Purchase Agreement between Wackenhut Corrections Corporation and CPT Operating Partnership L.P.; and, Form of Option Agreement between Wackenhut Corrections Corporation and CPT Operating Partnership L.P.
10.10†	— Wackenhut Corrections Corporation 1999 Stock Option Plan (incorporated by reference to Exhibit 10.12 of Wackenhut Corrections Corporation's report on Form 10-K, dated March 30, 2000).
10.11†	— Senior Officer Retirement Agreement (incorporated by reference to Exhibit 10.1 of Wackenhut Corrections Corporation's report on Form 10-Q, dated August 10, 2001).
10.12†	— Executive Employment Agreement, dated March 7, 2002, between Wackenhut Corrections Corporation and Dr. George C. Zoley (incorporated herein by reference to Exhibit 10.15 filed in Wackenhut Corrections Corporation's report on Form 10-Q, dated May 15, 2002).
10.13†	— Executive Employment Agreement, dated March 7, 2002, between Wackenhut Corrections Corporation and Wayne H. Calabrese (incorporated herein by reference to Exhibit 10.16 filed in Wackenhut Corrections Corporation's report on Form 10-Q, dated May 15, 2002).
10.14†	— Executive Employment Agreement, dated March 7, 2002, between Wackenhut Corrections Corporation and John G. O'Rourke (incorporated herein by reference to Exhibit 10.17 filed in Wackenhut Corrections Corporation's report on Form 10-Q, dated May 15, 2002).
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21.1*	— Subsidiaries of Wackenhut Corrections Corporation.
23.1*	— Consent of Independent Certified Public Accountants.
24.1*	— Powers of Attorney (included as part of the signature page hereto).
99.1*	— CEO Certification.
99.2*	— CFO Certification.

* Filed herewith.

** Incorporated herein by reference to exhibit of the same number filed in Wackenhut Corrections Corporation's Registration Statement, as amended, on Form S-1 (Registration Number 33-79264).

*** Incorporated herein by reference to exhibit of the same number filed in Wackenhut Corrections Corporation's Registration Statement, as amended, on Form S-1 (Registration Number 33-80785).

**** Incorporated by reference to Exhibits 10.2, 10.3, 10.4, and 10.5 of Wackenhut Corrections Corporation's Registration Statement on Form S-3 (Registration Number 333-46681).

† Management contract or compensatory plan, contract or agreement as defined in Item 402(a)(3) of Regulation S-K.

(b) *Reports on Form 8-K.* Wackenhut Corrections Corporation filed a Form 8-K, Item 2, on December 27, 2002.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Company has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

WACKENHUT CORRECTIONS CORPORATION

/s/ JOHN G. O'ROURKE

 John G. O'Rourke
*Senior Vice President of Finance, Treasurer &
 Chief Financial Officer*

Date: March 20, 2002

Each person whose signature appears below hereby constitutes and appoints John G. O'Rourke, Senior Vice President of Finance, Treasurer and Chief Financial Officer; David N.T. Watson, Vice President of Finance, Chief Accounting Officer, Assistant Secretary, and Assistant Treasurer; and John J. Bulfin, Senior Vice President, General Counsel and Corporate Secretary; and each of them, the true and lawful attorneys-in-fact and agents of the undersigned, with full power undersigned, in any and all capacities, to sign any and all amendments to this Annual Report on Form 10-K and to file the same, with all exhibits thereto, and other documents in connection therewith, with the Securities and Exchange Commission, and hereby grants to such attorneys-in-fact and agents, and each of them, full power and authority to do and perform each and every act and thing requisite and necessary to be done, as fully to all intents and purposes as the undersigned might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact and agents, or any of them, or their or his substitute or substitutes, may lawfully do or cause to be done by virtue thereof.

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Company and in the capacities and on the dates indicated.

Signature	Title	Date
* _____ George C. Zoley	Chairman of the Board and Chief Executive Officer (principal executive officer)	March 20, 2003
/s/ JOHN G. O'ROURKE _____ John G. O'Rourke	Senior Vice President of Finance, Treasurer & Chief Financial Officer (principal financial officer)	March 20, 2003
/s/ DAVID N.T. WATSON _____ David N.T. Watson	Vice President of Finance, Chief Accounting Officer, Assistant Secretary & Assistant Treasurer (principal accounting officer)	March 20, 2003
* _____ Lars Norby Johansen	Director	March 20, 2003
* _____ Soren Lundsberg-Nielsen	Director	March 20, 2003
* _____ Wayne H. Calabrese	Vice Chairman of the Board, President and Director	March 20, 2003

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<u>Signature</u>	<u>Title</u>	<u>Date</u>
* Norman A. Carlson	Director	March 20, 2003
* Benjamin R. Civiletti	Director	March 20, 2003
* Anne N. Foreman	Director	March 20, 2003
* G. Fred DiBona, Jr.	Director	March 20, 2003
* Richard H. Glanton	Director	March 20, 2003
*By: /s/ JOHN G. O'ROURKE John G. O'Rourke Attorney-in-fact		

CERTIFICATIONS

I, George C. Zoley, certify that:

1. I have reviewed this annual report on Form 10-K of Wackenhut Corrections Corporation (the "Company");
2. Based on my knowledge, this annual report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this annual report;
3. Based on my knowledge, the financial statements, and other financial information included in this annual report, fairly present in all material respects the financial condition, results of operations and cash flows of the Company as of, and for, the periods presented in this annual report;
4. The Company's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the Company and have:
 - a) Designed such disclosure controls and procedures to ensure that material information relating to the Company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this annual report is being prepared;
 - b) Evaluated the effectiveness of the Company's disclosure controls and procedures as of a date within 90 days prior to the filing date of this annual report (the "Evaluation Date"); and
 - c) Presented in this annual report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;
5. The Company's other certifying officers and I have disclosed, based on our most recent evaluation, to the Company's auditors and the audit committee of the Company's Board of Directors (or persons performing the equivalent function):
 - a) All significant deficiencies in the design or operation of internal controls which could adversely affect the Company's ability to record, process, summarize and report financial data and have identified for the Company's auditors any material weaknesses in internal controls; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the Company's internal controls; and
6. The Company's other certifying officers and I have indicated in this annual report whether there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weakness.

Date: March 20, 2003

/s/ GEORGE C. ZOLEY

George C. Zoley
Chief Executive Officer

CERTIFICATIONS

I, John G. O'Rourke, certify that:

1. I have reviewed this annual report on Form 10-K of Wackenhut Corrections Corporation (the "Company");
2. Based on my knowledge, this annual report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this annual report;
3. Based on my knowledge, the financial statements, and other financial information included in this annual report, fairly present in all material respects the financial condition, results of operations and cash flows of the Company as of, and for, the periods presented in this annual report;
4. The Company's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the Company and have:
 - a) Designed such disclosure controls and procedures to ensure that material information relating to the Company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this annual report is being prepared;
 - b) Evaluated the effectiveness of the Company's disclosure controls and procedures as of a date within 90 days prior to the filing date of this annual report (the "Evaluation Date"); and
 - c) Presented in this annual report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;
5. The Company's other certifying officers and I have disclosed, based on our most recent evaluation, to the Company's auditors and the audit committee of the Company's Board of Directors (or persons performing the equivalent function):
 - a) All significant deficiencies in the design or operation of internal controls which could adversely affect the Company's ability to record, process, summarize and report financial data and have identified for the Company's auditors any material weaknesses in internal controls; and
 - c) Any fraud, whether or not material, that involves management or other employees who have a significant role in the Company's internal controls; and
6. The Company's other certifying officers and I have indicated in this annual report whether there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weakness.

Date: March 20, 2003

/s/ JOHN G. O'ROURKE

John G. O'Rourke
Chief Financial Officer

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

The Board of Directors and Shareholders
Wackenhut Corrections Corporation

We have audited the accompanying consolidated balance sheet of Wackenhut Corrections Corporation as of December 29, 2002, and the related consolidated statements of income, cash flows and shareholders' equity for the year then ended. The consolidated financial statements of the Company as of December 30, 2001 and for each of the two years in the period ended December 30, 2001 were audited by other auditors who have ceased operations and whose report dated February 6, 2002 expressed an unqualified opinion on those statements. Our audit also included the 2002 financial information included in the financial statement schedule listed in the Index at Item 15(a). These financial statements and schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and schedule based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Wackenhut Corrections Corporation at December 29, 2002, and the consolidated results of its operations and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States. Also, in our opinion, the related 2002 financial information included in the financial statement schedule, when considered in relation to the basic financial statements taken as a whole, presents fairly in all material respects the information set forth therein.

As discussed in Note 2 to the consolidated financial statements, effective December 31, 2001, the Company changed its method of accounting for goodwill and other intangible assets.

As discussed above, the consolidated financial statements of the Company as of December 30, 2001 and for each of the two years in the period ended December 30, 2001 were audited by other auditors who have ceased operations. As described in Note 2, these financial statements have been revised to include the transitional disclosures required by Statement of Financial Accounting Standards (Statement) No. 142, *Goodwill and Other Intangible Assets*, which was adopted by the Company as of December 31, 2001. Our audit procedures with respect to the disclosures in Note 2 with respect to 2001 and 2000 included (a) agreeing the previously reported net income to the previously issued financial statements and the adjustments to reported net income representing amortization expense (including any related tax effects) recognized in those periods related to goodwill and goodwill related to equity investees to the Company's underlying records obtained from management, and (b) testing the mathematical accuracy of the reconciliation of adjusted net income to reported net income, and the related earnings-per-share amounts. In our opinion, the disclosures for 2001 and 2000 in Note 2 are appropriate. However, we were not engaged to audit, review, or apply any procedures to the 2001 and 2000 consolidated financial statements of the Company other than with respect to such disclosures and, accordingly, we do not express an opinion or any other form of assurance on the 2001 and 2000 consolidated financial statements taken as a whole.

ERNST & YOUNG LLP

West Palm Beach, Florida

February 11, 2003

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THIS REPORT IS A COPY OF A REPORT PREVIOUSLY ISSUED BY ARTHUR ANDERSEN LLP. THE REPORT HAS NOT BEEN REISSUED BY ARTHUR ANDERSEN LLP NOR HAS ARTHUR ANDERSEN LLP PROVIDED A CONSENT TO THE INCLUSION OF ITS REPORT IN THIS FORM 10-K.

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

To Wackenhut Corrections Corporation:

We have audited in accordance with auditing standards generally accepted in the United States, the consolidated financial statements included in Wackenhut Corrections Corporation's 2001 Annual Report to Shareholders included in this Form 10-K, and have issued our report thereon dated February 6, 2002. Our audits were made for the purpose of forming an opinion on those statements taken as a whole. The schedule listed above in item 14(a)2 of the Company's Annual Report on Form 10-K for the fiscal year ended December 30, 2001 is the responsibility of the Company's management and is presented for purposes of complying with the Securities and Exchange Commission's rules and is not part of the basic consolidated financial statements. This schedule has been subjected to the auditing procedures applied in the audits of the basic consolidated financial statements and, in our opinion, fairly states in all material respects the financial data required to be set forth therein in relation to the basic consolidated financial statements taken as a whole.

ARTHUR ANDERSEN LLP

West Palm Beach, Florida,

February 6, 2002.

SCHEDULE II

WACKENHUT CORRECTIONS CORPORATION

VALUATION AND QUALIFYING ACCOUNTS

For the Fiscal Years Ended December 29, 2002, December 30, 2001, and December 31, 2000

Description	Balance at Beginning of Period	Charged to Cost and Expenses	Charged to Other Accounts	Deductions, Actual Charge- Offs	Balance at End of Period
(In thousands)					
Year Ended December 29, 2002:					
Allowance for doubtful accounts	\$2,557	\$2,368	\$ —	\$(3,281)	\$1,644
Year Ended December 30, 2001:					
Allowance for doubtful accounts	\$1,262	\$3,636	\$ —	\$(2,341)	\$2,557
Year Ended December 31, 2000:					
Allowance for doubtful accounts	\$1,499	\$1,755	\$ —	\$(1,992)	\$1,262

EXHIBIT INDEX

Exhibit Number	Description
3.1**	— Amended and Restated Articles of Incorporation of Wackenhut Corrections Corporation, dated May 16, 1994.
3.2**	— Bylaws of Wackenhut Corrections Corporation.
4.1	— Credit Agreement, dated December 12, 2002, by and among Wackenhut Corrections Corporation, Wachovia Bank, National Association, as Administrative Agent, BNP Paribas, as Syndication Agent, and the lenders who are, or may from time to time become, a party thereto (incorporated herein by reference to exhibit of the same number filed in Wackenhut Corrections Corporation's report on Form 8-K, dated December 27, 2002).
4.2*	— First Amendment to Credit Agreement, dated January 10, 2003, by and among Wackenhut Corrections Corporation, Wachovia Bank, National Association, as Administrative Agent, and BNP Paribas, as Syndication Agent.
10.1†**	— Wackenhut Corrections Corporation Stock Option Plan.
10.2†**	— Wackenhut Corrections Corporation 1994 Stock Option Plan.
10.3†**	— Form of Indemnification Agreement between Wackenhut Corrections Corporation and its Officers and Directors.
10.4†***	— Wackenhut Corrections Corporation Senior Officer Retirement Plan.
10.5†***	— Wackenhut Corrections Corporation Director Deferral Plan.
10.6†***	— Wackenhut Corrections Corporation Senior Officer Incentive Plan.
10.7	— Lease Agreement, effective as of January 3, 1994, between Wackenhut Corrections Corporation and The Wackenhut Corporation (incorporated by reference to Exhibit 10.5 of Wackenhut Corrections Corporation's Registration Statement on Form S-1, as amended, Registration Number 33-79264).
10.8*	— Wackenhut Corrections Corporation Nonemployee Director Stock Option Plan, as amended October 29, 1996.
10.9****	— Form of Master Agreement to Lease between CPT Operating Partnership L.P. and Wackenhut Corrections Corporation; Form of Lease Agreement between CPT Operating Partnership L.P. and Wackenhut Corrections Corporation; Form Right to Purchase Agreement between Wackenhut Corrections Corporation and CPT Operating Partnership L.P.; and, Form of Option Agreement between Wackenhut Corrections Corporation and CPT Operating Partnership L.P.
10.10†	— Wackenhut Corrections Corporation 1999 Stock Option Plan (incorporated by reference to Exhibit 10.12 of Wackenhut Corrections Corporation's report on Form 10-K, dated March 30, 2000).
10.11†	— Senior Officer Retirement Agreement (incorporated by reference to Exhibit 10.1 of Wackenhut Corrections Corporation's report on Form 10-Q, dated August 10, 2001).
10.12†	— Executive Employment Agreement, dated March 7, 2002, between Wackenhut Corrections Corporation and Dr. George C. Zoley (incorporated herein by reference to Exhibit 10.15 filed in Wackenhut Corrections Corporation's report on Form 10-Q, dated May 15, 2002).
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† Management contract or compensatory plan, contract or agreement as defined in Item 402(a)(3) of Regulation S-K.

FIRST AMENDMENT TO CREDIT AGREEMENT

THIS FIRST AMENDMENT TO CREDIT AGREEMENT (this "Amendment") is made and entered into as of this 10th day of January, 2003 by and among WACKENHUT CORRECTIONS CORPORATION, a Florida corporation (the "Borrower"), WACHOVIA BANK, NATIONAL ASSOCIATION, as administrative agent (the "Administrative Agent") and BNP PARIBAS, as syndication agent (the "Syndication Agent").

Statement of Purpose

Certain credit facilities have been extended to the Borrower pursuant to the Credit Agreement dated as of December 12, 2002, by and among the Borrower, the lenders party thereto, the Administrative Agent and the Syndication Agent (as amended, restated, supplemented or otherwise modified from time to time, the "Credit Agreement").

The parties now desire to amend certain provisions of the Credit Agreement in certain respects subject to the terms and conditions set forth below.

NOW THEREFORE, for good and valuable consideration, the receipt and adequacy of which is hereby acknowledged, the parties hereto agree as follows:

1. Capitalized Terms. All capitalized undefined terms used in this Amendment shall have the meanings assigned thereto in the Credit Agreement.

2. Amendments to Credit Agreement. The Credit Agreement is hereby modified as follows:

(a) Amendments to Existing Definition. The definition of "Business Day" which is set forth in Section 1.1 of the Credit Agreement is hereby amended in its entirety as follows:

"Business Day" means (a) for all purposes other than as set forth in clause (b) below, any day other than a Saturday, Sunday or legal holiday on which banks in Charlotte, North Carolina and New York, New York, are open for the conduct of their domestic or international commercial banking business, as applicable, and (b) with respect to all notices and determinations in connection with, and payments of principal and interest on, any LIBOR Rate Loan, any day that is a Business Day described in clause (a) and that is also a day for trading by and between banks in Dollar deposits in the London interbank market. Notwithstanding the foregoing, with respect to any amount denominated or to be denominated in the euro, any reference to a "Business Day" shall be construed as a reference to a day (other than a Saturday or Sunday) on which banks are generally open for business in New York, New York and prime banks in London generally provide quotations for deposits denominated in the euro.

(b) Additional Defined Terms. Section 1.1 (Definitions) of the Credit Agreement is amended by the addition of the following defined terms (in alphabetical order):

"Alternative Currency" means (a) the euro, (b) the Pound Sterling, (c) the Australian Dollar, (d) the South African Rand and (e) with the prior written consent of the Issuing Lender, any other lawful currency (other than Dollars); provided that in each case of (a) through (e) above, such currency is freely transferable and convertible into Dollars in the United States currency market and freely available to an Issuing Lender in the London interbank deposit market.

"Alternative Currency Amount" means with respect to each Alternative Currency Letter of Credit, the amount of such Alternative Currency which is equivalent to the principal amount in Dollars of such Alternative Currency Letter of Credit at the most favorable spot exchange rate determined by the applicable Issuing Lender to be available to it at approximately 11:00 a.m. (Charlotte time) two (2) Business Days before such Alternative Currency Letter of Credit is issued or extended (or to be issued or extended). When used with respect to any other sum expressed in Dollars, "Alternative Currency Amount" shall mean the amount of such Alternative Currency which is equivalent to the amount so expressed in Dollars at the most favorable spot exchange rate determined by the applicable Issuing Lender to be available to it at the relevant time.

"Alternative Currency Letter of Credit" means any Letter of Credit denominated in an Alternative Currency and all such Alternative Currency Letters of Credit collectively as the context requires.

"Australian Dollars" means, at any time of determination, the then official currency of Australia.

"Dollar Amount" means (a) with respect to each Letter of Credit issued or extended (or to be issued or extended), in Dollars, the principal amount thereof and (b) with respect to each Alternative Currency Letter of Credit, the amount of Dollars which is equivalent to the face amount of such Letter of Credit, at the most favorable spot exchange rate determined by the applicable Issuing Lender at approximately 11:00 a.m. (the time of the Issuing Lender's Correspondent) two (2) Business Days before such Letter of Credit is issued or extended (or to be issued or extended). When used with respect to any other sum expressed in an Alternative Currency, "Dollar Amount" shall mean the amount of Dollars which is equivalent to the amount so expressed in such Alternative Currency at the most favorable spot exchange rate determined by the applicable Issuing Lender to be available to it at the relevant time.

"EMU" means economic and monetary union as contemplated in the Treaty on European Union.

"EMU Legislation" means legislative measures of the Council of European Union for the introduction of, change over to or operation of the euro.

"euro" means the single currency to which the Participating Member States of the European Union have converted.

"Issuing Lender's Correspondent" means, with respect to Wachovia, in its capacity as Issuing Lender, Wachovia Bank, National Association, London Branch, and with respect to BNP Paribas, BNP Paribas, New York Branch, or any other financial institution designated by the applicable Issuing Lender to act as its correspondent hereunder with respect to the issuance and payment of Alternative Currency Letters of Credit.

"Participating Member State" means each state so described in any EMU Legislation.

"Permitted Currency" means Dollars or any Alternative Currency, or each such currency, as the context requires.

"Pounds Sterling" means, at any time of determination, the then official currency of the United Kingdom of Great Britain and Northern Ireland.

"South African Rand" means, at any time of determination, the then official currency of South Africa.

"Treaty on European Union" means the Treaty of Rome of March 25, 1957, as amended by the Single European Act of 1986 and the Maastricht Treaty (signed February 7, 1992), as amended from time to time.

(c) Additional Section 1.4 and Section 1.5. Article I (Definitions) of the Credit Agreement is amended by the addition of the following new Section 1.4 and Section 1.5:

SECTION 1.4 Effectiveness of Euro Provisions. With respect to any state (or the currency of such state) that is not a Participating Member State on the date of this Agreement, the provisions of Sections 3.8(a), 3.8(b) and 3.11 shall become effective in relation to such state (and the currency of such state) at and from the date on which such state becomes a Participating Member State.

SECTION 1.5 Currency Equivalents.

(a) For purposes of Articles II, III and IV, the applicable outstanding amount of Letters of Credit and L/C Obligations shall be deemed to refer to the Dollar Amount thereof.

(b) All Loans made under this Agreement, including, without limitation, Loans made to refund drawings made under Alternative Currency Letters of Credit, shall be made only in Dollars.

(d) Amendment to Article III. Article III (Letter of Credit Facility) of the Credit Agreement is hereby deleted in its entirety and the following is substituted in lieu thereof.

ARTICLE III

LETTER OF CREDIT FACILITY

SECTION 3.1 L/C Commitment. Subject to the terms and conditions hereof, the Issuing Lenders, in reliance on the agreements of the L/C Participants set forth in Section 3.4(a), agree to issue standby letters of credit ("Letters of Credit") for the account of the Borrower on any Business Day from the Closing Date through but not including the Revolving Credit Maturity Date in such form as may be approved from time to time by the applicable Issuing Lender; provided, that the Issuing Lenders shall have no obligation to issue any Letter of Credit if, after giving effect to such issuance, (a) the L/C Obligations would exceed the L/C Commitment or (b) the aggregate principal amount of outstanding Revolving Credit Loans, plus the aggregate principal amount of outstanding Swingline Loans, plus the aggregate amount of L/C Obligations would exceed the Revolving Credit Commitment. Each Letter of Credit shall (i) be denominated in a Permitted Currency, (ii) be in a minimum amount of \$25,000 (or the Alternative Currency Amount thereof with respect to any Alternative Currency Letters of Credit), (iii) be a standby letter of credit issued to support obligations of the Borrower or any of its Subsidiaries, contingent or otherwise, incurred in the ordinary course of business, (iv) expire on a date satisfactory to the applicable Issuing Lender, which date shall be no later than the earlier of (A) one (1) year after the date of its issuance or (B) five (5) Business Days prior to the Revolving Credit Maturity Date and (v) be subject to the Uniform Customs and/or ISP98, as set forth in the Application or as determined by the applicable Issuing Lender and, to the extent not inconsistent therewith, the laws of the State of New York. The applicable Issuing Lender shall not at any time be obligated to issue any Letter of Credit hereunder if such issuance would conflict with, or cause the applicable Issuing Lender or any L/C Participant to exceed any limits imposed by, any Applicable Law. References herein to "issue" and derivations thereof with respect to Letters of Credit shall also include extensions or modifications of any existing Letters of Credit, unless the context otherwise requires.

SECTION 3.2 Procedure for Issuance of Letters of Credit. The Borrower may from time to time request that the applicable Issuing Lender issue a Letter of Credit by delivering to the applicable Issuing Lender at the applicable Lending Office an Application therefor, completed to the satisfaction of the applicable Issuing Lender, and such other certificates, documents and other papers and information as the applicable Issuing Lender may request (which information shall include the Permitted Currency in which the Letter of Credit shall be denominated). Upon receipt of any Application, the applicable Issuing Lender shall process such Application and the certificates, documents and other papers and information delivered to it in connection therewith in accordance with its

customary procedures and shall, subject to Section 3.1 and Article VI hereof, promptly issue the Letter of Credit requested thereby (but in no event shall the applicable Issuing Lender be required to issue any Letter of Credit earlier than (a) three (3) Business Days, with respect to a Letter of Credit denominated in Dollars, and (b) four (4) Business Days, with respect to an Alternative Currency Letter of Credit, after its receipt of the Application therefor and all such other certificates, documents and other papers and information relating thereto) by issuing the original of such Letter of Credit to the beneficiary thereof or as otherwise may be agreed by the applicable Issuing Lender and the Borrower. The applicable Issuing Lender shall promptly furnish to the Borrower a copy of such Letter of Credit and promptly notify each Lender of the issuance and upon request by any Lender, furnish to such Lender a copy of such Letter of Credit and the amount of such Lender's participation therein.

SECTION 3.3 Commissions and Other Charges.

(a) The Borrower shall pay to the Administrative Agent, for the account of the applicable Issuing Lender and the L/C Participants, a letter of credit commission with respect to each Letter of Credit in an amount equal to the face amount of such Letter of Credit (reflected as the Dollar Amount thereof, as determined by the Administrative Agent) multiplied by the Applicable Margin with respect to Revolving Credit Loans that are LIBOR Rate Loans (determined on a per annum basis). Such commission shall be payable quarterly in arrears on the last Business Day of each calendar quarter and on the Revolving Credit Maturity Date and shall be payable in Dollars based upon the Dollar Amount of such Letters of Credit for such quarter, as determined by the Administrative Agent. The Administrative Agent shall, promptly following its receipt thereof, distribute to the applicable Issuing Lender and the L/C Participants all commissions received pursuant to this Section 3.3(a) in accordance with their respective Revolving Credit Commitment Percentages.

(b) In addition to the foregoing commission, the Borrower shall pay the applicable Issuing Lender, for its own account, an issuance fee with respect to each Letter of Credit in an amount equal to the face amount of such Letter of Credit multiplied by one quarter of one percent (0.25%). Such issuance fee shall be payable upon issuance of each Letter of Credit and shall be payable in the Permitted Currency in which the applicable Letter of Credit is denominated.

(c) In addition to the foregoing fees and commissions, the Borrower shall pay or reimburse the applicable Issuing Lender, for its own account, for such normal and customary costs and expenses as are incurred or charged by the applicable Issuing Lender in issuing, effecting payment under, amending or otherwise administering any Letter of Credit. Such costs and expenses shall be payable in the Permitted Currency in which the applicable Letter of Credit is denominated.

SECTION 3.4 L/C Participations.

(a) The Issuing Lenders irrevocably agree to grant and hereby grant to each L/C Participant, and, to induce the Issuing Lenders to issue Letters of Credit hereunder, each L/C Participant irrevocably agrees to accept and purchase and hereby accepts and purchases from the applicable Issuing Lender, on the terms and conditions hereinafter stated, for such L/C Participant's own account and risk an undivided interest equal to such L/C Participant's Revolving Credit Commitment Percentage in the applicable Issuing Lender's obligations and rights under and in respect of each Letter of Credit issued hereunder and the Dollar Amount of each draft paid by the applicable Issuing Lender thereunder. Each L/C Participant unconditionally and irrevocably agrees with the applicable Issuing Lender that, if a draft is paid under any Letter of Credit for which the applicable Issuing Lender is not reimbursed in full by the Borrower through a Revolving Credit Loan or otherwise in accordance with the terms of this Agreement, such L/C Participant shall pay to the applicable Issuing Lender upon demand at the applicable Issuing Lender's address for notices specified herein an amount equal to such L/C Participant's Revolving Credit Commitment Percentage of the Dollar Amount of such draft, or any part thereof, which is not so reimbursed.

(b) Upon becoming aware of any amount required to be paid by any L/C Participant to the applicable Issuing Lender pursuant to Section 3.4(a) in respect of any unreimbursed portion of any payment made by the applicable Issuing Lender under any Letter of Credit, the applicable Issuing Lender shall notify each L/C Participant of the Dollar Amount and due date of such required payment and such L/C Participant shall pay to the applicable Issuing Lender the Dollar Amount specified on the applicable due date. If any such amount is paid to the applicable Issuing Lender after the date such payment is due, such L/C Participant shall pay to the applicable Issuing Lender on demand, in addition to such amount, the product of (i) such amount, times (ii) the daily average Federal Funds Rate as determined by the Administrative Agent during the period from and including the date such payment is due to the date on which such payment is immediately available to the applicable Issuing Lender, times (iii) a fraction the numerator of which is the number of days that elapse during such period and the denominator of which is 360. A certificate of the applicable Issuing Lender with respect to any amounts owing under this Section 3.4(b) shall be conclusive in the absence of manifest error. With respect to payment to the applicable Issuing Lender of the unreimbursed amounts described in this Section 3.4(b), if the L/C Participants receive notice that any such payment is due (A) prior to 1:00 p.m. (Charlotte time) on any Business Day, such payment shall be due that Business Day, and (B) after 1:00 p.m. (Charlotte time) on any Business Day, such payment shall be due on the following Business Day.

