

REGISTRATION NO. 333-

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM S-11
REGISTRATION STATEMENT
UNDER THE SECURITIES ACT OF 1933

CORRECTIONAL PROPERTIES TRUST
(Exact Name of Registrant as Specified in its Governing Instruments)

4200 WACKENHUT DRIVE
PALM BEACH GARDENS, FLORIDA 33410-4243
(561) 691-6644

(Address, Including Zip Code, and Telephone Number, Including Area Code, of
Registrant's Principal Executive Offices)

MR. CHARLES R. JONES
4200 WACKENHUT DRIVE
PALM BEACH GARDENS, FLORIDA 33410-4243
(561) 691-6644

(Name, Address, Including Zip Code, and Telephone Number, Including Area Code,
of Agent for Service)

FORM S-3
REGISTRATION STATEMENT
UNDER THE SECURITIES ACT OF 1933

WACKENHUT CORRECTIONS CORPORATION
(Exact Name of Co-Registrant as Specified in its Charter)

4200 WACKENHUT DRIVE
PALM BEACH GARDENS, FLORIDA 33410-4243
(561) 622-5656

(Address, Including Zip Code, and Telephone Number, Including Area Code, of
Registrant's Principal Executive Offices)

JAMES P. ROWAN, ESQ.
4200 WACKENHUT DRIVE
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75 EAST 55TH STREET
NEW YORK, NEW YORK 10022
(212) 856-7000

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

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

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

If delivery of the prospectus is expected to be made pursuant to Rule 434,
please check the following box. []

| TITLE OF SECURITIES BEING REGISTERED | AMOUNT BEING REGISTERED(1) | PROPOSED MAXIMUM OFFERING PRICE PER SHARE | PROPOSED MAXIMUM AGGREGATE OFFERING PRICE(2) | AMOUNT OF REGISTRATION FEE |
|--|-------------------------------|--|---|----------------------------------|
| Common Shares of Beneficial Interest, par value \$.001 per share | 7,130,000 shares | \$21.00 | \$149,730,000 | \$44,170.35 |

(1) Includes 930,000 shares which may be purchased by the underwriters solely to
cover over-allotments if any.

(2) Estimated solely for the purpose of calculating the registration fee pursuant to Rule 457 under the Securities Act.

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

=====

INFORMATION CONTAINED HEREIN IS SUBJECT TO COMPLETION OR AMENDMENT. A REGISTRATION STATEMENT RELATING TO THESE SECURITIES HAS BEEN FILED WITH THE SECURITIES AND EXCHANGE COMMISSION. THESE SECURITIES MAY NOT BE SOLD NOR MAY OFFERS TO BUY BE ACCEPTED PRIOR TO THE TIME THE REGISTRATION STATEMENT BECOMES EFFECTIVE. THIS PROSPECTUS SHALL NOT CONSTITUTE AN OFFER TO SELL OR THE SOLICITATION OF AN OFFER TO BUY NOR SHALL THERE BE ANY SALE OF THESE SECURITIES IN ANY STATE IN WHICH SUCH OFFER, SOLICITATION OR SALE WOULD BE UNLAWFUL PRIOR TO REGISTRATION OR QUALIFICATION UNDER THE SECURITIES LAWS OF ANY SUCH STATE.

SUBJECT TO COMPLETION, DATED FEBRUARY 20, 1998

PROSPECTUS

6,200,000 SHARES

CORRECTIONAL PROPERTIES TRUST
COMMON SHARES OF BENEFICIAL INTEREST

Correctional Properties Trust (together with its subsidiaries, the "Company") was formed to own correctional and detention facilities and to capitalize on the growing trend toward privatization in the correctional and detention industry. The Company has established a strategic alliance with Wackenhut Corrections Corporation (together with its subsidiaries, "Wackenhut Corrections"), a leading domestic and international developer and operator of privatized correctional and detention facilities, which the Company believes will provide access to acquisition opportunities in the industry. The principal business strategy of the Company is to acquire correctional and detention facilities from both private prison operators and governmental entities and to lease such facilities under long-term, non-cancelable, triple net leases to experienced facility operators. In connection with the offering (the "Offering") of the Company's common shares of beneficial interest, par value \$.001 (the "Common Shares"), the Company will acquire eight correctional and detention facilities currently operated by Wackenhut Corrections (collectively, the "Initial Facilities") that have an aggregate design capacity of 3,154 beds. The Company also will have the option to acquire three additional correctional and detention facilities currently under development by Wackenhut Corrections (collectively, the "Option Facilities") that are expected to have an aggregate design capacity of 2,256 beds, as well as the right, subject to certain limited exceptions, to acquire each correctional or detention facility which Wackenhut Corrections owns or has the right to acquire (the "Future Facilities", and together with the Initial Facilities and the Option Facilities, the "Facilities"). The Company will lease the Initial Facilities to Wackenhut Corrections under long-term, non-cancelable, triple net leases (the "Leases") and Wackenhut Corrections will continue to operate such facilities. The Company will be a self-administered real estate investment trust ("REIT") and one of only two publicly-traded REITs which focus on the ownership of correctional and detention facilities.

All of the Common Shares offered hereby are being sold by the Company. The Company intends to pay regular quarterly distributions, beginning with a pro rata distribution for the quarter ended June 30, 1998. See "Distributions." Upon consummation of the Offering, the trustees and officers of the Company and certain directors and officers of Wackenhut Corrections collectively will own, or will have options to acquire, approximately 8.7% of the issued and outstanding Common Shares. See "The Formation Transactions."

Application will be made to list the Common Shares on the New York Stock Exchange. Prior to the Offering, there has not been a public market for the Common Shares. It is currently estimated that the initial public offering price per Common Share will be between \$19.00 and \$21.00. See "Underwriting" for information relating to the factors to be considered in determining the initial public offering price. To assist the Company in complying with certain qualification requirements applicable to REITs, the Company's Amended and Restated Declaration of Trust will provide that no shareholder or group of affiliated shareholders may actually or constructively own more than 9.8% of the outstanding Common Shares, subject to certain exceptions. See "Description of Shares of Beneficial Interest -- Restrictions on Ownership."

SEE "RISK FACTORS" BEGINNING ON PAGE 16 FOR CERTAIN FACTORS RELEVANT TO AN INVESTMENT IN THE COMMON SHARES, INCLUDING:

- Dependence on rent payments from Wackenhut Corrections for all or substantially all of the Company's initial income;
- Conflicts of interest between the Company and Wackenhut Corrections, all of which could lead to decisions that do not reflect the best interests of the Company's shareholders;
- Risks associated with the Company's lack of control over the operations of any of the facilities owned by it due to tax restrictions that prevent REITs from operating such facilities;
- Risks associated with the lack of appraisals of the Initial Facilities, including the possibility that the purchase prices paid by the Company for the Initial Facilities may exceed the fair market value of such facilities;
- Risks inherent in the privatized corrections industry generally, including limited contract duration, reliance upon government appropriations for payment under awarded contracts, government regulation, possible fluctuations in occupancy levels, limited acceptance of private prison operation, community opposition to facility location and potential legal proceedings, all of which could adversely affect the ability of Wackenhut Corrections and other tenants to make required rent payments;
- Risks affecting real estate investments generally, including risks related to economic and other conditions which may adversely affect real estate investments, uncertainty as to valuation and the relative illiquidity of

real estate investments, risks related to acquisition and expansion, potential liability for unknown or future environmental matters and the possibility that a facility could sustain an uninsured loss; and

- Risks associated with governmental entities' rights to assume certain subleases and occupy certain of the Facilities at rental rates that may be less than the rental rates payable under the Leases or governmental entities' rights to purchase certain of the Facilities at a purchase price that may be less than their fair market values.

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

| | PRICE TO PUBLIC | UNDERWRITING DISCOUNTS AND COMMISSIONS (1) | PROCEEDS TO COMPANY(2) |
|-----------|-----------------|--|------------------------|
| Per Share | \$ | \$ | \$ |
| Total(3) | \$ | \$ | \$ |

- (1) The Company and Wackenhut Corrections have agreed to indemnify the Underwriters against certain liabilities, including liabilities under the Securities Act of 1933, as amended. See "Underwriting."
- (2) Before deducting expenses estimated at \$1,500,000, which are payable by the Company.
- (3) The Company has granted the Underwriters a 30-day option to purchase up to 930,000 additional Common Shares on the same terms and conditions as set forth above, solely for the purpose of covering over-allotments, if any. See "Underwriting." If such option is exercised in full, the total Price to Public, Underwriting Discounts and Commissions, and Proceeds to Company will be \$, \$ and \$, respectively.

The Common Shares are being offered by the several Underwriters named herein, subject to prior sale, when, as and if accepted by them, and subject to certain conditions. It is expected that certificates for the Common Shares offered hereby will be available for delivery on or about , 1998 at the offices of Smith Barney Inc., 333 West 34th Street, New York, New York 10001.

SALOMON SMITH BARNEY

, 1998

[MAP, PHOTOGRAPHS AND/OR CHARTS TO BE INCLUDED BY AMENDMENT]

CERTAIN PERSONS PARTICIPATING IN THIS OFFERING MAY ENGAGE IN TRANSACTIONS THAT STABILIZE, MAINTAIN OR OTHERWISE AFFECT THE PRICE OF THE COMMON SHARES, INCLUDING OVER-ALLOTMENT, ENTERING STABILIZING BIDS, EFFECTING SYNDICATE COVERING TRANSACTIONS AND IMPOSING PENALTY BIDS. FOR A DESCRIPTION OF THESE ACTIVITIES, SEE "UNDERWRITING."

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CAUTIONARY STATEMENT

INFORMATION CONTAINED IN THIS PROSPECTUS CONTAINS "FORWARD-LOOKING STATEMENTS" RELATING TO, WITHOUT LIMITATION, FUTURE ECONOMIC PERFORMANCE, PLANS AND OBJECTIVES OF MANAGEMENT FOR FUTURE OPERATIONS AND PROJECTIONS OF REVENUE AND OTHER FINANCIAL ITEMS, WHICH CAN BE IDENTIFIED BY THE USE OF FORWARD-LOOKING TERMINOLOGY SUCH AS "MAY," "WILL," "SHOULD," "EXPECT," "ANTICIPATE," "ESTIMATE" OR "CONTINUE" OR THE NEGATIVES THEREOF OR OTHER VARIATIONS THEREOF OR COMPARABLE TERMINOLOGY. THE CAUTIONARY STATEMENTS SET FORTH UNDER THE CAPTION "RISK FACTORS" AND ELSEWHERE IN THIS PROSPECTUS IDENTIFY IMPORTANT FACTORS WITH RESPECT TO SUCH FORWARD-LOOKING STATEMENTS, INCLUDING CERTAIN RISKS AND UNCERTAINTIES, THAT COULD CAUSE ACTUAL RESULTS TO DIFFER MATERIALLY FROM THOSE IN SUCH FORWARD-LOOKING STATEMENTS.

PROSPECTUS SUMMARY

The following summary is qualified in its entirety by the more detailed information and financial statements, including the notes thereto, appearing elsewhere in this Prospectus. Unless otherwise indicated, the information contained in this Prospectus assumes (i) an initial public offering price (the "Offering Price") per common share of beneficial interest, par value \$.001 per share (the "Common Shares"), of \$20.00 (the mid-point of the range of estimated initial public offering prices set forth on the cover page of this Prospectus), (ii) the consummation of the Formation Transactions (as hereinafter defined), and (iii) the Underwriters' over-allotment option is not exercised. Unless the context requires otherwise, (a) the term "Company," as used herein, includes Correctional Properties Trust, its wholly-owned subsidiary, CPT Limited Partner Inc., a Delaware corporation ("CPT LP"), and CPT Operating Partnership L.P., a Delaware limited partnership (the "Operating Partnership"), (b) the term "Operating Partnership," as used herein, includes the Operating Partnership and each of its subsidiaries, and (c) the term "Wackenhut Corrections," as used herein, includes Wackenhut Corrections Corporation and each of its subsidiaries. See "Glossary" for the definitions of certain terms used in this Prospectus. Investors should carefully consider the information set forth under the heading "Risk Factors."

THE COMPANY

The Company was formed to own correctional and detention facilities and to capitalize on the growing trend toward privatization in the corrections industry. The Company has established a strategic alliance with Wackenhut Corrections, a leading domestic and international developer and operator of privatized correctional and detention facilities, which the Company believes will provide access to acquisition opportunities in the industry. The principal business strategy of the Company is to acquire correctional and detention facilities from both private prison operators and governmental entities and to lease such facilities under long-term, non-cancelable, triple net leases to experienced correctional and detention facility operators. The Company intends to operate as a real estate investment trust ("REIT") and will be one of only two publicly-traded REITs which focus on the acquisition and ownership of correctional and detention facilities.

Upon consummation of the offering of the Common Shares (the "Offering"), the Company will acquire eight correctional and detention facilities currently operated by Wackenhut Corrections (collectively, the "Initial Facilities") that have an aggregate design capacity of 3,154 beds. The Company will also have the option to acquire three additional correctional and detention facilities currently under development by Wackenhut Corrections (collectively, the "Option Facilities") that have an aggregate design capacity of 2,256 beds, as well as the right for a period of 15 years from the consummation of the Offering, to acquire subject to certain limited exceptions, each correctional or detention facility which Wackenhut Corrections owns or has the right to acquire (the "Future Facilities," and together with the Initial Facilities and the Option Facilities, the "Facilities"). See "The Formation Transactions."

In order to qualify as a REIT, the Company may not operate correctional and detention facilities. As a result, the Company will lease the Initial Facilities to Wackenhut Corrections pursuant to long-term, non-cancelable, triple net leases (the "Leases"), which will require Wackenhut Corrections to pay all operating expenses, taxes, insurance, structural and non-structural repairs and other costs. Each of the Leases will provide for an initial term of 10 years and may be extended by Wackenhut Corrections for three additional five-year terms at fair market rental rates, subject to certain limited exceptions. The Leases provide for a base rent equal to 9.5% of the total purchase price of each Initial Facility (the "Initial Facility Purchase Price") and annual rent escalations equal to the annual increase in the CPI (as hereinafter defined), subject to a minimum annual increase of 3% during the first three years and a maximum annual increase of 4% throughout the term of the Lease (the "Base Rent Escalation").

Management believes that the privatized corrections industry has the potential for substantial growth in the United States due to increases in the inmate population, decreases in the availability of public funding for new correctional and detention facilities and a growing acceptance of the trend toward privatization in the corrections industry. Management believes that recent statistics illustrate this trend. According to the United States Bureau of Justice Statistics ("Bureau of Justice Statistics"), the inmate population in federal, state and

local facilities in the United States has grown from 501,886 in 1980 to 1,646,020 in 1996, representing an increase of approximately 228%. In addition, according to the Bureau of Justice Statistics, as of December 31, 1996, state prison systems reported operating at approximately 16% to 24% overcapacity and the federal corrections system reported operating at approximately 25% overcapacity. The privatized corrections industry has capitalized on these favorable supply/demand fundamentals, resulting in a substantial increase in the number of privatized beds. According to the reports on privatization from the Private Corrections Project Center for Studies in Criminology and Law, University of Florida (the "Privatization Reports"), the number of beds under management at adult correctional facilities which were under private management (including those under construction) in the United States increased in 1996 from 57,609 to 77,584, representing an increase of approximately 35%. The Company believes that it is well-positioned to capitalize on these favorable industry fundamentals due to (i) the industry knowledge, experience and contacts of the members of its Board of Trustees (the "Board of Trustees") and management team, (ii) its strategic alliance with Wackenhut Corrections, a leader in the privatized corrections industry, and (iii) its access to capital as a publicly-traded company.

The Company is managed by an experienced Board of Trustees and management team, including Dr. George C. Zoley, Chairman of the Company and Vice Chairman and Chief Executive Officer of Wackenhut Corrections, and Charles R. Jones, President and Chief Executive Officer and a Trustee of the Company. Dr. Zoley and Mr. Jones have 14 and 9 years of experience, respectively, in the privatized corrections industry. Wackenhut Corrections was founded in 1984 by Dr. Zoley as a division of The Wackenhut Corporation to capitalize on emerging opportunities in the privatized corrections industry. According to the Privatization Reports, as of December 31, 1996, Wackenhut Corrections was the second largest provider of privatized correctional and detention services in the United States and the largest provider of such services abroad, based upon the number of beds under management. Upon consummation of the Offering, the trustees and officers of the Company and certain of the directors and officers of Wackenhut Corrections and its affiliates will collectively own, or have options to acquire, 8.7% of the issued and outstanding Common Shares at the initial public offering price (the "Offering Price").

RISK FACTORS

AN INVESTMENT IN THE COMMON SHARES INVOLVES VARIOUS RISKS AND INVESTORS SHOULD CAREFULLY CONSIDER THE MATTERS DISCUSSED UNDER "RISK FACTORS." SUCH RISKS INCLUDE, AMONG OTHERS, THE FOLLOWING:

- Dependence upon rent payments from Wackenhut Corrections for all or substantially all of the Company's initial income, including risks related to (i) the ability of Wackenhut Corrections to make rent payments that are sufficient to permit the Company to make the initial estimated distributions to its shareholders, (ii) the failure or delay in making rent payments in the event of the insolvency of Wackenhut Corrections and (iii) the failure of Wackenhut Corrections to effectively operate and manage the Facilities or meet its obligations under operating agreements with governmental entities which could result in the cancellation or non-renewal of such agreements;
- Conflicts of interest between the Company and Wackenhut Corrections, all of which could lead to decisions that do not reflect the best interests of the Company and its shareholders, including (i) the lack of arm's-length negotiations relating to the purchase of the Initial Facilities and, if acquired, the Option Facilities and the Future Facilities, including the risk that the purchase prices paid therefor may exceed the fair market value of such facilities, (ii) the lack of arm's-length negotiations relating to the Leases, (iii) the possible failure by the Company to enforce the terms and conditions of the Leases against Wackenhut Corrections, even when such enforcement would be in the best interests of the Company and its shareholders, and (iv) the benefits to be received by Wackenhut Corrections and its affiliates and certain of their respective directors and officers in connection with the Formation Transactions;
- Risks associated with the Company's lack of control over the operations of any of the facilities owned by it due to tax restrictions that prevent REITs from operating such facilities;

- Risks associated with the lack of appraisals of the Facilities, including the possibility that the purchase prices paid by the Company for the Initial Facilities and, if acquired, the Option Facilities and the Future Facilities, may exceed the fair market value of such Facilities;
- Risks inherent in the privatized corrections industry generally, including (i) limited contract duration, (ii) reliance upon government appropriations for payments under awarded contracts, (iii) government regulation, (iv) possible fluctuations in occupancy levels, (v) limited acceptance of private prison operation, (vi) community opposition to facility location, and (vii) potential legal proceedings, all of which could adversely affect the ability of Wackenhut Corrections and other tenants to make required lease payments;
- Risks affecting real estate investments generally, including (i) economic and other conditions which may adversely affect real estate investments, (ii) uncertainty as to valuation and the relative illiquidity of real estate investments, (iii) risks related to acquisition and expansion of real estate investments, (iv) potential liability for unknown or future environmental matters and (v) the possibility that a facility could sustain an uninsured loss;
- Risks associated with governmental entities' rights to assume certain subleases and occupy certain Facilities at rental rates which may be less than the rental rates payable by Wackenhut Corrections under the Leases and risks associated with governmental entities' rights to purchase certain Facilities at a purchase price which may be less than their fair market values;
- Risks associated with distributing at least 91.8% of the estimated Cash Available for Distribution (as hereinafter defined), including the risk that actual Cash Available for Distribution may be insufficient to allow the Company to maintain its proposed initial annual distribution rate of \$1.40 per Common Share;
- Tax risks, including taxation of the Company as a regular corporation if it fails to qualify as a REIT and taxation of the Operating Partnership as a corporation if it fails to qualify as a partnership, each of which would have a material adverse effect on Cash Available for Distribution;
- Limitations on the operational flexibility of the Company, including a right of first refusal in favor of Wackenhut Corrections in connection with any proposed sale by the Company of the Facilities;
- Risks that the Initial Facilities will fail to perform in accordance with expectations given the limited operating history of the Initial Facilities (only three of which have an operating history of more than one year) which, in turn, could increase the risk that Wackenhut Corrections will be unable to make required lease payments to the Company;
- Limitations on the ability of shareholders to effect a change in control of the Company, including, without limitation (i) restrictions on the ownership of the Common Shares or the Company's preferred shares of beneficial interest, par value per share of \$.001 (the "Preferred Shares"), by any shareholder or group of affiliated shareholders in excess of 9.8% of any class and series of the Common Shares and Preferred Shares, subject to certain limited exceptions, (ii) a requirement that two-thirds of the members of the Board of Trustees approve the acquisition by any party of 20% of the voting power of the Company's voting securities (including, without limitation, the Common Shares), (iii) the power of the Board of Trustees to issue additional Common Shares or Preferred Shares or to classify or reclassify authorized but unissued Common Shares or Preferred Shares, (iv) the staggered classification of the Board of Trustees, and (v) certain other provisions contained in the organizational documents of the Company and the Operating Partnership, which could have the effect of delaying, deferring or preventing a transaction or change in control of the Company that might involve a premium price for Common Shares or Preferred Shares or would otherwise be in the best interests of the Company's shareholders;
- Absence of a prior public market for the Common Shares and lack of assurances that an active trading market will develop or that the Common Shares will trade at or above the Offering Price following the consummation of the Offering;
- The dependence on certain key personnel, including Dr. George C. Zoley, Chairman of the Company, and Charles R. Jones, President and Chief Executive Officer and a trustee of the Company;
- The ability of the Board of Trustees to change the Company's investment, financing, distribution and other policies at any time without shareholder approval; and
- The possible adverse effect of an increase in interest rates on the market price of the Common Shares.

BUSINESS AND GROWTH STRATEGIES OF THE COMPANY

The Company's primary business objectives are to maximize current returns to shareholders through increases in Cash Available for Distribution and to increase long-term total returns to shareholders through appreciation in the value of the Common Shares. The Company intends to achieve these objectives by (i) pursuing investment opportunities with private prison operators and governmental entities for the acquisition of correctional and detention facilities, (ii) working with tenants to identify opportunities to expand existing and newly acquired facilities, and (iii) structuring facility leases to include rent escalation provisions which provide for annual increases in rent.

The Company believes that attractive opportunities exist to acquire or develop correctional and detention facilities from or on behalf of private prison owners and operators and various governmental entities due to the increasing demand for additional prison beds and the lack of public funds available to finance new facilities. The Company believes it has a competitive advantage in the acquisition of new correctional and detention facilities due to (i) its strategic alliance with Wackenhut Corrections (which, among other things, provides the Company the option to acquire any of the Option Facilities and, with certain limited exceptions, the right to acquire any of the Future Facilities), (ii) the industry knowledge, experience and contacts of members of its Board of Trustees and management team, and (iii) its access to significant capital resources as a publicly-traded company.

The Company also believes that there are opportunities for selective expansion of existing correctional and detention facilities which will result in increased cash flows and property values. The Company intends to provide expansion space as needed by its tenants and expects that such expansion will result in correspondingly higher rental payments. Wackenhut Corrections has, to date, undertaken expansion of seven of the correctional and detention facilities owned or operated by it, and believes that there are additional opportunities to further expand a number of the Facilities.

The Leases provide the Company with a stable source of cash flow. The base rent for the first year for each Initial Facility is initially set at a fixed amount equal to 9.5% of the Initial Facility Purchase Price. Thereafter, the base rent will escalate annually by the Base Rent Escalation.

THE FACILITIES

The Company will enter into a series of Purchase Agreements (as hereinafter defined) pursuant to which it will acquire the eight Initial Facilities and a series of Option Agreements (as hereinafter defined) pursuant to which it will have the option to acquire each of the three Option Facilities at any time during the applicable Option Facility Option Period (as hereinafter defined). The Company will also enter into the Right to Purchase Agreement (as hereinafter defined) pursuant to which it will have the right, with certain limited exceptions, to acquire any Future Facility during the applicable Future Facility Option Period. The following is a summary of certain information with respect to the Initial Facilities and the Option Facilities.

THE INITIAL FACILITIES

The Initial Facilities will be acquired for an aggregate cash purchase price of approximately \$113.0 million. The Company will lease the Initial Facilities to Wackenhut Corrections pursuant to the Leases, which have initial terms of 10 years and provide for aggregate initial annual rents of approximately \$10.7 million. Throughout the terms of the Leases, the base rents will escalate annually by the Base Rent Escalation. The Initial Facilities are located in five states and have an aggregate design capacity of 3,154 beds.

| FACILITY AND LOCATION | TYPE OF FACILITY | CONTRACTING ENTITY | SECURITY LEVEL(1) | DESIGN (BED) CAPACITY(2) | FACILITY OPENING DATE | INITIAL FACILITY PURCHASE PRICE | INITIAL ANNUAL BASE RENT |
|---|-------------------------------|---------------------------|--------------------|--------------------------|-----------------------|---------------------------------|--------------------------|
| Aurora INS Processing Center..... Aurora, CO | INS Detention Facility | INS(3) | Minimum/ Medium | 300 | May 1987 | \$7,828,775 | \$743,734 |
| McFarland Community Correctional Facility..... McFarland, CA | Pre-Release Center | CDOC(4) | Minimum/ Medium | 224 | February 1988 | 7,020,219 | 666,921 |
| Queens Private Correctional Facility..... New York, NY | INS Detention Facility | INS | Minimum/ Medium | 200 | March 1997 | 14,732,071 | 1,399,547 |
| Central Valley Correctional Facility..... McFarland, CA | Adult Correctional Facility | CDOC | Minimum/ Medium | 550 | December 1997 | 17,590,995 | 1,671,145 |
| Golden State Correctional Facility..... McFarland, CA | Adult Correctional Facility | CDOC | Minimum/ Medium | 550 | December 1997 | 17,555,536 | 1,667,776 |
| Desert View Correctional Facility..... Adelanto, CA | Adult Correctional Facility | CDOC | Minimum/ Medium | 550 | December 1997 | 16,864,731 | 1,602,149 |
| Broward County Work Release Center..... Broward County, FL | Community Work Release Center | Broward County and BS0(5) | Non-Secured | 300 | February 1998 | 15,128,724 | 1,437,229 |
| Karnes County Correctional Center..... Karnes County, TX | Adult Correctional Facility | Karnes County | Multi-Security | 480 | January 1996 | 16,320,000 | 1,550,400 |
| Total..... | | | | 3,154 ===== | | \$113,041,051 ===== | \$10,738,901 ===== |

| FACILITY AND LOCATION | LEASE TERM (YEARS) |
|---|--------------------|
| Aurora INS Processing Center..... Aurora, CO | 10 |
| McFarland Community Correctional Facility..... McFarland, CA | 10 |
| Queens Private Correctional Facility..... New York, NY | 10 |
| Central Valley Correctional Facility..... McFarland, CA | 10 |
| Golden State Correctional Facility..... McFarland, CA | 10 |
| Desert View Correctional Facility..... Adelanto, CA | 10 |
| Broward County Work Release Center..... Broward County, FL | 10 |
| Karnes County Correctional Center..... Karnes County, TX | 10 |
| Total..... | |

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- (1) Each facility is identified according to the level of security maintained as follows: non-secured facilities are facilities which are access controlled residential facilities; minimum security facilities are facilities having open-housing within an appropriate designated and patrolled institutional perimeter; medium security facilities are facilities having either cells, rooms or dormitories, a secure perimeter, and some form of external patrol; maximum security facilities are facilities having single occupancy cells, a secure perimeter and external patrol or devices; and multi-security facilities are facilities with various components of the previously described security levels.
 - (2) Design capacity measures the number of beds, and accordingly the number of inmates, each facility is designed to accommodate. The Company believes design capacity is an appropriate measure for evaluating prison operations because the revenues generated by each facility are generally based on a per diem or monthly rate per inmate housed at the facility paid by the corresponding contracting governmental entities. The ability of Wackenhut Corrections or another private prison operator to satisfy its financial obligations under its leases with the Company is based in part on the revenues generated by their facilities, which in turn depends on the design capacity of each facility.
 - (3) The United States Immigration and Naturalization Service.
 - (4) The State of California Department of Corrections.
 - (5) The Broward County Sheriff's Office.

THE OPTION FACILITIES

The Company will have the option to purchase each of the three Option Facilities until the earlier of (i) four years from receipt of a certificate of occupancy for such facility, or (ii) six months after the facility achieves an occupancy level of 75% of the number of beds authorized under the certificate of occupancy for the facility (the "Option Facility Option Period"). The purchase price of each Option Facility (the "Option Facility Purchase Price") will equal 105% (or such lower percentage as may be agreed to by Wackenhut Corrections) of the aggregate costs related to the acquisition, development, design, construction, equipment and start-up of such Option Facility (which, in the case of goods or services provided by Wackenhut Corrections, will not exceed the costs which would be paid therefor if purchased from a third party in an arm's-length transaction) (the "Total Facility Cost"). If acquired, the Company will lease the Option Facilities to Wackenhut Corrections pursuant to long-term, non-cancelable, triple net leases on substantially the same terms and conditions as the Leases for the Initial Facilities. The initial annual rental rate for each Option Facility will be 9.5% of the applicable Option Facility Purchase Price and will escalate annually by the Base Rent Escalation. The total estimated aggregate purchase price and first-year rent for the Option Facilities are estimated to be approximately \$109.7 million and approximately \$10.4 million, respectively. The Option Facilities are located in three states and are expected to have an aggregate design capacity of 2,256 beds.

| FACILITY AND LOCATION | TYPE OF FACILITY | CONTRACTING ENTITY | SECURITY LEVEL | ANTICIPATED DESIGN (BED) CAPACITY | ANTICIPATED FACILITY OCCUPANCY DATE | ANTICIPATED LEASE TERM (YEARS) |
|--|-----------------------------------|--------------------|--------------------|-----------------------------------|-------------------------------------|--------------------------------|
| Michigan Youth Correctional Facility..... Lake County, MI | Juvenile Correctional Facility | MDOC(1) | Maximum | 480 | 2nd Quarter, 1999 | 10 |
| Jena Juvenile Justice Center..... Jena, LA | Juvenile Correctional Facility | LDOC(2) | Multi- Security | 276 | 3rd Quarter, 1998 | 10 |
| Lawton Correctional Facility..... Lawton, OK | Prison | (3) | Medium | 1,500 | 1st Quarter, 1999 | 10 |
| Total..... | | | | 2,256 ===== | | |

- (1) State of Michigan Department of Management and Budget for the Department of Corrections.
(2) State of Louisiana Department of Public Safety and Corrections.
(3) Wackenhut Corrections commenced construction of this facility in January 1998 and intends to respond to a request for proposals issued by the State of Oklahoma Department of Corrections soliciting proposals for up to 2,500 beds.

THE PRIVATIZED CORRECTIONS INDUSTRY

The corrections industry has experienced considerable growth since 1980, which the Company believes is due in part to rising incarceration rates and longer prison sentences. According to the Bureau of Justice Statistics, the inmate population in federal, state and local facilities in the United States has increased from 501,886 in 1980 to 1,646,020 in 1996, representing an increase of approximately 228%, and the rate of incarceration has grown from 212 inmates per 100,000 individuals in 1983 to 618 inmates per 100,000 individuals in 1996, representing an increase of approximately 192%. At the end of 1996, one in every 163 United States residents was housed in a federal, state or local correctional or detention facility. The total federal, state and local inmate population increased between 1980 and 1996 at a compounded annual growth rate of approximately 7.7%.

As a result of this increase in the inmate population, the Bureau of Justice Statistics reports that state prison systems were operating at approximately 16% to 24% overcapacity and the federal corrections system was operating at approximately 25% overcapacity, as of December 31, 1996. Furthermore, the Company

believes that overcrowding in United States' correctional and detention facilities will be exacerbated by the perceived public demand for longer prison sentences and prison terms for juvenile offenders.

The Company believes that this problem of overcapacity has forced governmental entities to seek more cost-effective means of housing inmates. Governmental entities responsible for correctional and detention facilities have therefore increasingly looked to privatized facilities in an attempt to address these mounting pressures. During the period from 1984 to 1996, the number of beds under management at adult privatized correctional and detention facilities in the United States increased from 885 to 77,584, with the majority of this growth occurring since 1989. During 1996, the number of beds under management or construction at adult privatized correctional and detention facilities in the United States increased from 57,609 to 77,584, representing an increase of approximately 35%.

Additionally, according to the Privatization Reports, as of December 31, 1996, 27 United States jurisdictions (including the District of Columbia and Puerto Rico) had awarded correctional and detention facility management contracts to private operators. There were, as of such date, a total of 118 facilities with a design capacity of 77,584 beds under management or construction in the United States, of which Wackenhut Corrections had 29 facilities containing an aggregate of 21,143 beds under contract or award. The Company believes this rapid privatization has been fueled by agencies at all levels which are responsible for various types of correctional and detention facilities. Federal agencies have privatized INS detention facilities and United States Marshal detention facilities. State agencies have privatized state prisons, community corrections facilities, chemical dependency treatment centers, intermediate sanction facilities, juvenile offender facilities, pre-release centers, work program facilities and state jail facilities. Local agencies have privatized city jail facilities and transfer facilities.

In the early stages of the privatized corrections industry, government agencies continued to finance and own correctional and detention facilities and sought private operators to manage the facilities. In the face of an increasing demand for beds and rising fiscal pressures, many of these governmental entities are increasingly requiring private operators to develop, finance and own the facilities themselves. The Company believes that the privatization of correctional and detention facilities provides governmental entities with a means of financing projects that would otherwise be funded by bond financing, thereby permitting such governmental entities to allocate a larger portion of their capital raising capacity to other public projects (i.e., schools, roads, infrastructure, etc.). With some correctional and detention facilities costing well over \$50 million, the Company further believes that only those private operators with access to significant sources of capital will be able to continue competing for such projects. In this regard, the Company believes that its strategic alliance with Wackenhut Corrections presents a unique growth opportunity.

WACKENHUT CORRECTIONS CORPORATION

Wackenhut Corrections is a leading developer and manager of privatized correctional and detention facilities in the United States and abroad. Wackenhut Corrections was founded in 1984 by Dr. George C. Zoley as a division of The Wackenhut Corporation, a leading provider of professional security services, to capitalize on emerging opportunities in the private correctional services market. According to the Privatization Reports, Wackenhut Corrections is the second largest provider of privatized correctional and detention services in the United States and the largest provider of such services abroad, based upon the number of beds under management. Wackenhut Corrections presently has under contract or award 46 correctional and detention facilities, 35 of which are in operation and 11 of which are under development, with an aggregate design capacity of 30,268 beds. In addition, as of January 30, 1998, Wackenhut Corrections had outstanding written responses to governmental bid requests known as Requests for Proposals ("RFPs") for seven projects with an aggregate design capacity of 1,819 beds. While Wackenhut Corrections was awarded contracts for 41% of the beds for which it submitted RFPs during 1997, there can be no assurance that Wackenhut Corrections will be successful in winning any of the management contracts relating to the RFPs for which it has outstanding written responses.

Wackenhut Corrections offers governmental entities a comprehensive range of correctional and detention facility management services, ranging from individual consulting projects to the integrated design, develop-

ment and management of such facilities. In addition to providing the fundamental residential services relating to the security of facilities and the detention and care of inmates, Wackenhut Corrections has built a reputation as an effective provider of a wide array of in-facility rehabilitative and educational programs, such as chemical dependency counseling and treatment, basic education and job and life skills training. Additionally, Wackenhut Corrections is continuously seeking to expand into complementary services such as work release programs, youth detention services and prisoner transport services. Wackenhut Corrections believes that its experience in delivering a full range of high-quality correctional and detention facility management services on a cost-effective basis to government agencies provides such agencies strong incentives to choose Wackenhut Corrections when awarding new contracts or renewing existing contracts.

Wackenhut Corrections, or a subsidiary thereof, will be the lessee of the Initial Facilities and, if acquired, the Option Facilities. In situations where a subsidiary of Wackenhut Corrections is the lessee under a Lease, Wackenhut Corrections will nonetheless be a party to and be primarily liable under such Lease. Wackenhut Corrections is expected to sell additional correctional and detention facilities to the Company in the future and to enter into long-term, non-cancelable, triple-net leases with the Company with respect to those facilities.

THE FORMATION TRANSACTIONS

Prior to or simultaneously with the consummation of the Offering, the Company and Wackenhut Corrections will engage in a series of transactions (the "Formation Transactions") which are designed to consolidate ownership of the Initial Facilities in the Company, to provide a vehicle for possible future acquisitions of the Option Facilities and the Future Facilities (in addition to other facilities the Company may acquire) and to enable the Company to qualify as a REIT for federal income tax purposes commencing with its taxable year ending December 31, 1998. These transactions include the following:

- Issuance of Common Shares. The Company will sell 6,200,000 Common Shares in the Offering, resulting in net proceeds to the Company of approximately \$113.8 million after deduction of the underwriting discounts and commissions and estimated offering expenses. All of the net proceeds to the Company from the Offering will be either contributed by the Company directly to the Operating Partnership or contributed by the Company to CPT LP, a wholly-owned subsidiary of the Company, which will, in turn, contribute such proceeds to the Operating Partnership, in exchange for a combined 100% interest in the Operating Partnership. The Company will initially own a 98% limited partnership interest and a 1% general partnership interest in the Operating Partnership. CPT LP will initially own a 1% limited partnership interest in the Operating Partnership.
- Purchase Agreements. The Company will enter into a series of purchase and sale agreements (the "Purchase Agreements") with Wackenhut Corrections pursuant to which the Company will acquire, directly or as assignee of Wackenhut Corrections' contract rights, the eight Initial Facilities for an aggregate cash purchase price of approximately \$113.0 million.
- Option Agreements. The Company will enter into a series of option agreements (the "Option Agreements") with Wackenhut Corrections pursuant to which Wackenhut Corrections will grant the Company the option to acquire each of the three Option Facilities at any time during the applicable Option Facility Option Period, for a cash purchase price equal to the applicable Option Facility Purchase Price. If the Company elects to purchase all three Option Facilities, the aggregate purchase price is estimated to be approximately \$109.7 million.
- Leases. Concurrent with the Company's acquisition of the Initial Facilities and, if acquired, the Option Facilities, the Company will lease such Facilities to Wackenhut Corrections pursuant to the Leases for an initial term of 10 years. Subject to certain limited exceptions, the term of each of the Leases may be extended by Wackenhut Corrections for three additional five-year terms at a fair market rental rate as mutually agreed upon by the Company and Wackenhut Corrections or, in the absence of such an agreement, as determined by binding arbitration. In addition, the term of any of the Leases will be automatically extended upon expiration thereof on the same terms (including the then applicable base rent and Base Rent Escalation) as reflected in the applicable Lease if Wackenhut

Corrections is obligated under an unexpired sublease with respect to such Facility to continue to provide services to a contracting governmental entity. Under the terms of the Leases, Wackenhut Corrections will have a right of first refusal on the proposed sale by the Company of any of the Initial Facilities and, if acquired, the Option Facilities.

- Right to Purchase Agreement. The Company will enter into a right to purchase agreement (the "Right to Purchase Agreement") with Wackenhut Corrections pursuant to which the Company will have the right, subject to certain limited exceptions, to acquire and lease back to Wackenhut Corrections each of the Future Facilities at any time until the earlier of (i) four years from the receipt of a certificate of occupancy for a facility developed by Wackenhut Corrections or from the date of acquisition of a facility acquired by Wackenhut Corrections, or (ii) six months after the facility achieves an occupancy level of 75% of the number of beds authorized under the certificate of occupancy for the facility (the "Future Facility Option Period"). The purchase price for each Future Facility provided Wackenhut Corrections owns or has the right to acquire such facility and that time (the "Future Facility Purchase Price") will equal 105% (or such lower percentage as may be agreed to by Wackenhut Corrections) of the Total Facility Cost of such Future Facility. In the case of any Future Facility acquired during the first five years following the consummation of the Offering, the initial annual rental rate will be the greater of (i) the fair market rental rate as mutually agreed upon by the Company and Wackenhut Corrections, and in the absence of such an agreement, as determined by binding arbitration, or (ii) 9.5% of the applicable Future Facility Purchase Price. In the case of any Future Facility acquired thereafter, the initial annual rental rate will be the fair market rental rate as mutually agreed upon by the Company and Wackenhut Corrections or, in the absence of such an agreement, as determined by binding arbitration. Under the terms of the Right to Purchase Agreement, Wackenhut Corrections will have a right of first refusal on the proposed sale by the Company of any Future Facility. The Right to Purchase Agreement will expire 15 years after the consummation of the Offering.
- Credit Facility. Following the consummation of the Offering, the Company expects to establish a \$75 million line of credit (the "Bank Credit Facility") which may be used to finance the acquisition of additional correctional and detention facilities (including the Option Facilities and the Future Facilities), to expand the Facilities and for general working capital requirements.

Additional information regarding the Formation Transactions is set forth under "The Formation Transactions."

ADVANTAGES AND DISADVANTAGES TO UNAFFILIATED SHAREHOLDERS

The potential advantages of the Formation Transactions to unaffiliated shareholders of the Company include the ability to participate in the cash flow generated by the rent from the Initial Facilities through their ownership by the Company, and in all future acquisitions by the Company. See "The Company -- Business and Growth Strategies -- Expansion Opportunities." The potential disadvantages of such transactions to unaffiliated shareholders of the Company include the lack of arm's-length valuations in determining the consideration in such transactions and the fact that Dr. Zoley, Chairman of the Company and Vice Chairman and Chief Executive Officer of Wackenhut Corrections, together with three other trustees of the Company who are also employees or directors of Wackenhut Corrections, will have substantial influence over the management and operations of the Company and the risk that such influence might be exercised in a manner inconsistent with the best interests of the Company and its shareholders. See the more complete discussion of such matters under "Risk Factors."

BENEFITS TO WACKENHUT CORRECTIONS AND CERTAIN AFFILIATES

The benefits of the foregoing transactions to Wackenhut Corrections and its directors and officers include:

- Wackenhut Corrections will receive approximately \$113.0 million in cash for the three Initial Facilities owned by it and its right to acquire the remaining five Initial Facilities. The estimated historical cost of the Initial Facilities was approximately \$95.5 million;

- In the event the Company elects to exercise its option to acquire any or all of three Option Facilities, Wackenhut Corrections could receive approximately \$109.7 million in cash;
- Wackenhut Corrections will use certain of the proceeds from the sale of the Initial Facilities to repay certain indebtedness incurred in connection with the development or acquisition of such facilities;
- Approximately \$55.4 million in outstanding indebtedness under the Wackenhut Lease Facility (as hereinafter defined) which is guaranteed in part by Wackenhut Corrections, will be repaid upon the sale of certain of the Initial Facilities to the Company;
- Wackenhut Corrections will expand its business development opportunities because of the increased access to capital available through its strategic alliance with the Company;
- Wackenhut Corrections will have a right of first refusal with regard to certain future sales of the Facilities by the Company;
- Wackenhut Corrections will accelerate the vesting of 18,300 options to purchase shares of Wackenhut Corrections' common stock which are currently held by Charles R. Jones, the Company's President and Chief Executive Officer. Mr. Jones has advised the Company that he will exercise these options, as well as 10,200 vested options to purchase shares of Wackenhut Corrections common stock held by him, and will dispose of all such shares received by him upon exercise thereof prior to the consummation of the Offering;
- Dr. Zoley, George Wackenhut, Richard Wackenhut and other directors, officers and employees of Wackenhut Corrections and its affiliates (other than Messrs. Jones and Hogan) will be granted, in connection with the Offering, options to purchase an aggregate of 480,000 Common Shares at a purchase price per share equal to the Offering Price, which will be exercisable in four equal annual installments commencing on the date of grant;
- Mr. Jones and Patrick Hogan, the Company's Chief Financial Officer, each of whom have agreed to resign their positions with Wackenhut Corrections upon consummation of the Offering, will be granted options to purchase an aggregate of 85,000 Common Shares at a per share purchase price equal to the Offering Price; and
- Through its operation of the Initial Facilities pursuant to the Leases, Wackenhut Corrections will be entitled to all of the cash flow from the Initial Facilities after the payment of operating expenses, taxes and rent under the Leases.

STRUCTURE OF THE COMPANY

The following diagram sets forth the structure of the Company and Operating Partnership upon the consummation of the Offering and the Formation Transactions:

(Chart)

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- (1) Prior to consummation of the Offering, WCC RE Holdings, Inc., a wholly owned subsidiary of Wackenhut Corrections, will be merged with and into WCC RE Holdings LLC ("WCCRE LLC"), which will, prior to the consummation of the Offering, be formed as a wholly-owned subsidiary of Wackenhut Corrections, with WCCRE LLC being the surviving entity.
- (2) The Operating Partnership will lease the following Initial Facilities to Wackenhut Corrections: the Queens Private Correctional Facility (the "Queens Facility"); the Aurora INS Processing Center (the "Aurora Facility") and the Karnes County Correctional Center (the "Karnes Facility").
- (3) The Operating Partnership will lease the following facilities to WCCRE LLC, each of which will in turn be subleased to Wackenhut Corrections: the Broward County Work Release Center (the "Broward Facility"); the Central Valley Correctional Facility (the "Central Valley Facility"); the Golden State Correctional Facility (the "Golden State Facility"); the Desert View Correctional Facility (the "Desert View Facility"); and the McFarland Community Correctional Facility (the "McFarland Facility"). See "Subleases."

THE OFFERING

Common Shares offered by
the Company..... 6,200,000 shares

Common Shares outstanding
after the Offering..... 6,200,000 shares(1)

Use of Proceeds..... To acquire the Initial Facilities and for general
corporate purposes. See "Use of Proceeds,"
"Capitalization" and "The Formation Transactions."

Proposed New York Stock
Exchange ("NYSE")
symbol.....
- - - - -

(1) Excludes 620,000 Common Shares reserved for issuance under the Correctional Properties Trust 1998 Employee Share Option Plan (the "Employee Option Plan") and 55,000 Common Shares reserved for issuance under the Correctional Properties Trust 1998 Non-Employee Trustees' Share Option Plan (the "Non-Employee Trustee Option Plan," and together with the Employee Option Plan, the "Plans"), of which 590,000 Common Shares will be subject to outstanding options at the closing of the Offering. See "Management -- Employee Option Plan" and " -- Non-Employee Trustee Option Plan" and "The Formation Transactions."

DISTRIBUTIONS

Subsequent to the Offering, the Company intends to pay regular quarterly distributions to its shareholders. The Board of Trustees, in its sole discretion, will determine the actual distribution rate based on the Company's actual results of operations, economic conditions, tax considerations (including those related to REITs) and other factors. The Company's first distribution, for the period from the closing of the Offering through June 30, 1998, is expected to be \$ per Common Share, representing a pro rata distribution of the anticipated regular quarterly distribution of \$0.35 per share for a full quarter which, on an annualized basis, represents an initial distribution rate of \$1.40 or 7.0% of the Offering Price. The Company does not expect to change its estimated initial distribution per Common Share if the Underwriters' over-allotment option is exercised.

The Company has established the initial annual distribution rate based on the Company's estimate of pro forma Cash Available for Distribution for the 12 months ended December 31, 1997, which was derived from the Company's Pro Forma Funds from Operations (as defined in Note (e) to Pro Forma Statement of Operations) for the 12 months ended December 31, 1997. Funds From Operations (as hereinafter defined) does not represent cash generated from operating activities in accordance with generally accepted accounting principles ("GAAP"), consistently applied and should not be considered an alternative to net income as an indication of the Company's performance or to cash flows as a measure of liquidity or ability to make distributions. The expected distribution for the 12 months following completion of the Offering will equal approximately 91.8% of the pro forma Cash Available for Distribution for the 12 months ending December 31, 1997. The Company's estimate of pro forma Cash Available for Distribution does not include any revenues or expenses related to the possible purchase of the Option Facilities, the Future Facilities, or additional facilities. The Company intends to maintain its approximate initial distribution rate for at least 12 months following the consummation of the Offering unless actual results of operations, economic conditions or other factors differ from the assumptions used in calculating the estimate. Based on the Company's estimated Pro Forma Statement of Operations for the 12 months ending December 31, 1997, the Company estimates that approximately 25% to 30% of the anticipated initial annual distribution to shareholders would have represented a return of capital for federal income tax purposes and that the Company would have been required to distribute \$6.5 million or \$1.06 per share during such 12-month period in order to maintain its status as a REIT. If future taxable income increases above or decreases below the estimated taxable income for the 12 months following the Offering, the percentage of the anticipated initial annual distribution representing a return of capital will decrease or increase, respectively. See "Distributions" for the calculation of estimated pro forma Cash Available for Distribution and related assumptions.

TAX CONSIDERATIONS AND TAX STATUS OF THE COMPANY

The Company intends to make an election to be taxed as a REIT under sections 856 through 860 of the Internal Revenue Code of 1986, as amended (the "Code"), commencing with its taxable year ending December 31, 1998. If the Company qualifies for taxation as a REIT, with certain exceptions, the Company will not be subject to federal income tax at the corporate level on its taxable income that is distributed to its shareholders. A REIT is subject to a number of organizational and operational requirements, including a requirement that it distribute at least 95% of its annual real estate investment trust taxable income. Although the Company does not intend to request a ruling from the Internal Revenue Service (the "IRS") as to its REIT status, the Company will receive, at the closing of the Offering, the opinion of its legal counsel, Akerman, Senterfitt & Eidson, P.A., that the Company qualifies for taxation as a REIT, which opinion will not be binding on the IRS or the courts. This opinion will be based upon, and subject to, certain assumptions and various factual representations of the Company, which will be incorporated into such opinion and are addressed herein under the heading "Material Federal Income Tax Considerations." In addition, the opinion is based upon the Code, Treasury Regulations (as hereinafter defined), IRS administrative interpretations and court decisions existing as of the date of this Prospectus, any of which could change with retroactive effect. Qualification and taxation as a REIT depends upon the Company's ability to meet, through actual annual operating results, distribution requirements, diversity of share ownership and the various other qualification tests imposed under the Code, the results of which will not be reviewed by legal counsel to the Company. Failure to qualify as a REIT will render the Company subject to federal income tax (including any applicable alternative minimum tax) on its taxable income at regular corporate rates, and distributions to the shareholders in any such year will not be deductible by the Company. Even if the Company qualifies for taxation as a REIT, the Company may be subject to certain state and local taxes on its income and property. In connection with the Company's election to be taxed as a REIT, the Company's Declaration of Trust (the "Declaration of Trust") imposes restrictions on the transfer of Common Shares. The Company has adopted the calendar year as its taxable year. See "Risk Factors -- Tax Risks -- Adverse Effects of REIT Minimum Distribution Requirements," "Risk Factors -- Potential Anti-Takeover Effect of Certain Provisions of Maryland Law and the Company's Declaration of Trust and Bylaws -- Ownership Limit Necessary to Maintain REIT Qualification," "Material Federal Income Tax Considerations" and "Description of Shares of Beneficial Interest -- Restrictions on Ownership."

SUMMARY HISTORICAL AND PRO FORMA FINANCIAL DATA

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

SUMMARY PRO FORMA FINANCIAL INFORMATION

CORRECTIONAL PROPERTIES TRUST

| | PRO FORMA |
|---|---|
| | YEAR ENDED DECEMBER 31, 1997 |
| | (IN THOUSANDS, EXCEPT PER SHARE DATA) |
| OPERATING DATA: | |
| Revenue: | |
| Rental income(1)..... | \$11,294 |
| Costs and expenses: | |
| Operating and administrative(2)..... | 1,340 |
| Interest expense(3)..... | 438 |
| Provision for depreciation and amortization(4)..... | 2,624 |
| | ----- |
| Total costs and expenses..... | 4,402 |
| | ----- |
| Net income..... | \$ 6,892 |
| | ===== |
| Net income per share: | |
| Basic..... | \$ 1.11 |
| Diluted..... | 1.11 |
| Weighted average number of shares outstanding(5): | |
| Basic..... | 6,200 |
| Diluted..... | 6,200 |
| OTHER DATA: | |
| Funds from operations(6)..... | \$ 9,516 |
| Cash available for distribution(7)..... | 9,451 |
| Distributions..... | 8,680 |
| Distributions per share..... | 1.40 |

| | PRO FORMA | HISTORICAL |
|--|-------------------|----------------------|
| | AS OF | AS OF |
| | DECEMBER 31, 1997 | FEBRUARY 20, 1998 |
| | ----- | ----- |
| BALANCE SHEET DATA: | | |
| Notes payable..... | \$ -- | \$ -- |
| Real estate before accumulated depreciation..... | 113,041 | -- |
| Total assets..... | 113,820 | 3 |
| Shareholders' equity..... | 113,820 | 3 |

- (1) Rental income from Wackenhut Corrections recorded in accordance with the terms of the Leases as if the Initial Facilities had been in operation at the leased design capacity for the entire period. The Company will lease the Initial Facilities to Wackenhut Corrections under operating leases.
- (2) Recurring administrative expenses of the Company, including franchise and excise taxes, based upon management's estimates of operating and administrative costs.
- (3) Amortization of up-front fees and unused fees on the Bank Credit Facility.
- (4) Depreciation expense on fixed assets purchased from Wackenhut Corrections based on the estimated useful lives of the Facilities.
- (5) Weighted average shares outstanding including the 1,000 founder's shares, no restricted shares are being issued to management and Common Shares sold in the Offering as if such shares were outstanding for the entire period.
- (6) Management believes "Funds from Operations" (as hereinafter defined) is helpful to investors as a measure of the performance of an equity REIT because, along with cash flows from operating activities, financing activities and investing activities, it provides investors with an understanding of the ability of the Company to incur and service debt and make capital expenditures. "Funds from Operations" is defined by the Board of Governors of the National Association of Real Estate Investment Trusts ("NAREIT") as net income (loss) (computed in accordance with GAAP), excluding significant non-recurring items, gains (or losses) from debt restructuring and sales of property, plus depreciation and amortization on real estate assets, and after adjustments for unconsolidated partnerships and joint ventures and, accordingly, may not be comparable to other REITs' Funds From Operations calculated under a

differing methodology. See "Management's Discussion and Analysis of Financial Condition and Results of Operations -- Funds from Operations." Funds from Operations should be examined in conjunction with net income as presented.

| | YEAR ENDED DECEMBER 31, 1997 ----- (IN THOUSANDS) |
|---|--|
| CALCULATION OF FUNDS FROM OPERATIONS: | |
| Pro forma net income..... | \$6,892 |
| Plus: Pro forma real estate depreciation and amortization..... | 2,624 ----- |
| Pro forma funds from operations..... | \$9,516 ===== |

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

(7) Calculation of Cash Available for Distribution:

| | YEAR ENDED DECEMBER 31, 1997 ----- |
|---|--|
| Pro forma funds from operations..... | \$9,516 |
| Less: Net effect of straight-line rents..... | (555) |
| Plus: Amortization of non-cash compensation charge..... | 240 |
| Plus: Amortization of up-front fees..... | 250 ----- |
| Pro forma cash available for distribution..... | \$9,451 ===== |

The net effect of straight-line rents represents the effect of adjusting straight-line rental income from accrual basis under GAAP to a cash basis.

RISK FACTORS

Prospective investors should carefully consider the following risk factors in conjunction with the other information contained in this Prospectus before purchasing Common Shares in the Offering. This Prospectus contains certain forward-looking statements. The Company wishes to caution readers that the following risk factors, among other factors, may cause the Company's future results to differ materially from those expressed in any forward-looking statements contained in this Prospectus.

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

Wackenhut Corrections (either directly or through WCCRE LLC) will be the lessee of the Initial Facilities and, if acquired, the Option Facilities and the Future Facilities. The Company's initial revenues, and its ability to make distributions to its shareholders, will depend solely upon the ability of Wackenhut Corrections to make rent payments and satisfy its obligations under the Leases. Any failure or delay by Wackenhut Corrections in making rent payments may adversely effect the Company's ability to make anticipated distributions. The Company believes that Wackenhut Corrections has sufficient assets and income to enable it to satisfy its obligations under the Leases at this time; however, there can be no assurance that Wackenhut Corrections will have such assets or income in the future. In addition, although the Company will have general recourse to Wackenhut Corrections under the Leases, Wackenhut Corrections' obligations under the Leases will not be secured by any of its assets.

Failure by Wackenhut Corrections to comply with the material terms of any Lease would give the Company the right to terminate such Lease and enforce the obligations of Wackenhut Corrections thereunder, but could also require the Company to find another lessee for such facility or risk losing its ability to elect or maintain its REIT status. Similarly, there can be no assurance that Wackenhut Corrections will elect to renew a Lease upon expiration of its initial or any subsequent term, which would also force the Company to find a suitable replacement lessee. In either circumstance, due to the limited number of qualified operators in the correctional and detention industry, the Company may be unable to locate a suitable lessee or to attract such a lessee, and may, therefore, be required to reduce the rent, which would have the effect of reducing the Company's Cash Available for Distribution. See "Wackenhut Corrections Corporation" and "Leases."

As of December 28, 1997, Wackenhut Corrections had a net worth of \$102.3 million. In addition, as of that date, Wackenhut Corrections had outstanding \$69.0 million of guarantees under the Wackenhut Lease Facility (as hereinafter defined), as well as significant rental obligations under operating leases. See Note 7 to Wackenhut Corrections' Consolidated Financial Statements. Wackenhut Corrections also has \$151.0 million available under the Wackenhut Lease Facility and \$30.0 million available under its revolving credit facility that can be drawn at any time to fund future expansion. In order to satisfy Wackenhut Corrections' obligations, including the Leases, Wackenhut Corrections will be required to generate substantial operating cash flow. The ability of Wackenhut Corrections to meet debt service, rental and other obligations will depend on the future performance of Wackenhut Corrections, which will be subject to prevailing economic conditions and to financial, business and other factors beyond its control. As with other operators of privatized correctional and detention facilities, Wackenhut Corrections' success is largely dependent upon continuation of operating agreements with governmental entities that are in some cases of limited duration and subject to termination based upon levels of governmental appropriations. In addition, the value of the Common Shares and the cost of the Company's borrowings may be adversely affected by a negative change in Wackenhut Corrections' credit rating or net worth. See "Wackenhut Corrections Corporation."

To the extent that any of the lessees of the Company's facilities, including Wackenhut Corrections or WCCRE LLC, were to become a debtor in a bankruptcy proceeding under the United States Bankruptcy Code (the "Bankruptcy Code"), such lessee or its bankruptcy trustee could reject the lease. If a lease were rejected, rental payments thereunder would terminate as to the related facility, thereby leaving the Company without regular rent payments as to such facility and with a claim for damages as a source of payment of amounts due under such lease under Section 502(b)(6) of the Bankruptcy Code. A claim by a lessor for damages resulting from the rejection by a debtor of a lease of real property (or rejection of a guarantee of a

lease upon the bankruptcy of the guarantor) is limited to an amount equal to the rent reserved under the lease, without acceleration, for the greater of one year or 15% (but not more than three years) of the remaining term of the lease, plus rent already due but unpaid. There can be no assurance that any such claim for damages would be sufficient to provide for the repayment of amounts then due under the lease.

CONFLICTS OF INTEREST

Several conflicts of interest exist on the part of the Company and its trustees and officers, on the one hand, and Wackenhut Corrections and its directors and officers, on the other hand, all of which could lead to decisions that do not reflect the best interests of the Company's shareholders. The following description sets forth the principal conflicts of interest, including the relationships through which they arise, and the policies and procedures implemented by the Company to address those conflicts.

General

Because each of Dr. Zoley, George Wackenhut and Richard Wackenhut will be both a trustee of the Company and a director of Wackenhut Corrections, there will be inherent conflicts of interest in the ongoing lease, acquisition, disposition, operation and management of the Initial Facilities and, if acquired, the Option Facilities and the Future Facilities. In addition, Charles R. Jones, President and Chief Executive Officer and a Trustee of the Company, will be, until the consummation of the Offering, an executive officer of Wackenhut Corrections, and Patrick T. Hogan, Chief Financial Officer, will be, until consummation of the Offering, an employee of Wackenhut Corrections. Accordingly, the interests of the Company and its shareholders may not be fully reflected in all decisions made or to be made or actions taken or to be taken by certain officers and trustees of the Company. See "The Company," "The Formation Transactions," "Management," "Certain Relationships and Transactions" and "Policies and Objectives with Respect to Certain Activities -- Conflicts of Interest Policies."

No Arm's-Length Bargaining

Valuation of the Initial Facilities. The valuation of the Initial Facilities was determined by management of both the Company and Wackenhut Corrections and was not negotiated on an arm's-length basis. The purchase price of the Initial Facilities was determined based primarily on an evaluation of the current and anticipated cash flows and operating results of such facilities. It is possible that if such valuations had been determined on an arm's-length basis, or had been the subject of independent valuations or appraisals, the purchase price that the Company would pay for the Initial Facilities might have been less. The terms on which the Initial Facilities will be acquired, including the valuation thereof, will not be reviewed or approved by the Company Independent Committee (as hereinafter defined).

Valuation of the Option Facilities and the Future Facilities. The methodology used in determining the Option Facility Purchase Price was determined by management of both the Company and Wackenhut Corrections and was not negotiated on an arm's-length basis. The purchase price of each such Facility is linked directly to the Total Facility Cost of each such Facility, and may therefore exceed the fair market value thereof. While the Company will not be obligated to exercise its option or right to acquire any of the Option Facilities or Future Facilities and such decision will be subject to approval of the Company Independent Committee, it is possible that the purchase price paid by the Company therefor might exceed the fair market value thereof.

Lease Terms. The Lease payment obligations with respect to the Initial Facilities and the Option Facilities were determined by management of both the Company and Wackenhut Corrections and were not negotiated on an arm's-length basis. However, the Lease payments that Wackenhut Corrections is obligated to make with respect to each of the Initial Facilities and, if acquired, the Option Facilities is based on an initial lease rate of approximately 9.5% of the respective Initial Facility Purchase Price or the Option Facility Purchase Price. It is possible that if the Lease payments were negotiated on an arm's-length basis, the Lease rate payable by Wackenhut Corrections to the Company would have been greater than the rate determined by management of the Company and Wackenhut Corrections. In addition, the Company will not participate in

any increased rents or operation revenue payable to Wackenhut Corrections by governmental entities. The terms of the Leases for the Initial Facilities and the Option Facilities were not reviewed or approved by the Company Independent Committee.

Potential for Future Conflicts. Upon consummation of the Offering, Wackenhut Corrections and the Company may be in situations where they have differing interests resulting from the ongoing relationship between the companies. Such situations include the fact that upon consummation of the Offering (i) Wackenhut Corrections will lease the Initial Facilities from the Company, (ii) the Company will have the option to acquire the Option Facilities and a right to purchase the Future Facilities, (iii) Wackenhut Corrections will have a right of first refusal on the proposed sale by the Company of any Facilities, and (iv) three of the Company's trustees (Dr. Zoley, George Wackenhut and Richard Wackenhut) will serve simultaneously on the Board of Directors of Wackenhut Corrections, and two of the Company's trustees (Messrs. Jones and Travisano) currently or previously served as executive officers or directors of Wackenhut Corrections. Accordingly, the potential exists for future disagreements as to the compliance with the Leases or the values of the Facilities or lease payments therefor. Because of the relationship of certain of the Company's trustees with Wackenhut Corrections, such trustee's decisions relating to the Company's enforcement of its rights under the Leases and other matters may not reflect the interest of the Company and its shareholders. Additionally, the possible need by the Company, from time to time, to finance, refinance or effect a sale of any of the Facilities may result in a need to modify the Lease applicable to such Facility. Any such modification will require the consent of Wackenhut Corrections, and the lack of consent from Wackenhut Corrections could adversely affect the Company's ability to consummate such financing or sale. Because of the relationships described above, there is the risk that the Company will not achieve the same results in its dealings with Wackenhut Corrections that it might achieve if such relationships did not exist.

In the event revenues from the Initial Facilities increase significantly over prior periods or, in the case of new facilities, projected operating expenses with respect thereto are less than historical or projected operating expenses, Wackenhut Corrections could benefit disproportionately therefrom. In the event incremental increases in expenses of the Facilities exceed incremental increases in revenue, conflicts of interest may arise between Wackenhut Corrections and the Company.

Benefits to Wackenhut Corrections

Wackenhut Corrections and certain of its directors and officers will receive certain material benefits in connection with the Formation Transactions, including, but not limited to, (i) receipt by Wackenhut Corrections of approximately \$113.0 million in cash in exchange for the Initial Facilities, (ii) receipt by Dr. Zoley, George Wackenhut, Richard Wackenhut and other directors, officers and employees of Wackenhut Corrections and its affiliates (other than Messrs. Jones and Hogan) of options to purchase an aggregate of 480,000 Common Shares at a per share purchase price equal to the Offering Price, (iii) Wackenhut Corrections' release from approximately \$55.4 million in guarantees resulting from the use of the proceeds from the sale of the Initial Facilities, and (iv) Wackenhut Corrections' potential profit from the operation of the Initial Facilities after the payment of operating expenses, taxes and rent under the Lease.

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

To qualify as a REIT for federal income tax purposes, the Company may not operate, or participate in decisions affecting the operations of any of the facilities acquired by it. Wackenhut Corrections will control the operations of the Initial Facilities and, if acquired, the Option Facilities, each of which will have an initial term of 10 years and three renewal terms of five years each, exercisable by Wackenhut Corrections. Wackenhut Corrections will also control the operations of the Future Facilities, if acquired. The Company will not have the authority to require Wackenhut Corrections to operate the Facilities in a particular manner or to govern any particular aspect of their operation except as set forth in the Leases. Thus, even if the Company believes Wackenhut Corrections is operating the Facilities inefficiently or in a manner adverse to the Company's interests, the Company may not require Wackenhut Corrections to change its method of operation. The Company is limited to seeking redress only if Wackenhut Corrections violates the terms of any Lease, in which case the Company's primary remedy is to terminate the relevant Lease or, in certain

circumstances, all of the Leases, and seek to recover damages from Wackenhut Corrections. If a Lease is terminated, the Company will be required to find another suitable lessee or risk losing its ability to elect or maintain REIT status. See "Risk Factors-- Risks Associated with Permitted Subleases."

LACK OF APPRAISALS OF THE FACILITIES; NO ASSURANCE AS TO VALUE

In establishing the purchase price of the Initial Facilities, no independent appraisals were obtained and there can be no assurance that independent appraisals will be obtained if the Company elects to purchase any of the Option Facilities or the Future Facilities. Accordingly, there can be no assurance that the price paid by the Company for the Initial Facilities does not exceed the fair market value thereof or that the purchase price paid for any Option Facilities or Future Facilities will not exceed the fair market value thereof. The valuation of the Company has been determined based upon a capitalization of the Company's estimated Cash Available for Distribution and the other factors discussed under "Underwriting," rather than an asset-by-asset valuation based on historical cost or current market value. This methodology has been used because the Company's management believes it appropriate to value the Company as an ongoing business rather than with the view to values that could be obtained from a liquidation of the Company or of individual assets owned by the Company. There can be no assurance that revenues generated by the Initial Facilities and, if acquired, the Option Facilities and the Future Facilities, will not decline and that future Cash Available for Distribution will be sufficient to make expected distributions to the Company's shareholders. If expected distributions are not made, the market price of the Common Shares likely would be adversely affected.

PRIVATIZED CORRECTIONS INDUSTRY RISKS

The ownership of the Initial Facilities and, if acquired, the Option Facilities and the Future Facilities is subject to operating risks generally inherent in the correctional and detention industry. The ability of the Company's initial lessee, Wackenhut Corrections, to operate successfully in this industry depends on a number of factors, the most important of which are the continuation of demand by governmental agencies for privatized correctional and detention facilities. A deterioration in the demand for privatized correctional and detention facilities or a worsening in Wackenhut Corrections' relationships with governmental entities or the terms upon which Wackenhut Corrections operates correctional and detention facilities, may adversely affect Wackenhut Corrections' business. Neither the Company nor Wackenhut Corrections has any control over whether governmental agencies will contract for private prison services.

Limited Contract Duration

Correctional and detention facility management contracts typically have terms ranging from one to five years, which terms are shorter than the Leases, and generally contain one or more renewal options for terms ranging from one to five years. Only the contracting governmental agency may exercise a renewal option and no assurance can be given that any agency will exercise a renewal option in the future. Additionally, the contracting governmental agency typically may terminate a facility contract without cause by giving adequate written notice. Each of the Facilities is operated by Wackenhut Corrections pursuant to an agreement with the relevant governmental entity, and therefore there can be no assurance that contracts with the governmental entity will not be terminated in the event that Wackenhut Corrections is evicted for failure to make timely payment of rent to the Company. In such event the Company would be required to retain a replacement lessee to lease the subject Facility. The Company's ability to attract a replacement lessee will be dependent on the willingness of the government entity to contract with the replacement lessee for correctional and detention facility services. Even if a replacement lessee is identified and willing to lease the Facility, no assurance can be given that the rental rate under the replacement lease will equal the rental rate payable to the Company under the lease with Wackenhut Corrections.

Reliance Upon Government Appropriations for Payment Under Awarded Contracts

Correctional and detention facility management contracts are subject to either annual or bi-annual governmental 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 facility

operator. In addition, even if funds are appropriated, delays in payments may occur which could negatively affect the lessee's cash flow. Furthermore, the termination of a management contract by any government entity may adversely affect Wackenhut Corrections' ability to make lease payments to the Company.

Governmental Regulation: Oversight, Audits and Investigations

The correctional and detention business is highly regulated by a variety of governmental authorities which continuously oversee correctional and detention business and operations. For example, the contracting agency typically assigns full-time, on-site personnel to a facility to monitor the facility operator's compliance with contract terms and applicable regulations. Failure to comply with contract terms or regulations could expose a facility operator to substantial penalties, including the loss of a management contract. In addition, changes in existing regulations could require the facility operator to modify substantially the manner in which it conducts business and, therefore, could have a material adverse effect on the facility operator. Additionally, facility management contracts give the contracting agency the right to conduct routine audits of the facilities and operations. An audit involves a governmental agency's review of the facility operator's compliance with the prescribed policies and procedures established with respect to the facility. The facility operator also may be subject to investigations as a result of an audit, an inmate's complaint or other causes.

Possible Fluctuations in Occupancy Levels

A substantial portion of a correctional facility operator's revenues are generated under facility management contracts that specify a net rate per day per inmate (the "Per Diem Rate") based upon occupancy levels (some facility management contracts provide for guaranteed minimum occupancy levels), while a substantial portion of the facility operator's cost structure is fixed. Under a Per Diem Rate structure, a decrease in occupancy rates could cause a decrease in revenues and profitability. A facility operator is, therefore, dependent on government agencies supplying the facilities with a sufficient number of inmates to meet the facilities' design capacities. A failure to do so may cause the facility operator to forgo revenues and income or delay recognition of revenues and income to later periods. Any delay in the receipt of revenues from a government entity may adversely affect a facility operator's ability to make rent payments to the Company.

Limited Acceptance of Private Prison Operation

Management of correctional and detention facilities by private entities has not achieved complete acceptance by either governmental entities or the public. Some sectors of the federal government and some state governments are legally unable to delegate their traditional management responsibilities for correctional and detention facilities to private companies. The operation of correctional and detention facilities by private entities is a relatively new concept, is not widely understood by the public and has encountered resistance from certain groups, such as labor unions, local sheriff's departments and groups that believe correctional and detention facility operations should only be conducted by governmental entities. Such resistance may cause a change in government and public acceptance of privatized correctional and detention facilities. In addition, changes in dominant political parties in any of the markets in which a facility operator provides services could result in significant changes to previously established views of privatization in such markets. If any such events were to materialize, the number of suitable investments which are available to the Company could be substantially reduced.

Community Opposition to Facility Location and Adverse Publicity

A facility operator's success in obtaining new awards and contracts may depend in part upon its ability to locate land that can be leased or acquired on economically favorable terms by the facility operator or other entities working with the facility operator in conjunction with the facility operator's proposal to construct and/or operate 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. A facility operator's business is subject to public scrutiny. As a result, in addition to possible negative publicity about privatization in general, an escape, riot or other disturbance at any privately-managed facility may result in publicity adverse to the facility operator and the industry in general, which could adversely affect the facility operator's

business, including the renewal of the governmental entity's contract and the availability of suitable investment opportunities.

Potential Legal Proceedings

As an owner of real property, the Company may be subject to certain proceedings relating to personal injury of persons occurring at the Facilities. The Company may be held responsible under state laws for claims based on personal injury or property damage despite contractual provisions in its leases with Wackenhut Corrections and other operators providing for indemnity against such claims. Each of the foregoing factors, among others, either individually or collectively, could adversely affect a private prison operator's or governmental entity's ability to generate revenues or make lease payments to the Company, which may, therefore, affect the Company's ability to make expected distributions to its shareholders.

REAL ESTATE INVESTMENT RISKS

General

Investments in the Initial Facilities and any additional correctional and detention facilities in which the Company may invest in the future are subject to risks typically associated with investments in real estate. Such risks include the possibility that the Initial Facilities and, if acquired, the Option Facilities and Future Facilities will generate total rental rates lower than those anticipated or will yield returns lower than those available through investment in comparable real estate or other investments. Revenue from the Initial Facilities and, if acquired, the Option Facilities and Future Facilities, and yields from investments in such facilities may be affected by many factors, including changes in government regulation, general or local economic conditions, the available local supply of prison beds and a decrease in the need for prison beds.

Valuation and Liquidity Risks

Real estate investments are relatively illiquid. The ability of the Company to vary its portfolio in response to changes in economic and other conditions will be limited. Because management believes it is appropriate to value the Company as an ongoing business rather than through liquidation values of the Company or the Facilities, the valuation of the Company has been determined primarily based upon a capitalization of the Company's estimated Cash Available for Distribution and other factors discussed under "Underwriting," rather than on the basis of each Facility's cost or appraised value. See "Underwriting." If the Company must sell an investment, there can be no assurance that the Company will be able to dispose of it in the time period it desires or that the sale price of any investment will recoup or exceed the amount of the Company's investment.

Acquisition and Expansion Risks

The Company intends to pursue acquisitions of additional correctional and detention facilities and, under appropriate circumstances, may pursue expansion of existing facilities. Acquisitions entail risks that investments will fail to perform in accordance with expectations and that estimates of the cost of improvements necessary to acquire such facilities will prove inaccurate, as well as general investment risks associated with any new real estate investment. New project development is subject to numerous risks, including risks of construction delays or cost overruns that may increase project costs, new project commencement risks such as receipt of zoning, occupancy and other required governmental approvals and permits and the incurrence of development costs in connection with projects that are not pursued to completion. The fact that the Company must distribute 95.0% of REIT taxable income in order to maintain its qualification as a REIT may limit the Company's ability to rely upon lease income from the Initial Facilities or, if acquired, the Option Facilities or the Future Facilities to finance acquisitions or new developments. As a result, if debt or equity financing were not available on acceptable terms, further acquisition or development activities might be curtailed or Cash Available for Distribution might be adversely affected.

Environmental Matters

Operating costs may be affected by the obligation to pay for the cost of complying with existing environmental laws, ordinances and regulations, as well as the cost of future legislation. Under various federal, state and local environmental laws, ordinances and regulations, a current or previous owner or operator of real property may be liable for the costs of removal or remediation of hazardous or toxic substances on, under or in such property. Such laws often impose liability whether or not the owner or operator knew of, or was responsible for, the presence of such hazardous or toxic substances. The cost of complying with environmental laws could materially adversely affect Cash Available for Distribution. Phase I environmental assessments have been obtained for each of the Initial Facilities and Option Facilities, with the exception of the Aurora Facility, the Queens Facility and the Karnes Facility. A satisfactory Phase I environment assessment will, however, be obtained for each such facility prior to the Company's acquisition of any of these facilities. The purpose of a Phase I environmental assessment is to identify potential environmental contamination that is made apparent from historical reviews of facilities, review of certain public records, visual investigations of the sites and surrounding properties, toxic substances and underground storage tanks. The Phase I environmental assessment reports which have been obtained to date have not revealed any environmental contamination that the Company believes would have a material adverse effect on the Company's business, assets, results of operations or liquidity, nor is the Company aware of any such liability. Nevertheless, it is possible that these reports do not reveal all environmental liabilities or that there are material environmental liabilities of which the Company is unaware. In addition, environmental conditions on properties owned by the Company may affect the operation or expansion of facilities located on the properties.

Uninsured Losses

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

LIMITATIONS ON THE OPERATIONAL FLEXIBILITY OF THE COMPANY

Wackenhut Corrections will have a right of first refusal in the event the Company obtains an acceptable third party offer to acquire an interest in any of the Facilities. Pursuant to such right, prior to selling any interest in any Facility, the Company must first offer to sell such Facility to Wackenhut Corrections on the same terms and conditions contained in such third party offer. If Wackenhut Corrections declines to purchase the Facility on such terms and conditions, the Company will be free to sell such Facility for a specified period of time on terms and conditions substantially consistent with those offered to Wackenhut Corrections. No assurance can be given that Wackenhut Corrections' right of first refusal will not have an adverse effect on the Company's ability to resell the Facilities from time to time in the future or the sales price the Company obtains for such facilities.

RISKS RELATED TO DISTRIBUTION POLICY

The Company's estimated initial annual distribution rate to shareholders is 91.8% of the Company's estimated Cash Available for Distribution. See "Distributions." The Company's success in implementing its distribution policy will depend significantly on the Company's ability to acquire additional facilities at attractive prices. Internal growth through increases in revenues from the Facilities is not expected to provide as much growth in Cash Available for Distribution as will the acquisition, development or expansion of

additional facilities. There can be no assurance that Wackenhut Corrections or other entities engaged in the private correctional and detention industry will develop or acquire additional facilities to transfer to the Company. See "Risk Factors -- Privatized Corrections Industry Risks." If the Company is unable to acquire additional facilities from such entities at attractive prices, the Company's ability to increase revenues and maintain or increase Cash Available for Distribution per share may be adversely affected. Should actual Cash Available for Distribution be less than estimated Cash Available for Distribution, the Company may not be able to achieve and maintain its proposed initial distribution rate. Any such failure to make expected distributions could result in a decrease in the market price of the Common Shares.

RISKS ASSOCIATED WITH PERMITTED SUBLEASES

The provisions of certain existing operating agreements between Wackenhut Corrections and the respective contracting governmental entities afford the governmental entity the right to assume the lease of the subject facility (or designate another facility operator to assume the lease of such facility) at a fixed rental rate in the event of the early termination of the operating agreement or upon the occurrence of certain events. In such instances, Wackenhut Corrections has entered into a sublease for the subject Facility (each, a "Sublease" and collectively, the "Subleases") with WCC RE Holdings, Inc. ("WCCRE Inc."), a wholly-owned subsidiary of Wackenhut Corrections and the predecessor of WCCRE LLC. The contracting governmental entity has the right to assume such Sublease on early termination of the operating agreement for the relevant Facility. In such cases, Wackenhut Corrections will remain primarily liable to the Company under the Leases. In connection with the Formation Transactions, such Subleases will be in effect with respect to the Broward Facility, the Desert View Facility, the Central Valley Facility and the McFarland Facility, each an Initial Facility, and the Michigan Facility, an Option Facility. The Company has agreed, as part of the Formation Transactions, to recognize and leave undisturbed the rights of the governmental entities under the Subleases with respect to the foregoing Facilities. The terms and provisions of any such Subleases for Future Facilities must be acceptable to the Company. However, no assurance can be given that Wackenhut Corrections will not default under the Leases, in which event the Company would be obligated to continue to lease the relevant facility to the governmental entity (or its designated replacement operator) under the terms of the Subleases for rental payments which may be less than the rental payable to the Company under the Leases. In the case of the Subleases in effect with respect to the Initial Facilities and Option Facilities, the aggregate amount by which the annual rent payable under the Subleases would be less than the annual rent payable under the Leases for the year 2007 would be approximately \$950,000, assuming a Base Rent Escalation of 4%.

The provisions of the Sublease between Wackenhut Corrections and the State of Michigan with respect to the Michigan Facility provides the State with the option to purchase the Facility at any time after the first five years of the term at a price equal to the replacement cost less depreciation, which may be less than the fair market value of such facility at the time such option is exercised. Wackenhut Corrections will agree in the Lease for this Facility that in the event the purchase option is exercised and the purchase price paid by the State of Michigan is less than the net book value of the Michigan Facility, as shown on the Company's books and records, then Wackenhut Corrections will pay the shortfall to the Company. There can be no assurance as to the amount, if any, of any shortfall or that Wackenhut Corrections will, at the time of exercise, have the funds necessary to pay such shortfall to the Company.

TAX RISKS

Failure of Company to Qualify as a REIT

The Company intends to operate so as to qualify as a REIT under the Code. A REIT generally is not taxed at the corporate level on income it currently distributes to its shareholders. Although the Company believes that it will be so organized and will operate in such a manner, no assurance can be given that the Company will qualify or remain qualified as a REIT. Qualification as a REIT involves the application of highly technical and complex Code provisions for which there are only limited judicial or administrative interpretations. The determination of various factual matters and circumstances not entirely within the

Company's control may affect its ability to qualify as a REIT. In addition, no assurance can be given that legislation, new regulations, administrative interpretations or court decisions will not significantly change the tax laws with respect to qualification as a REIT or the federal income tax consequences of such qualification and such changes could have a retroactive effect. The Company is relying on the opinion of its legal counsel, Akerman, Senterfitt & Eidson, P.A., to the effect that, based upon various assumptions relating to the organization and operation of the Company and representations made by the Company as to certain factual matters, the Company's proposed method of operation will enable it to meet the requirements for qualification and taxation as a REIT. However, such opinion is not binding on the IRS or any court.

If the Company were to fail to qualify as a REIT in any taxable year, the Company would not be allowed a deduction for distributions to shareholders in computing taxable income and would be subject to federal income tax (including any applicable alternative minimum tax) on its taxable income at regular corporate rates. Unless entitled to relief under certain statutory provisions, the Company would also be disqualified from treatment as a REIT for the four taxable years following the year during which qualification was lost. As a result, the Cash Available for Distribution to the Company's shareholders would be reduced for each of the years involved. In addition, to the extent that distributions to shareholders were made in anticipation of the Company's continued qualification as a REIT, the Company might be required to borrow funds or liquidate certain of its assets to pay the applicable corporate income tax (and interest thereon plus the amount, if any, of penalties) arising from the Company's failure to maintain its status as a REIT. Although the Company currently intends to operate in a manner designed to qualify as a REIT, it is possible that future economic, market, legal or tax considerations may cause the Company to fail to qualify as a REIT or may cause the Board of Trustees to revoke the REIT election if the Board of Trustees and the holders of two-thirds of all outstanding shares of beneficial interest of the Company determine that such factors make it no longer beneficial to qualify as a REIT. See "Policies and Objectives with Respect to Certain Activities" and "Material Federal Income Tax Considerations."

Adverse Effects of REIT Minimum Distribution Requirements

To obtain the favorable tax treatment accorded to REITs under the Code, the Company generally will be required each year to distribute to its shareholders at least 95% of its REIT taxable income. The Company will be subject to income tax on any undistributed REIT taxable income and net capital gain, and to a 4.0% nondeductible excise tax on the amount, if any, by which certain distributions paid by it with respect to any calendar year are less than the sum of (i) 85.0% of its ordinary income for the calendar year, (ii) 95.0% of its capital gain net income for such year, and (iii) 100.0% of its undistributed income from prior years.

The Company intends to make distributions to its shareholders to comply with the distribution provisions of the Code and to avoid federal income taxes and the nondeductible 4.0% excise tax. The Company's income will consist primarily of the Company's share of the income of the Operating Partnership, and the Company's cash flow will consist primarily of its share of distributions from the Operating Partnership. Differences in timing between the receipt of income and the payment of expenses in arriving at taxable income (of the Company or the Operating Partnership) and the effect of nondeductible capital expenditures, the creation of reserves or required debt amortization payments could require the Company to borrow funds through the Operating Partnership on a short-term or long-term basis to meet the distribution requirements that are necessary to continue to qualify as a REIT. In such circumstances, the Company might need to borrow funds to avoid adverse tax consequences even if management believes that the then prevailing market conditions generally are not favorable for such borrowings or that such borrowings are not advisable in the absence of such tax considerations.

The Company, as general partner of the Operating Partnership, shall cause the Operating Partnership to declare and pay quarterly, or more frequently as determined by the Company, to its partners, including the Company, distributions of Cash Available for Distribution of the Operating Partnership most of which the Company intends to distribute to its shareholders. Such distributions will be dependent on a number of factors, including the amount of the Operating Partnership's Cash Available for Distribution, the Operating Partnership's financial condition, any decision by the Company, as general partner, to reinvest funds rather than to distribute such funds, the Operating Partnership's capital expenditure requirements, the annual distribution requirements under the REIT provisions of the Code and such other factors as the trustees deem

relevant. There is no assurance that the Company will be able to continue to satisfy the annual distribution requirement so as to qualify as a REIT. See "Material Federal Income Tax Considerations -- Taxation of the Company as a REIT -- Requirements for Qualification."

Consequences of Failure to Qualify as a Partnership

If the IRS were to challenge successfully the status of the Operating Partnership as a partnership for federal income tax purposes, the Operating Partnership would be taxable as a corporation. In such event, the Company would cease to qualify as REIT for federal income tax purposes. The imposition of a corporate tax on the Operating Partnership, with a concomitant loss of REIT status of the Company, would reduce substantially the amount of Cash Available for Distribution. The Company is relying on the opinion of Akerman, Senterfitt & Eidson, P.A. that, based upon various assumptions relating to the organization and operation of the Operating Partnership and representations made by the Company as to certain factual matters, the Operating Partnership will not be taxable as a corporation. However, such opinion is not binding on the IRS or any court. Moreover, there is no assurance that the Operating Partnership will not become taxable as a corporation in the future whether by reason of a change in factual matters or circumstances from those assumed as of the Offering or a change in the tax laws by reason of legislation, new regulations, IRS administrative interpretations or court decisions. See "Material Federal Income Tax Considerations -- Tax Aspects of the Operating Partnership."

LIMITED OPERATING HISTORY OF THE FACILITIES

Each of the Facilities has a limited operating history. Accordingly, the acquisition of the Initial Facilities and, if acquired, the Option Facilities and the Future Facilities will be subject to general investment risks associated with new real estate investments, including the risk that such real estate investments may fail to perform in accordance with expectations.

LACK OF OPERATING HISTORY OF THE COMPANY

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

CHANGES IN INVESTMENT AND FINANCING POLICIES WITHOUT VOTE OF SHAREHOLDERS

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

NO PRIOR MARKET FOR COMMON SHARES; FACTORS AFFECTING MARKET PRICE

Prior to the Offering, there has been no public market for the Common Shares. Although application will be made to list the Common Shares on the NYSE, there can be no assurance that an active trading market will develop or be sustained or that the Common Shares may be resold at or above the Offering Price. The Offering Price will be determined through negotiations between the Company and the Underwriters and may not be indicative of the market price for the Common Shares after the Offering. See "Underwriting."

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

Moreover, the price of the Common Shares in public markets may be affected by the amount of the annual distributions paid by the Company relative to the price paid for the Common Shares.

DEBT RISKS

Dependence on and Adverse Consequences of Debt

The Company intends to pursue a growth strategy which includes acquiring correctional and detention facilities. Since substantially all of the net proceeds from the Offering will be used to fund the purchase of the Initial Facilities, there is no assurance that adequate funds will be available for the acquisition of the Option Facilities or the Future Facilities. In this regard, there is a risk that the Company will not have access to sufficient debt or equity capital it may need to pursue its acquisition strategy. The Company may need access to debt or equity capital for several reasons. First, the Company generally cannot retain cash generated by operating activities. See "Material Federal Income Tax Considerations." Second, the current Debt Policy of the Company is to maintain a ratio of total consolidated indebtedness to total market capitalization plus total consolidated debt (determined at the time the borrowing occurs) of 50% or less. The Company believes that the Debt Policy balances the Company's desire for growth with a prudent capital structure. See "Policies and Objectives with Respect to Certain Activities -- Financing Policies." The Company's organizational documents, however, do not contain any limitation on the amount or percentage of indebtedness the Company may incur, and the Board of Trustees could alter or eliminate the current Debt Policy. If the Debt Policy were changed or eliminated, the Company could become more highly leveraged, resulting in an increase in debt service, which could adversely affect the Company's Cash Available for Distribution and its ability to make expected distributions to its shareholders and result in an increased risk of default on the Company's obligations. The Company expects to enter into the Bank Credit Facility following the Offering. The Company may, from time to time, incur indebtedness under the Bank Credit Facility to acquire any or all of the Option Facilities or Future Facilities. Accordingly, since the Company generally cannot retain earnings, and the amount of debt that it can incur is limited by the Debt Policy, the Company's ability to continue making acquisitions will depend primarily on its ability to obtain additional private or public equity financing. There is no assurance that such financing will be available.

The Company expects that it will raise additional funds for its future operations through debt financing. As a result of incurring debt, the Company will be subject to the risks normally associated with debt financing, including the risk that the Company's Funds from Operations (as hereinafter defined) will be insufficient to meet required payments of principal and interest or that Cash Available for Distribution may decrease. In addition, the Company will be subject to the risk that interest rates may increase, which could adversely affect its ability to make distributions. If a Facility is mortgaged to secure payment of indebtedness, and the Company is unable to meet mortgage payments, the Facility could be transferred to the mortgagee with a consequent loss of income and asset value to the Company. See "Policies and Objectives With Respect to Certain Activities -- Financing Policies."

Risks of Leverage; No Limitation on Indebtedness

The Company may, from time to time, incur debt under the Bank Credit Facility. If such debt is incurred there can be no assurances that the Company will be able to meet its debt service obligations and, to the extent that it cannot, the Company risks the loss of some or all of its assets, including any Facilities that secure the Bank Credit Facility or other indebtedness, to foreclosure. Economic conditions could result in higher interest rates, which could increase debt service requirements on variable rate debt, such as the Bank Credit Facility, and could reduce the amount of Cash Available for Distribution. Adverse economic conditions could cause the terms on which borrowings become available to the Company to be unfavorable. In such circumstances, if the Company is in need of capital to repay indebtedness in accordance with its terms or otherwise, it could be required to liquidate one or more investments in certain of the Facilities, which may result in a financial loss to the Company.

POTENTIAL ANTI-TAKEOVER EFFECT OF CERTAIN PROVISIONS OF
MARYLAND LAW AND THE COMPANY'S DECLARATION OF TRUST AND BYLAWS

Certain provisions of Maryland law and of the Company's Declaration of Trust as will be amended and restated prior to the consummation of the Offering (the "Declaration of Trust") and the Company's Bylaws as will be amended and restated prior to the consummation of the Offering (the "Bylaws") may have the effect of discouraging a third party from making an acquisition proposal for the Company and could delay, defer or prevent a transaction or a change in control of the Company under circumstances that could give the holders of Common Shares the opportunity to realize a premium over the then prevailing market prices of the Common Shares. Such provisions include the following:

Ownership Limit Necessary to Maintain REIT Qualification.

In order for the Company to maintain its qualification as a REIT, not more than 50% in value of the Company's outstanding shares may be owned, actually or constructively, under the applicable attribution rules of the Code, by five or fewer individuals (as defined in the Code) at any time during the last half of any taxable year, other than the first taxable year for which the election to be taxed as a REIT has been made. Furthermore, if any shareholder or group of shareholders of Wackenhut Corrections owns, actually, indirectly or constructively 10% or more in value of any class or series of capital stock of the Company (including the Common Shares), Wackenhut Corrections could become a Related Party Tenant (as defined in "Material Federal Income Tax Considerations -- Taxation of the Company as a REIT -- Income Tests") of the Company, which would result in loss of REIT status for the Company. In order to protect the Company against the risk of losing REIT status due to the concentration of ownership among its shareholders, the Ownership Limit contained in the Declaration of Trust will limit direct, indirect or constructive ownership (taking into account applicable ownership provisions of the Code) of more than 9.8% of any class or series of the Company's capital stock (including the Common Shares) by any person, subject to certain limited exceptions. See "Description of Capital Shares -- Restrictions on Ownership." The Board of Trustees could waive this restriction with respect to a particular shareholder if it were satisfied, based upon the advice of tax counsel and other terms or conditions the Board of Trustees deems necessary or advisable, that ownership by such shareholder in excess of the Ownership Limits would not jeopardize the Company's status as a REIT and the Board of Trustees otherwise decided such action would be in the best interests of the Company. Actual or constructive ownership of Common Shares in excess of the Ownership Limits will cause the violative transfer or ownership to be void with respect to the transferee or owner as to that number of shares in excess of the Ownership Limits and such shares will be automatically transferred to a trust for the benefit of a person to whom an interest in the Common Shares may be permissibly transferred. Such transferee shall have no right to vote such shares or be entitled to distributions with respect to such shares.

Super-Majority Vote of Trustees

The Company's Bylaws will provide that a two-thirds vote of the Board of Trustees shall be required to approve each of the following transactions: (i) any transaction or series of transactions which result in (x) any person or group acquiring 20% or more of the voting power of the Company's securities (including, without limitation, the voting power of the Common Shares) or (y) the owners of the voting power of the Company's securities (including, without limitation, the voting power of the Common Shares) immediately prior to such transaction(s) will own less than 80% of such voting power after giving effect to such transaction(s); (ii) any amendment to the Declaration of Trust or the Bylaws; (iii) any waiver or modification of the Company's prohibition of any person or entity owning 9.8% of any class or series of the Company's capital stock (including the Common Shares); and (iv) certain issuances of the Company's capital stock. The fact that the trustees of the Company that are also directors, officers, employees of, or other persons who have a material financial interest in, Wackenhut Corrections have the power to veto a change of control of the Company could delay, defer or prevent a transaction that might involve the receipt of a premium price for the Common Shares or otherwise be in the best interests of the Company's shareholders.

Preferred Shares

Pursuant to the Declaration of Trust the Board of Trustees is authorized without the approval of the shareholders to issue up to 50,000,000 Preferred Shares and to classify any unissued Preferred Shares and establish the preferences, rights, and other terms of such shares (including the right to vote and the right to convert into Common Shares) of any shares so issued. See "Description of Capital Shares." Prior to the issuance of any such shares, the Board of Trustees is required to set, subject to the provisions of the Declaration of Trust regarding restrictions on transfers of shares, the terms, preferences, conversion or other rights, voting powers, restrictions, limitations as to dividends or other distributions, qualifications and terms or conditions of redemption of the shares. The Board of Trustees could, but has no present plans to, establish a series of preferred shares that could have the effect of delaying, deferring or preventing a tender offer or a change in control of the Company that might involve a premium price of the Common Shares or otherwise be in the best interests of the shareholders. The Board of Trustees has the power, without shareholder approval, to classify and reclassify any previously classified but unissued shares of the Company of any class or series from time to time.

Staggered Board

The Board of Trustees will be divided into three classes of trustees as nearly equal in size as practicable. The initial terms of the first, second and third classes will expire in 1999, 2000 and 2001, respectively. Trustees of each class will be chosen for three-year terms upon the expiration of the current class terms, and, beginning in 1999 and each year thereafter, one class of trustees will be elected by the shareholders. A trustee may be removed, with or without cause, by the affirmative vote of two-thirds of the votes entitled to be cast for the election of trustees, which super-majority vote may have the effect of delaying, deferring or preventing a change of control of the Company. The staggered terms of trustees may reduce the possibility of a tender offer or an attempt to change control of the Company even though a tender offer or change in control might be in the best interests of the shareholders. See "Certain Provisions of Maryland Law and of the Company's Declaration of Trust and Bylaws -- Staggered Board of Trustees."

Maryland Business Combination Law

Under the Maryland General Corporation Law, as may be amended from time to time (the "MGCL"), and as applicable to Maryland REITs, certain "business combinations" (including certain issuances of equity securities) between a Maryland REIT, such as the Company, and any person who, at any time within the two year period of the date in question, was the beneficial owner of 10% or more of the voting power of the REIT's shares (an "Interested Shareholder") or an affiliate thereof, are prohibited for five years after the most recent date on which the Interested Shareholder became an Interested Shareholder. Thereafter, any such business combination must be approved by two super-majority votes of the holders of Common Shares unless, among other conditions, the holders of Common Shares receive a minimum price (as defined in the MGCL) for their shares and the consideration is received in cash or in the same form as previously paid by the Interested Shareholder for its shares. See "Certain Provisions of Maryland Law and of the Company's Declaration of Trust and Bylaws -- Business Combinations Law."

Maryland Control Share Acquisition Statute

In addition to certain provisions of the Declaration of Trust, the Maryland control share acquisition statute, as applicable to Maryland REITs, may have the effect of discouraging a third party from making an acquisition proposal for the Company. The MGCL provides that Control Shares (as hereinafter defined) of a Maryland REIT acquired in a Control Share Acquisition (as hereinafter defined) have no voting rights except to the extent approved by a vote of two-thirds of the votes eligible under the statute to be cast on the matter. Control Shares are voting shares, which, if aggregated with all other such shares previously acquired by the acquiror or in respect of which the acquiror is able to exercise or direct the exercise of voting power (except solely by virtue of a revocable proxy), would entitle the acquiror to exercise voting power in electing trustees within one of the following ranges of voting power: (i) one-fifth or more but less than one-third, (ii) one-third or more but less than a majority, or (iii) a majority of all voting power. Control Shares do not include shares

that the acquiring person is then entitled to vote as a result of having previously obtained shareholder approval. A Control Share Acquisition means the acquisition of Control Shares, subject to certain exceptions. If voting rights are not approved at a meeting of shareholders then, subject to certain conditions and limitations, the issuer may redeem any or all of the Control Shares (except those for which voting rights have previously been approved) for fair value. If voting rights for Control Shares are approved at a shareholders' meeting and the acquiror becomes entitled to vote a majority of the shares entitled to vote, all other shareholders may exercise appraisal rights. The fair value of the shares as determined for purposes of such appraisal rights may not be less than the highest price per share paid by the acquiror in the Control Share Acquisition. A Control Share Acquisition could, therefore, be impeded and the attempt of any such transaction could be discouraged even if it were in the best interest of the Company's shareholders. The Company has opted out of the control share provisions of the MGCL, as applicable to Maryland REITs, in its Bylaws, but the Board of Trustees may, without shareholder approval, elect for the Company to become subject to these provisions of the MGCL in the future.

DEPENDENCE ON KEY PERSONNEL

The Company is dependent on the efforts of its trustees and executive officers. In particular, the Company expects to utilize the industry knowledge, experience and contacts of Dr. George C. Zoley, Chairman of the Company, and Charles R. Jones, President and Chief Executive Officer and a Trustee of the Company. The loss of the services of either of these individuals could have a material adverse effect on the Company. Specifically, if the Company were to lose the services of either Dr. Zoley or Mr. Jones, it would lose the benefit of their extensive knowledge of, and experience in, the correctional and detention industry.

ERISA RISKS

Depending upon the particular circumstances of the plan, an investment in the Common Shares may not be an appropriate investment for an employee benefit plan subject to Title I of ERISA (as hereinafter defined) plan, a qualified plan or individual retirement accounts and individual retirement annuities (collectively, "IRAs"). In deciding whether to purchase Common Shares, a fiduciary of a plan subject to Title I of ERISA, in consultation with its advisors, should carefully consider its fiduciary responsibilities under ERISA, the prohibited transaction rules of ERISA and the Code, and the effect of the "plan asset" regulations issued by the U.S. Department of Labor. In addition, the fiduciary of an IRA or of a qualified plan not subject to Title I of ERISA (e.g., a governmental or church plan) should consider, in consultation with its advisors, the application of the prohibited transaction provisions of the Code and the types of investments that are authorized by the appropriate governing documents and/or applicable state law. See "ERISA Considerations."

ADVERSE EFFECT OF INCREASE IN INTEREST RATES ON PRICE OF COMMON SHARES

One of the factors that may influence the price of the Common Shares in public trading markets will be the annual yield from distributions by the Company on the Common Shares as compared to yields on certain financial instruments. Thus, an increase in market interest rates will result in higher yields on certain financial instruments, which could adversely affect the market price of the Common Shares.

THE COMPANY

GENERAL

The Company was formed to acquire correctional and detention facilities and to capitalize on the growing trend toward privatization in the corrections industry. The Company has established a strategic alliance with Wackenhut Corrections, a leading domestic and international developer and operator of privatized correctional and detention facilities, which the Company believes will provide access to acquisition opportunities in the industry. The principal business strategy of the Company is to acquire correctional and detention facilities from both private prison operators and government entities and to lease such facilities under long-term, non-cancelable triple net leases to experienced correctional and detention facility operators. The Company intends to operate as a REIT, and will be one of only two publicly-traded REITs which focus on the acquisition and ownership of correctional and detention facilities.

Upon consummation of the Offering, the Company will acquire each of the eight Initial Facilities currently operated by Wackenhut Corrections for the applicable Initial Facility Purchase Price thereof. The Initial Facilities are located in five states and have an aggregate design capacity of 3,154 beds. The Company will also have the option to acquire the three additional Option Facilities which are currently under development by Wackenhut Corrections during the applicable Option Facility Option Period for the applicable Option Facility Purchase Price. The Option Facilities are located in three states and are expected to have an aggregate design capacity of 2,256 beds. In addition, the Company will have the right, subject to certain limited exceptions, for a period of 15 years from the consummation of the Offering to acquire each of the Future Facilities during the applicable Future Facility Option Period for the applicable Future Facility Purchase Price.

In order to qualify as a REIT, the Company may not operate correctional and detention facilities. As a result, the Company will lease each of these facilities to Wackenhut Corrections pursuant to the Leases which will require Wackenhut Corrections to pay all operating expenses, taxes, insurance and other costs. Each of the Leases will provide for an initial term of 10 years and may generally be extended by Wackenhut Corrections for three additional five-year terms at fair market rental rates to be mutually agreed upon by the Company and Wackenhut Corrections or, in the absence of such an agreement, as determined by binding arbitration. The Leases provide for a base rent equal to 9.5% of the Initial Facility Purchase Price or the Option Facility Purchase Price, as applicable, and annual rent escalations equal to the Base Rent Escalation.

While the Company intends to initially focus its acquisition activities on facilities that are owned and operated by Wackenhut Corrections, the Company may also pursue other opportunities, including acquisitions and leasebacks of, or financings for, correctional and detention facilities owned and operated by various governmental entities and private operators other than Wackenhut Corrections. Management believes that the privatized corrections industry has the potential for substantial growth in the United States due to increases in the inmate population, decreases in the availability of public funding for new correctional and detention facilities and a growing acceptance of the trend toward privatization in the corrections industry. Management believes that recent statistics illustrate this trend. According to the Bureau of Justice Statistics, the inmate population in federal, state and local facilities in the United States has grown from 501,886 in 1980 to 1,646,020 in 1996, representing an increase of approximately 228%. In addition, according to the Privatization Reports, as of December 31, 1996, state prison systems reported operating at approximately 16% to 24% overcapacity and the federal corrections system reported operating at approximately 25% overcapacity resulting in an increase in the number of beds under management or construction at secure adult privatized correction and detention facilities in the United States during 1996 from 57,609 to 77,584, representing an increase of approximately 35%. In addition, according to the Privatization Reports, the number of beds under private management in the United States is estimated to be 276,455 by the year 2001, representing an increase of approximately 256% from 1996. The Company believes that it is well-positioned to capitalize on these favorable industry fundamentals due to (i) the industry knowledge experience and contacts of members of its Board of Trustees and management team, (ii) its strategic alliance with Wackenhut Corrections, and (iii) its access to capital as a publicly-traded company.

The Company is managed by an experienced Board of Trustees and management team, including Dr. George C. Zoley, Chairman of the Company and Vice Chairman and Chief Executive Officer of Wackenhut Corrections and Charles R. Jones, President and Chief Executive Officer of the Company. Dr. Zoley and Mr. Jones have 14 and 9 years experience, respectively, in the privatized corrections industry. Wackenhut Corrections was founded in 1984 by Dr. Zoley as a division of The Wackenhut Corporation to capitalize on emerging opportunities in the private corrections industry. According to the Privatization Reports, as of December 31, 1996, Wackenhut Corrections is, based upon the number of beds under management, the second largest provider of privatized correctional and detention services in the United States and the largest provider of such services abroad. Upon consummation of the Offering, the trustees and officers of the Company and the directors and officers of Wackenhut Corrections and its affiliates will collectively own, or have options to acquire, 8.7% of the issued and outstanding Common Shares.

Following the consummation of the Offering, the Company expects to establish a \$75 million Bank Credit Facility which may be used to finance the acquisition of additional correctional and detention facilities, (including the Option Facilities and the Future Facilities), the expansion of existing facilities and for working capital requirements. Upon consummation of the Offering, the Company will have no outstanding indebtedness. The Company believes that its lack of indebtedness, coupled with the available financing through the Bank Credit Facility, will provide it with significant financial resources to pursue correctional and detention facility acquisition and expansion opportunities, including the acquisition of some or all of the Option Facilities.

The Company was formed as a Maryland real estate investment trust on February 18, 1998. The Company's principal executive offices are located at, and its mailing address is, 4200 Wackenhut Drive, Palm Beach Gardens, Florida 33410-4243. The Company's telephone number is (561) 691-6624.

BUSINESS AND GROWTH STRATEGIES

The Company's primary business objectives are to maximize current returns to shareholders through increases in Cash Available for Distribution and to increase long-term total returns to shareholders through appreciation in the value of the Common Shares. The Company intends to achieve these objectives by (i) pursuing investment opportunities with private prison operators and governmental entities for the acquisition of correctional and detention facilities, (ii) working with tenants to identify opportunities to expand existing and newly acquired facilities, and (iii) structuring the Leases to include rent escalation provisions which provide for annual increases in rent.

Acquisition Opportunities

The Company believes that, because of the increasing demand for additional prison beds and the lack of public funds available to finance new facilities, attractive opportunities exist to acquire or develop correctional and detention facilities from or on behalf of private prison owners and operators and various government entities. The Company believes it has a competitive advantage in the acquisition of new correctional and detention facilities due to (i) its strategic alliance with Wackenhut Corrections (which among other things provides the Company the option to acquire any of the Option Facilities, and, with certain limited exceptions, the right to acquire any of the Future Facilities, (ii) the industry knowledge, experience and contacts of its Board of Trustees and management team, and (iii) its access to significant capital resources as a publicly-traded company.

In addition to the possible acquisition of the Option Facilities, the Company intends to acquire from both private prison owners and operators and governmental entities additional correctional and detention facilities that meet its investment guidelines, as described herein. The primary source of private correctional facilities will initially be facilities operated by Wackenhut Corrections. The Company has the right to acquire and lease back to Wackenhut Corrections each of the Future Facilities during the applicable Future Facility Option Period. Notwithstanding Wackenhut Corrections' market share and growth, less than 5% of all adult prison beds in the United States are privately managed. Management believes that as Wackenhut Corrections and the private prison management industry continue to grow, opportunities will exist to acquire additional private correctional facilities from Wackenhut Corrections on attractive terms. See "Risk Factors -- Privatized Corrections Industry Risks."

The Company also believes that attractive opportunities exist to acquire or develop correctional facilities from or on behalf of other private prison owners and operators and various governmental entities. Historically, government entities have used various methods of construction financing to develop new correctional and detention facilities, including but not limited to the following: (i) one-time general revenue appropriations by the government agency for the cost of the new facility, (ii) general obligation bonds that are secured by either a limited or unlimited tax levied by the issuing government entity, or (iii) lease revenue bonds secured by an annual lease payment that is subject to annual or bi-annual legislative appropriation of funds. Many jurisdictions are operating their correctional and detention facilities at well above their rated capacities, and as a result are under federal court order to alleviate prison overcrowding within a certain time period. These jurisdictions are often not in a position to appropriate funds or obtain financing to construct a new correctional or detention facility because of other fiscal demands or requirements for public approval. Accordingly, the Company believes that, in an attempt to address fiscal pressures of matching revenue collections with projected expenses, many such government entities have been and will be forced to consider private ownership with respect to the development of new correctional and detention facilities and sale-leaseback transactions or other financing alternatives with respect to existing correctional and detention facilities. Management believes that such situations will enable the Company to acquire and develop correctional or detention facilities from and on behalf of governmental agencies at all levels, including those which might not be the subject of a private management contract. In pursuing such opportunities, the Company expects to utilize the industry knowledge, experience and contacts of its Board of Trustees and management team. For a discussion of the general investment guidelines and specific criteria which the Company may consider in making a specific investment decision, see "Policies and Objectives with Respect to Certain Activities -- Investment Policies."

Expansion Opportunities

The Company also believes that there are opportunities for selective expansion of its existing correctional facilities which will result in increased cash flows and property values. The Company intends to provide expansion space as needed by its tenants and expects that such expansion of its facilities will result in correspondingly higher rental payments. Wackenhut Corrections has, to date, undertaken expansion of seven of the correctional and detention facilities owned or operated by it, and believes that there are additional opportunities to further expand a number of the Facilities.

Rent Escalations

The Leases provide for a stable source of cash flow and opportunities to participate in future growth in revenues. The base rent for the first year for each Initial Facility is initially set at a fixed amount equal to 9.5% of the Initial Facility Purchase Price. Thereafter, minimum rent will escalate by the Base Rent Escalation, exclusive of any increase in the minimum rent attributable to expansion in the size of or the number of beds in such Facility. However, there can be no assurance that such contractual escalations will be realized due to certain factors, including changing circumstances and the possible renegotiation of the Leases.

THE OPERATING PARTNERSHIP

Upon completion of the Offering, the Company will, directly and indirectly, acquire a 100% interest in the Operating Partnership, a Delaware limited partnership. The Company will hold a 1% general partnership interest and a 98% limited partnership interest in the Operating Partnership. Through CPT LP, a wholly-owned subsidiary, the Company will own a 1% limited partnership interest in the Operating Partnership. Following the completion of the Offering and the Formation Transactions, substantially all of the Company's assets will be held by, and its operations conducted through, the Operating Partnership, which will lease them to Wackenhut Corrections. The Company is the sole general partner of the Operating Partnership and will have the exclusive power under the Partnership Agreement to manage and conduct the business of the Operating Partnership. Limited Partners generally will have only limited consent rights. The Board of Trustees of the Company will manage the affairs of the Company by directing the affairs of the Operating Partnership.

The Company's limited and general partner interests in the Operating Partnership will entitle it to share in cash distributions from, and in the profits and losses of, the Operating Partnership in proportion to the

Company's percentage interest therein and will entitle the Company to vote on substantially all matters requiring a vote of the limited partners. Upon the completion of the Offering, the Company's direct and, through CFT LP, indirect percentage interest will be 100% and evidenced by units of partnership interest which will approximate the number of outstanding Common Shares.

After the completion of the Offering and the Formation Transactions, the Operating Partnership expects to make regular quarterly cash distributions to its partners, including the Company and CFT LP, in proportion to their percentage interests (i.e., the number of Units) in the Operating Partnership. The Company, in turn, will pay cash distributions to its shareholders in an amount per Common Share equal to the amount distributed by the Operating Partnership per Unit.