(c) Whenever, at any time after the applicable Issuing Lender has made payment under any Letter of Credit and has received from any L/C Participant its Revolving Credit Commitment Percentage of such payment in accordance with this Section 3.4, the applicable Issuing Lender receives any payment related to such Letter of Credit (whether directly from the Borrower or otherwise), or any payment of interest on account thereof, the applicable Issuing Lender will distribute to such L/C Participant its pro rata share of the Dollar Amount thereof; provided, that in the event that any such payment received by the applicable Issuing Lender shall be required to be returned by the applicable Issuing Lender, such L/C Participant shall return to the applicable Issuing Lender the portion thereof previously distributed by the applicable Issuing Lender to it.

(d) All payments made by any L/C Participant under this Section 3.4 shall be made in Dollars; provided that the Borrower shall be liable for any currency exchange loss pursuant to the terms of Section 3.10.

SECTION 3.5 Reimbursement of Letter of Credit Drawings.

(a) Reimbursement Obligation of the Borrower. In the event of any drawing under any Letter of Credit, the Borrower agrees to reimburse (either with the proceeds of a Revolving Credit Loan as provided for in this Section 3.5 or with funds from other sources), in the same day funds in the applicable Permitted Currency in which such Letter of Credit was denominated, the Issuing Lender on each date on which the Issuing Lender notifies the Borrower of the date and amount of a draft paid under any Letter of Credit for the amount of (i) such draft so paid and (ii) any amounts referred to in Section 3.3(c) incurred by the Issuing Lender in connection with such payment (other than those payable pursuant to Section 3.5(c) below).

(b) Reimbursement By the Lenders. Unless the Borrower shall immediately notify the Issuing Lender that the Borrower intends to reimburse the Issuing Lender for such drawing from other sources or funds, the Borrower shall be deemed to have timely given a Notice of Borrowing to the Administrative Agent requesting that the Lenders make a Revolving Credit Loan funded in Dollars bearing interest at the Base Rate on such date in the amount of (a) such draft so paid and (b) any amounts referred to in Section 3.3(c) incurred by the Issuing Lender in connection with such payment (including, without limitation, any and all costs, fees and other expenses incurred by the Issuing Lender in effecting the payment of any Letter of Credit denominated in an Alternative Currency), and the Lenders shall make a Revolving Credit Loan funded in Dollars bearing interest at the Base Rate in such amount, the proceeds of which shall be applied to reimburse the Issuing Lender for the amount of the related drawing and costs and expenses. Each Lender acknowledges and agrees that its obligation to fund a Revolving Credit Loan in accordance with this Section 3.5 to reimburse the Issuing Lender for any draft paid under a Letter of Credit is absolute and unconditional and shall not be affected by any circumstance whatsoever, including, without limitation, non-satisfaction of the

conditions set forth in Section 2.3(a) or Article VI. If the Borrower has elected to pay the amount of such drawing with funds from other sources and shall fail to reimburse the Issuing Lender as provided above, the unreimbursed amount of such drawing shall bear interest at the rate which would be payable on any outstanding Base Rate Loans which were then overdue from the date such amounts become payable (whether at stated maturity, by acceleration or otherwise) until payment in full.

(c) Payment of Alternative Currency Letters of Credit. Each payment by the Borrower on account of any Alternative Currency Letter of Credit (including the Reimbursement Obligation with respect to any Alternative Currency Letter of Credit) shall be made in such Alternative Currency not later than 1:00 p.m. (the time of the Issuing Lender's Correspondent) on the date specified for payment under this Agreement to the Administrative Agent's account with the Issuing Lender's Correspondent for the account of the Issuing Lender in immediately available funds, and shall be made without any set-off, counterclaim or deduction whatsoever. Any payment received after such time but before 2:00 p.m. (the time of the Issuing Lender's Correspondent) on such day shall be deemed a payment on such date for the purposes of Section 12.1, but for all other purposes shall be deemed to have been made on the next succeeding Business Day. Any payment received after 2:00 p.m. (the time of the Issuing Lender's Correspondent) shall be deemed to have been made on the next succeeding Business Day for all purposes.

SECTION 3.6 Obligations Absolute. The Borrower's obligations under this Article III (including, without limitation, the Reimbursement Obligation) shall be absolute and unconditional under any and all circumstances and irrespective of any set-off, counterclaim or defense to payment which the Borrower may have or have had against the applicable Issuing Lender or any beneficiary of a Letter of Credit or any other Person. The Borrower also agrees that the applicable Issuing Lender and the L/C Participants shall not be responsible for, and the Borrower's Reimbursement Obligation under Section 3.5 shall not be affected by, among other things, the validity or genuineness of documents or of any endorsements thereon, even though such documents shall in fact prove to be invalid, fraudulent or forged, or any dispute between or among the Borrower and any beneficiary of any Letter of Credit or any other party to which such Letter of Credit may be transferred or any claims whatsoever of the Borrower against any beneficiary of such Letter of Credit or any such transferee. The applicable Issuing Lender shall not be liable for any error, omission, interruption or delay in transmission, dispatch or delivery of any message or advice, however transmitted, in connection with any Letter of Credit, except for errors or omissions caused by the applicable Issuing Lender's gross negligence or willful misconduct. The Borrower agrees that any action taken or omitted by the applicable Issuing Lender under or in connection with any Letter of Credit or the related drafts or documents, if done in the absence of gross negligence or willful misconduct, shall be binding on the Borrower and shall not result in any liability

of the applicable Issuing Lender or any L/C Participant to the Borrower. The responsibility of the applicable Issuing Lender to the Borrower in connection with any draft presented for payment under any Letter of Credit shall, in addition to any payment obligation expressly provided for in such Letter of Credit, be limited to determining that the documents (including each draft) delivered under such Letter of Credit in connection with such presentment are in conformity with such Letter of Credit.

SECTION 3.7 Excess L/C Obligations. If at any time (as determined by the Administrative Agent pursuant to this Section 3.7) and because of currency fluctuations or for any other reason, based upon the Dollar Amount of all outstanding Loans and L/C Obligations, the outstanding amount of all L/C Obligations exceeds the lesser of (a) the Aggregate Commitment less the sum of the amount of all outstanding Loans and (b) the L/C Commitment, then, in each such case, the Borrower shall, at its option, either (i) repay Loans in an amount equal to such excess (to the extent such repayment will eliminate such excess) or (ii) make a payment of cash collateral into a cash collateral account opened by the Administrative Agent for the benefit of the Lenders in an amount equal to such excess (such cash collateral to be applied in accordance with Section 12.2(b)). The Borrower's compliance with this Section 3.7 shall be tested from time to time by the Administrative Agent at its sole discretion, but in any event shall be tested on (x) the date on which the Borrower requests the Lenders to make a Loan or the Issuing Lenders to issue a Letter of Credit under Section 6.3 and (y) the date an interest payment is due under Section 5.1(e). Each such repayment pursuant to this Section 3.7 shall be accompanied by any amount required to be paid pursuant to Section 5.9 hereof.

SECTION 3.8 Redenomination under EMU.

(a) Redenomination of Letters of Credit. Subject to Section 1.4 hereof, any Letter of Credit to be denominated in the currency of the applicable Participating Member State shall be made in the euro.

(b) Redenomination of Obligations. Subject to Section 1.4 hereof, any obligation of any party under this Agreement or any other Loan Document which has been denominated in the currency of a Participating Member State shall be redenominated into the euro.

(c) Further Assurances. The terms and provisions of this Agreement will be subject to such reasonable changes of construction as determined by the Administrative Agent to reflect the implementation of the EMU in any Participating Member State or any market conventions relating to the fixing and/or calculation of interest being changed or replaced and to reflect market practice at that time, and subject thereto, to put the Administrative Agent, the Lenders and the Borrower in the same position, so far as possible, that they would have been if such implementation had not occurred. In connection therewith, the

Borrowers agree, at the request of the Administrative Agent, at the time of or at any time following the implementation of the EMU in any Participating Member State or any market conventions relating to the fixing and/or calculation of interest being changed or replaced, to enter into an agreement amending this Agreement in such manner as the Administrative Agent shall reasonably request.

SECTION 3.9 Regulatory Limitation. In the event, as a result of increases in the value of Alternative Currencies against the Dollar or for any other reason, the obligation of any of the Issuing Lenders to issue Alternative Currency Letters of Credit (taking into account the Dollar Amount of the Obligations and all other indebtedness required to be aggregated under 12 U.S.C.A. ss.84, as amended, the regulations promulgated thereunder and any other Applicable Law) is determined by such Issuing Lender to exceed its then applicable legal lending limit under 12 U.S.C.A. ss.84, as amended, and the regulations promulgated thereunder, or any other Applicable Law, the amount of additional Alternative Currency Letters of Credit such Issuing Lenders shall be obligated to issue hereunder shall immediately be reduced to the maximum amount which such Issuing Lender may legally advance (as determined by such Issuing Lender) and, to the extent necessary under such laws and regulations (as determined by such Issuing Lender, with respect to the applicability of such laws and regulations to itself), the Borrower shall reduce, or cause to be reduced, complying to the extent practicable with the remaining provisions hereof, the Obligations outstanding hereunder by an amount sufficient to comply with such maximum amounts.

SECTION 3.10 Exchange Indemnification and Increased Costs. The Borrower shall, upon demand from any Issuing Lender or L/C Participant, pay to such Issuing Lender or L/C Participant, the amount of (a) any loss or cost or increased cost incurred by such Issuing Lender or L/C Participant, (b) any reduction in any amount payable to or in the effective return on the capital to such Issuing Lender or L/C Participant, (c) any interest or any other return, including principal, foregone by such Issuing Lender as a result of the introduction of, change over to or operation of the euro or (d) any currency exchange loss, in each case that such Issuing Lender or L/C Participant sustains as a result of the Borrower's or any L/C Participant's repayment in Dollars of any Alternative Currency Letter of Credit. A certificate of such Issuing Lender setting forth in reasonable detail the basis for determining such additional amount or amounts necessary to compensate such Issuing Lender shall be conclusively presumed to be correct save for manifest error.

SECTION 3.11 Rounding and Other Consequential Changes. Subject to Section 1.4 hereof, without prejudice and in addition to any method of conversion or rounding prescribed by any EMU Legislation and without prejudice to the respective obligations of the Borrower to the Administrative Agent and the Lenders and the Administrative Agent and the Lenders to the Borrower under or pursuant to this Agreement, except as expressly provided in this Agreement, each provision of this Agreement, including, without limitation, the right to combine

currencies to effect a set-off, shall be subject to such reasonable changes of interpretation as the Administrative Agent may from time to time specify to be necessary or appropriate to reflect the introduction of or change over to the euro in Participating Member States.

SECTION 3.12 Effect of Application. To the extent that any provision of any Application related to any Letter of Credit is inconsistent with the provisions of this Article III, the provisions of this Article III shall apply.

(e) Amendment to Section 9.13. Section 9.13 (Existing Letters of Credit) of the Credit Agreement is hereby amended by replacing "thirty (30) days" with "sixty (60) days" in the first line thereof.

(f) Amendment to Section 12.2(b). Section 12.2 (Remedies) of the Credit Agreement is hereby amended by adding the following phrase after the words "Letter of Credit" at the end of the first sentence of clause (b) thereof:

"(which such cash collateral shall be deposited in the applicable Permitted Currency in which each Letter of Credit is denominated)"

(g) Amendment to Article XII. Article XII (Default and Remedies) of the Credit Agreement is hereby amended by adding a new Section 12.4 as follows:

SECTION 12.4 Judgment Currency. The obligation of the Borrower to make payments of any amounts payable hereunder or pursuant to any other Loan Document in the currency specified for such payment shall not be discharged or satisfied by any tender, or any recovery pursuant to any judgment, which is expressed in or converted into any other currency, except to the extent that such tender or recovery shall result in the actual receipt by each of the Administrative Agent and Lenders of the full amount of the particular Permitted Currency expressed to be payable pursuant to the applicable Loan Document. The Administrative Agent shall, using all amounts obtained or received from the Borrower pursuant to any such tender or recovery in payment of principal of and interest on the Obligations, promptly purchase the applicable currency at the most favorable spot exchange rate determined by the Administrative Agent to be available to it. The obligation of the Borrower to make payments in the applicable currency shall be enforceable as an alternative or additional cause of action solely for the purpose of recovering in the applicable currency the amount, if any, by which such actual receipt shall fall short of the full amount of the currency expressed to be payable pursuant to the applicable Loan Document.

(h) Amendment to Section 14.3. Section 14.3 (Set-Off) of the Credit Agreement is hereby amended by adding an "(a)" at the beginning of such Section and adding new paragraphs (b) and (c) as follows:

"(b) Any amount to be set-off pursuant to Section 14.3(a) shall be denominated in Dollars and any amount denominated in an Alternative Currency shall be in an amount equal to the Dollar Amount of such amount at the most favorable spot exchange rate determined by the Administrative Agent to be available to it; provided that if at the time of any such determination no such spot exchange rate can reasonably be determined, the Administrative Agent may use any reasonable method as it deems applicable to determine such rate, any such determination to be conclusive absent manifest error.

(c) Each Lender and any assignee or participant of such Lender in accordance with Section 14.10 are hereby authorized by the Borrower to combine currencies, as deemed necessary by such Person, in order to effect any set-off pursuant to Section 14.3(a)."

(i) Amendment to Article XIV. Article XIV (Miscellaneous) of the Credit Agreement is hereby amended by adding a new Section 14.22 thereto as follows:

SECTION 14.22 Continuity of Contract. The parties hereto agree that the occurrence or non-occurrence of EMU, any event or events associated with EMU and/or the introduction of the euro in all or any part of the European Union (a) will not result in the discharge, cancellation, rescission or termination in whole or in part of this Agreement or any other Loan Document, (b) will not give any party the right to cancel, rescind, terminate or vary this Agreement or any other Loan Document or (c) will not give rise to an Event of Default, in each case other than as specifically provided in this Agreement.

3. Consent. Pursuant to the terms of Section 2.2 of the Collateral Agreement, the Borrower and its Restricted Domestic Subsidiaries are required to pledge 65% of their ownership interest in certain first-tier Foreign Subsidiaries. Notwithstanding the provisions of Section 2.2 of the Collateral Agreement to the contrary, the Borrower shall not be required to pledge its ownership interest in Wackenhut Corrections Puerto Rico, Inc. unless requested by the Administrative Agent pursuant to Section 4.13 of the Collateral Agreement.

4. Effectiveness. This Amendment shall become effective on the date that each of the following conditions has been satisfied:

(a) Amendment Documents. The Administrative Agent shall have received this Amendment executed by the Administrative Agent (on behalf of and with the consent of the Required Lenders), the Borrower and the Guarantors.

(b) Fees and Expenses. The Administrative Agent shall have been reimbursed for all fees and out of pocket charges and other expenses incurred in connection with this Amendment (including, without limitation, the costs and expenses referred to in Section 8 hereof and the Credit Agreement) and the transactions contemplated hereby.

(c) Other Documents. The Administrative Agent shall have received any other documents, certificates or instruments reasonably requested thereby in connection with the execution of this Amendment.

5. Effect of the Amendment. Except as expressly modified hereby, the Credit Agreement and the other Loan Documents shall be and remain in full force and effect. This Amendment shall not be deemed (a) to be a waiver of, or consent to, a modification or amendment of, any other term or condition of the Credit Agreement or any other Loan Document or (b) to prejudice any other right or rights which the Administrative Agent or the Lenders may now have or may have in the future under or in connection with the Credit Agreement or the other Loan Documents or any of the instruments or agreements referred to therein, as the same may be amended or modified from time to time.

6. Representations and Warranties/No Default.

(a) By its execution hereof, the Borrower hereby certifies that each of the representations and warranties set forth in the Credit Agreement and the other Loan Documents is true and correct as of the date hereof as if fully set forth herein (except to the extent that such representations and warranties relate to a specific date, in which case such representations and warranties shall be true and correct as of such specific date) and no Default or Event of Default has occurred and is continuing as of the date hereof.

(b) By its execution hereof, the Borrower hereby represents and warrants that as of the date hereof there are no claims or offsets against or defenses or counterclaims to any of the obligations of the Borrower or any Guarantor under the Credit Agreement or any other Loan Document.

(c) By its execution hereof, the Borrower hereby represents and warrants that the Borrower and each Guarantor has the right, power and authority and has taken all necessary corporate and other action to authorize the execution, delivery and performance of this Amendment and each other document executed in connection herewith to which it is a party in accordance with their respective terms. This Amendment and each other document executed in connection herewith has been duly executed and delivered by the duly authorized officers of the Borrower and each Guarantor, and each such document constitutes the legal, valid and binding obligation of the Borrower and each Guarantor, enforceable in accordance with its terms.

7. Acknowledgement by Guarantors. By their execution hereof, each of the Guarantors hereby expressly (a) consents to the modifications and amendments set forth in this Amendment, (b) reaffirms all of its respective covenants, representations, warranties and other obligations set forth in the Guaranty Agreement and the other Loan Documents to which it is a party and (c) acknowledges, represents and agrees that its respective covenants, representations, warranties and other obligations set forth in the Guaranty Agreement and the other Loan Documents to which it is a party remain in full force and effect.

8. Costs and Expenses. The Borrower shall pay all reasonable out-of-pocket costs and expenses of the Administrative Agent in connection with the preparation, execution and delivery of this Amendment, including, without limitation, the reasonable fees and disbursements of counsel for the Administrative Agent.

9. Governing Law. This Amendment, unless otherwise expressly set forth herein, shall be governed by, construed and enforced in accordance with the laws of the State of New York (including Section 5-1401 and Section 5-1402 of the General Obligations Law of the State of New York), without regard to the conflicts of law provisions of such state.

10. Counterparts. This Amendment may be executed in separate counterparts, each of which when executed and delivered is an original but all of which taken together constitute one and the same instrument.

11. Fax Transmission. A facsimile, telecopy or other reproduction of this Amendment may be executed by one or more parties hereto, and an executed copy of this Amendment may be delivered by one or more parties hereto by facsimile or similar instantaneous electronic transmission device pursuant to which the signature of or on behalf of such party can be seen, and such execution and delivery shall be considered valid, binding and effective for all purposes. At the request of any party hereto, all parties hereto agree to execute an original of this Amendment as well as any facsimile, telecopy or other reproduction hereof.

[Signatures Pages Follow]

IN WITNESS WHEREOF, the parties hereto have caused this Amendment to be duly executed as of the date and year first above written.

BORROWER:

WACKENHUT CORRECTIONS CORPORATION,
as Borrower

By: /s/ David T. Watson

Name: David T. Watson
Title: Vice President/Finance

GUARANTORS:

WCC RE HOLDINGS LLC, as Guarantor

By: /s/ David T. Watson

Name: David T. Watson
Title: Assistant Treasurer

ATLANTIC SHORES HEALTHCARE, INC.,
as Guarantor

By: /s/ David T. Watson

Name: David T. Watson
Title: Assistant Treasurer

[Signature Pages Continue]

AGENTS:

WACHOVIA BANK, NATIONAL ASSOCIATION,
as Administrative Agent, Issuing Lender and Lender

By: /s/ Gerald P. Hullinger

Name: Gerald P. Hullinger
Title: Vice President

BNP PARIBAS, as Syndication Agent, Issuing Lender
and Lender

By: /s/ Duane P. Helkowski

Name: Duane P. Helkowski
Title: Director

By: /s/ Shayn P. March

Name: Shayn P. March
Title: Vice President

WACKENHUT CORRECTIONS CORPORATION
NONEMPLOYEE DIRECTOR STOCK OPTION PLAN

(As amended October 29, 1996)

WACKENHUT CORRECTIONS CORPORATION
NONEMPLOYEE DIRECTOR STOCK OPTION PLAN
(EFFECTIVE APRIL 27, 1995)

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WACKENHUT CORRECTIONS CORPORATION
NONEMPLOYEE DIRECTOR STOCK OPTION PLAN
(EFFECTIVE APRIL 27, 1995)

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ARTICLE I. THE PLAN

1.1 ESTABLISHMENT OF THE PLAN

Wackenhut Corrections Corporation, (the "Company"), hereby establishes an incentive compensation plan providing for the grant of nonqualified stock options to Nonemployee Directors, subject to the terms and provisions set forth herein. This plan shall be known as the Wackenhut Corrections Corporation Nonemployee Director Stock Option Plan (the "Plan").

Subject to ratification by an affirmative vote of a majority of Shares present and entitled to vote at the 1996 Annual Meeting at which a quorum is present, the Plan shall become effective as of April 27, 1995 (the "Effective Date").

1.2 PURPOSE OF THE PLAN

The purpose of the Plan is to promote the achievement of long-term objectives of the Company by linking the personal interests of Nonemployee Directors to those of Company shareholders, and to attract and retain Nonemployee Directors of outstanding competence.

1.3 DURATION OF THE PLAN

The Plan shall commence on April 27, 1995 and shall remain in effect, subject to the right of the Board to amend or terminate the Plan at any time pursuant to section 7.1, until all Shares subject to the Plan have been purchased or acquired according to the Plan's provisions. However, in no event may an Option be granted under the Plan on or after April 26, 2005.

ARTICLE II. DEFINITIONS

Whenever used in the Plan, the following terms shall have the meanings set forth below unless otherwise expressly provided. When the defined meaning is intended, the term is capitalized. The definition of any term in the singular shall also include the plural.

2.1 AWARD AGREEMENT

Award Agreement means an agreement entered into by the Company and each Participant setting forth the terms and provisions applicable to Options granted under this Plan.

2.2 BOARD

Board means the Board of Directors of Wackenhut Corrections Corporation.

2.3 CODE

Code means the Internal Revenue Code of 1986, as amended from time to time.

2.4 COMPANY

Company means Wackenhut Corrections Corporation and any successor organization as provided in section 8.3.

2.5 DISABILITY

Disability means any disabling condition which entitles the Participant to disability benefits under the federal Social Security Act.

2.6 EXCHANGE ACT

Exchange Act means the Securities Exchange Act of 1934, as amended from time to time.

2.7 FAIR MARKET VALUE

Fair Market Value means the last closing sale price of a Share on or prior to the relevant date that is reported by the principal securities exchange on which the Shares are publicly traded.

2.8 NONEMPLOYEE DIRECTOR

Nonemployee Director means any individual who is a member of the Board, but who has never otherwise been an employee of the Company.

2.9 OPTION

Option means an option to purchase Shares granted under Article VI. Such Options are not intended to meet the requirements of Code section 422.

2.10 PARTICIPANT

Participant means a Nonemployee Director of the Company who has one or more outstanding Options under the Plan.

2.11 PLAN ADMINISTRATOR

Plan Administrator means the Compensation Committee of the Company's Board.

2.12 SHARES

Shares mean the common stock of the Company.

ARTICLE III. ADMINISTRATION

3.1 THE PLAN ADMINISTRATOR

The Plan shall be administered by the Plan Administrator subject to the restrictions set forth in this Plan. The Plan Administrator may delegate to one or more individuals or a committee any of its powers and duties as Plan Administrator that it deems desirable. In this case, every reference in the Plan to the Plan Administrator shall be deemed to include these individuals or the committee as to matters within their jurisdiction.

3.2 AUTHORITY OF THE PLAN ADMINISTRATOR

The Plan Administrator shall have the full power, discretion, and authority to administer this Plan in a manner which is consistent with its provisions. Except as provide below, the Plan Administrator shall have the exclusive right to interpret the terms and provisions of the Plan and to determine any and all questions arising under the Plan or in connection with the administration thereof, including, without limitation, the right to remedy or resolve possible ambiguities, inconsistencies, or omissions, by general rule or particular decision.

However, in no event shall the Plan Administrator have the power to determine Plan eligibility, or to determine the number, the purchase price, the vesting period, or the frequency and timing of Options to be granted under the Plan to any Participant. All such determinations are automatic pursuant to the provisions of this Plan.

3.3 DECISIONS BINDING

All determinations and decisions made by the Plan Administrator pursuant to the provisions of the Plan shall be final, conclusive, and binding on all persons, including the Company, its stockholders, employees, Participants, and their estates beneficiaries.

ARTICLE IV. SHARES SUBJECT TO THE PLAN

4.1 NUMBER OF SHARES

Subject to adjustment as provided in section 4.3, no more than 30,000 Shares shall be eligible for purchase by Participants pursuant to Options granted under this Plan.

4.2 LAPSED OPTION GRANTS

If any Option granted under this Plan terminates, expires, or lapses for any reason, any Shares subject to purchase pursuant to such Option shall again be available for the grant of an Option under the Plan.

4.3 ADJUSTMENTS IN AUTHORIZED SHARES

In the event of any merger, reorganization, consolidation, recapitalization, separation, liquidation, stock dividend, split-up, Share combination, or other change in the corporate structure of the Company affecting the Shares, such adjustment shall be made in the number and class of and/or price of Shares subject to outstanding Options granted under this Plan, as may be determined to be appropriate and equitable by the Board, in its sole discretion, to prevent dilution or enlargement of rights.

ARTICLE V. ELIGIBILITY AND PARTICIPATION

5.1 ELIGIBILITY

Nonemployee Directors shall be eligible to become Participants in accordance with section 5.2.

5.2 ACTUAL PARTICIPATION

Subject to the provisions of Article VI, all Nonemployee Directors shall become Participants by receiving grants of Options upon election and/or reelection to serve on the Board.

ARTICLE VI. NONQUALIFIED STOCK OPTIONS

6.1 GRANTS OF OPTIONS

Subject to the limitation on the number of Shares subject to this Plan, each Nonemployee Director shall be granted an Option to purchase 2,000 Shares* upon his or her election and/or reelection to serve on the Board.

*Note: This number reflects the effect of the stock split of June 3, 1996, as approved by the Board of Directors on April 26, 1996.

6.2 LIMITATION ON GRANT OF OPTIONS

Other than those grants of Options set forth in section 6.1, no additional Options shall be granted under this Plan.

6.3 AWARD AGREEMENT

Each Option grant shall be evidenced by an Award Agreement that shall specify the Option Price (as defined in section 6.4), the duration of the Option, and the number of Shares available for purchase under the Option as set forth in this Plan.

6.4 OPTION PRICE

The purchase price per Share available for purchase under an Option shall be equal to the Fair Market Value of such Share on the date the Option is granted.

6.5 DURATION OF OPTIONS

Each Option shall expire on the tenth (10th) anniversary date of its grant.

6.6 VESTING OF SHARES SUBJECT TO OPTION

Options granted under the Plan shall be 100 percent vested at all times. Participants shall be entitled to exercise Options at any time and from time to time, within the time period beginning on the date on which the Option is granted, and ending ten (10) years after grant of the Option.

6.7 PAYMENT

Options shall be exercised by the delivery of a written notice of exercise to the Secretary of the Company, setting forth the number of Shares with respect to which the Option is to be exercised. The Option Price (as defined in section 6.4) of any Option shall be payable to the Company in full in cash or its equivalent upon exercise.

As soon as practicable after receipt of a written notification of exercise and full payment, the Company shall deliver to the Participant, in the Participant's name, Share certificates in an appropriate amount based upon the number of Shares purchased pursuant to the exercise of the Option.

6.8 TERMINATION OF SERVICE ON BOARD DUE TO DEATH

If a Participant dies while he or she is actively serving as a Nonemployee Director, any outstanding Options may be exercised by the Participant's legal representative or beneficiary any time before the earlier of-

- (a) the expiration date of such Options; or
- (b) the second anniversary of the Participant's death.

6.9 TERMINATION OF SERVICE ON BOARD DUE TO DISABILITY

If a Participant incurs a Disability while he or she is actively serving as a Nonemployee Director, the Participant may exercise any Options that are outstanding at the time of such Disability before the earlier of-

- (a) the expiration date of such Options; or
- (b) the second anniversary of the date of Disability.

(If the Participant dies after incurring a Disability, but before the expiration of the exercise period described above, the Participant's legal representative or beneficiary may exercise any outstanding Options before the expiration of such period.)

6.10 TERMINATION OF SERVICE ON BOARD FOR OTHER REASONS

If the service of the Participant on the Board shall terminate for any reason other than for death or Disability, any outstanding Options held by the Participant shall remain exercisable at any time prior to their expiration date, or for ten years from the date of the grant of the Options.

6.11 NONTRANSFERABILITY OF OPTIONS

No Option granted under this Plan may be sold, transferred, pledged, assigned, or otherwise alienated or hypothecated, other than by will or by the laws of descent and distribution. Further, all Options granted to a Participant under this Plan shall be exercisable during his or her lifetime only by such Participant.

6.12 RESTRICTIONS ON SHARE TRANSFERABILITY

The Board may impose such restrictions on any Shares acquired pursuant to the exercise of an Option under this Plan, as it may deem advisable, including, without limitation, restrictions under applicable Federal securities laws, under the requirements of any Stock exchange or market upon which such Shares are then listed and/or traded, and under any blue sky or state securities laws applicable to such Shares.

ARTICLE VII. AMENDMENT, MODIFICATION, AND TERMINATION

7.1 AMENDMENT, MODIFICATION, AND TERMINATION

The Board may at any time alter, amend, suspend, or terminate the Plan in whole or in part. However, no amendment which fails to comply with the exemptions available under Rule 16b-3 of the Exchange Act, including any successor to the Rule, shall be effective.

7.2 OPTIONS PREVIOUSLY GRANTED

Unless required by law, no termination, amendment, or modification of this Plan shall in any manner adversely affect any Option previously granted under this Plan, without the written consent of the Participant holding the Option.

ARTICLE VIII. MISCELLANEOUS

8.1 INDEMNIFICATION

The Company shall indemnify each person against any and all claims, losses, damages, and expenses (including counsel fees) incurred by such individual for the exercise of any duties as Plan Administrator, whether singly or as a member of committee, and against any liability, including any amounts paid in settlement with the Company's approval, arising from the individual's action or failure to act, except when the same is judicially determined to be attributable to the gross negligence or willful misconduct of the individual.

8.2 BENEFICIARY DESIGNATION

Each Participant under this Plan may, from time to time, name any beneficiary or beneficiaries (who may be named contingently or successively) to exercise the rights described in sections 6.8 and 6.9. Each designation will revoke all prior designations by the same Participant, shall be in a form prescribed by the Plan Administrator and will be effective only when filed by the Participant in writing with the Plan Administrator during his or her lifetime. In the absence of any such designation, such rights may be exercised by the executor of the Participant's estate.

8.3 SUCCESSORS

All obligations of the Company under this Plan, with respect to Options granted hereunder, shall be binding on any successor to the Company, whether the existence of such successor is the result of a direct or indirect purchase,

merger, consolidation, or otherwise, of all or substantially all of the business and/or assets of the Company.

8.4 SEVERABILITY

If a provision of this Plan shall be held illegal or invalid, the illegality or invalidity shall not affect the remaining parts of the Plan. The Plan shall be construed and enforced as if the illegal or invalid provision had not been included herein.

8.5 REQUIREMENTS OF LAW

The granting of Options under this Plan shall be subject to all applicable laws, rules, and regulations, and to such approvals by any governmental agencies or national securities exchanges as may be required.

8.6 GOVERNING LAW

To the extent not preempted by Federal law, this Plan, and all Award Agreements hereunder, shall be construed in accordance with the laws of the State of Florida.

IN WITNESS WHEREOF, the authorized officers of the Company have signed this document and have affixed the corporate seal on _____, 1996, but effective as of April 27, 1995.

Attest: WACKENHUT CORRECTIONS CORPORATION

By: /s/ John J. Bulfin

John J. Bulfin

By: /s/George C. Zoley

George C. Zoley

Its: General Counsel

Its: CEO

(Corporate Seal)

AMENDED EXECUTIVE RETIREMENT AGREEMENT

THIS AMENDED RETIREMENT AGREEMENT (this "Agreement") is entered into effective the 17th day of January 2003 by and between Wackenhut Corrections Corporation ("Company") and George C. Zoley ("Executive"), or collectively, "the Parties", and supersedes and replaces any prior written retirement agreement between the Parties.

WHEREAS, Executive and Company previously entered into an Executive Retirement Agreement dated March 7, 2002 (the "March 7 Retirement Agreement"), whereby, INTER ALIA, the Executive is to receive certain payments and benefits upon a Change in Control (as defined by incorporated reference in the March 7 Retirement Agreement); and

WHEREAS, the Wackenhut Corporation (TWC), a company listed on the New York Stock Exchange and majority owner of Company, and Group 4 Falck, a Danish company registered on the Copenhagen Exchange, completed a merger of TWC with a subsidiary of Group 4 Falck, which merger constituted a Change of Control under the terms of the March 7 Retirement Agreement; and

WHEREAS, the Executive and Company wish to amend the March 7 Retirement Agreement and replace the March 7 Retirement Agreement with this Agreement in order to facilitate the continued employment of Executive under restructured terms and conditions that will benefit the Company by, INTER ALIA, requiring Executive to actually retire from employment with the Company prior to receiving any retirement benefits hereunder, and by amending the retirement benefits provided hereunder to conform to those provided to TWC executives under their retirement agreements; and

WHEREAS, Executive and Company have previously entered into an Executive Employment Agreement (the "Employment Agreement") effective March 7, 2002; and

WHEREAS, the basic terms and conditions of this Agreement were reviewed and approved by the Board of Directors of WCC and the Compensation Committee members of the Board of Directors of WCC at a meeting held on the 20th day of December 2002;

NOW THEREFORE, in consideration of the mutual covenants and agreements contained herein, and for other valuable consideration the receipt and adequacy of which is hereby acknowledged, the Parties hereby agree as follows:

1. EMPLOYMENT. Company currently employs Executive as Chairman & Chief Executive Officer. Executive will devote his full energy, skill and best efforts to the affairs of Company on a full-time basis.
2. RETIREMENT DATE. Executive is first eligible to retire upon Executive's 55th birthday, which is February 7, 2005.
3. TERMINATION. Either Company or Executive may terminate Executive's employment at any time and for any reason upon ten (10) days written notice to the other in accordance with the terms and conditions set forth in the Employment Agreement.

4. RETIREMENT RIGHTS FULLY VESTED. Notwithstanding the termination of Executive's employment with the Company for any reason whatsoever, Executive's rights hereunder are fully vested.

5. RETIREMENT PAYMENTS.

(a) ANNUITY FUNDING AMOUNT. Upon the later of (i) the date Executive actually retires from employment with the Company, or (ii) the Executive's 55th birthday, Company will pay to Executive an amount of money equal to the amount set forth in the following Retirement Payment Table which corresponds to the Executive's age on the date he retires. If the Executive should die after his 55th birthday but before he actually retires from the Company, the Company shall immediately pay to the Executive's Beneficiary(ies) or Estate the amount the Company would have paid to Executive had he retired immediately prior to his death. In the event of Executive's death before the Executive's 55th birthday, the Company will immediately pay to Executive's Beneficiary(ies) or Estate one-half the amount that would otherwise be paid to Executive were Executive to have retired on his 55th birthday. The amount payable under this Section 5(a) is referred to as the "Annuity Funding Amount."

RETIREMENT PAYMENT TABLE	
RETIREMENT AGE	ANNUITY FUNDING AMOUNT
55	2,917,000
56	3,031,000
57	3,149,000
58	3,272,000
59	3,400,000
60	3,532,000
61	3,670,000
62	3,814,000
63	3,963,000
64	4,117,000
65	4,278,000
66	4,445,000
67	4,619,000
68	4,799,000
69	4,986,000
70	5,181,000
71 or older	5,383,000

(b) TAX GROSS-UP PAYMENT. In addition to the Annuity Funding Amount provided for in Section 5(a) above, the Company shall also pay to the Executive or Executive's Beneficiary(ies) or Estate, as the case may be, an amount equal to the "Tax Gross-up Payment" simultaneously with the payment of the Annuity Funding Amount. The "Tax Gross-up Payment" is an amount which will cause the

remainder of (i) the sum of the Annuity Funding Amount plus the Tax Gross-up Payment, minus (ii) all Applicable Taxes (defined below) for which the Executive or other recipient of the payment becomes liable as a result of payment of the Annuity Funding Amount and the Tax Gross-up Payment, to be equal to the Annuity Funding Amount prior to deduction of any Applicable Taxes imposed with respect to the Annuity Funding Amount. "Applicable Taxes" means all federal, state, local and other taxes assuming that the Executive is subject to taxation at the highest marginal rates, including income taxes, payroll taxes, excise taxes (including taxes pursuant to Internal Revenue Code Section 4999) and any other taxes, but not including any estate or gift taxes. The Tax Gross-up Payment is intended to place the Executive in the same economic position with respect to the Annuity Funding Amount that the Executive would have been in if the Applicable Taxes did not apply. For example, if the Annuity Funding Amount is \$2,917,000, and the Executive is subject only to federal income tax at the rate of 35% and employment tax at the rate of 1.45%, the Tax Gross-up Amount is equal to \$1,673,086.55.

6. BENEFICIARY. The Beneficiary (or Beneficiaries) of any payments to be made after Executive's death shall be as designated by Executive and shown on Exhibit A attached hereto or such other person or persons as Executive shall designate in writing to the Company. If Executive has made no effective designation of Beneficiaries, any such payments shall be made to Executive's Estate.

7. RESTRICTION AND NON-COMPETITION. Executive shall not for a period of two years following Executive's employment with the Company, either directly or indirectly, accept employment with, render service, assistance or advice to, own, manage, operate, control or participate in the ownership, or allow his name to be used by any competitor of the Company unless approved by the Board of Directors of the Company. Determination by the Board of Directors of the Company that Executive has engaged in any such activity shall be binding and conclusive on all parties, and in addition to all other rights and remedies which Company shall have, neither Executive nor Beneficiary shall be entitled to any payments hereunder.

8. INSURANCE. If Company shall elect to purchase a life insurance contract to provide Company with funds to make payments hereunder, Company shall at all times be the sole and complete owner and beneficiary of such contract, and shall have the unrestricted right to use all amounts and exercise all options and privileges there under without knowledge or consent of Executive or Beneficiary or any other person, it being expressly agreed that neither Executive nor Beneficiary nor any other person shall have any right, title or interest whatsoever in or to any such contract.

9. SOURCE OF PAYMENTS. Executive, Beneficiary and any other person or persons having or claiming a right to payments hereunder or to any interest in this Agreement shall rely solely on the unsecured promise of Company set forth herein, and nothing in this Agreement shall be construed to give Executive, Beneficiary or any other person or persons any right, title, interest or claim in or to any specific asset, fund, reserve, account or property of any kind whatsoever owned by Company or in which it may have any right, title or interest now or in the future, but Executive shall have the right to enforce his claim against Company in the same manner as any unsecured creditor.

10. AMENDMENT. This Agreement may be amended at any time or from time to time by written agreement of the parties.

11. ASSIGNMENT. Neither Executive, nor Beneficiary, nor any other person entitled to payments hereunder shall have power to transfer, assign, anticipate, mortgage or otherwise encumber in advance any of such payments, nor shall such payments be subject to seizure for the payment of public or private debts, judgments, alimony or separate maintenance, or be transferable by operation of law in event of bankruptcy, insolvency or otherwise.

12. BINDING EFFECT. This Agreement shall be binding upon the parties hereto, their heirs, executors, administrators, successors and assigns. The Company agrees it will not be a party to any merger, consolidation or reorganization, unless and until its obligations hereunder shall be expressly assumed by its successors.

IN WITNESS WHEREOF, the Parties hereto have executed this Agreement as of the date first above written.

WACKENHUT CORRECTIONS CORPORATION

/s/ Wayne H. Calabrese

Wayne H. Calabrese
Vice Chairman & President

EXECUTIVE

/s/ George C. Zoley

George C. Zoley
Chairman & Chief Executive Officer

AMENDED EXECUTIVE RETIREMENT AGREEMENT

THIS AMENDED RETIREMENT AGREEMENT (this "Agreement") is entered into effective the 17th day of January 2003 by and between Wackenhut Corrections Corporation ("Company") and Wayne H. Calabrese ("Executive"), or collectively, "the Parties", and supersedes and replaces any prior written retirement agreement between the Parties.

WHEREAS, Executive and Company previously entered into an Executive Retirement Agreement dated March 7, 2002 (the "March 7 Retirement Agreement"), whereby, INTER ALIA, the Executive is to receive certain payments and benefits upon a Change in Control (as defined by incorporated reference in the March 7 Retirement Agreement); and

WHEREAS, The Wackenhut Corporation (TWC), a company listed on the New York Stock Exchange and majority owner of Company, and Group 4 Falck, a Danish company registered on the Copenhagen Exchange, completed a merger of TWC with a subsidiary of Group 4 Falck, which merger constituted a Change of Control under the terms of the March 7 Retirement Agreement; and

WHEREAS, the Executive and Company wish to amend the March 7 Retirement Agreement and replace the March 7 Retirement Agreement with this Agreement in order to facilitate the continued employment of Executive under restructured terms and conditions that will benefit the Company by, INTER ALIA, requiring Executive to actually retire from employment with the Company prior to receiving any retirement benefits hereunder, and by amending the retirement benefits provided hereunder to conform to those provided to TWC executives under their retirement agreements; and

WHEREAS, Executive and Company have previously entered into an Executive Employment Agreement (the "Employment Agreement") effective March 7, 2002; and

WHEREAS, the basic terms and conditions of this Agreement were reviewed and approved by the Board of Directors of WCC and the Compensation Committee members of the Board of Directors of WCC at a meeting held on the 20th day of December 2002;

NOW THEREFORE, in consideration of the mutual covenants and agreements contained herein, and for other valuable consideration the receipt and adequacy of which is hereby acknowledged, the Parties hereby agree as follows:

1. EMPLOYMENT. Company currently employs Executive as President & Chief Operating Officer. Executive will devote his full energy, skill and best efforts to the affairs of Company on a full-time basis.
2. RETIREMENT DATE. Executive is first eligible to retire upon Executive's 55th birthday, which is November 5, 2005.
3. TERMINATION. Either Company or Executive may terminate Executive's employment at any time and for any reason upon ten (10) days written notice to the other in accordance with the terms and conditions set forth in the Employment Agreement.

4. RETIREMENT RIGHTS FULLY VESTED. Notwithstanding the termination of Executive's employment with the Company for any reason whatsoever, Executive's rights hereunder are fully vested.

5. RETIREMENT PAYMENTS.

(a) ANNUITY FUNDING AMOUNT. Upon the later of (i) the date Executive actually retires from employment with the Company, or (ii) the Executive's 55th birthday, Company will pay to Executive an amount of money equal to the amount set forth in the following Retirement Payment Table which corresponds to the Executive's age on the date he retires. If the Executive should die after his 55th birthday but before he actually retires from the Company, the Company shall immediately pay to the Executive's Beneficiary(ies) or Estate the amount the Company would have paid to Executive had he retired immediately prior to his death. In the event of Executive's death before the Executive's 55th birthday, the Company will immediately pay to Executive's Beneficiary(ies) or Estate one-half the amount that would otherwise be paid to Executive were Executive to have retired on his 55th birthday. The amount payable under this Section 5(a) is referred to as the "Annuity Funding Amount."

RETIREMENT PAYMENT TABLE	
RETIREMENT ANNUITY AGE FUNDING	AMOUNT
55	2,333,000
56	2,425,000
57	2,519,000
58	2,618,000
59	2,720,000
60	2,826,000
61	2,936,000
62	3,051,000
63	3,170,000
64	3,294,000
65	3,422,000
66	3,556,000
67	3,695,000
68	3,839,000
69	3,989,000
70	4,145,000
71 or older	4,307,000

(b) TAX GROSS-UP PAYMENT. In addition to the Annuity Funding Amount provided for in Section 5(a) above, the Company shall also pay to the Executive or Executive's Beneficiary(ies) or Estate, as the case may be, an amount equal to the "Tax Gross-up Payment" simultaneously with the payment of the Annuity Funding Amount. The "Tax Gross-up Payment" is an amount which will cause the remainder of (i) the sum of the Annuity Funding Amount plus the Tax Gross-up Payment, minus (ii) all Applicable Taxes (defined below) for which the Executive or other recipient of the payment becomes liable as a result of payment of the

Annuity Funding Amount and the Tax Gross-up Payment, to be equal to the Annuity Funding Amount prior to deduction of any Applicable Taxes imposed with respect to the Annuity Funding Amount. "Applicable Taxes" means all federal, state, local and other taxes assuming that the Executive is subject to taxation at the highest marginal rates, including income taxes, payroll taxes, excise taxes (including taxes pursuant to Internal Revenue Code Section 4999) and any other taxes, but not including any estate or gift taxes. The Tax Gross-up Payment is intended to place the Executive in the same economic position with respect to the Annuity Funding Amount that the Executive would have been in if the Applicable Taxes did not apply. For example, if the Annuity Funding Amount is \$2,333,000, and the Executive is subject only to federal income tax at the rate of 35% and employment tax at the rate of 1.45%, the Tax Gross-up Amount is equal to \$1,338,125.10.

6. BENEFICIARY. The Beneficiary (or Beneficiaries) of any payments to be made after Executive's death shall be as designated by Executive and shown on Exhibit A attached hereto or such other person or persons as Executive shall designate in writing to the Company. If Executive has made no effective designation of Beneficiaries, any such payments shall be made to Executive's Estate.

7. RESTRICTION AND NON-COMPETITION. Executive shall not for a period of two years following Executive's employment with the Company, either directly or indirectly, accept employment with, render service, assistance or advice to, own, manage, operate, control or participate in the ownership, or allow his name to be used by any competitor of the Company unless approved by the Board of Directors of the Company. Determination by the Board of Directors of the Company that Executive has engaged in any such activity shall be binding and conclusive on all parties, and in addition to all other rights and remedies which Company shall have, neither Executive nor Beneficiary shall be entitled to any payments hereunder.

8. INSURANCE. If Company shall elect to purchase a life insurance contract to provide Company with funds to make payments hereunder, Company shall at all times be the sole and complete owner and beneficiary of such contract, and shall have the unrestricted right to use all amounts and exercise all options and privileges there under without knowledge or consent of Executive or Beneficiary or any other person, it being expressly agreed that neither Executive nor Beneficiary nor any other person shall have any right, title or interest whatsoever in or to any such contract.

9. SOURCE OF PAYMENTS. Executive, Beneficiary and any other person or persons having or claiming a right to payments hereunder or to any interest in this Agreement shall rely solely on the unsecured promise of Company set forth herein, and nothing in this Agreement shall be construed to give Executive, Beneficiary or any other person or persons any right, title, interest or claim in or to any specific asset, fund, reserve, account or property of any kind whatsoever owned by Company or in which it may have any right, title or interest now or in the future, but Executive shall have the right to enforce his claim against Company in the same manner as any unsecured creditor.

10. AMENDMENT. This Agreement may be amended at any time or from time to time by written agreement of the parties.

11. ASSIGNMENT. Neither Executive, nor Beneficiary, nor any other person entitled to payments hereunder shall have power to transfer, assign, anticipate, mortgage or otherwise encumber in advance any of such payments, nor shall such payments be subject to seizure for the payment of public or private debts, judgments, alimony or separate maintenance, or be transferable by operation of law in event of bankruptcy, insolvency or otherwise.

12. BINDING EFFECT. This Agreement shall be binding upon the parties hereto, their heirs, executors, administrators, successors and assigns. The Company agrees it will not be a party to any merger, consolidation or reorganization, unless and until its obligations hereunder shall be expressly assumed by its successors.

IN WITNESS WHEREOF, the Parties hereto have executed this Agreement as of the date first above written.

WACKENHUT CORRECTIONS CORPORATION

/s/ George C. Zoley

George C. Zoley
Chairman & Chief Executive Officer

EXECUTIVE

/s/ Wayne H. Calabrese

Wayne H. Calabrese
Vice Chairman & President

AMENDED EXECUTIVE RETIREMENT AGREEMENT

THIS AMENDED RETIREMENT AGREEMENT (this "Agreement") is entered into effective the 17th day of January 2003 by and between Wackenhut Corrections Corporation ("Company") and John G. O'Rourke ("Executive"), or collectively, "the Parties", and supersedes and replaces any prior written retirement agreement between the Parties.

WHEREAS, Executive and Company previously entered into an Executive Retirement Agreement dated March 7, 2002 (the "March 7 Retirement Agreement"), whereby, INTER ALIA, the Executive is to receive certain payments and benefits upon a Change in Control (as defined by incorporated reference in the March 7 Retirement Agreement); and

WHEREAS, The Wackenhut Corporation (TWC), a company listed on the New York Stock Exchange and majority owner of Company, and Group 4 Falck, a Danish company registered on the Copenhagen Exchange, completed a merger of TWC with a subsidiary of Group 4 Falck, which merger constituted a Change of Control under the terms of the March 7 Retirement Agreement; and

WHEREAS, the Executive and Company wish to amend the March 7 Retirement Agreement and replace the March 7 Retirement Agreement with this Agreement in order to facilitate the continued employment of Executive under restructured terms and conditions that will benefit the Company by, INTER ALIA, requiring Executive to actually retire from employment with the Company prior to receiving any retirement benefits hereunder, and by amending the retirement benefits provided hereunder to conform to those provided to TWC executives under their retirement agreements; and

WHEREAS, Executive and Company have previously entered into an Executive Employment Agreement (the "Employment Agreement") effective March 7, 2002; and

WHEREAS, the basic terms and conditions of this Agreement were reviewed and approved by the Board of Directors of WCC and the Compensation Committee members of the Board of Directors of WCC at a meeting held on the 20th day of December 2002;

NOW THEREFORE, in consideration of the mutual covenants and agreements contained herein, and for other valuable consideration the receipt and adequacy of which is hereby acknowledged, the Parties hereby agree as follows:

1. EMPLOYMENT. Company currently employs Executive as Senior Vice President, Chief Financial Officer & Treasurer. Executive will devote his full energy, skill and best efforts to the affairs of Company on a full-time basis.

2. RETIREMENT DATE. Executive is first eligible to retire upon Executive's 55th birthday, which is August 1, 2005.

3. TERMINATION. Either Company or Executive may terminate Executive's employment at any time and for any reason upon ten (10) days written notice to the other in accordance with the terms and conditions set forth in the Employment Agreement.

4. RETIREMENT RIGHTS FULLY VESTED. Notwithstanding the termination of Executive's employment with the Company for any reason whatsoever, Executive's rights hereunder are fully vested.

5. RETIREMENT PAYMENTS.

(a) ANNUITY FUNDING AMOUNT. Upon the later of (i) the date Executive actually retires from employment with the Company, or (ii) the Executive's 55th birthday, Company will pay to Executive an amount of money equal to the amount set forth in the following Retirement Payment Table which corresponds to the Executive's age on the date he retires. If the Executive should die after his 55th birthday but before he actually retires from the Company, the Company shall immediately pay to the Executive's Beneficiary(ies) or Estate the amount the Company would have paid to Executive had he retired immediately prior to his death. In the event of Executive's death before the Executive's 55th birthday, the Company will immediately pay to Executive's Beneficiary(ies) or Estate one-half the amount that would otherwise be paid to Executive were Executive to have retired on his 55th birthday. The amount payable under this Section 5(a) is referred to as the "Annuity Funding Amount."

RETIREMENT PAYMENT TABLE

Retirement Age	Annuity Funding Amount
55	1,750,000
56	1,818,000
57	1,889,000
58	1,963,000
59	2,040,000
60	2,119,000
61	2,202,000
62	2,288,000
63	2,378,000
64	2,470,000
65	2,567,000
66	2,667,000
67	2,771,000
68	2,879,000
69	2,992,000
70	3,109,000
71 or older	3,230,000

(b) TAX GROSS-UP PAYMENT. In addition to the Annuity Funding Amount provided for in Section 5(a) above, the Company shall also pay to the Executive or Executive's Beneficiary(ies) or Estate, as the case may be, an amount equal to the "Tax Gross-up Payment" simultaneously with the payment of the Annuity Funding Amount. The "Tax Gross-up Payment" is an amount which will cause the remainder of (i) the sum of the Annuity Funding Amount plus the Tax

Gross-up Payment, minus (ii) all Applicable Taxes (defined below) for which the Executive or other recipient of the payment becomes liable as a result of payment of the Annuity Funding Amount and the Tax Gross-up Payment, to be equal to the Annuity Funding Amount prior to deduction of any Applicable Taxes imposed with respect to the Annuity Funding Amount. "Applicable Taxes" means all federal, state, local and other taxes assuming that the Executive is subject to taxation at the highest marginal rates, including income taxes, payroll taxes, excise taxes (including taxes pursuant to Internal Revenue Code Section 4999) and any other taxes, but not including any estate or gift taxes. The Tax Gross-up Payment is intended to place the Executive in the same economic position with respect to the Annuity Funding Amount that the Executive would have been in if the Applicable Taxes did not apply. For example, if the Annuity Funding Amount is \$1,750,000, and the Executive is subject only to federal income tax at the rate of 35% and employment tax at the rate of 1.45%, the Tax Gross-up Amount is equal to \$1,003,737.21.

6. **BENEFICIARY.** The Beneficiary (or Beneficiaries) of any payments to be made after Executive's death shall be as designated by Executive and shown on Exhibit A attached hereto or such other person or persons as Executive shall designate in writing to the Company. If Executive has made no effective designation of Beneficiaries, any such payments shall be made to Executive's Estate.

7. **RESTRICTION AND NON-COMPETITION.** Executive shall not for a period of two years following Executive's employment with the Company, either directly or indirectly, accept employment with, render service, assistance or advice to, own, manage, operate, control or participate in the ownership, or allow his name to be used by any competitor of the Company unless approved by the Board of Directors of the Company. Determination by the Board of Directors of the Company that Executive has engaged in any such activity shall be binding and conclusive on all parties, and in addition to all other rights and remedies which Company shall have, neither Executive nor Beneficiary shall be entitled to any payments hereunder.

8. **INSURANCE.** If Company shall elect to purchase a life insurance contract to provide Company with funds to make payments hereunder, Company shall at all times be the sole and complete owner and beneficiary of such contract, and shall have the unrestricted right to use all amounts and exercise all options and privileges there under without knowledge or consent of Executive or Beneficiary or any other person, it being expressly agreed that neither Executive nor Beneficiary nor any other person shall have any right, title or interest whatsoever in or to any such contract.

9. **SOURCE OF PAYMENTS.** Executive, Beneficiary and any other person or persons having or claiming a right to payments hereunder or to any interest in this Agreement shall rely solely on the unsecured promise of Company set forth herein, and nothing in this Agreement shall be construed to give Executive, Beneficiary or any other person or persons any right, title, interest or claim in or to any specific asset, fund, reserve, account or property of any kind whatsoever owned by Company or in which it may have any right, title or interest now or in the future, but Executive shall have the right to enforce his claim against Company in the same manner as any unsecured creditor.

10. AMENDMENT. This Agreement may be amended at any time or from time to time by written agreement of the parties.

11. ASSIGNMENT. Neither Executive, nor Beneficiary, nor any other person entitled to payments hereunder shall have power to transfer, assign, anticipate, mortgage or otherwise encumber in advance any of such payments, nor shall such payments be subject to seizure for the payment of public or private debts, judgments, alimony or separate maintenance, or be transferable by operation of law in event of bankruptcy, insolvency or otherwise.

12. BINDING EFFECT. This Agreement shall be binding upon the parties hereto, their heirs, executors, administrators, successors and assigns. The Company agrees it will not be a party to any merger, consolidation or reorganization, unless and until its obligations hereunder shall be expressly assumed by its successors.

IN WITNESS WHEREOF, the Parties hereto have executed this Agreement as of the date first above written.

WACKENHUT CORRECTIONS CORPORATION

/s/ George C. Zoley

George C. Zoley
Chairman & Chief Executive Officer

EXECUTIVE

/s/ John G. O'Rourke

John G. O'Rourke
Senior Vice President, Chief
Financial Officer & Treasurer

REFERENCED DATA

Any reference in this lease to the following subjects shall incorporate therein the data stated for the subject(s) in this Section:

DATE OF LEASE: SEPTEMBER 12, 2002
LANDLORD: CANPRO INVESTMENTS LTD., a corporation organized under the laws of Canada and authorized to transact business in the State of Florida

LANDLORD'S ADDRESS: 621 N.W. 53RD STREET, STE. 100, BOCA RATON, FLORIDA 33487

TENANT: WACKENHUT CORRECTIONS CORPORATION

TENANT'S ADDRESS BEFORE OCCUPANCY: 4200 WACKENHUT DRIVE, SUITE 100 PALM BEACH GARDENS, FLORIDA 33410-4243

TENANT'S ADDRESS AFTER OCCUPANCY: 621 NW 53RD STREET, SUITE 700, BOCA RATON, FLORIDA 33487

DEMISED PREMISES: THIRTY FIVE THOUSAND SIX HUNDRED SIXTY EIGHT (35,668) rentable square feet on the SEVENTH (7TH) floor of the Building. For all purposes hereof the Building shall be deemed to contain TWO HUNDRED THIRTY SEVEN THOUSAND, THREE HUNDRED THIRTY ONE (237,331) rentable square feet, regardless of the actual number of square feet found to be in the Leased Premises.

LEASE TERM: TEN (10) years.