The Operating Partnership was organized to facilitate the tax-advantaged acquisition of additional correctional and detention facilities from private owners, although the Company has no present plan to acquire any particular facility. In the event the Company undertakes such an acquisition, it is contemplated that the owner of such a facility would become a limited partner in the Operating Partnership and would be issued units of limited partnership interests under the Operating Partnership, representing an equal undivided fractional share of each item of the Operating Partnership's income, gain, and loss and in distribution of the Operating Partnership's assets (the "Units," and the holder thereof, a "Unitholder") therein as the consideration, in whole or in part, for the Unitholder's transfer of the facility to the Operating Partnership. It is also contemplated that the Unitholder would be given the right after a period of time to exchange Units in the Operating Partnership for cash based upon their fair market value or, at the Company's option, for Common Shares on a one-for-one basis. It is also contemplated that substantially all the Company's assets may be owned indirectly through the Operating Partnership so that one Unit in the Operating Partnership would generally correspond economically to one Common Share. In order to accomplish such objective, and while the Company has no present plan to issue Units to a private prison owner, the current structure using the Operating Partnership is being utilized in connection with the Formation Transactions, rather than the Company taking title to the Initial Facilities, in order to avoid in the future a re-transfer of the Initial Facilities to such a partnership, and the incurrence at that time of associated transfer and other costs, which would likely be necessary or advisable in order to offer a private owner a tax-advantaged acquisition vehicle. Currently, the Company and CPT LP are the only partners in the Operating Partnership and possess the power unilaterally to amend and restate the Limited Partnership Agreement. The Company does not intend to use the Operating Partnership (or any Subsidiary Partnership) as a vehicle for tax-advantaged acquisitions unless it receives an opinion of tax counsel to the Company that such use would not result in the disqualification of the Company as a REIT, including an opinion that the Operating Partnership (or any Subsidiary Partnership) would not be treated for federal income tax purposes as an association taxable as a corporation or a publicly-traded partnership.

USE OF PROCEEDS

The net proceeds to the Company from the sale of the Common Shares offered hereby are estimated to be approximately \$113.8 million (\$131.1 million if the Underwriters' over-allotment option is exercised in full) after deduction of the underwriting discounts and commissions and estimated Offering expenses. Such net proceeds will be contributed to the Operating Partnership in exchange for the Company's 100% interest therein. The Operating Partnership will subsequently use the net proceeds received from the Company as follows: (i) approximately \$113.0 million will be used to purchase the eight Initial Facilities, (ii) approximately \$750,000 will be used to pay fees under the Bank Credit Facility, and (iii) the remaining amount (\$29,000) will be used for working capital. If the Underwriters' over-allotment option to purchase 930,000 Common Shares is exercised in full, the Company expects to use the additional net proceeds (which will be approximately \$17.3 million) either for general corporate purposes or for the possible future acquisition of additional correctional or detention facilities consistent with the Company's investment policies, including the Option Facilities and the Future Facilities.

Pending the described uses, the remaining net proceeds may be invested in mutual funds which invest in REITs, short-term investment grade instruments, interest bearing bank accounts, certificates of deposit,

money market securities, U.S. government securities or mortgage-backed securities guaranteed by Federal agencies.

DISTRIBUTIONS

Subsequent to the Offering, the Company intends to pay regular quarterly distributions to its shareholders. The Board of Trustees, in its sole discretion, will determine the actual distribution rate based on the Company's actual results of operations, economic conditions, tax considerations (including those related to REITs) and other factors. The Company's first distribution, for the period from the closing of the Offering through June 30, 1998, is expected to be \$ per Common Share, representing a pro rata distribution of the anticipated regular quarterly distribution of \$.35 per share for a full quarter, which on an annualized basis will represent a distribution of \$1.40 per share, or approximately 7.0% of the Offering Price. The Company does not expect to change its estimated initial distribution per Common Share if the Underwriters' over-allotment option is exercised. See "The Formation Transactions."

The distribution described above is expected to represent approximately 91.8% of the Company's pro forma Cash Available for Distribution for the 12 months ended December 31, 1997. The Company's estimate of the pro forma Cash Available for Distribution is based upon pro forma Funds from Operations for the 12-months ended December 31, 1997, with certain adjustments based on the items described below. The estimate of Cash Available for Distribution is being made solely for the purpose of setting the initial distribution and is not intended to be a projection or forecast of the Company's results of operations or its liquidity, nor is the methodology upon which such adjustments were made necessarily intended to be a basis for determining future distributions.

The following table describes the calculation of pro forma Funds from Operations resulting from rents received from the Initial Facilities for the 12 months ended December 31, 1997 and the adjustments made to pro forma Funds from Operations in order to calculate initial estimated distributions.

| | PRO FORMA |
|---|--|
| | YEAR ENDED DECEMBER 31, 1997 |
| | (IN THOUSANDS, EXCEPT PER SHARE DATA) |
| Pro forma net income..... | \$6,892 |
| Plus pro forma real estate depreciation and amortization.... | 2,624 |
| | ----- |
| Pro forma funds from operations(1)..... | 9,516 |
| | ===== |
| Estimated cash available for distribution(2)..... | 9,451 |
| Expected initial distribution(3)..... | 8,680 |
| Expected initial distribution per common share..... | \$ 1.40 |
| Expected initial payout ratio based on estimated cash available for distribution(4)..... | 91.8% |

(1) Funds from Operations does not represent cash generated from operating activities (determined in accordance with GAAP) and should not be considered as an alternative to net income (determined in accordance with GAAP), as an indication of the Company's performance or to cash flows from operating activities (determined in accordance with GAAP), as a measure of liquidity or as an indication of the Company's ability to make distributions. Management believes Funds from Operations is helpful to investors as a measure of the performance of an equity REIT because, along with cash flows from operating activities, financing activities and investing activities, it provides investors with an understanding of the ability of the Company to incur and service debt and make capital expenditures. "Funds from Operations" as defined by the National Association of Real Estate Investment Trusts ("NAREIT") means net income (loss), computed in accordance with GAAP, excluding significant non-recurring items, gains (or losses) from debt restructuring and sales of property, plus depreciation and amortization on real estate assets, and after adjustments for unconsolidated partnerships and joint ventures. The Company's Funds from Operations are not comparable to Funds from Operations reported by other REITs that do not define the term using the current NAREIT definition or that interpret the current NAREIT definition differently than does the Company. The Company believes that in order to facilitate a clear understanding of the

operating results of the Company, Funds from Operations should be examined in conjunction with net income as presented in the combined financial statements and information included elsewhere in this Prospectus.

YEAR ENDED
DECEMBER 31, 1997

(IN THOUSANDS)

CALCULATION OF FUNDS FROM OPERATIONS:

| | |
|---|---------|
| Pro forma net income..... | \$6,892 |
| Plus: pro forma real estate depreciation and amortization..... | 2,624 |
| | ----- |
| Pro forma funds from operations..... | \$9,516 |
| | ===== |

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

YEAR ENDED
DECEMBER 31, 1997

(IN THOUSANDS)

CALCULATION OF CASH AVAILABLE FOR DISTRIBUTION:

| | |
|---|---------|
| Pro forma funds from operations..... | \$9,516 |
| Less: Net effect of straight-line rents..... | (555) |
| Plus: Amortization of non-cash compensation charge..... | 240 |
| Plus: Amortization of up-front fees..... | 250 |
| | ----- |
| Pro forma cash available for distribution..... | \$9,451 |
| | ===== |

The net effect of straight-line rents represents the effect of adjusting straight-line rental income from accrual basis under GAAP to a cash basis.

- (3) Represents the expected initial distribution per Common Share multiplied by the 6,200,000 Common Shares to be outstanding upon completion of the Formation Transactions.
- (4) Represents the anticipated initial aggregate distribution divided by Cash Available for Distribution.

The Company believes that its estimated Cash Available for Distribution constitutes a reasonable basis for setting the initial distribution rate on the Common Shares and intends to maintain its initial distribution rate for the 12 months following the Offering unless actual results from operations, economic conditions or other factors differ from the assumptions used in its estimate. The actual return that the Company will realize and the amount available for distributions to shareholders will be affected by a number of factors, including the revenues received from the Initial Facilities and, if acquired, the Option Facilities and the Future Facilities, the operating expenses of the Company, the interest expense incurred on its borrowings and unanticipated capital expenditures. No assurance can be given that the Company's estimate will prove accurate. In addition, pro forma results of operations do not purport to represent the actual results that can be expected for future periods. See "Management's Discussion and Analysis of Financial Condition and Results of Operations."

The Company anticipates that Funds from Operations will exceed earnings and profits due to non-cash expenses, primarily depreciation and amortization, expected to be incurred by the Company. Distributions by the Company to the extent of its current or accumulated earnings and profits for federal income tax purposes will be taxable to shareholders as ordinary dividend income. Distributions in excess of earnings and profits generally will be treated as a non-taxable reduction of the shareholder's basis in the Common Shares to the extent thereof, and thereafter as capital gain. Distributions treated as a non-taxable reduction in basis will have the effect of deferring taxation until the sale of a shareholder's Common Shares. The Company does not intend to reduce the expected initial distribution per share if the Underwriters' over-allotment option is exercised. Based on the Company's estimated results of operations for its tax year ending December 31, 1998, the Company estimates that approximately 20.7% of the anticipated initial annual distribution to shareholders with respect to that tax year (assuming a full 12 months of operations) would represent a return of capital for federal income tax purposes and that the Company would have been required to distribute \$6.5 million or \$1.06 per share with respect to such tax year in order to maintain its status as a REIT. These dollar estimations will be reduced on a pro rata basis to reflect the fact the

closing of the Offering will occur during the tax year ended December 31, 1998, and thus, will not reflect a 12-month tax year. If actual Funds from

Operations or taxable income vary from these amounts, the percentage of distributions may vary substantially in future years. For a discussion of the tax treatment of distributions to holders of Common Shares, see "Material Federal Income Tax Considerations -- Taxation of Taxable Domestic Shareholders" and "-- Taxation of Non-Domestic Shareholders." In order to qualify to be taxed as a REIT, the Company must make annual distributions to shareholders of at least 95% of its REIT taxable income (determined by excluding any net capital gain), which the Company anticipates will be less than its share of adjusted Funds from Operations. Under certain circumstances, the Company may be required to make distributions in excess of Cash Available for Distribution in order to meet such distribution requirements. In such a case, the Company may find it necessary to arrange for short-term (or possible long-term) borrowings or to raise funds through the issuance of Preferred Shares or additional Common Shares.

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

CAPITALIZATION

The following table sets forth the capitalization of the Company as of February 20, 1998, (i) after giving effect to the Formation Transactions, and (ii) as adjusted to reflect the sale by the Company of the 6,200,000 Common Shares offered hereby and the application of the estimated net proceeds therefrom as described under "Use of Proceeds." The information set forth in the following table should be read in conjunction with the financial statements and notes thereto, the pro forma financial information and notes thereto included elsewhere in this Prospectus and "Management's Discussion and Analysis of Financial Condition and Results of Operations -- Liquidity and Capital Resources."

| | FEBRUARY 20, 1998 | |
|---|------------------------|----------------|
| | ACTUAL | AS ADJUSTED(1) |
| | (DOLLARS IN THOUSANDS) | |
| Note Payable..... | \$ -- | \$ -- |
| Shareholders' equity: | | |
| Preferred shares, \$.001 par value, 50,000,000 shares authorized, no shares issued and outstanding..... | -- | -- |
| Common shares, \$.001 par value, 150,000,000 shares authorized, 1,000 shares issued and outstanding; 6,200,000 shares, as adjusted, issued and outstanding(2)..... | -- | 6 |
| Additional paid-in capital..... | 3 | 113,814 |
| | ---- | ----- |
| Total shareholders' equity..... | 3 | 113,820 |
| | ---- | ----- |
| Total capitalization..... | \$ 3 | \$113,820 |
| | ==== | ===== |

(1) Includes 1,000 founder's shares. See "The Formation Transactions."

(2) Does not include 620,000 Common Shares reserved for issuance under the Company's Employee Option Plan or Common Shares reserved for issuance under the Company's Non-Employee Trustee Option Plan, of which 55,000 Common Shares will be subject to outstanding options at the closing of the Offering. See "Management -- The Employee Option Plan" and "-- The Non-Employee Trustee Option Plan."

PRO FORMA FINANCIAL STATEMENTS

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

The Company's audited historical balance sheet as of February 20, 1998, and notes thereto are included elsewhere in this Prospectus along with the Report of the Independent Public Accountants. Total assets and shareholders' equity totaled \$2,500 each at February 20, 1998.

CORRECTIONAL PROPERTIES TRUST
SELECTED PRO FORMA FINANCIAL INFORMATION

| | PRO FORMA |
|---|---|
| | YEAR ENDED DECEMBER 31, 1997 |
| | (IN THOUSANDS, EXCEPT PER SHARE DATA) |
| OPERATING DATA: | |
| Revenue: | |
| Rental income(1)..... | \$11,294 |
| Costs and expenses: | |
| Operating and administrative(2)..... | 1,340 |
| Interest expense(3)..... | 438 |
| Provision for depreciation and amortization(4)..... | 2,624 |
| | ----- |
| Total costs and expenses..... | 4,402 |
| | ----- |
| Net income..... | \$ 6,892 |
| | ===== |
| Net income per share: | |
| Basic..... | \$ 1.11 |
| Diluted..... | 1.11 |
| Weighted average number of shares outstanding:(5) | |
| Basic..... | 6,200 |
| Diluted..... | 6,200 |
| OTHER DATA: | |
| Funds from operations(6)..... | \$ 9,516 |
| Cash available for distribution(7)..... | 9,451 |
| Distributions..... | 8,680 |
| Distributions per share..... | 1.40 |

| | PRO FORMA | HISTORICAL |
|--|-------------------|----------------------|
| | AS OF | AS OF |
| | DECEMBER 31, 1997 | FEBRUARY 20, 1998 |
| | ----- | ----- |
| BALANCE SHEET DATA: | | |
| Notes payable, revolving line of credit..... | \$ -- | \$ -- |
| Real estate before accumulated depreciation..... | 113,041 | -- |
| Total assets..... | 113,820 | 3 |
| Shareholders' equity..... | 113,820 | 3 |

- (1) Rental income from Wackenhut Corrections recorded in accordance with the terms of the Leases as if the Initial Facilities had been in operation at the leased design capacity for the entire period. The Company will lease the Initial Facilities to Wackenhut Corrections under operating leases.
- (2) Recurring administrative expenses of the Company, including franchise and excise taxes, based upon management's estimates of operating and administrative costs.
- (3) Amortization of up-front fees and unused fees on the Bank Credit Facility.
- (4) Depreciation expense on fixed assets purchased from Wackenhut Corrections based on the estimated useful lives of the Facilities.
- (5) Weighted average shares outstanding including the 1,000 founder's shares, no restricted shares are being issued to management and Common Shares sold in the Offering as if such shares were outstanding for the entire period.
- (6) Management believes "Funds from Operations" (as hereinafter defined) is helpful to investors as a measure of the performance of an equity REIT because, along with cash flows from operating activities, financing activities and investing activities, it provides investors with an understanding of the ability of the Company to incur and service debt and make capital expenditures. "Funds from Operations" is defined by the Board of Governors of the National Association of Real Estate Investment Trusts ("NAREIT") as net income (loss) (computed in accordance with GAAP), excluding significant non-recurring items, gains (or losses) from debt restructuring and sales of property, plus depreciation and amortization on real estate assets, and after adjustments for unconsolidated partnerships and joint ventures and, accordingly, may not be comparable to other REITs' Funds From Operations calculated under a

differing methodology. See "Management's Discussion and Analysis of Financial Condition and Results of Operations -- Funds from Operations." Funds from Operations should be examined in conjunction with net income as presented.

| | YEAR ENDED DECEMBER 31, 1997 ----- (IN THOUSANDS) |
|---|--|
| CALCULATION OF FUNDS FROM OPERATIONS: | |
| Pro forma net income..... | \$6,892 |
| Plus: Pro forma real estate depreciation and amortization..... | 2,624 ----- |
| Pro forma funds from operations..... | \$9,516 ===== |

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

(7) Calculation of Cash Available for Distribution:

| | YEAR ENDED DECEMBER 31, 1997 ----- |
|---|--|
| Pro forma funds from operations..... | \$9,516 |
| Less: Net effect of straight-line rents..... | (555) |
| Plus: Amortization of non-cash compensation charge..... | 240 |
| Plus: Amortization of up-front fees..... | 250 ----- |
| Pro forma cash available for distribution..... | \$9,451 ===== |

The net effect of straight-line rents represents the effect of adjusting straight-line rental income from accrual basis under GAAP to a cash basis.

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

GENERAL

The Company was organized as a Maryland real estate investment trust on February 18, 1998, and intends to make an election to qualify under the Code as a REIT commencing with its taxable year ending December 31, 1998. Substantially all of the Company's initial revenues are expected to be derived from: (i) rents received under triple net leases of correctional and detention facilities, and (ii) interest earned from the temporary investment of funds in short-term instruments. With respect to Leases for the Initial Facilities, the rent for the first year is initially set at a fixed amount and will increase each year by the Base Rent Escalation.

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

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

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

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

RESULTS OF OPERATIONS

The Company has had no operations prior to February 20, 1998, or through the date of this Prospectus. The Company's future results of operations will depend upon the acquisition of the Initial Facilities and other properties, including the Option Facilities and the Future Facilities, and the terms of any subsequent investments the Company may make.

PRO FORMA RESULTS OF OPERATIONS

The Company estimates that after giving effect to the Offering and the acquisition of the Initial Facilities revenues would have been \$11.3 million for the year ended December 31, 1997. Net income would have been \$6.9 million or \$1.11 per share for the year ended December 31, 1997. Depreciation, amortization and other non-cash expenses would have been \$3.1 million for the year ended December 31, 1997.

LIQUIDITY AND CAPITAL RESOURCES

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

In order to qualify as a REIT for federal income tax purposes, the Company will be required to make substantial distributions to its shareholders. The following factors, among others, will affect Funds From Operations and will impact the decisions of the Board of Trustees regarding distributions: (i) scheduled

increases in base rent under the Leases with respect to the Facilities, and (ii) returns from short-term investments pending application of the net proceeds of the Offering. Although the Company will receive most of its rental payments on a monthly basis, it intends to make distributions quarterly. Amounts accumulated for distribution will be invested by the Company in short-term money market instruments.

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

The Company expects to obtain a commitment for the \$75.0 million Bank Credit Facility which will be used to finance the acquisition of additional correctional and detention facilities (including the Option Facilities and the Future Facilities), to expand the Facilities and for general working capital requirements.

Other than the \$113.0 million purchase of the Initial Facilities using the offering proceeds, the Company has no commitments with respect to other capital expenditures. However, the Company has options to acquire each of the Option Facilities for the duration of the applicable Option Facility Option Period, for the Option Facility Purchase Price thereof. In addition, the Company has the right to acquire each of the Future Facilities for the duration of the applicable Future Facility Option Period, for the Future Facility Purchase Price thereof.

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

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

FUNDS FROM OPERATIONS

Management believes Funds from Operations is helpful to investors as a measure of the performance of an equity REIT because, along with cash flows from operating activities, financing activities and investing activities, it provides investors with an understanding of the ability of the Company to incur and service debt and make capital expenditures. Funds from Operations is calculated as net income (loss) (computed in accordance with GAAP), excluding significant non-recurring items, gains (or losses) from debt restructuring and sales of property, plus real estate related depreciation and amortization and after adjustments for unconsolidated partnerships and joint ventures. The Company computes Funds from Operations in accordance with standards approved by the NAREIT Board of Governors in March 1995, which may differ from the methodology for calculating Funds from Operations utilized by other equity REITs, and, accordingly, may not be comparable to such other REITs. Further, Funds from Operations does not represent amounts available for management's discretionary use because of needed capital replacement or expansion, debt service obligations,

or other commitments and uncertainties. The Company believes that in order to facilitate a clear understanding of the pro forma operating results of the Facilities and the Company, Funds from Operations should be examined in conjunction with the income (loss) as presented in the pro forma financial statements and information included elsewhere in this Prospectus. Funds from Operations should not be considered as an alternative to net income (determined in accordance with GAAP) as an indication of the Company's financial performance or to cash flows from operating activities (determined in accordance with GAAP) as a measure of the Company's liquidity, nor is it indicative of funds available to fund the Company's cash needs, including its ability to make distributions.

INFLATION

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

THE PRIVATIZED CORRECTIONS INDUSTRY

The Company believes that the privatized corrections industry in the United States is in a period of significant growth. The corrections industry as a whole has experienced considerable growth since 1980, which the Company believes is due in part to rising incarceration rates and longer prison sentences. According to the Bureau of Justice Statistics, the inmate population in federal, state and local facilities in the United States has increased from 501,886 in 1980 to 1,646,020 in 1996, representing an increase of approximately 228% and the rate of incarceration has grown from 212 inmates per 100,000 individuals in 1983 to 618 inmates per 100,000 individuals in 1996, representing an increase of approximately 192%. At the end of 1996, one in every 163 United States residents was housed in a federal, state or local correctional or detention facility. The total federal state and local inmate population increased between 1980 and 1996 at a compounded annual growth rate of approximately 7.7%.

According to the Bureau of Justice Statistics, state prison systems were operating at approximately 16% to 24% overcapacity and the federal corrections system was operating at approximately 25% overcapacity. Furthermore, the Company believes that the overcrowding in United States' correctional and detention facilities will be exacerbated by the perceived public demand for longer prison sentences and prison terms for juvenile offenders.

The Company believes that this problem of overcapacity has forced governmental entities to seek more cost-effective means of housing inmates. Governmental entities responsible for correctional and detention facilities have therefore increasingly looked to privatized facilities in an attempt to address these mounting pressures. During the period from 1984 to 1996, the number of beds under management at privatized correctional and detention facilities in the United States increased from 885 to 77,584, with the majority of this growth occurring since 1989. During 1996, the worldwide number of beds under management or construction at privatized correctional and detention facilities in the United States increased from 57,609 to 77,584, representing an increase of 35%.

According to the Privatization Reports, as of December 31, 1996, 27 United States jurisdictions (including the District of Columbia and Puerto Rico) had awarded management contracts to private operators. There were, as of such date, a total of 118 facilities with a design capacity of 77,584 beds under contract in the United States, of which Wackenhut Corrections had under contract or award 29 facilities having an aggregate design capacity of 21,143 beds. As of December 31, 1997, however, Wackenhut Corrections had under contract or award 35 facilities having an aggregate design capacity of 24,705 beds. The Company believes that this rapid privatization has been fueled by federal, state and local agencies, all of which are responsible for various types of correctional and detention facilities. Federal agencies have privatized INS detention facilities and United States Marshal detention facilities. State agencies have privatized state prisons, community corrections facilities, chemical dependency treatment centers, intermediate sanction facilities, juvenile offender facilities, pre-release centers, work program facilities and state jail facilities. Local agencies have privatized city jail facilities and transfer facilities.

In the early stages of the privatized corrections industry, government agencies continued to finance and own correctional and detention facilities and sought private operators to manage the facilities. In the face of an increasing demand for beds and rising fiscal pressures, many of these governmental agencies are increasingly requiring private operators to develop, finance and own the facilities themselves. The Company believes that the privatization of correctional and detention facilities provides governmental entities with a means of financing projects that would otherwise be funded by bond financing, thereby permitting such governmental entities to allocate a larger portion of their capital raising capacity to other public projects (i.e., schools, roads, infrastructure, etc.). With some correctional and detention facilities costing well over \$50 million, the Company believes that only those private operators with access to significant sources of capital will be able to continue competing for such projects. In this regard, the Company believes that its strategic alliance with Wackenhut Corrections presents a unique growth opportunity.

While private ownership of correctional and detention facilities has to date been in connection with private prison management, management believes that the number of privately owned facilities will grow, independent of the growth in the private prison management industry. In an attempt to address the fiscal pressures of matching revenue collections with projected expenses, many governmental entities have been and will continue to be forced to consider private ownership in connection with the development of new correctional and detention facilities and sale/leaseback and other financing arrangements with respect to existing facilities.

WACKENHUT CORRECTIONS CORPORATION

GENERAL

Wackenhut Corrections is a leading developer and manager of privatized correctional and detention facilities in the United States and abroad. Wackenhut Corrections was founded in 1984 by Dr. George C. Zoley as a division of The Wackenhut Corporation, a leading provider of professional security services, to capitalize on emerging opportunities in the private correctional services market. According to the Privatization Reports, Wackenhut Corrections is the second largest provider of privatized correctional and detention services in the United States and the largest provider of such services abroad, based on the number of beds under management. Wackenhut Corrections presently has under contract or award 46 correctional and detention facilities, 35 of which are currently in operation and 11 of which are under development, with an aggregate design capacity of 30,268 beds.

Wackenhut Corrections offers governmental agencies a comprehensive range of correctional and detention facility management services ranging from individual consulting projects to the integrated design, development and management of such facilities. In addition to providing the fundamental residential services relating to the security of facilities and the detention and care of inmates (i.e., food service, laundry service, etc.), Wackenhut Corrections has built a reputation as an effective provider of a wide array of in-facility rehabilitative and educational programs, such as chemical dependency counseling and treatment, basic education and job and life skills training. Additionally, Wackenhut Corrections is continuously seeking to expand into complementary services such as work release programs, youth detention services and prisoner transport services. Wackenhut Corrections believes that its experience in delivering a full range of high quality correctional and detention facility management services on a cost-effective basis to government agencies provides such agencies strong incentives to choose Wackenhut Corrections when awarding new contracts or renewing existing contracts.

Wackenhut Corrections aggressively pursues business opportunities by responding to RFPs issued by various government agencies. A typical RFP requires bidders to provide detailed information, including, but not limited to, the service to be provided by the bidder, its experience and qualifications, and the price at which the bidder is willing to provide the services (which services may include the renovation, improvement or expansion of an existing facility or the planning, design and construction of a new facility). As of January 30, 1998, Wackenhut Corrections has outstanding written responses to RFPs for seven projects with an aggregate design capacity of 1,819 beds. While Wackenhut Corrections has been awarded contracts for 41% of the beds for which it has submitted RFP responses, there can be no assurance that Wackenhut Corrections will be successful in winning any of the management contracts relating to the RFPs for which it has outstanding written responses.

Wackenhut Corrections has also obtained and is pursuing construction and management contracts for correctional and detention facilities outside the United States and presently operates facilities in the United Kingdom and Australia. Wackenhut Corrections has entered into two joint ventures to develop business opportunities in Australia and has formed two joint ventures to construct and manage privatized correctional and detention facilities in the United Kingdom.

Wackenhut Corrections, or a subsidiary thereof, will be the lessee of the Initial Facilities and, if acquired, the Option Facilities. In situations where a subsidiary of Wackenhut Corrections is the lessee under a Lease, Wackenhut Corrections will nonetheless be a party to and be primarily liable under such Lease. Although the Company will have general recourse to Wackenhut Corrections under the Lease, Wackenhut Corrections' obligations under the Leases will not be secured by the assets of Wackenhut Corrections. Wackenhut Corrections is expected to sell additional correctional and detention facilities to the Company in the future and to enter into long-term leases with the Company with respect to those facilities.

Wackenhut Corrections is a Florida corporation. Wackenhut Corrections' principal executive offices are located at 4200 Wackenhut Drive, Palm Beach Gardens, Florida 33410-4243, and its telephone number is

(561) 622-5656. Wackenhut Corrections' common stock is listed on the NYSE under the symbol WHC. Wackenhut Corrections is not offering any of the Common Shares offered hereby.

CERTAIN SELECTED FINANCIAL INFORMATION OF WACKENHUT CORRECTIONS

The following table sets forth (i) certain selected historical financial information concerning Wackenhut Corrections for each of the previous five years ended December 28, 1997 and (ii) unaudited selected consolidated pro forma financial information concerning Wackenhut Corrections. The pro forma operating information is presented as if the Formation Transactions had occurred as of the beginning of the period indicated and therefore incorporates certain assumptions that are included in the Notes to Pro Forma Statement of Operations included elsewhere in this Prospectus. The pro forma balance sheet information is presented as if the Formation Transactions had occurred on December 28, 1997. The pro forma information does not purport to represent what Wackenhut Corrections' financial position or results of operations actually would have been had the Formation Transactions, in fact, occurred on such date or at the beginning of the period indicated, or to project the Company's financial position or results of operations at any future date or any future period. The selected historical financial information for each of the previous five years ended December 28, 1997 is derived from Wackenhut Corrections' audited consolidated financial statements. The selected historical financial information for Wackenhut Corrections has been included in this Prospectus due to the Company's dependence on Wackenhut Corrections as the sole lessee of the Facilities. All information contained in the following table should be read in conjunction with the consolidated financial statements and related notes of Wackenhut Corrections included elsewhere in this Prospectus. Investors should review the financial statements and other data set forth herein with respect to Wackenhut Corrections, as well as the financial statements and other data set forth herein with respect to the Company and the Facilities.

WACKENHUT CORRECTIONS CORPORATION

SELECTED HISTORICAL AND PRO FORMA FINANCIAL INFORMATION

| | HISTORICAL (A) | | | | | PRO FORMA (B) |
|--|---|-----------|-----------|------------|------------|---------------|
| | 1993 | 1994 | 1995 | 1996 | 1997 | 1997 |
| | (IN THOUSANDS, EXCEPT PER SHARE AND OTHER DATA) | | | | | |
| STATEMENT OF OPERATIONS: | | | | | | |
| Revenues..... | \$ 58,784 | \$ 84,026 | \$ 99,431 | \$ 137,784 | \$ 206,930 | \$ 206,930 |
| Operating expenses..... | 50,573 | 70,670 | 82,285 | 115,848 | 172,031 | 173,582 |
| Depreciation & amortization..... | 2,101 | 2,287 | 2,303 | 3,532 | 6,303 | 5,760 |
| Contribution from operations..... | 6,110 | 11,069 | 14,843 | 18,404 | 28,596 | 27,588 |
| General and administrative expenses..... | 4,664 | 6,623 | 7,614 | 8,673 | 12,051 | 12,051 |
| Operating income..... | 1,446 | 4,446 | 7,229 | 9,731 | 16,545 | 15,537 |
| Interest income (expense)..... | (544) | (261) | 186 | 2,195 | 1,451 | 1,451 |
| Income before income taxes and equity income (loss) of affiliates | 902 | 4,185 | 7,415 | 11,926 | 17,996 | 16,988 |
| Provision for income taxes..... | 368 | 1,661 | 2,862 | 4,269 | 7,226 | 6,823 |
| Income before equity income (loss) of affiliates..... | 534 | 2,524 | 4,553 | 7,657 | 10,770 | 10,165 |
| Equity income (loss) of affiliates..... | 261 | (331) | (113) | 604 | 1,105 | 1,105 |
| Net income..... | \$ 795 | \$ 2,193 | \$ 4,440 | \$ 8,261 | \$ 11,875 | \$ 11,270 |
| Earnings per share: | | | | | | |
| Basic..... | \$ 0.06 | \$ 0.15 | \$ 0.26 | \$ 0.39 | \$ 0.54 | \$ 0.51 |
| Diluted..... | \$ 0.06 | \$ 0.15 | \$ 0.25 | \$ 0.37 | \$ 0.52 | \$ 0.50 |
| Weighted average shares outstanding: | | | | | | |
| Basic..... | 13,774 | 14,692 | 16,850 | 21,361 | 22,015 | 22,015 |
| Diluted..... | 13,774 | 14,692 | 17,708 | 22,128 | 22,697 | 22,697 |
| OTHER DATA: | | | | | | |
| Beds in operation (period end)..... | 5,654 | 7,164 | 8,482 | 11,772 | 18,357 | 18,357 |
| Beds under contract/award (period end)..... | 6,154 | 13,732 | 16,053 | 24,371 | 30,144 | 30,144 |
| Compensated man days..... | 1,914,490 | 2,090,625 | 2,350,843 | 3,585,100 | 5,192,614 | 5,192,614 |
| Average occupancy..... | 95.0% | 97.1% | 94.8% | 96.8% | 97.2% | 97.2% |
| BALANCE SHEET DATA (END OF PERIOD): | | | | | | |
| Total assets..... | 19,148 | 30,333 | 38,840 | 106,811 | 139,203 | 156,663 |
| Total long-term debt..... | -- | 1,412 | 980 | 225 | 213 | 213 |
| Total debt..... | -- | 1,422 | 991 | 237 | 225 | 225 |
| Stockholders' equity..... | 4,212 | 19,727 | 25,229 | 87,969 | 102,295 | 102,295 |

(A) The Company's fiscal year ends on the Sunday closest to the calendar year end. Fiscal years 1993, 1994, 1995, 1996, and 1997 each included 52 weeks.

(B) See Wackenhut Corrections Corporation Pro Forma Consolidated Financial Statements and related notes thereto appearing elsewhere in this Prospectus.

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

The following financial analysis should be read in conjunction with the above financial information concerning Wackenhut Corrections and Wackenhut Corrections' consolidated financial statements and notes thereto which are covered elsewhere in this Prospectus.

RESULTS OF OPERATIONS

The following table sets forth certain Statements of Income data expressed as percentages of total revenues for the following fiscal years:

| | 1997 | 1996 | 1995 |
|--|--------|--------|--------|
| | ----- | ----- | ----- |
| Revenues..... | 100.0% | 100.0% | 100.0% |
| Operating expenses..... | 83.1 | 84.1 | 82.8 |
| Depreciation and amortization..... | 3.1 | 2.5 | 2.3 |
| | ----- | ----- | ----- |
| Contribution from operations..... | 13.8 | 13.4 | 14.9 |
| General and administrative expenses..... | 5.8 | 6.3 | 7.6 |
| | ----- | ----- | ----- |
| Operating income..... | 8.0 | 7.1 | 7.3 |
| Interest income..... | 0.7 | 1.6 | 0.2 |
| | ----- | ----- | ----- |
| Income before income taxes and equity income (loss) of affiliates..... | 8.7 | 8.7 | 7.5 |
| Provision for income taxes..... | 3.5 | 3.1 | 2.9 |
| Equity income (loss) of affiliates, net of income taxes..... | 0.5 | 0.4 | (0.1) |
| | ----- | ----- | ----- |
| Net income..... | 5.7% | 6.0% | 4.5% |
| | ===== | ===== | ===== |

Fiscal 1997 compared with Fiscal 1996

Revenues increased by 50.2% to \$206.9 million in the fiscal year ended December 28, 1997 ("Fiscal 1997") from \$137.8 million in the fiscal year ended December 29, 1996 ("Fiscal 1996"). The increase in revenues in Fiscal 1997 compared with Fiscal 1996 is primarily attributable to increased compensated resident days resulting from the opening of the following ten facilities in 1997 (South Bay Correctional Facility, South Bay, Florida in February 1997; Travis County Community Justice Center, Travis County, Texas in March 1997; Bayamon Regional Detention Center, Bayamon, Puerto Rico in March 1997; Queens Private Correctional Facility, Queens, New York in March 1997; Fulham Correctional Centre, Victoria, Australia in March 1997; Taft Correctional Institution, Taft, California in December 1997; Maribyrnong Detention Centre, Melbourne, Australia in December 1997; Perth Detention Centre, Perth, Australia in December 1997; Port Hedland Detention Centre, Port Hedland, Australia in December 1997 and Villawood Detention Center, Sydney, Australia in October 1997); and increased compensated resident days at three facilities that opened in the first half of 1996 (Willacy County Unit, Willacy, Texas in January 1996, Delaware County Prison in April 1996, and Marshall County Correctional Facility, Marshall County, Mississippi in June 1996).

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

| | 1997 | 1996 | 1995 |
|---|-----------|-----------|-----------|
| | ----- | ----- | ----- |
| Contracts(1)..... | 46 | 34 | 24 |
| Facilities in operation..... | 32 | 19 | 16 |
| Design capacity of contracts..... | 30,144 | 24,371 | 16,054 |
| Design capacity of facilities in operation..... | 20,720 | 12,235 | 9,135 |
| Compensated resident days(2)..... | 5,192,614 | 3,585,100 | 2,350,843 |

- (1) Comprised of facilities in operation, facilities under development and facilities for which awards have been obtained.
- (2) 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 H.M. Prison Doncaster, England.

The number of compensated resident days in domestic and Australian facilities increased to 5.2 million in Fiscal 1997 from 3.6 million in Fiscal 1996. As a result of the increase in compensated resident days and minimum occupancy guarantees at several of the new facilities that opened in Fiscal 1997, average facility occupancy in domestic and Australian facilities increased to 97.2% of capacity in Fiscal 1997 compared to 96.8% in Fiscal 1996.

Operating expenses increased by 48.5% to \$172.0 million in Fiscal 1997 from \$115.8 million in Fiscal 1996 resulting from the ten new facilities that opened in Fiscal 1997 and three facilities that opened in Fiscal 1996. As a percentage of revenues, operating expenses decreased to 83.1% from 84.1% due to a greater mix of design revenue and improving margins from Wackenhut Corrections' Australian operations.

Depreciation and amortization increased by 78.4% to \$6.3 million in Fiscal 1997 from \$3.5 million in Fiscal 1996. This increase is due to capital and deferred charge expenditures incurred by the thirteen facilities that opened in Fiscal 1997, a full year of depreciation and amortization for the facilities that opened in Fiscal 1996, and depreciation associated with the purchase of two facilities in Fiscal 1997.

Contribution from operations increased 55.4% to \$28.6 million in Fiscal 1997 from \$18.4 million in Fiscal 1996. This increase is due to the ten new facilities discussed above that opened in Fiscal 1997. As a percentage of revenues, contribution from operations increased to 13.8% from 13.4%.

General and administrative expenses increased by 38.9% to \$12.1 million in Fiscal 1997 from \$8.7 million in Fiscal 1996. This reflects increased business development activities in response to additional interest in Wackenhut Corrections' services and increased additional infrastructure to support Wackenhut Corrections' expanded operations. General and administrative expenses decreased to 5.8% of total revenues in Fiscal 1997 from 6.3% in Fiscal 1996.

Operating income increased by 70.0% to \$16.5 million in Fiscal 1997 from \$9.7 million in Fiscal 1996 as result of the factors described above. As a percentage of revenue, operating income increased to 8.0% from 7.1% due primarily to the continued leveraging of overhead.

Interest income was \$1.4 million in Fiscal 1997 compared to interest income of \$2.2 million in Fiscal 1996, resulting from a decrease in average invested cash as Wackenhut Corrections had deployed cash to select project opportunities and operations.

Income before income taxes and equity income of affiliates increased to \$18.0 million in Fiscal 1997 from \$11.9 million in Fiscal 1996 due to the factors described above.

Provision for income taxes increased to \$7.2 million in Fiscal 1997 from \$4.3 million in Fiscal 1996 due to higher taxable income and an increase in Wackenhut Corrections' effective tax rate.

Equity income of affiliates increased to \$1,105,000 in Fiscal 1997 from \$604,000 in Fiscal 1996. This increase is due to three expansions of the H.M. Prison Doncaster (Doncaster, England) in November 1996, March 1997 and July 1997, and a full year of operations for the two court escort contracts that commenced in May 1996.

Net income increased by 43.8% to \$11.9 million in Fiscal 1997 from \$8.3 million in Fiscal 1996 as a result of the factors described above.

Fiscal 1996 compared with Fiscal 1995

Revenues increased by 38.6% to \$137.8 million in Fiscal 1996 from \$99.4 million in the fiscal year ended December 31, 1995 ("Fiscal 1995"). The increase in revenues in Fiscal 1996 compared with Fiscal 1995 is primarily attributable to increased compensated resident days resulting from the increasing occupancy of two facilities that opened in the second half of Fiscal 1995 (Moore Haven Correctional Facility, Moore Haven, Florida in July 1995 and John R. Lindsey Unit, Jack County, Texas in September 1995), the opening of two facilities in the first half of Fiscal 1996 (Willacy County Unit, Willacy County, Texas in January 1996 and

Marshall County Correctional Facility, Marshall County, Mississippi in June 1996), the assumption of operational responsibility for an existing facility (Delaware County Prison, Delaware County, Pennsylvania in April 1996) the expansion on one facility (Allen Correctional Center, Kinder, Louisiana) and the temporary double up at another facility (Arthur Gorrie Correctional Centre, Wacol, Australia).

The number of compensated resident days in domestic and Australian facilities increased to 3.6 million in Fiscal 1996 from 2.4 million in Fiscal 1995. As a result of the increase in compensated resident days, average facility occupancy in domestic and Australian facilities increased to 96.8% of capacity in Fiscal 1996 compared to 94.8% in Fiscal 1995.

Operating expenses increased by 40.8% to \$115.8 million in Fiscal 1996 from \$82.3 million in Fiscal 1995. As a percentage of revenues, operating expenses increased to 84.1%. This increase is primarily attributable to higher operating expenses at Wackenhut Corrections' Australian facilities.

Depreciation and amortization increased by 53.4% to \$3.5 million in Fiscal 1996 from \$2.3 million in Fiscal 1995. This increase is due to the increase in capital and deferred charge expenditures resulting from the opening of the new facilities, the assumption of correctional services, the purchase of one facility and the expansions discussed above.

Contribution from operations increased 24.0% to \$18.4 million in Fiscal 1996 from \$14.8 million in Fiscal 1995. As a percentage of revenues, contribution from operations decreased to 13.4% from 14.9%. As discussed above, this decrease is due primarily to Wackenhut Corrections' Australian operations.

General and administrative expenses increased by 13.9% to \$8.7 million in Fiscal 1996 from \$7.6 million in Fiscal 1995. This reflects increased business development activities in response to additional interest in Wackenhut Corrections' services and increased infrastructure related to current and future corporate growth. General and administrative expenses decreased to 6.3% of total revenues in Fiscal 1996 from 7.7% in Fiscal 1995.

Operating income increased by 34.6% to \$9.7 million in Fiscal 1996 from \$7.2 million in Fiscal 1995 as a result of the factors described above. As a percentage of revenue, operating income decreased to 7.1% from 7.3%.

Interest income was \$2.2 million in Fiscal 1996 compared to interest income of \$186,000 in Fiscal 1995. The increase is attributable to interest earned on the proceeds of the January 1996 stock offering.

Income before income taxes and equity (loss) income of affiliates increased to \$11.9 million in Fiscal 1996 from \$7.4 million in Fiscal 1995 due to the factors described above.

Provision for income taxes increased to \$4.3 million in Fiscal 1996 from \$2.9 million in Fiscal 1995 due to higher taxable income.

Equity income (loss) of affiliates increased to \$604,000 in Fiscal 1996 from (\$113,000) in Fiscal 1995. Current and prior year performance reflects the activities of Premier Prison Services, a U.K. joint venture. The increase in current year income results from three expansion at the H.M. Prison Doncaster (Doncaster, England) in November 1995, June 1996 and November 1996, respectively, and income earned from two court escort contracts that were awarded in December 1995 and commenced operations in May 1996.

FINANCIAL CONDITION

Liquidity and Capital Resources

Cash provided by operating activities amounted to \$21,377,000 in Fiscal 1997 versus \$9,128,000 in Fiscal 1996. Wackenhut Corrections' primary capital requirements are for working capital; furniture, fixtures, equipment, and supply purchases; investments in joint ventures; and investments in facilities. Some of Wackenhut Corrections' management contracts require Wackenhut Corrections 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 to the contracting agency over the

original term of the contract. The cash required for these needs will be derived from internally generated funds, the proceeds from public stock offerings, and additional borrowings, if necessary.

Wackenhut Corrections anticipates making cash investments in connection with future acquisitions. In addition, in line with a developing industry trend toward requiring private operators to make capital investments in facilities and to enter into direct financing arrangements in connection with the development of such facilities, Wackenhut Corrections anticipates utilizing cash to finance start-up costs, leasehold improvements and equity investments in facilities, if appropriate, in connection with undertaking new contracts.

Prior to the initial public offering (the "IPO") in July 1994, Wackenhut Corrections financed its operations through borrowing from The Wackenhut Corporation. Interest on intercompany indebtedness was computed at rates which reflected The Wackenhut Corporation's average interest costs on long-term debt, exclusive of mortgage financing. Subsequent to the IPO and through Fiscal 1997, financing was obtained from internally generated funds, or third-party borrowings, or proceeds from public stock offerings.

In January 1996, Wackenhut Corrections sold 4,600,000 shares of its common stock in connection with a second offering at a price of \$12.00 per share, before deducting underwriting discounts and commissions and estimated offering expenses. Net proceeds from the offering were approximately \$51,581,000. In 1996, Wackenhut Corrections used \$5.7 million of the proceeds to acquire the McFarland Facility.

In Fiscal 1997, Wackenhut Corrections also purchased the Queens Private Correctional Facility for \$6.6 million and spent another \$4.7 million to renovate the building. Additionally, Wackenhut Corrections invested \$7.0 million to purchase and renovate an 86-bed psychiatric hospital.

In June 1997, Wackenhut Corrections entered into a \$30,000,000 multi-currency revolving credit facility with a syndicate of banks, the proceeds of which may be used for working capital, acquisitions and general corporate purposes. The credit facility also includes a letter of credit of up to \$5,000,000 for the issuance of standby letters of credit. Indebtedness under this facility will bear interest at the alternate base rate (defined as the higher of prime rate or federal funds plus 1/2 of 1%) or LIBOR plus 150 to 250 basis points, depending upon fixed charge coverage ratios. The facility requires Wackenhut Corrections to, among other things, maintain a maximum leverage ratio; minimum fixed charge coverage ratio; and a minimum tangible net worth. The facility also limits certain payments and distributions. As of December 28, 1997, no amounts were outstanding under this facility. However, at December 28, 1997, Wackenhut Corrections had outstanding four standby letters of credit outstanding with a bank in an aggregate amount of approximately \$222,000.

In December 1997, Wackenhut Corrections also entered into an \$220 million operating lease facility that has been established to acquire and develop new correctional institutions used in its business. As a condition of this facility, Wackenhut Corrections unconditionally agreed to guarantee certain obligations of First Security Bank, National Association, a party to the aforementioned operating lease facility. As of December 28, 1997, approximately \$69 million of properties were under development under this lease facility.

The ratio of total debt to total capitalization was 0.2% at the end of Fiscal 1997 and 0.3% at the end of Fiscal 1996.

Wackenhut Corrections' management is unaware of any other evident trends that are likely to result in material increases or decreases in the liquidity of Wackenhut Corrections other than those factors mentioned above. Wackenhut Corrections' management is constantly reviewing matters that could require significant outlays of cash with respect to corporate growth strategies; however, these matters are always reviewed in the light of appropriateness and availability of financing.

There are no other known material trends, favorable or unfavorable, in the capital resources of Wackenhut Corrections, except for possible changes in interest rates. In the event that Wackenhut Corrections would have any significant requirement beyond the matters discussed above, capital resources are available under its revolving line of credit with a bank, and management believes that additional resources may be available to Wackenhut Corrections through a variety of other methods of financing.

YEAR 2000

Wackenhut Corrections has several information system improvement initiatives under way that will require increased expenditures during the next few years. These initiatives include the replacement of certain Wackenhut Corrections computer systems to be in compliance with the date-sensitivity problem of computer systems and computer application (the "Year 2000 Issue")

The Year 2000 Issue exists because many computer systems and applications currently use two-digit date fields to designate a year. As the century date change occurs, date-sensitive systems will recognize the year 2000 as 1900, or not at all. This inability to recognize or properly treat the Year 2000 Issue may cause systems to process critical financial and operational information incorrectly. Anticipated spending for this modification will be expensed as incurred and is not expected to have a significant impact on Wackenhut Corrections' ongoing results of operations.

INTEREST RATE SENSITIVITY

Wackenhut Corrections is exposed to market risks arising from changes in interest rates with respect to a \$220 million operating lease facility (See Note 7 to Wackenhut Corrections -- Consolidated Financial Statements). Monthly lease payments under this facility are indexed to a variable interest rate. Wackenhut Corrections' management has determined that a 10% change in the current lease rate would have an immaterial effect on Wackenhut Corrections' pre-tax earnings over the next fiscal year.

INFLATION

Management of Wackenhut Corrections believes that inflation has not had a material effect on Wackenhut Corrections' results of operations during the past three fiscal years. While some of Wackenhut Corrections' contracts include provisions for inflationary indexing, since personnel costs represent Wackenhut Corrections' largest expense in the facilities it manages, inflation could have a substantial adverse effect on Wackenhut Corrections' results of operations in the future to the extent that wages and salaries increase at a faster rate than the per diem or fixed rates received by Wackenhut Corrections for its management services.

INCORPORATION OF CERTAIN DOCUMENTS BY REFERENCE

Wackenhut Corrections' Annual Report on Form 10-K for the fiscal year ended December 28, 1997, which was filed by Wackenhut Corrections with the Securities and Exchange Commission on February 20, 1998, pursuant to the Securities Exchange Act of 1934, as amended (the "Exchange Act"), is incorporated and made a part of this Prospectus by reference, except as superseded or modified herein.

All documents filed by Wackenhut Corrections pursuant to Section 13(a), 13(c), 14 or 15(d) of the Exchange Act subsequent to the date of this Prospectus and prior to the termination of the Offering shall be deemed to be incorporated by reference into this Prospectus and to be a part hereof from the date of filing of such documents. Any statement contained herein or in a document incorporated or deemed to be incorporated by reference herein shall be deemed to be modified or superseded for purposes of this Prospectus to the extent that a statement contained herein or in any subsequently filed documents which also is or is deemed to be incorporated by reference herein modifies or supersedes such earlier statement. Any statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this Prospectus.

Wackenhut Corrections undertakes to provide without charge to each person, including any beneficial owner, to whom a copy of this Prospectus has been delivered, on the written or oral request of any such person, a copy of any or all of the documents referred to above which have been or may be incorporated by reference in the Prospectus, other than exhibits to such documents (unless such exhibits are specifically incorporated by reference in such documents). Requests for such copies should be directed to Wackenhut Corrections' Corporate Secretary at 4200 Wackenhut Drive, Palm Beach Gardens, Florida 33410-4243.

THE FACILITIES

The Company will, concurrent with the Offering, purchase the eight Initial Facilities with an aggregate design capacity of 3,154 beds, and be granted the option to purchase any or all of the three additional Option Facilities with an aggregate design capacity of 2,256 beds as well as the right to acquire each of the Future Facilities. The Initial Facilities and the Option Facilities include all of the correctional and detention facilities which Wackenhut Corrections currently owns or has the right to acquire, with the exception of the two Excluded Facilities (as hereinafter defined) that are subject to a purchase option previously granted to governmental entities. See "The Facilities -- The Excluded Facilities" below. The following is a summary of certain information with respect to the Initial Facilities and Option Facilities.

THE INITIAL FACILITIES

The Initial Facilities will be purchased from Wackenhut Corrections for an aggregate cash purchase price of approximately \$113.0 million. The Company will lease the Initial Facilities to Wackenhut Corrections pursuant to the Leases with initial terms of 10 years and with aggregate initial annual rents of approximately \$10.7 million. Throughout the terms of the initial Leases, annual rents will escalate by the Base Rent Escalation. Subject to certain exceptions, each of the Leases may be extended by Wackenhut Corrections for three additional five-year terms, at a fair market rental rate as mutually agreed upon by the Company and Wackenhut Corrections or, in the absence of such an agreement, as determined by binding arbitration. In addition, the Lease of any Initial Facility will be automatically extended upon expiration thereof on the same terms (including the then applicable base rent and Base Rent Escalation) if Wackenhut Corrections is obligated under an unexpired Sublease with respect to such Initial Facility. Under the terms of the Leases, Wackenhut Corrections will have a right of first refusal on the proposed sale by the Company of any of the Initial Facilities. The Initial Facilities are located in five states and have an aggregate design capacity of 3,154 beds.

Set forth below are brief descriptions of each of the Initial Facilities. Unless otherwise noted, the Company will own fee title to the Initial Facilities, free and clear of any material liens. The Initial Facilities are fully operational. Except for a planned renovation and expansion of the Aurora Facility, which is anticipated under the terms of an operating contract currently being negotiated with the United States Immigration and Naturalization Service (the "INS"), there are no present plans for the improvement or development of any unimproved or undeveloped property. All of the Initial Facilities are, in the opinion of management of the Company, adequately covered by insurance.

| FACILITY AND LOCATION | TYPE OF FACILITY | CONTRACTING ENTITY | SECURITY LEVEL(1) | DESIGN (BED) CAPACITY(2) | FACILITY OPENING DATE | INITIAL FACILITY PURCHASE PRICE | INITIAL ANNUAL BASE RENT |
|---|-------------------------------|---------------------------|--------------------|--------------------------|-----------------------|---------------------------------|--------------------------|
| Aurora INS Processing Center..... Aurora, CO | INS Detention Facility | INS(3) | Minimum/ Medium | 300 | May 1987 | \$7,828,775 | \$743,734 |
| McFarland Community Correctional Facility..... McFarland, CA | Pre-Release Center | CDOC(4) | Minimum/ Medium | 224 | February 1988 | 7,020,219 | 661,921 |
| Queens Private Correctional Facility..... New York, NY | INS Detention Facility | INS | Minimum/ Medium | 200 | March 1997 | 14,732,071 | 1,399,547 |
| Central Valley Correctional Facility..... McFarland, CA | Adult Correctional Facility | CDOC | Minimum/ Medium | 550 | December 1997 | 17,590,995 | 1,671,145 |
| Golden State Correctional Facility..... McFarland, CA | Adult Correctional Facility | CDOC | Minimum/ Medium | 550 | December 1997 | 17,555,536 | 1,667,776 |
| Desert View Correctional Facility..... Adelanto, CA | Adult Correctional Facility | CDOC | Minimum/ Medium | 550 | December 1997 | 16,864,731 | 1,602,149 |
| Broward County Work Release Center..... Broward County, FL | Community Work Release Center | Broward County and BSO(5) | Non-Secured | 300 | February 1998 | 15,128,724 | 1,437,229 |
| Karnes County Correctional Center..... Karnes County, TX | Adult Correctional Facility | Karnes County | Multi-Security | 480 | January 1996 | 16,320,000 | 1,550,400 |
| Total..... | | | | 3,154 ===== | | \$113,041,051 ===== | \$10,738,901 ===== |

| FACILITY AND LOCATION | LEASE TERM (YEARS) |
|---|--------------------|
| Aurora INS Processing Center..... Aurora, CO | 10 |
| McFarland Community Correctional Facility..... McFarland, CA | 10 |
| Queens Private Correctional Facility..... New York, NY | 10 |
| Central Valley Correctional Facility..... McFarland, CA | 10 |
| Golden State Correctional Facility..... McFarland, CA | 10 |
| Desert View Correctional Facility..... Adelanto, CA | 10 |
| Broward County Work Release Center..... Broward County, FL | 10 |
| Karnes County Correctional Center..... Karnes County, TX | 10 |
| Total..... | -- |

(1) Each facility is identified according to the level of security maintained at such facility: Non-secured facilities are facilities which are access controlled residential facilities; minimum security facilities are facilities having open-housing within an appropriate designated and

patrolled institutional perimeter; medium security facilities are facilities having either cells, rooms or dormitories, a secure perimeter, and some form of external patrol; maximum security facilities are facilities having single occupancy cells, a secure perimeter and external patrol or devices; multi-security facilities are facilities with various components of the previously described security levels.

- (2) Design capacity measures the number of beds, and accordingly the number of inmates, each facility is designed to accommodate. The Company believes design capacity is an appropriate measure for evaluating prison operations, because the revenues generated by each facility are generally based on a per diem or monthly rate per inmate housed at the facility paid by the corresponding contracting governmental entities. The ability of Wackenhut Corrections or another private prison operator to satisfy its financial obligations under its leases with the Company is based in part on the revenues generated by their facilities, which in turn depends on the design capacity of each facility.
- (3) The United States Immigration and Naturalization Service.
- (4) The State of California Department of Corrections.
- (5) The Broward County Sheriff's Office.

Correctional Facilities. Correctional facilities are used to house inmates on a permanent basis for the duration of their sentences. The correctional facilities to be acquired by the Company include the Central Valley Facility, the Golden State Facility the Desert View Facility, and the Karnes Facility.

The Central Valley Facility and the Golden State Facility are medium security facilities located on adjacent properties in McFarland, California. The Central Valley Facility is situated on approximately 19

acres, and the Golden State Facility is situated on approximately 33 acres. Each facility contains approximately 95,901 square foot structure with a design capacity of 550 beds. Construction of each of the Central Valley Facility and Golden State Facility was completed in December 1997. Wackenhut Corrections has contracted with the CDOC to operate each such Facility, which contracts expire in December 2007.

The Desert View Facility is located in Adelanto, California and is a medium security facility. The facility is situated on approximately 16 acres and contains approximately 95,901 square feet with a design capacity of 550 beds. Construction of the facility was completed in December 1997. Wackenhut Corrections has contracted with the CDOC to operate this facility, which contract expires in December 2007.

The Karnes Facility is a medium security correctional facility located in Karnes, Texas with a design capacity of 480 beds. The facility is situated on approximately 12 acres and contains approximately 77,000 square feet. Wackenhut Corrections has an option to acquire an adjacent parcel of unimproved land containing approximately 30 acres at a total cost of \$60,000, which will be assigned to the Company in connection with the Company's purchase of the Facility. Wackenhut Corrections began operating this facility in January 1998 under an operating agreement with Karnes County which expires on July 14, 1998. In connection with the purchase of the Karnes Facility, Wackenhut Corrections will enter into a long-term operating agreement with Karnes County, pursuant to which the County will agree to enter into inter-governmental agreements for the housing of out-of-state inmates with such governmental entities as may be designated by Wackenhut Corrections.

Pre-Release Center. A Pre-Release Center is a minimum to medium security facility for inmates nearing parol, offering inmates basic education and pre-employment training as well as alcohol and drug abuse treatment and counseling. The Pre-Release Center to be acquired by the Company is the McFarland Facility.

The McFarland Facility is located in McFarland, California. The facility is situated on approximately 5 acres, and contains approximately 35,000 square feet. The facility currently has a design capacity of 224 beds. Wackenhut Corrections has contracted with the CDOC to operate the facility, which contract expires in January 1999.

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

The Queens Facility is located on approximately 134 acres in New York, New York. The facility has a design capacity of 200 beds and contains approximately 61,400 square feet. Wackenhut Corrections began operating the facility in June 1997, and is presently operating the facility under a management contract with the INS which expires in January 2002.

The Aurora Facility is located on approximately 46 acres in Aurora, Colorado. Originally designed to accommodate 150 beds, the facility was expanded in 1992 to contain a design capacity of 300 beds. The approximately 66,000 square foot medium security facility is operated under a management agreement entered into between the INS and Wackenhut Corrections which expires in February 1998.

Work Release Centers. A Work Release Center is an access-controlled community residential center which houses court-ordered residents who work in the community and participate in programs and residential services at the center. The Work Release Center to be acquired by the Company is the Broward Facility.

The Broward Facility is located in Pompano Beach, Florida and is used to house residents participating in the Broward County Work Release Program. The facility is located on approximately ten acres and is designed to accommodate 300 beds. The approximately 86,500 square foot structure is operated under a management agreement between Broward County, the Sheriff of Broward County and Wackenhut Corrections, which expires in February 2003, but which provides for options in favor of the Sheriff of Broward County to extend the management contract for successive two year terms.

Historical Occupancy Rates of the Initial Facilities. The following chart summarizes the historical occupancy rates of each of the Initial Facilities which have had operations for any of five years ended December 31, 1997.

HISTORICAL OCCUPANCY OF INITIAL FACILITIES(1)

| | 1993 | 1994 | 1995 | 1996 | 1997 |
|--|------|------|------|------|--------|
| | ---- | ---- | ---- | ---- | ---- |
| Aurora INS Processing Center..... | 77% | 69% | 73% | 86% | 95% |
| McFarland Community Correction Facility..... | 94% | 95% | 96% | 96% | 96% |
| Queens Private Correctional Facility..... | N/A | N/A | N/A | N/A | 79%(2) |

- (1) Only those Initial Facilities which Wackenhut Corrections has operated for a minimum of at least one full calendar year have been included in this table. Wackenhut Corrections has, however, commenced operations at the remaining five Initial Facilities.
- (2) The Queens Facility opened on March 26, 1997. The operating contract with the INS includes a minimum guarantee of 150 beds (75% occupancy rate).

THE OPTION FACILITIES

The Company will have options to purchase each of the three Option Facilities at any time during the applicable Option Facility Option Period for a cash purchase price equal to the applicable Option Facility Purchase Price. If acquired, the Company will lease the Option Facilities to Wackenhut Corrections pursuant to long-term, non-cancelable, triple net leases on substantially the same terms and conditions as the Leases for the Initial Facilities. The initial annual rental rate for each Option Facility will be 9.5% of the applicable Option Facility Purchase Price. Throughout the terms of the initial Leases, annual rents will escalate by the Base Rent Escalation. The total aggregate purchase price and first-year rent for the Option Facilities are estimated to be approximately \$109.7 million and approximately \$10.4 million, respectively. Under the terms of the Leases, Wackenhut Corrections will have a right of first refusal on any proposed sale by the Company of the Option Facilities.

Set forth below are brief descriptions of each of the Option Facilities. Unless otherwise noted, the Company will own fee title to the Option Facilities, free and clear of any material liens, upon acquisition thereof.

| FACILITY AND LOCATION | TYPE OF FACILITY | CONTRACTING ENTITY | SECURITY LEVEL | ANTICIPATED DESIGN (BED) CAPACITY | ANTICIPATED FACILITY OPENING DATE | ANTICIPATED LEASE TERM (YEARS) |
|--|--------------------------------|--------------------|----------------|-----------------------------------|-----------------------------------|--------------------------------|
| ----- | ----- | ----- | ----- | ----- | ----- | ----- |
| Michigan Youth Correctional Facility... Lake County, MI | Juvenile Correctional Facility | MDOC(1) | Maximum | 480 | 2nd Quarter, 1999 | 10 |
| Jena Juvenile Justice Center..... Jena, LA | Juvenile Correctional Facility | LDOC(2) | All Levels | 276 | 3rd Quarter, 1998 | 10 |
| Lawton Correctional Facility..... Lawton, OK | Prison | (3) | Medium | 1,500 | 1st Quarter, 1999 | 10 |
| Total..... | | | | 2,256 ===== | | |

- (1) State of Michigan Department of Management and Budget for the Department of Corrections.
- (2) State of Louisiana Department of Public Safety and Corrections.
- (3) Wackenhut Corrections commenced construction of this facility in January 1998 and intends to respond to an RFP issued by the State of Oklahoma Department of Corrections soliciting proposals for up to 2,500 beds.

Michigan Youth Correctional Facility ("The Michigan Facility") is located in Lake County, Michigan and is situated on approximately 99 acres. This approximately 163,250 square feet facility contains a design capacity of 480 beds. Construction of the Michigan Facility is anticipated to be completed during the second quarter, 1999. The State of Michigan has awarded Wackenhut Corrections an operating agreement for a term

of five years from the opening of the facility. Wackenhut Corrections is currently finalizing the terms of the operating agreement with the State of Michigan.

The Jena Juvenile Justice Center (the "Jena Facility") is located in Jena, Louisiana and will be used to house juveniles. The facility will be situated on 100 acres. This approximately 62,400 square foot structure will have a design capacity for 276 beds. The facility is anticipated to be operational during the third quarter of 1998. The Jena Facility will be operated by Wackenhut Corrections under an operating agreement with the State of Louisiana, the term of which is subject to certain qualifications more fully discussed in "The Subleases -- The Jena Facility".

The Lawton Correctional Facility (the "Lawton Facility") is located in Lawton, Oklahoma and will be used as a medium security prison. The facility is situated on a 160 tract. The approximately 406,000 square foot structure contains a design capacity for 1,500 beds. Wackenhut Corrections commenced construction of the Lawton Facility in January 1998 and will respond to an RFP issued by the State of Oklahoma Department of Corrections in February 1998, soliciting proposals for up to 2,500 beds. However, there can be no assurance that Wackenhut Corrections will be awarded an operating agreement by the State of Oklahoma.

OWNERSHIP OF THE FACILITIES

The Aurora Facility and the Queens Facility are owned by Wackenhut Corrections and the McFarland Facility is owned by WCCRE Inc.

The Central Valley Facility, the Golden State Facility, the Desert View Facility, the Broward Facility, the Michigan Facility, the Jena Facility and the Lawton Facility are owned by First Security Bank, National Association, as owner trustee (the "Owner Trustee"), under the Wackenhut Corrections Trust 1997-1, and are leased to Wackenhut Corrections or WCCRE Inc. pursuant to the Wackenhut Lease Facility. Under the terms of these leases, Wackenhut Corrections has the option, subject to certain terms and conditions, to purchase these facilities and to designate a third party to receive title thereto. As part of the Formation Transactions, Wackenhut Corrections will exercise the option and cause the applicable Facilities to be conveyed by the Owner Trustee to the Company.

The Karnes Facility is owned by the Karnes County Public Facility Corporation. The Karnes County Public Facility Corporation has granted Wackenhut Corrections an option to purchase the Karnes Facility, which may be exercised by Wackenhut Corrections or its designee on or before July 14, 1998. Wackenhut Corrections will, in connection with the Formation Transactions, exercise the option and cause such facility to be conveyed to the Company.

THE EXCLUDED FACILITIES

Wackenhut Corrections will retain two correctional and detention facilities (the "Excluded Facilities") that are subject to purchase options granted to the State of New Mexico and the respective counties in which the facilities are located. The Excluded Facilities consist of (i) an approximately 379,000 square foot facility in Lea County, New Mexico which has a design capacity of 1,200 beds and (ii) an approximately 201,000 square foot facility in Guadalupe County, New Mexico which has a design capacity of 600 beds. The Excluded Facilities were excluded from the Initial Facilities because both the State of New Mexico and the respective counties previously have been granted an option to acquire one or both of these facilities. However, in the event the purchase option is not exercised by the State of New Mexico or the respective county, the Excluded Facilities will be subject to the Company's acquisition rights pursuant to the Right to Purchase Agreement and may be acquired in the future.

BANK CREDIT FACILITY

Neither the Declaration of Trust nor the Bylaws will limit the amount of indebtedness the Company may incur. To ensure the Company has sufficient liquidity to conduct its operations, the Company expects to establish a \$75 million Bank Credit Facility following consummation of the Offering, which may be used to finance the acquisition of additional correctional and detention facilities (including the Option Facilities and the Future Facilities), the expansion of existing facilities and for working capital requirements. The closing of the anticipated Bank Credit Facility would be subject to the prior fulfillment of customary conditions,

including the negotiation and execution of customary loan documents. Accordingly, there can be no assurance that a Bank Credit Facility will be obtained upon terms acceptable to the Company.

LEGAL PROCEEDINGS

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

COMPETITION

The Initial Facilities are, and any additional correctional and detention facilities acquired by the Company will be subject to competition for inmates from private prison managers and possibly governmental entities. The number of inmates in a particular area could have a material effect on the revenues of the Company's correctional and detention facilities. In addition, revenues of the Company's correctional and detention facilities will be affected by a number of factors, including the demand for inmate beds and general economic conditions. The Company will also be subject to competition for the acquisition of correctional and detention facilities with other purchasers of correctional and detention facilities, including, without limitation, CCA Prison Realty Trust, a publicly-traded REIT which also focuses on the acquisition and ownership of correctional and detention facilities.

GOVERNMENT REGULATION

Corrections Industry Regulations

The corrections industry is subject to federal, state and local regulations in the United States which are administered by a variety of regulatory authorities. Generally, prospective providers of corrections services must be able to detail their readiness to, and must comply with, a variety of applicable state and local regulations, including education, health care and safety regulations. Correctional and detention management contracts frequently include extensive reporting requirements and require supervision and on-site monitoring by representatives of contracting governmental agencies. State law also typically requires corrections officers to meet certain training standards. In addition, many state and local governments 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.

Environmental Matters

Under various federal, state and local laws, ordinances and regulations, an owner or operator of real property may become liable for the costs of removal or remediation of certain hazardous substances released on or in its property. Such laws often impose such liability without regard to whether the owner or operator knew of, or was responsible for, the release of such hazardous substances. The presence of such substances, or the failure to remediate such substances properly when released, may adversely affect the owner's ability to sell such real estate or to borrow funds if the borrower is using such real estate as collateral. Neither the Company, Wackenhut Corrections nor any of their affiliates has been notified by any government authority of any material non-compliance, liability or other claim in connection with any of the Initial Facilities or Option Facilities and neither the Company, Wackenhut Corrections nor any of their affiliates is aware of any other environmental condition with respect to any of the Facilities that is likely to be material to the Company.

Phase I environmental assessments have been acquired for all of the Initial Facilities and Option Facilities, with the exception of the Aurora Facility, the Queens Facility and the Karnes Facility. The receipt of a satisfactory Phase I assessment will, however, be required prior to the Company's acquisition of each such facility. No assurance can be given that such investigation would reveal all potential environmental liabilities, that no prior or adjacent owner created any material environmental condition not known to the Company or that future uses or conditions (including, without limitation, changes in applicable environmental laws and regulations) will not result in imposition of environmental liability or limitation on use of properties. The Company does not intend to conduct any further environmental investigation in connection with the Offering (other than in connection with its acquisition of the Aurora Facility, the Queens Facility and the Karnes Facility). The Leases provide that Wackenhut Corrections will indemnify the Company for certain potential environmental liabilities at the Facilities. See "Leases."

Americans with Disabilities Act

The Facilities are subject to the Americans with Disabilities Act of 1990, as amended (the "ADA"). The ADA has separate compliance requirements for "public accommodations" and "commercial facilities" but generally requires that public facilities, such as correctional facilities, be made accessible to people with disabilities. These requirements became effective in 1992. Compliance with the ADA requirements could require removal of access barriers and other capital improvements at the Facilities. Noncompliance could result in imposition of fines or an award of damages to private litigants. Under the Leases, Wackenhut Corrections is required to make any necessary modifications or improvements to comply with the ADA and to indemnify the Company from any liabilities in connection therewith. The Company does not believe that such costs will be material because it believes that relatively few modifications are necessary to comply with the ADA. Wackenhut Corrections has undertaken, where required, a capital improvement program to cause the Facilities to comply with the ADA.

THE FORMATION TRANSACTIONS

Prior to or simultaneously with the consummation of the Offering, the Company and Wackenhut Corrections will engage in the Formation Transactions which are designed to consolidate ownership of the Initial Facilities in the Company, to provide a vehicle for future acquisitions of correctional and detention facilities (including the Option Facilities and the Future Facilities) and to enable the Company to qualify as a REIT for federal income tax purposes commencing with its taxable year ending December 31, 1998. These transactions include the following:

- Issuance of Common Shares. The Company will sell 6,200,000 Common Shares in the Offering, resulting in net proceeds to the Company of approximately \$113.8 million after deduction of the underwriting discounts and commissions and estimated offering expenses. All of the net proceeds to the Company from the Offering will be either contributed by the Company directly to the Operating Partnership or contributed by the Company to CPT LP, a wholly-owned subsidiary of the Company, which will, in turn, contribute such proceeds to the Operating Partnership, in exchange for a combined 100% interest in the Operating Partnership. The Company will initially own a 98% limited partnership interest and a 1% general partnership interest in the Operating Partnership. CPT LP will initially own a 1% limited partnership interest in the Operating Partnership.
- Purchase Agreements. The Company will enter into the Purchase Agreements with Wackenhut Corrections, pursuant to which the Company will acquire, directly or as assignee of Wackenhut Corrections' contract rights, the eight Initial Facilities for an aggregate cash purchase price of approximately \$113.0 million.
- Option Agreements. The Company will enter into the Option Agreements with Wackenhut Corrections pursuant to which Wackenhut Corrections will grant the Company the option to acquire each of the three Option Facilities, at any time during the applicable Option Facility Option Period, for a cash purchase price equal to the applicable Option Facility Purchase Price. If the Company elects to purchase all three Option Facilities, the aggregate purchase price is estimated to be approximately \$109.7 million.
- Leases. Concurrent with the Company's acquisition of the Initial Facilities and, if acquired, the Option Facilities, the Company will lease such Facilities to Wackenhut Corrections pursuant to the Leases for an initial term of 10 years. Subject to certain limited exceptions, the term of each of the Leases may be extended by Wackenhut Corrections for three additional five-year terms at a fair market rental rate as mutually agreed upon by the Company and Wackenhut Corrections or, in the absence of such an agreement, as determined by binding arbitration. In addition, the term of any of the Leases will be automatically extended upon expiration thereof on the same terms (including the then applicable base rent and Base Rent Escalation) if Wackenhut Corrections is obligated under an unexpired sublease with respect to such Facility. Under the terms of the Leases, Wackenhut Corrections will have a right of first refusal on the proposed sale by the Company of any of the Initial Facilities and, if acquired, the Option Facilities.
- Right to Purchase Agreement. The Company will enter into the Right to Purchase Agreement with Wackenhut Corrections pursuant to which the Company will have the right to acquire and lease back to Wackenhut Corrections each of the Future Facilities, at any time during the Future Facility Option Period for a cash purchase price equal to the applicable Future Facility Purchase Price. In the case of any Future Facility acquired during the first five years of the Right to Purchase Agreement, the initial annual rental rate for such Facility will be the greater of (i) the fair market rental rate as mutually agreed upon by the Company and Wackenhut Corrections, and in the absence of such agreement, as determined by binding arbitration, or (ii) 9.5% of the purchase price of such Future Facility. In the case of any Future Facility acquired thereafter, the initial annual rental rate will be the fair market rental rate as mutually agreed upon by the Company and Wackenhut Corrections or, in the absence of such an agreement, as determined by binding arbitration. Under the terms of the Right to Purchase Agreement, Wackenhut Corrections will have a right of first refusal on the proposed sale by the

Company of any Future Facilities. The Right to Purchase Agreement has a term of 15 years after the consummation of the Offering.

- Credit Facility. Following consummation of the Offering, the Company expects to establish the \$75 million Bank Credit Facility which may be used to finance the acquisition of additional correctional and detention facilities (including the Option Facilities and Future Facilities), to expand the Facilities and for general working capital requirements.

ADVANTAGES AND DISADVANTAGES TO UNAFFILIATED SHAREHOLDERS

The potential advantages of the Formation Transactions to unaffiliated shareholders of the Company include their ability to participate in the cash flow generated by the rent from the Initial Facilities through their ownership by the Company, and in all future acquisitions by the Company. See "The Company -- Business and Growth Strategies -- Expansion Opportunities." The potential disadvantages of such transactions to unaffiliated shareholders of the Company include the lack of arm's-length valuations in determining the consideration in such transactions and the fact that Dr. Zoley, Chairman of the Company and Vice Chairman and Chief Executive Officer of Wackenhut Corrections, together with three other trustees of the Company who are also employees or directors of Wackenhut Corrections will have substantial influence over the management and operations of the Company, and that the risk such influence might be exercised in a manner inconsistent with the best interests of the Company and its shareholders. See the more complete discussion of such matters under "Risk Factors."

BENEFITS TO WACKENHUT CORRECTIONS AND CERTAIN AFFILIATES

The benefits of the foregoing transactions to Wackenhut Corrections and its directors and officers include:

- Wackenhut Corrections will receive approximately \$113.0 million in cash for the three Initial Facilities owned by it and its right to acquire the remaining five Initial Facilities. The estimated historical cost of the Initial Facilities was approximately \$95.9 million;
- In the event the Company elects to exercise its option to acquire any or all of three Option Facilities, Wackenhut Corrections could receive up to approximately \$109.7 million;
- Wackenhut Corrections will use certain of the proceeds from the sale of the Initial Facilities to repay certain indebtedness incurred in connection with the development or acquisition of such facilities;
- Approximately \$55.4 million in outstanding indebtedness under the Wackenhut Lease Facility (as hereinafter defined), which is guaranteed in part by Wackenhut Corrections, will decrease upon the sale of certain of the Initial Facilities to the Company;
- Wackenhut Corrections will expand its business development opportunities because of the increased access to capital available through its strategic alliance with the Company;
- Wackenhut Corrections will have a right of first refusal with regard to certain future sales of Facilities by the Company; and
- Wackenhut Corrections will accelerate the vesting of 18,300 options to purchase shares of Wackenhut Corrections common stock which are currently held by Charles R. Jones. Mr. Jones has advised the Company that he will exercise these options, as well as 10,200 vested options to purchase shares of Wackenhut Corrections common stock, and will dispose of all such shares received by him upon exercise thereof prior to the consummation of the Offering.
- Dr. Zoley, Messrs. George R. Wackenhut and Richard R. Wackenhut, and other directors, officers and employees of Wackenhut Corrections and its affiliates (other than Messrs. Jones and Hogan) will be granted, in connection with the Offering, options to purchase 480,000 Common Shares at a per share purchase price equal to the Offering Price, which will be exercisable in four equal annual installments commencing on the date of grant.
- Messrs. Jones and Hogan, each of whom has agreed to resign his position as an employee of Wackenhut Corrections upon consummation of the Offering, will be granted options to purchase an aggregate of 85,000 Common Shares at a per share purchase price equal to the Offering Price.

- Through its operations of the Initial Facilities pursuant to the Leases, Wackenhut Corrections will be entitled to all of the cash flow from the Initial Facilities after the payment of operating expenses, taxes and rent under the Leases.

RELATIONSHIP BETWEEN WACKENHUT CORRECTIONS AND THE COMPANY
AFTER THE FORMATION TRANSACTIONS

For the purpose of governing certain of the ongoing relationships between the Company and Wackenhut Corrections after the Formation Transactions and to provide mechanisms for an orderly transition prior to the completion of the Formation Transactions, the Company and Wackenhut Corrections will have entered into the various agreements and will have adopted the policies described herein.

Purchase Agreements. Prior to the consummation of the Offering, the Company will enter into the Purchase Agreements with Wackenhut Corrections pursuant to which the Company will acquire, directly or as assignee of Wackenhut Corrections' contract rights, the eight Initial Facilities for an aggregate cash purchase price of approximately \$113.0 million. Pursuant to the Purchase Agreements, the transfer of the Initial Facilities is subject to the completion of the Offering as well as the normal and customary conditions to the closing of real estate transactions. The Purchase Agreements will contain representations and warranties by Wackenhut Corrections concerning the Initial Facilities customarily found in agreements of such type that will survive the consummation of the Offering for a period of one year.

Option Agreements. Prior to the consummation of the Offering, the Company will enter into the Option Agreements with Wackenhut Corrections, pursuant to which Wackenhut Corrections will grant the Company the option to acquire each of the three Option Facilities at any time during the applicable Option Facility Option Period for a cash purchase price equal to the applicable Option Facility Option Price. If the Company elects to purchase all three Option Facilities, the aggregate purchase price is estimated to be \$109.7 million.

Leases. Concurrent with the Company's acquisition of the Initial Facilities and, if acquired, the Option Facilities, the Company will lease such Facilities to Wackenhut Corrections pursuant to the Leases for an initial term of 10 years. Subject to certain limited exceptions, the term of each of the Leases may be extended by Wackenhut Corrections for three additional five-year terms at a fair market rental rate as mutually agreed upon by the Company and Wackenhut Corrections or, in the absence of such an agreement, as determined by binding arbitration. In addition, the term of any of the Leases will be automatically extended upon expiration thereof on the same terms (including the then applicable base rent and Base Rent Escalation) as reflected in the applicable Lease. Wackenhut Corrections is obligated under an unexpired sublease with respect to such Facility. Under the terms of the Leases, Wackenhut Corrections will have a right of first refusal on the proposed sale by the Company of any of the Initial Facilities and, if acquired, the Option Facilities.

Right to Purchase Agreement. It is anticipated that Wackenhut Corrections will acquire or develop additional correctional or detention facilities in the future. Prior to the consummation of the Offering, the Company will enter into the Right to Purchase Agreement with Wackenhut Corrections pursuant to which the Company will have the right, with certain limited exceptions, to acquire and lease back to Wackenhut Corrections each of the Future Facilities, at any time during the Option Period applicable to such Future Facility for a cash purchase price equal to the Option Facility Purchase Price for such Future Facility. In the case of any Future Facility acquired during the first five years of the Right to Purchase Agreement, the initial annual rental rate for such Facility will be the greater of (i) the fair market rental rate as mutually agreed upon by the Company and Wackenhut Corrections, and in the absence of such agreement, as determined by binding arbitration, or (ii) 9.5% of the applicable Future Facility Purchase Price. In the case of any Future Facility acquired thereafter, the initial annual rental rate will be the fair market rental rate as mutually agreed upon by the Company and Wackenhut Corrections or, in the absence of such an agreement, as determined by binding arbitration. Under the terms of the Right to Purchase Agreement, Wackenhut Corrections will have a right of first refusal on the proposed sale by the Company of any Future Facilities. The Right to Purchase Agreement has a term of 15 years following the consummation of the Offering.

Policies and Procedures for Addressing Conflicts. After completion of the Formation Transactions, the Company and Wackenhut Corrections will have significant contractual and other ongoing relationships, as described above and under "Leases" herein. Such ongoing relationships may present certain conflict situations for certain trustees and officers of the Company and certain directors and officers of Wackenhut Corrections. See "Risk Factors -- Conflicts of Interest." The Company and Wackenhut Corrections will adopt appropriate policies and procedures to be followed by the Board of Trustees of the Company and the Board of Directors of

Wackenhut Corrections to attempt to address those conflicts. Such procedures will include requiring Dr. Zoley, George Wackenhut and Richard Wackenhut to abstain from making management decisions in their capacity as trustees or officers of the Company or as directors or officers of Wackenhut Corrections, and to abstain from voting as directors or trustees of either company with respect to matters that present a conflict of interest between the companies. Whether or not a conflict of interest situation exists will be determined by the Company Independent Committee on a case-by-case basis in accordance with the policies and procedures to be developed by the Board of Trustees. See "Risk Factors -- Conflicts of Interest."

Upon the consummation of the Offering, the Board of Trustees will establish the Company Independent Committee, which will consist of the five trustees who will be neither officers or employees of the Company, nor directors, trustees, officers, employees of, or other persons who have a material financial interest in, The Wackenhut Corporation, Wackenhut Corrections, or any lessee or tenant of property owned by the Company, or any owner, lessee or tenant of any property financed by the Company, or any management company operating any property owned or financed by the Company, or affiliates of any of the foregoing. Pursuant to the Bylaws, the Company Independent Committee must approve the following actions of the Board of Trustees: (i) the selection of the operators for the Facilities and (ii)(a) the entering into of any agreement with Wackenhut Corrections, The Wackenhut Corporation or their respective affiliates and (b) the consummation of any transaction between the Company and Wackenhut Corrections, The Wackenhut Corporation or their respective affiliates, including, but not limited to, the negotiation, enforcement and renegotiation of the terms of any lease of any of the Facilities. Certain other significant actions of the Board of Trustees will require the approval of a minimum of two-thirds of the trustees. See "Certain Provisions of Maryland Law and of the Company's Declaration of Trust and Bylaws -- Super-Majority Vote of Trustees."

POLICIES AND OBJECTIVES WITH RESPECT TO CERTAIN ACTIVITIES

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

INVESTMENT POLICIES

The Company intends to focus its investments on the acquisition or development of facilities directly from, or on behalf of, Wackenhut Corrections or its affiliates or other private prison managers or government entities in the United States. Additionally, the Company may pursue other opportunities as well, including investment opportunities abroad and in facilities unrelated to the correctional and detention industry. The Company may also invest in other facilities or excess land to the extent necessary to acquire a facility.

The Company will apply the following general guidelines in evaluating potential investments in correctional and detention facilities: (i) completion of the construction of the facility, (ii) execution of a government contract for the operation of the facility, and (iii) documentation of adequate inmate occupancy levels. Although these investment guidelines are not compulsory but merely advisory, management of the Company has no present intent to acquire any facility until construction is completed.

Subject to the general investment guidelines referenced above, the Company will consider a variety of specific factors in evaluating potential investments in correctional or detention facilities, including: (i) the reputation and creditworthiness of the current owner, manager or developer of the facility, (ii) the proposed terms for purchasing the facility, (iii) the proposed terms for leasing the facility, including rental payments and lease term, (iv) the quality of construction of the facility, (v) the quality of operations at an existing facility or the quality of other operations of a prison manager for a new facility, (vi) the relationship between the prison manager and the contracting government entity, and (vii) the status of existing facilities as facilities accredited by the American Correctional Association (the "ACA"). The ACA is a multi-disciplinary organization of professionals representing all levels and facets of the corrections and criminal justice industry, including federal, state and military correctional facilities in prisons, county jails and detention centers, probation and parole agencies, and community corrections/half-way houses. Comprised of 70 chapters and affiliated organizations, as well as individual members numbering more than 20,000, the ACA serves as the umbrella organization for all areas of corrections, and provides a broad base of expertise in this industry.

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

While the Company emphasizes equity real estate investments, it may, in its discretion, invest in mortgages, equity or debt securities of other REITs or partnerships and other real estate interests. Mortgage investments may include participating in convertible mortgages. The Company does not currently intend to purchase securities of, or interests in, other entities engaged in real estate activities.

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

DISPOSITION POLICIES; WACKENHUT CORRECTIONS' RIGHT OF FIRST REFUSAL

The Company has no current intention to dispose of any of the Facilities, although it reserves the right to do so if the Board of Trustees determines that such action would be in the best interests of the Company. Wackenhut Corrections shall have a right of first refusal with respect to any sale of the Facilities. See "The

Formation Transactions" and "Leases" for a more detailed discussion of the terms and conditions of Wackenhut Corrections' right of first refusal.

FINANCING POLICIES

The Company presently intends to maintain the Debt Policy (measured at the time a borrowing occurs), which requires a ratio of total consolidated indebtedness to total market capitalization of 50% or less. The Board of Trustees may, however, from time to time reevaluate this policy and decrease or increase such ratio accordingly. The Company will determine its financing policies in light of then current economic conditions, relative costs of debt and equity capital, market values of properties, growth and acquisition opportunities and other factors. Following consummation of the Offering, the Company expects to establish the \$75 million Bank Credit Facility which may be used to finance the acquisition of additional correctional and detention facilities (including the Option Facilities and the Future Facilities), the expansion of existing facilities and for working capital requirements. If the Board of Trustees determines that additional funding is desirable, the Company may raise such funds through additional equity offerings, debt financing or retention of cash flow (subject to provisions in the Code concerning taxability of undistributed REIT income and REIT qualification), or a combination of these methods.

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

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

WORKING CAPITAL RESERVE POLICIES

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

CONFLICTS OF INTEREST POLICIES

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

Declaration of Trust and Bylaw Provisions

The Declaration of Trust will require that at least a majority of the members of the Board of Trustees be comprised of "Independent Trustees," defined therein as individuals who qualify as trustees but who are neither officers nor employees of the Company nor a director, trustee, officer or employee of, or other person

who has a material financial interest in, Wackenhut Corrections, or its affiliates, or any lessee or tenant of a facility owned by the Company, or any owner, lessee or tenant of any facility financed by the Company, or any management company operating any facility owned or financed by the Company, or affiliates of any of the foregoing. The Declaration of Trust will provide that such provisions relating to Independent Trustees may be amended with the approval by the shareholders by the affirmative vote of two-thirds of all of the votes entitled to be cast on such matters. In addition, the Bylaws provide that the selection of operators for the Company's facilities and the entering into and consummation of all transactions between the Company and Wackenhut Corrections or its affiliates, including, but not limited to, the negotiation, enforcement and renegotiation of the terms of any lease of any of the Company's facilities with such parties, be approved by the Company Independent Committee which must consist solely of Independent Trustees.

OTHER POLICIES

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

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

At all times, the Company intends to make investments in such a manner as to be consistent with the requirements of the Code to qualify as a REIT and the Board of Trustees shall endeavor to take no action which disqualifies the Company as a REIT or otherwise causes the revocation of the Company's election to be taxed as a REIT without the affirmative vote of the holders of not less than two-thirds of the shares of the Company entitled to vote on such matter.

OPERATING PARTNERSHIP AGREEMENT

The following summary of the Operating Partnership Agreement and the descriptions of certain operating provisions thereof set forth elsewhere in this Prospectus, is qualified in its entirety by reference to the Operating Partnership Agreement, which has been filed as an exhibit to the Registration Statement of which this Prospectus is a part.

MANAGEMENT

The Operating Partnership will be organized as a Delaware limited partnership pursuant to the terms of the partnership agreement that will include the Company, as general partner, and both the Company and CPT LP as the initial limited partners (the "Partnership Agreement"). Pursuant to the Partnership Agreement, the Company, as the sole general partner of the Operating Partnership (the "General Partner"), will have full, exclusive and complete responsibility and discretion in the management and control of the Operating Partnership, and the Company and CPT LP, in their capacity as the limited partners (each a "Limited Partner," and together with parties subsequently becoming limited partners, the "Limited Partners") will have no authority to transact business for, or participate in the management activities or decisions of, the Operating Partnership. Generally, any amendment to the Partnership Agreement may be made by the General Partner, including, without limitation, amendments that (i) add to the obligations of the General Partner, (ii) reflect the admission, substitution or withdrawal of partners, (iii) reflect the issuance of additional partnership interests issued by the Operating Partnership, (iv) reflect a change that does not adversely affect Limited Partners and (v) are necessary to satisfy legal requirements. The consent of each adversely affected partner is required for any amendment that would require any partner to make additional capital contributions or restore any negative balance in its capital account, or which amendment would convert a limited partnership interest into a general partnership interest, affect a Limited Partner's liability or right to receive distributions or that would dissolve the Operating Partnership prior to December 31, 2048 (other than as a result of certain mergers or consolidations).

TRANSFERABILITY OF INTERESTS

Subject to limited exceptions, the Limited Partners may not withdraw from the Operating Partnership. With certain exceptions, the Limited Partners may transfer their Units, in whole or in part, without the consent of the General Partner. Subject to limited exceptions, the General Partner may not withdraw or transfer its Units.

CAPITAL CONTRIBUTION

The Company will contribute \$20 to the Operating Partnership as its initial capital contribution as General Partner and \$1,960 as its initial capital contribution as Limited Partner, and CPT LP will contribute \$20 as its initial capital contribution as a Limited Partner. The Company will receive a 1% general partnership interest and a 98% limited partnership interest, and CPT LP will receive a 1% limited partnership interest, in the Operating Partnership. The Company, directly as a General Partner and a Limited Partner, and indirectly through CPT LP, will contribute on a pro rata basis to the Operating Partnership as additional capital contributions the net proceeds of the Offering. Upon contribution of such additional capital to the Operating Partnership, the Company and CPT LP will receive additional Units in the Operating Partnership which will equal the number of outstanding Common Shares issued in the Offering, and their percentage interests in the Operating Partnership will be adjusted, on a proportionate basis based upon the amount of such additional capital contributions and the value of the Operating Partnership at the time of such contributions.

OPERATIONS

The Partnership Agreement requires that the Operating Partnership be operated in a manner that will enable the Company to satisfy the requirements for being classified as a REIT.

In addition to the administrative and operating costs and expenses incurred by the Operating Partnership, the Operating Partnership will pay all administrative costs and expenses of the Company (the "Company

Expenses"), and the Company Expenses will be treated as expenses of the Operating Partnership. The Company Expenses generally will include (i) all expenses relating to the formation of the Company and the Operating Partnership, (ii) all expenses relating to the Offering, (iii) all expenses associated with the preparation and filing of any periodic reports by the Company and the Operating Partnership under federal, state or local laws or regulations, (iv) all expenses associated with compliance by the Company and the Operating Partnership with laws, rules and regulations promulgated by any regulatory body, and (v) all other operating or administrative costs of the Company incurred in the ordinary course of its business on behalf of the Operating Partnership. If the Company acquires assets outside of the Operating Partnership or an entity wholly-owned by the Operating Partnership, the percentage of Company Expenses allocated to the Operating Partnership shall be reduced to an amount that is fair and equitable to the Operating Partnership under the circumstances, as determined by the Company as General Partner.

DISTRIBUTIONS AND ALLOCATIONS

The Partnership Agreement provides that the Operating Partnership will distribute cash from operations (including net sale or refinancing proceeds, but excluding net proceeds from the sale of the Operating Partnership's property in connection with the liquidation of the Operating Partnership) on a quarterly (or, at the election of the General Partner, more frequent) basis, in amounts determined by the General Partner in its sole discretion, to the partners in accordance with their respective percentage interests in the Operating Partnership. Upon liquidation of the Operating Partnership, after payment of, or adequate provision for, debts and obligations of the Operating Partnership, including any partner loans, any remaining assets of the Operating Partnership will be distributed to all partners in accordance with their respective positive capital account balances.

Profit and loss of the Operating Partnership for each fiscal year of the Operating Partnership generally will be allocated among the partners in accordance with their respective interests in the Operating Partnership. Taxable income and loss will be allocated in the same manner, subject to compliance with the provisions of Code sections 704(b) and 704(c) and Treasury Regulations promulgated thereunder.

TERM

The Operating Partnership will continue until December 31, 2048, or until sooner dissolved upon (i) the sale of all or substantially all the assets and properties of the Operating Partnership, (ii) the withdrawal of the General Partner (unless there remains at least one other General Partner or a majority of remaining partners elect to continue the business of the Operating Partnership and appoint a replacement General Partner), (iii) the acquisition by a single person of all of the partnership interests, (iv) the entry of a decree of judicial dissolution of the Operating Partnership, or (v) the election by the General Partner, with consent of the holders of at least 50% of the Units, other than those owned by the Company or its affiliates, to dissolve the Operating Partnership.

TAX MATTERS

Pursuant to the Partnership Agreement, the General Partner will be the tax matters partner of the Operating Partnership and, as such, will have authority to handle tax audits and to make tax elections under the Code on behalf of the Operating Partnership.

LEASES

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

Concurrent with Wackenhut Corrections' conveyance of the Initial Facilities and, if acquired, the Option Facilities to the Company, the Company will lease each such Facility to Wackenhut Corrections or to WCCRE LLC. Each such Facility will be the subject of a separate Lease that will incorporate the provisions of a master lease (the "Master Lease") between the Company and Wackenhut Corrections. The Lease of each such Facility will include the land, the buildings and structures and other improvements thereon, easements, rights and similar appurtenances to such land and improvements, and permanently affixed equipment, machinery, and other fixtures relating to the operation of the Facility (the "Leased Property"). The Lease of each such Facility provides for an initial term of 10 years (the "Fixed Term") and may be extended by Wackenhut Corrections for three additional five-year terms beyond the Fixed Term (the "Extended Terms") at a fair market rental rate as mutually agreed upon by the Company and Wackenhut Corrections or, in the absence of such an agreement, as determined by binding arbitration. In addition, an individual Lease will be automatically extended on the same terms (including the then applicable base rent and Base Rent Escalation) if, at the time of the Lease expiration, Wackenhut Corrections is obligated under the terms of a Sublease with respect to the Facility. The Fixed Term and Extended Terms under each Lease shall be subject to earlier termination upon the occurrence of certain contingencies described in the Lease. Any additional Future Facilities will be leased pursuant to terms and conditions as may be agreed upon between the Company and Wackenhut Corrections at the time of such acquisitions (and in the absence of agreement on the initial base rent, as may be determined by binding arbitration). Such terms and conditions may vary from the terms and conditions described herein with respect to the Initial Facilities and Option Facilities.

USE OF THE FACILITIES

Each Lease permits Wackenhut Corrections to operate the Leased Property solely as a correctional or detention facility, unless otherwise mutually agreed upon by the Company and Wackenhut Corrections. Wackenhut Corrections has the responsibility in each Lease to obtain and maintain all licenses, certificates and permits in order to use and operate the respective Facility and to provide the Company with evidence of compliance with this obligation.

AMOUNTS PAYABLE UNDER THE LEASES; NET PROVISIONS

During the Fixed Term and the Extended Terms, Wackenhut Corrections will pay annual base rent ("Annual Base Rent"), which will be payable in monthly installments. Annual Base Rent for each Leased Property will be increased each year by the Base Rent Escalation. Annual Base Rent and Base Rent Escalation are collectively referred to in the Master Lease as "Rent."

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

MAINTENANCE, MODIFICATION AND CAPITAL ADDITIONS

Under each Lease, Wackenhut Corrections will, at its sole cost and expense, maintain each Leased Property in good order, repair and appearance and will make structural and non-structural, interior and

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

Wackenhut Corrections, at its sole cost and expense, may make alterations, additions, changes and/or improvements to each Leased Property, provided that with respect to improvements in excess of \$500,000 (increasing by 4% cumulatively each year thereafter), the value and primary intended use of such Leased Property (determined in the Company's reasonable judgment) is not impaired and the prior written consent of the Company is obtained. All machinery, equipment, furniture, furnishings, and other personal property installed at the expense of Wackenhut Corrections on any Leased Property, will remain the property of Wackenhut Corrections until the expiration or earlier termination of the Lease, at which time the Company will have an option to purchase such property at net book value upon such expiration or termination. However, the Company's option in certain cases may be subject to a contracting governmental entity's superior right to acquire all or a portion of such removable personal property under the terms of its operating agreement with Wackenhut Corrections.

Each Lease provides that, at the request of Wackenhut Corrections, the Company may construct one or more new buildings or other improvements to a particular Leased Property which are not normal or recurring to the maintenance of such Leased Property (a "Capital Addition"). A Capital Addition to a Leased Property may necessitate an amendment to an existing Lease or new lease agreement setting forth any changes in the premises, rent, or other similar terms of the Lease as a result of the Capital Addition. In certain situations, a Capital Addition to a Leased Property may be made directly by Wackenhut Corrections and financed by third parties with the prior written consent of the Company. In the case of a Capital Addition not undertaken or financed by the Company, the Company will have an option to acquire and lease back to Wackenhut Corrections such Capital Addition for a period of one year following the Operation Commencement Date for such Capital Addition, at a fair market price and at fair market rental rates. The fair market price of any such Capital Addition is deemed to be 105% (or such lower percentage as may be agreed to by Wackenhut Corrections) of the aggregate costs related to the acquisition, development, design, construction, equipment and start-up of such Capital Addition. Fair market rental rates for a Capital Addition acquired or undertaken by the Company will be as mutually agreed upon by the Company and Wackenhut Corrections, and in the absence of such an agreement, as determined by binding arbitration.

INSURANCE

Each Lease provides that Wackenhut Corrections will maintain insurance on each Leased Property under Wackenhut Corrections' insurance policies providing for the following coverages: (i) fire, vandalism, earthquake and malicious mischief, extended coverage perils, and all physical loss perils, (ii) comprehensive general public liability (including personal injury and property damage), and (iii) workers' compensation. Under the Lease, the Company will have the right to periodically review Wackenhut Corrections' insurance coverage and provide input with respect thereto. Management of the Company believes that the insurance coverage currently maintained by Wackenhut Corrections on each Initial Facility is adequate in scope and amount and expects that adequate insurance will be maintained by Wackenhut Corrections on each such facility in the future.

ENVIRONMENTAL MATTERS

Each Lease provides that Wackenhut Corrections makes various representations and warranties relating to environmental matters with respect to each Leased Property. Each Lease also requires Wackenhut Corrections to indemnify and hold harmless the Company and any holder of a mortgage, deed of trust or other security agreement on a Leased Property (a "Company Mortgagee") from and against all liabilities, costs and expenses imposed upon or asserted against the Company or the Leased Property on account of, among other things, any federal, state or local law, ordinance, regulation, order or decree relating to the protection of human health or the environment in respect of the Leased Property. The Leases provide, however, that Wackenhut

Corrections will not be liable with respect to matters or events that arise after the commencement date of the applicable Lease as a result of the gross negligence or intentional misconduct of the Company.

ASSIGNMENT AND SUBLETTING

The Leases provide that Wackenhut Corrections may not, without the prior written consent of the Company, assign, sublease, mortgage, pledge, hypothecate, encumber or otherwise transfer (except to an affiliate of Wackenhut Corrections) any Lease or any interest therein, or all or any part of the Leased Property. The Leases further state that such consent may be granted or withheld by the Company in its sole discretion. An assignment of a Lease will be deemed to include any Change of Control of Wackenhut Corrections (as hereinafter defined), as if such Change of Control were an assignment of the Lease. A "Change of Control" of Wackenhut Corrections means, for purposes of the Leases, the sale by Wackenhut Corrections or any shareholder of Wackenhut Corrections of a controlling interest in Wackenhut Corrections, or the sale or other transfer of all or substantially all of the assets of Wackenhut Corrections. A Change of Control also means any transaction pursuant to which Wackenhut Corrections is merged with or consolidated into another entity, and Wackenhut Corrections is not the surviving entity. The Leases further provide that no assignment will in any way impair the continuing primary liability of Wackenhut Corrections under the Leases. The Company will not unreasonably withhold its consent to subleases in favor of governmental entities which are required in connection with an award of an operating contract to Wackenhut Corrections, provided that, among other requirements, (i) any such subleases are inferior and subordinate to the Company's interest in the Facility or (ii) the term of the sublease does not extend beyond the term of the Lease between the Company and Wackenhut Corrections.

In addition, if requested by Wackenhut Corrections in connection with the award of an operating agreement awarded to Wackenhut Corrections for a Facility, the Company may agree to provide nondisturbance agreements in favor of governmental entities pursuant to which the Company will agree to recognize and leave the rights of any such governmental sub-tenant undisturbed in the event of a termination of the Lease, but only upon a determination by the Company that the provisions of any such governmental subleases are acceptable in the Company's sole and absolute discretion.

DAMAGE TO, OR CONDEMNATION OF, A LEASED PROPERTY

In the event of any damage or destruction to any Facility, Wackenhut Corrections has the obligation to fully repair or restore the same at Wackenhut Corrections' expense, with the Annual Base Rent, real estate taxes and other impositions on the particular Facility being proportionately abated during the time of restoration, but only to the extent of any rental interruption insurance proceeds actually received by the Company. If any Facility is damaged to such an extent that 50% of the Facility is rendered unsuitable for use as a correctional or detention facility, and if Wackenhut Corrections has fully complied with the insurance obligations with respect to such Facility (including maintaining insurance against loss of rents), Wackenhut Corrections may terminate the Lease of that facility upon turning over all insurance proceeds to the Company with respect to such Facility. Additionally, if the Facility is damaged within the last 24 months of the Lease term and cannot be restored within six months of the date of the damage, either the Company or Wackenhut Corrections may terminate the Lease. However, if Wackenhut Corrections exercises an option to extend the Lease term, the Company may not terminate upon such casualty damage or destruction.

In the event of a condemnation or taking of any Leased Property neither party shall be obligated to compensate the other for any damage or loss suffered as a consequence of such a taking. In the event of a partial taking, Wackenhut Corrections is obligated to repair the portion not taken, if the same does not render the Leased Property unsuitable for Wackenhut Corrections' then use and occupancy, but only to the extent of the condemnation award. The total condemnation award shall be payable to the Company, except that Wackenhut Corrections may recover its business damages, and the value of its improvements and the value of its leasehold interest.

INDEMNIFICATION GENERALLY

Under each Lease, Wackenhut Corrections indemnifies, and is obligated to save harmless, the Company from and against any and all demands, claims, causes of action, fines, penalties, damages (including consequential damages), losses, liabilities (including strict liability), judgments, and expenses (including, without limitation, reasonable attorneys' fees, court costs, and related expenses) incurred in connection with or arising from: (i) the use, condition, operation or occupancy of each Leased Property; (ii) any activity, work, or thing done, or permitted or suffered by Wackenhut Corrections in or about the Leased Property; (iii) any acts, omissions, or negligence of Wackenhut Corrections or any person claiming under Wackenhut Corrections, or the contractors, agents, employees, invitees, or visitors of Wackenhut Corrections or any such person; (iv) any claim of any person incarcerated, held or detained in the Leased Premises, including claims alleging breach or violation of such person's civil or legal rights; (v) any breach, violation, or nonperformance by Wackenhut Corrections or any person claiming under Wackenhut Corrections or the employees, agents, contractors, invitees, or visitors of Wackenhut Corrections or of any such person, of any term, covenant, or provision of any Lease or any law, ordinance, or governmental requirement of any kind; (vi) any injury or damage to the person, property or business of Wackenhut Corrections, its employees, agents, contractors, invitees, visitors, or any other person entering upon the Leased Property under the express or implied invitation of Wackenhut Corrections; (vii) and any accident, injury to or death of persons or loss of damage to any item of property occurring at the Leased Property; and (viii) any improvements to the Leased Property in order to comply with the requirements of the ADA.

Under each Lease, the Company indemnifies, and is obligated to save harmless, Wackenhut Corrections from and against all liabilities, costs and expenses (including reasonable attorneys' fees) imposed upon or asserted against Wackenhut Corrections as a result of the Company's gross negligence or intentional misconduct.

EVENTS OF DEFAULT

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

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

The Leases will be governed by and construed in accordance with Florida law (but not including Florida's conflict of laws rules) except for certain procedural laws which must be governed by the laws of the location of each Leased Property. Because the Facilities are located in various states, the Leases may be subject to restrictions imposed by applicable local law. Neither the Master Lease nor any of the other agreements entered into by Wackenhut Corrections in connection with the Formation Transactions prohibits or otherwise restricts the Company's ability to lease properties to parties (domestic or foreign) other than Wackenhut Corrections.

SUBLEASES

The provisions of certain existing operating agreements awarded to Wackenhut Corrections for the Initial Facilities afford the governmental entity a right to assume a sublease of the subject facility created between WCCRE, Inc. and Wackenhut Corrections (or to designate another facility operator to assume such sublease) at a fixed rental rate in the event of early termination of the operating agreement upon the occurrence of certain events. The rental payments and other material terms of these existing Subleases differ from comparable provisions of the Leases, and there is no requirement that the governmental entity or its designee comply with the provisions of the Leases. In such cases, Wackenhut Corrections will, nevertheless, remain primarily liable to the Company under the Leases.

Concurrently with the conveyance of certain of the Initial Facilities and the Option Facilities and the execution of the Leases with respect thereto, the Company will agree to recognize and leave undisturbed such rights of the governmental entities. Such Subleases are presently in effect with respect to the Broward Facility, the McFarland Facility, the Central Valley Facility, the Desert View Facility, and the Golden State Facility. In the case of the Michigan Facility, the Company will recognize and leave undisturbed the rights of the State of Michigan under an existing Sublease with Wackenhut Corrections. Wackenhut Corrections has agreed that the term of the individual Leases between Wackenhut Corrections and the Company for these Facilities will be automatically extended, if necessary, in order to insure that the Lease between the Company and Wackenhut Corrections will be commensurate with the term of any such Subleases. Some of the material differences between the terms and provisions of the existing Subleases and the Leases are discussed below.

THE BROWARD FACILITY SUBLEASE

WCCRE Inc. has entered into a Sublease (the "Broward Sublease") with Wackenhut Corrections for the use of the Broward Facility. In connection with the Offering, the Company will enter into a Lease with WCCRE LLC (as successor to WCCRE Inc.) pursuant to which it will recognize and agree to leave undisturbed the Broward Sublease. While the Broward Sublease is a triple-net lease, the annual rent payable under the Broward Sublease is below the annual rent payable under the relevant Lease and the provisions of the Sublease are generally not as favorable to the lessor as the comparable provisions of the relevant Lease. If the operating agreement between Wackenhut Corrections and Broward County is terminated for a reason other than a default by Wackenhut Corrections during the initial five-year term expiring in February, 2003, the Broward County Sheriff is required under the operating agreement to assume the obligations of Wackenhut Corrections under the Broward Sublease through February, 2003, and in the event of such assumption, may exercise the three consecutive five year renewal options contained in the Broward Sublease. Wackenhut Corrections will nevertheless remain obligated to the Company for performance under the Lease for the entire term of the Broward Sublease. If Wackenhut Corrections defaults on its obligations under the Lease, the Company will be required to permit the Broward County Sheriff to occupy the Broward Facility under the terms of the Broward Sublease at a rental rate and upon terms which are not as favorable to the Company as those of the Lease.

THE MCFARLAND FACILITY, THE CENTRAL VALLEY FACILITY, THE GOLDEN STATE FACILITY AND THE DESERT VIEW FACILITY SUBLEASES

WCCRE Inc. has entered into a series of Subleases (collectively the "California Subleases") with Wackenhut Corrections for the use of the California Facilities. In connection with the Offering, the Company will enter into a series of Leases with WCCRE LLC (as successor to WCCRE Inc.) pursuant to which it will recognize and agree to leave undisturbed the California Subleases. Except for the base rent, the terms and provisions of each of the California Subleases are identical. With the exception of the Sublease of the

McFarland Facility which expires January 1999, the term of each of the California Subleases is 120 months expiring December 16, 2007 and is coterminous with a ten year facility operating agreement entered into between Wackenhut Corrections and the State of California for each such Facility. Each of the California Subleases provides for certain "termination rights" in favor of the State of California under which the State of California has the option, in the event of early termination of the operating agreement between the State of California and Wackenhut Corrections, to cause Wackenhut Corrections' interest under each of the California Subleases to be assigned to the State of California or to a replacement operator approved by the State. The California Subleases may not be modified without the prior written approval of the State of California. While the California Subleases are triple-net leases, the provisions of such Subleases are generally not as favorable to the lessor as the comparable provisions of the relevant Leases. If Wackenhut Corrections defaults on its obligations under the Leases, the Company will be required to permit the contracting government entity to occupy the California Facilities. The annual base rent under the Sublease is not subject to adjustment for cost of living increases or any other reason. As a result, the annual rent payable under the California Subleases may, during some portion of the term of the applicable Leases, fall below the annual rent payable under the Leases. Wackenhut Corrections will nevertheless remain obligated to the Company for performance under the Leases for the entire term of the California Subleases.

THE MICHIGAN FACILITY SUBLEASE

Wackenhut Corrections entered into a lease agreement (the "Michigan Sublease") with the State of Michigan in January 1998 for an initial term of twenty years to commence on the later to occur of September 1, 1999 or occupancy of the Michigan Facility (estimated to occur no later than November 1, 1999). The lease may be extended at the option of the State of Michigan for two consecutive five year terms. The annual base rent is payable monthly at a fixed rate for the entire term and is only subject to annual adjustments in the amount of any increase or decrease in the cost of insurance, taxes, maintenance and repair (excluding building system replacement costs) after the base year ending August 31, 2000. The Michigan Sublease contains broad indemnification provisions obligating Wackenhut Corrections to indemnify the State of Michigan for any actions taken by it on the premises and any breach in the performance of its obligations under the Michigan Sublease. The Michigan Sublease grants the State of Michigan the right to terminate the Michigan Sublease upon the occurrence of certain events, including nonappropriation. In the event the facility operating agreement with Wackenhut Corrections is terminated during the term of the Michigan Sublease, the State of Michigan has the unilateral right to appoint a replacement operator of the Facility. If Wackenhut Corrections defaults on its obligations under the Lease for the Michigan Facility, the Company will be required to permit the State of Michigan to continue to occupy the Facility under the terms of the Michigan Sublease which would result in the Company receiving reduced rental income from this Facility. In addition, the provisions of the Michigan Sublease are not as favorable to the lessor as comparable provisions of the Lease.

The State of Michigan is also granted an option to purchase the Facility under the Sublease at any time after the first five years of the term at a price equal to the replacement cost less depreciation. Wackenhut Corrections will agree in the Lease for this Facility that Wackenhut Corrections will pay the shortfall to the Company, in the event the purchase option is exercised and the purchase price paid by the State of Michigan is less than the net book value of the Michigan Facility as shown on the Company's books and records.

The Michigan Sublease requires the consent of the State of Michigan prior to a transfer of ownership of the Facility. The Company will not exercise its option to acquire the Michigan Facility unless and until it has received such required consent.

THE JENA FACILITY

In March 1997, Wackenhut Corrections acquired, by assignment, all of the right, title and interest of the LaSalle Parish Hospital District No. 2 (the "Hospital District") under a Cooperative Endeavor Agreement dated January 30, 1995 (the "Louisiana Operating Agreement") entered into between the Louisiana Department of Public Safety (the "State of Louisiana") and the Hospital District. The Louisiana Operating Agreement contemplates the construction of minimum 276-bed juvenile correctional facility through the issuance of bonds secured by a mortgage on the Jena Facility (the "Mortgage Debt"). The contemplated Mortgage Debt for the facility was not obtained and Wackenhut Corrections, upon its acquisition of the interest of the Hospital District under the Louisiana Operating Agreement, privately financed the cost of construction of the facility. The Louisiana Operating Agreement, however, provides that the State of Louisiana may elect to assume the operation of the facility if Wackenhut Corrections fails to cure operational defects, upon the condition that the State of Louisiana assumes payment of principal, interest and other obligations under the contemplated Mortgage Debt. In addition, the term of the Louisiana Facility was intended to be commensurate with the contemplated 25 year Mortgage Debt. The Option Agreement for this Facility will require Wackenhut Corrections to use reasonable efforts to obtain a clarification from the State of Louisiana acknowledging the private ownership and financing of the Jena Facility. If the Company is not satisfied with the terms of any such amendment to the Louisiana Operating Agreement or other clarification, it will not exercise its option to purchase this facility.