ESTIMATED DATE OF SUBSTANTIAL COMPLETION: APRIL 1, 2003

RENTAL COMMENCEMENT DATE: THE EARLIER OF A) TENANT OCCUPANCY AND RECEIPT OF CERTIFICATE OF OCCUPANCY B) APRIL 1, 2003

EXPIRATION DATE OF LEASE TERM: MARCH 31, 2013

RENT IS DUE ON THE FIRST (1ST) DAY OF EACH MONTH AND IS DELINQUENT IF NOT PAID WITHIN TEN (10) DAYS FROM WRITTEN NOTICE FROM LANDLORD.

MINIMUM ANNUAL RENT:

From April 1, 2003 through March 31, 2004, Four Hundred Sixty-Three Thousand Six Hundred Eighty-Four and 00/100 Dollars (\$463,684.00) or Thirty-Eight Thousand Six Hundred Forty and 33/100 Dollars (\$38,640.33) per month, which is based upon

Initials _____

the annual rate of Thirteen and 00/100 Dollars (\$13.00) per rentable square foot.

From April 1, 2004 through March 31, 2005, Four Hundred Seven-Seven Thousand Five Hundred Ninety-Four and 52/100 Dollars (\$477,594.52) or Thirty-Nine Thousand Seven Hundred Ninety-Nine and 54/100 Dollars (\$39,799.54) per month, which is based upon the annual rate of Thirteen and 39/100 Dollars (\$13.39) per rentable square foot.

From April 1, 2005 through March 31, 2006, Four Hundred Ninety-One Thousand Nine Hundred Twenty-Two and 36/100 Dollars (\$491,922.36) or Forty Thousand Nine Hundred Ninety-Three and 53/100 Dollars (\$40,993.53) per month, which is based upon the annual rate of Thirteen and 79/100 Dollars (\$13.79) per rentable square foot.

From April 1, 2006 through March 31, 2007, Five Hundred Six Thousand Six Hundred Eighty and 03/100 Dollars (\$506,680.03) or Forty-Two Thousand Two Hundred Twenty-Three and 34/100 Dollars (\$42,223.34) per month, which is based upon the annual rate of Fourteen and 20/100 Dollars (\$14.20) per rentable square foot.

From April 1, 2007 through March 31, 2008, Five Hundred Twenty-One Thousand Eight Hundred Eighty and 43/100 Dollars (\$521,880.43) or Forty-Three Thousand Four Hundred Ninety and 04/100 Dollars (\$43,490.04) per month, which is based upon the annual rate of Fourteen and 63/100 Dollars (\$14.63) per rentable square foot.

From April 1, 2008 through March 31, 2009, Five Hundred Thirty-Seven Thousand Five Hundred Thirty-Six and 84/100 Dollars (\$537,536.84) or Forty-Four Thousand Seven-Hundred Ninety-Four and 74/100 Dollars (\$44,794.74) per month, which is based upon the annual rate of Fifteen and 07/100 (\$15.07) per rentable square foot.

From April 1, 2009 through March 31, 2010, Five Hundred Fifty-Three Thousand Six Hundred Sixty-Two and 95/100 Dollars (\$553,662.95) or Forty-Six Thousand One Hundred Thirty-Eight and 58/100 Dollars (\$46,138.58) per month, which is based upon the annual rate of Fifteen and 52/100 Dollars (\$15.52) per rentable square foot.

From April 1, 2010 through March 31, 2011, Five Hundred Seventy Thousand Two Hundred Seventy-Two and 83/100 Dollars (\$570,272.83) or Forty-Seven Thousand Five Hundred Twenty-Two and 74/100 Dollars (\$47,522.74) per month, which is based upon the annual rate of Fifteen and 99/100 Dollars (\$15.99) per rentable square foot.

From April 1, 2011 through March 31, 2012, Five Hundred Eighty-Seven Thousand Three Hundred Eighty-One and 02/100 Dollars (\$587,381.02) or Forty-Eight Thousand Nine Hundred Forty-Eight and 42/100 Dollars (\$48,948.42) per month, which is based upon the annual rate of Sixteen and 47/100 Dollars (\$16.47) per rentable square foot.

From April 1, 2012 through March 31, 2013, Six Hundred Five Thousand Two and 45/100 Dollars (\$605,002.45) or Fifty Thousand Four Hundred Sixteen and 87/100 (\$50,416.87) per month, which is based upon the annual rate of Sixteen and 96/100 Dollars (\$16.96) per rentable square foot.

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TENANT'S INITIAL SHARE OF
TAXES AND OPERATING EXPENSES
FOR THE BUILDING AND FOR
OCCUPIED PREMISES:

THREE HUNDRED NINE THOUSAND TWO
HUNDRED FORTY ONE AND 56/100 DOLLARS
(\$ 309,241.56)

TENANT'S PROPORTIONATE SHARE
OF THE BUILDING:

15.03%

PERMITTED USES:

General Office

SECURITY DEPOSIT:

\$ N/A

WITNESSES:

LANDLORD:
CANPRO INVESTMENTS LTD.

By: _____

Ofer Drucker, Vice President of Finance

TENANT:
WACKENHUT CORRECTIONS CORPORATION

By: _____

John J. Bulfin
Senior Vice President
General Counsel

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OFFICE LEASE

THIS LEASE made and entered into as of the 12TH day of SEPTEMBER, 2002 by and between CANPRO INVESTMENTS LTD., a corporation organized under the laws of Canada and authorized to do business in the State of Florida (hereinafter referred to as "Landlord") and WACKENHUT CORRECTIONS CORPORATION (hereinafter referred to as "Tenant").

W I T N E S S E T H:

1. DEMISED PREMISES.

A. Landlord is the Owner of a tract of land situated at 621 N.W. 53rd Street, Boca Raton, Florida, more particularly described in Exhibit "A" attached hereto. Upon said tract is located a multistory building known as ONE PARK PLACE OF BOCA (hereinafter referred to as the "Building"), a parking garage, surrounding parking areas and driveways (collectively called the "Parking Facilities") and curbs, sidewalks, fountains, parks and plazas. The tract, along with the Building, Parking Facilities and all other improvements presently or hereafter located upon the tract, are hereinafter collectively referred to as the "Property".

B. Landlord, for the term and subject to the provisions and conditions hereof, shall lease to Tenant, and Tenant shall accept from Landlord, certain space more particularly described by the cross-hatched area on the floor plans annexed hereto as Exhibit "B", which for all purposes hereof shall be deemed to contain THIRTY FIVE THOUSAND SIX HUNDRED SIXTY EIGHT (35,668) rentable square feet on the SEVENTH 7TH floor of the Building, (the "Demised Premises"), together with a license for the duration of the term of the Lease to use the parking spaces (the "Parking Spaces") described in the Parking Space Schedule attached hereto as Exhibit "C", at the rates set forth therein, for parking of VEHICLES automobiles of Tenant and Tenant's invitees and employees and for no other purpose. TENANT ACKNOWLEDGES THE DEMISED PREMISES TO BE THIRTY FIVE THOUSAND SIX HUNDRED SIXTY EIGHT (35,668) RENTABLE SQUARE FEET ALL PERSONAL PROPERTY CURRENTLY LOCATED IN THE DEMISED PREMISES SHALL BE REMOVED BY LANDLORD AS DIRECTED BY TENANT AND THE BALANCE REMAINING SHALL BE PART OF THE DEMISED PREMISES. ALL EXISTING TENANT IMPROVEMENTS, SUCH AS SPRINKLERS, CEILINGS ETC. SHALL BE INCLUDED IN THE DEMISED PREMISES.

C. The Demised Premises shall be used for general office purposes and for no other purposes.

D. The use and occupation by Tenant of the Demised Premises shall include the non-exclusive use, in common with others entitled thereto, of the common areas, employees' parking areas, service roads, loading facilities, sidewalks and customer car parking areas as such common areas now exist or as such common areas may hereafter be constructed, and other facilities as may be designated from time to time by Landlord, subject however to the terms and conditions of this agreement and to the rules and regulations for the use thereof as prescribed from time to time by Landlord.

2. TERM.

Initials _____

A. The term of this Lease shall commence on the EARLIER OF (1) APRIL 1, 2003 (THE "COMMENCEMENT DATE"); OR (2) THE DATE DEMISED PREMISES ARE OCCUPIED BY TENANT AND RECEIPT OF CERTIFICATE OF OCCUPANCY and end at 12:00 Midnight on the last day of the month in which the TENTH (10TH) anniversary of the Rental Commencement Date occurs, unless sooner terminated as herein provided.

OPTION TO EXTEND

TENANT SHALL HAVE THE OPTION TO EXTEND THE LEASE TERM FOR TWO (2) ADDITIONAL PERIOD OF FIVE (5) YEARS, IF TENANT SHALL NOT BE IN DEFAULT OF ANY OF ITS OBLIGATIONS UNDER THE LEASE, UPON THE SAME TERMS AND CONDITIONS SAVE AND EXCEPT FOR: (I) THE PREMISES SHALL BE EXTENDED ON AN "AS-IS" BASIS IN THAT LANDLORD SHALL NOT BE REQUIRED TO PERFORM ANY WORK ON, TO OR FOR THE PREMISES: (II) THERE SHALL BE NO FURTHER OPTION TO EXTEND; (III) MINIMUM ANNUAL RENT SHALL BE IN ACCORDANCE WITH "FAIR MARKET VALUE" THE OPTION TO EXTEND IS ALSO CONDITIONAL UPON TENANT PROVIDING LANDLORD WRITTEN NOTICE BY CERTIFIED MAIL OF ITS EXERCISE OF THE EXTENSION (THE "OPTION TO EXTEND" NO LATER THAN NINE (9) MONTHS PRIOR TO THE COMMENCEMENT OF THE EXTENSION TERM. IF TENANT DULY AND TIMELY GIVES LANDLORD THE EXTENSION NOTICE, THE TERM OF THIS LEASE SHALL BE AUTOMATICALLY EXTENDED FOR THE EXTENSION TERM WITHOUT THE EXECUTION OF AN EXTENSION OR RENEWAL LEASE AND DURING THE EXTENSION TERM. LANDLORD AND TENANT SHALL BE BOUND BY ALL OF THE TERMS, COVENANTS AND CONDITIONS OF THIS LEASE (SUBJECT TO RENTAL ADJUSTMENT PROVISIONS SET FORTH HEREIN) AS IF THE EXTENSION TERM WERE PART OF THE INITIAL TERM.

3. CONSTRUCTION OF LEASEHOLD IMPROVEMENTS.

A. TENANT shall construct all of the improvements required to ready the Demised Premises for occupancy by Tenant in accordance with plans and specifications to be prepared by Tenant's Architect (the "Plans and Specifications), AND APPROVED BY LANDLORD WITHIN FIVE (5) BUSINESS DAYS, WHICH APPROVAL SHALL NOT BE UNREASONABLY WITHHELD. IF THE PLANS AND SPECIFICATIONS ARE PREPARED BY GEORGE WHITE ARCHITECT, THEY SHALL BE DEEMED APPROVED BY LANDLORD.

B. Within 5 days of Landlord approving the Plans and Specifications, and receiving the appropriate government permit, TENANT OR TENANT'S contractor shall commence the construction of the Leasehold Improvements in accordance with the Plans and Specifications and diligently pursue the completion of the Leasehold Improvements, which shall be completed in a good and workmanlike manner and in accordance with all applicable governmental codes and regulations.

C. All work on the Leasehold Improvements shall be performed by qualified, responsible contractors selected by TENANT AND APPROVED BY LANDLORD. H.A. CONTRACTING INC. IS APPROVED BY LANDLORD AS CONTRACTOR. DEMOLITION MAY BEGIN PRIOR TO APPROVAL OF THE INITIAL PLANS AND SPECIFICATIONS PROVIDED NECESSARY PERMITS ARE OBTAINED FOR DEMOLITION.

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D. Tenant shall not suffer any mechanics' or materialmen's lien to be filed against the Demised Premises by reason of work, labor, services or materials performed or furnished to Tenant or anyone holding any part of the Demised Premises under Tenant. Tenant agrees that it will make full and prompt payment of all sums necessary to pay for the costs of all repairs and permitted alterations, improvements, changes and other work done by or for the benefit of Tenant in or to the Demised Premises and further agrees to indemnify and save harmless Landlord from and against any and all costs and liabilities incurred by Landlord against any all construction, mechanics', materialmen's, laborers' and other statutory or common law liens arising out of or from such work, or the cost thereof, which may be asserted, claimed or changed against all or any part of the Leased Demised Premises. Notwithstanding anything to the contrary set forth in this Lease, the interest of Landlord in all or any part of the Demised Premises shall not subject to any liens of any kind for improvements or work made or done by or at the instance, of for the benefit, of Tenant whether or not the same shall be made or done by or at the permission or by agreement between Tenant and Landlord, and it is agreed that in no event shall landlord, or the interest of Landlord in the Demised Premises, or any portion thereof, be liable for or subjected to construction, mechanics', materialmen's, laborers' or other statutory or common law liens for improvements or work made or done by or at the instance of Tenant, or concerning which Tenant is responsible for payment under the terms hereof or otherwise, and all persons dealing with or contracting with Tenant or any contractor of Tenant are hereby put on notice of these provisions. In the event any notice, claim or lien shall be asserted or recorded against the interest of Landlord in the Demised Premises, or any portion thereof, on the account of or extending from any improvement or work made or done by or at the instance, or for the benefit, of Tenant, or any person claiming by, through or under Tenant, or from any improvement or work the cost of which is the responsibility of Tenant, then Tenant agrees to have such notice, claim or lien canceled, discharged, released or transferred to other security in accordance with applicable Florida Statutes within ten (10) days after notice to Tenant by Landlord, and in the event Tenant fails to do so, Tenant shall be considered in default under this Lease with like effect as if Tenant shall have failed to pay an installment of rent when due and within any applicable grace period provided for the payment thereof. In the event of Tenant's failure to release of record any such lien within the aforesaid period, Landlord may remove said lien by paying the full amount thereof or by bonding or in any other manner Landlord deems appropriate, without investigating the validity thereof, and irrespective to the fact that Tenant may contest the propriety of the amount thereof, and Tenant, upon demand, shall pay Landlord the amount so paid out by Landlord in connection with the discharge of said lien, together with interest thereon, at the rate of 18% and reasonable expenses incurred in connection therewith, including reasonable attorneys' fees, which amounts are due and payable to Landlord as additional rent on the first day of the next following month. Nothing contained in this Lease shall be construed as consent on the part of Landlord to subject Landlord's estate in the Demised Premises to any lien or liability under the lien laws of the State of Florida. Tenant's obligation to observe and perform any of the provisions of this Section shall survive the expiration of the Lease Term or the earlier termination of this Lease.

E. Tenant shall not create or suffer to be created a security interest or other lien against any improvements, additions or other construction made by Tenant in or to the Demised Premises or against any equipment or fixtures

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installed by Tenant therein (other than Tenant's property), and should any security interest be created in breach of the foregoing, Landlord shall be entitled to discharge the same by exercising the rights and remedies afforded it under Paragraph A of this Section.

F. Upon Tenant's opening of the Demised Premises, Tenant shall furnish to Landlord lien waivers from the general contractor, sub-contractors and materialmen who provided work, labor, services or material to Tenant.

G. Landlord shall provide Tenant with an improvement allowance (the "Improvement Allowance"), which shall be applied to the cost of completing the Leasehold Improvements, in an amount equal to EIGHT HUNDRED NINETY ONE THOUSAND SEVEN HUNDRED AND 00/100 DOLLARS (\$891,700.00) HELD IN AN ESCROW ACCOUNT PER ATTACHED ESCROW AGREEMENT TO BE FUNDED WITHIN TEN (10) BUSINESS DAYS OF EXECUTION OF THIS LEASE.

H. Tenant shall be responsible for performing, at Tenant's sole expense, any work in addition to the Leasehold Improvements to be constructed by Landlord as set forth above. If Tenant desires to perform any additional improvements beyond the Leasehold Improvements to be constructed by Landlord, Tenant shall cause Plans and Specifications for such additional work to be prepared and submit the same to Landlord for Landlord's approval. Any such approved additional work, shall be performed by responsible contractors and subcontractors approved by Landlord. All such contractors shall furnish in advance and maintain in effect workmen's compensation insurance in accordance with statutory requirements and comprehensive public liability insurance (naming Landlord and Landlord's manager and mortgagee as additional insureds) with limits satisfactory to Landlord and each shall, prior to commencement of any work, comply with the Mechanic's Lien Law of the State of Florida. All work shall be performed in such manner and at such time so as to avoid interference with any work being done by Landlord or its contractors and subcontractors at the Property generally. Landlord shall, however, allow Tenant access for such work prior to the Rental Commencement Date. Tenant and its contractors and subcontractors shall be solely responsible for the transportation, safekeeping and storage of materials and equipment used in the performance of its work, for the removal of waste and debris resulting therefrom and for any damage caused by them to any installations or work performed by Landlord or its contractors and subcontractors. Tenant's contractors and subcontractors shall be subject to the general administrative supervision of Landlord for scheduling purposes, but Landlord shall not be responsible for any aspect of the work performed by Tenant's contractors or subcontractors. All work shall be performed in a good and workmanlike manner, in accordance with applicable building codes and other governmental requirements, and shall be diligently prosecuted to completion. No work shall adversely affect the structural integrity of the Building or the Demised Premises, nor shall such work diminish the value of the Building or the Demised Premises. Upon the completion of Tenant's work, Tenant shall deliver to Landlord and/or comply with the following: (1) Tenant's affidavit stating that Tenant's work has been completed; (2) an Affidavit of all contractors and all laborers and material suppliers stating that they have all been paid in full and that all liens therefor that have been filed have been discharged of record or

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waived; (3) a complete release and waiver of lien with respect to the Demised Premises, executed by said contractor or contractors supplying labor and/or materials for Tenant's work; and (4) all certificates and approvals with respect to Tenant's work that may be required by any governmental authorities as a condition for the issuance of a Certificate of Occupancy for the Demised Premises. Landlord or Landlord's representative shall, during the course of construction and after completion of construction of the Demised Premises, have the right to inspect the Demised Premises to verify construction and completion in accordance with the approved Plans and Specifications. It is agreed that Tenant assumes the entire responsibility and liability for any and all injuries or death of any and all persons, including Tenant's contractor or subcontractors, and their respective employees, and for any and all damages to property caused by, or resulting from or arising out of, any act or omission on the part of the Tenant, Tenant's contractor or subcontractors, or their respective employees, in the prosecution of the Tenant's work, and with respect to such work, Tenant agrees to indemnify and save harmless Landlord from and against any losses and/or expenses including reasonable legal fees and expenses, which it may suffer or pay as a result of claims or lawsuits due to, because of, or arising out of any and all such injuries or death and/or damage, whether real or alleged and Tenant and Tenant's contractor and/or subcontractors shall assume and defend at their own expense all such claims or lawsuits. Tenant agrees to insure this assumed liability in its comprehensive general liability policy and the Certificate of Insurance or copy of the policy that the Tenant will present to Landlord prior to commencement of Tenant's work shall so indicate such contractual coverage.

I. LEASE IS NOT CONTINGENT UPON ISSUANCE OR APPROVAL OF PERMITS.

4. MINIMUM ANNUAL RENTAL.

A. TENANT SHALL PAY MINIMUM RENT ANNUALLY IN ACCORDANCE WITH THE SCHEDULE SET FORTH ON THE REFERENCED DATA SHEET.

B. Concurrently with each monthly installment of Minimum Annual Rent, Tenant shall pay Tenant's Proportionate Share of Taxes and Operating Expenses of the Building and Tenant's Proportionate Share of the occupied premises in the Building (the numerator of which is the rentable square foot area of the Tenant's premises and the denominator shall be the weighted average of occupied premises in the Building during the year in question), the amount due from Tenant for its use of the Parking Spaces as provided in Exhibit "C" hereof, together with Sales Tax on all of the above and all other sums which are due to Landlord under the terms of this Lease (all such sums being hereinafter collectively referred to as "Additional Rent"). The Minimum Annual Rental and Additional Rent are hereinafter sometimes collectively referred to as "Rent".

C. If the Rental Commencement Date occurs on a day other than the first (1st) day of the month, Rent from the Rental Commencement Date until the first (1st) day of the following month shall be prorated (calculated on the basis of a thirty (30) day month) and shall be payable in advance of the Rental Commencement Date (and, in such event, the installment of Rent paid at execution hereof shall be applied to the Rent due for the first (1st) full calendar month of the term hereof).

D. The Minimum Annual Rental shall be adjusted annually in accordance with the Minimum Annual Rent schedule on the anniversary of each Rental Commencement date.

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E. Adjustments to the Minimum Annual Rental under Paragraph 4D hereof shall be effective as of each applicable Adjustment Date. Tenant shall pay the Minimum Annual Rental so adjusted for each Lease Year in twelve (12) equal monthly installments upon receipt of a written statement from Landlord ("Landlord's Statement of Minimum Annual Rental") setting forth (i) the new Minimum Annual Rental for the Lease Year following the applicable Adjustment Date and (ii) the difference, if any, between the Minimum Annual Rental paid by Tenant on and after the applicable Adjustment Date and the amount of Minimum Annual Rental actually due from Tenant on and after any applicable Adjustment Date because of adjustments made in accordance with Paragraph 3D hereof. Tenant shall, immediately with the next installment of rent due after receipt of Landlord's Statement of Minimum Annual Rental, begin to pay the new Minimum Annual Rental. Within ten (10) days after the receipt of such Landlord's Statement of Minimum Annual Rental, Tenant shall pay the full amount of any deficiency in the amounts of the monthly installments of Minimum Annual Rental theretofore made between the Adjustment Date and the date of receipt of Landlord's Statement of Minimum Annual Rental as set forth in Subparagraph (ii) of this Paragraph. Tenant shall not be in default under the terms of this Lease for failure to pay the full amount of Minimum Annual Rental, as newly adjusted under Paragraph 4D hereof, until Tenant has received Landlord's Statement of Minimum Annual Rental and has theretofore failed to pay the installments of Minimum Annual Rental or any deficiency due as set forth under this Paragraph 4E. Nothing contained herein shall relieve Tenant of the responsibility to pay Minimum Annual Rental at the prior Lease Year's rate until such time as it has received Landlord's statement of the new Minimum Annual Rental.

F. Landlord shall provide electricity to the Demised Premises which shall be included in the Operating Expenses. In no event shall the Landlord be liable for any injury to the Tenant's servants, agents, employees, customers and invitees or for any injury or damage to the Demised Premises or to any property of the Tenant or to any property of any other person, firm or corporation on or about the Demised Premises caused by an interruption or failure in the supply of any such electricity to the Demised Premises. In the event that any other Tenant or Tenants incur consumption of electricity which materially exceeds the average component of the operating expenses inequitably, Landlord shall delete the usage cost of excess of the average consumption in calculating the operating expenses for billing to Tenant. In the event of an interruption, Landlord agrees to use reasonable effort and due diligence to remedy the interruption, provided such remediation is in Landlord's control.

G. All sums payable by Tenant under this Lease, whether or not stated to be Minimum Annual Rental or Additional Rent, shall be collectible by Landlord as Rent, and in the event of a default in payment thereof, Landlord shall have the same rights and remedies as for a failure to pay Minimum Annual Rental (without prejudice to any other right or remedy available thereof).

H. If Landlord, at any time or times, shall accept said Rent or any other sum due to it hereunder after same shall become due and payable, such acceptance shall not excuse delay upon subsequent occasions, or constitute, or be construed as, a waiver of any of Landlord's rights hereunder.

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I. All Rent and other sums due to Landlord hereunder shall be payable without demand, deduction, set-off, or counterclaim at the office address of Landlord first above given, or at such other address as Landlord may designate, from time to time, by written notice to Tenant.

5. TAXES AND OPERATING EXPENSES.

A. As used in this Paragraph 5, the following terms shall be defined as hereinafter set forth:

(1) "Taxes" shall mean all real estate taxes and assessments, transit taxes, and any other federal, state, city, county or other local governmental charges or charges by any school, drainage or other special improvement district, (but not including income taxes or any other taxes imposed upon or measured by Landlord's income or profits, unless the same shall be imposed in lieu of real estate taxes or limited solely to income from real property), general or special, ordinary or extraordinary, foreseen or unforeseen, which may now or hereafter be levied, assessed or imposed upon the Property or with respect to the ownership thereof. Taxes shall also include any personal property taxes imposed upon the furniture, fixtures, machinery, equipment, apparatus, systems and appurtenances used in connection with the Property for the operation thereof. If, due to a future change in the method of taxation, any franchise, income, profit or other tax, however designated, shall be levied, assessed or imposed in substitution, in whole or in part, for (or in lieu of) any tax which would otherwise be included within the definition of Taxes, such other tax shall be deemed to be included within Taxes as defined herein, Taxes shall also include all of Landlord's expenses, including, but not limited to, attorney's fees incurred by Landlord in any effort to minimize taxes; provided, however, that Landlord shall have no obligation to undertake any contest, appeal or other procedure to minimize taxes. TENANT'S SHARE OF REAL ESTATE TAXES WILL BE BASED UPON THE MAXIMUM ALLOWABLE DISCOUNT. ANY SPECIAL ASSESSMENTS SHALL BE ASSESSED OVER THE TERM ALLOWABLE FOR THE ASSESSMENT.

(2) Subject to adjustment as herein before provided, "Tenant's Proportionate Share" for all purposes of this Lease shall be deemed to be 15.03 percent.

(3) "Tenant's Initial Share" shall mean Tenant's initial share of Taxes and Operating Expenses which is estimated by Landlord to be THREE HUNDRED NINE THOUSAND TWO HUNDRED FORTY ONE AND 56/100 Dollars (\$ 309,241.56) for the first calendar year. A CAP OF 5% PER ANNUM EXCLUDING TAXES, ELECTRIC, AND INSURANCE SHALL BE APPLIED TO THE TERM OF THE LEASE.

(4) (a) "Operating Expenses" shall mean all expenses incurred by Landlord in the operation, repair, replacements, maintenance, protection, inspection and management of all or any portion of the Property and shall include, without limitation:

(i) operation, repair, replacement, maintenance, inspection, protection and management of the systems and components of the Building or any portion thereof;

(ii) wages, salaries, fees and other compensation (and taxes imposed upon employers in connection therewith) and fringe benefits paid to persons employed by Landlord or Landlord's managing agent, including but not limited to social security taxes, unemployment insurance taxes, cost for providing coverage for disability benefits, cost of any pensions,

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hospitalization, welfare or retirement plans, or any other similar or like expenses incurred under the provisions of any collective bargaining agreement, or any other cost or expense which Landlord pays or incurs to provide benefits for employees so engaged in the operation, maintenance, protection and repair of the Property, excluding any overtime wages or salaries paid for providing extra services to specific tenants which is directly chargeable to and paid by such tenants;

(iii) contract costs of independent contractors hired for the operation, maintenance, inspection, protection or repair of the Property or any portion thereof, including but not limited to, service, materials and supplies included in such contract costs;

(iv) costs of electricity, steam, water, sewer, and all other utilities consumed in the operation, repair, maintenance, inspection management of the Property (excluding utilities consumed within space occupied by tenants, which are metered to and paid directly by tenants);

(v) cost of all insurance carried by Landlord for the Property, including, but not limited to, all risk or fire and extended coverage (including windstorm and flood coverage), elevator, boiler, sprinkler leakage, water damage, public liability and property damage, plate glass, rental insurance, and workmen's compensation, but excluding any charge for increased premiums due to acts or omissions of any tenants of the Property because of extra risks which are reimbursed to Landlord by such other tenants;

(vi) alterations, additions or improvements to the non-rentable portions of the Property (hereinafter, the "Common Areas") which benefit all tenants thereof, or which are made to decrease the Operating Expenses of the Property;

(vii) all materials, supplies, tools and equipment purchased or rented to maintain and keep the Property in good condition and repair;

(viii) legal, accounting and other professional expenses incurred in connection with the Operation, maintenance, repair, protection and management of the Property;

(ix) reasonable reserves for the operation, maintenance, repair, protection and management of the Property;

(x) janitorial service for the Building and Parking Facilities, including, but not limited to, the cost of window cleaning, uniforms, supplies and sundries;

(xi) cleaning costs for the Property including the facade, windows, and sidewalks and trash removal and the cost of all labor, supplies, equipment and materials incidental to such cleaning;

(xii) management fees of the managing agent for the Property, if any, and if there is no managing agent, or if the managing agent is affiliated with Landlord, management fees shall be an amount customarily charged

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for the management of a first class office building by an independent managing agent in the County of Palm Beach, Florida;

(xiii) the cost of repainting, redecorating, or refurbishing any part of the Property, including the cost of displays, plantings or decorations for the lobby, balconies and other public portions of the Property; and

(xiv) the amortized portion of the cost of any capital improvements or alterations made to the Property which is either required by law (or governmental regulation), required by any insurance company issuing insurance carried by Landlord or intended by Landlord to reduce Operating Expenses (including but not limited to energy costs), it being understood that such amortization shall be in accordance with generally accepted accounting principles and shall include interest at the rate incurred by Landlord in connection with the installation of the capital improvement or alteration;

(xv) any and all sums for landscaping, ground maintenance, sanitation control, cleaning, lighting, Parking Facilities and driveway maintenance, line striping and resurfacing, equipment and fixture replacement, fire protection, and security;

(xvi) depreciation of hand tools and other moveable equipment used in the repair, maintenance or operation of the Property; and

(xvii) all other expenses whether or not hereinabove mentioned which in accordance with generally accepted accounting and management principles would be considered as an expense for the repair, maintenance, protection and operation of the Property by virtue of the ownership thereof.