MANAGEMENT

TRUSTEES AND EXECUTIVE OFFICERS

The Board of Trustees currently consists of two members and, upon consummation of the Offering, will consist of nine members and be divided into three classes serving staggered three-year terms. Of the nine trustees, five will be Independent Trustees who are neither officers nor employees of the Company nor a director, trustee, officer or employee of, or other person who has a material financial interest in, Wackenhut Corrections or its affiliates or any tenant or lessee of any facility owned by the Company, or any owner, lessee or tenant of any facility financed by the Company or any management company operating the Company's facilities. The first annual meeting of shareholders of the Company after the Offering at which trustees will be elected will be held in 1999. Executive officers of the Company serve at the discretion of the Board of Trustees.

Set forth below is information with respect to the current trustees and executive officers of the Company, each of whom has served in such capacity since the formation of the Company, and those individuals nominated to become trustees upon the consummation of the Offering.

| NAME | AGE | POSITION | YEAR TERM AS TRUSTEE EXPIRES |
|---------------------------|-----|---|------------------------------------|
| George C. Zoley..... | 48 | Chairman | 2001 |
| Charles R. Jones..... | 49 | President and Chief Executive Officer and Trustee | 2001 |
| George R. Wackenhut..... | 78 | Trustee Nominee | 2000 |
| Richard R. Wackenhut..... | 50 | Trustee Nominee | 1999 |
| Anthony D. Trivisono..... | 72 | Trustee Nominee | 2000 |
| Clarence E. Anthony..... | 48 | Trustee Nominee | 2000 |
| James D. Motta..... | 42 | Trustee Nominee | 2001 |
| William M. Murphy..... | 47 | Trustee Nominee | 1999 |
| Robert R. Veach, Jr..... | 47 | Trustee Nominee | 1999 |
| Patrick T. Hogan..... | 30 | Vice President and Chief Financial Officer | -- |

GEORGE C. ZOLEY has been the Chairman of the Board of Trustees since February 1998. Dr. Zoley has also served as Vice Chairman of the Board of Directors of Wackenhut Corrections since January 1997, as President and a Director of Wackenhut Corrections since it was incorporated in 1988 and as Chief Executive Officer of Wackenhut Corrections since April 1994. Dr. Zoley established the correctional division for The Wackenhut Corporation in 1984 and was, and continues to be, a major factor in the Company's development of its privatized correctional and detention facility business. Dr. Zoley is also a director of each of the entities through which Wackenhut Corrections conducts its international operations. From 1981 through 1988, as manager, director, and then Vice President of Government Services of Wackenhut Services Incorporated, Dr. Zoley was responsible for the development of opportunities in the privatization of government services by Wackenhut Services Incorporated. Dr. Zoley continues to serve as Senior Vice President of The Wackenhut Corporation. Prior to joining Wackenhut Services Incorporated, Dr. Zoley held various administrative and management positions for city and county governments in South Florida. He received his Bachelor of Arts and Masters of Public Administration Degrees from Florida Atlantic University and a Doctorate in Public Administration from Nova University.

CHARLES R. JONES has served as President and Chief Executive Officer and as a trustee of the Company since February 1998. Mr. Jones also serves as Senior Vice President, Business Development of Wackenhut Corrections where he is responsible for all phases of business development and marketing, including legislative

initiatives, proposal development, facility finance and acquisition strategies, and contract negotiations. Mr. Jones will resign from such position upon consummation of the Offering. Mr. Jones served as Vice President, Business Development of Wackenhut Corrections from June 1996 to January 1997. Previously, Mr. Jones was a senior investment banker specializing in project finance and privatization consulting for the private corrections industry with Rauscher, Pierce, Refsnes, Inc. in Dallas, Texas. He was responsible for structuring the first private prison financing, in Texas, Florida and Virginia. From 1973 to 1980 Mr. Jones, a certified public accountant, practiced with Peat, Marwick, Mitchell & Co., in Denver, Colorado specializing in the taxation of commercial real estate and financial institutions. Mr. Jones received a B.B.A. in Accounting from the University of Colorado.

GEORGE R. WACKENHUT has been nominated to become a trustee of the Company upon consummation of the Offering. Mr. Wackenhut has also served as a director of Wackenhut Corrections since it was incorporated in 1988 and has been the Chairman of the Board of Wackenhut Corrections since July 1996. Mr. Wackenhut is the Chairman of the Board, Chief Executive Officer and founder of The Wackenhut Corporation, the parent of Wackenhut Corrections. Mr. Wackenhut was President of The Wackenhut Corporation from the time of its founding in 1955 until 1986. Prior to that, Mr. Wackenhut had been a Special Agent of the Federal Bureau of Investigation from 1950 to 1954. He received a Bachelor of Science Degree from the University of Hawaii and a Masters of Education Degree from Johns Hopkins University. Mr. Wackenhut is on the Dean's Advisory Board of the University of Miami School of Business, the National Council of Trustees, Freedom Foundation at Valley Forge, the President's Advisory Council for the Small Business Administration, Region IV, and a member of the National Board of the National Soccer Hall of Fame. Mr. Wackenhut is a past member of the Law Enforcement Council, National Council on Crime and Delinquency, and the Board of Visitors of the United States Army Military Police School. His son, Richard R. Wackenhut, is a trustee nominee of the Company.

RICHARD R. WACKENHUT has been nominated to become a trustee of the Company upon the consummation of the Offering. Mr. Wackenhut has served as a Director of Wackenhut Corrections since it was incorporated in 1988, and has been the President and Chief Operating Officer of The Wackenhut Corporation since 1986, and was Senior Vice President, Operations from 1983 to 1986. Mr. Wackenhut joined The Wackenhut Corporation in 1973 and served in a number of positions of increasing responsibility, including field positions of Area and District Manager. He received a Bachelor of Arts Degree in Political Science from The Citadel and has completed advanced executive programs at Harvard University School of Business Administration. Mr. Wackenhut is a Director of Associated Industries of Florida. He is also a member of the American Society of Industrial Security and a member of the International Security Management Association. Mr. Wackenhut is the son of George R. Wackenhut, a trustee nominee of the Company.

ANTHONY P. TRAVISONO has been nominated to become a trustee of the Company upon the consummation of the Offering. Mr. Travisono served as a Director of Wackenhut Corrections from April 1994 to February 1998. Mr. Travisono is a Director of the International Institute for Correctional Studies at Salve Regina University in Rhode Island. From 1974 to 1991. Mr. Travisono was Executive Director of the American Corrections Association ("ACA") from 1974 to 1991 and now serves as the Executive Director Emeritus of the ACA. His career in the correctional field extends over 45 years, during which Mr. Travisono has been Director, Rhode Island Department of Corrections; Director, Rhode Island Department of Mental Health, Retardation and Hospitals; Director, Rhode Island Department of Social Welfare; Superintendent, Iowa Training School for Boys; and Superintendent, Rhode Island Training School for Boys. Mr. Travisono received his Bachelor of Arts and a Masters of Science in Social Science Degrees from Brown University.

CLARENCE E. ANTHONY has been nominated to become a trustee of the Company upon the consummation of the Offering. Mr. Anthony has been the President and Chief Executive Officer of Emerge Consulting Corporation, a government contracts consulting and marketing firm located in South Bay, Florida, since October 1997. Prior thereto, Mr. Anthony was the Director, Client Management Services of CH2M Hill, a government consulting firm located in West Palm Beach, Florida from 1995 to 1997 where his duties included developing and implementing tactical action plans for client procurements. From 1992 to 1995, Mr. Anthony served as Vice President of William R. Hough & Company, an investment banking firm in Palm Beach Gardens, Florida where he was responsible for developing financial strategies for municipal capital projects. Mr. Anthony is a former President of the Florida League of Cities and President-Elect of the National League

of Cities. He has been the Mayor of South Bay, Florida since 1984 and serves on the Board of Directors of the National Conference of Black Mayors.

JAMES D. MOTTA has been nominated to become a trustee of the Company upon the consummation of the Offering. Mr. Motta is President and Chief Executive Officer for ARVIDA, a master plan community development company with a 39-year history of creating master-planned communities nationwide. An Arvida executive with more than 18 years experience, Mr. Motta is responsible for the operations of Arvida's activities in Florida, Georgia and North Carolina. His other positions with Arvida have included President of Arvida's South Florida Division, President -- Community Development in Florida, Georgia, North Carolina, Texas, California and most recently Executive Vice President and Chief Operating Officer for Arvida. Mr. Motta is a graduate of the University of Florida.

WILLIAM M. MURPHY has been nominated to become a trustee of the Company upon the consummation of the Offering. Since 1984, Mr. Murphy has been a self employed real estate developer and construction manager in Fort Lauderdale, Florida. During this period he has developed several commercial and retail developments, many of which he currently owns and manages. From 1975 to 1984, Mr. Murphy was a Vice President with Chase Manhattan Bank specializing in real estate workouts and construction lending. Prior to 1975, he was employed by Travelers Associates performing real estate feasibility studies. He earned Masters Degrees in Urban Planning from New York University and a Bachelors Degree in Civil Engineering from the National University of Ireland.

ROBERT R. VEACH, JR. has been nominated to become a trustee upon the consummation of the Offering. Mr. Veach is an attorney in private practice in Dallas, Texas specializing in corporate finance. Mr. Veach received a J.D. from Southern Methodist University and a B.S. in Accounting from Arizona State University. From 1987 to 1997, Mr. Veach was a Senior Shareholder of the law firm of Locke Purnell Rain Harrell (A Professional Corporation) and represented clients in financial transactions including mortgage and asset securitization, mortgage loan purchase and servicing, synthetic lease transactions and collateralized debt offerings. From 1983 to 1987, Mr. Veach was an officer of Rauscher Pierce Refsne, Inc. responsible for its asset and mortgage-backed securities investment banking activities. He has been responsible for structuring over \$12 billion in secured debt and real estate transactions. Previously Mr. Veach was an officer of a national real estate finance firm where he was involved with administration of tax-exempt mortgage revenue bond housing programs, origination of residential and commercial mortgage-backed pass-through securities and participation in the pension and institutional real estate advisory group. From 1976 to 1980, Mr. Veach was a law clerk to the Federal District Court and Court of Appeals Judge.

PATRICK T. HOGAN has been the Vice President and Chief Financial Officer of the Company since February 1998. Mr. Hogan also serves as Manager of Financial Reporting for Wackenhut Corrections, where he has assisted in negotiation, documentation and syndication of Wackenhut Corrections' senior credit facilities. Mr. Hogan will resign from such position upon the consummation of the Offering. Mr. Hogan received his J.D. from Notre Dame Law School in 1996 and a B.B.A. in Accountancy from the University of Notre Dame in 1989. From 1994 through 1995, Mr. Hogan worked for a Commissioner of the Federal Communications Commission. In 1993, Mr. Hogan served for a judge in the Chancery Division, General Equity section of a New Jersey Superior Court. Prior thereto, Mr. Hogan worked for a telecommunications holding company and in public accounting with Coopers & Lybrand.

COMMITTEES OF THE BOARD OF TRUSTEES

Company Independent Committee

Upon the consummation of the Offering, the Board of Trustees intends to establish a committee of the Independent Trustees to approve Interested Trustee Transactions consisting of the five Independent Trustees (the "Company Independent Committee"). Pursuant to the Bylaws, the Company Independent Committee will be required to approve the following actions of the Board of Trustees (the "Interested Trustee Transactions"): (i) the selection of the operators for the Company's facilities and (ii)(a) the entering into of any agreement with Wackenhut Corrections or its affiliates and (b) the consummation of any transaction between the Company and Wackenhut Corrections or its affiliates, including, but not limited to, the

negotiation, enforcement and renegotiation of the terms of any lease of any of the Company's facilities. Action by the Company Independent Committee shall be in lieu of action of the full Board of Trustees, except as otherwise required by law.

Audit Committee

Upon the consummation of the Offering, the Company's Board of Trustees will to establish an audit committee consisting of three trustees (the "Audit Committee"). All of the members of the Audit Committee will be required to be Independent Trustees. The Audit Committee will make recommendations concerning the engagement of independent public accountants, review with the independent public accountants the plans and results of the audit engagement, approve professional services provided by the independent public accountants, review the independence of the independent public accountants, consider the range of audit and non-audit fees and review the adequacy of the Company's internal accounting controls.

Compensation Committee

Upon the consummation of the Offering, the Board of Trustees intends to establish a compensation committee consisting of three trustees (the "Compensation Committee"). All of the members of the Compensation Committee will be required to be Independent Trustees. The Compensation Committee will determine compensation, including awards under the Employee Option Plan, for the Company's executive officers and consultants, and the Non-Employee Trustee Option Plan. The Compensation Committee will also administer the Plans.

Executive Committee

Upon consummation of the offering, the Board of Trustees will established an executive committee consisting of three trustees (the "Executive Committee"). The Executive Committee exercises the authority of the Board of Trustees, to the extent permitted by law, in the management of the business of the Company between meetings of the Board of Trustees.

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

COMPENSATION OF TRUSTEES

The Company intends to pay its non-employee trustees annual compensation of \$10,000 for their services. In addition, non-employee trustees will receive a fee of \$1,000 for each Board of Trustees meeting attended. Non-employee trustees attending any committee meetings will receive an additional fee of \$500 for each committee meeting attended (the Chairman will receive \$750), unless the committee meeting is held on the day of a meeting of the Board of Trustees. Non-employee trustees will also be reimbursed for reasonable expenses incurred to attend trustee and committee meetings. Officers of the Company who are trustees will not be paid any trustees' fees. Non-employee trustees will also participate in the Non-Employee Trustee Option Plan. See "Management -- Non-Employee Trustee Option Plan."

INDEMNIFICATION

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

The Company has obtained trustees' and officers' liability insurance.

EXECUTIVE COMPENSATION

Prior to the consummation of the Offering, the Company will not pay any compensation to its executive officers. The following table sets forth the annual base salary rates and other compensation expected to be paid by the Company in the fiscal year ending December 31, 1998 to the executive officers of the Company.

SUMMARY COMPENSATION TABLE

| NAME | YEAR | ANNUAL COMPENSATION | | LONG-TERM COMPENSATION | |
|-----------------------|------|---------------------|---------------------------|---|-----------------------------|
| | | SALARY(\$)(1) | OTHER ANNUAL COMPENSATION | SECURITIES UNDERLYING OPTIONS/SARS (#)(2) | ALL OTHER COMPENSATION (\$) |
| Charles R. Jones..... | 1998 | \$150,000 | \$45,000 | 75,000 | -- |
| Patrick T. Hogan..... | 1998 | 80,000 | 20,000 | 10,000 | -- |

(1) Amounts given are annualized projections for fiscal year ending December 31, 1998.

(2) Upon the consummation of the Offering, options to purchase a total of 565,000 Common Shares will be granted to employees and consultants of the Company under the Employee Option Plan at an exercise price equal to the Offering Price. All such options vest in four equal annual installments commencing on the date of grant. See "-- Employee Option Plan."

The executive officers of the Company receive health insurance benefits which do not exceed 10% of their respective salaries. These benefits are also provided to all other employees of the Company.

INCENTIVE COMPENSATION

The Company may award incentive compensation to employees of the Company, including incentive awards under the Employee Option Plan, that may be earned upon the attainment of performance objectives determined by the Compensation Committee.

EMPLOYEE OPTION PLAN

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

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

Awards Available for Issuance under the Employee Option Plan

Nonqualified options, if granted, will provide for the right to purchase Common Shares at a specific price which may be less than fair market value on the date of grant and usually will become exercisable in

installments after the grant date. Nonqualified options may be granted for any reasonable term and may be transferable in certain limited circumstances.

Incentive options, if granted, will be designed to comply with the "incentive stock option" provisions of the Code and will be subject to restrictions contained therein, including that the exercise price must generally equal at least 100% of fair market value of Common Shares on the grant date and that the term generally must not exceed ten years. Incentive options may be modified after the grant date to disqualify them from treatment as an "incentive stock option."

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

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

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

Shares Subject to the Employee Option Plan.

A maximum of 620,000 shares will be reserved for issuance under the Employee Option Plan. There is no limit on the number of awards that may be granted to any one individual so long as the grant does not violate the Ownership Limit or cause the Company to fail to qualify as a REIT for federal income tax purposes. See "Description of Capital Shares -- Restrictions on Ownership."

The Compensation Committee will approve, prior to the completion of the offering, but contingent and effective upon such completion, the grant of options to executive officers and certain key employees of and consultants to the Company, to purchase, in each case subject to the Ownership Limit, an aggregate of 565,000 Common Shares. The term of each of such options will be ten years from the date of grant. Each such option will vest in four equal annual installments, with the first increment vesting immediately upon the date of grant, and will be exercisable, at a price per share equal to the initial public offering price.

NON-EMPLOYEE TRUSTEE OPTION PLAN

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

Shares Subject to the Non-Employee Trustee Option Plan

A maximum of 55,000 Common Shares have been authorized and reserved for issuance under the Non-Employee Trustee Option Plan. The shares so reserved for issuance and the terms of outstanding awards shall be adjusted as the Compensation Committee deems appropriate in the event of a share dividend, share split, combination, reclassification, recapitalization or other similar event.

Transferability

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

Eligibility

The Non-Employee Trustee Option Plan provides for the grant of options to purchase Common Shares to each eligible trustee of the Company. No trustee who is an employee of the Company is eligible to participate in the Non-Employee Trustee Option Plan.

Options

The Non-Employee Trustee Option Plan provides that each non-employee trustee who is a member of the Board of Trustees as of the date of the consummation of the Offering will be awarded nonqualified options to purchase 5,000 Common Shares on that date (each such trustee, a "Founding Trustee"). Each non-employee trustee who is not a Founding Trustee (a "Non-Founding Trustee") will receive nonqualified options to purchase 5,000 Common Shares on the date the Non-Founding Trustee is first elected or appointed to the Board of Trustees. In addition, on each of the first nine anniversary dates of the adoption of the Non-Employee Trustee Option Plan, each non-employee trustee will receive an option to purchase 2,000 Common Shares. The options granted to Founding Trustees will have an exercise price equal to the initial public offering price and will vest on the date of grant. The exercise price of options under future grants will be 100% of the fair market value of the Common Shares on the date of grant and will vest in four equal annual installments beginning on the date of grant. The exercise price may be paid in cash, cash equivalents, Common Shares or a combination thereof, as acceptable to the Compensation Committee. The term of options granted under the Non-Employee Trustee Option Plan generally will be ten years from the date of grant.

DEFERRED COMPENSATION PLAN

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

CERTAIN RELATIONSHIPS AND TRANSACTIONS

In connection with the consummation of the Formation Transactions and the Offering, the Company will enter into a series of contractual arrangements with Wackenhut Corrections. Dr. Zoley, the Chairman of the Company, and George Wackenhut and Richard Wackenhut, each a trustee of the Company, are members of the Board of Directors of Wackenhut Corrections. In addition Charles R. Jones, the President and Chief Executive Officer of the Company, and Patrick T. Hogan, the Vice President and Chief Financial Officer of the Company, are both currently employed by Wackenhut Corrections. Messrs. Jones and Hogan will, however, resign their positions with Wackenhut Corrections upon the consummation of the Offering.

INITIAL FACILITIES

The Company and Wackenhut Corrections will enter into the Purchase Agreements pursuant to which the Company will acquire, directly or as assignee, of Wackenhut Corrections' contract rights the eight Initial Facilities for an aggregate cash purchase price of approximately \$113.0 million. The Purchase Agreements will contain representations and warranties by Wackenhut Corrections customarily found in agreements of such types that will survive the consummation of the Offering for a period of one year.

OPTION FACILITIES

The Company and Wackenhut Corrections will enter into the Option Agreements pursuant to which Wackenhut Corrections will grant the Company the option to acquire each of the three Option Facilities at any time during the applicable Option Facility Option Period for a cash purchase price equal to the applicable Option Facility Purchase Price. If the Company elects to purchase all three Option Facilities, the aggregate purchase price is estimated to be approximately \$109.7 million.

LEASES

Concurrent with the Company's acquisition of the Initial Facilities and, if acquired, the Option Facilities, the Company will lease such Facilities to Wackenhut Corrections pursuant to the Leases for an initial term of 10 years. Subject to certain limited exceptions, the term of each of the Leases may be extended by Wackenhut Corrections for three additional five-year terms at a fair market rental rate as mutually agreed upon by the Company and Wackenhut Corrections or, in the absence of such an agreement, as determined by binding arbitration. In addition, the term of any of the Leases will be automatically extended upon expiration thereof on the same terms as provided in the Leases (including the then applicable base rent and Base Rent Escalation) as provided in the Leases if Wackenhut Corrections is obligated under an unexpired sublease with respect to such Facility. Under the terms of the Leases, Wackenhut Corrections will have a right of first refusal on the proposed sale by the Company of any of the Initial Facilities and, if acquired, the Option Facilities.

RIGHT TO PURCHASE

The Company and Wackenhut Corrections will enter into the Right to Purchase Agreement pursuant to which the Company will have the right, subject to certain limited exceptions to acquire and lease back to Wackenhut Corrections each of the Future Facilities at any time during the applicable Future Facility Option Period for a cash purchase price equal to the applicable Future Facility Purchase Price. In the case of any Future Facilities acquired during the first five years of the Right to Purchase Agreement, the initial annual rental rate for such Future Facilities will be the greater of (i) the fair market rental rate as mutually agreed upon by the Company and Wackenhut Corrections, and in the absence of such agreement, as determined by binding arbitration, or (ii) 9.5% of the purchase price of such Future Facility. For facilities acquired thereafter, the initial annual rental rate will be the fair market rental rate initially agreed upon by the Company and Wackenhut Corrections, or in the absence of such agreement, as determined by binding arbitration.

PRINCIPAL SHAREHOLDERS OF THE COMPANY

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

| NAME AND BUSINESS ADDRESS OF BENEFICIAL OWNER(1) | NUMBER OF COMMON SHARES OWNED FOLLOWING THE OFFERING | PERCENTAGE OF COMMON SHARES |
|--|---|--------------------------------|
| Dr. George C. Zoley..... | 20,000(2) | * |
| Charles R. Jones..... | 18,750(3) | * |
| George R. Wackenhut..... | 20,000(2) | * |
| Richard R. Wackenhut..... | 20,000(2) | * |
| Anthony P. Travisono..... | 5,000(4) | * |
| Clarence E. Anthony..... | 5,000(4) | * |
| James D. Motta..... | 5,000(4) | * |
| William M. Murray..... | 5,000(4) | * |
| Robert R. Veach, Jr..... | 5,000(4) | * |
| Patrick T. Hogan..... | 2,500(5) | * |

* Represents less than 1.0% of the class.

- (1) Unless provided otherwise, the business address of each beneficial owner is 4200 Wackenhut Drive Palm Beach Gardens, Florida 33410.
- (2) Represents options to purchase 20,000 Common Shares, which vest immediately upon grant on the consummation of the Offering. Does not include options to purchase 60,000 Common Shares which vest in three equal annual installments beginning on the first anniversary of the consummation of the Offering.
- (3) Represents options to purchase 18,750 Common Shares, which vest immediately upon grant on the consummation of the Offering. Does not include options to purchase 56,250 Common Shares which vest in three equal annual installments beginning on the first anniversary of the consummation of the Offering.
- (4) Represents options to purchase 5,000 Common Shares which vest immediately upon grant on the consummation of the Offering.
- (5) Represents options to purchase 2,500 Common Shares, which vest immediately upon grant on the consummation of the Offering. Does not include options to purchase 7,500 Common Shares which vest in three equal annual installments beginning on the first anniversary of the consummation of the Offering.

DESCRIPTION OF SHARES OF BENEFICIAL INTEREST

The following summary of the material terms of the shares of beneficial interest of the Company does not purport to be complete and is subject to and qualified in its entirety by reference to the Company's Declaration of Trust and Bylaws, copies of which have been filed as exhibits to the Registration Statement of which this Prospectus forms a part.

GENERAL

Under the Declaration of Trust, the total number of shares of all classes that the Company will have authority to issue is 200,000,000, consisting of 150,000,000 Common Shares, which may be issued from time to time upon authorization by the Board of Trustees, and 50,000,000 Preferred Shares, which may be issued from time to time upon authorization by the Board of Trustees in such series and with such preferences, conversion or other rights, voting powers, restrictions, limitations as to dividends or distributions, qualifications or terms or conditions of redemption or other provisions as may be fixed by the Board of Trustees, except as otherwise set forth in the Declaration of Trust. The 1,000 Common Shares outstanding will be redeemed concurrently with the consummation of the Offering from the sole existing record holder. No Preferred Shares are currently outstanding or will be outstanding immediately after consummation of the Offering. Under Maryland law, shareholders generally are not personally liable for the Company's obligations solely as a result of their status as shareholders. Under the Declaration of Trust, the trustees, by majority vote, will be able to amend the Declaration of Trust to increase or decrease the aggregate number of shares or the number of shares of any series or class that the Company has authority to issue. The Board of Trustees also will have the power to classify and reclassify any unissued shares of the Company of any class or series including the Common Shares, from time to time by setting or changing the preferences, conversion or other rights, voting powers, restrictions, limitations as to dividends or distributions, qualifications or terms or conditions of redemption of the shares. The Board of Trustees may also authorize the issuance of debt instruments, shares and securities convertible into shares of the Company for such consideration as the Board of Trustees may deem advisable. For a description of certain provisions that could have the effect of delaying, deferring or preventing a change in control, see "Risk Factors -- Potential Anti-Takeover Effect of Certain Provisions of Maryland Law and the Company's Declaration of Trust and Bylaws," and "Certain Provisions of Maryland Law and of the Company's Declaration of Trust and Bylaws."

COMMON SHARES

Subject to the provisions of the Declaration of Trust regarding the restrictions on transfer of shares of beneficial interest, and subject to the preferential rights of any other class or series of beneficial interest, and to the provisions of the Declaration of Trust regarding the restrictions on the transfer of shares of beneficial interest, the holders of Common Shares will be entitled to one vote per share on all matters voted on by holders, including elections of trustees. The holders of Preferred Shares will have no voting rights, except as required by law or as expressly provided for by the Board of Trustees, in accordance with law and the rules of any stock exchange on which the shares of the Company may be listed or traded, in establishing any series or class thereof. Except as provided with respect to any other class or series of shares, the holders of the Common Shares will possess the exclusive voting power. The Declaration of Trust will not provide for cumulative voting in the election of trustees, which means the holders of a majority of the outstanding Common Shares can elect all of the trustees then standing for election and the holders of the remaining Common Shares will not be able to elect any trustees. The holders of Common Shares shall be entitled to vote only on (a) election or removal of trustees, (b) amendment of the Declaration of Trust, (c) certain mergers of the Company, (d) any modification to the Board of Trustees' obligations to take no action to disqualify the Company as a REIT or to otherwise revoke the Company's election to be taxed as a REIT, (e) termination of the Company, (f) matters on which a vote of the holders of Common Shares may be required by law, and (g) matters as may be determined by the Board of Trustees from time to time. Subject to the preferential rights of any other class or series of beneficial interest, and to the provisions of the Declaration of Trust regarding the restrictions on the transfer of shares of beneficial interest, within 30 days after the end of each fiscal year in each calendar year after the calendar year ending December 31, 1998 and, in the discretion of the Board of Trustees, more

frequently, the Board of Trustees shall use commercially reasonable efforts to declare and pay to the shareholders such dividends and distributions as may be necessary to continue to qualify the Company as a REIT as well as such additional dividends and distributions as the trustees in their discretion may declare. After preferential dividends or distributions of any Preferred Shares have been satisfied, all Common Shares will participate equally in dividends and distributions payable to holders of Common Shares when and as declared by the trustees in their discretion. Subject to any preferential rights of any outstanding series of Preferred Shares, the holders of Common Shares are entitled, upon liquidation, to receive pro rata all assets of the Company available for distribution to such holders. All Common Shares issued in the Offering will be fully paid and nonassessable and the holders thereof will not have preemptive rights.

PREFERRED SHARES

The Board of Trustees will be empowered by the Declaration of Trust, without the approval of shareholders, to classify any unissued Preferred Shares and to reclassify any previously classified but unissued Preferred Shares of any series from time to time. Prior to the issuance of any such shares, the Board of Trustees will be required to set, subject to the provisions of the Declaration of Trust regarding the restriction on transfers of shares, the terms, preferences, conversion or other rights, voting powers, restrictions, limitations as to dividends or other distributions, qualifications and terms or conditions of redemption for such shares. Upon the consummation of the Offering, no Preferred Shares will be outstanding and the Company has no present plans to issue any Preferred Shares following the closing of the Offering.

POWER TO ISSUE ADDITIONAL SHARES AND PREFERRED SHARES

The Company believes that the power of the Board of Trustees to issue additional authorized but unissued Common Shares or Preferred Shares, and to increase the authorized number of Common Shares and Preferred Shares, and to classify or reclassify unissued Common Shares or Preferred Shares and thereafter to cause the Company to issue such classified or reclassified shares of beneficial interest will provide the Company with increased flexibility in structuring possible future financings and acquisitions and in meeting other needs which might arise. The additional classes or series, as well as the Common Shares, will be available for issuance without further action by the Company's shareholders, unless such action is required by applicable law or the rules of any stock exchange on which the Company's securities may be listed or traded. Although the Board of Trustees has no intention at the present time of doing so, it could authorize the Company to issue a class or series that could, depending upon the terms of such class or series, delay, defer or prevent a transaction or a change in control of the Company that might involve a premium price for holders of Common Shares or otherwise be in their best interest.

RESTRICTIONS ON OWNERSHIP

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

Because the Board of Trustees believes it is essential for the Company to continue to qualify as a REIT, the Declaration of Trust, subject to certain exceptions described below, will provide that no person may own, or be deemed to own by virtue of the attribution provisions of the Code, more than 9.8% of (i) the number of

shares of any class or series of Common Shares or (ii) the number of shares of any class or series of Preferred Shares (the "Ownership Limit Provision"). Any transfer of Common Shares or Preferred Shares that would (i) result in any person owning, directly or indirectly, Common Shares or Preferred Shares in excess of the Ownership Limit Provision, (ii) result in the Common Shares and Preferred Shares being owned by fewer than 100 persons (determined without reference to any rules of attribution), (iii) result in the Company being "closely held" within the meaning of Section 856(h) of the Code or (iv) cause the Company to own, directly or constructively, 10% or more of the ownership interests in a tenant of the real property of the Company's or the Operating Partnership's (or any of their subsidiaries) real property, within the meaning of Section 856(d)(2)(B) of the Code, shall be null and void, and the intended transferee will acquire no rights in such Common Shares or Preferred Shares.

Subject to certain exceptions described below, any purported transfer of Common Shares or Preferred Shares that would (i) result in any person owning, directly or indirectly, Common Shares or Preferred Shares in excess of the Ownership Limit Provision, (ii) result in the Common Shares and Preferred Shares being owned by fewer than 100 persons (determined without reference to any rules of attribution), (iii) result in the Company being "closely held" within the meaning of Section 856(h) of the Code or (iv) cause the Company to own, directly or constructively, 10% or more of the ownership interests in a tenant of the real property of the Company, the Operating Partnership or any direct or indirect subsidiary thereof, within the meaning of Section 856(d)(2)(B) of the Code, will be designated as Shares-in-Trust and transferred automatically to a trust (the "Share Trust") effective on the day before the purported transfer of such Common Shares or Preferred Shares. The record holder of the Common Shares or Preferred Shares that are designated as Shares-in-Trust (the "Shares-In-Trust") in accordance with the terms of the Declaration of Trust (the "Prohibited Owner") will be required to submit such number of Common Shares or Preferred Shares to the Company for registration in the name of the trustee of the Share Trust (the "Share Trustee"). The Share Trustee will be designated by the Company, but will not be affiliated with the Company or any Prohibited Owner. The beneficiary of the Share Trust (the "Beneficiary") will be one or more charitable organizations that are named by the Company.

Shares-in-Trust will remain issued and outstanding Common Shares or Preferred Shares and will be entitled to the same rights and privileges as all other shares of the same class or series. The Share Trustee will receive all dividends and distributions on the Shares-in-Trust and will hold such dividends and distributions in trust for the benefit of the Beneficiary. The Share Trustee will vote all Shares-in-Trust and will designate a permitted transferee of the Shares-in-Trust, provided that the permitted transferee (i) purchases such Shares-in-Trust for valuable consideration and (ii) acquires such Shares-in-Trust without such acquisition resulting in a transfer to another Share Trust.

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

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

"Market Price" means the last reported sales price of the Common Shares or Preferred Shares reported on the NYSE on the trading day immediately preceding the relevant date, or if such shares are not then traded

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

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

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

The Ownership Limit Provision generally will not apply to the acquisition of Common Shares or Preferred Shares by an underwriter that participates in a public offering of such shares. In addition, the Board of Trustees, upon such conditions as the Board of Trustees may direct, may exempt a person from the Ownership Limit Provisions under certain circumstances as it may deem necessary or desirable in order to maintain the Company's status as a REIT.

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

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

The following summary of certain provisions of Maryland law and the Declaration of Trust and Bylaws does not purport to be complete and is subject to and qualified in its entirety by reference to Maryland law and the Declaration of Trust and Bylaws, copies of which are exhibits to the Registration Statement of which this Prospectus is a part. See "Additional Information."

CLASSIFICATION AND REMOVAL OF TRUSTEES

The Company's Declaration of Trust will provide that the number of trustees may be increased or decreased from time to time by a majority of the Board of Trustees but may not be greater than 15 or less than three. The Declaration of Trust will require that at all times a majority of the trustees shall be Independent Trustees. Following the Offering, there will be nine trustees, five of whom will be Independent Trustees. The Declaration of Trust will provide for a staggered Board of Trustees consisting of three classes as nearly equal in size as practicable. Each class holds office until the third annual meeting for selection of trustees following the election of such class, except that the initial terms of the three classes expire in 1999, 2000, and 2001 respectively. As the term of each class expires, trustees in that class will be elected for a term of three years and until their successors are duly elected and qualify. The Company believes that classification of the Board of Trustees will help to assure the continuity and stability of the Company's business strategies and policies as determined by the Board of Trustees. Because holders of the Common Shares will have no right to cumulative voting in the election of trustees, at each annual meeting of shareholders, the holders of a majority of the Common Shares will be able to elect all of the successors of the class of trustees whose terms expire at that meeting, subject to the voting rights of Preferred Shares, if any.

The classified trustee provision could have the effect of making the removal of incumbent trustees more time-consuming and difficult, which could discourage a third party from making a tender offer or otherwise attempting to obtain control of the Company, even though such an attempt might be beneficial to the Company and its shareholders. At least two annual meetings of shareholders, instead of one, will generally be required to effect a change in a majority of the Board. Thus, the classified board provision could increase the likelihood that incumbent trustees will retain their positions.

The Declaration of Trust will provide that a trustee may be removed only by the affirmative vote of at least two-thirds of the votes entitled to be cast generally in the election of trustees. This provision will preclude shareholders from removing incumbent trustees except upon a substantial affirmative vote. The fact that the Bylaws prohibit any person, including a shareholder, other than the Chairman of the Board of Trustees, majority of the trustees or a duly authorized committee of the trustees, from calling a meeting means that the Shareholders may be compelled to wait until the next annual meeting of shareholders in order to remove a trustee.

MEETINGS OF SHAREHOLDERS

Pursuant to the Bylaws, an annual meeting of the Company's shareholders for the election of trustees and the transaction of other business shall be held each year no later than 120 days after the end of the Company's fiscal year, after delivery of the Company's annual report. A special meeting of the shareholders of the Company may be called by (i) the Chairman of the Board of Trustees, (ii) a majority of the members of the Board of Trustees or (iii) a committee of the Board of Trustees which has been duly designated by the Board of Trustees and whose powers and authority include the power to call such meetings. The Bylaws prohibit any other person or persons, including any shareholders, from calling special meetings. For nominations or other business to be properly brought before an annual meeting of shareholders by a shareholder, the Company's Bylaws will require such shareholder to deliver a notice to the Secretary, absent specified circumstances, not less than 60 days nor more than 90 days prior to the first anniversary of the preceding year's annual meeting setting forth; (i) as to each person whom the shareholder proposes to nominate for election or reelection as a trustee, all information relating to such person that is required to be disclosed in solicitations of proxies for the election of trustees, pursuant to Regulation 14A of the Exchange Act; (ii) as to any other business that the

shareholder proposes to bring before the meeting, a brief description of the business desired to be brought before the meeting, the reasons for conducting such business at the meeting and any material interest in such business of such shareholder and of the beneficial owner, if any, on whose behalf the proposal is made; and (iii) as to the shareholder giving the notice and the beneficial owner, if any, on whose behalf the nomination or proposal is made, (x) the name and address of such shareholder as they appear on the Company's books, and of such beneficial owner and (y) the number of Common Shares which are owned beneficially and of record by such shareholder and such beneficial owner, if any.

LIMITATIONS ON SHAREHOLDER LIABILITY

Under Maryland law and the Declaration of Trust, no shareholder of the Company will be liable personally for any obligation of the Company. The Declaration of Trust will further provide that the Company shall indemnify each shareholder against any claim or liability to which the shareholder may become subject solely by reason of such shareholder being or having been a shareholder, and that the Company shall reimburse each shareholder for all legal and other expenses reasonably incurred by such shareholder in connection with such claim or liability. In addition, it will be the Company's policy to include a clause in its contracts which provides that shareholders assume no personal liability for obligations entered into on behalf of the Company. However, in respect of tort claims, contractual claims where shareholder liability is not so negated, claims for taxes and certain statutory liabilities, the shareholders, in some jurisdictions, may be liable personally to the extent that such claims are not satisfied by the Company. Inasmuch as the Company will carry public liability insurance which it considers adequate, any risk of personal liability to shareholders is limited to situations in which the Company's assets plus its insurance coverage would be insufficient to satisfy the claims against the Company and its shareholders.

SUPER-MAJORITY VOTE OF TRUSTEES

The Company's ByLaws will provide that a two-thirds vote of the Board of Trustees shall be required to approve each of the following transactions: (i) any transaction or series of transactions which result in (x) any person or group acquiring 20% or more of the voting power of the Company's securities (including without limitation, votes of the Common Shares) or (y) the owners of the voting power of the Company's securities (including, without limitation, votes of the Common Shares) immediately prior to such transaction(s), will own less than 80% of such voting power after giving effect to such transaction(s); (ii) generally, any amendment to the Declaration of Trust or the ByLaws; (iii) any waiver or modification of the Company's prohibition of any person or entity owning more than 9.8% of any class or series of the Company's capital stock (including the Common Shares); and (iv) certain issuances of the Company's capital stock. The fact that the trustees of the Company that are also directors, officers, employees of, or other persons who have a material financial interest in, Wackenhut Corrections have the power to veto a change of control of the Company could delay, defer or prevent a transaction that might involve the receipt of a premium price for the Common Shares or otherwise be in the best interests of the shareholders.

BUSINESS COMBINATIONS

Under Maryland law, certain "business combinations" (including, with certain exceptions, a merger, consolidation, share exchange, or, in certain circumstances, an asset transfer or issuance or reclassification of equity securities, and the receipt of certain special tax and other financial advantages) between a Maryland real estate investment trust and any person who beneficially owns 10% or more of the voting power of the real estate investment trust's shares, or an affiliate of the real estate investment trust who at any time within the two-year period prior to the date in question and after the date on which the real estate investment trust had 100 or more beneficial owners of its shares, was the beneficial owner of 10% or more of the voting power of the then-outstanding voting shares of the real estate investment trust (an "Interested Shareholder") or an affiliate thereof are prohibited for five years after the most recent date on which the Interested Shareholder became an Interested Shareholder. Thereafter, any such business combination must be recommended by the Board of Trustees of such real estate investment trust and approved by the affirmative vote of at least (a) 80% of the votes entitled to be cast by holders of outstanding voting shares of the real estate investment trust and (b) two-

thirds of the votes entitled to be cast by holders of outstanding voting shares of the real estate investment trust other than shares held by the Interested Shareholder with whom the business combination is to be effected, unless among other things, the real estate investment trust's shareholders receive a minimum price (as defined in the MGCL) for their shares and the consideration is received in cash or in the same form as previously paid by the Interested Shareholder for its shares. The trustees of the real estate investment trust may, by resolution, exempt business combinations specifically, generally, or generally by types with a particular Interested Shareholder or its affiliates, from the prohibitions of the business combinations law, but such exemption with respect to a potential acquiror must be in place before the acquiror becomes an Interested Shareholder.

CONTROL SHARE ACQUISITIONS

Maryland law provides that Control Shares (as hereinafter defined) of a Maryland real estate investment trust acquired in a Control Share Acquisition (as hereinafter defined) have no voting rights except to the extent authorized by a vote of two-thirds of the votes entitled to be cast on the matter, excluding shares owned by the acquiror or by officers or directors who are employees of the corporation. Control Shares are voting shares which, if aggregated with all other such shares previously acquired by the acquiror, or in respect of which the acquiror is able to exercise or direct the exercise of voting power (except by virtue of a revocable proxy), would entitle the acquiror to exercise voting power in electing trustees within one of the following ranges of voting power (i) one-fifth or more but less than one-third, (ii) one-third or more but less than a majority or (iii) a majority of all voting power. Control shares do not include shares the acquiring person is then entitled to vote as a result of having previously obtained shareholder approval. A Control Share Acquisition means the acquisition of Control Shares, subject to certain exceptions.

A person who has made or proposes to make a Control Share Acquisition, upon satisfaction of certain conditions (including an undertaking to pay expenses), may compel the Board of Trustees to call a special meeting of shareholders to be held within 50 days of demand to consider the voting rights of the shares. If no request for a meeting is made, the real estate investment trust may itself present the question at any shareholder's meeting.

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

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

The Bylaws contain a provision exempting from the control share acquisition statute any and all acquisitions, by any person, of any shares of the Company.

INTERESTED TRUSTEE TRANSACTIONS

The Bylaws will contain a provision requiring approval by the Independent Trustees of the Company of the following actions of the Board of Trustees: (i) the selection of the operators for the Company's facilities and (ii) (a) the entering into any agreements with Wackenhut Corrections or its affiliates and (b) the consummation of any transaction between the Company and Wackenhut Corrections or its affiliates, including, but not limited to, the negotiation, enforcement and renegotiation of the terms of any lease of any of the Company's properties.

AMENDMENTS TO THE DECLARATION OF TRUST AND BYLAWS

Under Maryland law, a real estate investment trust generally cannot amend its Declaration of Trust without the affirmative vote of two-thirds of all the votes entitled to be cast by shareholders on the matter. The Declaration of Trust will provide generally that its provisions may be amended in accordance with Maryland law, as applicable to Maryland real estate investment trusts, and in accordance therewith, and without any Shareholder approval, the following vote of the Board of Trustees is required with respect to the following matters: (a) by a majority vote to amend the Declaration of Trust to increase or decrease the aggregate number of shares of any series or class that the Company has authority to issue, (b) by a two-thirds vote to amend the Declaration of Trust to qualify, or continue to qualify, the Company as a real estate investment trust under the Code or Maryland law, and (c) to the extent proposed changes to Maryland law are adopted, by a majority vote to amend the Declaration of Trust to change the name of the Company, the names or designations of classes and series of the Company's capital stock and the par value of the Company's capital stock.

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

DISSOLUTION OF THE COMPANY

Pursuant to the Declaration of Trust, the termination of the Company must be approved by the affirmative vote of the holders' of not less than two-thirds of all votes entitled to be cast on the matter.

RESTRICTIONS ON INVESTMENT

Maryland law requires that a Maryland real estate investment trust hold, either directly or indirectly through other parties, at least 75% of the value of its assets in real estate assets, mortgages or mortgage related securities, governmental securities, cash and cash equivalent items, including high-grade short-term securities and receivables. Maryland law prohibits a Maryland real estate investment trust from using or applying land for farming, agriculture, horticulture or similar purposes.

LIMITATIONS ON CHANGES IN CONTROL

The provisions of the Declaration of Trust and the Bylaws which will provide for ownership limitations, a staggered Board of Trustees, eliminating the ability of the shareholders to call special meetings of shareholders, the advance notice provisions of the Bylaws, and authorizing the Board of Trustees to issue Preferred Shares without shareholder approval could have the effect of delaying, deferring or preventing a change in control of the Company or the removal of existing management, and as a result could prevent the shareholders of the Company from being paid a premium for their Common Shares. In addition, Maryland's business combinations law makes it difficult to acquire control of the Company by means of a tender offer, open market purchase, a proxy fight or otherwise, if the acquisition is not authorized in advance by the Board of Trustees. The Company has, however, elected not to be governed by the provisions of Maryland law concerning control share acquisitions.

LIMITATION OF LIABILITY AND INDEMNIFICATION OF TRUSTEES

Maryland law provides that shareholders and trustees of a Maryland real estate investment trust are not personally liable for the obligations of the real estate investment trust; provided, however, that a trustee is not relieved from any liability to a trust or its security holders for any act that constitutes (a) bad faith, (b) willful misfeasance, (c) gross negligence or (d) reckless disregard of the Trustee's duties.

Maryland law permits a Maryland real estate investment trust to include in its declaration of trust provisions limiting the liability of its trustees and officers to the trust and its shareholders for money damages except for, in general, liability resulting from (a) actual receipt of an improper benefit or profit in money, property or services for the amount of the benefit or profit in money, property or services actually received or (b) active and deliberate dishonesty established by a final judgment as being material to the matter giving rise

to the cause of action. The Declaration of Trust of the Company will contain a provision which eliminates a trustee's or officer's liability to the Company and its shareholders for money damages to the maximum extent permitted by Maryland law.

The Declaration of Trust and the Bylaws of the Company will require the Company to indemnify and advance expenses to a trustee or officer of the Company to the maximum extent permitted by Maryland law.

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

TRANSFER AGENT AND REGISTRAR

The Company has appointed Chase Mellon Shareholder Services Group, Inc. as its transfer agent and registrar.

MATERIAL FEDERAL INCOME TAX CONSIDERATIONS

The Company intends to operate in such a manner so as to meet the Code requirements for qualification as a REIT for federal income tax purposes. However, no assurance can be given that such requirements will be met or that the Company will be so qualified at any time. Based on various assumptions relating to the organization and operation of the Company and the Operating Partnership and factual representations made by the Company and the Operating Partnership as to certain factual matters, including matters related to the organization and operation of the Company and the Operating Partnership (and any Subsidiary Partnership), in the opinion of the Company's counsel, Akerman, Senterfitt & Eidson, P.A. ("Company Counsel"), the Company will qualify to be taxed as a REIT under the Code commencing with its taxable year ending December 31, 1998 and the Operating Partnership (and any Subsidiary Partnership) will not be taxed as a corporation for federal income tax purposes. Company Counsel will not review the Company's operating results and no assurance can be given that the Company's actual operating results will meet the REIT requirements on a continuing basis.

The opinions described herein represent Company Counsel's best legal judgment as to the most likely outcome of an issue if the matter were litigated. Opinions of counsel have no binding effect or official status of any kind with the IRS or the courts and, in the absence of a ruling from the IRS, there can be no assurance that the IRS will not challenge the conclusion or propriety of any of Company Counsel's opinions. The Company does not intend to apply for a ruling from the IRS that it qualifies as a REIT. In addition, the opinion and the summary below are based upon the Code, Treasury Regulations, IRS administrative interpretations and court decisions in effect as of the date of this Prospectus. These legal authorities are subject to change and the changes could have a retroactive effect.

The following summary includes a discussion of the material federal income tax considerations associated with an investment in the Common Shares being sold in the Offering. The summary should not be construed as tax advice. The provisions governing treatment as a REIT are highly technical and complex, and this summary is qualified in its entirety by the applicable Code provisions, the rules and regulations promulgated thereunder and administrative and judicial interpretations thereof. Moreover, this summary does not deal with all tax aspects that might be relevant to a particular prospective shareholder in light of his personal circumstances and it does not deal with particular types of shareholders that are subject to special treatment under the Code, such as tax-exempt organizations, insurance companies, financial institutions or broker-dealers, and (with the exception of the general discussion below) foreign corporations and persons who are not citizens or residents of the United States.

INVESTORS ARE URGED TO CONSULT WITH THEIR OWN TAX ADVISORS REGARDING BOTH THE TAX CONSEQUENCES TO THEM OF THE ACQUISITION, OWNERSHIP AND SALE OF COMMON SHARES, INCLUDING THE FEDERAL, STATE, LOCAL AND FOREIGN TAX CONSEQUENCES OF SUCH ACQUISITION, OWNERSHIP AND SALE IN THEIR PARTICULAR CIRCUMSTANCES AND THE POTENTIAL CHANGES IN APPLICABLE LAWS.

TAXATION OF THE COMPANY AS A REIT

General

The Company plans to make an election to be taxed as a REIT under Sections 856 through 860 of the Code, commencing with its taxable year ending December 31, 1998. The Company believes that, commencing with such taxable year, it will be organized and will operate in such a manner as to qualify for taxation as a REIT under the Code.

In the opinion of Company Counsel, the Company will, commencing with its taxable year ending December 31, 1998, be organized in conformity with, and its proposed method of operation will enable it to meet, the requirements for qualification and taxation as a REIT under the Code. Investors should be aware, however, that opinions of counsel are not binding upon the IRS or any court. In providing its opinion, Company Counsel is relying upon certain assumptions and representations received from the Company. If these assumptions or representations are not accurate, the opinion of Company Counsel could change. The

Qualification and taxation of the Company as a REIT depends upon its ability to meet, through actual annual operating results, distribution levels, share ownership requirements and the various qualification tests imposed under the Code. Accordingly, while the Company intends to qualify to be treated as a REIT, no assurance can be given that the actual results of the Company's operations for any particular year will satisfy such requirements. Company Counsel will not monitor the compliance of the Company with the requirements for REIT qualification on an ongoing basis.

The sections of the Code applicable to REITS are highly technical and complex. Certain aspects thereof are summarized below.

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

Requirements for Qualification

The Code defines a REIT as a corporation, trust or association (i) which is managed by one or more trustees or directors, (ii) the beneficial ownership of which is evidenced by transferable shares, or by transferable certificates of beneficial interest, (iii) which would otherwise be taxable as a domestic corporation, but for Sections 856 through 859 of the Code, (iv) which is neither a financial institution nor an insurance company subject to certain provisions of the Code, (v) the beneficial ownership of which is held by 100 or more persons, (vi) during the last half of each taxable year, not more than 50% in value of the outstanding shares of which is owned, directly or constructively, by five or fewer individuals (as defined in the Code to include certain entities) and (vii) which meets certain other tests, described below, regarding the nature of its income and assets. The Code provides that conditions (i) to (iv) must be met during the entire taxable year and that condition (v) must be met during at least 335 days of a taxable year of 12 months, or during a proportionate part of a taxable year of less than 12 months.

The Declaration of Trust provides for restrictions regarding the ownership and transfer of the Company's shares of beneficial interest, which restrictions are intended to assist the Company in satisfying the share ownership requirements described in (v) and (vi) above. The ownership and transfer restrictions pertaining to the Common Shares are described under the heading "Description of Capital Shares -- Restrictions on Ownership."

The failure to satisfy the requirement in (vi), above, will not result in the Company losing its status as a REIT if the Company (i) satisfies conditions specified in Treasury Regulations under the Code for ascertaining the actual ownership of Common Shares or Preferred Shares of the Company (the "Required Ownership Inquiry"), and (ii) does not otherwise know, or exercising reasonable due diligence would not have known, whether the Company failed to satisfy the share ownership requirement in (vi) above.

The Required Ownership Inquiry obligates the Company to demand written statements from certain shareholders of record disclosing the actual or beneficial owners of the Common Shares or Preferred Shares. Demands must be made by the Company no later than January 30 from shareholders of record owning at least 5%, 1% of 0.5% of the Common Shares and Preferred Shares when the Company has 2,000, more than 200, or 200 or less, respectively, shareholders of record. In the demand, the Company is required to inform each shareholder of a duty to include the information requested by the Company in the shareholder's tax return if the shareholder fails or refuses to comply with the Company's demand for written statements including that information. Moreover, the Company is required to maintain in its records a list of the shareholders failing or refusing to comply in whole or in part with the Company's demand for written statements. A failure to comply with the Required Ownership Inquiry could result in a loss of the Company's status as a REIT or subject the Company to penalties. The Company intends to comply with the Required Ownership Inquiry. See also, "Declaration of Trust -- Ownership Limit."

If a REIT owns a corporate subsidiary that is a "qualified REIT subsidiary," the subsidiary is disregarded as an entity for federal income tax purposes. Instead, all of the subsidiary's assets, liabilities and items of income, deduction and credit are treated as assets, liabilities and such items of the REIT itself. A "qualified REIT subsidiary" is any corporation, 100% of the outstanding stock of which is owned by the REIT. CPT LP should be a "qualified REIT subsidiary." Therefore, the assets, liabilities and items of income, deduction and credit of CPT LP will be treated for federal income tax purposes as the assets, liabilities and tax items of the Company. The Company also may have additional corporate subsidiaries in the future.

If a REIT is a member of a partnership, it will be treated as realizing its proportionate share of the income or loss of the partnership, as well as the character of such income or loss, and other partnership items, as if the REIT owned directly its proportionate share of the assets owned by the partnership. This rule applies to allow a REIT to satisfy requirements regarding the nature of the REIT's income and assets. See " -- Income Tests" and " -- Assets Tests."

Income Tests

In order to qualify, and maintain qualification, as a REIT, the Company annually must satisfy two gross income requirements. First, at least 75% of the Company's gross income (excluding gross income from prohibited transactions) for each taxable year must be derived directly or indirectly from investments relating to real property or mortgages on real property (including "rents from real property") or from certain types of temporary investments. Second, at least 95% of the Company's gross income (excluding gross income from prohibited transactions) for each taxable year must be derived from such real property investments, dividends, interest and gain from the sale or disposition of stock or securities (or from any combination of the foregoing). In applying these income tests, if a REIT is a direct or indirect partner in a partnership, the REIT will be treated as realizing its proportionate share of the income or loss of the partnership, as well as the character of such income or loss, and other partnership items, as if the REIT owned directly its proportionate share of the assets owned by the partnership.

Rents received by the Company will qualify as "rents from real property" in satisfying the gross income requirements for a REIT described above only if several conditions are met. First, the amount of rent must not be based in whole or in part on the net income or profits of any person. However, an amount received or

accrued generally will not be excluded from the terms "rents from real property" solely by reason of being based on a fixed percentage or percentages of gross receipts or sales. Second, the Code provides that rents received from a tenant will not qualify as "rents from real property" in satisfying the gross income tests if the REIT, directly or under the applicable attribution rules, owns at any time during its taxable year a 10% or greater interest in such tenant (a "Related Party Tenant"). The applicable attribution rules, however, are highly complex and difficult to apply, and the Company may inadvertently enter into leases with tenants who, through application of such rules, will constitute Related Party Tenants. In such event, rent paid by the Related Party Tenant will not qualify as "rents from real property," which may jeopardize the Company's status as a REIT. Third, if rent attributable to personal property leased in connection with a lease of real property is greater than 15% of the total rent received under the lease, then the portion of rent attributable to such personal property will not qualify as "rents from real property". Finally, for rents received to qualify as "rents from real property," the REIT generally must not operate or manage the property or furnish or render services to the tenants of such property, other than through an independent contractor from whom the REIT derives no revenue; provided, however, that the Company may directly perform certain services that are "usually or customarily rendered" in connection with the rental of space for occupancy only or are not considered "rendered to the occupant" of the property.

On an ongoing basis, the Company will use its best efforts: (i) not to charge rent for any property that is based in whole or in part on the net income or profits of any person (except by reason of being based on a fixed percentage of gross receipts or sales, as described above); (ii) not to rent any property to a Related Party Tenant (taking into account the applicable constructive ownership rules), unless the Company determines in its discretion that the rent received from such Related Party Tenant is not material and will not jeopardize the Company's status as a REIT; (iii) not to derive rental income attributable to personal property (other than personal property leased in connection with the lease of real property, the amount of which is less than 15% of the total rent received under the lease); and (iv) not to perform services considered to be rendered to the occupant of the property, other than through an independent contractor from whom the Company derives no revenue or if the provisions of such services will not jeopardize the Company's status as a REIT. Because the Code provisions applicable to REITs are complex, however, the Company may fail to meet one or more of the foregoing objectives, which failure may jeopardize the Company's status as a REIT. For a discussion of the consequences of any failure by the Company to qualify as a REIT, see "-- Failure to Qualify as a REIT."

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

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

recipient; and (vi) the total contract price does not substantially exceed the rental value of the property for the contract period. Since the determination whether a service contract should be treated as a lease is inherently factual, the presence or absence of any single factor may not be dispositive in every case.

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

Investors should be aware that there are no controlling Treasury Regulations, published rulings, or judicial decisions involving leases with terms substantially similar to those contained in the Leases that address whether such leases constitute true leases for federal income tax purposes. If the Leases are recharacterized as service contracts or partnership agreements, rather than true leases, part or all of the payments that the Company receives from Wackenhut Corrections may not be considered rent or may not otherwise satisfy the various requirements for qualification as "rents from real property." In that case, the Company likely would not be able to satisfy either the 75% or 95% gross income tests and, as a result, would lose its REIT status.

For the Rent to constitute "rents from real property," the other requirements enumerated above also must be satisfied. One requirement is that the Rent attributable to personal property leased in connection with the lease of a facility must not be greater than 15% of the total Rent received under the Leases. The Rent attributable to the personal property leased with a facility is deemed to be the amount that bears the same ratio to total rent for the taxable year as the average of the adjusted bases of the personal property leased in connection with the lease of the facility at the beginning and at the end of the taxable year bears to the average of the aggregate adjusted bases of both the real and personal property comprising the facility at the beginning and at the end of such taxable year (the "Adjusted Basis Ratio"). The Adjusted Basis Ratio applies to each separate Facility. If the Adjusted Basis Ratio with respect to a Facility is less than 15%, then all Rent payable under a Lease constitutes "rents from real property." If the Adjusted Basis Ratio with respect to a Facility exceeds 15%, the Rent attributable to personal property would not constitute qualifying income under either the 75% or 95% gross income tests.

The term "real property" for purposes of the REIT provisions means land or improvements thereon such as buildings or other inherently permanent structures thereon (including items which are structural components of buildings or such structures). State or local law definitions or characterizations of property as real property will not be controlling for purposes of the characterization of property as "real property" under Section 856 of the Code. Examples of structural components of a building qualifying as "real property" include but are not limited to the wiring in the structure, plumbing systems, central heating or air-conditioning machinery, pipes or ducts, and elevators installed in a building. Treasury Regulations provide that the term "real property" does not include assets accessory to the operation of a business such as machinery, printing press, transportation equipment, refrigerators, individual air conditioning units, grocery counters, or furnishings of a hotel or office building, even though such items may be characterized as fixtures under state or local law.

The Company will lease to Wackenhut Corrections, pursuant to the Leases, certain property located in an Initial Facility which may be considered personal property for federal income tax purposes. The Company does not intend to lease personal property which is not a fixture under state or local law in connection with the Lease of the Initial Facilities. The Adjusted Basis Ratio with respect to each such Lease is anticipated to be less than 15%. Accordingly, Rent received by the Company should satisfy this requirement with respect to the Leases of the Initial Facilities.

A second requirement for qualification of the Rent as "rents from real property" is that the Company must not own, directly or constructively, 10% or more of Wackenhut Corrections or any other tenant of the Facilities. The constructive ownership rules generally provide that if 10% or more in value of the shares of the Company are owned, directly or indirectly, by or for any person, the Company is considered as owning the shares owned, directly or indirectly, by or for such person. The Declaration of Trust provides that no person may own, directly or constructively, more than 9.8% of the Company. See "Description of Capital Shares -- Restrictions on Ownership." Assuming the Declaration of Trust is complied with, neither Wackenhut Corrections nor any direct or indirect shareholder of Wackenhut Corrections should ever own, directly or constructively, 10% or more of the Company, and thus the constructive ownership rules should not be triggered.

A third requirement for qualification of the Rent as "rents from real property" is that the Company cannot furnish or render noncustomary services to the tenants of its properties, or manage or operate such properties, other than through an independent contractor who is adequately compensated and from whom the Company itself does not derive or receive any income. Provided that the Leases are respected as true leases, the Company should satisfy this requirement with respect to the Rent because it will not be performing for Wackenhut Corrections any services. As described above, however, if the Leases are recharacterized as service contracts or partnership agreements, the Rent likely would be disqualified as "rents from real property" because the Company would be considered to furnish or render services to the occupants of the properties and to manage or operate the properties other than through an independent contractor from whom the Company derives or receives no income. If the Company provides services to Wackenhut Corrections or any other tenant that are other than those usually or customarily provided in connection with the rental of space for occupancy only, amounts received by the Company for such services will not be treated as "rents from real property" for purposes of the REIT gross income tests but will not cause other amounts received with respect to the property to fail to be treated as "rents from real property" unless the amounts received in respect of such services, together with amounts received for certain management services, exceeds 1% of all amounts received or accrued by the Company during the taxable year with respect to such property. If the 1% threshold is exceeded, then all amounts received or accrued by the Company with respect to the property will not qualify as "rents from real property." Because the Company cannot operate a Facility and while the failure by Wackenhut Corrections to comply materially with the terms of a lease would give the Company the right to terminate such lease and enforce the obligations thereunder, such a lease termination would in the case of certain Facilities force the Company to find another lessee and locate and hire an independent contractor to operate the Facilities. Moreover, there can be no assurance that Wackenhut Corrections will elect to renew a lease upon the expiration of its initial term, which would also force the Company to find a suitable replacement lessee and independent contractor to manage the particular Facility. If the Company fails to take such steps, it risks losing its ability to elect or maintain REIT status. Because of the nature of the correctional and detention industry, the Company may be unable to locate suitable lessees or independent contractors to lease or operate a Facility or, even if such persons could be located, the rent from the new lease of the Facility and the expense of the independent contractor could be materially less than current rent or cause a material increase in projected expenses and, therefore, reduce the Company's Cash Available for Distribution.

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

Income that is "qualified temporary investment income" constitutes gross income which satisfies the 75% and 95% gross income tests. Income constitutes "qualified temporary investment income" if the income constitutes dividends or interest which are attributable to the investment of new capital in stock or debt securities and which is received or accrued during the 1-year period beginning on the date a REIT receives new capital. Such income also includes gain from the sale, exchange or other disposition of the stock or debt instruments acquired with new capital. For this purpose, "new capital" includes the receipt of proceeds from a stock offering. Investments of new capital in stock or debt securities need not be investments in issuers that are REITs. In the Offering, the Company anticipates receiving proceeds which will not be used immediately to acquire the Initial Facilities. The Company intends to invest such proceeds in a manner as to produce qualified temporary investment income. The Company's rate of return from its temporary investments may be less than its rate of return from the lease of the Initial Facilities causing the Company to be unable to maintain its planned distribution amounts to shareholders.

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

Prepaid Rent

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

Other Issues

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

Asset Tests

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

Annual Distribution Requirements

The Company, in order to qualify as a REIT, is required to distribute dividends (other than capital gain dividends) to its shareholders in an amount at least equal to (A) the sum of (i) 95% of the Company's "real estate investment trust taxable income" (computed without regard to the dividends paid deduction and the Company's net capital gain) and (ii) 95% of the net income (after tax), if any, from foreclosure property, minus (B) the sum of certain items of non-cash income. In addition, if the Company disposes of any asset acquired from a C corporation in a carryover basis transaction during its Recognition Period, the Company will be required to distribute at least 95% of the built-in gain (after tax), if any, recognized on the disposition of such asset. Such distributions must be paid in the taxable year to which they relate, or in the following taxable year if declared before the Company timely files its tax return for such year and if paid on or before the first regular dividend payment after such declaration. To the extent that the Company does not distribute all of its net capital gain or distributes at least 95%, but less than 100%, of its "real estate investment trust taxable income," as adjusted, it will be subject to tax thereon at regular ordinary and capital gain corporate tax rates. Furthermore, if the Company should fail to distribute during each calendar year at least the sum of (i) 85% of its ordinary income for such year, (ii) 95% of its capital gain net income for such year, and (iii) any undistributed taxable income from prior periods, the Company would be subject to a 4% excise tax on the excess of such required distribution over the amounts actually distributed. The Company intends to satisfy the annual distribution requirements.

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

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

FAILURE TO QUALIFY AS A REIT

If the Company fails to qualify for taxation as a REIT in any taxable year, and the relief provisions do not apply, the Company will be subject to tax (including any applicable alternative minimum tax) on its taxable income at regular corporate rates. Distributions to shareholders in any year in which the Company fails to qualify will not be deductible by the Company nor will they be required to be made. In such event, to the extent of current and accumulated earnings and profits, all distributions to shareholders will be taxable as

ordinary income and, subject to certain limitations of the Code, corporate distributees may be eligible for the dividends received deduction. Unless entitled to relief under specific statutory provisions, the Company will also be disqualified from taxation as a REIT for the four taxable years following the year during which qualification was lost. It is not possible to state whether in all circumstances the Company would be entitled to such statutory relief.

TAXATION OF TAXABLE DOMESTIC SHAREHOLDERS

As used herein, the term "Domestic Shareholder" means a holder of Common Shares who (for United States federal income tax purposes) is (i) a citizen or resident of the United States or (ii) a corporation, or other taxable entity created or organized in or under the laws of the United States or of any political subdivision thereof.

As long as the Company qualifies as a REIT, distributions made by the Company out of its current or accumulated earnings and profits (and not designated as capital gain dividends) will constitute dividends taxable to its taxable Domestic Shareholders as ordinary income. Such distributions will not be eligible for the dividends-received deduction in the case of Domestic Shareholders that are corporations. Distributions made by the Company that are properly designated by the Company as capital gain dividends will be taxable to Domestic Shareholders as gain from the sale and exchange of a capital asset held for more than one year (to the extent that they do not exceed the Company's actual net capital gain for the taxable year) without regard to the period for which a Domestic Shareholder has held his Common Shares. In addition, IRS Notice 97-64 allows the Company to designate capital gain dividends attributable to the sale or exchange of a capital asset held for more than 18 months. Domestic U.S. Shareholders that are corporations may, however, be required to treat up to 20% of certain capital gain dividends as ordinary income.

To the extent that the Company makes distributions (not designated as capital gain dividends) in excess of its current and accumulated earnings and profits, such distributions will be treated first as a tax-free return of capital to each Domestic Shareholder, reducing the adjusted basis which such Domestic Shareholder has in his Common Shares for tax purposes by the amount of such distribution (but not below zero), with distributions in excess of a Domestic Shareholder's adjusted basis in his shares taxable as capital gains (provided that the Shares have been held as a capital asset). Dividends authorized by the Company in October, November or December of any year and payable to a shareholder of record on a specified date in any such month shall be treated as both paid by the Company and received by the shareholder on December 31 of such year, provided that the dividend is actually paid by the Company on or before January 31 of the following calendar year. Shareholders may not include in their own income tax returns any net operating losses or capital losses of the Company.

Distributions made by the Company and gain arising from the sale or exchange by a Domestic Shareholder of Common Shares will not be treated as passive activity income, and, as a result, Domestic Shareholders generally will not be able to apply any "passive losses" against such income or gain.

Upon any sale or other disposition of Common Shares, a Domestic Shareholder will recognize gain or loss for federal income tax purposes in an amount equal to the difference between (i) the amount of cash and the fair market value of any property received on such sale or other disposition, and (ii) the holder's adjusted basis in the Common Shares for tax purposes. Such gain or loss will be capital gain or loss if the Common Shares have been held by the Domestic Shareholder as a capital asset. Long-term capital gain of an individual Domestic Shareholder is generally subject to a maximum tax rate of 28% in respect of property held for more than one year and the maximum rate is reduced to 20% in the case of property held in excess of 18 months. In general, any loss recognized by a Domestic Shareholder upon the sale or other disposition of shares of the Company that have been held for six months or less (after applying certain holding period rules) will be treated as a long-term capital loss, to the extent of distributions received by such Domestic Shareholder from the Company which were required to be treated as long-term capital gains.

Domestic Shareholders holding Common Shares at the close of the Company's taxable year will be required to include, in computing their long-term capital gains for the taxable year in which the last day of the Company's taxable year falls, such amount as the Company may designate in a written notice mailed to its

shareholders. The Company may not designate amounts in excess of the Company's undistributed net capital gain for the taxable year. Each Domestic Shareholder required to include such a designated amount in determining such shareholder's long-term capital gains will be deemed to have paid, in the taxable year of the inclusion, the tax paid by the Company in respect of such undistributed net capital gains. Domestic Shareholders subject to these rules will be allowed a credit or a refund, as the case may be, for the tax deemed to have been paid by such shareholders. Domestic Shareholders will increase their basis in their Common Shares by the difference between the amount of such includible gains and the tax deemed paid by the shareholder in respect of such gains.

The discussion above applicable to Domestic Shareholders applies as well to a Domestic Shareholder which is a partner of a partnership or member of a similar non-taxable, "flow-through" entity. Because a partnership or such an entity is not a taxable entity, a Domestic Shareholder will take into account his distributive share of distributions and items of income and gain realized by the partnership or similar non-taxable, flow-through entity related to the partnership's or entity's ownership of Common Shares. The character of the income and gain realized by the partnership or other non-taxable, flow-through entity retains the same character when taken into account by a Domestic Shareholder. If the Domestic Shareholder is a partner or member of a partnership or similar non-taxable, flow-through entity organized outside the United States, the Domestic Shareholder will take into account its distributive share of any U.S. withholding tax imposed on the non-U.S. partnership or other similar entity either as a credit against such Domestic Shareholder's U.S. federal income tax liability or as a refund, as applicable.

The discussion above applicable to Domestic Shareholders generally applies to an estate or trust, the income of which is subject to United States federal income taxation regardless of its source. However, an estate or trust may also be entitled to a deduction for distributions made to beneficiaries who would take into account the income or gain realized by the estate or trust. Executors of estates and trustees of trusts should consult their own tax advisors respecting the federal income tax consequences arising from their acquisition, ownership and sale of Common Shares.

Backup Withholding

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

TAXATION OF TAX-EXEMPT SHAREHOLDERS

The IRS has ruled that amounts distributed as dividends by a REIT generally do not constitute unrelated business taxable income ("UBTI") when received by a tax-exempt entity. Based on that ruling, provided that a tax-exempt shareholder (except certain tax exempt shareholders described below) has not held its Common Shares as "debt financed property" within the meaning of the Code and such Common Shares are not otherwise used in a trade or business, the dividend income from Common Shares will not be UBTI to a tax-exempt shareholder. Similarly, income from the sale of Common Shares will not constitute UBTI unless such tax-exempt shareholder has held such Common Shares as "debt financed property" within the meaning of the Code or has used the Common Shares in a trade or business.

For tax-exempt shareholders that are social clubs, voluntary employee benefit associations, supplemental unemployment benefit trusts, and qualified group legal services plans exempt from federal income taxation under Sections 501(c)(7), (c)(9), (c)(17), and (c)(20) of the Code, respectively, income from an

investment in the Common Shares will constitute UBTI unless the organization is able to properly deduct amounts set aside or placed in reserve for certain purposes so as to offset the income generated by its Common Shares. Such prospective investors should consult their own tax advisors concerning these "set aside" and reserve requirements.

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

A REIT is a "pension-held REIT" if (i) it would not have qualified as a REIT but for the fact that Section 856(h)(3) of the Code provides that stock owned by qualified trusts shall be treated, for purposes of the "not closely held" requirement, as owned by the beneficiaries of the trust (rather than by the trust itself) and (ii) either (A) at least one qualified trust holds more than 25% (by value) of the interests in the REIT or (B) one or more qualified trusts, each of which owns more than 10% (by value) of the interests in the REIT, hold in the aggregate more than 50% (by value) of the interests in the REIT. The percentage of any REIT dividend treated as UBTI is equal to the ratio of (i) the Gross income (less direct expenses related thereto) of the REIT from unrelated trades or businesses (determined as though the REIT were a qualified trust) to (ii) the total gross income (less direct expenses related thereto) of the REIT. A de minimis exception applies where this percentage is less than 5% for any year. The Company does not expect to be classified as a "pension-held REIT."

Tax-exempt entities will be subject to the rules described under this heading "-- Taxation of Taxable Domestic Shareholders" concerning the inclusion of the Company's designated undistributed net capital gains in the income of its shareholders. Thus, such entities will, after satisfying filing requirements, be allowed a credit or refund of the tax deemed paid by such entities in respect of such includible gains.

TAXATION OF NON-DOMESTIC SHAREHOLDERS

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

Ordinary Dividends

Distributions, other than distributions that are treated as attributable to gain from sales or exchanges by the Company of U.S. real property interests (discussed below) and other than distributions designated by the Company as capital gain dividends, will be treated as ordinary income to the extent that they are made out of current or accumulated earnings and profits of the Company. Such distributions to Non-Domestic Shareholders will ordinarily be subject to a withholding tax equal to 30% of the gross amount of the distribution, unless an applicable tax treaty reduces that tax. However, if income from the investment in the Common Shares is treated as effectively connected with the Non-Domestic Shareholder's conduct of a U.S. trade or business, the Non-Domestic Shareholder generally will be subject to tax at graduated rates in the same manner as Domestic Shareholders are taxed with respect to such dividends (and may also be subject to the 30% branch profits tax if the shareholder is a foreign corporation). The Company expects to withhold U.S. tax at the rate of 30% on the gross amount of any dividends, other than dividends treated as attributable to gain from sales or exchanges of U.S. real property interests and capital gain dividends, paid to a Non-Domestic Shareholder, unless (i) a lower treaty rate applies and the required information evidencing eligibility for that reduced rate is filed with the Company or the appropriate withholding agent or (ii) the Non-Domestic Shareholder files an IRS Form 4224 (or a successor form) with the Company or the appropriate withholding agent claiming that the distributions are "effectively connected" income.

Distributions to a Non-Domestic Shareholder that are designated by the Company at the time of distribution as capital gain dividends which are not attributable to or treated as attributable to the disposition by the Company of a U.S. real property interest generally will not be subject to U.S. federal income taxation, except as described below.

Return of Capital

Distributions in excess of current and accumulated earnings and profits of the Company, which are not treated as attributable to the gain from disposition by the Company of a U.S. real property interest, will not be taxable to a Non-Domestic Shareholder to the extent that they do not exceed the adjusted basis of the Non-Domestic Shareholder's Common Shares, but rather will reduce the adjusted basis of such Common Shares. To the extent that such distributions exceed the adjusted basis of a Non-Domestic Shareholder's Common Shares, they will give rise to tax liability if the Non-Domestic Shareholder otherwise would be subject to tax on any gain from the sale or disposition of its Common Shares, as described below. If it cannot be determined at the time a distribution is made whether such distribution will be in excess of current and accumulated earnings and profits, the distribution will be subject to withholding at the rate applicable to dividends. However, the Non-Domestic Shareholder may seek a refund of such amounts from the IRS if it is subsequently determined that such distribution was, in fact, in excess of current and accumulated earnings and profits of the Company.

Capital Gain Dividends

For any year in which the Company qualifies as a REIT, distributions that are attributable to gain from sales or exchanges by the Company of U.S. real property interests will be taxed to a Non-Domestic Shareholder under the provisions of the Foreign Investment in Real Property Tax Act of 1980, as amended ("FIRPTA"). Under FIRPTA, these distributions are taxed to a Non-Domestic Shareholder as if such gain were effectively connected with a U.S. business. Thus, Non-Domestic Shareholders will be taxed on such distributions at the normal capital gain rates applicable to U.S. Shareholders (subject to any applicable alternative minimum tax and special alternative minimum tax in the case of nonresident alien individuals). The Company is required by applicable Treasury Regulations under FIRPTA to withhold 35% of any distribution that could be designated by the Company as a capital gain dividend. However, if the Company designates as a capital gain dividend a distribution made prior to the day the Company actually effects such designation, then (although such distribution may be taxable to a Non-Domestic Shareholder) such distribution is not subject to withholding under FIRPTA; rather, the Company must effect the 35% FIRPTA withholding from distributions made on and after the date of such designation, until the distributions so withheld equal the amount of the prior distribution designated as a capital gain dividend. The amount withheld is creditable against the Non-Domestic Shareholder's U.S. tax liability.

Sales of Shares

Gain recognized by a Non-Domestic Shareholder upon a sale or exchange of Common Shares generally will not be taxed under FIRPTA if the Company is a "domestically controlled REIT," defined generally as a REIT in respect of which at all times during a specified testing period less than 50% in value of the stock is and was held directly or indirectly by foreign persons. It is currently anticipated that the Company will continue to be a "domestically controlled REIT," and, therefore, that the sale of Common Shares will not be subject to taxation under FIRPTA. However, gain not subject to FIRPTA will be taxable to a Non-Domestic Shareholder if (i) investment in the Shares is treated as "effectively connected" with the Non-Domestic Shareholder's U.S. trade or business, in which case the Non-Domestic Shareholder will be subject to the same treatment as U.S. Shareholders with respect to such gain, or (ii) the Non-Domestic Shareholder is a nonresident alien individual who was present in the United States for 183 days or more during the taxable year and has a "tax home" in the United States, or maintains an office or a fixed place of business in the United States to which the gain is attributable, in which case the nonresident alien individual will be subject to a 30% tax on the individual's capital gains. A similar rule will apply to capital gain dividends not subject to FIRPTA.

If the Company were not a domestically-controlled REIT, a Non-Domestic Shareholder's sale of Common Shares would be subject to tax under FIRPTA only if the selling Non-Domestic Shareholder owned more than 5% of the class of Common Shares sold at any time during a specified period (generally the shorter of the period that the Non-Domestic Shareholder owned the Common Shares sold or the five-year period ending on the date of disposition). If the gain on the sale of Common Shares were to be subject to tax under FIRPTA, the Non-Domestic Shareholder would be subject to the same treatment as Domestic Shareholders with respect to such gain (subject to any applicable alternative minimum tax and a special alternative minimum tax in the case of nonresident alien individuals) and the purchaser of such Common Shares would be required to withhold 10% of the gross purchase price.

Treaty Benefits

The United State is a party to bilateral income tax treaties with various foreign countries. These income tax treaties may change one or more of the above general rules for a particular Non-Domestic Shareholder depending on the terms and conditions of the particular treaty and whether the particular Non-Domestic Shareholder qualifies under such treaty for any benefits thereunder. In general, a Non-Domestic Shareholder may take advantage of benefits, such as a reduced withholding rate, offered by an income tax treaty between the United States and a foreign country only if such Non-Domestic Shareholder is a resident (as defined in the treaty) of that foreign country.

In order to claim a reduced rate of withholding tax under an income tax treaty, a Non-Domestic Shareholder may be required to present to the Company or other intermediary IRS forms or other documentary evidence confirming such Non-Domestic Shareholder's status as a resident of the particular treaty country under whose treaty the reduced rate of tax is claimed. Accordingly, Non-Domestic Shareholders should consult their own tax advisors regarding the applicability of income tax treaties to an investment in the Common Shares.

TAX ASPECTS OF THE OPERATING PARTNERSHIP

The following discussion summarizes certain federal income tax considerations applicable solely to the Company's investment in the Operating Partnership and Subsidiary Partnerships. The discussion does not cover state or local tax laws or any federal tax laws other than income tax laws.

Classification as a Partnership

A substantial portion the Company's real estate investments will be made through the Operating Partnership (and possibly one or more Subsidiary Partnerships). In general, partnerships are "pass-through" entities which are not subject to federal income tax. Instead, partners are allocated their proportionate shares of the items of income, gain, loss, deduction and credit of a partnership, and are subject to tax thereon, without regard to whether the partners receive cash distributions from the partnership. The Company will be entitled to include in its REIT taxable income its distributive share of the income of any partnership (including the Operating Partnership) in which it has an interest and to deduct its distributive share of the losses of any partnership (including the Operating Partnership) in which it has an interest only if each such partnership is not classified for federal income tax purposes as an association taxable as a corporation.

Under recently issued regulations (the "Check the Box Regulations"), an organization with two or more members will be classified as a partnership unless it elects to be treated as an association (and therefore taxable as a corporation) or falls within one of several specific provisions which define a corporation. The Company does not intend to cause the Operating Partnership (or any Subsidiary Partnership) to elect to treat the Operating Partnership (or any Subsidiary Partnership) as an association (and therefore taxable as a corporation). An exception to partnership classification under the Check the Box Regulations exists for a partnership in which interests are traded on an established securities market or are readily tradable on a secondary market or the substantial equivalent thereof (a "Publicly Traded Partnership"). A Publicly Traded Partnership is treated and taxed as a corporation unless at least 90% of the gross income of such partnership, for each taxable year the partnership is a Publicly Traded Partnership, consists of "qualifying income," which

includes income from real property rents, gain from the sale or other disposition of real property, interest and dividends (the "Passive Income Exception").

The IRS has issued final regulations providing limited safe harbors from the definition of a Publicly Traded Partnership. Pursuant to one of those safe harbors (the "Private Placement Exclusion"), interests in a partnership will not be treated as readily tradable on a secondary market or the substantial equivalent thereof if (i) all of the partnership interests are issued in a transaction that is not required to be registered under the Securities Act and (ii) the partnership does not have more than 100 partners at any time during the taxable year (taking into account as a partner each person who indirectly owns an interest in the partnership through a partnership, grantor trust, or S corporation (a "flow-through entity"), but only if (a) substantially all the value of the beneficial owner's interest in the flow-through entity is attributable to the flow-through entity's interest (direct or indirect) in the partnership, and (b) a principal purpose of the use of the tiered arrangement is to permit the partnership to satisfy the 100-partner limitation).

Under the Check the Box Regulations, a business entity such as the Operating Partnership (or any Subsidiary Partnership) is disregarded as an entity separate from its owner if it has a single owner, unless the entity elects to be treated as an association taxable as a corporation or falls within one of the several specific provisions which define a corporation, such as the Publicly Traded Partnership provision discussed above. The Operating Partnership will not make such an election. In addition, so long as the Company and one or more wholly-owned qualified REIT subsidiaries of the Company are the only direct or indirect partners of the Operating Partnership (or any Subsidiary Partnership), the Operating Partnership (and any Subsidiary Partnership) will not be treated as a Publicly Traded Partnership. Since CPT LP is a "qualified REIT subsidiary," the Company is considered to own the assets actually owned by CPT LP. Thus, the Company is considered to own for federal income tax purposes the limited partnership interest owned by CPT LP. The Company also owns all of the general partnership interests in the Operating Partnership, and all of the limited partnership interests in the Operating Partnership not owned by CPT LP. Since the Company will be considered to own all of the partnership interests in the Operating Partnership, the Check the Box Regulations do not recognize the Operating Partnership (or any Subsidiary Partnership) as an entity separate from the Company for federal income tax purposes so long as the Company and one or more qualified REIT subsidiaries are the only direct and indirect partners of the Operating Partnership (or any Subsidiary Partnership) and, therefore, the existence of such Partnership will not affect the ability of the Company to elect or maintain REIT status while the Company and one or more qualified REIT subsidiaries are the only partners.

The Operating Partnership was organized to facilitate the tax-advantaged acquisition of additional correctional and detention facilities from private owners, although the Company has no present plan to acquire any particular facility. In the event the Company undertakes such an acquisition, it is contemplated the owner of such a facility would become a limited partner in the Operating Partnership and would be issued Units therein as the consideration, in whole or in part, for the Unitholder's transfer of the facility to the Operating Partnership. It is also contemplated that the Unitholder would be given the right after a period of time to exchange Units of limited partnership interest in the Operating Partnership for cash based upon their fair market value or, at the Company's option, for Common Shares on a one-for-one basis. It is also contemplated that substantially all the Company's assets may be owned indirectly through the Operating Partnership so that one Unit would generally correspond economically to one Common Share. In order to accomplish such objective, and while the Company has no present plan to issue Units to a private prison owner, the current structure using the Operating Partnership is used in connection with the Offering, rather than the Company taking title to the Initial Facilities, in order to avoid in the future a re-transfer of the Initial Facilities (or any Option Facilities if acquired by the Company) to such a partnership, and the incurrence at that time of associated transfer and other costs, which would likely be necessary or advisable in order to offer a private owner a tax-advantaged acquisition vehicle. In the event the Company undertakes a tax-advantaged acquisition, it is also contemplated that the Limited Partnership Agreement for the Operating Partnership would be amended and restated at the time of such acquisition to reflect the terms and conditions of the particular acquisition. Currently, the Company and CPT LP are the only partners in the Operating Partnership and possess the power unilaterally to amend and restate the Limited Partnership Agreement. If a private

prison owner is admitted as a partner to the Operating Partnership and issued Units therein as consideration for the owner's transfer of a correctional or detention facility to the Operating Partnership, the Operating Partnership would cease under the Check the Box Regulations to be disregarded as an entity separate from the Company for federal income tax purposes. At such time, the Company would not cause the Operating Partnership to elect to be treated as an association taxable as a corporation. The Company would also use its best efforts to issue Units to private prison owners in transactions which qualify for the Private Placement Exclusion. Moreover, because the Company intends to operate in a manner to qualify, and maintain qualification, as a REIT and, through the Operating Partnership, generally must earn passive income, the Operating Partnership could qualify for the Passive Income Exception although there is no assurance the Operating Partnership would so qualify for each of its taxable years. The Company intends to use the Operating Partnership (or any Subsidiary Partnership) as a tax-advantaged vehicle to acquire correctional and detention facilities from private owners only if, in addition to other terms, conditions or limitations it may establish, the Company receives an opinion from tax counsel to the Company that, based upon the law then in effect and the facts underlying the particular acquisition (or acquisitions), such use of the Operating Partnership would not result in the disqualification of the Company as a REIT. See "Income Taxation of the Operating Partnership and its Partners" for a discussion of the federal income tax consequences on the Company upon the treatment of the Operating Partnership as a partnership.

If for any reason any partnership in which the Company has an interest was taxable as a corporation rather than as a partnership for federal income tax purposes, the Company would not be able to satisfy the asset requirements for REIT status. See "-- Taxation of the Company as a REIT -- Asset Tests." Failure to satisfy this test would result in the Company's loss of its status as a REIT. In addition, any change in the partnership status of such entities for tax purposes might be treated as a taxable event in which case the Company might incur a tax liability without any related cash distribution. See "-- Income Taxation of the Operating Partnership and its Partners." Further, items of income and deduction of such partnerships would not pass through to its partners (including the Company), and such partners would be treated as shareholders for tax purposes. The partnerships in which the Company has an interest would be required to pay income tax at corporate tax rates on their net income, and distributions to their partners would constitute dividends that would not be deductible in computing the relevant entities' taxable income.

Under a regulatory "anti-abuse" rule (the "Anti-Abuse Rule"), the IRS may (i) recast a transaction involving the use of a partnership to reflect the underlying economic arrangement under the partnership provisions of the Code (the "Partnership Provisions"), or (ii) prevent the use of a partnership to circumvent the intended purpose of a Code provision. The Anti-Abuse Rule contains an example in which a corporation that elects to be treated as a REIT contributes substantially all of the cash proceeds from a public offering to a partnership in exchange for a general partnership interest and property owners contribute property in exchange for limited partnership interests which can be exchanged for cash or stock of the corporation. The example concludes that the use of the partnership is not inconsistent with the intent of the Partnership Provisions and, thus, cannot be recast by the IRS. However, the Anti-Abuse Rule is extraordinarily broad in scope and is applied based on an analysis of all of the facts and circumstances. As a result, there can be no assurance that the IRS will not attempt to apply the Anti-Abuse Rule to the Company. If the conditions of the Anti-Abuse Rule are met, the IRS is authorized to take appropriate enforcement action, including disregarding the Operating Partnership for federal income tax purposes or treating one or more of the partners as nonpartners. Any such action potentially could jeopardize the Company's status as a REIT.

INCOME TAXATION OF THE OPERATING PARTNERSHIP AND ITS PARTNERS

The discussion below applies when a private prison owner or third party (other than the Company, CPT LP or a qualified REIT subsidiary of the Company) becomes a partner in the Operating Partnership. The discussion below assumes that the Operating Partnership will not be taxed as a corporation at such time (whether as an association taxable as a corporation or a Publicly Traded Partnership which fails to meet the Passive Income Exception).

Under Section 721 of the Code, a partner does not generally recognize gain when it transfers property to a partnership in exchange for a partnership interest. Section 721 should apply to the Company when a third

party becomes a partner in the Operating Partnership. There are two relevant exceptions to Section 721. First, non-recognition for a partner would not apply if the transferee partnership is an "investment company." Based upon the planned method of operations and the nature of the assets to be acquired by the Operating Partnership, the Operating Partnership should not be considered an investment company for purposes of Section 721 of the Code.

A partner can also recognize income to the extent (i) the amount of the liabilities subject to the assets transferred to a partnership, exceeds (ii) the sum of (a) the adjusted tax basis of the transferred assets, and (b) the transferring partner's share of the liabilities of the transferee partnership immediately after the transfer. While the Company does not anticipate that it will recognize income upon the admission of a third party as a partner in the Operating Partnership, there is no assurance that it will not recognize at least some income upon such an event.

Operating Partnership Allocations

As noted above, the Company must include in its REIT taxable income its distributive share of the income and losses of any partnership in which it has an interest. Although the provisions of a partnership agreement generally will determine the allocation of income and losses among partners, such allocations will be disregarded for tax purposes under Section 704(b) of the Code if they do not have "substantial economic effect" or otherwise do not comply with the provisions of Section 704(b) of the Code and Treasury Regulations.

If an allocation is not recognized for federal income tax purposes, the item subject to the allocation will be reallocated in accordance with the partners' interests in the partnership, which will be determined by taking into account all of the facts and circumstances relating to the economic arrangement of the partners in respect of such item. The allocations of taxable income and loss of partnerships in which the Company has an interest are intended to comply with the requirements of Section 704(b) of the Code and Treasury Regulations.

Pursuant to Section 704(c) of the Code, income, gain, loss and deduction attributable to appreciated or depreciated property that is contributed by a partner to a partnership must be allocated for federal income tax purposes in a manner such that the contributor is charged with, or benefits from, the unrealized gain or unrealized loss associated with the property at the time of contribution. The amount of such unrealized gain or unrealized loss is generally equal to the difference between the fair market value of the contributed property at the time of contribution and the adjusted tax basis of such property at the time of contribution (referred to as "Book-Tax Difference"). It is anticipated that at the time a third party becomes a member of the Operating Partnership, there could exist a substantial amount of Book-Tax Difference with respect to the assets.

The partnership agreement of the Operating Partnership will also require allocations of income, gain, loss and deduction attributable to the contributed assets be made in a manner that is consistent with Section 704 of the Code. Based upon the Treasury Regulations under Section 704(c), partners can generally be allocated income in excess of its economic or "book" income in order to reduce the Book-Tax Difference. In addition, if assets with a Book-Tax Difference are sold, any Book-Tax Difference remaining at the time they are sold must be allocated exclusively to the contributing partner.

Basis in Operating Partnership Interest

The Company's adjusted tax basis in each of the partnerships in which it has an interest generally (i) will be equal to the amount of cash and the basis of any other property contributed to such partnership by the Company, (ii) will be increased by (a) its allocable share of such partnership's income and (b) its allocable share of any indebtedness of such partnership and (iii) will be reduced, but not below zero, by the Company's allocable share of (a) such partnership's loss and (b) the amount of cash and the fair market value of any property distributed to the Company, and by constructive distributions resulting from a reduction in the Company's share of indebtedness of such partnership.

If the Company's allocable share of the loss (or portion thereof) of any partnership in which it has an interest would reduce the adjusted tax basis of the Company's partnership interest in such partnership below

zero, the recognition of such loss will be deferred until such time as the recognition of such loss (or portion thereof) would not reduce the Company's adjusted tax basis below zero. To the extent that distributions from a partnership to the Company, or any decrease in the Company's share of the nonrecourse indebtedness of a partnership (each such decrease being considered a constructive cash distribution to the partners), would reduce the Company's adjusted tax basis below zero, such distributions (including such constructive distributions) would constitute taxable income to the Company. Such distributions and constructive distributions normally would be characterized as long-term capital gain if the Company's interest in such partnership has been held for longer than the long-term capital gain holding period (currently one year).

ERISA CONSIDERATIONS

The following is a summary of material considerations arising under ERISA and the prohibited transaction provisions of Section 4975 of the Code that may be relevant to a prospective purchaser (including, with respect to the discussion contained in "Status of the Company under ERISA," to a prospective purchaser that is not an employee benefit plan, another qualified plan, or an IRA). This discussion does not purport to deal with all aspects of ERISA or Section 4975 of the Code or, to the extent not preempted, state law that may be relevant to particular employee benefit plan shareholders (including plans subject to Title I of ERISA, other retirement plans and IRAs subject to the prohibited transaction provisions of Section 4975 of the Code and governmental plans or church plans that are exempt from ERISA and Section 4975 of the Code but that may be subject to state law requirements) in light of their particular circumstances.

A FIDUCIARY MAKING THE DECISION TO INVEST IN COMMON SHARES ON BEHALF OF A PROSPECTIVE PURCHASER WHICH IS AN ERISA PLAN, A QUALIFIED PLAN OR AN IRA OR OTHER EMPLOYEE BENEFIT PLAN IS ADVISED TO CONSULT ITS OWN LEGAL ADVISOR REGARDING THE SPECIFIC CONSIDERATIONS ARISING UNDER ERISA, SECTION 4975 OF THE CODE AND (TO THE EXTENT NOT PREEMPTED) STATE LAW WITH RESPECT TO THE PURCHASE, OWNERSHIP OR SALE OF COMMON SHARES BY SUCH PLAN OR IRA.

EMPLOYEE BENEFIT PLANS, TAX-QUALIFIED RETIREMENT PLANS AND IRAS

Each fiduciary of a pension, profit-sharing, or other employee benefit plan subject to Title I of ERISA (an "ERISA Plan") should carefully consider whether an investment in Common Shares is consistent with his fiduciary responsibilities under the Employee Retirement Income Security Act of 1974, as amended ("ERISA"). The fiduciary requirements of Part 4 of Title I of ERISA generally require that an ERISA Plan's investments be (i) prudent and for the exclusive benefit of the ERISA Plan, its participants and beneficiaries, (ii) diversified in order to reduce the risk of large losses, unless it is clearly prudent not to do so, and (iii) authorized under the terms of the governing documents of the ERISA Plan. In determining whether any investment in Common Shares is prudent for purposes of ERISA, the appropriate fiduciary of an ERISA Plan should consider all of the facts and circumstances, including those matters described under "Risk Factors" and "Material Federal Income Tax Considerations."

Fiduciaries of IRAs, retirement plans for self-employed individuals ("Keogh Plans") and other plans subject to Section 4975 of the Code but not subject to ERISA (IRAs, Keogh Plans and such other plans are referred to herein as "Non-ERISA Plans") should consider that a Non-ERISA Plan may only make investments that are authorized by the appropriate governing documents and under applicable state law.

Fiduciaries of ERISA Plans, as well as fiduciaries of Non-ERISA Plans, should also consider in making their investment decision the application of the prohibited transaction provisions of Section 406 of ERISA and Section 4975 of the Code. Administrators of ERISA Plans and Non-ERISA Plans and individuals with IRAs should consult their own legal advisors regarding potential prohibited transaction issues and whether an exemption is applicable.

STATUS OF THE COMPANY UNDER ERISA

This section discusses certain principles that apply in determining whether the fiduciary requirements of ERISA and the prohibited transaction provisions of ERISA and the Code apply to an entity because one or more investors in the entity's acquired interests is an ERISA Plan or a Non-ERISA Plan. This section also identifies considerations that would be relevant in the unlikely event that the ERISA fiduciary requirements were applicable to the Company's operation.

In certain circumstances, where equity interests in any entity are owned by one or more ERISA Plans or Non-ERISA Plans, the investing plans will, for purposes of ERISA and Section 4975, be considered to own not only the equity interest in the entity, but a proportionate individual interest in the underlying assets of the entity. In such a case, the underlying assets of the entity are deemed to be "plan assets" and, as described below, ERISA's fiduciary requirements and the excise tax under Section 4975 of the Code would be relevant to the operations of the entity. As described below, the Company does not believe that its assets will be considered "plan assets" of investing plans for these purposes.

The U.S. Department of Labor ("DOL"), which has certain administrative responsibility with respect to ERISA Plans and certain Non-ERISA Plans, has issued a regulation defining the term "plan assets" (the "DOL Regulation"). The DOL Regulation generally provides that when an ERISA Plan or a Non-ERISA Plan acquires a security that is an equity interest in an entity and that security is neither a "publicly offered security" nor a security issued by an investment company registered under the Investment Company Act of 1940, the ERISA Plan's or Non-ERISA Plan's assets include both the equity interest and an undivided interest in each of the underlying assets of the entity, unless it is established either that the entity is an "operating company" or that equity participation in the entity by benefit plan investors is not significant.

The DOL Regulation defines a publicly offered security as a security that is "widely held," "freely transferable" and either part of a class of securities registered under the Exchange Act or sold pursuant to an effective registration statement under the Securities Act (provided the class of securities of which such security is part is registered under the Exchange Act within 120 days after the end of the fiscal year of the issuer during which the offering occurred). The Common Shares are being sold in an offering registered under the Securities Act and the class of securities of which the Common Shares are part will be registered under the Exchange Act.

The DOL Regulation provides that a security is "widely held" only if it is part of a class of securities that is owned by 100 or more investors independent of the issuer and of one another. A security will not fail to be "widely held" because the number of independent investors falls below 100 subsequent to the initial public offering as a result of events beyond the issuer's control. The Company anticipates that upon completion of the Offering, the Common Shares will be "widely held."

The DOL Regulation provides that whether a security is "freely transferable" is a factual question to be determined on the basis of all relevant facts and circumstances. The DOL Regulation further provides that where a security is part of an offering in which the minimum investment is \$10,000 or less (as is the case with the Offering), certain restrictions ordinarily will not, alone or in combination, affect a finding that such securities are freely transferable. The restrictions on transfer enumerated in the DOL Regulation as ordinarily not affecting that finding include: (i) any restriction on or prohibition against any transfer or assignment that would result in a termination or reclassification of the Company for Federal or state tax purposes, or that would otherwise violate any state or Federal law or court order, (ii) any requirement that advance notice of a transfer or assignment be given to the Company, (iii) any requirement that either the transferor or the transferee, or both, execute documentation setting forth representations as to compliance with any restrictions on transfer that are among those enumerated in the final DOL Regulation as not affecting free transferability, (iv) any administrative procedure that establishes an effective date, or any event (such as completion of the Offering) prior to which a transfer or assignment will not be effective, and (v) any limitation or restriction on transfer or assignment that is not imposed by the issuer or a person acting on behalf of the issuer. The Company believes that the restrictions imposed under the Declaration of Trust on the transfer of Common Shares are limited to restrictions on transfer which, under the DOL Regulation, ordinarily do not affect a finding of free transferability, and are unlikely to result in the failure of the Common Shares to be considered

"freely transferable" for purposes of the DOL Regulation. In addition, the Company is not aware of any other facts or circumstances limiting the transferability of the Common Shares that are not included among those enumerated as not affecting their free transferability under the DOL Regulation, and the Company does not expect or intend to impose in the future (or to permit any person to impose on its behalf) any limitations or restrictions on transfer that would not be among the enumerated permissible limitations or restrictions. The DOL Regulation only establishes a presumption in favor of a finding of free transferability, and no assurances can be given that the DOL, the Treasury Department or a court will not reach a contrary conclusion.

Assuming that Common Shares will be "widely held" and that no other facts and circumstances exist that restrict transferability of Common Shares, the Company believes that the Common Shares should be treated as a "publicly offered security" within the meaning of the DOL Regulation and, accordingly, that the underlying assets of the Company should not be considered to be "plan assets" of any ERISA Plan or Non-ERISA Plan investing in Common Shares.

If the assets of the Company were deemed to be "plan assets" under ERISA and Section 4975 of the Code, (i) the prudence standards and other provisions of Part 4 of Subtitle B of Title 1 of ERISA would be applicable to any transactions involving the Company's assets, (ii) persons who exercise any authority or control over the Company's assets, or who provide investments advice to the Company, would (for purposes of the fiduciary responsibility provisions of ERISA and Section 4975 of the Code) be fiduciaries of each ERISA Plan or Non-ERISA Plan that acquires Common Shares, (iii) transactions involving the Company's assets undertaken at the direction or pursuant to the advice of such fiduciaries might be violative of their fiduciary responsibilities under ERISA, especially with regard to conflicts of interest, (iv) a fiduciary exercising its investment discretion over the assets of the ERISA Plan to cause it to acquire or hold Common Shares could be liable under the aforementioned Part 4 of Subtitle B of Title I of ERISA for transactions entered into by the Company that do not conform to ERISA standards of prudence and fiduciary responsibility, (v) certain transactions that the Company might enter into in the ordinary course of its business and operations might constitute "prohibited transactions" under ERISA and the Code, and (vi) fiduciaries of ERISA Plans may violate ERISA's prohibition against the improper delegation of control or responsibility for "plan assets" and may be liable for breaches of ERISA's fiduciary duties committed by co-fiduciaries.

UNDERWRITING

Upon the terms and subject to the conditions stated in the Underwriting Agreement, dated the date hereof, each Underwriter named below has severally agreed to purchase, and the Company has agreed to sell to such Underwriter, the number of Common Shares set forth opposite the name of such Underwriter.

| | NUMBER OF COMMON SHARES ----- |
|------------------------|-------------------------------------|
| Smith Barney Inc. | ----- |
| Total..... | 6,200,000 ===== |

The Underwriting Agreement provides that the obligations of the several Underwriters to pay for and accept delivery of the Common Shares offered hereby are subject to the approval of certain legal matters by counsel and to certain other conditions. The Underwriters are obligated to take and pay for all of the Common Shares offered hereby (other than those covered by the Underwriters' over-allotment option described below) if any such shares are taken.

The Underwriters, for whom Smith Barney Inc. is acting as representative (the "Representative"), propose to offer part of the Common Shares directly to the public at the public offering prices set forth on the cover page of this Prospectus and to offer part of the Common Shares to certain dealers at a price which represents a concession not in excess of \$ per share under the public offering price. The Underwriter may allow, and such dealers may reallow, a concession not in excess of \$ per share to certain other dealers. After the initial offering of the Common Shares to the public, the public offering price, concessions and reallowances to dealers may be changed by the Representative. The Representative has advised the Company that the Underwriters do not intend to confirm any sales to any account over which they exercise discretionary authority.

The Company has granted the Underwriters an option, exercisable for 30 days from the date of this Prospectus, to purchase up to 930,000 additional Common Shares at the price to public set forth on the cover page of this Prospectus minus the underwriting discounts and commissions. The Underwriters may exercise such option solely for the purpose of covering over-allotments, if any, in connection with the Offering.

In connection with the Offering and in compliance with applicable law, the Underwriters may over allot (i.e., sell more Common Shares than the total amount shown on the list of Underwriters and participations which appears above) and may effect transactions which stabilize, maintain or otherwise affect the market price of the Common Shares at levels above those which might otherwise prevail in the open market. Such transactions may include placing bids for the Common Shares or effecting purchases of the Common Shares for the purpose of pegging, fixing or maintaining the price of the Common Shares or for the purpose of reducing a syndicate short position created in connection with this Offering. A syndicate short position may be covered by exercise of the option described above in lieu of or in addition to open market purchases. The Underwriters are not required to engage in any of these activities and any such activities, if commenced, may be discontinued at any time.

The Company will pay an advisory fee equal to 0.75% of the gross proceeds of the Offering (including any exercise of the Underwriters' over-allotment option) to Smith Barney Inc. for advisory services in connection with the evaluation, analysis and structuring of the Company's formation and the Offering.

Furthermore, in connection with the Offering, the Operating Partnership and the Company have agreed, subject to certain limited exceptions, not to sell, offer to sell, solicit an offer to buy, contract to sell, grant any option to purchase or otherwise transfer or dispose ("Transfer") of any Common Shares or Units or any securities convertible into or exchangeable or exercisable for Common Shares or Units for a period of 180 days after the date of this Prospectus, without the prior written consent of Smith Barney Inc. Additionally, the officers, trustees and directors of the Company, Wackenhut Corrections and The Wackenhut Corporation have agreed that, subject to certain limited exceptions, for a period of one year after the date of this Prospectus, they will not, without the prior written consent of Smith Barney Inc., Transfer any Common Shares or Units.

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

At the request of the Company, the Underwriters have reserved up to 620,000 Common Shares for sale at the public offering price to certain trustees and employees of the Company, their business affiliates and related parties who have expressed an interest in purchasing shares. Such purchases will be made under the same terms and conditions as will be offered by the Underwriters in the Offering.

The Company and the Underwriters have agreed to indemnify each other against certain liabilities, including liabilities under the Securities Act of 1933.

Application will be made to list the Common Shares on the NYSE. In order to meet one of the requirements for listing the Common Shares on the NYSE, the Underwriters have undertaken to sell lots of 100 or more Common Shares to a minimum of 2,000 beneficial holders.

EXPERTS

The audited financial statements of Wackenhut Corrections Corporation for each of the three years in the period ended December 28, 1997 and the audited balance sheet of Wackenhut Corrections Corporation as of December 28, 1997 and December 29, 1996, which are included in this Prospectus, have been included in reliance on the reports of Arthur Andersen LLP, independent public accountants, given on the authority of that firm as experts in giving said reports.

The audited balance sheet of the Company as of February 20, 1998, which is included in this Prospectus, has been included in reliance on the report of Arthur Andersen LLP, independent public accountants, given on the authority of that firm as experts in giving said reports.

LEGAL MATTERS

The validity of the Common Shares offered hereby will be passed upon for the Company by Akerman, Senterfitt & Eidson, P.A., Miami, Florida, and certain legal matters will be passed upon for the Underwriters by Battle Fowler LLP, New York, New York. Akerman, Senterfitt and Eidson, P.A., and Battle Fowler LLP will rely as to all matters of Maryland law on the opinion of Venable, Baetjer and Howard, LLP, Baltimore, Maryland. Certain matters relating to the purchase and leasing of the Facilities will be passed upon for the Company by local counsel. In addition, the description of federal income tax consequences contained in this Prospectus entitled "Material Federal Income Tax Considerations" is based upon the opinion of Akerman, Senterfitt & Eidson, P.A. In addition to providing services to the Company, Akerman, Senterfitt & Eidson, P.A. also has provided legal services to Wackenhut Corrections, including, without limitation, in connection with certain of the Formation Transactions, and to The Wackenhut Corporation, the parent of Wackenhut Corrections.

AVAILABLE INFORMATION

The Company has filed with the Securities and Exchange Commission (the "Commission") a Registration Statement on Form S-11 (the "Form S-11") under the Securities Act of 1933, as amended (the "Securities Act"), and Wackenhut Corrections has filed with the Commission a Registration Statement on Form S-3 (the "Form S-3," and together with the Form S-11, the "Registration Statement") under the

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

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

Following consummation of the Offering, the Company will be subject to the informational requirements of the Exchange Act, and will, therefore, be required to file reports, proxy and information statements and other information with the Commission pursuant to the reporting requirements of Section 13(a) thereof, in addition to any other legal or NYSE requirements. Wackenhut Corrections is currently subject to such informational requirements, and, in accordance therewith, files all such reports, statements and information with the Commission. Such reports, statements and information may also be inspected and copied at the Commission's offices and web site listed above.

GLOSSARY

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

"ACA" means the American Correctional Association.

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

"Adjusted Basis Ratio" means the amount of Rent attributable to the personal property associated with a property that bears the same ratio to total rent for the taxable year as the average of the adjusted bases of the personal property in the property at the beginning and at the end of the taxable year bears to the average of the aggregate adjusted bases of both the real and personal property comprising the property at the beginning and at the end of such taxable year.

"Annual Base Rent" means the annual base rent payable under the Leases.

"Anti-Abuse Rule" means a regulatory rule whereby the IRS may (i) recast a transaction involving the use of a Partnership Provision, or (ii) prevent the use of a partnership to circumvent the intended purpose of a Code provision.

"Audit Committee" means the committee established by the Board of Trustees, consisting of independent trustees, to make recommendations concerning the engagement of independent public accountants, review with the independent public accountants the plans and results of the audit engagement, approve professional services provided by the independent public accountants, review the independence of the independent public accountants, consider the range of audit and non-audit fees and review the adequacy of the Company's internal accounting controls.

"Aurora Facility" means the Aurora INS Processing Center.

"Bank Credit Facility" means the \$75 million line of credit for which the Company expects to obtain a commitment from Facility which may be used for the acquisition of additional correctional and detention facilities and for certain other purposes including the expansion of existing facilities and working capital.

"Bankruptcy Code" means the United State Bankruptcy Code, as amended.

"Base Rent Escalation" means annual rent escalations equal to the increase in the consumer price index, subject to a minimum annual increase of 3% during the first three years, and thereafter a maximum annual increase of 4%.

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

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

"Bureau of Justice Statistics" means United States Bureau of Justice Statistics.

"Broward Facility" means the Broward County Work Release Center.

"Broward Sublease" means the Sublease between WCCRE Inc. and Wackenhut Corrections for use of the Broward Facility.

"BSO" means the Broward County Sheriff's Office.

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

"Capital Addition" means construction or other capital improvements to a particular leased property which are not normal or recurring to the maintenance of subleased property.

"California Subleases" means the series of subleases between WCCRE Inc. and Wackenhut Corrections for use of the California Facilities.

"CDOC" means the State of California, Department of Corrections.

"Central Valley Facility" means the Central Valley Correctional Facility.

"Change of Control" with respect to Wackenhut Corrections means, for purposes of the Leases, any of the following transactions: (i) the sale by Wackenhut Corrections of a controlling interest in Wackenhut Corrections; (ii) the sale of all or substantially all of the assets of Wackenhut Corrections; or (iii) any transaction pursuant to which Wackenhut Corrections is merged with or consolidated into another entity and Wackenhut Corrections is not the surviving entity.

"Check the Box Regulations" means regulations under the Code pursuant to which an organization with two or more members will be classified as a partnership unless it elects to be treated as an association or falls within one of several specific provisions which define a corporation.

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

"Commission" means the Securities and Exchange Commission.

"Common Shares" means the common shares of beneficial interest, par value \$0.001 per share, of the Company.

"Company" means Correctional Properties Trust, a Maryland real estate investment trust, together with its subsidiaries, including CPT LP and the Operating Partnership.

"Company Counsel" means Akerman, Senterfitt & Eidson, P.A.

"Company Expenses" means all administrative costs and expenses of the Company and CPT LP.

"Company Independent Committee" means the Committee of Independent Trustees established to approve Interested Trustee Transactions.

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

"Compensation Committee" means the committee established by the Board of Trustees to determine compensation, including awards under the Employee Share Option Plan and the Non-Employee Trustee Option Plan, and to administer the Plans.

"Control Share Acquisition" means the acquisition of Control Shares, subject to certain exceptions.

"Control Shares" means voting shares which, if aggregated with all other such shares previously acquired by the acquiror, or in respect of which the acquiror is able to exercise or direct the exercise of voting power, would entitle the acquiror to exercise voting power in electing directors within one of the following ranges of voting power: (i) one-fifth or more but less than one-third, (ii) one-third or more but less than a majority, or (iii) a majority of all voting power.

"CPI" means the Consumer Price Index -- All Urban Consumers, as published by the Bureau of Statistics of the United States Department of Labor.

"CPT LP" means CPT Limited Partner Inc., a Delaware corporation.

"Debt Policy" means the Company's policy to maintain a ratio of total consolidated indebtedness to total market capitalization (determined at the time the borrowing occurs) of 50% or less.