(b) The term "Operating Expenses" shall not include: (1) the cost of painting, decorating, or installing fixtures or equipment in space for the purposes of preparing the space for occupancy by a tenant; (2) wages, salaries or fees paid to executive personnel of Landlord; (3) the cost of any repair or replacement item which, by standard accounting practice, should be capitalized, except as described above; (4) any charge for depreciation, interest or rents paid or incurred by Landlord, except as described above; (5) any charge for Landlord's income tax, excess profit taxes, franchise taxes or similar taxes on Landlord's business; (6) leasing commissions; or the following:

1. cost of alteration of tenant space;
2. capital improvements (except for amortized costs for capital improvements in accordance with GAAP, where the purpose is to reduce operating expenses or made for the purpose of complying laws not in effect on the beginning of the term);
3. leasing fees or commissions;
4. payments to affiliate's of Lessor in excess of market amounts;
5. all costs attributable to financing or refinancing the Building;
6. depreciation;
7. advertising and marketing expenses for the Building, including signs identifying the owner of the Building;
8. costs for the benefit of one or more but not all tenants (other than common area expenses);
9. legal, space planning, construction and other expenses incurred procuring tenants for the Building or renewing or amending leases with existing tenants or occupants of the Building;

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10. all costs associated with leasing, marketing or selling the Building;
11. fines or penalties incurred by Landlord due to violation by Landlord or other tenants of governmental laws or regulations;
12. any expense for which the Landlord receives reimbursement from third parties, such as insurance or warranty reimbursements;
13. costs incurred in connection with a sale, refinancing or other change of ownership of the Building;
14. late payment fees or penalties charged so long as Tenant has timely paid its bills to Landlord;
15. salaries and wages and other benefits paid to on behalf of employees above the level of property manager of the building, or other relatives of any principals of Landlord;
16. costs of formation and continuation of Landlord;
17. charitable or political contributions;
18. costs to INITIALLY comply with any laws in effect prior to the commencement date of the term;
19. costs related to the negligence of Landlord or its agents, employees or contractors or the violation by Landlord of the terms of any lease of space in the Building;
20. costs related to the presence of hazardous materials in the Building, unless caused by Tenant;
21. Landlord's general corporate overhead and general and administrative expense;
22. costs arising from STRUCTURAL latent defects in the Building;
23. entertainment, dining or travel expenses;
24. costs of any publications;
25. tenant relations' parties or special events;
26. any cost of expense with regard to the Building caused by negligent or defective construction;
27. Tenant or its agents and representatives may review the books and records of Landlord, together with all invoices and other backup material upon which the Landlord's request for repairs, maintenance and operating costs are based, upon reasonable notice ANNUALLY AFTER BILL PRESENTMENT FOR THE PRECEDING YEAR;
28. costs and expenses of repairs and replacement to the roof and structural parts of the buildings and other improvements within the Building EXCLUDING TENANT ITEMS/IMPROVEMENTS ON THE ROOF.

B. For and with respect to each calendar year during the term of this Lease after the Rental Commencement Date (and any renewals or extensions thereof), Tenant shall pay to Landlord, as Additional Rent, an amount equal to Tenant's Proportionate Share of the Taxes and Operating Expenses for such calendar year, appropriately prorated on a per diem basis for any partial calendar year included within the beginning and end of the term, Tenant's

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Proportionate Share of Taxes and Operating Expense shall be computed by multiplying the total amount of Taxes and Operating Expenses by Tenant's Proportionate Share. Tenant's Initial Share of Taxes and Operating Expenses shall be as set forth in Paragraph 5A(3). Tenant's Proportionate Share of such Taxes and Operating Expenses shall include a building management fee calculated at 15% of the operating expense to be paid in accordance with the following procedures:

(1) Landlord shall furnish to Tenant for each calendar year of the term hereof:

(a) A written statement (the "Estimate Statement") of Landlord's good faith estimate of Taxes and Operating Expenses and Tenant's Proportionate Share of same (the "Estimated Share"), for the current calendar year, Landlord may, at any time, change Tenant's Estimated Share by sending Tenant a revised Estimate Statement if, in Landlord's reasonable opinion, Landlord determines that Tenant's Proportionate Share of Taxes and Operating Expenses for any calendar year will exceed those set forth in the most recent Estimate Statement.

(b) A written statement (the "Expense Statement") setting forth: (i) Taxes and Operating Expenses for the calendar year immediately prior to (the "Prior Year") the calendar Year in which any Expense Statement is issued; (ii) Tenant's Proportionate Share of the Taxes and Operating Expenses for the Prior Year; (iii) the amount, if any, due from Tenant for any deficiency between Tenant's Proportionate Share of Taxes and Operating Expenses for the Prior Year and the actual amounts paid by Tenant as its Estimated Share during such Prior Year, and (iv) the amount due from Tenant for any deficiency in the payments of Tenant's Estimated Share for the current calendar year resulting from any adjustment of Tenant's Estimated Share for the current calendar year.

(c) However, Landlord's failure to provide such Operating Expense statement by the date provided in Paragraph 5.B.(1) shall in no way excuse Tenant from its obligation to pay its pro rata share of Operating Expenses or constitute a waiver of Landlord's right to bill and collect such pro rata share of Operating Expenses from Tenant in accordance with this Clause.

(2) Tenant's Proportionate Share of Taxes and Operating Expenses shall be paid monthly as Additional Rent together with payments of Minimum Annual Rental as follows:

(a) The amount of any deficiency due from Tenant as shown on the Expense Statement shall be paid by Tenant within twenty (20) days from the date of issuance of such Expense Statement described above. If any Expense Statement reflects an excess paid by Tenant during such period (the "Tax and Operating Expense Credit"), said Tax Operating Expense Credit shall be credited against Tenant's Estimated Share falling due after the date of the applicable Expense Statement until such credit is depleted.

(b) On the first day of the first full month after the Rental Commencement Date, Tenant shall pay Landlord one twelfth of the amount of Tenant's Initial Share of Taxes and Operating Expenses set forth in the Reference Data at the beginning of this Lease, together with the pro-rata portion of Tenant's Initial Share determined on a per diem basis with respect to a thirty day month for any period of time elapsed between the Rental Commencement Date and the first day of the first full month after the Rental Commencement Date.

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(c) On the first day of each subsequent month during the first calendar year of the term of this Lease, and continuing thereafter until issuance of any Estimate Statement in which Tenant's Estimated Share exceeds Tenant's Initial Share of Taxes and Operating Expenses, Tenant shall pay Landlord one-twelfth of Tenant's Initial Share of Taxes and Operating Expenses set forth in the Reference Data at the beginning of this Lease.

(d) On the first (1st) day of the month after receipt of an Estimate Statement increasing Tenants Estimated Share above Tenants Initial Share and on the first day of each succeeding month thereafter until Tenant shall receive a revised Estimate Statement, Tenant shall pay to Landlord, on account of its share of Taxes and Operating Expense, one-twelfth (1/12) of the then current Estimated Share.

6. SECURITY. As additional security for the full and prompt performance by Tenant of the terms and covenants of this Lease Tenant shall deliver to Landlord concurrently upon execution of this Lease the amount of N/A Dollars (\$N/A) (the "Security Deposit"), none of which Security Deposit shall constitute rent for any month unless so applied by Landlord to compensate Landlord for all loss, cost, expense or damage suffered by Landlord due to default or failure of Tenant hereunder. Tenant shall, upon demand, restore any portion of said Security Deposit so applied by Landlord on account of any default or failure by Tenant hereunder and Tenant's failure to do so shall constitute a default hereunder. To the extent that Landlord has not applied said sum on account of a default, the Security Deposit shall be returned (without interest) to Tenant promptly after termination of this Lease. Landlord may, in its absolute discretion, commingle the Security Deposit with other funds of Landlord. In the event Landlord delivers the Security Deposit to a purchaser or other successor to Landlord's interest in the Property, Landlord shall be discharged of any further liability with respect to the Security Deposit.

If Tenant is in default under this Lease more than TWO (2) times within any twelve-month period, irrespective of whether or not such default is cured, then, without limiting Landlord's other rights and remedies provided for in this Lease or at law or in equity, the Security Deposit shall automatically be increased by an amount equal to the greater of:

- 1) Three (3) times the original Security Deposit; or
- 2) Three (3) months' Minimum and Additional Rent, which shall be paid by Tenant to Landlord forthwith on demand; or
- 3) Should Tenant not have a Security Deposit with Landlord, then Tenant shall deposit an amount equal to Three (3) months' Minimum and Additional Rent.

7. TENANT'S COVENANTS. Tenant agrees, on behalf of itself, its employees and agents, that it shall:

A. Waiver of Offset and Compensation. The Tenant hereby waives and renounces any and all existing and future offsets and compensation against any rental or other amounts due hereunder and agrees to pay such rental and other amounts regardless of any claim, offset, or compensation which may be asserted by the Tenant or on its behalf and without any abatement of deduction.

B. Comply at all times with any and all Federal, state, and local statutes, regulations, ordinances and other requirements of any applicable

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public authorities relating to its use and occupancy of the Demised Premises.

C. Give Landlord access to the Demised Premises at all reasonable times, without charge or diminution of rent, to enable Landlord: (1) to examine the same and to make such repairs, additions and alterations as Landlord may be permitted to make hereunder or as Landlord may deem advisable to the Demised Premises or any other portion of the Property or any part thereof; and (2) upon reasonable notice, to show the Demised Premises to any prospective mortgagees and purchasers, and, during the six (6) months prior to expiration of the term, to prospective tenants. Tenant shall exercise its option(s) if applicable by giving Landlord One Hundred Eighty (180) days notice prior to the expiration of the term.

D. Maintain and repair, at its cost and expense, the Demised Premises, including the plumbing, electrical, HVAC and other systems within the Demised Premises, INCLUDING THE THREE (3) PACKAGE AIR CONDITIONING UNITS AND THE TWO (2) LIEBERT SUPPLEMENTAL UNITS INSIDE THE PREMISES, AND ALL OTHER EQUIPMENT INSTALLED BY TENANT as required to keep the Demised Premises in good working order and condition Tenant shall commit no waste in or upon the Demised Premises.

E. Upon the termination of this Lease for any reason whatsoever, remove Tenant's goods and effects and those of any other person claiming under Tenant, and quit and deliver up the Demised Premises to Landlord peaceably and quietly in as good order and condition as at the inception of the term of this Lease or as the same hereafter may be improved by Landlord or Tenant, reasonable use and wear thereof, damage from fire and other insured casualty and repairs which are Landlord's obligation excepted. Goods and effects not removed by Tenant at the termination of this Lease, however terminated, shall be considered abandoned and Landlord may dispose of and/or store the same as it deems expedient, the cost thereof to be charged to Tenant.

F. Not place signs on the Demised Premises except in accordance with sign criteria approved by Landlord. All signs shall be purchased and erected at Tenant's expense. Identification of Tenant and Tenant's location shall be provided by Landlord at Tenant's expense in a directory in the Building Lobby.

G. Not overload, damage or deface the Demised Premises or do any act which might make void or voidable any insurance on the Demised Premises of the building and/or the Property or which may render an increased or extra premium payable for insurance (and without prejudice to any right or remedy of Landlord regarding this Subparagraph, Landlord shall have the right to collect from Tenant, upon demand, any such increased or extra premium).

H. Not make any alteration of or addition to the Demised Premises without the prior written approval of Landlord and in accordance with the provisions of Paragraph 3E of this Lease. All such alterations and additions, as well as all fixtures, equipment, improvements and appurtenances installed in the Demised Premises (but excluding Tenant's trade fixtures) shall, upon installation, become and remain the property of Landlord and shall be maintained by Tenant during the term hereof and any renewals and extensions thereof, in the same good order and repair in which the Demised Premises are required to be maintained. Tenant shall, at the expiration of the term hereof, remove Tenant's

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trade fixtures and other personal property which can be removed without damage to the Demised Premises. All alterations and additions to the Demised Premises shall be performed in accordance with plans and specifications therefore submitted to and approved by Landlord, in a good and workmanlike manner and in conformity with all building codes, laws, regulations, rules, ordinances and other requirements of all governmental or quasi-governmental authorities having jurisdiction.

I. Intentionally Deleted

J. Not bring any flammable, explosive or dangerous material or article onto the Property.

K. Not violate Landlord's regulation that only persons approved from time to time by Landlord may prepare, solicit orders for, sell, serve or distribute foods or beverages in the Building, or use the elevators, corridors or common areas for any such purpose. Except with Landlord's prior written consent and in accordance with arrangements approved by Landlord, Tenant shall not permit on the Demised Premises the use of equipment for dispensing food or beverages or for the preparation, solicitation of orders for sale, serving or distribution of food or beverages. NOTWITHSTANDING THE FOREGOING, TENANT MAY PREPARE AND SERVE FOOD OR BEVERAGES WITHIN THE DEMISED PREMISES FOR ITS EMPLOYEES AND GUESTS.

L. Not bring safes, heavy files, or other heavy equipment into the Property unless the weight, location and handling of same is approved by Landlord. Regardless of said approval, Tenant shall indemnify, defend and save Landlord harmless from any and all expenses and other damages, including attorney's fees, and costs, resulting from the use or installation by Tenant of such heavy equipment.

M. Not use, create, store, or permit any toxic or hazardous material anywhere on the Property, Tenant shall not dispose of any toxic or other hazardous waste through the plumbing system or drainage system of the Building or the Property, and Tenant shall not violate any requirement of the Florida Department of Environmental Regulation or the Florida Department of Health, or any other governmental agency, with respect to waste disposal, Tenant shall indemnify, defend and hold Landlord harmless from any and all expenses and other damages, including attorney's fees and costs incurred by Landlord, as a result of improper storage or handling of any hazardous materials or waste or any improper waste disposal by Tenant, which indemnification shall survive the expiration or earlier termination of this Lease.

N. Bio-hazardous contamination, Tenant shall be responsible to and shall indemnify the Landlord against any and all damages and costs related to clean-up or other damages resulting from any bio-hazardous infestation, contamination or spoilage of the leased area, common areas or other areas within the Building occasioned by business invitees, employees or third parties entering in the premises or packages mailed or delivered to the premises of the Tenant.

O. Immediately and at its expense, Tenant shall repair and restore any and all damages caused to the Demised Premises or the Property due to Tenant's improvements, installations, alterations, additions or other work conducted by Tenant within the Demised Premises, and Tenant shall restore the Property to the condition existing prior to improvement, installations, alterations, additions or other work conducted by Tenant within the Demised Premises.

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P. Comply with the rules and regulations as initially set forth on Exhibit "E" which is attached hereto and incorporated herein, and comply with such other rules and regulations as Landlord may establish, and from time to time amend, for the general safety, comfort and convenience of Landlord, occupants and tenants of the Building, PROVIDED SUCH AMENDMENTS SHALL NOT ADVERSELY AFFECT TENANT AND TENANT'S USE OF THE BUILDING AND COMMON AREAS INCLUDING THE PARKING GARAGE.

Q. IF Landlord elects to SEPARATELY meter the Demised Premises in accordance with Paragraph 4F of this Lease, Tenant shall pay directly to the entity providing same, the costs of all utilities consumed within the Demised Premises, and all other sums assessed against Tenant or the Demised Premises by any governmental or quasi-governmental entity in connection with Tenant's use or occupancy of the Demised Premises.

R. Not install or operate in the Demised Premises any electrically operated equipment or other machinery, including computers, WHICH REQUIRE MORE than three-phase, four-wire 227/480 Volt electrical service and normally used in modern offices, or any plumbing fixtures, without first obtaining the prior written consent of Landlord, WHICH CONSENT SHALL NOT BE UNREASONABLY WITHHELD OR DELAYED. In the event that Landlord determines, in its sole and absolute discretion, that Tenant's electrical consumption within the Premises is greater than the normal usage of other tenants within the building, Landlord reserves the right to charge Tenant for such additional consumption, or cause Tenant to separately meter electrical service to the Premises at Tenant's sole cost and expense. Tenant shall not install any equipment of any kind or nature whatsoever which would or might necessitate any changes, replacements or additions to the structural system, water system, plumbing system, heating system, air conditioning system or the electrical system servicing the Demised Premises or any other portion of the Building without the prior written consent of Landlord, and in the event such consent is granted, such replacements, changes or additions shall be paid for by Tenant.

8. SERVICES. Landlord agrees that it shall:

A. Provide self service passenger elevator service to the Demised Premises from the ground floor, WHICH MAY BE SECURED ACCESS AT TENANT'S EXPENSE. Access to the Demised Premises shall at all times be subject to compliance with such security measures as shall be in effect for the Building.

B. Provide janitorial service to the Demised Premises and the Common Areas in the Building as are customarily provided in first class office buildings in Palm Beach County, Florida. Any and all additional or specialized janitorial service desired by Tenant shall be contracted for by Tenant directly and the cost and payment thereof shall be and remain the sole responsibility of Tenant. The firm providing such janitorial service shall first be approved by Landlord, and Tenant shall not be entitled to any reduction, abatement, or other credit against its Proportionate Share of Operating Expenses on account of any contract for additional or specialized janitorial services, whether or not Landlord's janitorial services are continued by Tenant. Janitorial services are to be provided as detailed in Cleaning Specifications Schedule attached as Exhibit "D".

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C. Subject to the provisions of paragraphs 12 and 15 hereof, make all necessary repairs of damage to the Common Areas of the Building, equipment used to provide services specified herein and to the roof, outside walls and structural members of the Building and Parking Facilities. In the event that any repair is required by reason of the negligence or abuse of Tenant or its agents, employees or invitees, or of any other person entering the Building with Tenant's consent, express or implied, Landlord may make such repair and add the cost thereof to the first installment of rent which will thereafter become due.

D. Furnish the Common Areas of the Property with electric service for lighting and normal office use. Furnish the Demised Premises with heating or air conditioning between the hours of 7:00 A.M. AND 7:30 P.M. Monday through Friday, EXCLUDING CHRISTMAS AND NEW YEARS DAY. Tenant SHALL be permitted the use of after hours air-conditioning, said after hours air-conditioning to be separately metered by floor only, and Tenant shall pay to Landlord, in addition to Tenant's Proportionate Share of Operating Expenses, the after hours air conditioning fee determined by Landlord, in its sole and absolute discretion to be a reasonable charge for said services, and such sums shall be paid by Tenant as Additional Rent under this Lease. CURRENTLY BILLED AT \$22.00 PER HOUR PLUS 15% MANAGEMENT FEE AND APPLICABLE SALES TAX, ANY INCREASE SHALL BE BASED ON INCREASED COST TO LANDLORD.

E. The costs of all services provided in this Paragraph 8 not separately charged to Tenant shall constitute Operating Expenses as defined in Paragraph 5 above, Tenant acknowledges that Landlord does not warrant that any of the services referred to in this Paragraph 8 will be free from interruption from causes beyond the reasonable control of Landlord. No interruption of service shall ever be deemed an eviction or disturbance of Tenant or render Landlord liable to Tenant for damages by abatement of Rent or otherwise, or relieve Tenant from performance of Tenant's obligations under this Lease, unless Landlord, after reasonable notice, shall willfully and without cause fail or refuse to take reasonable action within its control to restore such service.

F. LANDLORD SHALL PROVIDE TENANT AND TENANT'S CONTRACTOR USE OF THE BUILDING FREIGHT ELEVATOR AS REQUIRED DURING CONSTRUCTION, AND LANDLORD WILL ALSO PERMIT TENANT TO CREATE A CONSTRUCTION CHUTE AND LOCATE A CONSTRUCTION DUMPSTER ON THE COMMON AREA SUITABLE FOR REMOVAL OF CONSTRUCTION TRASH AND DEBRIS DURING CONSTRUCTION. LOCATION SUBJECT TO LANDLORD'S APPROVAL NOT TO BE DENIED OR UNREASONABLE WITHHELD.

9. SUBLETTING AND ASSIGNING. Tenant shall not assign, mortgage or otherwise transfer or encumber this Lease or any portion of Tenant's interest herein, or sublet all or any portion of the Demised Premises without first obtaining Landlord's prior written consent thereto, which SHALL NOT BE UNREASONABLY DELAYED OR WITHHELD. If Landlord consents to any given assignment or subletting, such consent will not be deemed a consent to any further subletting or assignment. Duly attempted assignment, mortgage, sublease or other encumbrance of the Demised Premises in violation of this paragraph shall be null and void. If Landlord consents to any subletting or assignment, it shall nevertheless be a condition to the effectiveness thereof that a fully executed copy of the sublease or assignment be furnished to Landlord and that any assignee assume in

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writing all obligations of Tenant hereunder. Notwithstanding any consent by Landlord to any subletting or assignment, in the event of any subletting or assignment of the Demised Premises, Tenant shall remain liable for all of the obligations of Tenant set forth herein. The sale by Tenant of a controlling interest in the Tenant entity shall NOT be deemed an assignment of this Lease requiring the consent of Landlord as specified above.

If, as a result of any assignment, subletting or parting with possession, Tenant directly or indirectly, receives from the assignee, subtenant or transferee a rent, payment, fee or any other consideration, in the form of cash, negotiable instrument, goods, services or in any other form whatsoever, which is greater than the Minimum Rental and Additional Rental payable hereunder to the Landlord, then Tenant shall pay ONE HALF (1/2) OF any such excess to Landlord forthwith on demand as Additional Rental. Tenant shall immediately make available to Landlord upon request all of Tenant's books, records and documentation AS AVAILABLE TO THE PUBLIC, so as to enable Landlord to verify the receipt or the amount of such excess.

10. INDEMNIFICATION; WAIVER OF LIABILITY.

A. Tenant agrees to indemnify, defend and save harmless Landlord and its building manager and their officers, employees, agents and independent contractors and any other person or persons related to or employed by the Landlord or for which the Landlord has agreed to indemnify, from any and all loss liability or expense including any suits actions or request for damages including, but not limited to, legal defense cost and any other costs incurred by Landlord in connection with loss of income, bodily injury, personal injury or property damage arising from any failure of the Tenant to fully perform its obligations under this lease. This indemnification shall include loss of any type or nature resulting out of the breach of this Lease by Tenant, its employees, sub-tenants, invitees, contractors sub-contractor or any other person entering the property under express or implied invitation of the Tenant.

B. Landlord agrees to indemnify, defend and save harmless Tenant and its officers, employees, agents and independent contractors and any other person or persons related to or employed by the Tenant or for which the Tenant has agreed to indemnify, from any and all loss liability or expense including any suits actions or request for damages including, but not limited to, legal defense cost and any other costs incurred by Tenant in connection with loss of income, bodily injury, personal injury or property damage arising from any failure of the Landlord to fully perform its obligations under this lease. This indemnification shall include loss of any type or nature resulting out of the breach of this Lease by Landlord, its employees, sub-tenants, invitees, contractors sub-contractor or any other person entering the property under express or implied invitation of the Landlord.

11. PUBLIC LIABILITY AND BUSINESS INTERRUPTION INSURANCE.

A. Tenant, at its own cost and expense, shall obtain and maintain in full force and effect for the mutual benefit of the Landlord and the Tenant, both being named as co-insureds, general public liability insurance against claims for personal injury, death or property damage occurring upon, in or about the Premises, in or about the adjoining streets and passageways, such insurance

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to afford protection to the limits of not less than Two Million Dollars (\$2,000,000.00) in respect to injury or death to a single person, \$4,000,000.00 in respect to any one occurrence, and \$1,000,000.00 in respect to property damage. Under no circumstances shall the rent due under this Lease be abated because of damage to the premises.

B. Tenant, at its own cost and expense, shall obtain and maintain in full force and effect during the original term hereof, and any extensions or renewals, business interruption insurance payable in case of loss resulting from damage to the Demised Premises or the Building by fire or other casualty. Such insurance shall be maintained in an amount not less than the sum of all Minimum Annual Rental and additional rent coming due for the then current calendar year as estimated by Landlord.

C. Tenant agrees to carry full replacement cost all risk fire and extended coverage insurance in form satisfactory to Landlord on all improvements to the Demised Premises. Tenant also agrees to carry such all risk insurance covering Tenant's fixtures, furnishings, wall covering, carpeting, drapes, equipment and all other items of personal property of Tenant located on or within the Demised Premises.

D. All policies of insurance described above shall name Landlord and any mortgagee of Landlord as named insureds, and shall include an endorsement providing that the policies will not be cancelled or amended until after thirty (30) days' prior written notice to Landlord. All such policies of insurance shall be issued by a financially responsible company or companies satisfactory to Landlord and authorized to issue such policy or policies, and licensed to do business in the State of Florida. Tenant shall deposit with Landlord duplicate originals of such insurance on or prior to the Rental Commencement Date, together with evidence of paid-up premiums, and shall deposit with Landlord renewals thereof at least fifteen (15) days prior to expiration of any such policies.

12. FIRE OR OTHER CASUALTY. In case of damage to the Demised Premises by fire or other casualty, Tenant shall promptly give notice thereof to Landlord. In case of damage to the Building, the Demised Premises or the Parking Facilities by fire or other casualty, Landlord shall, unless Landlord elects to terminate this Lease as described below, and subject to the rights of Landlord's Mortgagees, thereupon undertake the repair and restoration of: (a) the Building, to substantially the same condition as existed prior to the casualty; provided that Landlord is not obligated to restore any portion of the Building or Parking Facilities not necessary for Tenant's use of the Demised Premises (hereinafter the "Excluded Area"); and (b) the Demised Premises, to substantially the condition in which Landlord was obligated to deliver the Demised Premises to Tenant on the Rental Commencement Date, at the expense of Landlord, subject to delays which may arise by reason of adjustment of loss under insurance policies and for delays beyond the reasonable control of Landlord; provided, however, that Landlord shall not be obligated to restore the Demised Premises if adequate insurance proceeds are not available to Landlord to complete such work. The Minimum Annual Rent payable by Tenant hereunder shall be equitably apportioned during the period of Landlord's repair and/or restoration of the Demised Premises in accordance with the portion of the Demised Premises which has been rendered untenable. If Landlord elects to make such repairs, Tenant shall,

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within thirty (30) days after completion by Landlord of such repair and/or restoration, at Tenant's sole cost and expense, commence to repair or restore the remainder of the Demised Premises to the condition it was in prior to such fire or casualty, (which work shall be completed by Tenant within one hundred twenty (120) days of commencement.) In the event that Landlord, in Landlord's discretion, shall decide not to repair or rebuild the Demised Premises, the Building or the Parking Facilities, Landlord shall deliver written notice to Tenant of its election to terminate this Lease within ninety (90) days after Landlord is notified of the casualty, and this Lease shall terminate as of the date specified in such notice which date shall not be more than ninety (90) days thereafter, and the Rent (taking into account any apportionment as aforesaid) shall be adjusted to the termination date, and Tenant shall thereupon promptly vacate the Demised Premises.

13. INCREASE IN PREMIUMS. Tenant shall not do, permit or suffer to be done any act, matter, thing or failure to act in respect to the Property or the Demised Premises or use or occupy the Property or the Demised Premises or conduct or operate Tenant's business in any manner objectionable to insurance companies whereby the fire insurance or any other insurance now in force or hereafter to be placed on the Demised Premises or any part thereof shall become void or suspended or whereby any premiums in respect of insurance maintained by Landlord shall be higher than those which would normally have been in effect for the occupancy contemplated under the permitted uses. In case of a breach of this covenant, in addition to all other rights and remedies of Landlord hereunder, Tenant shall (a) indemnify Landlord and hold Landlord harmless from and against any loss which would have been covered by insurance which shall become void or suspended because of such breach by Tenant, and (b) pay to Landlord any and all increase of premiums on any insurance, including, without limitation, rent insurance, resulting from any such breach.