"Declaration of Trust" means the Declaration of Trust of the Company as will be amended and restated prior to the consummation of the Offering.

"Desert View Facility" means the Desert View Correctional Facility.

"Disqualified Leaseback Agreement" means a lease provision providing for rents that increase from one period to the next such that the Code requires rental income to be accrued at a constant rate.

"DOL" means U.S. Department of Labor.

"DOL Regulation" means the regulation issued by DOL defining the term "plan assets".

"Domestic Shareholder" means a holder of Common Shares who (for United States federal income tax purposes) is (i) a citizen or resident of the United States, or (ii) a corporation, partnership or other entity created or organized in or under the laws of the United States or of any political subdivision thereof.

"Employee Option Plan" means the Correctional Properties Trust 1998 Employee Share Option Plan.

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

"ERISA Plan" means a pension, profit-sharing, or other employee benefit plan subject to Title I of ERISA.

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

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

"Excluded Facilities" means the two correctional and detention facilities that are subject to purchase options granted to the State of New Mexico and the respective counties in which the Facilities are located.

"Executive Committee" means the committee established by the Board of Trustees to exercise the authority of the Board of Trustees, to the extent permitted by law, in the management of the business of the Company.

"Extended Terms" means Wackenhut Corrections' options to extend the term of each Lease for three additional five-year terms beyond the Fixed Terms.

"Facility" or "Facilities" means the Initial Facilities together with the Option Facilities.

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

"Fiscal 1995" means Wackenhut Corrections fiscal year ended December 31, 1995.

"Fiscal 1996" means Wackenhut Corrections fiscal year ended December 29, 1996.

"Fiscal 1997" means Wackenhut Corrections fiscal year ended December 28, 1997.

"Fixed Term" means the initial term of 10 years under the Master Lease.

"Formation Transactions" means the series of transactions which are designed to consolidate ownership of the initial facilities in the Company, to provide a vehicle for possible future acquisition of the Option Facilities and the Future Facilities and to enable the Company to qualify as a REIT.

"Founding Trustee" means any non-employee trustee who is a member of the Board of Trustees as of the date of this Prospectus.

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

"Future Facility" means any correctional or detention facility which Wackenhut Corrections will own or have the right to acquire for a period of 15 years following the consummation of the Offering which the Company will have a right to acquire for the Option Period of such facility.

"Future Facility Option Period" means the earlier of (i) four years from the receipt of a certificate of occupancy for a Facility developed by Wackenhut Corrections or from the date of acquisition of a facility

acquired by Wackenhut Corrections, or (ii) six months after the facility attains an occupancy level of 75% of the number of beds authorized under the certificate of occupancy for the facility.

"Future Facility Purchase Price" means the amount equal to 105% (or such lower percentage as may be agreed to by Wackenhut Corrections) of the Total Facility Cost of such Future Facility.

"GAAP" means generally accepted accounting principles, consistently applied.

"General Partner" means the Company as the sole general partner of the Operating Partnership.

"Golden State Facility" means the Golden State Correctional Facility.

"Keogh Plan" means a retirement plan for self-employed individuals.

"Hospital District" means the LaSalle Parish Hospital District No. 2.

"Indemnification Agreements" means agreements between the Company and the Indemnitee to provide such Indemnitees indemnification to the maximum extent allowable by or not in violation of any law of the State of Maryland.

"Indemnitee" means a trustee or executive officer of the Company who is party to the Indemnification Agreement.

"Independent Trustees" means the trustees who are neither (i) officers nor employees of the Company nor (ii) a director, trustee, officer or employee of, or other person who has a material financial interest in, Wackenhut Corrections, or its affiliates, or any tenant or lessee of a facility owned by the Company, or any owner, lessee or tenant of any Facility financed by the Company, or (iii) any management company operating any Facility owned or financed by the Company, or affiliates of any of the foregoing.

"Initial Facilities" means the eight correctional and detention facilities which the Company will purchase from Wackenhut Corrections or the Wackenhut Lease Facility pursuant to the Purchase Agreements.

"Initial Facility Purchase Price" means the total purchase price of an Initial Facility.

"INS" means the U.S. Immigration and Naturalization Service.

"Interested Shareholder" means, under the MGCL, generally any person who, at any time within the two year period of the date in question, beneficially owns 10% or more of the voting power of a REIT's shares.

"Interested Trustee Transaction" means (i) the selection of the operators of the Company's facilities and (ii)(a) the entering into of any agreement with Wackenhut Corrections, The Wackenhut Corporation or their affiliates, and (b) the consummation of any transaction between the Company and Wackenhut Corrections, The Wackenhut Corporation or their affiliates.

"IPO" means Wackenhut Corrections' initial public offering which closed in July 1994.

"IRA" means an ERISA plan, qualified plan, individual retirement account and individual retirement annuity.

"IRS" means the United States Internal Revenue Service.

"Jena Facility" means the Jena Juvenile Justice Center.

"Karnes Facility" means the Karnes County Correctional Facility.

"Lawton Facility" means the Lawton Correctional Facility.

"LDOC" means State of Louisiana Department of Public Safety and Corrections.

"Lease" or "Leases" means the long-term, non-cancelable triple net leases between the Company, as landlord, and Wackenhut Corrections, as tenant, with respect to the Initial Facilities.

"Leased Property" means the land, the buildings and structures and other improvements thereon, assessments, rights and similar appurtenances to such land and improvements, and permanently affixed equipment, machinery, and other fixtures relating to the operation of a Facility.

"Limited Partner" or "Limited Partners" means those entities who will own a limited partnership interest in the Operating Partnership.

"Louisiana Facility Agreements" means the Cooperative Endeavor Agreement, dated January 30, 1995, between the State of Louisiana and the Hospital District.

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

"Master Lease" means the lease agreement, the provisions of which are incorporated into the individual Leases, between the Company, as landlord, and Wackenhut Corrections or WCCRE, as tenant.

"McFarland Facility" means the McFarland Community Correctional Facility.

"MDOC" means State of Michigan Department of Management and Budget for the Department of Corrections.

"MGCL" means the Maryland General Corporation Law, as amended.

"Michigan Facility" means the Michigan Youth Correctional Facility.

"Michigan Sublease" means the lease agreement between Wackenhut Corrections, as lessee and the State of Michigan, as lessor, with respect to the Michigan Facility.

"Mortgage Debt" means the bonds secured by a mortgage encumbering the Jena Facility.

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

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

"Non-Employee Trustee Option Plan" means the Correctional Properties Trust 1998 Non-Employee Trustees' Share Option Plan.

"Non-ERISA Plans" mean IRAs, Keogh Plans and other plans subject to Section 4975 of the Code, but not subject to ERISA.

"Non-Founding Trustee" means any non-employee trustee who is not a Founding Trustee.

"NYSE" means the New York Stock Exchange.

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

"Offering Price" means the initial public offering price of the Common Shares.

"Operating lease Facility" means a \$220 million operating lease facility of Wackenhut Corrections.

"Operating Partnership" means CPT Operating Partnership L.P., a Delaware limited partnership, together with each of its subsidiaries.

"Option Agreements" means the agreements between Wackenhut Corrections and the Company pursuant to which Wackenhut Corrections will grant the Company the option to acquire each of the three Option Facilities.

"Option Facilities" means the three correctional and detention facilities currently under construction or development by Wackenhut Corrections, which the Company has the option to acquire pursuant to the Option Agreements.

"Option Facility Option Period" means the earlier of (i) four years from receipt of a certificate of occupancy for such facility, or (ii) six months after the facility achieves an occupancy level of 75% of the number of beds authorized under the certificate of occupancy for the facility.

"Option Facility Purchase Price" means the purchase price of an Option Facility, equal to 105% (or such lower percentage as may be agreed to by Wackenhut Corrections) of such Option Facility's Total Facility Cost.

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

"Ownership Limit Provision" means the provision of the Declaration of Trust that will prohibit the direct, indirect or constructive ownership by any person or group of more than 9.8% of the number of outstanding shares of any class or series of Common Shares or Preferred Shares.

"Owner Trustee" means First Security Bank, National Association, not individually, as owner trustee.

"Partnership Agreement" means the agreement by which the Operating Partnership was organized as a Delaware limited partnership which includes the Company, as the sole general partner and as a limited partner, and CPT LP as a limited partner.

"Partnership Provisions" means the partnership provisions of the Code.

"Passive Income Exception" exempts a Publicly Traded Partnership from being treated and taxed as a corporation if at least 90% of the gross income of such partnership, for each taxable year the partnership is a Publicly Traded Partnership, consists of "qualifying income", which includes income from real property rent, gain from the sale or other disposition of real property, interest and dividends.

"Per Diem Rate" means the net rate of revenue per day per inmate, based upon occupancy levels.

"Plans" means the Employee Option Plan together with the Non-Employee Trustee Option Plan.

"Preferred Shares" means preferred shares of beneficial interest of the Company, par value \$0.001 per share.

"Private Placement Exclusion" means one of the safe harbors from the definition of Publicly Traded Partnership pursuant to IRS regulations.

"Privatization Reports" means the reports on privatization from the Private Corrections Project Center for Studies in Criminology and Law, University of Florida.

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

"Publicly Traded Partnership" means a partnership in which interests are traded on an established securities market or are readily tradable on a secondary market or the substantial equivalent thereof.

"Purchase Agreements" means the agreements entered into by the Company, pursuant to which the Company will acquire the eight Initial Facilities.

"Queens Facility" means the Queens Private Correctional Facility.

"Recognition Period" pertains to Built-in Gain, as defined pursuant to Treasury Regulations to be issued under Section 337(d) of the Code.

"Registration Statement" means the Registration Statement filed by the Company and Wackenhut Corrections on Form S-11 and Form S-3, respectively.

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

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

"Rent" means the Annual Base Rent together with the Base Rent Escalation, paid by Wackenhut Corrections pursuant to the Leases.

"Representative" means Smith Barney Inc.

"Required Ownership Inquiry" means that level of inquiry which satisfies the conditions specified in Treasury Regulations under the Code ascertaining the actual ownership of Common Shares or Preferred Shares.

"RFPs" means requests for proposals for government contracts.

"Right to Purchase Agreement" means the agreement between Wackenhut Corrections and the Company, pursuant to which the Company has the right to acquire and lease back to Wackenhut Corrections any Future Facility at any time during the Option Period applicable to any such Future Facility for a cash purchase price equal to the Option Facility Price for such Future Facility.

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

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

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

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

"State of Louisiana" means the Louisiana Department of Public Safety.

"Sublease" and "Subleases" means one or more subleases for a Facility between Wackenhut Corrections, as lessee, and the lessor of such Facility.

"Total Facility Cost" means the aggregate cost related to the acquisition, development, design, construction, equipment and start-up of a Facility (which in the case of goods and services provided by Wackenhut Corrections, will not exceed the costs which would be paid therefor if purchased from a third party in an arm's-length transaction).

"Transfer" means the sale, offer to sell, solicitation of an offer to buy, contract to sell, grant of any option to purchase or otherwise transfer or dispose of any Common Shares or Units of any securities convertible into or exchangeable or exercisable for Common Shares or Units.

"Treasury Regulations" means the income tax regulations promulgated under the Code.

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

"Unitholder" means the holder of the Units.

"Units" means, under the Operating Partnerships, and with respect to each class of partnership, those units representing an equal undivided fractional share of each item of the Operating Partnership's income gain, and loss and in distribution of the Operating Partnership's assets.

"Wackenhut Corrections" means Wackenhut Corrections Corporation, a Florida corporation, together with each of its subsidiaries.

"Wackenhut Corrections Board of Directors" means the Board of Directors of Wackenhut Corrections.

"WCCRE Inc." means WCC RE Holdings, Inc.

"WCCRE LLC" means WCC RE Holdings LLC.

"Year 2000 Issue" means the date-sensitivity problem of computer systems and computer applications.

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

To Correctional Properties Trust:

We have audited the accompanying balance sheet of Correctional Properties Trust (a Maryland real estate investment trust) as of February 20, 1998. This financial statement is the responsibility of the Company's management. Our responsibility is to express an opinion on the financial statement based on our audit.

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

In our opinion, the balance sheet referred to above presents fairly, in all material respects, the financial position of Correctional Properties Trust as of February 20, 1998, in conformity with generally accepted accounting principles.

ARTHUR ANDERSEN LLP

West Palm Beach, Florida,
February 20, 1998.

CORRECTIONAL PROPERTIES TRUST
(A MARYLAND REAL ESTATE INVESTMENT TRUST)

BALANCE SHEET
FEBRUARY 20, 1998

ASSETS

| | |
|--------------------------------|---------|
| Cash and cash equivalents..... | \$2,500 |
| | ===== |

LIABILITIES AND SHAREHOLDERS' EQUITY

Shareholders' equity:

| | |
|---|---------|
| Preferred shares, \$.001 par value; 50,000,000 shares authorized; none outstanding..... | \$ -- |
| Common shares, \$.001 par value; 150,000,000 shares authorized; 1,000 shares issued and outstanding..... | 1 |
| Additional paid in capital..... | 2,499 |
| | ----- |
| | \$2,500 |
| | ===== |

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

CORRECTIONAL PROPERTIES TRUST
(A MARYLAND REAL ESTATE INVESTMENT TRUST)

NOTES TO BALANCE SHEET
FEBRUARY 20, 1998

1. ORGANIZATION

Correctional Properties Trust (the "Company") was formed February 18, 1998 as a Maryland real estate investment trust. The Company has had no operations to date but has issued 1,000 Common Shares to founding shareholders.

2. FEDERAL INCOME TAXES

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

3. PREFERRED SHARES

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

4. INTENTIONS OF THE COMPANY (UNAUDITED)

The Company has announced its intention to sell 6,200,000 Common Shares in an initial public offering. Immediately after the closing of the Offering, the Company intends to consummate the following transactions with Wackenhut Corrections Corporation ("Wackenhut Corrections"): (a) purchase of eight correctional and detention facilities for \$113.0 million and enter into triple net leases with Wackenhut Corrections for original fixed terms of 10 years with renewal terms upon the mutual agreement of both parties for three additional five-year terms, (b) option agreements to purchase an additional three correctional and detention facilities at a total estimated purchase price of \$109.7 million with similar leaseback terms, (c) trade name agreement between the Company and Wackenhut Corrections, and (d) an agreement that provides the Company a right to purchase other facilities from Wackenhut Corrections.

Upon consummation of the Offering, the Company plans on establishing a \$75 million credit facility with a bank for the purpose of financing the acquisition of correctional and detention facilities, to expand existing facilities and for general working capital needs.

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

PRO FORMA FINANCIAL STATEMENTS

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

The Company's audited historical balance sheet as of February 20, 1998, and notes thereto are included elsewhere in this Prospectus along with the Report of the Independent Public Accountants. Total assets and shareholders' equity totaled \$2,500 each at February 20, 1998.

CORRECTIONAL PROPERTIES TRUST

PRO FORMA BALANCE SHEET

AS OF DECEMBER 31, 1997

| | ACTUAL | ADJUSTMENTS | PRO FORMA |
|---|--------|-----------------|-----------|
| (IN THOUSANDS EXCEPT SHARE DATA) | | | |
| ASSETS | | | |
| Land and buildings, net..... | \$ -- | \$113,041(a) | \$113,041 |
| Deferred expenses..... | -- | 750(c) | 750 |
| Cash..... | -- | 113,820(b) | -- |
| | -- | (113,791)(a)(c) | 29 |
| | ----- | ----- | ----- |
| | \$ -- | \$113,820 | \$113,820 |
| | ===== | ===== | ===== |
| LIABILITIES AND SHAREHOLDERS' EQUITY | | | |
| Note payable..... | \$ -- | --(c) | \$ -- |
| | ----- | ----- | ----- |
| Preferred shares, \$0.001 par value; 50,000,000 shares authorized; none outstanding..... | -- | -- | -- |
| Common shares, \$0.001 par value; 150,000,000 shares authorized, 6,200,000 issued and outstanding, as adjusted..... | -- | 6(b) | 6 |
| Additional paid-in capital..... | -- | 113,814(b) | 113,814 |
| | ----- | ----- | ----- |
| | \$ -- | \$113,820 | \$113,820 |
| | ===== | ===== | ===== |

-
- (a) To record the purchase of the eight Initial Facilities using the purchase method of accounting.
- (b) Reflects the initial capitalization (1,000 shares) of the Company, issuance of 6,200,000 Common Shares, \$0.001 par value, in connection with the Offering at an assumed initial public offering price of \$20.00 per share. The estimated costs of the Offering, including the underwriting discount and estimated Offering expenses, totalling \$10.2 million have been reflected as an offset to additional paid-in capital. The resulting net cash proceeds of the Offering total \$113.8 million.
- (c) The Company expects to establish a \$75 million credit facility with a bank and expects to incur debt issuance costs of approximately \$0.75 million.

CORRECTIONAL PROPERTIES TRUST
PRO FORMA STATEMENT OF OPERATIONS

| | YEAR ENDED DECEMBER 31, 1997 | | |
|--|--------------------------------------|-------------|-----------|
| | ACTUAL | ADJUSTMENTS | PRO FORMA |
| | ----- | | |
| | (IN THOUSANDS EXCEPT PER SHARE DATA) | | |
| Operating Data: | | | |
| Revenues: | | | |
| Rent income..... | \$-- | \$11,294(a) | \$11,294 |
| | -- | ----- | ----- |
| Cost and expenses: | | | |
| Operating and administrative..... | -- | 1,340(b) | 1,340 |
| | -- | | ----- |
| Interest expense..... | -- | 438(c) | 438 |
| Provision for depreciation and amortization..... | -- | 2,624(d) | 2,624 |
| | -- | ----- | ----- |
| Total costs and expenses..... | -- | 4,402 | 4,402 |
| | -- | ----- | ----- |
| Net income..... | == | \$ 6,892 | \$ 6,892 |
| | | ===== | ===== |
| Net income per share: | | | |
| Basic..... | | | \$ 1.11 |
| Diluted..... | | | \$ 1.11 |
| Weighted average number of shares outstanding: | | | |
| Basic..... | | | 6,200 |
| Diluted..... | | | 6,200 |
| | | | ----- |
| Other Data: | | | |
| Funds from Operations(e)..... | | | \$ 9,516 |
| Cash Available for distributions..... | | | 9,451 |
| Distributions..... | | | 8,680 |
| Number of facilities..... | | | 8 |

-
- (a) To record rent income from Wackenhut Corrections in accordance with terms of the Leases as if the Initial Facilities had been in operation at the leased design capacity for the entire period. The Company will lease the Facilities to Wackenhut Corrections under the operating leases.
 - (b) To record the following recurring administrative expenses of the Company based upon management's estimates of operating and administrative costs:

| | |
|---|-------|
| Salaries, including payroll taxes and benefits..... | \$653 |
| Legal, accounting, SEC reporting and other shareholder costs..... | 260 |
| Administrative..... | 352 |
| Marketing and business development..... | 75 |

- (c) Amortization of up-front fees and unused fees on the Company's credit facility.
- (d) To record depreciation expense on fixed assets purchased from Wackenhut Corrections based on the estimated useful lives of the Facilities.
- (e) Funds from Operations do not represent cash generated from operating activities (determined in accordance with GAAP) and should not be considered as an alternative to net income (determined in accordance with GAAP) as an indication of the Company's performance or cash flows from operating activities (determined in accordance with GAAP) as a measure of liquidity or ability to make distributions. Management believes Funds from Operations is helpful to investors as a measure of the performance of an equity REIT because, along with cash flows from operating activities, financing activities and investing activities, it provides investors with an understanding of the ability of the Company to incur and service debt and make capital expenditures. "Funds from Operations" as defined by NAREIT means net income (loss) (computed in accordance with GAAP) excluding significant non-recurring items, gains or (losses) from debt restructuring and sales of property, plus depreciation and

amortization on real estate assets, and after adjustments for unconsolidated partnerships and joint ventures. The Company's Funds from Operations are not comparable to Funds from Operations reported by other REITs that do not define the term using the current NAREIT definition or that interpret the current NAREIT definition differently than does the Company. The Company believes that in order to facilitate a clear understanding of the operating results of the Company, Funds from Operations should be examined in conjunction with net income as presented in the combined financial statements and information included elsewhere in this Prospectus.

YEAR ENDED
DECEMBER 31, 1997

CALCULATION OF FUNDS FROM OPERATIONS

| | |
|---|---------|
| Pro forma net income..... | \$6,892 |
| Plus: pro forma real estate depreciation and amortization..... | 2,624 |
| | ----- |
| Pro forma funds from operations..... | \$9,516 |
| | ===== |

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

(7) Calculation of Cash Available for Distribution:

YEAR ENDED
DECEMBER 31, 1997

| | |
|---|---------|
| Pro forma funds from operations..... | \$9,516 |
| Less: Net effect of straight-line rents..... | (555) |
| Plus: Amortization of non-cash compensation charge..... | 240 |
| Plus: Amortization of up-front fees..... | 250 |
| | ----- |
| Pro forma cash available for distribution..... | \$9,451 |
| | ===== |

The net effect of straight-line rents represents the effect of adjusting straight-line rental income from accrual basis under GAAP to a cash basis.

WACKENHUT CORRECTIONS CORPORATION

PRO FORMA CONDENSED CONSOLIDATED FINANCIAL STATEMENT

The following unaudited pro forma condensed consolidated financial statements represent the unaudited pro forma financial results for Wackenhut Corrections Corporation as of December 28, 1997 and the fiscal year ended December 28, 1997. The Pro Forma Consolidated Statements of Income is presented as if the Formation Transactions had occurred as of the beginning of the period indicated and incorporate certain assumptions that are included in the Notes to Pro Forma Consolidated Statement of Income. The Pro Forma Condensed Consolidated Balance Sheet is presented as if the Formation Transactions had occurred on December 28, 1997. The pro forma information does not purport to represent what Wackenhut Corrections' financial position or results of operations actually would have been had the Formation Transactions, in fact, occurred on such date or at the beginning of the period indicated, or to project Wackenhut Corrections' financial position or result of operations at any future date or any future period.

WACKENHUT CORRECTIONS CORPORATION
PRO FORMA CONDENSED CONSOLIDATED BALANCE SHEET

| | DECEMBER 28, 1997 | | |
|--|-------------------|--------------|-----------|
| | ACTUAL | ADJUSTMENTS | PRO FORMA |
| | (IN THOUSANDS) | | |
| ASSETS | | | |
| Current Assets: | | | |
| Cash and cash equivalents..... | \$ 28,960 | \$ 39,134(a) | \$ 68,094 |
| Accounts receivable, net..... | 36,755 | -- | 36,755 |
| Other..... | 9,457 | -- | 9,457 |
| | ----- | ----- | ----- |
| Total current assets..... | 75,172 | 39,134 | 114,306 |
| | ----- | ----- | ----- |
| Property and equipment, net..... | 38,754 | (21,674)(a) | 17,080 |
| Investments in and advances to affiliates..... | 7,325 | -- | 7,325 |
| Deferred charges, net..... | 14,218 | -- | 14,218 |
| Unamortized cost in excess of net assets of acquired companies, net..... | 2,359 | -- | 2,359 |
| Other..... | 1,375 | -- | 1,375 |
| | ----- | ----- | ----- |
| | \$139,203 | \$ 17,460 | \$156,663 |
| | ===== | ===== | ===== |
| LIABILITIES AND SHAREHOLDERS' EQUITY | | | |
| Current Liabilities: | | | |
| Accounts payable..... | \$ 6,160 | \$ -- | \$ 6,160 |
| Accrued payroll and related taxes..... | 8,316 | -- | 8,316 |
| Accrued expenses..... | 11,717 | -- | 11,717 |
| Current portion of deferred income..... | -- | 1,746(a) | 1,746 |
| Current portion of long term debt..... | 12 | -- | 12 |
| Deferred tax liability, net..... | 391 | -- | 391 |
| | ----- | ----- | ----- |
| Total current liabilities..... | 26,596 | 1,746 | 28,342 |
| | ----- | ----- | ----- |
| Deferred income tax liability, net..... | 10,099 | -- | 10,099 |
| | ----- | ----- | ----- |
| Deferred income..... | -- | 15,714(a) | 15,714 |
| Long-term debt..... | 213 | -- | 213 |
| | ----- | ----- | ----- |
| Total shareholders' equity..... | 102,295 | -- | 102,295 |
| | ----- | ----- | ----- |
| | \$139,203 | \$ 17,460 | \$156,663 |
| | ===== | ===== | ===== |

NOTES TO PRO FORMA CONSOLIDATED BALANCE SHEET

Wackenhut Corrections' anticipated transactions, reflected on a pro forma basis, as if the transactions had occurred on December 28, 1997, are as follow:

- (a) To record the sale of the Initial Facilities to the Company. The sale results in a total deferred gain of \$17.5 million which will be amortized over the lives of the leases entered into coincident with the sale.

WACKENHUT CORRECTIONS CORPORATION
PRO FORMA CONSOLIDATED STATEMENT OF INCOME

FOR THE YEAR ENDED
DECEMBER 28, 1997

| | ACTUAL | ADJUSTMENTS | PRO FORMA |
|--|----------------------------------|-------------|-----------|
| | (IN THOUSANDS, EXCEPT PER SHARE) | | |
| STATEMENT OF OPERATIONS: | | | |
| Revenues..... | \$206,930 | \$ -- | \$206,930 |
| Operating expenses..... | 172,031 | 1,551(a) | 173,582 |
| Depreciation & amortization..... | 6,303 | (543)(b) | 5,760 |
| Contribution from operations..... | 28,596 | (1,008) | 27,588 |
| General and administrative expenses..... | 12,051 | -- | 12,051 |
| Operating income..... | 16,545 | (1,008) | 15,537 |
| Interest income (expense)..... | 1,451 | --(c) | 1,451 |
| Income before income taxes and equity income (loss) of affiliates..... | 17,996 | (1,008) | 16,988 |
| Provision for income taxes..... | 7,226 | (403)(d) | 6,823 |
| Income before equity income (loss) of affiliates..... | 10,770 | (605) | 10,165 |
| Equity income (loss) of affiliates..... | 1,105 | -- | 1,105 |
| Net income..... | \$ 11,875 | \$ (605) | \$ 11,270 |
| Earnings per share: | | | |
| Basic..... | \$ 0.54 | | \$ 0.51 |
| Diluted..... | \$ 0.52 | | \$ 0.50 |
| Weighted average shares outstanding: | | | |
| Basic..... | 22,015 | | 22,015 |
| Diluted..... | 22,697 | | 22,697 |

Wackenhut Corrections' anticipated transactions, reflected on a pro forma basis, as if the transactions had occurred on December 30, 1996 are as follows:

- (a) To record rent expense of \$2,449, net of the amortized gain on the sale of the Initial Facilities of \$621 and lease expense of \$277. Actual results of operations as reported do not include a full year of earnings for certain facilities and include no earnings for three facilities.
- (b) To reduce depreciation expense on facilities sold.
- (c) The pro forma statement has not provided for interest income on the cash balances expected as a result of the sale of the facilities. Assuming a return of 5%, average cash balances on hand after the sale, payment of related taxes, and payment of monthly lease payments would yield interest income of \$783 for the year ended December 28, 1997.
- (d) To adjust income tax expense for adjustments to pre-tax income.

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

To the Shareholders of Wackenhut Corrections Corporation:

We have audited the accompanying consolidated balance sheets of Wackenhut Corrections Corporation (a Florida corporation) and subsidiaries as of December 28, 1997 and December 29, 1996, and the related consolidated statements of income, shareholders' equity and cash flows for each of the three fiscal years in the period ended December 28, 1997. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Wackenhut Corrections Corporation and subsidiaries as of December 28, 1997 and December 29, 1996, and the results of their operations and their cash flows for each of the three fiscal years in the period ended December 28, 1997, in conformity with generally accepted accounting principles.

ARTHUR ANDERSEN LLP

West Palm Beach, Florida,
February 6, 1998.

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WACKENHUT CORRECTIONS CORPORATION
 CONSOLIDATED BALANCE SHEETS
 DECEMBER 28, 1997 AND DECEMBER 29, 1996

| | 1997 | 1996 |
|---|-----------|-----------|
| ----- | | |
| (IN THOUSANDS, EXCEPT SHARE DATA) | | |
| ASSETS | | |
| Current Assets: | | |
| Cash and cash equivalents..... | \$ 28,960 | \$ 44,368 |
| Accounts receivable, net..... | 36,755 | 24,879 |
| Other..... | 9,457 | 6,066 |
| ----- | | |
| Total current assets..... | 75,172 | 75,313 |
| Property and equipment, net..... | 38,754 | 18,975 |
| Investments in and advances to affiliates..... | 7,325 | 1,810 |
| Deferred charges, net..... | 14,218 | 7,522 |
| Unamortized cost in excess of net assets of acquired companies, net..... | 2,359 | 2,224 |
| Other..... | 1,375 | 967 |
| ----- | | |
| | \$139,203 | \$106,811 |
| ===== | | |
| LIABILITIES AND SHAREHOLDERS' EQUITY | | |
| Current Liabilities: | | |
| Accounts payable..... | \$ 6,160 | \$ 4,020 |
| Accrued payroll and related taxes..... | 8,316 | 4,558 |
| Accrued expenses..... | 11,717 | 3,717 |
| Current portion of long-term debt..... | 12 | 12 |
| Deferred income tax liability, net..... | 391 | 876 |
| ----- | | |
| Total current liabilities..... | 26,596 | 13,183 |
| ----- | | |
| Deferred income tax liability, net..... | 10,099 | 5,434 |
| ----- | | |
| Long-term debt..... | 213 | 225 |
| ----- | | |
| Commitments and contingencies (Note 7) | | |
| Shareholders' equity: | | |
| Preferred stock, \$.01 par value, 10,000,000 shares authorized..... | -- | -- |
| Common stock, \$.01 par value, 60,000,000 shares authorized, 22,168,542 and 21,937,992 shares issued and outstanding..... | 222 | 219 |
| Additional paid-in capital..... | 78,006 | 72,986 |
| Retained earnings..... | 26,223 | 14,348 |
| Cumulative translation adjustment..... | (2,156) | 416 |
| ----- | | |
| Total shareholders' equity..... | 102,295 | 87,969 |
| ----- | | |
| | \$139,203 | \$106,811 |
| ===== | | |

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

WACKENHUT CORRECTIONS CORPORATION

CONSOLIDATED STATEMENTS OF INCOME
FOR THE FISCAL YEARS ENDED

DECEMBER 28, 1997, DECEMBER 29, 1996, AND DECEMBER 31, 1995

| | 1997 | 1996 | 1995 |
|--|-----------|-----------|-----------|
| (IN THOUSANDS, EXCEPT PER SHARE DATA) | | | |
| Revenues..... | \$206,930 | \$137,784 | \$ 99,431 |
| Operating expenses (including amounts related to The Wackenhut Corporation ("TWC") of \$5,337, \$3,693 and \$6,008)..... | 172,031 | 115,848 | 82,285 |
| Depreciation and amortization..... | 6,303 | 3,532 | 2,303 |
| Contribution from operations..... | 28,596 | 18,404 | 14,843 |
| General and administrative expenses (including amounts related to TWC of \$1,566, \$1,432 and \$1,264)..... | 12,051 | 8,673 | 7,614 |
| Operating income..... | 16,545 | 9,731 | 7,229 |
| Interest income (including amounts related to TWC of \$(10), \$(40), and \$172)..... | 1,451 | 2,195 | 186 |
| Income before income taxes and equity income (loss) of affiliate..... | 17,996 | 11,926 | 7,415 |
| Provision for income taxes..... | 7,226 | 4,269 | 2,862 |
| Income before equity income (loss) of affiliate..... | 10,770 | 7,657 | 4,553 |
| Equity income of affiliate (loss), net of income tax (benefit) of \$692, \$378 and (\$70)..... | 1,105 | 604 | (113) |
| Net income..... | \$ 11,875 | \$ 8,261 | \$ 4,440 |
| Basic earnings per share (Note 9)..... | \$ 0.54 | \$ 0.39 | \$ 0.26 |
| Diluted earnings per share (Note 9)..... | \$ 0.52 | \$ 0.37 | \$ 0.25 |
| Basic weighted average shares outstanding..... | 22,015 | 21,361 | 16,850 |
| Diluted weighted average shares outstanding..... | 22,697 | 22,128 | 17,708 |

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

WACKENHUT CORRECTIONS CORPORATION

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE FISCAL YEARS ENDED

DECEMBER 28, 1997, DECEMBER 29, 1996, AND DECEMBER 31, 1995

| | 1997 | 1996 | 1995 |
|--|----------------|-----------|----------|
| | ----- | ----- | ----- |
| | (IN THOUSANDS) | | |
| CASH FLOWS FROM OPERATING ACTIVITIES: | | | |
| Net income..... | \$ 11,875 | \$ 8,261 | \$ 4,440 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | | |
| Depreciation and amortization expense..... | 6,303 | 3,532 | 2,303 |
| Equity (income) loss of affiliates..... | (1,797) | (982) | 183 |
| Changes in assets and liabilities: | | | |
| (Increase) decrease in assets: | | | |
| Accounts receivable..... | (12,623) | (6,943) | (7,355) |
| Other current assets..... | (3,606) | (2,384) | (1,966) |
| Other assets..... | (201) | 34 | (76) |
| Deferred income tax asset..... | -- | 51 | 20 |
| Unamortized cost in excess of net assets acquired..... | (782) | -- | -- |
| Increase (decrease) in liabilities: | | | |
| Accounts payable and accrued expenses..... | 10,739 | 2,003 | (238) |
| Accrued payroll and related taxes..... | 4,027 | 1,152 | 1,293 |
| Deferred income taxes, net..... | 7,442 | 4,404 | 2,741 |
| Net cash provided by operating activities..... | 21,377 | 9,128 | 1,345 |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | | |
| Investments in affiliates..... | (3,718) | (428) | (372) |
| Capital expenditures..... | (23,965) | (12,476) | (2,720) |
| Deferred charge expenditures..... | (9,625) | (4,505) | (3,693) |
| Net cash used in investing activities..... | (37,308) | (17,409) | (6,785) |
| CASH FLOWS FROM FINANCING ACTIVITIES: | | | |
| Net proceeds from issuance of common stock..... | -- | 51,581 | -- |
| Proceeds from exercise of stock options..... | 1,760 | 766 | 977 |
| Retirement of debt..... | (12) | (792) | (381) |
| Advances from TWC..... | 116,019 | 102,431 | 66,502 |
| Repayments to TWC..... | (116,019) | (102,431) | (66,629) |
| Net cash provided by financing activities..... | 1,748 | 51,555 | 469 |
| Effect of exchange rate changes on cash..... | (1,225) | 185 | (101) |
| Net (decrease) increase in cash..... | (15,408) | 43,459 | (5,072) |
| Cash, beginning of period..... | 44,368 | 909 | 5,981 |
| Cash, end of period..... | \$ 28,960 | \$ 44,368 | \$ 909 |
| | ===== | ===== | ===== |
| SUPPLEMENTAL DISCLOSURES: | | | |
| Cash paid during the year for: | | | |
| Income taxes..... | \$ 100 | \$ 976 | \$ 1,156 |
| Interest..... | \$ 59 | \$ 114 | \$ 20 |
| Non-cash activities: | | | |
| Impact on equity from tax benefit related to the exercise of options issued under the company's non-qualified stock option plan..... | \$ 3,263 | \$ 1,827 | \$ 170 |
| | ===== | ===== | ===== |

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

WACKENHUT CORRECTIONS CORPORATION

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
 FISCAL YEARS ENDED DECEMBER 28, 1997, DECEMBER 29, 1996, AND DECEMBER 31, 1995

| | COMMON STOCK | | ADDITIONAL PAID-IN CAPITAL | RETAINED EARNINGS | CUMULATIVE TRANSLATION ADJUSTMENT | TOTAL SHAREHOLDER'S EQUITY |
|---|---------------------|--------|----------------------------------|----------------------|---|----------------------------------|
| | NUMBER OF SHARES | AMOUNT | | | | |
| | (IN THOUSANDS) | | | | | |
| BALANCE, JANUARY 1, 1995..... | 16,370 | \$164 | \$17,720 | \$ 1,647 | \$ 196 | \$ 19,727 |
| Translation adjustment..... | -- | -- | -- | -- | (85) | (85) |
| Proceeds from stock option exercises..... | 709 | 7 | 970 | -- | -- | 977 |
| Tax benefit related to employee stock options..... | -- | -- | 170 | -- | -- | 170 |
| Net income..... | -- | -- | -- | 4,440 | -- | 4,440 |
| BALANCE, DECEMBER 31, 1995..... | 17,079 | 171 | 18,860 | 6,087 | 111 | 25,229 |
| Translation adjustment..... | -- | -- | -- | -- | 305 | 305 |
| Proceeds from stock offering..... | 4,600 | 46 | 51,535 | -- | -- | 51,581 |
| Proceeds from stock option exercises..... | 259 | 2 | 764 | -- | -- | 766 |
| Tax benefit related to employee stock options..... | -- | -- | 1,827 | -- | -- | 1,827 |
| Net income..... | -- | -- | -- | 8,261 | -- | 8,261 |
| BALANCE, DECEMBER 29, 1996..... | 21,938 | 219 | 72,986 | 14,348 | 416 | 87,969 |
| Translation adjustment..... | -- | -- | -- | -- | (2,572) | (2,572) |
| Proceeds from stock option exercises..... | 231 | 3 | 1,757 | -- | -- | 1,760 |
| Tax benefit related to employee stock options..... | -- | -- | 3,263 | -- | -- | 3,263 |
| Net income..... | -- | -- | -- | 11,875 | -- | 11,875 |
| BALANCE DECEMBER 28, 1997..... | 22,169 | \$222 | \$78,006 | \$26,223 | \$(2,156) | \$102,295 |

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

WACKENHUT CORRECTIONS CORPORATION

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(TABULAR INFORMATION: IN THOUSANDS, EXCEPT SHARE AND PER SHARE DATA)
FOR THE FISCAL YEARS ENDED DECEMBER 28, 1997, DECEMBER 29, 1996, AND DECEMBER
31, 1995

GENERAL

Wackenhut Corrections Corporation, a Florida corporation, and subsidiaries (Company), a majority owned subsidiary of The Wackenhut Corporation (TWC), is a leading developer and manager of privatized correctional and detention facilities located in the United States, the United Kingdom and Australia.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

FISCAL YEAR

The Company's fiscal year ends on the Sunday closest to the calendar year end. Fiscal 1997, 1996 and 1995 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 prior year amounts have been reclassified to conform with current year presentation.

USE OF ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

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 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.

UNAMORTIZED COST IN EXCESS OF NET ASSETS OF ACQUIRED COMPANIES (GOODWILL)

Goodwill represents the cost of an acquired enterprise in excess of the fair market value of the net tangible and identifiable intangible assets acquired. Goodwill is amortized on a straight-line basis over the period which represents management's estimation of the related benefit to be derived from the acquired business, not to exceed twenty-five years. Accumulated amortization totaled approximately \$1.1 million and \$969,000 at December 28, 1997 and December 29, 1996, respectively.

DEFERRED CHARGES

Facility start-up costs, which consist of costs of initial employee training, travel and other direct expenses incurred in connection with the opening of new facilities, are capitalized and amortized on a straight-line basis over the lesser of the initial term of the contract plus renewals or five years.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

Project development costs consisting of direct and incremental costs paid to unrelated third parties that can be directly associated with a specific anticipated contract are deferred until the anticipated contract has been awarded. At the time the contract is awarded to the Company, the deferred project development costs are either capitalized as part of property and equipment or are amortized over five years as project development costs. Internal costs associated with securing new contracts are expensed as incurred. Project development costs are charged to general and administrative expenses when the success of obtaining a new contract is considered doubtful. Accumulated amortization totaled \$7,332,000 and \$4,440,000 in Fiscal 1997 and 1996, respectively.

In April 1997, the Financial Accounting Standards Board issued an Exposure Draft that proposed the issuance of a Statement of Position (SOP) on Accounting for the Costs of Start-up Activities. If adopted, this SOP would require the expensing of start-up costs, defined as pre-opening, pre-operating and pre-contract type costs, as incurred. Management expects the effects of adoption would be reported as a cumulative change in accounting principle; thus, any costs previously capitalized would be written off at the time the SOP is adopted. If this SOP is adopted in 1998, the Company anticipates a pre-tax write-off of approximately \$18.2 million (or \$10.9 million after-tax) to record the cumulative effect of the change in accounting principle.

REVENUES AND OPERATING PROFIT

Facility management revenues are recognized as services are provided 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. Except for the major customers noted in the following table, no single customer provided more than 10% of consolidated revenues during Fiscal 1997, 1996 and 1995:

| CUSTOMER | 1997 | 1996 | 1995 |
|--|---------|---------|---------|
| - - - - - | - - - - | - - - - | - - - - |
| Various agencies of the State of Texas..... | 32% | 39% | 37% |
| Louisiana Department of Public Safety and Corrections..... | 6 | 9 | 11 |
| State of Florida Correctional Privatization Committee..... | 13 | 9 | 8 |
| New South Wales Department of Corrective Services..... | 7 | 10 | 13 |
| Queensland Corrective Services Commission..... | 7 | 11 | 13 |

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

INCOME TAXES

The Company accounts for income taxes in accordance with Statement of Financial Accounting Standards (SFAS) No. 109, Accounting for Income Taxes. Under this method, deferred income taxes are determined on the estimated future tax effects of differences between the financial reporting and tax basis of assets and liabilities given the provisions of enacted tax laws. Deferred income tax provisions and benefits are based on changes to the asset or liability from year to year.

EARNINGS PER SHARE

In 1997, the Company adopted Statement of Financial Accounting Standards No. 128, "Earnings per Share" ("SFAS 128"). SFAS 128 requires the disclosure of basic and diluted earnings per share for periods ending after December 15, 1997 and restatement of prior periods to conform with the new disclosure format. The computation under SFAS 128 differs from the primary and fully diluted earnings per share computed under APB Opinion No. 15 primarily in the manner in which potential common stock is treated. 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 effect of all potential common stock.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

CASH AND CASH EQUIVALENTS

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

FOREIGN CURRENCY TRANSLATION

The Company's foreign operations use the local currency as their functional currency. Assets and liabilities of the operations are translated at the exchange rates in effect on the balance sheet date. 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 translation adjustment.

FAIR VALUE OF FINANCIAL INSTRUMENTS

The carrying value of cash, accounts receivable, accounts payable, and long-term debt approximates fair value.

INTEREST RATE SENSITIVITY

The Company is exposed to market risks arising from changes in interest rates with respect to a \$220 million operating lease facility (Note 7). Monthly lease payments under this facility are indexed to a variable interest rate. Management has determined that a 10% change in the current lease rate would have an immaterial effect on the Company's pre-tax earnings over the next fiscal year.

STOCK-BASED COMPENSATION PLANS

In 1995 the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 123, "Accounting for Stock-Based Compensation" ("SFAS 123"). SFAS 123 allows either adoption of a fair value based method of accounting for stock-based compensation or continuation under Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees" ("APB 25"). The Company has chosen to continue to account for stock-based compensation using the intrinsic value based method prescribed in APB 25. Accordingly, compensation cost for stock options is measured as the excess, if any, of the quoted market price of the corporation's stock at the date of the grant over the amount an employee must pay to acquire the stock. Pro forma disclosures of net income and earnings per share as if the fair value method had been adopted are presented in Note 11.

LONG-LIVED ASSETS

In 1995, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 121 ("SFAS 121") "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of." SFAS 121 requires that long-lived assets, including certain identifiable intangibles, and the goodwill related to those assets, be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the asset in question may not be recoverable. Management has reviewed the Company's long-lived assets and has determined that there are no events requiring impairment loss recognition.

ACCOUNTING PRONOUNCEMENTS

In June 1997, the FASB issued Statement of Financial Accounting Standard No. 130, "Reporting Comprehensive Income" which requires adoption in Fiscal 1998. This statement establishes standards for reporting and display of comprehensive income and its components in a full set of general-purpose financial statements. This statement requires that an enterprise (a) classify items of other comprehensive income by their nature in financial statements and (b) display the accumulated balance of other comprehensive income

WACKENHUT CORRECTIONS CORPORATION

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

separately from retained earnings and additional paid-in capital in the equity section of statements of financial position. Comprehensive income is defined as the change in equity during the financial reporting period of a business enterprise resulting from non-owner sources.

In June 1997, the FASB issued Statement of Financial Accounting Standard No. 131, "Disclosures about Segments of an Enterprise and Related Information" which requires adoption in Fiscal 1998. This statement requires that a public business enterprise report financial and descriptive information about its reportable operating segments including, among other things, a measure of segment profit or loss, certain specific revenue and expense items, and segment assets.

3. PROPERTY AND EQUIPMENT

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

| | YEARS | 1997 | 1996 |
|---------------------------------------|----------------|----------|----------|
| | ----- | ----- | ----- |
| | (IN THOUSANDS) | | |
| Land..... | -- | \$ 4,527 | \$ 1,698 |
| Building and improvements..... | 20-40 | 34,107 | 16,430 |
| Equipment..... | 3-20 | 2,786 | 2,677 |
| Furniture and fixtures..... | 3-20 | 2,307 | 1,251 |
| | | ----- | ----- |
| | | 43,727 | 22,056 |
| Less -- accumulated depreciation..... | | (4,973) | (3,081) |
| | | ----- | ----- |
| | | \$38,754 | \$18,975 |
| | | ===== | ===== |

4. DOMESTIC AND INTERNATIONAL OPERATIONS

A summary of domestic and international operations is presented below:

| | 1997 | 1996 | 1995 |
|-------------------------------|----------------|-----------|----------|
| | ----- | ----- | ----- |
| | (IN THOUSANDS) | | |
| Revenues | | | |
| Domestic operations..... | \$167,223 | \$108,245 | \$72,852 |
| International operations..... | 39,707 | 29,539 | 26,579 |
| | ----- | ----- | ----- |
| Total revenues..... | 206,930 | 137,784 | 99,431 |
| Operating Income | | | |
| Domestic operations..... | 12,388 | 7,087 | 4,501 |
| International operations..... | 4,157 | 2,644 | 2,728 |
| | ----- | ----- | ----- |
| Total operating income..... | 16,545 | 9,731 | 7,229 |
| Assets | | | |
| Domestic operations..... | 120,538 | 96,872 | 30,641 |
| International operations..... | 18,665 | 9,939 | 8,199 |
| | ----- | ----- | ----- |
| Total assets..... | \$139,203 | \$106,811 | \$38,840 |
| | ===== | ===== | ===== |

The Company's international operations represent its wholly-owned Australian subsidiaries which are pursuing construction and management contracts for correctional and detention facilities. Through its wholly-owned subsidiary, Wackenhut Corrections Corporation Australia Pty. Limited, the Company currently manages three correctional facilities, four immigration detention centers, and the State of Victoria's correctional health care services.

The Company's 50% owned United Kingdom joint venture (Premier Prison Services, Ltd.), accounted for under the equity method, commenced management of a correctional facility in Fiscal 1994 and two court

WACKENHUT CORRECTIONS CORPORATION

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

escort and transport contracts in Fiscal 1996. Equity in the undistributed income (loss) for Fiscal 1997, 1996, and 1995 was \$1,797,000, \$982,000, and (\$183,000), respectively.

A summary of financial data for the Company's equity affiliate is as follows:

| | 1997 | 1996 | 1995 |
|-------------------------------------|----------------|----------|----------|
| | ----- | ----- | ----- |
| | (IN THOUSANDS) | | |
| STATEMENT OF OPERATIONS DATA | | | |
| Revenues..... | \$51,009 | \$28,953 | \$17,705 |
| Operating income (loss)..... | 3,884 | 1,764 | (357) |
| Net income (loss)..... | 2,209 | 1,208 | (225) |
| BALANCE SHEET DATA | | | |
| Current assets..... | \$14,595 | \$13,145 | \$ 1,783 |
| Noncurrent assets..... | 517 | 538 | 509 |
| Current liabilities..... | 8,115 | 8,518 | 3,702 |
| Noncurrent liabilities..... | 4,029 | 5,075 | -- |
| Stockholders' equity/(deficit)..... | 2,968 | 90 | (1,410) |

The Company provided management services to the U.K. affiliate in Fiscal 1997 and 1996. The management fees for such services totaled \$484,000 and \$450,000 for Fiscal 1997 and 1996, respectively.

5. INCOME TAXES

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

| | 1997 | 1996 | 1995 |
|---------------------------|----------------|---------|---------|
| | ----- | ----- | ----- |
| | (IN THOUSANDS) | | |
| Federal Income Taxes: | | | |
| Current..... | \$ 175 | \$ -- | \$ -- |
| Deferred..... | 6,131 | 3,588 | 2,497 |
| | ----- | ----- | ----- |
| | \$6,306 | \$3,588 | \$2,497 |
| | ----- | ----- | ----- |
| State Income Taxes: | | | |
| Current..... | \$ 300 | \$ 30 | \$ 30 |
| Deferred..... | 620 | 488 | 335 |
| | ----- | ----- | ----- |
| | 920 | 518 | 365 |
| Foreign Income Taxes..... | | | |
| | -- | 163 | -- |
| | ----- | ----- | ----- |
| Total..... | \$7,226 | \$4,269 | \$2,862 |
| | ===== | ===== | ===== |

Deferred income taxes result from temporary differences in the recognition of revenue and expense for tax and financial reporting purposes.

WACKENHUT CORRECTIONS CORPORATION

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

The principal temporary differences and their tax effects are summarized as follows:

| | 1997 | 1996 | 1995 |
|---------------------------------------|----------------|---------|---------|
| | ----- | ----- | ----- |
| | (IN THOUSANDS) | | |
| Amortization of deferred charges..... | \$ 2,921 | \$1,561 | \$1,605 |
| Income of foreign subsidiary..... | 1,681 | 617 | 1,062 |
| Accrued liabilities..... | (1,136) | | |
| NSO benefit, booked to equity..... | 3,263 | 1,827 | 170 |
| Other, net..... | 22 | 71 | (5) |
| | ----- | ----- | ----- |
| | \$ 6,751 | \$4,076 | \$2,832 |
| | ===== | ===== | ===== |

A reconciliation of the statutory U.S. federal tax rate (35% in 1997, 34% in 1996 and 1995) and the effective income tax rate is as follows:

| | 1997 | 1996 | 1995 |
|--|----------------|---------|---------|
| | ----- | ----- | ----- |
| | (IN THOUSANDS) | | |
| Provision using statutory federal income tax rate..... | \$ 6,299 | \$4,054 | \$2,521 |
| State income tax..... | 818 | 508 | 354 |
| Effect of foreign operations, net of foreign income tax provision..... | -- | (264) | -- |
| Other, net..... | 109 | (29) | (13) |
| | ----- | ----- | ----- |
| | \$ 7,226 | \$4,269 | \$2,862 |
| | ===== | ===== | ===== |

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

| | 1997 | 1996 |
|--------------------------|----------------|--------|
| | ----- | ----- |
| | (IN THOUSANDS) | |
| Uniforms..... | \$ 244 | \$ 160 |
| Accrued vacation..... | (291) | (123) |
| Deferred charges..... | 1,630 | 895 |
| Accrued liabilities..... | (1,192) | (56) |
| | ----- | ----- |
| | \$ 391 | \$ 876 |
| | ===== | ===== |

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

| | 1997 | 1996 |
|--|----------------|---------|
| | ----- | ----- |
| | (IN THOUSANDS) | |
| Deferred charges..... | \$ 4,909 | \$2,724 |
| Income of foreign subsidiaries and affiliates..... | 5,284 | 2,911 |
| Other, net..... | (94) | (201) |
| | ----- | ----- |
| | \$10,099 | \$5,434 |
| | ===== | ===== |

As of December 28, 1997, the Company had federal and state net operating loss carry forwards of approximately \$4,616,000, and \$4,051,000, respectively. The federal net operating losses will expire between 2010 and 2011, while certain state net operating losses will expire between 2000 and 2011. Utilization of net operating losses in future years may be subject to annual limitations due to the ownership change limitations provided by the Internal Revenue Code of 1986 and similar state provisions. Such limitations, if any, are not expected to impact the ultimate utilization of the carryforwards.

The Company's loss carryforwards are attributable to compensation deductions on its income tax return which were not recognized for financial accounting purposes. 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

WACKENHUT CORRECTIONS CORPORATION

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

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. In the years ended December 28, 1997 and December 29, 1996, such deductions resulted in significant federal and state deductions which may be carried forward. Utilization of such deductions will increase additional paid-in-capital.

6. LONG-TERM DEBT

Long-term debt consists of the following:

| | 1997 | 1996 |
|--------------------------------------|----------------|-------|
| | ----- | ----- |
| | (IN THOUSANDS) | |
| Note payable for property -- 8%..... | \$225 | \$237 |
| Less -- current portion..... | 12 | 12 |
| | ----- | ----- |
| | \$213 | \$225 |
| | ===== | ===== |

In June 1994, the Company signed an unsecured note payable in the amount of \$262,000 for the purchase of land for the construction of a correctional facility. The note bears interest at 8.0% and matures in July 2009. The Company makes monthly principal and interest payments of \$2,504.

In June 1997, the Company entered into a \$30,000,000 multi-currency revolving credit facility with a syndicate of banks, the proceeds of which may be used for working capital, acquisitions and general corporate purposes. The credit facility also includes a letter of credit of up to \$5,000,000 for the issuance of standby letters of credit. Indebtedness under this facility will bear interest at the alternate base rate (defined as the higher of prime rate or federal funds plus 1/2 of 1%) or LIBOR plus 150 to 250 basis points, depending upon fixed charge coverage ratios. The facility requires the Company to, among other things, maintain a maximum leverage ratio; minimum fixed charge coverage ratio; and a minimum tangible net worth. The facility also limits certain payments and distributions. As of December 28, 1997, no amounts were outstanding under this facility. However, at December 28, 1997, the Company had four standby letters of credit outstanding with a bank in an aggregate amount of approximately \$222,000.

Aggregate annual maturities of long-term debt are as follows:

| FISCAL YEAR | ANNUAL MATURITY |
|-----------------|--------------------|
| ----- | ----- |
| | (IN THOUSANDS) |
| 1998..... | \$ 12 |
| 1999..... | 13 |
| 2000..... | 15 |
| 2001..... | 16 |
| 2002..... | 17 |
| Thereafter..... | 152 |
| | ----- |
| | \$225 |
| | ===== |

7. COMMITMENTS AND CONTINGENCIES

The nature of the Company's business results in claims for damages arising from the conduct of its employees or others. In the opinion of management, there are no pending legal proceedings that would have a material effect on the consolidated financial statements of the Company.

WACKENHUT CORRECTIONS CORPORATION

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

The Company leases correctional facility office space, computers and vehicles under non-cancelable operating leases expiring between 1998 and 2002. The future minimum commitments under these leases are as follows:

| FISCAL YEAR ----- | ANNUAL RENTAL ----- (IN THOUSANDS) |
|----------------------|--|
| 1998..... | \$ 5,544 |
| 1999..... | 5,307 |
| 2000..... | 4,820 |
| 2001..... | 4,517 |
| 2002..... | 4,093 |
| | ----- |
| | \$24,281 |

In December 1997, the Company also entered into an \$220 million operating lease facility that has been established to acquire and develop new correctional institutions used in its business. As a condition of this facility, the Company unconditionally agreed to guarantee certain obligations of First Security Bank, National Association, a party to the aforementioned operating lease facility. As of December 28, 1997, approximately \$69 million of properties were under development.

Rent expense was approximately \$3,351,000, \$2,143,000 and \$1,512,000 for Fiscal 1997, 1996, and 1995 respectively.

The Company contracted with third parties to provide meals for inmates at two correctional facilities operated by the Company under agreements expiring in 1995 and 1996. Food service expense related to these agreements was \$53,000 and \$580,000 in Fiscal 1996 and 1995 respectively.

COMMON AND PREFERRED STOCK

On April 25, 1996, the Company's Board of Directors declared a two-for-one split effected in the form of a 100% common stock dividend paid on June 4, 1996. Except as otherwise noted, all share data relating to the Company's common stock has been restated to reflect the two-for-one stock split.