14. WAIVER OF SUBROGATION. Landlord and Tenant waive, unless said waiver should invalidate any insurance required or permitted hereunder, their right to recover damages against each other for any reason whatsoever to the extent the damaged party recovers indemnity from its insurance carrier. Any insurance policy procured by either Tenant or Landlord which does not name the other as a named insured shall, if obtainable, contain an express waiver of any right of subrogation by the insurance company, including but not limited to Tenant's workmen's compensation carrier, against Landlord or Tenant, whichever the case may be. All public liability and property damage policies shall contain an endorsement that Landlord, although named as an insured, shall nevertheless be entitled to recover for damages caused by the negligence of Tenant.

15. EMINENT DOMAIN.

A. If the whole of the Property, or the Demised Premises shall be taken or condemned for a public or quasi-public use under any law, ordinance or regulation, or by right of eminent domain or private purchase in lieu thereof by any competent authority, this Lease shall terminate and Rent shall abate for the un-expired portion of the term of this Lease as of the date the right to possession shall vest in the condemning authority.

B. If part of the Demised Premises shall be acquired or condemned as aforesaid, and such acquisition or condemnation shall render the remaining portion unsuitable for the business of Tenant (in the reasonable opinion of Landlord), the term of this Lease shall cease and terminate as provided in Paragraph 15(A) hereof, provided however, that diminution of rentable area shall not in and of itself be conclusive as to whether the portion of the Demised Premises remaining after such acquisition is unsuitable for Tenant's business. If such partial taking is not extensive enough to render the Demised Premises unsuitable for the business of Tenant, this Lease shall continue in full force and effect except that the Minimum Annual Rental shall be reduced in the same proportion that the rentable area of the Demised Premises taken bears to the rentable area demised. Subject to the rights of any mortgagee of Landlord's estate, Landlord shall, upon receipt of the net condemnation award, make all

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necessary repairs or alterations to the Building so as to render the portion of the Building not taken a complete architectural unit, but Landlord shall in no event be required to spend for such work an amount in excess of the net amount received by Landlord as damages for the part of the Building so taken. "Net amount received by Landlord" shall mean that portion of the condemnation award in excess of any sums required to be paid by Landlord to the holder of any mortgage on the property so condemned, and all expenses and legal fees incurred by Landlord in connection with the condemnation proceeding.

C. If part of the Building, but no part of the Demised Premises, is taken or condemned as aforesaid, and, in the reasonable opinion of Landlord, such partial acquisition or condemnation shall render Landlord unable to comply with its obligations under this Lease, or shall render the Demised Premises unsuitable for the business of Tenant, the term of the Lease shall cease and terminate as provided in Paragraph 15(A) hereof, by Landlord sending written notice to such effect to Tenant, whereupon Tenant shall immediately vacate the Demised Premises.

D. In the event of any condemnation or taking as hereinbefore provided, whether whole or partial, Tenant shall not be entitled to any part of the award, as damages or otherwise, for such condemnation and Landlord is to receive the full amount of such award, and Tenant hereby expressly waives any right or claim to any part thereof. Although all damages in the event of any condemnation are to belong to the Landlord whether such damages are awarded as compensation for diminution in value of the leasehold or the fee of the Demised Premises, Tenant shall have the right to claim and recover from the condemning authority, but not from Landlord, such compensation as may be separately awarded or recoverable by Tenant in Tenant's own right on account of any damage to Tenant's business by reason of the condemnation and for or on account of any cost or loss to which Tenant might be put in removing Tenant's merchandise, furniture, fixtures, and equipment, or the loss of Tenant's business or decrease in value thereof.

16. EVENTS OF DEFAULT. Each of the following events shall constitute an Event of Default under this Lease:

A. If Tenant shall fail to pay Minimum Annual Rental, Additional Rent, or any other sum payable to Landlord hereunder when due; AS SET FORTH IN THE REFERENCED DATA WITHIN TEN (10) DAYS OF WRITTEN NOTICE or

B. If Tenant shall fail to perform or observe any of the other covenants, terms or conditions contained in this Lease within THIRTY (30) days after written notice thereof by Landlord; WHICH PERIOD SHALL BE EXTENDED SO LONG AS TENANT IS USING IT'S BEST EFFORTS TO CURE. or

C. If a receiver or trustee is appointed to take possession of all or a substantial portion of the assets of Tenant or any Guarantor and such receiver or trustee is not dismissed within thirty (30) days; or

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D. If Tenant or any Guarantor makes an assignment for the benefit of creditors; or

E. If any bankruptcy, reorganization, insolvency, creditor adjustment or debt rehabilitation proceedings are instituted by or against Tenant or any Guarantor under any state or federal law and the same are not dismissed within thirty (30) days: or

F. If levy, execution, or attachment proceedings or other process of law are commenced upon, on or against Tenant or any Guarantor or a substantial portion of Tenant's or any Guarantor's assets and the same are not dismissed within thirty (30) days; or

G. If a liquidator, receiver, custodian, sequester, conservator, trustee, or other similar judicial officer is applied for by Tenant or any Guarantor; or

H. If Tenant or any Guarantor becomes insolvent in the bankruptcy or equity sense; or

I. Intentionally Deleted

17. REMEDIES.

A. If Tenant fails to pay Minimum Annual Rental, Additional Rent, or any other sum payable to Landlord hereunder when due AFTER WRITTEN NOTICE AS PROVIDED IN REFERENCED DATA, Tenant shall pay a late charge in the amount of Fifty Dollars (\$50.00) plus interest accruing on the unpaid sums from the date such sums are due at a rate equal to the greater of (a) Eighteen percent (18%) per annum or (b) Three percent (3%) per annum in excess of the prime rate of interest paid by Landlord on sums borrowed by Landlord (the "Late Charge"). The Late Charge shall be Additional Rent under the terms of this Lease. In no event however shall any interest or other charge on any delinquent payments exceed the amount allowed to be charged under the usury laws of the State of Florida, it being acknowledged and agreed that any amount in excess of such limitation shall be refunded to Tenant by Landlord by means of a credit against the next installment(s) of Rent coming due hereunder, or if no such Rent payments remain to be paid, then the excess shall be refunded in cash. The Late Charge shall be in addition to, and shall not in any way limit any other rights or remedies available to Landlord under the terms of this Lease or at law and in equity.

B. Upon the occurrence of an Event of Default, Landlord may, at any time thereafter, and in addition to any other available rights or remedies at law and/or in equity, elect EITHER OPTION ONE (1) BELOW OR (TWO AND/OR THREE (2 AND/OR 3)) of the following remedies:

(1) Without obligation to re-let the Demised Premises, to accelerate the whole or any part of the Minimum Annual Rental, the Additional Rent, or any other sum payable to Landlord hereunder for the entire un-expired balance of the Term of this Lease, as well as all other charges, payments, costs and expenses herein agreed to be paid by Tenant and for purposes of this Paragraph, the Minimum Annual Rental shall be deemed to be increased and adjusted as described in Paragraphs 4D and 4E hereof, with the annual Cost of Living Increase calculated as if the Adjustment Date was the month in which such default occurred, and any Rent or other charges, payments, costs and expenses if so accelerated shall, in addition to any and all installments of Rent already due and payable and in arrears, and/or any other charge or payment herein reserved, included or agreed to be treated or collected as rent and/or any other

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charge, expense or cost herein agreed to be paid by Tenant which may be due and payable and in arrears, be deemed due and payable as if, by the terms and provisions of this Lease, such accelerated Rent and other charges, payments, costs and expenses were on that date payable in advance, and Landlord shall be entitled to all costs of collection, including attorney's fees and costs through all appellate levels and post judgment proceedings, and to interest on all such amounts at the maximum rate allowed by law until such amounts are actually paid to Landlord. NOTWITHSTANDING THE FOREGOING, THE ACCELERATED TERM FOR WHICH AMOUNTS MAY BE COLLECTED SHALL BE LIMITED TO FOUR (4) YEARS DURING THE FIRST FOUR (4) YEARS OF THE LEASE, THREE (3) YEARS DURING THE FIFTH (5TH) YEAR OF LEASE AND TWO (2) YEARS DURING THE SIXTH (6TH) YEAR OF LEASE AND BEYOND.

(2) To immediately re-enter the Demised Premises without accepting surrender of the leasehold estate and remove all persons and all or any property therefrom, with or without summary dispossession proceedings or by any suitable action or proceeding at law, without being liable to indictment, prosecution or damages therefore, and repossess and enjoy the Demised Premises; together with all additions, alterations and improvements. Upon recovering possession of the Demised Premises by reason of or based upon or arising out of a default on the part of Tenant, Landlord may, at Landlord's option, either terminate this Lease or make such alterations and repairs as may be necessary in order to re-let the Demised Premises or any part or parts thereof, either in Landlord's name or otherwise, for a term or terms which may at Landlord's option be less than or exceed the period which would otherwise have constituted the balance of the Term of this Lease and at such rent or rents and upon such other terms and conditions as in Landlord's sole discretion may seem advisable and to such person or persons as may in Landlord's discretion seem best. Upon each such re-letting all rents received by Landlord from such re-letting shall be applied: first, to the payment of any indebtedness other than Rent due hereunder from Tenant to Landlord; second, to the payment of any costs and expenses of such re-letting, including brokerage fees and attorney's fees and all costs of such alterations and repairs; third, to the payment of Rent due and unpaid hereunder; and the residue if any, shall be held by Landlord and applied in payment of future rent as it may become due and payable hereunder. If such rentals received from such re-letting during any month shall be less than that to be paid during that month by Tenant hereunder, Tenant shall pay any such deficiency to Landlord. Such deficiency shall be calculated and paid monthly. No such re-entry or taking possession of the Demised Premises or the making of alterations and/or improvements thereto or the re-letting thereof shall be construed as an election on the part of Landlord to terminate this Lease unless written notice of such intention be given to Tenant. Landlord shall in no event be liable in any way whatsoever for failure to re-let the Demised Premises or, in the event that the Demised Premises or any part or parts thereof are re-let, for failure to collect the rent thereof under such re-letting. Tenant, for Tenant and Tenant's successors and assigns, hereby irrevocably constitutes and appoints Landlord as Tenant's agent to collect the rents due and to become due under all subleases of the Demised Premises or any part thereof without in any way affecting Tenant's obligation to pay any unpaid balance of Rent due or to become due hereunder. Notwithstanding any such re-letting without termination, Landlord may at any time thereafter elect to terminate this Lease for such previous breach.

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(3) To terminate this Lease and the term hereby created without accepting any surrender of the leasehold estate and without any right on the part of Tenant to waive the forfeiture by payment of any sum due or by other performance of any condition, term or covenant broken, whereupon Landlord shall be entitled to recover, in addition to any and all sums and damages for violation of Tenant's obligations hereunder in existence at the time of such termination, damages for Tenant's default in an amount equal to the amount of the Rent reserved for the balance of the term of this Lease, as well as all other charges, payments, costs and expenses herein agreed to be paid by Tenant, all discounted at the rate of six percent (6%) per annum to their then present worth, less the fair rental value of the Demised Premises for the remainder of said term, also discounted at the rate of six percent (6%) per annum to its then present worth, all of which amount shall be immediately due and payable from Tenant to Landlord.

THE RIGHT to enforce all of the other provisions of this Lease herein provided for may at the option of any assignee of this Lease, be exercised by any assignee of the Landlord's right, title and interest in this Lease in his, her, or their own name, any statute, rule of court, custom, or practice to the contrary notwithstanding.

All of the remedies hereinbefore given to Landlord and all rights and remedies given to it by law and equity shall be cumulative and concurrent. No determination of this Lease or the taking or recovering possession of the premises shall deprive Landlord of any of its remedies or actions against the Tenant for rent due at the time or which, under the terms hereof would in the future become due as if there had been no determination, nor shall the bringing of any action for rent or breach of covenant, or the resort to any other remedy herein provided for the recovery of rent be construed as a waiver of the right to obtain possession of the premises.

C. No right or remedy herein conferred upon or reserved to Landlord is intended to be exclusive of any other right or remedy herein or by law provided but each shall be cumulative and in addition to every other right or remedy given herein or now or hereafter existing at law or in equity or by statute.

D. In the event of a breach or threatened breach by Tenant of any of the covenants or provisions hereof, Landlord, in its sole and absolute discretion, shall have the right of injunction and the right to invoke any remedy allowed at law or in equity as if re-entry, summary proceedings and other remedies were not herein provided for in law or in equity.

E. No waiver by Landlord of any breach by Tenant of any of Tenant's obligations, agreements or covenants herein shall be a waiver of any subsequent breach or of any obligation, agreement or covenant, nor shall any forbearance by Landlord to seek a remedy for any breach by Tenant be a waiver by Landlord of any rights and remedies with respect to such or any subsequent breach.

18. QUIET ENJOYMENT. Upon paying the Minimum Annual Rental, Additional Rent, and other charges and sums herein provided for, and upon Tenant's observance and keeping of all the covenants, agreements and conditions of this Lease, Tenant shall quietly have and enjoy the Demised Premises during the term of this Lease without hindrance or molestation by anyone claiming by or through Landlord; subject, however, to the terms, exceptions, reservations and conditions of this Lease.

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19. NO WAIVER. The failure of either party to insist in any one or more instances upon the strict performance of any one or more agreements, terms, covenants, conditions, or obligations of this Lease, or to exercise any right, remedy or election therein contained, shall not be construed as a waiver or relinquishment for the future of the performance of such one or more obligations of this Lease or of the right to exercise such right, remedy or election, with respect to any subsequent breach, act, or omission. The manner of enforcement or the failure of Landlord to enforce any of the covenants, conditions, rules and regulations set forth herein or hereafter adopted, against any tenant in the Building shall not be deemed a waiver of any such covenants, conditions, rules and regulations.

20. ATTORNMENT AND SUBORDINATION.

A. Subject to the provisions in subsection B hereof, this Lease, and the rights of Tenant hereunder, shall be subject or subordinate to any mortgages which now are or may hereafter be placed upon the Property or any portion thereof (a "mortgage") or any interest therein or to any leases (hereinafter called "underlying leases") of the Property as a whole which now exist or may hereafter be made (any holder of any such mortgage, or landlord with respect to any underlying lease being hereinafter called an "Interested Party"). The terms of this Subordination shall be self operative, provided however, that Tenant shall execute such documents as may be requested by Landlord in order to confirm this Subordination from time to time. Any failure by Tenant to execute any such documents shall be a default hereunder.

B. Upon the request of Tenant, any Interested Party shall provide to Tenant its written agreement providing substantially as follows: so long as Tenant has not defaulted under this Lease; (I) Tenant's rights shall not be terminated or disturbed by reason of any foreclosure of such mortgage or termination of such underlying lease: (II) in the event that the property containing the Demised Premises is sold or otherwise disposed of pursuant to any right or power contained in or existing by reason of any such mortgage or the bond, note or debt secured thereby, the purchaser thereof or other person acquiring title thereto through or by virtue of such sale or other disposition shall take title thereto subject to this Lease and all rights of Tenant hereunder; (III) upon termination of any such underlying lease, that lessor shall accept Tenant's attornment upon all the terms and conditions of this Lease for the balance of the term hereof. Any such written agreement shall also reserve to the Interested Party the rights specified in section D hereof. LANDLORD SHALL PROCURE A WRITTEN ATTORNMENT PURSUANT TO THIS PARAGRAPH ON OR BEFORE JANUARY 2ND, 2003 IN A FORM PROVIDING FOR THE SUBSTANTIVE RIGHTS OF THE TENANT AS OUTLINED IN THIS PARAGRAPH FAILING WHICH THE TENANT MAY ELECT TO TERMINATE THIS LEASE. SHOULD TENANT EXERCISE SUCH RIGHT OF TERMINATION, LANDLORD SHALL REIMBURSE ANY OUT OF POCKET BONAFIDE EXPENSES UP TO ONE HUNDRED THOUSAND AND 00/100 DOLLARS (\$100,000.00) TO THE TENANT. UPON PAYMENT OF SUCH EXPENSES THE TENANT SHALL DIRECT THE ESCROW AGENT TO RETURN ALL ESCROW FUNDS TO THE LANDLORD. THE ATTORNMENT PROCUREMENT TIME MAY BE EXTENDED BY MUTUAL AGREEMENT OF THE PARTIES.

C. Upon any foreclosure sale on any such mortgage or termination of any underlying lease, if the holder of the mortgage or other purchaser at foreclosure sale or any lessor with respect to any underlying lease shall so request, Tenant shall attorn to such holder, purchaser or lessor as Tenant's

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landlord under this Lease and shall promptly execute and deliver any instrument that such holder, purchaser or lessor may reasonably request to evidence such attornment. Upon such attornment, this Lease shall continue in full force and effect as a direct lease between such holder, purchaser or lessor and Tenant upon all of the terms, conditions and covenants as are set forth in this Lease.

D. In the event that the holder of such mortgage or the lessor under such underlying lease shall succeed to the interest of Landlord hereunder, such Interested Party shall not be: (i) liable for any act or omission of any prior landlord (including Landlord); (ii) liable for the return of any security deposit not actually received by it; (iii) subject to any offsets or defenses which Tenant might have against any prior landlord (including Landlord); (iv) bound by any Rent or Additional Rent which Tenant might have paid for more than the current month to any prior landlord (including Landlord); or (v) bound by an amendment or modification of this Lease made without its written consent.

E. Within ten (10) days after written request from Landlord from time to time, Tenant shall execute and deliver to Landlord, or Landlord's designee, a written statement certifying, (i) that this Lease is unmodified and in full force and effect, or is in full force and effect as modified and stating the modifications; (ii) the amount of Minimum Annual Rent and the date to which Minimum Annual Rent and Additional Rent have been paid in advance; and (iii) that Landlord is not in default hereunder or, if Landlord is claimed to be in default, stating the nature of any claimed default; (iv) the amount of security deposit landlord is holding and (v) any options to renew or purchase that tenant may have. Within ten (10) days after written request from Tenant from time to time, Landlord shall execute and deliver to Tenant, or Tenant's designee, a written statement certifying, (i) that this Lease is unmodified and in full force and effect, or is in full force and effect as modified and stating the modifications; (ii) the amount of Minimum Annual Rent and the date to which Minimum Annual Rent and Additional Rent have been paid in advance; and (iii) that Tenant is not in default hereunder, or if Tenant is claimed to be in default, stating the nature of any claimed default.

21. NOTICES. All bills, statements, notices or communications which either party hereto may desire or be required to give to the other shall be deemed sufficiently given or rendered if in writing and either hand delivered to Landlord or Tenant or sent by registered or certified mail or overnight courier, postage prepaid, addressed to Landlord or Tenant at the address set forth on the first page hereof or any other address pursuant to notice given as herein set forth. Any notices given in accordance with the Lease shall be deemed to be given when the same is hand delivered to the other party, deposited with the overnight courier or three (3) days after depositing in the mail, as the case may be.

22. HOLDING OVER. Should Tenant continue to occupy the Demised Premises after expiration of the term of this Lease or any renewals thereof, or after a forfeiture incurred such tenancy shall (without limitation on any of Landlord's rights or remedies therefore) be one at sufferance from month to month at a minimum monthly rent equal to twice the rent payable for the previous month of the term of this Lease.

23. BROKERS. Tenant represents and warrants that it has not employed any broker or agent as its representative in the negotiation for or the obtaining of this

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Lease other than Landlord's leasing agent, GRUBB & ELLIS AND TENANT'S LEASING AGENT LAUTIN DOHM REALTY, INC., and agrees to indemnify and hold Landlord harmless from and against any and all cost or liability for compensation claimed by any broker or agent other than Landlord's leasing agent LAUTIN DOHM REALTY, INC., with whom it has dealt or claimed to have been engaged by Tenant.

24. DEFINITIONS OF LANDLORD AND TENANT.

A. The word "Tenant" as used in this Lease shall be construed to mean tenants in all cases where there is more than one tenant, and the necessary grammatical changes required to make the provisions hereof apply to corporations, partnerships, or individuals, men or women, shall in all cases be assumed as through in each case fully expressed. Each provision hereof shall extend to and shall, as the case may require, bind and inure to the benefit of Tenant and its heirs, legal representatives, successors and assigns, provided that this Lease shall not inure to the benefit of any assignee, heir, legal representative, transferee or successor of Tenant except upon the express written consent or election of Landlord, except as herein otherwise provided.

B. The term "Landlord" as used in this Lease shall mean the fee owner of the entire Property or, if different, the party holding and exercising the right, as against all others (except space tenants of Building) to possession of the entire Property. In the event of voluntary or involuntary transfer of such Ownership or right to a successor in interest of Landlord, Landlord shall be freed and relieved of all liability and obligation hereunder which shall thereafter accrue (and, as to any unapplied portion of Tenant's security deposit, Landlord shall be relieved of all liability therefore upon transfer of such portion to its successor in interest) and Tenant shall look solely to such successor in interest for the performance of the covenants and obligations of Landlord hereunder which shall thereafter accrue. Notwithstanding the foregoing, no mortgagee or ground lessor which shall succeed to the interest of Landlord hereunder (either in terms of ownership or possessory rights) shall: (1) be liable for any previous act or omission of a prior landlord; (2) be subject to any rental offsets or defenses against a prior landlord; (3) be bound by any amendment of this Lease made without its written consent, or by payment by Tenant of rent in advance in excess of one (1) month's rent; or (4) be liable for any security deposit not actually received by it. Subject to the foregoing, the provisions hereof shall be binding upon and inure to the benefit of the heirs, personal representatives, successors and assigns of Landlord. In no event shall the liability of Landlord to Tenant hereunder exceed Landlord's interest in the Property. Tenant agrees that no judgment arising from any default of Tenant's agreements under the terms of this Lease or by reason of any willful or negligent act of Landlord and its Building manager, and their employees, officers, agents and independent contractors, shall attach against any property of Landlord other than the Property, and in no event shall any such judgment constitute a lien upon any other lands or properties owned by Landlord wheresoever located. Neither shall any such judgment attach or constitute a lien against any property of any principal or partner of the Landlord, or of their heirs, executors, administrators, successors or assigns.

25. PRIOR AGREEMENTS; AMENDMENTS. Neither party hereto has made any representations or promises except as contained herein. No agreement hereinafter

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made shall be effective to change, modify, discharge or effect an abandonment of this Lease, in whole or in part, unless such agreement is in writing and signed by the party against whom enforcement of the change, modification, discharge or abandonment is sought.

26. CAPTIONS. The captions of the paragraphs in this Lease are inserted and included solely for convenience and shall not be considered or given any effect in construing the provisions hereof.

27. CONSTRUCTION OF LEASE. If any term of this Lease, or the application thereof to any person or circumstances, shall to any extent, be invalid or unenforceable, the remainder of this Lease, or the application of such term to persons or circumstances other than those as to which it is invalid or unenforceable, shall not be affected thereby, and each term of this Lease shall be valid and enforceable to the fullest extent permitted by law.

28. MECHANICS' LIENS, ETC.

A. Nothing contained in this Lease shall be deemed or construed in any way as constituting the consent or request of Landlord, express or implied by inference or otherwise, to any contractor, subcontractor, laborer or materialman for the performance of any labor or the furnishing of any materials for any alteration, addition, improvement or repair to the Property, the Demised Premises or any part thereof, nor as giving Tenant any right, power or authority to contract for or permit the rendering of any services or the furnishing of any materials that would give rise to the filing of any lien against the Property, the Demised Premises or any part thereof, nor to subject Landlord's estate in the Property to liability under the Mechanic's Lien Law of the State of Florida in any way, it being expressly understood that Landlord's estate shall not be subject to any such liability.

B. Notwithstanding any provision to the contrary set forth in this Lease, it is expressly understood and agreed that the interest of the Landlord shall not be subject to liens for improvements made by Tenant in and to the Demised Premises, Tenant shall notify each and every contractor making any such improvements of the provision set forth in the preceding sentence of this Paragraph. The parties agree to execute, acknowledge and deliver to Landlord without charge a Mechanic's Lien Notice, in recordable form, containing a confirmation that the interest of the Landlord shall not be subject to liens for improvements made by Tenant to the Property or the Demised Premises. THESE PROVISIONS SUPPLEMENT THE LANGUAGE OF SECTION 3 OF THIS AGREEMENT.

29. CERTAIN RIGHTS RESERVED TO LANDLORD. Landlord reserves the following rights:

A. BUILDING NAME. To name the Building and to change the name or street address of the Building.

B. EXTERIOR SIGNS. To install and maintain a sign or signs on the exterior of the Building, EXCEPT AS DESCRIBED IN PARAGRAPH 14A OF THE RULES AND REGULATIONS.

C. REDECORATION. During the last ninety (90) days of the term, if during or prior to that time Tenant has vacated the Demised Premises, to decorate, remodel, repair, alter or otherwise prepare the Demised Premises for re-occupancy, without affecting Tenant's obligation to pay Minimum Annual Rental, Additional Rent and all other sums due under the terms of this Lease.

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D. PASS KEYS. To constantly have pass keys to the Demised Premises, WHICH SHALL BE USED ONLY IN AN EMERGENCY

E. ADJOINING AREAS. The use and reasonable access thereto through the Demised Premises for the purposes of operation, maintenance, decoration and repair of all walls, windows and doors bounding the Demised Premises (including exterior walls of the Building, core corridor walls and doors and any core corridor entrance) except the inside surface thereof, any terraces or roofs adjacent to the Demised Premises and any space in or adjacent to the Demised Premises used for shafts, pipes, conduits, fan rooms, ducts, electric or other utilities, sinks or other facilities are reserved to Landlord, WITH REASONABLE NOTICE TO TENANT.

F. COMMON AREAS AND PARKING FACILITIES. The exclusive right to manage the Common Areas and the Parking Facilities.

30. LANDLORD'S LIEN. LANDLORD WAIVES ALL STATUTORY AND CONTRACTUAL LIEN RIGHTS TO THE PROPERTY OF THE TENANT UNDER THIS LEASE

31. RULES AND REGULATIONS. Tenant covenants and agrees that it shall comply with and observe all nondiscriminatory, uniformly applied reasonable rules and regulations ("Rules and Regulations") which Landlord shall from time to time promulgate for the management and use of the Demised Premises, the Building and the Parking Facilities. Landlord's initial Rules and Regulations are set forth on Exhibit "E" attached hereto and made a part hereof Landlord shall have the right from time to time to reasonably amend or supplement the Rules and Regulations theretofore promulgated.

32. WAIVER OF JURY TRIAL. LANDLORD AND TENANT HEREBY WAIVE ANY AND ALL RIGHT TO A TRIAL BY JURY IN ANY ACTION, PROCEEDING, COUNTERCLAIM, OR SUBSEQUENT PROCEEDING, BROUGHT BY EITHER OF THE PARTIES HERETO AGAINST THE OTHER ON ANY MATTERS WHATSOEVER ARISING OUT OF OR IN ANY WAY CONNECTED WITH THIS LEASE, TENANT'S USE OR OCCUPANCY OF THE DEMISED PREMISES, THE BUILDING OR THE PARKING FACILITIES AND/OR ANY CLAIM OF INJURY OR DAMAGE.

33. RADON GAS. Radon is a naturally occurring radioactive gas that, when it has accumulated in a building in sufficient quantities, may present health risks to persons who are exposed to it over time. Levels of Radon that exceed Federal and State guidelines have been found in buildings in Florida. Additional information regarding Radon and Radon testing may be obtained from your county public health unit.

34. NO OPTION. The submission of this Lease to Tenant for examination does not constitute a reservation of or option for the Demised Premises and this Lease becomes effective as a lease only upon execution and delivery thereof by the Landlord and Tenant.

35. FORCE MAJEURE. Notwithstanding anything to the contrary contained herein, Landlord shall not be deemed in default with respect to the delivery of the Demised Premises or any other obligation of Landlord hereunder, if Landlord's inability to perform is due to any strike, lockout, civil commotion, warlike operation, invasion, rebellion, hostilities, military or usurped power, governmental regulation, moratoriums or controls, acts of God or any other cause beyond the control of Landlord, provided that such cause is not due to the willful act or negligence of Landlord.

36. TELECOMMUNICATIONS CARRIER'S ACCESS

Initials _____

a. Grant of Carrier's License. Tenant's right to select and utilize a telecommunications and data carrier (the "Carrier") shall be conditioned on the execution by such Carrier of: (i) a license agreement, in form and substance acceptable to Landlord, pursuant to which Landlord shall grant to the Carrier a license (which shall be coextensive with the rights and privileges granted to Tenant under this Lease) to install, operate, maintain, repair, replace, and remove cable and related equipment within (INSERT LOCATIONS).

LANDLORD WILL GIVE THE TENANT RIGHT TO UTILIZE THE COMMON AREA CHASE FOR COMMUNICATION WIRE/DATA.

b. No Exclusive Rights. The license contemplated herein to be granted to the Carrier shall permit the Carrier to provide services only to Tenant and not to any other tenants or occupants of the Building and shall require all of the carrier's equipment (other than connecting wiring) to be located in the Tenant's Premises. The License shall not grant an exclusive right to Tenant or to the Carrier. Landlord reserves the right, at its sole discretion, to grant, renew, or extend licenses to other telecommunications and data carriers for the purposes of locating telecommunications equipment in the Building which may serve Tenant or other tenants in the Building.

c. No Greater Rights. Except to the extent expressly set forth herein, nothing herein shall grant to the Carrier any greater rights or privileges than Tenant is granted pursuant to the terms of this Lease or diminish Tenant's obligations or Landlord's rights hereunder.

d. Tenant Ensures Carrier's Compliance. Tenant shall be responsible for ensuring that the Carrier complies with the terms and conditions of the license agreement relating to the use of the Premises or the making of any physical Alterations imposed upon Tenant under this Lease to the extent the Carrier operates or maintains any equipment or delivers any services in the Premises. Any failure by the Carrier to observe and comply with such terms, conditions, agreement, and covenants on behalf of Tenant, to the extent the Carrier operates or maintains any equipment or delivers any services in the Premises or the Licensed Areas, shall be a default under the Lease.

Landlord and Tenant understand, agree, and acknowledge that: This Lease has been freely negotiated by both parties; and that, in any controversy, dispute, or contest over the meaning, interpretation, validity, or enforceability of this Lease or any of its terms or conditions, there shall be no inference, presumption, or conclusion drawn whatsoever against either party by virtue of that party having drafted this Lease or any portion thereof.

Initials _____

IN WITNESS WHEREOF, the parties hereto have executed this Lease on the day and year first aforesaid.

Signed, sealed and delivered
in the presence of:

LANDLORD:
CANPRO INVESTMENTS LTD.

By: /s/ Ofer Drucker

Ofer Drucker
Vice President of Finance

TENANT:
WACKENHUT CORRECTIONS CORPORATION

By: /s/ John J. Bulfin

John J. Bulfin
Senior Vice President
General Counsel

Initials _____

Exhibit "A"

Legal Description
Parcel 2 - Office Building Site
(O.R.B. 4312 PG. 1726)

A portion of section 6, Township 47 South, Range 43 East, Palm Beach County, Florida, being more particularly described as follows: Commencing at the South one quarter corner of said section 6: Thence North 00)58'48" East, along said North-South quarter line, a distance of 664.54 feet, Thence South 89)41'52" East, a distance of 347.76 feet: Thence South 89)41'52" East, a distance of 347.49 feet: Thence North 01)00'11" East, a distance of 30.00 feet to the point of beginning of this description: Thence continue North 01)00'11" East, a distance of 634.46 feet: Thence South 89)41'01" East, a distance of 347.76 feet: Thence South 01)01'35" West, a distance of 522.29 feet: Thence South 72)29'41" West, a distance of 366.48 feet to the point of beginning: together with the following described parcel:

Commencing at the South one quarter of said section 6: Thence North 00)58'48" East along the North-South quarter line, a distance of 664.54 feet: Thence South 89)41'52" East a distance of 347.49 feet: Thence North 01)00'11" East, a distance of 30.00 feet: Thence North 72)29'41" East, a distance of 366.48 feet to the point of beginning of this description: Thence South 01)01'35" West, a distance of 41.33 feet to a point on the right-of-way line of the seaboard coastline railroad, that is now laid out and in use: Thence North 45)35'19" East, a distance of 596.03 feet to the point of curvature of a circular curve to the left: Thence Northerly and Easterly along the arc of said curve, having a radius of 3365.62 feet, and an arc distance of 0.25 feet to a point on the Easterly boundary of the Lake Worth drainage district: The last two described courses being coincident with said right-of-way line: Thence North 17)26'44" West, a distance of 40.08 feet: Thence North 44)26'44" West, a distance of 141.82 feet: the last two described courses being coincident with the Easterly boundary of the Lake Worth drainage district: Thence North 89)41'01" West, a distance of 309.96 feet: Thence South 01)01'35" West, a distance 522.29 feet to the point of beginning: less and except therefrom the following described parcel:

Commencing at the South one quarter of said section 6: Thence North 00)58'48" East along said North-South quarter line, a distance of 664.54 feet: Thence South 89)41'52" East, a distance of 347.49 feet: Thence North 01)00'11" East, a distance of 242.48 feet to the point of beginning of this description: Thence continue North 01)00'11" East, a distance of 421.98 feet: Thence South 89)41'01" East, a distance of 98.61 feet: Thence South 00)18'59" West, a distance of 97.55 feet: Thence South 89)41'01" East, a distance of 81.73 feet: Thence South 44)24'41" East, a distance of 100.00 feet: Thence South 45)35'19" West, a distance of 245.00 feet: Thence South 44)24'41" East, a distance of 65.00 feet: Thence South 45)35'19" West, a distance of 80.00 feet: Thence North 44)24'41" West, a distance of 65.00 feet: Thence South 45)35'19" West, a distance of 35.00 feet to the point of beginning.

Said lands situate, lying, and being in Palm Beach County, Florida, and subject to all easements, reservations, and right-of-way of record.

Together with (a) non-exclusive easements for ingress and egress for pedestrian and vehicular traffic, and for the installation and maintenance of utility lines and appurtenances over, across and under Parcel R-1, Parcel R-2, Parcel R-2A, Parcel R-3, APOC II Roads and Parcel R-3A to the extent that a portion of Parcel R-3A is not located within the insured lands: and (B) a non-exclusive easement for water retention, water management and drainage purposes over, across and under all lakes, water retention areas and drainage easements or areas established within the Total Arvida Property, all as more particularly described and defined in that certain Agreement for and Grant of Easements and Other Rights, dated September 8, 1982 and recorded in Official Records Book 3788, page 1058: as supplemented by Supplemental Agreement dated September 8, 1982 and recorded in Official Records Book 3788, page 1095: and as amended by Reconfirmation and Regrant of Easements and Other Rights dated September 19, 1983 and recorded in Official Records Book 4041, page 1854 and as further amended by Amendment to Agreement for and Grant of Easements and Other Rights dated April 18, 1984 and recorded in Official Records Book 4312, page 1721 all of the Public Records of Palm Beach County, Florida.

And, further together with all of the non-exclusive, access easements, parking easements and utility easements, over the common areas located within the perimetrical boundaries of the Park Place Royale lands as set forth in exhibit "1" attached hereto, as contained in that certain Common Area Operations and Reciprocal Easement Agreement, dated May 30, 1984 and recorded in Official Records Book 4259, page 1548, as amended by First Amendment to Common Area

Initials _____

Operation and Reciprocal Easement Agreement, dated August 29, 1984 and recorded in Official Records Book 4341, page 258 and further amended by Second Amendment to Common Area Operation and Reciprocal Easement Agreement, recorded in Official Records Books 6403, page 553 all of the public records of Palm Beach County, Florida.

Initials _____

EXHIBIT "B"

Initials _____

EXHIBIT "C"

Parking Space Schedule

Tenant shall be permitted to use undercover and/or covered parking spaces based upon availability.

All said parking spaces shall be in areas designated by Landlord and are subject to relocation by Landlord at any time. Landlord will not monitor the parking spaces nor the Parking Facilities and shall have no liability to Tenant, its employees, agents, licensees or invitees for any damages to or loss of vehicles, automobiles, or accessories, or the contents thereof, caused by fire, theft, collision or any other cause whatsoever.

LANDLORD SHALL PROVIDE TENANT WITH SIX (6) TEN (10) RESERVED PARKING SPACES IN THE PARKING STRUCTURE AT NO CHARGE AS FOLLOWS:

Initials _____

EXHIBIT "D"

CLEANING SPECIFICATIONS
to be performed during non business hours

SPECIFICATIONS FOR
WACKENHUT

SERVICE
DAYS/YR

LOBBY

o	Empty all trash receptacles and replace liners as necessary.	260
o	Remove all collected trash to designated area.	260
o	Dust all chair and table legs and rungs, baseboards, ledges, moldings, and other low reach areas.	260
o	Spot clean all horizontal and vertical surfaces removing fingerprints, smudges and stains.	260
o	Clean and polish all drinking fountains.	260
o	Fully vacuum all carpets from to wall.	260
o	Clean both sides of all glass doors.	260
o	Clean and polish all bright metal work.	260
o	Clean lobby sign directories removing all soil.	260
o	Vacuum walk-off mats.	260
o	Dust mop all hard surface floors with treated dust mop.	260
o	Mop all stains and spills, especially coffee and drink spills.	260
o	Dry buff all hard surface floors using a standard floor machine.	52
o	Detail clean threshold plates removing all visible soil.	52
o	Dust all surfaces above normal reach including sills, ledges, moldings, shelves, doorframes, pictures and vents.	52
o	Clean all baseboards.	4
o	Wash all trash containers.	4

OFFICE AREAS

o	Empty all trash receptacles and replace liners as necessary.	260
o	Remove all collected trash to designated area.	260
o	Dust all horizontal surfaces.	260
o	Spot clean all walls, light switches and doors.	260
o	Damp clean interior and exterior of microwave oven.	260
o	Clean and polish all drinking fountains.	260
o	Using approved spotter, spot clean carpeted area.	260
o	Fully vacuum all carpets from wall to wall.	260
o	Clean all partition glass.	260
o	Dust mop all hard surface floors with treated dust mop.	260
o	Mop all stains and spills, especially coffee and drink spills.	260
o	Dust ledges and window sills.	52
o	Dust all low reach areas.	52
o	Damp mop entire area.	52
o	Spot clean all horizontal and vertical surfaces removing fingerprints, smudges and stains.	52
o	Dust all high reach areas.	12
o	Machine scrub hard surface floor and apply one coat of polish, allow to dry, then buff.	12
o	Clean all ceiling vents.	12
o	Strip hard surface floor and recoat with three coats of floor polish.	1

RESTROOMS

o	Refill dispensers and empty trash, clean and sanitize all restroom fixtures, wipe all counters, clean mirrors, wipe chrome, spot wipe partitions, sweep and damp mop floors using a germicidal cleaner.	260
o	Dust and clean all return air vents.	12
o	Wash all restroom partitions on both sides.	12
o	Machine scrub all restroom floors using germicidal detergent.	12

Initials _____

- o Clean both sides of all doors. 12
- o Hand wash all walls. 4

ELEVATORS

- o Completely clean elevator floors. 260
- o Clean and polish elevator bright work. 260
- o Clean and polish metal elevator threshold plates. 52

STAIRS

- o Police stairs and pick up litter. 260
- o Dust all horizontal surfaces. 52
- o Spot clean all walls, light switches and doors. 52
- o Dust mop stairs, dust railings, ledges and spot clean. 52
- o Damp mop stairs, dust railings, ledges and spot clean. 12

PUBLIC AREAS

- o Empty all trash receptacles and replace liners as necessary. 260
- o Remove all collected trash to designated area. 260
- o Empty and damp wipe ashtrays; clean cigarette urns, smooth sand and replace as necessary. 260
- o Dust all horizontal surfaces. 260
- o Clean and polish all drinking fountains. 260
- o Fully vacuum all carpets from wall to wall. 260
- o Using approved spotter, spot clean carpeted area. 260
- o Dust high and low areas (e.g., pictures, clocks, partition tops, etc.) 52
- o Clean all ceiling vents. 12
- o Clean all baseboards. 4

Initials _____

EXHIBIT "E"

RULES AND REGULATIONS

BUILDING RULES AND REGULATIONS. Tenant and its employees, agents, licensees and invitees shall faithfully observe and comply with the following Rules and Regulations and all reasonable modifications of any additions thereto from time to time put into effect by Landlord, Landlord shall not be responsible to Tenant for the non-performance of any said Rules and Regulations by any other tenant or occupant of the Building.

1. ADVERTISING. Landlord shall have the right to prohibit any advertising by Tenant IN THE BUILDING which, in Landlord's opinion tends to impair the reputation of the Building or its desirability as an office building, and upon written notice from Landlord, Tenant promptly shall refrain from or discontinue such advertising. Without limiting the foregoing, no advertising or notices shall be permitted in the windows or common areas of the Building.

2. BICYCLES, ANIMALS. Tenant shall not bring any animals or birds into the Building, and shall not permit any type of vehicle including bicycles, inside or on the sidewalks outside the Building except in areas designated from time to time by Landlord for such purposes.

3. DANGEROUS OR IMMORAL ACTIVITIES. Tenant shall not make any use of the Demised Premises which involves the danger of injury to person or property, nor shall the same be used for any immoral use.

4. DELIVERIES. Tenant shall ensure that deliveries of materials and supplies to the Demised Premises are made through such entrances, elevators and corridors and at such times as may from time to time be designated by Landlord, and shall promptly pay or cause to be paid to Landlord the cost of repairing any damage to the Building caused by any person making such deliveries.

5. FURNITURE AND EQUIPMENT. Tenant shall ensure that furniture and equipment being moved into or out of the Demised Premises is moved through such entrances, elevators and corridors and at such times as may from time to time be designated by Landlord, and MOVERS SHALL NAME LANDLORD AS AN ADDITIONAL INSURED, and shall promptly pay or cause to be paid to Landlord the cost of repairing any damage in the Building caused thereby.

6. HEAVY ARTICLES. Tenant shall not place in or move about the Demised Premises without Landlord's prior written consent any safe or other heavy article which in Landlord's reasonable opinion may damage the Building. Landlord may designate the location of any heavy articles in the Demised Premises.

7. LOADING, UNLOADING AND MOVING.

A. The delivery and shipping of merchandise, supplies, fixtures, and other materials or goods of whatsoever nature to or from the Demised Premises and all loading, unloading and handling thereof shall be done only at such times, in such areas, by such means and through such elevators, entrances, halls and corridors as are designated by Landlord.

Initials _____

B. Landlord accepts no liability and Tenant hereby releases Landlord of all liability with respect to the operation of delivery facilities for the Building, or the adequacy thereof, or of the acts or omissions of any person or persons engaged in the operation thereof, or in the acceptance, holding, handling or dispatch, or any error, negligence or delay therein.

C. Landlord may from time to time make and amend regulations for the orderly and efficient operation of the delivery facilities for the Building, and may require the payment of reasonable and equitable charges for delivery services provided by Landlord, SUBJECT TO THE PROVISIONS OF SECTION 7. P. OF THE LEASE..

D. No furniture may be moved in or out of the Building without prior SCHEDULING of Landlord. Arrangements for the moving must be made with Landlord's office and must be supervised by Landlord's representative. Tenant agrees to pay for any and all damages to any part of the Building or Demised Premises because of such moving, by either Tenant, its agents or movers. Reasonable charges will be made for the use of material and office building personnel including supervision, needed to assist in the Tenant's move in, within, or out of the Building.

8. OBSTRUCTIONS. Tenant shall not obstruct or place anything in or on the sidewalks or driveways outside the Building or in the lobbies, corridors, stairwells or other common areas of the Building, or use such locations for any purpose except access to and exit from the Demised Premises without Landlord's prior written consent, Landlord may remove at Tenant's expense any such obstruction or item (unauthorized by Landlord) without notice or obligation to Tenant. Additionally, Tenant shall not permit its employees, agents, invitees, or customers to loiter, sleep, assemble or congregate within any common areas or grounds of the Building.

9. ODORS. Tenant shall not permit any odors of cooking or other processes including smoking, or any unusual or other objectionable odors to permeate in or emanate from the Demised Premises.

10. PARKING. Tenant shall ensure that its employees, customers, clients, guests, invitees and licensees comply with the following parking regulations, and acknowledges that such regulations shall be strictly enforced by Landlord.

A. The designated area on the first floor of the Parking Facilities shall be used only by guests, clients and customers of the tenants of the Building.

B. The other areas of the Parking Facilities shall be used only by the employees of tenants of the Building.

C. All service vehicles (including those engaged in deliveries, loading and unloading) must park only in the designated service parking area. Parking in the service parking area shall be limited to a maximum of one (1) hour, provided, however, that a tenant may make arrangements with the Landlord for longer parking periods when moving in or moving out of the Building.

D. Landlord reserves the right to control the method, manner and time of parking in the Parking Facilities.

Initials _____

E. In the event of any violation of the parking regulations, Landlord shall have the right to post a notice of violation on the offending vehicle and to tow the offending vehicle (regardless of whether the vehicle is owned by a Tenant or any party, including any employee, customer, client, invitee or licensee of a Tenant), and to charge the expense thereof to the applicable Tenant as Additional Rent, or terminate the Tenant's license to park in the Parking Facilities. In the event of continued violations of these Regulations, and after notice to the Tenant, the Landlord may assess a charge of twenty dollars (\$20.00) against the Tenant for each violation, which shall be payable as additional rent.

11. PROPER CONDUCT. Tenant, its employees and invitees, shall not conduct themselves in any manner which is inconsistent with the character of the Building as a first quality Building or which will impair the comfort and convenience of other tenants in the Building.

12. PERSONAL USE OF PREMISES. The Demised Premises shall not be used or permitted to be used for residential, lodging or sleeping purposes, or for the storage of personal effects or property not required for business purposes.

13. REFUSE. Tenant shall place all refuse in proper receptacles provided by Tenant at its expense in the Demised Premises, or in receptacles (if any) provided by Landlord for the Building, and shall keep sidewalks and driveways outside the Building, and lobbies, corridors, stairwells, ducts and shafts of the Building free of all refuse.

14. SIGNS. No sign, advertisement, notice or other lettering shall be exhibited, inscribed, painted or affixed by any Tenant on any part of the outside of the Demised Premises or the Building (or on the inside of the Demised Premises if the same is visible from the outside of the Demised Premises) without the prior written consent of Landlord, except that the name of the Tenant may appear on the entrance door of the Demised Premises. In the event of the violation of the foregoing by any Tenant, Landlord may remove same without any liability, and may charge the expense incurred by such removal to the Tenant violating this Rule. All signs and lettering, including the Building directory, shall be inscribed, painted or affixed for each Tenant by Landlord at the expense of such Tenant, and shall be of a size, color and style acceptable to Landlord. TENANT WILL BE PERMITTED STANDARD BUILDING SIGNAGE IN THE ONE PARK PLACE LOBBY DIRECTORY, AS WELL AS EXCLUSIVE SIGNAGE AT THE ENTRANCE TO THE SEVENTH FLOOR.

14A. EXTERIOR SIGNAGE. TENANT WILL BE GRANTED EXCLUSIVE SIGNAGE ON THE EASTERN EXTERIOR FACADE OF THE PARKING STRUCTURE, SUBJECT TO MUNICIPAL CODES AND REVIEW AND APPROVAL BY THE ARVIDA PARK OF COMMERCE, AS WELL AS LANDLORD'S APPROVAL OF THE ACTUAL SIGNAGE.

15. SOLICITATIONS. Landlord reserves the right to prohibit canvassing, soliciting or peddling in the Building but shall not be in any manner liable for any such acts within or about the Building.

16. WATER FIXTURES. Tenant shall not use water fixtures for any purposes for which they are not intended, nor shall water be wasted by tampering with such fixtures. Any cost or damage resulting from such misuse by Tenant shall be paid for by Tenant.

Initials _____

17. WINDOWS. The Tenant acknowledges the importance of the exterior glass to the architectural integrity of the Building, and agrees to observe Landlord's rules with respect to maintaining at all windows in the Demised Premises so that the Building presents a uniform exterior appearance. Tenant shall not install any window shades, drapes, covers or other materials on or at any window in the Demised Premises without Landlord's prior consent, Landlord shall have the right to approve the color, design and all materials of window treatments. Further, no window treatments which may be installed by Landlord shall be removed or altered by Tenant.

18. PUBLIC ACCESS. Landlord reserve the right at all times to exclude the general public from the Building upon such days and at such hours as in Landlord's sole judgment will be in the best interest of the Building and its tenants.

19. WIRES. No wires of any kind or type (including but not limited to T.V. and radio antennas) shall be attached to the outside of the Building and no wires shall be run or installed in any part of the Building without Landlord's prior written consent. TENANT WILL INSTALL AT ITS OWN COST AND EXPENSE WITH LANDLORD'S PRIOR WRITTEN APPROVAL A SMALL SATELLITE DASH ON THE ROOF OF THE BUILDING WHICH SHALL NOT BE UNREASONABLY WITHHELD OR DELAYED.

20. LOCKS. No lock or similar devices shall be attached to any door or window in the Demised Premises without Landlord's Prior Written consent. In the event Tenant installs locks incompatible with the Building Master Locking System:

A. Landlord without abatement of Rent, shall be relieved of any obligation to provide any service whatsoever to areas so restricted;

B. Tenant shall indemnify Landlord against any expense as a result of forced entry into any areas so restricted which may be required in an emergency;

C. Tenant shall at the end of the term remove such locks at Tenant's expense.

21. BIOLOGICAL HAZARDS Tenant shall take all necessary and reasonable actions to protect the leased and common areas of the Building from intrusion, contamination, transport or spread of biological hazards from third parties, business invitees or employees of the Tenant. To that end, all mail shall be removed promptly from the mail facilities in the Building and thereafter examined and/or opened only within the confines of the Tenant's leased areas or outside of the Building premises.

Tenant shall be responsible for any contamination caused by the negligent handling or opening of mail within the common areas of the premises.

Initials _____

EXHIBIT G

ENVIRONMENTAL IMPACT PROVISIONS

Section A. Compliance with Law.

Tenant, at Tenant's expense, shall comply with all laws, rules, orders, ordinances, directions, regulations and requirements of federal, state county and municipal authorities pertaining to Tenant's use of the Premises and with the recorded covenants, conditions and restrictions, regardless of when they become effective, including, without limitation, all applicable federal, state and local laws, regulations or ordinances pertaining to air and water quality, Hazardous Materials (as hereinafter defined), waste disposal, air emissions and other environmental matters, all zoning and other land use matters, and utility availability, and with any direction of any public officer or officers, pursuant to law, which shall impose any duty upon Landlord or Tenant with respect to the use or occupation of the Premises.

Section B. Use of Hazardous Material.

1. Tenant shall not cause or permit any hazardous material to be brought upon, kept or used in or about the Premises by Tenant, its agents, employees contractors or invitees EXCEPT AS CUSTOMARILY USED FOR OFFICE PURPOSES. If Tenant breaches this obligation, the Tenant shall indemnify, defend and hold Landlord harmless from any and all claims, judgments, damages, penalties, fines, costs, liabilities or losses including, without limitation, diminution in value of the Premises, damages for the loss or restriction on use of rentable or usable space or of any amenity of the Building, damages arising from any adverse impact on marketing of space, and sums paid in settlement of claims, attorney's fees, consultant fees and expert fees which arise during or after the term of the Lease as a result of such contamination. This indemnification of Landlord by Tenant includes, without limitation, costs incurred in connection with any investigation of site conditions or any clean-up, remedial, removal or restoration work required by any federal, state or local governmental agency or political subdivision because of Hazardous Material present in the soil or ground water on or under the Demised Premises. Without limiting the foregoing, if the presence of any Hazardous Material on the Demised Premises caused by tenant results in any contamination of the Demised Premises, Tenant shall promptly take all actions at its sole expense as are necessary to return the Demised Premises to the conditions existing prior to the introduction of any such Hazardous Material to the Premises; provided that Landlord's approval of such actions shall first be obtained, which approval shall not be unreasonably withheld so long as such actions would not potentially have any material adverse long-term or short-term effect on the Demised Premises. The foregoing indemnity shall survive the expiration or earlier termination of this Lease.

2. As used herein, the term "Hazardous Material" means any hazardous or toxic substance, material or waste, including, but not limited to, those substances, materials, and wastes listed in the United States Department of Transportation Hazardous Materials Table (49 CFR 172.101) or by the Environmental Protection Agency as hazardous substances (140 CFR Part 302) and amendments thereto, or such substances, materials and wastes that are or become regulated under any applicable local, state or federal law.

Initials _____

3. INSPECTION. Landlord and its agents shall have the right, but not the duty, to inspect the Demised Premises at any time AFTER REASONABLE NOTICE TO TENANT DURING BUSINESS HOURS to determine whether Tenant is complying with the terms of this Lease. If Tenant is not in compliance with this Lease, Landlord shall have the right to immediately enter upon the Premises to remedy any contamination caused by Tenant's failure to comply notwithstanding any other provision of this Lease. Landlord shall use its best efforts to minimize interference with Tenant's business but shall not be liable for any interference caused thereby.

4. DEFAULT. Any default under this Paragraph shall be a material default enabling Landlord to exercise any of the remedies set forth in this Lease.

Initials _____

WCC

SERVICES AGREEMENT

BETWEEN

WACKENHUT CORRECTIONS CORPORATION

AND

THE WACKENHUT CORPORATION

FOR THE PERIOD JANUARY 1, 2002 THROUGH DECEMBER 31, 2004

FINAL DOCUMENT - OCTOBER 28 , 2002

SERVICES AGREEMENT

This AGREEMENT (the Agreement) is made as of January 1, 2002 by and between The Wackenhut Corporation, a Florida corporation with its principal place of business at 4200 Wackenhut Drive #100, Palm Beach Gardens, Florida 33410 (together with all of its subsidiaries other than Wackenhut Corrections Corporation, "TWC") and Wackenhut Corrections Corporation, a Florida corporation with its principal place of business at 4200 Wackenhut Drive #100, Palm Beach Gardens, Florida 33410 (together with all of its subsidiaries, "WCC").

RECITALS

By means of this Agreement, the parties wish to set forth the terms and conditions on which TWC will provide WCC with services and assistance in its business and operations.

TERMS OF AGREEMENT

NOW, THEREFORE, in consideration of the above premises and the mutual covenants contained herein, it is agreed by and between the parties as follows:

- A. PRICE/PAYMENT. As consideration for the services to be provided to WCC by TWC under the terms of this Agreement, WCC shall pay to TWC an annual fee (the "Annual Services Fee") as follows:

PAYMENT PER AGREEMENT

MONTHS OF THE YEAR	2002	2003	2004
January	\$ 204,918	\$ 134,615	\$ 134,615
February	204,918	134,615	134,615
March	256,147	168,270	168,270
April	204,918	134,615	134,615
May	204,918	134,615	134,615
June	256,147	168,270	168,270
July	204,918	134,615	134,615
August	192,163	134,615	134,615
September	240,201	168,270	168,270
October	108,844	134,615	134,615
November	108,844	134,615	134,615
December	136,052	168,270	168,270
Total	\$ 2,322,988	\$ 1,750,000	\$ 1,750,000

The Annual Services Fee shall be payable by WCC to TWC in scheduled installments on a monthly basis. Any services provided by TWC to WCC beyond the services covered by the Annual Services Fee shall be billed to WCC on a cost basis as described below, or on such other basis as the parties may agree from time to time.

- B. TERM. The term of this Agreement shall be for the period January 1, 2002 through December 31, 2004.
- C. SERVICES. TWC agrees to provide the following services (subject to such modification or adjustment as may be mutually agreed upon by the parties) to WCC during the term of this Agreement:

I. CORPORATE FINANCIAL GROUP: The Financial Department of TWC will provide the following services:

- A. RISK MANAGEMENT
 - o Procure general liability, workers' compensation, automobile, Directors and Officers and property insurance coverage on behalf of WCC through September 30, 2002.
 - o As of October 1, 2002 TWC will manage all general liability, automobile and workers' compensation claims with occurrence dates prior to September 30, 2002.
- B. TAX DEPARTMENT:
 - o Prepare all tax returns and filings.
 - o Provide guidance on tax matters in the preparation of bids and proposals, financing structures, and in the structuring of joint ventures and international business arrangements.
 - o Manage any IRS and State audits.
 - o THESE COSTS AND RELATED ACTIVITIES WILL NO LONGER BE PROVIDED AFTER DECEMBER 31, 2002.
- C. CASH & TREASURY FUNCTIONS:
 - o Manage daily cash transactions
 - o Controlled disbursement funding
 - o Stop payments
 - o Debit & Credit detail
 - o Lockbox, wire & ACH transfers
 - o Electronic positive pay
 - o Balance reporting
 - o Daily investment sweeps
 - o Research and analysis
 - o Manage excess cash and maximize interest income while ensuring sufficient liquidity to meet capital expenditure requirements
 - o Provide daily balance position, interest calculation and transaction detail
 - o Manage new account setup and account deletions as directed by WCC.
 - o THESE SERVICES WILL NO LONGER BE PROVIDED AFTER JULY 31, 2002.
- D. PAYROLL:
 - o Provide weekly and bi-weekly payroll processing, check issuance and handle federal withholding and reporting.
 - o THESE COSTS AND RELATED ACTIVITIES WILL NO LONGER BE PROVIDED AFTER DECEMBER 31, 2002.

E. MAIL/WAREHOUSE/STORAGE:

- o TWC will provide mail pickup and delivery at two times daily.
- o THESE COSTS AND RELATED ACTIVITIES WILL NO LONGER BE PROVIDED AFTER MARCH 31, 2003.

II. INFORMATION SYSTEMS FOR THE PERIOD JANUARY 1, 2002 THROUGH DECEMBER 31, 2002:

TWC will provide Information Services in three areas:

A. Regarding Enterprise Resource Planning (ERP) System, TWC will,

- o Provide quarterly training services according to WCC business requirements.
- o Provide application development to support data analysis needs of WCC Corporate and Regional business management.
- o Schedule, coordinate and distribute weekly and monthly financial reports.
- o Provide Help Desk telephone support in the use of application software.
- o Provide support with respect to configuration and deployment of personal computers for Corporate and field user.
- o Update existing application systems in the areas of human resources and financials.
- o Design disaster recovery procedures and execute disaster recovery plan in the event of a disaster.
- o Establish and support the existence of The Wackenhut User Group.
- o Provide on-site support for Enterprise applications to PGA office

B. Regarding Telecommunications, TWC will,

- o Provide necessary infrastructure and equipment to support the use of telecommunications equipment throughout the organization.
- o Provide on-site support for telecommunications to PGA office.
- o Provide the necessary infrastructure and equipment to support the sharing of applications and data throughout the organization.
- o Provide the necessary hardware to support the enterprise systems in the areas of high-speed printing and distribution, automated report distribution, automated job-scheduling, back up and recovery services.
- o Provide Internet access and Internet e-mail capabilities to WCC Corporate, PGA office and field sites.

C. Regarding Project Management, TWC will,

- o Provide project management services as required in the form of day- to-day project management.

III. INFORMATION SYSTEMS: JANUARY 1, 2003 THROUGH DECEMBER 31, 2004
ENTERPRISE APPLICATIONS

A. INFINIUM MODULES

Through the use of the shared Infinium/CCM system, TWC will continue to provide core transactional application services to WCC. To support the business requirements of WCC, the following Infinium subsystems will continue to be utilized under this service agreement:

In addition, if WCC decided to use any of the functionality provided in the CCM specific software, WCC will negotiate with TWC an appropriate fee to be paid for this use. This fee will

be determined by market comparison of similar software using a third party,

such as Gartner Group or IBM, and will be agreed upon prior to WCC's use of the CCM functionality.

- i. Financial Systems
 - o General Ledger (GL)
 - o Accounts Receivable (AR)
 - o Accounts Payable (AP)
 - o Purchasing
 - o Fixed Assets
- ii. Payroll
- iii. Human Resources
- iv. Benefits
- v. Financial Analysis System

As a supplemental analytical capability to Infinium's reporting system, WCC also uses Essbase, an industry leader in the financial Online Analytical Processing (OLAP) sector.

B. IT SUPPORT SERVICES

Consistent with the services rendered since the implementation of Infinium, the TWC IT staff will provide the following service and support functions to include:

- o Ongoing application support
- o Apply Infinium upgrades as needed to support core business requirements
- o Printing and distribution of financial reports
- o Help Desk support for all WCC Infinium users
- o Essbase administration, which includes the ongoing maintenance of the financial "cubes" and the monthly loading process from the Infinium financial subsystems.
- o Ongoing Infinium user-ID administration as authorized by WCC
- o Affirmative action and EEO reporting
- o Processing of daily bank extracts

C. HOURS OF OPERATION

The TWC IT function operates on a 7x24 basis. The full staff is onsite from 08:30 to 17:30 Monday through Friday. A computer operator is onsite from 06:30 to 24:00 Monday through Friday and 00:00 to 08:00 on Sundays. During off-hours, the Wackenhut Call Center can page the on-call staff member(s) whenever requested. In addition, system management capabilities have been implemented in the data center that automatically page personnel if key systems or networks fail.

Please note that the all major IT applications, including Infinium, are not available to users on Sundays, from 00:00 to 12:00. System maintenance, modifications and upgrades are performed during this weekly "change window".

D. NETWORK SERVICES

TWC will continue to provide both long distance voice communications and Wide Area Network (WAN) data network communications under the respective AT&T services contracts.

The AT&T long distance voice contract expires January 1, 2003. The value of WCC participating under a common long distance contract is simply an optimal cost per minute as part of a larger volume-based service. WCC intends to continue to participate in a shared long distance contract. TWC is currently negotiating a two-year extension with AT&T given the unsettled dynamics associated with the telecommunications industry (there is a fear the cost per minute could rise due to reduced competition). WCC will participate in discussions with TWC prior to and during negotiations of this contract. WCC reserves the right to opt out of participating in any common long distance contract up until contract signing. Nothing in this agreement prevents WCC from negotiating a separate agreement with the same or different contractor.

The AT&T WAN contracts (one for the data services and one for management services) expire November 2003. TWC will continue to provide WCC data network services to HQ and Field employees to provide access to Infinium, email, operational applications and the Internet.

Technically, the network links at the correctional and hospital facilities will be redirected to the new WCC Headquarters facility. Optionally, two high-speed, diverse network links will be provided between the WCC and TWC locations for authorized access to Infinium depending on the location of the AS-400 and the location of the Essbase server.

From a security perspective, TWC will place and manage a firewall at the WCC location to ensure only authorized network traffic is routed to the TWC Infinium environment.

WCC will directly pay for the network links between their HQ facility and the TWC Headquarter facility. In addition, WCC will contract with an Internet Service Provider (ISP) to gain direct access to the Internet from their new HQ facility.

E. END USER TRAINING

The TWC IT department will provide quarterly classroom-style training sessions on all applicable Infinium modules for WCC personnel. Typically, the training sessions are three days in length. Assuming that the new WCC Headquarters facility has an adequate training classroom, the session will be held at the WCC location. If training facilities are not available, training will be held at the TWC Headquarters location.

WCC is responsible for all travel, lodging, and meal costs for WCC field personnel who attend the quarterly training sessions.

TWC will provide Infinium technical training to WCC IT personnel for support of the Infinium system.

F. DISASTER RECOVERY PLANNING (DRP)

TWC has a commercial contract with IBM for IT DRP services. Specifically, TWC can restore all major business applications at an IBM location in New Jersey in the event of a disaster. In addition, the TWC IT department conducts a "dry-run" of the DRP restoral process on an annual basis to best ensure the staff is prepared to support TWC and WCC in the event of an actual business disaster.

Please note two important elements of the DRP contract with IBM:

- o There will be an incremental charge of \$39,000 to WCC due to the need for a second AS400. This charge will be in addition to the \$1.75mm annual service fee.

- o Systems based at the WCC correctional facilities (e.g., PDS, commissary system) are NOT covered under the TWC DRP plan per previous direction from the WCC management team. These systems could be covered under the DRP strategy if desired at an incremental cost. Please note that a DRP strategy for critical business systems will be a primary element of any external audit of IT systems and processes.
- o If WCC elects to operate the server at its new headquarters in Boca Raton Florida, it may elect to obtain IT DRP services from an alternative provider.

G. TRANSITIONAL SERVICES AND ASSOCIATED COSTS

WCC will build and implement fully functional Human Resources, Payroll, Accounts Payable and Tax capabilities by January 1, 2003. These functional areas will continue to use the Infinium application supported and maintained by TWC. To securely support this functional separation, a dedicated AS400 is required to run a copy of Infinium/CCM for WCC. The one-time capital / operating expense associated with the AS400 is estimated at \$810,000. WCC will be the owner of the new AS 400 and all associated data and software except for Infinium/CCM. WCC will determine the operating location of the AS-400 and Essbase server. Ongoing operating expenses are estimated at \$64,000 (excludes depreciation, software maintenance and hardware maintenance). These costs will be directly paid by WCC and are not part of the \$1.75mm annual service charge.

In the event that the AS400 is moved from TWC Headquarters to any other location, WCC will provide and will be responsible for operational support to TWC in the following areas: Backup and recovery, offsite data storage, and other support as necessary.

If WCC elects to select new service providers (e.g., banking partner, medical insurer, 401K/retirement) and electronic interfaces are required between Infinium and the third party business partner, the development of the computer interfaces will be charged to WCC on a time and materials basis. All work will have proper authorization from the WCC management team before any expense is incurred.

At some point, during the term of this agreement for IT Services, WCC will begin the process of transitioning to its own fully functional IT department. TWC will assist with this process on a negotiated basis. Specifically, TWC may assist with programming, data retrieval, etc.

H. OUT OF SCOPE SERVICES

i. Electronic Mail

While part of the Year 2000 systems strategy called for a common, Lotus Notes-based email solution for Security Services, WCC and WRI, only Security Services fully adopted this mail platform. There was a stated direction for WCC to adopt Lotus Notes approximately six months ago, but with the planned separation, WCC has elected to implement their own email platform (Microsoft Exchange) no later than January 1, 2003. The WCC technical support team will implement and manage this email package.

ii. PC Service and Support

WCC will continue to provide help desk and technical support for all PCs within their respective organization. Whenever upgraded PC software is required to access Infinium, TWC will provide a copy of the software via a CD to the WCC staff for installation.

iii. Local Area Network (LAN) Service and Support

WCC will continue to support all file and print services as well as the physical infrastructure associated with their LAN environments (e.g., wiring, Ethernet hubs).

iv. Corporate Headquarters Telephone System (PBX) Service and Support

WCC will manage the PBX system in the new HQ facility. This includes all moves, additions, and troubleshooting of telephones and inside wiring.

v. REMOTE FACILITY APPLICATION SUPPORT

WCC will continue to have full responsibility and accountability for all correctional and hospital-base business applications. Key examples include PDS, their inmate tracking system, and their commissary system.

vi. NEW PROJECTS PROCESS

If and when WCC elects engage the TWC IT staff for any new project activity, a detailed proposal will be jointly developed outlining overall project goals and objectives, business benefits, project costs, and a project timeline for management review. If approved by the WCC and TWC management teams, the project will then be fully initiated. Please note that the costs of any project are not included in the \$1.75mm service charge and will result in an incremental charge to WCC.

THESE SERVICES WILL EXPIRE DECEMBER 31, 2004.

IV. Human Resources Department: The Human Resources Department of TWC will provide the following services until December 31, 2002. After that the services described in A. through F. will no longer be provided:

A. EMPLOYEE GROUP BENEFIT PLANS:

- o Administration of group health benefit programs to include preparation of employee communications, processing of enrollments/cancellations, reconciling and processing of insurance carrier invoices for payment, responding to employee inquiries, etc.
- o Provide compliance with laws affecting employee group health benefit programs in an effort to avoid penalties and potential lawsuits, (e.g., Section 125, Form 5500, preparation/distribution of Summary Annual Reports and COBRA).
- o Identify benefit providers and appropriate plan designs to support new and existing WCC business needs.
- o Negotiate annual renewal of HMO contracts. Present information with alternatives, if applicable, to WCC Management.
- o Implementation of new benefit plans to include set up of new plans in the Payroll/HR System, participation in education and orientation of employees, etc.

B. SALARY ADMINISTRATION:

- o Administer merit budget for headquarters to provide compliance with WCC guidelines.

- o Analyze Position Analysis Questionnaires to develop recommendations for competitive salary ranges and merit budgets.
- o Provide recommendations for competitive salaries for facility employees, as needed.

C. RETIREMENT PROGRAMS:

- o Oversee plan administration to include preparation of plan documents and required amendments, processing of enrollments/withdrawals, responding to employee inquiries, etc.
- o Design and develop retirement plans to support new and existing WCC business needs.
- o Provide compliance with regulatory issues.
- o Compile all information required for discrimination testing and review results.
- o Prepare employee communication materials as well as educate employees through orientation meetings.

D. AFFIRMATIVE ACTION/EEOC:

- o Provide guidance and support with respect to equal employment opportunity/affirmative action concerns and claims.
- o Serve as a source for certain affirmative action statistical information, Federal and State civil rights legislation, and TWC and WCC policy interpretation. Prepare equal employment/affirmative action policies and make periodic modifications to provide consistency with Federal and State Civil Rights Laws.
- o Investigation and prepare position statements in response to charges of discrimination filed with Federal (EEOC) and State Agencies (Texas Commission on Human Rights, California Department of Fair Employment and Housing, etc.) Serve as liaison with investigating agencies throughout the duration of said charges. Prepare and provide additional information when requested by the government agencies. Coordinate settlement of charges if deemed appropriate.
- o Coordinate OFCCP Compliance reviews and provide technical support for audits of WCC locations; serve as liaison with the OFCCP.

E. RECRUITMENT AND SELECTION:

- o Provide support in the area of identifying, interviewing, and selecting candidates.
- o Coordinate relocation of new hires and transfers.

F. EMPLOYEE RELATIONS:

- o Provide guidance and compliance with certain Federal and State Regulations pertaining to the Family Medical Leave Act, Fair Labors Standards Act, Wage and Hour issues, etc.
- o Assist in the review and critique of employee handbooks.
- o Provide support and interpretation of company human resources policies and practices.
- o Administer service and recognition award programs.
- o Provide support with unemployment claim issues.
- o Monitor Worker Opportunity Tax Credit (WOTC) program for compliance.
- o Provide guidance with respect to employee issues involving disciplinary actions and counseling.

V. Details of Performance; Changes. Reasonable details of TWC's performance of services hereunder may be specified in greater detail in one or more memoranda signed by the parties and such memoranda shall be deemed incorporated in this Agreement by reference as if recited herein in their entirety.

VI. Audit Rights. WCC shall have the right to (or cause its accountants to) review the books and records of TWC at any time during reasonable business hours to (a) confirm that the services required to be provided by TWC hereunder as part of the Annual Services Fee have been provided, and (b) to confirm the cost basis of any services provided by TWC which are not provided as part of the Annual Services Fee. The cost of such audit shall be borne by WCC, unless such audit shall reveal a discrepancy in the cost of any services in excess of 5%, in which case, the cost of such audit shall be borne by TWC.

VII. No Agency. TWC shall perform its services under this Agreement as an independent contractor. Each party acknowledges and agrees that it is not granted any express or implied authority to assume or create any obligation or responsibility on behalf of the other party, or to bind the other party with regard to third parties in any manner.

VIII. Notices. Any notices required or permitted to be provided pursuant to this Agreement shall be provided in writing and be deemed received upon delivery by hand or five days after mailing by certified mail, return receipt requested, addressed to the recipient party at its address set forth above.

IX. Transition: TWC will assist WCC in the process of transitioning services currently provided for human resources, payroll and tax. This assistance will include, but not be limited to, historical information, job descriptions, access to data, discussion of policies, electronic copies of policies.

X. For purposes of historical payroll and tax information TWC will provide access to this information in the event of audits by local state or federal regulators or agencies. Labor and material cost incurred related to retrieving information will be paid for by WCC.

XI. Force Majeure. In the event that either party is prevented from performing, or is unable to perform, any of its obligations under this Agreement due to any act of God, fire, casualty, flood, war, strike, lock out, failure of public utilities, injunction or any act, exercise, assertion or requirement of governmental authority, epidemic, destruction of production facilities, insurrection, inability to procure materials, labor, equipment, transportation or energy

sufficient to meet manufacturing needs, or any other cause beyond the reasonable control of the party invoking this provision, and if such party shall have used its best efforts to avoid such occurrence and minimize its duration and has given prompt written notice to the other party, then the affected party's performance for the period of delay or inability to perform due to such occurrence shall be suspended. Should TWC fail to perform hereunder and shall have provided proper notice to WCC that it is unable to perform on account of one or more reasons set forth in this section, WCC may obtain replacement services from a third party for the duration of such delay or inability to perform, or for such longer period as WCC shall be reasonably required to commit to in order to obtain such replacement services and the Annual Services Fee shall be reduced accordingly up to a maximum of the annual service fee calculated on a pro rate basis for each day services are not provided. However, WCC will not be permitted to recover any resultant or consequential damages due to the inability of TWC to perform.

XII. Deleted

XIII. Miscellaneous.

- A. This Agreement embodies the entire agreement and understanding of the parties hereto with respect to the subject matter hereof, and supersedes all prior agreements and understandings relative to said subject matter.
- B. This Agreement shall be binding upon, and shall inure to the benefit of TWC, WCC and their respective successors and assigns.
- C. Neither this Agreement nor any rights or obligations hereunder shall be assignable by either party without the prior written consent of the other party hereto, which consent shall not be unreasonably withheld.
- D. This Agreement shall be governed by and construed in accordance with the law of the State of Florida applicable to contracts to be performed entirely in that State.
- E. This Agreement may be executed in any number of counterparts, each of which shall be an original but all of which together shall constitute one and the same instrument.
- F. The headings contained in this Agreement are for reference purposes only and shall not affect the meaning or interpretation of this Agreement.

EXECUTION

The parties have caused this Agreement to be signed as of the date first above written, whereupon it became a binding agreement.

THE WACKENHUT
CORPORATION

WACKENHUT CORRECTIONS
CORPORATION

BY: DANIEL E. MASON

BY: JOHN G. O'ROURKE

NAME: DANIEL E. MASON

NAME: JOHN G. O'ROURKE

TITLE: VICE PRESIDENT & CFO

TITLE: CHIEF FINANCIAL OFFICER & TREASURER

DATE: OCTOBER 22, 2002

DATE: OCTOBER 22, 2002

ALLOCATION OF ANNUAL SERVICES FEE

SERVICES	2002	2003	2004
PAYROLL	\$ 213,531	-	-
WAREHOUSE	9,991	-	-
TREASURY	28,119	-	-
INFORMATION SYSTEMS	1,438,086	\$ 1,750,000	\$ 1,750,000
TAX	148,011	-	-
BUILDING SERVICES		-	-
HUMAN RESOURCES	415,144	-	-
INTERNAL AUDIT	70,106	-	-
TOTAL G&A	\$ 2,322,988	\$ 1,750,000	\$ 1,750,000

WACKENHUT CORRECTIONS CORPORATION'S SUBSIDIARIES

WACKENHUT CORRECTIONS UK, LTD.

PREMIER CUSTODIAL DEVELOPMENT LTD.

WACKENHUT CORRECTIONS CORPORATION AUSTRALIA, PTY LTD.

WACKENHUT CORRECTIONAL SERVICES, PTY LTD.

AUSTRALASIAN CORRECTIONAL MANAGEMENT, PTY LTD.

PREMIER EMPLOYMENT SERVICES, PTY LTD.

AUSTRALASIAN CORRECTIONAL SERVICES, PTY LTD.

AUSTRALASIAN CORRECTIONAL INVESTMENT, PTY LTD.

AUSTRALASIAN CORRECTIONAL MANAGEMENT LTD. NEW ZEALAND

PACIFIC RIM EMPLOYMENT PTY LTD.

STRATEGIC HEALTHCARE SOLUTIONS PTY LTD.

WACKENUT CORRECTIONS CORPORATION N.V.

CANADIAN CORRECTIONAL MANAGEMENT, INC.

MIRAMICHI YOUTH CENTER MANAGEMENT, INC.

WACKENHUT CORRECTIONS PUERTO RICO, INC.

WCC RE HOLDINGS, LLC

WCC FINANCIAL, INC.

WCC DEVELOPMENT, INC.

WCC/FL/01, INC.

WCC/FL/02, INC.

WACKENHUT CORRECTIONS DESIGN SERVICES, INC.

ATLANTIC SHORES HEALTHCARE, INC.

WCC SOUTH AFRICA, PTY LTD.

CONSENT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

We consent to the incorporation by reference in the Registration Statement (Form S-8 No. 333-79817) pertaining to the 1999 Stock Option Plan, the Registration Statement (Form S-8 No. 333-17265) pertaining to the Employees' 401 (K) and Retirement Plan, the Registration Statement (Form S-8 No. 333-09977) pertaining to the Wackenhut Corrections Corporation Stock Option Plan, and the Registration Statement (Form S-8 No. 333-09981) pertaining to the Nonemployee Director Stock Option Plan of Wackenhut Corrections Corporation of our report dated February 11, 2003, with respect to the consolidated financial statements and schedule of Wackenhut Corrections Corporation included in the Form 10-K for the year ended December 29, 2002.

ERNST & YOUNG LLP

West Palm Beach, Florida

March 20, 2003

POWER OF ATTORNEY

The undersigned member of the Board of Directors of Wackenhut Corrections Corporation hereby constitute and appoint John G. O'Rourke, David N. T. Watson, and John J. Bulfin and each of them severally, his true and lawful attorneys-in-fact and agents, with full power of substitution and resubstitution for him and in his name, place and stead, in any and all capacities to sign any and all Reports of Form 10-K (Annual Report pursuant to the Securities Exchange Act of 1934) and any amendments thereto, and to file the same, with all exhibits thereto and other documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorneys-in-fact and agents, and each of them, full power and authority to do and perform each and every act and thing requisite or necessary to be done in and about the premises, as fully to all intents and purposes as he might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact and agents or any of them, or their or his substitute or substitutes, may lawfully do or cause to be done by virtue hereof.

/s/ LARS NORBY JOHANSEN

DATE: MARCH 18, 2003

POWER OF ATTORNEY

The undersigned member of the Board of Directors of Wackenhut Corrections Corporation hereby constitute and appoint John G. O'Rourke, David N. T. Watson, and John J. Bulfin and each of them severally, his true and lawful attorneys-in-fact and agents, with full power of substitution and resubstitution for him and in his name, place and stead, in any and all capacities to sign any and all Reports of Form 10-K (Annual Report pursuant to the Securities Exchange Act of 1934) and any amendments thereto, and to file the same, with all exhibits thereto and other documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorneys-in-fact and agents, and each of them, full power and authority to do and perform each and every act and thing requisite or necessary to be done in and about the premises, as fully to all intents and purposes as he might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact and agents or any of them, or their or his substitute or substitutes, may lawfully do or cause to be done by virtue hereof.

/s/ GEORGE C. ZOLEY

DATE: MARCH 20, 2003

POWER OF ATTORNEY

The undersigned member of the Board of Directors of Wackenhut Corrections Corporation hereby constitute and appoint John G. O'Rourke, David N. T. Watson, and John J. Bulfin and each of them severally, his true and lawful attorneys-in-fact and agents, with full power of substitution and resubstitution for him and in his name, place and stead, in any and all capacities to sign any and all Reports of Form 10-K (Annual Report pursuant to the Securities Exchange Act of 1934) and any amendments thereto, and to file the same, with all exhibits thereto and other documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorneys-in-fact and agents, and each of them, full power and authority to do and perform each and every act and thing requisite or necessary to be done in and about the premises, as fully to all intents and purposes as he might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact and agents or any of them, or their or his substitute or substitutes, may lawfully do or cause to be done by virtue hereof.

/s/ SOREN LUNDSBERG-NIELSEN

DATE: MARCH 17, 2003

POWER OF ATTORNEY

The undersigned member of the Board of Directors of Wackenhut Corrections Corporation hereby constitute and appoint John G. O'Rourke, David N. T. Watson, and John J. Bulfin and each of them severally, his true and lawful attorneys-in-fact and agents, with full power of substitution and resubstitution for him and in his name, place and stead, in any and all capacities to sign any and all Reports of Form 10-K (Annual Report pursuant to the Securities Exchange Act of 1934) and any amendments thereto, and to file the same, with all exhibits thereto and other documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorneys-in-fact and agents, and each of them, full power and authority to do and perform each and every act and thing requisite or necessary to be done in and about the premises, as fully to all intents and purposes as he might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact and agents or any of them, or their or his substitute or substitutes, may lawfully do or cause to be done by virtue hereof.

/s/ WAYNE H. CALABRESE

DATE: MARCH 19, 2003

POWER OF ATTORNEY

The undersigned member of the Board of Directors of Wackenhut Corrections Corporation hereby constitute and appoint John G. O'Rourke, David N. T. Watson, and John J. Bulfin and each of them severally, his true and lawful attorneys-in-fact and agents, with full power of substitution and resubstitution for him and in his name, place and stead, in any and all capacities to sign any and all Reports of Form 10-K (Annual Report pursuant to the Securities Exchange Act of 1934) and any amendments thereto, and to file the same, with all exhibits thereto and other documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorneys-in-fact and agents, and each of them, full power and authority to do and perform each and every act and thing requisite or necessary to be done in and about the premises, as fully to all intents and purposes as he might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact and agents or any of them, or their or his substitute or substitutes, may lawfully do or cause to be done by virtue hereof.

/s/ NORMAN A. CARLSON

DATE: MARCH 15, 2003

POWER OF ATTORNEY

The undersigned member of the Board of Directors of Wackenhut Corrections Corporation hereby constitute and appoint John G. O'Rourke, David N. T. Watson, and John J. Bulfin and each of them severally, his true and lawful attorneys-in-fact and agents, with full power of substitution and resubstitution for him and in his name, place and stead, in any and all capacities to sign any and all Reports of Form 10-K (Annual Report pursuant to the Securities Exchange Act of 1934) and any amendments thereto, and to file the same, with all exhibits thereto and other documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorneys-in-fact and agents, and each of them, full power and authority to do and perform each and every act and thing requisite or necessary to be done in and about the premises, as fully to all intents and purposes as he might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact and agents or any of them, or their or his substitute or substitutes, may lawfully do or cause to be done by virtue hereof.

/s/ BENJAMIN R. CIVILETTI

DATE: MARCH 18, 2003

POWER OF ATTORNEY

The undersigned member of the Board of Directors of Wackenhut Corrections Corporation hereby constitute and appoint John G. O'Rourke, David N. T. Watson, and John J. Bulfin and each of them severally, his true and lawful attorneys-in-fact and agents, with full power of substitution and resubstitution for him and in his name, place and stead, in any and all capacities to sign any and all Reports of Form 10-K (Annual Report pursuant to the Securities Exchange Act of 1934) and any amendments thereto, and to file the same, with all exhibits thereto and other documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorneys-in-fact and agents, and each of them, full power and authority to do and perform each and every act and thing requisite or necessary to be done in and about the premises, as fully to all intents and purposes as he might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact and agents or any of them, or their or his substitute or substitutes, may lawfully do or cause to be done by virtue hereof.

/s/ ANNE N. FOREMAN

DATE: MARCH 14, 2003

POWER OF ATTORNEY

The undersigned member of the Board of Directors of Wackenhut Corrections Corporation hereby constitute and appoint John G. O'Rourke, David N. T. Watson, and John J. Bulfin and each of them severally, his true and lawful attorneys-in-fact and agents, with full power of substitution and resubstitution for him and in his name, place and stead, in any and all capacities to sign any and all Reports of Form 10-K (Annual Report pursuant to the Securities Exchange Act of 1934) and any amendments thereto, and to file the same, with all exhibits thereto and other documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorneys-in-fact and agents, and each of them, full power and authority to do and perform each and every act and thing requisite or necessary to be done in and about the premises, as fully to all intents and purposes as he might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact and agents or any of them, or their or his substitute or substitutes, may lawfully do or cause to be done by virtue hereof.

/s/ G. FRED DiBONA, JR.

DATE: MARCH 17, 2003

POWER OF ATTORNEY

The undersigned member of the Board of Directors of Wackenhut Corrections Corporation hereby constitute and appoint John G. O'Rourke, David N. T. Watson, and John J. Bulfin and each of them severally, his true and lawful attorneys-in-fact and agents, with full power of substitution and resubstitution for him and in his name, place and stead, in any and all capacities to sign any and all Reports of Form 10-K (Annual Report pursuant to the Securities Exchange Act of 1934) and any amendments thereto, and to file the same, with all exhibits thereto and other documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorneys-in-fact and agents, and each of them, full power and authority to do and perform each and every act and thing requisite or necessary to be done in and about the premises, as fully to all intents and purposes as he might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact and agents or any of them, or their or his substitute or substitutes, may lawfully do or cause to be done by virtue hereof.

/s/ RICHARD H. GLANTON

DATE: MARCH 14, 2003

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Annual Report on Form 10-K of Wackenhut Corrections Corporation (the "Company") for the period ended December 29, 2002 as filed with the Securities and Exchange Commission on the date hereof (the "Form 10-K"), I, George C. Zoley, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Form 10-K fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
- (2) The information contained in the Form 10-K fairly presents, in all material respects, the financial condition and results of operations of the Company.

March 20, 2003

/s/ GEORGE C. ZOLEY

George C. Zoley
Chief Executive Officer

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Annual Report on Form 10-K of Wackenhut Corrections Corporation (the "Company") for the period ended December 29, 2002 as filed with the Securities and Exchange Commission on the date hereof (the "Form 10-K"), I, John G. O'Rourke, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Form 10-K fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
- (2) The information contained in the Form 10-K fairly presents, in all material respects, the financial condition and results of operations of the Company.

March 20, 2003

/s/ JOHN G. O'ROURKE

John G. O'Rourke
Chief Financial Officer