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.

The Company follows the practice of recording amounts received upon the exercise of stock options by crediting common stock and additional paid-in-capital. No charges are reflected in the consolidated statements of income as a result of the grant of stock options, since all grants under the Company's stock option plans (Note 11) have been made at not more than the fair value at the date of grant. The Company realizes an income tax benefit from the exercise of certain stock options of the Company's non-qualified stock options. Since no compensation cost resulted from the grant of stock options in Fiscal 1997 and 1996, this benefit results in a decrease in current income taxes payable and an increase in additional paid-in capital.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

9. EARNINGS PER SHARE

The following table shows the amounts used in computing earnings per share in accordance with SFAS 128 and the effects on income and the weighted average number of shares of potential dilutive common stock. The number of shares used in the calculations for 1996 and 1995 reflect a 100% common stock dividend paid on June 4, 1996.

| | 1997 | | 1996 | | 1995 | |
|--|---------------------------------------|--------|----------|--------|----------|--------|
| | INCOME | SHARES | INCOME | SHARES | INCOME | SHARES |
| | (IN THOUSANDS, EXCEPT PER SHARE DATA) | | | | | |
| NET INCOME..... | \$11,875 | | \$8,261 | | \$4,440 | |
| BASIC EPS: | | | | | | |
| Income available to common shareholders..... | \$11,875 | 22,015 | \$8,261 | 21,361 | \$4,440 | 16,850 |
| Per share amount..... | 0.54 | | 0.39 | | 0.26 | |
| EFFECT OF DILUTIVE SECURITIES:..... | \$ (0.02) | 682 | \$(0.02) | 767 | \$(0.01) | 858 |
| DILUTED EPS: | | | | | | |
| Income available to common shareholders..... | \$11,875 | 22,697 | \$8,261 | 22,128 | \$4,440 | 17,708 |
| Per share amount..... | 0.52 | | 0.37 | | 0.25 | |

10. RELATED PARTY TRANSACTIONS

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:

| DESCRIPTION | 1997 | 1996 | 1995 |
|--|----------------|---------|---------|
| | (IN THOUSANDS) | | |
| Food services..... | \$ 461 | \$ 450 | \$3,903 |
| General and administrative expenses..... | 1,200 | 1,100 | 1,093 |
| Casualty insurance premiums..... | 4,957 | 3,306 | 2,169 |
| Interest (income) charges..... | 10 | 40 | (172) |
| Rent..... | 285 | 269 | 106 |
| | \$6,913 | \$5,165 | \$7,099 |
| | ===== | ===== | ===== |

Food services represent charges for meals for inmates at certain correctional facilities operated by the Company. In third quarter 1995, the Company began to provide its own in-house food services at all but one of its facilities. General and administrative expenses represent charges for management and support services. Beginning in Fiscal 1994, TWC provided various general and administrative services to the Company under a Services Agreement. The Agreement expired December 31, 1997 and provides for one year renewal periods at the Company's option. Expenses under the Agreement for Fiscal 1997, Fiscal 1996 and Fiscal 1995 were \$1,200,000, \$1,100,000 and \$1,093,000, respectively. Casualty insurance premiums related to workers' compensation, general liability and automobile insurance coverage are provided through an insurance subsidiary of TWC. In addition, the Company is charged or charges interest on intercompany indebtedness at rates which reflect TWC's average interest costs on long-term debt, exclusive of mortgage financing. For purposes of computing interest expense (income) is calculated based on the average intercompany indebtedness. The Company's corporate offices are located in TWC's corporate office building for which it is allocated rent based upon space occupied under separate lease agreements.

Management believes that the difference between these expenses and those that would have been incurred on a stand alone basis is not material.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

11. STOCK OPTIONS

The Company has three stock option plans, the Wackenhut Corrections Corporation 1994 Stock Option Plan (First Plan), the Wackenhut Corrections Corporation Stock Option Plan (Second Plan) and the 1995 Non-Employee Director Stock Option Plan (Third Plan).

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 date of grant, vest 100% after a minimum of six months and no later than ten years after the date of grant.

Under the Second Plan, the Company may grant options to key employees for up to 1,500,000 shares of common stock. Under the terms of this plan, 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 this plan are exercisable at the fair market value of the common stock at date of grant. Generally, the options vest and become exercisable ratably over a five-year period, beginning immediately on the date of grant. However, the Board of Directors has exercised its discretion and has granted options that vest 100% after a minimum of six months. All options under the Second Plan expire no later than ten years after the date of 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 date of grant, become 100% exercisable immediately, and expire ten years after the date of grant.

A summary of the status of the Company's three stock option plans as of December 31, 1995, December 29, 1996, and December 28, 1997, and changes during the years then ended is presented below:

| | 1997 | | 1996 | | 1995 | |
|---------------------------------------|---------|--------------------------|-----------|--------------------------|-----------|--------------------------|
| | SHARES | WTD. AVG. EXERCISE PRICE | SHARES | WTD. AVG. EXERCISE PRICE | SHARES | WTD. AVG. EXERCISE PRICE |
| Outstanding at beginning of year..... | 987,534 | \$ 7.13 | 1,210,132 | \$ 5.58 | 1,595,726 | \$ 2.32 |
| Granted..... | 156,500 | 21.03 | 60,000 | 22.63 | 343,000 | 11.90 |
| Exercised..... | 230,550 | 7.16 | 258,598 | 2.96 | 709,394 | 1.38 |
| Forfeited/Canceled..... | 22,000 | 11.88 | 24,000 | 12.77 | 19,200 | 2.32 |
| Options outstanding at end of year... | 891,484 | 9.44 | 987,534 | 7.13 | 1,210,132 | 5.58 |
| Options exercisable at year end..... | 629,084 | -- | 744,734 | -- | 939,732 | -- |

The following table summarizes information about the stock options outstanding at December 28, 1997:

| RANGE OF EXERCISE PRICES | OPTIONS OUTSTANDING | | | OPTIONS EXERCISABLE | |
|--------------------------|--------------------------------|--------------------------------------|--------------------------|--------------------------------|--------------------------|
| | NUMBER OUTSTANDING AT 12/28/97 | WTD. AVG. REMAINING CONTRACTUAL LIFE | WTD. AVG. EXERCISE PRICE | NUMBER EXERCISABLE AT 12/28/97 | WTD. AVG. EXERCISE PRICE |
| \$ 1.20-\$ 3.75..... | 496,984 | 6.3 | \$ 3.54 | 496,984 | \$ 3.54 |
| \$11.88-\$13.75..... | 189,600 | 7.9 | 11.91 | 77,600 | 11.97 |
| \$16.63-\$16.88..... | 15,000 | 9.2 | 16.77 | 7,000 | 16.86 |
| \$20.25-\$29.56..... | 189,900 | 8.9 | 21.84 | 47,500 | 22.12 |
| | 891,484 | | | 629,084 | |

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

WACKENHUT CORRECTIONS CORPORATION

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

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 | 1997 | 1996 |
|---|-------------|-------------|
| Pro forma net earnings..... | \$11,197 | \$7,750 |
| Pro forma basic net earnings per share..... | 0.51 | 0.37 |
| Pro forma diluted net earnings per share..... | 0.49 | 0.35 |
| Pro forma weighted average fair value of options granted..... | \$11.07 | \$11.80 |
| Risk free interest rates..... | 5.52%-5.70% | 6.25%-6.55% |
| Expected lives..... | 4-8 years | 4-8 years |
| Expected volatility..... | 48% | 46% |

Because the Statement 123 method of accounting has not been applied to options granted prior to January 1, 1995, the resulting pro forma compensation cost may not be representative of that to be expected in future years.

12. SELECTED QUARTERLY FINANCIAL DATA (UNAUDITED)

Selected quarterly financial data for the Company and its subsidiaries for the fiscal years ended December 28, 1997 and December 29, 1996 is as follows:

| | FIRST QUARTER | SECOND QUARTER | THIRD QUARTER | FOURTH QUARTER |
|---------------------------------|------------------|-------------------|------------------|-------------------|
| 1997 | | | | |
| Revenues..... | \$41,227 | \$51,509 | \$55,104 | \$59,090 |
| Operating income..... | 3,272 | 3,789 | 4,801 | 4,683 |
| Net income..... | 2,581 | 2,723 | 3,188 | 3,383 |
| Basic earnings per share..... | 0.12 | 0.12 | 0.14 | 0.15 |
| Diluted earnings per share..... | 0.11 | 0.12 | 0.14 | 0.15 |
| 1996 | | | | |
| Revenues..... | \$29,433 | \$33,416 | \$36,785 | \$38,149 |
| Operating income..... | 1,719 | 1,913 | 2,939 | 3,160 |
| Net income..... | 1,468 | 1,814 | 2,411 | 2,568 |
| Basic earnings per share..... | 0.07 | 0.08 | 0.11 | 0.12 |
| Diluted earnings per share..... | 0.07 | 0.08 | 0.11 | 0.11 |

NO DEALER, SALESPERSON OR ANY OTHER PERSON HAS BEEN AUTHORIZED TO GIVE ANY INFORMATION OR TO MAKE ANY REPRESENTATIONS OTHER THAN THOSE CONTAINED IN THIS PROSPECTUS IN CONNECTION WITH THE OFFER CONTAINED HEREIN, AND, IF GIVEN OR MADE, SUCH INFORMATION OR REPRESENTATIONS MUST NOT BE RELIED UPON AS HAVING BEEN AUTHORIZED BY THE COMPANY OR BY ANY OF THE UNDERWRITERS. THIS PROSPECTUS DOES NOT CONSTITUTE AN OFFER OF ANY SECURITIES OTHER THAN THOSE TO WHICH IT RELATES OR AN OFFER TO SELL, OR A SOLICITATION OF AN OFFER TO BUY, THOSE TO WHICH IT RELATES IN ANY STATE TO ANY PERSON TO WHOM IT IS NOT LAWFUL TO MAKE SUCH OFFER IN SUCH STATE. THE DELIVERY OF THIS PROSPECTUS AT ANY TIME DOES NOT IMPLY THAT THE INFORMATION HEREIN IS CORRECT AS OF ANY TIME SUBSEQUENT TO ITS DATE.

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Until _____, 1998 (25 days after the date of this Prospectus), all dealers effecting transactions in the securities offered hereby, whether or not participating in this distribution, may be required to deliver a Prospectus. This is in addition to the obligation of dealers to deliver a Prospectus when acting as Underwriters and with respect to their unsold allotments or subscriptions.

 6,200,000 SHARES
 CORRECTIONAL
 PROPERTIES TRUST
 COMMON SHARES
 OF BENEFICIAL OWNERSHIP

PROSPECTUS

, 1998

 SALOMON SMITH BARNEY

PART II

INFORMATION NOT REQUIRED IN PROSPECTUS

ITEM 31. OTHER EXPENSES OF ISSUANCE AND DISTRIBUTION

Set forth below are certain registration, filing and listing fees, as well as an estimate of the other fees and expenses to be incurred in connection with the issuance and distribution of the Common Shares offered hereby.

| | |
|--|-----------|
| Securities and Exchange Commission Registration Fee..... | 45,000 |
| NASD Filing Fee..... | 35,000 |
| New York Stock Exchange Original Listing Fee..... | 100,000 |
| Accounting Fees and Expenses..... | 200,000 |
| Attorneys' Fees and Expenses..... | 400,000 |
| Printing and Engraving Expenses..... | 300,000 |
| Transfer Agent's Fees..... | 25,000 |
| Trustees' and Officers' Insurance..... | 140,000 |
| Miscellaneous Expenses..... | 255,000 |
| | ----- |
| Total..... | 1,500,000 |
| | ===== |

- - - - -

* To be filed by amendment.

ITEM 32. SALES TO SPECIAL PARTIES

The Company was formed as a Maryland real estate investment trust on February 18, 1998, with one shareholder being issued 1,000 Common Shares in consideration of \$2,500.

ITEM 33. RECENT SALES OF UNREGISTERED SECURITIES

All of the Common Shares issued by the Company discussed in Item 32 above were issued pursuant to an exemption from the registration requirements of the Securities Act contained in Section 4(2) of the Securities Act. The shares will be redeemed upon the consummation of the Offering.

ITEM 34. INDEMNIFICATION OF DIRECTORS AND OFFICERS

The Declaration of Trust of the Company provides for indemnification of trustees and officers of the Company to the full extent permitted by the laws of the State of Maryland.

Section 8-301 of the Corporation and Associations Article of the Annotated Code of Maryland permits a Maryland real estate investment trust to indemnify and advance expenses to trustees, officers, employees and agents of the real estate investment trust to the same extent as is permitted for directors, officers, employees and agents of a Maryland corporation under Section 2-418 of the MGCL.

Section 2-418 of the MGCL generally permits indemnification of any trustee made a party to any proceedings by reason of service as a trustee unless it is established that (i) the act or omission of such person was material to the matter giving rise to the proceeding and was committed in bad faith or was the result of active and deliberate dishonesty; or (ii) such person actually received an improper personal benefit in money, property or services; or (iii) in the case of any criminal proceeding, such person had reasonable cause to believe that the act or omission was unlawful. The indemnity may include judgments, penalties, fines, settlements and reasonable expenses actually incurred by the trustee in connection with the proceeding; but, if the proceeding is one by, or in the right of, the corporation, indemnification is not permitted with respect to any proceeding in which the trustee has been adjudged to be liable to the corporation, or if the proceeding is one charging improper personal benefit to the trustee, whether or not involving action in the trustee's official capacity, indemnification of the trustee is not permitted if the trustee was adjudged to be liable on the basis that personal benefit was improperly received. The termination of any proceeding by conviction or upon a plea

of nolo contendere or its equivalent, or an entry of an order of probation prior to judgment, creates a rebuttable presumption that the trustee did not meet the requisite standard of conduct required for permitted indemnification. The termination of any proceeding by judgment, order or settlement, however, does not create a presumption that the trustee failed to meet the requisite standard of conduct for permitted indemnification.

Indemnification under the provisions of the MGCL is not deemed exclusive of any other rights, by indemnification or otherwise, to which a trustee may be entitled under the declaration of trust, bylaws, any resolution of shareholders or trustees, any agreement or otherwise.

The statute permits a Maryland real estate investment trust to indemnify its officers, employees and agents to the same extent as its trustees. The Company's Declaration of Trust mandates indemnification and the advancement of expenses to the Company's trustees and officers to the fullest extent permitted by law and permits indemnification and advancement of expenses to employees and agents of the Company to the extent permitted by the Board of Trustees.

The Company will enter into indemnification agreements (the "Indemnification Agreements") with its trustees and certain of its executive officers. The Indemnification Agreements are intended to provide indemnification to the maximum extent allowable by or not in violation of any law of the State of Maryland. Each Indemnification Agreement will provide that the Company shall indemnify a trustee or executive officer who is a party to the agreement (the "Indemnitee") if he or she was or is a party to or otherwise involved in any proceeding (other than, generally, a derivative proceeding in which the Indemnitee will be adjudged to be liable to the Company for gross negligence or intentional misconduct) by reason of the fact that he or she was or is a trustee or officer of the Company, against losses incurred in connection with the defense or settlement of such proceeding. The indemnification provided under each Indemnification Agreement is limited to instances where the act or omission giving rise to the claim for which indemnification is sought was not otherwise indemnified or insured against by the Company, was not established to have been committed in bad faith (i.e., other than in good faith and in a manner in which the Indemnitee reasonably believed to be in, or not opposed to, the best interests of the Company), or the result of active and deliberate dishonesty, material to the cause of action, with actual dishonest purpose and intent, did not involve receipt of improper personal benefit, generally did not result in a judgment of liability to the Company for gross negligence or intentional misconduct in a proceeding by or in the right of the Company, did not involve an accounting of profits pursuant to Section 16(b) of the Exchange Act and, with respect to any criminal proceeding, the Indemnitee had no reasonable cause to believe his or her conduct was unlawful.

The Company will obtain trustees and officers liability insurance.

ITEM 35. TREATMENT OF PROCEEDS FROM SECURITIES BEING REGISTERED

Not applicable.

ITEM 36. FINANCIAL STATEMENTS AND EXHIBITS

(a) Financial Statements Included in this Registration Statement, including the Prospectus:

The financial statements filed with this Registration Statement are itemized on page F-1 of the Prospectus which forms a part of this Registration Statement.

(b) Exhibits:

| EXHIBIT NUMBER - - - - - | DESCRIPTION OF EXHIBITS - - - - - |
|--------------------------------|--|
| 1 | -- Form of Underwriting Agreement* |
| 2 | -- Form of Agreement of Sale and Purchase Between Correctional Properties Trust and Wackenhut Corrections Corporation* |
| 3.1 | -- Declaration of Trust of Correctional Properties Trust |
| 3.2 | -- Form of Amended and Restated Declaration of Trust of Correctional Properties Trust* |
| 3.3 | -- Bylaws of Correctional Properties Trust |
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| 24 | -- Powers of Attorney (included in the signature pages) |

* To be filed by Amendment

ITEM 37. UNDERTAKINGS

The undersigned registrant hereby undertakes to provide to the Underwriters at the closing specified in the Underwriting Agreement, certificates in such denominations and registered in such names as required by the Underwriters to permit prompt delivery to each purchaser.

Insofar as indemnification for liabilities arising under the Securities Act may be permitted to trustees, officers and controlling persons of the registrant pursuant to the foregoing provisions, or otherwise, the registrant has been advised that in the opinion of the Commission such indemnification is against public policy as expressed in the Securities Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the registrant of expenses incurred or paid by a trustee, officer or controlling person of the registrant in the successful defense of any action, suit or proceeding) is asserted by such trustee, officer or controlling person in connection with the Common Shares, the registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Securities Act and will be governed by the final adjudication of such issue.

The undersigned registrant hereby undertakes that:

(1) For purposes of determining any liability under the Securities Act, the information omitted from the form of prospectus filed as part of this Registration Statement in reliance upon Rule 430A under the Securities Act and contained in a form of prospectus filed by the Registrant pursuant to Rule 424(b)(1) or (4) or 497(h) under the Securities Act shall be deemed to be part of this Registration Statement as of the time it was declared effective.

(2) For the purpose of determining any liability under the Securities Act, each post-effective amendment that contains a form of prospectus shall be deemed to be a new Registration Statement relating to the securities offered therein, and the offering of such securities at the time shall be deemed to be the initial bona fide offering thereof.

The undersigned registrant hereby undertakes that, for purposes of determining any liability under the Securities Act of 1933, each filing of the registrant's annual report pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934 (and, where applicable, each filing of an employee benefit plan's annual report pursuant to Section 15(d) of the Securities Exchange Act of 1934) that is incorporated by reference in the registration statement shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, as amended, the Registrant has duly caused this Registration Statement on Form S-11 to be signed on its behalf by the undersigned, thereunto duly approved, in the City of Palm Beach Gardens, State of Florida, on the day of February 20, 1998.

CORRECTIONAL PROPERTIES TRUST

By: /s/ CHARLES R. JONES

 Charles R. Jones
 President, Chief Executive Officer
 and Trustee

POWER OF ATTORNEY

Each person whose signature appears below hereby constitutes and appoints Charles R. Jones and Patrick T. Hogan and each of them, the true and lawful attorneys-in-fact and agents of the undersigned, with full power of substitution and resubstitution, for and in the name, place and stead of the undersigned, in any and all capacities, to sign any and all amendments (including post-effective amendments) to this Registration Statement, and to file the same, with all exhibits thereto, and other documents in connection therewith, with the Securities and Exchange Commission, and hereby grants to such attorneys-in-fact and agents, and each of them, full power and authority to do and perform each and every act and thing requisite and necessary to be done, as fully to all intents and purposes as the undersigned might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact and agents, or any of them, or their or his substitute or substitutes, may lawfully do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Act of 1933, this Registration Statement has been signed by the following persons in the capacities and on the dates indicated.

| SIGNATURE ----- | TITLE ----- | DATE ----- |
|---|--|-------------------|
| /s/ GEORGE C. ZOLEY ----- Dr. George C. Zoley | Chairman of the Board | February 20, 1998 |
| /s/ CHARLES R. JONES ----- Charles R. Jones | President and Chief Executive Officer and Trustee (principal executive officer) | February 20, 1998 |
| /s/ PATRICK T. HOGAN ----- Patrick T. Hogan | Vice President and Chief Financial Officer (principal financial and accounting officer) | February 20, 1998 |

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, as amended, Wackenhut Corrections Corporation certifies that it has reasonable grounds to believe that it meets all of the requirements for filing on Form S-3 and has duly caused this Registration Statement on Form S-3 to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Palm Beach Gardens, State of Florida, on the 20th day of February, 1998.

WACKENHUT CORRECTIONS CORPORATION

By: /s/ JOHN G. O'ROURKE

 John G. O'Rourke
 Senior Vice President -- Finance,
 Treasurer
 and Chief Financial Officer

POWER OF ATTORNEY

Each person whose signature appears below hereby constitutes and appoints George C. Zoley, John G. O'Rourke and David N.T. Watson and each of them, the true and lawful attorneys-in-fact and agents of the undersigned, with full power of substitution and resubstitution, for and in the name, place and stead of the undersigned, in any and all capacities, to sign any and all amendments (including post-effective amendments) to this Registration Statement, and to file the same, with all exhibits thereto, and other documents in connection therewith, with the Securities and Exchange Commission, and hereby grants to such attorneys-in-fact and agents, and each of them, full power and authority to do and perform each and every act and thing requisite and necessary to be done, as fully to all intents and purposes as the undersigned might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact and agents, or any of them, or their or his substitute or substitutes, may lawfully do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Act of 1933, this Registration Statement has been signed by the following persons in the capacities and on the 20th day of February, 1998.

SIGNATURE

TITLE

/s/ GEORGE C. ZOLEY

Vice Chairman of the Board and Chief Executive Officer (principal executive officer)

 George C. Zoley

/s/ JOHN G. O'ROURKE

Senior Vice President -- Finance, Treasurer and Chief Financial Officer (principal financial officer)

 John G. O'Rourke

/s/ DAVID N.T. WATSON

Controller, Chief Accounting Officer and Assistant Treasurer (principal accounting officer)

 David N.T. Watson

/s/ GEORGE R. WACKENHUT

Director

 George R. Wackenhut

/s/ RICHARD R. WACKENHUT

Director

 Richard R. Wackenhut

/s/ NORMAN A. CARLSON

Director

 Norman A. Carlson

SIGNATURE

TITLE

/s/ BENJAMIN R. CIVILETTI Director

Benjamin R. Civiletti

/s/ MANUEL J. JUSTIZ Director

Manuel J. Justiz

/s/ JOHN F. RUFFLE Director

John F. Ruffle

INDEX TO EXHIBITS

| EXHIBIT NUMBER | DESCRIPTION OF EXHIBITS | SEQUENTIALLY NUMBERED PAGE |
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* To be filed by Amendment

CORRECTIONAL PROPERTIES TRUST
DECLARATION OF TRUST

THIS DECLARATION OF TRUST (as amended from time to time, the "Declaration of Trust") is made as of the ____ day of February, 1998, by each of the undersigned Trustees (collectively, the "Trustees"), each being at least twenty-one (21) years of age and acting as Trustee.

ARTICLE I

FORMATION

The Trustees hereby form a real estate investment trust (the "Trust") within the meaning of Title 8 of the Corporations and Associations Article of the Annotated Code of Maryland, as amended from time to time ("Maryland REIT Law"). The Trust is not intended to be, and shall not be deemed to be, a general partnership, limited partnership, limited liability partnership, joint venture, joint stock company, limited liability company, corporation, or other form of organization (but nothing herein shall preclude the Trust from being treated for tax purposes as an association under the Internal Revenue Code of 1986, as amended from time to time (the "Code")). The shareholders shall be beneficiaries of the Trust, subject to the terms and conditions set forth herein:

ARTICLE II

NAME

The name of the Trust is:

CORRECTIONAL PROPERTIES TRUST

Under circumstances in which the Board of Trustees of the Trust (the "Board of Trustees" or "Board") determines that the use of the name of the Trust is not practicable, legal or convenient, the Trust may use any other designation or name of the Trust as designated by the Board from time to time. The Trust shall have the authority to operate under an assumed name or names, including, without limitation, in such state or states or any political subdivision thereof where it would not be legal, practical or convenient to operate in the name of the Trust. The Trust shall have the authority to file such assumed name certificate or other instruments in such places as may be required by applicable law to operate under such assumed name or names.

ARTICLE III

PURPOSES AND POWERS

Section 1. Purposes. The Trust is a for-profit real estate investment trust organized for the purpose of engaging in any activity permitted to real estate investment trusts under the laws of the State of Maryland.

Section 2. Powers. The Trust shall have all the powers granted to real estate investment trusts generally by the Maryland REIT Law or any successor statute and shall have all further powers as are not inconsistent with and are appropriate to promote and attain its purposes. In addition, it is intended that the business of the Trust will be conducted so that the Trust will qualify (so long as such qualification, in the opinion of the Trustees, is advantageous to the shareholders) as a "real estate investment trust" as defined in the Code and the provisions of this Declaration of Trust shall be construed in such manner as to facilitate that qualification under the Code.

ARTICLE IV

RESIDENT AGENT AND PRINCIPAL OFFICE

The name and address of the resident agent of the Trust in the State of Maryland is The Corporation Trust Company Incorporated, 300 E. Lombard Street, Baltimore, Maryland 21202. The address of the Trust's initial principal office is 4200 Wackenhut Drive, #100, Palm Beach Gardens, Florida 33410-4243. The Trust may have such other offices or places of business within or without the State of Maryland as the Trustees from time to time determine.

ARTICLE V

BOARD OF TRUSTEES

Section 1. Number. The number of Trustees on the Board of Trustees shall initially be two, which number may thereafter be increased or decreased, as determined from time to time by the Board of Trustees in accordance with the Bylaws of the Trust, provided that the number of Trustees shall never be less than the minimum number required by the Maryland REIT Law nor more than fifteen (15). A Trustee need not be a shareholder. The business and affairs of the Trust shall be managed under the direction of the Trustees and the Trustees shall have full, exclusive and absolute power, control, and authority over the assets of the Trust. This Declaration of Trust shall be construed with the presumption in favor of the grant of power and authority to the Trustees.

Section 2. Initial Board; Term.

(a) The names of the two initial Trustees who, subject to subsection (b) below, shall serve until the first annual meeting of shareholders of the Trust and until their respective successors are duly elected and qualify are George C. Zoley and Charles R. Jones.

(b) At the point in time as there are five or more Trustees, the Trustees shall be divided into three classes, as nearly equal in number as possible, with the term of the office of at least one class expiring each year. One class of Trustees shall hold office initially for a term expiring at the annual meeting of shareholders in 1999, another class shall hold office initially for a term expiring at the annual meeting of shareholders in 2000, and another class shall hold office initially for a term expiring at the annual meeting of shareholders in 2001. Beginning with the annual meeting of shareholders in 1999 and at each succeeding annual meeting of shareholders, the Trustees of the class of Trustees whose term expires at such meeting will be elected to hold office for a term expiring at the third succeeding annual meeting. Each Trustee will hold office for the term for which he is elected and until his successor is duly elected and qualifies.

(c) In the event of any increase or decrease in the authorized number of Trustees:

1. Each Trustee then serving shall nevertheless continue as a Trustee until the expiration of his term or his prior death, retirement, resignation or removal; and

2. Upon the creation of Trustee classes as described in Section 2(b) above, and except to the extent that an increase or decrease in the authorized number of Trustees occurs in connection with the rights of holders of Preferred Shares to elect additional Trustees, the newly-created or eliminated trusteeships resulting from any increase or decrease shall be apportioned by the Board of Trustees among the three classes so as to keep the number of Trustees in each class as nearly equal as possible.

Section 3. Term. Notwithstanding the provisions of Article V Sections 2(b) and (c), each Trustee shall serve until his successor is elected and qualifies or until his prior death, retirement, resignation or removal.

Section 4. Removal. The shareholders may, at any time, remove any Trustee, with or without cause, by an affirmative vote of holders of two-thirds of shares entitled to vote in the election of Trustees.

Section 5. Vacancy.

(a) Except as may otherwise be provided pursuant to Article VIII Section 5 hereof with respect to any rights of holders of Preferred Shares to elect additional Trustees or any agreement relating to the right to designate nominees for election to the Board of Trustees, should a vacancy

in the Board of Trustees occur or be created (whether arising through death, retirement, resignation or removal or through an increase but not a decrease in the number of authorized Trustees), such vacancy shall be filled by the affirmative vote of a majority of the remaining Trustees, even though less than a quorum of the Board of Trustees may exist. A Trustee so elected to fill a vacancy shall serve for the remainder of the term of the class to which he was elected and until his successor is elected and qualifies.

(b) During any period when the holders of any series of Preferred Shares have the right to elect additional Trustees as provided for or fixed pursuant to the provisions of Article VIII Section 5 hereof, then upon commencement and for the duration of the period during which such right continues (i) the then otherwise total and authorized number of Trustees of the Trust shall automatically be increased by the number of such additional Trustees, and such holders of Preferred Shares shall be entitled to elect the additional Trustees so provided for or fixed pursuant to said provisions, and (ii) each such additional Trustee shall serve until the next Annual Meeting of Shareholders and until such Trustee's successor shall have been duly elected and qualifies, or until such Trustee's right to hold such office terminates pursuant to said provisions, whichever occurs earlier, subject to his earlier death, disqualification, resignation or removal.

Section 6. Amendment. The provisions set forth in this Article V may not be repealed or amended in any respect, and no provision imposing cumulative voting in the election of Trustees may be added to this Declaration of Trust, unless such action is approved by the Board of Trustees and the affirmative vote of the holders of not less than two-thirds (2/3) of all of the outstanding shares of the Trust entitled to vote generally in the election of Trustees.

Section 7. Legal Title. Legal title to all Trust Property (as hereinafter defined) shall be vested in the Trustees, but they may cause legal title to any Trust Property to be held by or in the name of any Trustee, or the Trust, or any other person as nominee. "Trust Property" shall mean all property, real, personal or otherwise, tangible or intangible, which is transferred or conveyed to the Trust or the Trustees (including all rents, income, profits and gains therefrom), or which is otherwise owned or held by, or for the account of, the Trust or the Trustees.

Section 8. Successor Trustees. The right, title and interest of the Trustees in and to the Trust Property shall vest automatically in all persons who may become Trustees hereafter upon their due election and qualification without any further act, and thereupon they shall have the same rights, privileges, powers, duties and immunities as though originally named as Trustees in this Declaration of Trust. Appropriate written evidence of the election and qualification of successor Trustees shall be filed with the records of the Trust and in such other offices or places as the Trustees may deem necessary, appropriate or desirable. Upon the resignation, removal or death of a Trustee or other termination of his term of office, he (and in the event of his death, his estate) automatically shall cease to have any right, title, or interest in or to any of the Trust Property, and the right, title and interest in such Trustee in and to the Trust Property shall vest automatically in the remaining Trustees without any further act.

ARTICLE VI

POWERS OF TRUSTEES

Section 1. Powers of Trustees. The Trustees shall have all the powers necessary, convenient or appropriate to effectuate the purposes of the Trust and may take any action which they deem necessary or desirable to carry out such purposes. Any determination of the purposes of the Trust made by the Trustees in good faith shall be conclusive. In construing the provisions of this Declaration of Trust, the presumption shall be in favor of the grant of power to the Trustees. Except as otherwise provided under the Maryland REIT Law or this Declaration of Trust, the Trustees' powers shall include, without limitation, the following:

(1) To purchase, acquire through the issuance of shares in the Trust, obligations of the Trust or otherwise, and to mortgage, sell, acquire or lease, hold, manage, improve, lease to others, option, exchange, release and partition, real estate interests of every nature, including freehold, leasehold, mortgage, ground rent and other interests therein, and to erect, construct, alter, repair, demolish or otherwise change buildings and structures of every nature;

(2) To purchase, acquire through the issuance of shares in the Trust, obligations of the Trust or otherwise, option, sell and exchange, stocks, bonds, notes, certificates of indebtedness and securities of every nature;

(3) To purchase, acquire through the issuance of shares in the Trust, obligations of the Trust or otherwise, mortgage, sell, acquire or lease, hold, manage, improve, lease to others, option and exchange personal property of every nature;

(4) To hold legal title to property of the Trust in the name of the Trust, or in the name of one or more of the Trustees for the Trust, or of any other person for the Trust, without disclosure of the interest of the Trust therein;

(5) To borrow money for the purposes of the Trust and to give notes, debentures, bonds or other negotiable or nonnegotiable instruments or obligations of the Trust therefor; to enter into other obligations or guarantee the obligations of others on behalf of and for the purposes of the Trust; and to mortgage or pledge or cause to be mortgaged or pledged real and personal property of the Trust to secure such notes, debentures, bonds, instruments or other obligations;

(6) To lend money on behalf of the Trust and to invest the funds of the Trust;

(7) To create reserve funds for such purposes as they deem advisable;

(8) To deposit funds of the Trust in banks and other depositories without regard to whether such accounts will draw interest;

(9) To pay taxes and assessments imposed upon or chargeable against the Trust or the Trustees (other than income, social security and other taxes payable by the Trustees from their compensation from the Trust) by virtue of or arising out of the existence, property, business or activities of the Trust;

(10) To purchase, issue, sell or exchange shares in the Trust;

(11) To exercise in respect of property of the Trust all options, privileges and rights, whether to vote, assent, subscribe or convert; or of any other nature; to grant proxies; and to participate in and accept securities issued under any voting trust agreement;

(12) To participate in any reorganization, readjustment, consolidation, merger, dissolution, sale or purchase of assets, lease, or similar proceedings of any corporation, partnership or other organization in which the Trust shall have an interest and in connection therewith to delegate discretionary powers to any reorganization, protective or similar committee and to pay assessments and other expenses in connection therewith;

(13) To engage or employ officers, other employees, agents and representatives of any nature, or independent contractors, including, without limiting the generality of the foregoing, transfer agents for the transfer of shares in the Trust, registrars, underwriters, dealers, agents or other distributors for the sale of shares in the Trust, independent certified public accountants, attorneys at law, appraisers, real estate agents and brokers; and to delegate to one or more Trustees, agents, representatives, employees, independent contractors or other persons such powers and duties as the Trustees deem appropriate;

(14) To determine conclusively the allocation between capital and income of the receipts, holdings, expenses and disbursements of the Trust, regardless of the allocation which might be considered appropriate in the absence of this provision;

(15) To determine conclusively the value from time to time, and to revalue, the real estate, securities and other property of the Trust by means of independent appraisals;

(16) To compromise or settle claims, questions, disputes and controversies by, against or affecting the Trust;

(17) To solicit proxies of the shareholders;

(18) To adopt a fiscal year for the Trust and to change such fiscal year;

(19) To adopt and use a seal;

(20) To merge the Trust with or into any other trust, corporation, entity or person in accordance with the laws of the State of Maryland;

(21) Exclusive power to make and alter the Bylaws of the Trust in a manner that is not inconsistent with law or this Declaration of Trust to regulate the government of the Trust and the administration of its affairs;

(22) To make donations for the public welfare or for community, charitable, religious, educational, scientific, civic or similar purposes, regardless of any direct benefit to the Trust;

(23) To cause the Trust to purchase general and/or limited and/or limited liability partnership interests and interests in limited liability companies in one or more partnerships or limited liability companies formed to carry out the activities described above, and to exercise all of the rights, powers and duties granted by the laws of the jurisdictions in which such partnerships and limited liability companies are formed to general or limited partners or members, as the case may be;

(24) To deal with the Trust Property in every way, including providing for the Trust to be promotor, general or limited partner, member, associate or manager of any joint ventures, partnerships, limited liability companies and any other combinations or associations, that would be lawful for an individual, whether similar to or different from the ways herein and hereinabove specified;

(25) To cause the Trust to exercise its powers through ownership or operation of corporate subsidiaries, partnerships, and limited liability companies, and other combinations and operations; and

(26) To cause the Trust to curtail or cease its trust activities by partially or completely liquidating and distributing its assets, and the termination and dissolution of the Trust, in each case, without any action or approval of the shareholders.

Section 2. Trustees' Right to Own Shares. A Trustee may acquire, hold and dispose of shares in the Trust for his individual account and may exercise all rights of a shareholder to the same extent and in the same manner as if he were not a Trustee.

Section 3. Transactions Between the Trust and its Trustees, Officers, Employees and Agents. Subject to any express restrictions in this Declaration of Trust or adopted by the Trustees in the Bylaws or by resolution, the Trust may enter into any contract or transaction of any kind (including without limitation for the purchase, lease or sale of property or for any type of services, including those in connection with underwriting or the offer or sale of securities of the Trust) with any person, including any Trustee, officer, employee or agent of the Trust or any person affiliated or associated with a Trustee, officer, employee or agent of the Trust, whether or not any of them has a financial interest in such transaction.

Section 4. Amendment. The provisions set forth in this Article VI may not be repealed or amended in any respect unless such action is approved by the Board of Trustees and the affirmative

vote of the holders of not less than two-thirds (2/3) of all of the outstanding shares of the Trust entitled to vote generally in the election of Trustees.

ARTICLE VII

REIT STATUS

The Trust is intended to qualify as a real estate investment trust under the Maryland REIT Law, or any successor statutes. The Trust shall also seek to elect and maintain status as a real estate investment trust ("REIT") under Sections 856-860 or any successor sections, of the Code. It shall be the duty of the Board of Trustees to use its commercially reasonable efforts to ensure that the Trust satisfies the requirements for qualification as a REIT under the Code, including, but not limited to, the ownership of its outstanding shares, the nature of its assets, the sources of its income, and the amount and timing of its distributions to its shareholders. The Board of Trustees shall endeavor to take no action to disqualify the Trust as a REIT or to otherwise revoke the Trust's election to be taxed as a REIT without the affirmative vote of the holders of not less than two-thirds (2/3) of all of the outstanding shares of the Trust entitled to vote on such matter.

ARTICLE VIII

SHARES AND SHAREHOLDERS

Section 1. Authorized Capital Shares. The total number of shares which the Trust initially has authority to issue is 150,000,000 shares of a class denominated Common Shares, \$.001 par value per share, and 50,000,000 shares of a class denominated Preferred Shares, \$.001 par value per share, for an aggregate of 200,000,000 shares with an aggregate par value of \$200,000.

Section 2. Certificates of Ownership. Ownership of shares shall be, as determined by the Trustees, either (i) evidenced by certificates in such form as shall be determined by the Trustees from time to time, or (ii) registered in uncertificated form, each in accordance with the laws of the State of Maryland. The owners of the shares, who are the beneficiaries of the Trust, shall be designated as "shareholders." The certificates shall be negotiable and title thereto shall be transferred by assignment or delivery in all respects as a stock certificate of a Maryland corporation except as may be noted thereon.

Section 3. Fractional Shares. The Trust may issue shares in fractional denominations to the same extent as its whole shares, and any fractional share shall carry proportionately the rights of a whole share, including without limitation, the right to vote, the right to receive dividends and distributions and the right to participate upon liquidation of the Trust. A fractional share shall not however, have any right to receive a certificate evidencing it, regardless of whether a full share has such right, but if so determined by the Trustees, may be represented by scrip.

Section 4. No Legal Title. The shareholders shall have no legal title or interest in the Trust Property and no right to a partition thereof or to an accounting therefor during the continuance of the Trust but only to the rights expressly provided in this Declaration of Trust and under Maryland REIT Law. Neither the transfer of shares nor the death, insolvency or incapacity of any shareholder shall operate to dissolve or terminate the Trust, nor shall it entitle any transferee, legal representative or other person to a partition of the property of the Trust or to an accounting therefor.

Section 5. Common Shares/Preferred Shares. Common Shares may be issued from time to time upon authorization by the Board of Trustees of the Trust. Preferred Shares may be issued from time to time upon authorization by the Board of Trustees of the Trust, in such series and with such preferences, conversion or other rights, voting powers, restrictions, limitations as to dividends or distributions, qualifications or terms or conditions of redemption or other provisions as may be fixed by the Board of Trustees, except as otherwise set forth in this Declaration of Trust. Without limiting the foregoing, the Board of Trustees shall have the power to classify and reclassify any unissued shares of the Trust of any class or series from time to time by setting or changing the preferences, conversion or other rights, voting powers, restrictions, limitations as to dividends or distributions, qualifications or terms or conditions of redemption of the shares. Shares may be issued for such consideration as the Board of Trustees determines, including, without limitation, for services and also as provided in this Article VIII Section 12 below, or, if issued as a result of a share dividend or share split, without any consideration, and all shares so issued will be fully paid and non-assessable by the Trust. The Board of Trustees may also authorize the issuance of debt instruments, shares, and securities convertible into shares of the Trust for such consideration as the Board of Trustees may deem advisable.

Section 6. Annual Meeting. A meeting of shareholders shall be held annually after the delivery of the annual report of the Trust at a convenient location, within or without the United States, as determined by the Board of Trustees, upon proper notice as set forth in the Bylaws of the Trust. However, the failure to hold an annual meeting shall not invalidate the Trust's existence or affect any otherwise valid act of the Trust or Trustees.

Section 7. Dividends and Distributions. Subject to the provisions of Article VII, the Trustees, within thirty (30) days after the end of each fiscal year in each calendar year after the calendar year in which the Trust is created, and, in their discretion, more frequently, shall use commercially reasonable efforts to declare and pay to the shareholders such dividends and distributions, as may be necessary to continue to qualify the Trust as a "real estate investment trust," as defined in the Code as well as such additional dividends and distributions as the Trustees in their discretion may declare.

Section 8. Dividends and Rights Upon Liquidation. After the provisions with respect to preferential dividends or distributions of any series of Preferred Shares, if any, shall have been satisfied, and subject to any other conditions that may be fixed in accordance with the provisions of this Article VIII Section 5, then, and not otherwise, all Common Shares will participate equally in dividends and distributions payable to holders of shares of Common Shares when and as declared by the Board of Trustees at their discretion. In the event of voluntary or involuntary dissolution or

liquidation of the Trust, after distribution in full of the preferential amounts, if any, to be distributed to the holders of Preferred Shares, the holders of Common Shares shall, subject to the additional rights if any of the holders of Preferred Shares fixed in accordance with Article VIII Section 5, be entitled to receive all of the remaining assets of the Trust, tangible and intangible, of whatever kind available for distribution to shareholders ratably in proportion to the number of Common Shares held by them respectively.

Section 9. Voting. Except as may be otherwise provided or fixed by the Board of Trustees with respect to the voting rights of Preferred Shares pursuant to Article VIII Section 5, each holder of Common Shares shall be entitled to one vote per share on all matters to be voted on by the shareholders of the Trust. The holders of Preferred Shares shall have no voting rights and shall have no rights to receive notice of any meetings, except as required by law or as expressly provided by the Board of Trustees, in accordance with law and the rules of any stock exchange on which shares of the Trust may be listed, in establishing any series or class thereof.

Section 10. Voting Rights of Common Shareholders. Holders of the Common Shares shall be entitled to vote only on the following matters: (a) except as may be otherwise provided or fixed by the Board of Trustees with respect to the voting rights of Preferred Shares pursuant to Article VIII, Section 5, election or removal of Trustees as provided in Article V Sections 2 and 4; (b) amendment of this Declaration of Trust to the extent provided in Article XI Section 1; (c) a merger of the Trust to the extent required under the Maryland REIT Law or the rules of any stock exchange on which the shares of the Trust are listed; (d) with regard to the REIT status, as provided in Article VII; (e) on such other matters as a vote of the holders of Common Shares may be required by law or pursuant to the rules of any stock exchange on which the shares of the Trust are listed; and (f) with respect to such other matters as may be determined by the Board of Trustees from time to time. Except with respect to the foregoing matters, no action taken by the shareholders at any meeting shall in any way bind the Trust or the Trustees.

Section 11. Preemptive Rights. No holder of shares of the Trust shall have any preemptive or preferential rights to subscribe to or purchase (i) any shares of any class or series of the Trust, whether now or hereafter authorized; (ii) any warrants, rights, or options to purchase any such shares; or (iii) any securities or obligations convertible into any such shares or into warrants, rights, or options to purchase any such shares.

Section 12. Employee, Trustee and Other Options and Plans. By action of the Trustees, the Trust may issue, for such consideration as the Trustees deems appropriate, options, warrants or other rights, including share appreciation rights, to acquire shares, and securities convertible into shares, and, in the case of incentive or other compensatory plans for trustees, officers or employees of the Trust, the Trustees may award such securities as fully paid and nonassessable shares to plan participants for no or nominal consideration, and may cause the Trust to make loans to (or accept promissory obligations for future payment from) such participants to assist them in the exercise of options or other rights and in the payment for shares, and may determine that any such loan (or promissory obligation) shall not affect the fully paid and nonassessable character of shares so issued.

Section 13. **Reacquired Shares.** Subject to compliance with the Maryland REIT Law, the Trust may repurchase or otherwise acquire its own shares and other securities at such price or prices as the Board of Trustees may authorize and for this purpose the Trust may create and maintain such reserves as are deemed necessary and appropriate. Shares issued hereunder and purchased or otherwise acquired for the account of the Trust shall constitute authorized but unissued shares of the Trust.

Section 14. **Transferability of Shares.** Subject to the provisions of Article IX, shares in the Trust shall be transferable in accordance with the procedures prescribed from time to time in the Trust's Bylaws. Except as may be otherwise provided in the Bylaws, the persons in whose name the shares are registered on the books of the Trust shall be deemed the absolute owners thereof and, until a transfer is effected on the books of the Trust, the Trustees shall not be affected by any notice, actual or constructive, of any transfer.

ARTICLE IX

RESTRICTIONS AND LIMITATIONS ON TRANSFER AND OWNERSHIP OF SHARES

Section 1. Restrictions on Transfer.

Section 1.1 **Definitions.** The following terms shall have the following meanings:

(A) "Beneficial Ownership" shall mean ownership of Equity Shares by a Person who would be treated as an owner of such Equity Shares either directly under Section 542 of the Code or indirectly or constructively through the application of Section 544 of the Code, as modified by Section 856(h) of the Code. The terms "Beneficial Owner," "Beneficially Owns," and "Beneficially Owned" shall have correlative meanings.

(B) "Beneficiary" shall mean, with respect to any Share Trust, one or more organizations described in each of Section 170(b)(1)(A) and Section 170(c) of the Code that are named by the Trust as the beneficiary or beneficiaries of such Share Trust, in accordance with the provisions of Article IX Section 1.1 hereof.

(C) "Board of Trustees" shall mean the Board of Trustees of the Trust.

(D) "Code" shall mean the Internal Revenue Code of 1986, as amended from time to time.

(E) "Constructive Ownership" shall mean ownership of equity interests by a Person who would be treated as an owner of such interests either

directly, indirectly or constructively under the Code including, without limitation, Section 318 of the Code, as applied by Section 856(d)(5) of the Code. The terms "Constructive Owner," "Constructively Owns," and "Constructively Owned" shall have correlative meanings.

(F) "Equity Shares" shall mean Preferred Shares and Common Shares. The term "Equity Shares" shall include all Preferred Shares and Common Shares that are held as Shares-in-Trust in accordance with the provisions of this Article IX hereof.

(G) "Initial Public Offering" means the sale of Common Shares pursuant to the Trust's first effective registration statement for such Common Shares filed under the Securities Act of 1933, as amended.

(H) "Market Price" shall mean, with respect to Common Shares or Preferred Shares, the last reported sales price of such shares reported on the New York Stock Exchange on the trading day immediately preceding the relevant date, or if such shares are not then traded on the New York Stock Exchange, the last reported sales price of such shares on the trading day immediately preceding the relevant date as reported on any exchange or quotation system over which such shares may be traded, or if such shares are not then traded over any exchange or quotation system, then the market price of such shares on the relevant date as determined in good faith by the Board of Trustees of the Trust.

(I) "Non-Transfer Event" shall mean an event other than a purported Transfer that would cause any Person to Beneficially Own or Constructively Own Equity Shares in excess of the Ownership Limit, including, but not limited to, the granting of any option or entering into any agreement for the sale, transfer or other disposition of Equity Shares, or the sale, transfer, assignment or other disposition of any securities or rights convertible into or exchangeable for Equity Shares or the acquisition of an interest in any entity other than the Trust, or the commencement of a relationship with any Person.

(J) "Operating Partnership" shall mean CPT Operating Partnership L.P., a Delaware limited partnership.

(K) "Ownership Limit" shall mean, with respect to the Common Shares, 9.8% of the number of each class or series of the outstanding Common Shares and, with respect to the Preferred Shares, 9.8% of the number of each class or series of the outstanding Preferred Shares.

(L) "Permitted Transferee" shall mean any Person designated as a Permitted Transferee in accordance with the provisions of this Article IX Section 2.5 hereof.

(M) "Person" shall mean an individual, corporation, partnership, estate, trust, a portion of a trust permanently set aside for or to be used exclusively for the purposes described in Section 642(c) of the Code, association, private foundation within the meaning of Section 509(a) of the Code, joint stock company or other entity and also includes a group as that term is used for purposes of Section 13(d)(3) of the Securities Exchange Act of 1934, as amended.

(N) "Prohibited Owner" shall mean, with respect to any purported Transfer or Non-Transfer Event, any Person who, but for the provisions of Article IX Section 2 hereof, would own record title to Equity Shares.

(O) "REIT" shall mean a real estate investment trust under Section 856 of the Code.

(P) "Restriction Termination Date" shall mean the first day after the date of the Initial Public Offering on which the Board of Trustees and the shareholders of the Trust determine that it is no longer in the best interests of the Trust to attempt to, or continue to, qualify as a REIT.

(Q) "Shares-in-Trust" shall mean any Equity Shares designated Shares-in-Trust pursuant to this Article IX Section 1.3 hereof.

(R) "Share Trust" shall mean any separate trust created pursuant to this Article IX Section 1.3 hereof and administered in accordance with the terms of this Article IX Section 2 hereof, for the exclusive benefit of any Beneficiary.

(S) "Share Trustee" shall mean any person or entity unaffiliated with both the Trust and any Prohibited Owner, such Share Trustee to be designated by the Trust to act as trustee of any Share Trust, or any successor trustee thereof.

(T) "Transfer" shall mean any sale, transfer, gift, assignment, devise or other disposition of Equity Shares, whether voluntary or involuntary, whether of record, constructively or beneficially and whether by operation of law or otherwise.

Section 1.2. Restriction on Transfers.

(A) Except as provided in this Article IX Section 1.7 hereof, during the period commencing on the date of the Initial Public Offering and ending immediately prior to the Restriction Termination Date, (i) no Person shall Beneficially Own or Constructively Own any Equity Shares in excess of the Ownership Limit and (ii) any Transfer or Non-Transfer Event that, if effective, would result in any Person Beneficially Owning or Constructively Owning Equity Shares in excess of the Ownership Limit shall be void ab initio as to that number of Equity Shares which would be otherwise Beneficially Owned or Constructively Owned by such Person in excess of the Ownership

Limit, and the intended transferee shall acquire no rights with respect to such excess Equity Shares. Notwithstanding the foregoing, in case of a Transfer or Non-Transfer Event arising from the grant of any options to any Person pursuant to any share option plan of the Trust or otherwise, the period referred to in the first sentence of this paragraph shall commence on the date on which the Trust commences its existence.

(B) Except as provided in this Article IX Section 1.7 hereof, from the date of the Initial Public Offering and ending immediately prior to the Restriction Termination Date, any Transfer or Non-Transfer Event that, if effective, would result in the Equity Shares being beneficially owned by fewer than 100 Persons (determined without reference to any rules of attribution) shall be void ab initio as to the Transfer of that number of shares which would result in the Equity Shares being beneficially owned by fewer than 100 persons, and the intended transferee shall acquire no rights with respect to such excess Equity Shares.

(C) From the date of the Initial Public Offering and ending immediately prior to the Restriction Termination Date, any Transfer or Non-Transfer Event that, if effective, would result in the Trust being "closely held" within the meaning of Section 856(h) of the Code shall be void ab initio as to that number of Equity Shares which would cause the Trust to be "closely held" within the meaning of Section 856(h) of the Code, and the intended transferee shall acquire no rights with respect to such excess Equity Shares.

(D) From the date of the Initial Public Offering and ending immediately prior to the Restriction Termination Date, any Transfer or Non-Transfer Event that, if effective, would cause the Trust to Constructively Own 10% or more of the ownership interests in a tenant of the real property of the Trust, the Operating Partnership or any direct or indirect subsidiary (including, without limitation, partnerships and limited liability companies) of the Trust or the Operating Partnership, within the meaning of Section 856(d)(2)(B) of the Code, shall be void ab initio as to that number of Equity Shares which would cause the Trust to Constructively Own 10% or more of the ownership interests in a tenant of the Trust's real property of the Trust, the Operating Partnership or any direct or indirect subsidiary (including, without limitation, partnerships and limited liability companies) of the Trust or the Operating Partnership, within the meaning of Section 856(d)(2)(B) of the Code, and the intended transferee shall acquire no rights with respect to such excess Equity Shares. Notwithstanding the foregoing, in case of a Transfer or Non-Transfer Event arising from the grant of any options to any Person pursuant to any share option plan of the Trust or otherwise, the period referred to in the first sentence of this paragraph shall commence on the date on which the Trust commences its existence.

Section 1.3. Transfer to Share Trust.

(A) If, notwithstanding the other provisions contained in this Article IX, at any time after the date of the Initial Public Offering and prior to the Restriction Termination Date, there is a purported Transfer or Non-Transfer Event such that any Person would either Beneficially Own or Constructively Own Equity Shares in excess of the Ownership Limit, then (i) except as otherwise provided in Article IX Section 1.7 hereof, the purported transferee shall acquire no right

or interest (and, in the case of a Non-Transfer Event, the person holding record title to the Equity Shares Beneficially Owned or Constructively Owned by such Beneficial Owner or Constructive Owner, shall cease to own any right or interest) in such number of Equity Shares which would cause such Beneficial Owner or Constructive Owner to Beneficially Own or Constructively Own Equity Shares in excess of the Ownership Limit, and (ii) such number of Equity Shares in excess of the Ownership Limit (rounded up to the nearest whole share) shall be designated Shares-in-Trust and, in accordance with the provisions of Article IX Section 2 hereof, transferred automatically and by operation of law to a Share Trust to be held in accordance with that Article IX Section 2. Such transfer to a Share Trust and the designation of shares as Shares-in-Trust shall be effective as of the close of business on the business day prior to the date of the Transfer or Non-Transfer Event, as the case may be.

(B) If, notwithstanding the provisions contained in this Article IX, at any time after the date of the Initial Public Offering and prior to the Restriction Termination Date, there is a purported Transfer or Non-Transfer Event that, if effective, would cause the Trust to become "closely held" within the meaning of Section 856(h) of the Code or would cause the Trust to Constructively Own 10% or more of the ownership interests in a tenant of the real property of the Trust, the Operating Partnership or any direct or indirect subsidiary (including, without limitation, partnerships and limited liability companies) of the Trust or the Operating Partnership, within the meaning of Section 856(d)(2)(B) of the Code, then (i) the purported transferee shall not acquire any right or interest (and, in the case of a Non-Transfer Event, the person holding record title to the Equity Shares with respect to which such Non-Transfer Event, occurred, shall cease to own any right or interest) in such number of Equity Shares the ownership of which by such purported transferee or record holder would cause the Trust to be "closely held" within the meaning of Section 856(h) of the Code or would cause the Trust to Constructively Own 10% or more of the ownership interests of the real property of the Trust, the Operating Partnership or any direct or indirect subsidiary (including, without limitation, partnerships and limited liability companies) of the Trust or the Operating Partnership, within the meaning of Section 856(d)(2)(B) of the Code, and (ii) such number of Equity Shares (rounded up to the nearest whole share) shall be designated Shares-in-Trust and, in accordance with the provisions of Article IX Section 2 hereof, transferred automatically and by operation of law to a Share Trust to be held in accordance with that Article IX Section 2. Such transfer to a Share Trust and the designation of shares as Shares-in-Trust shall be effective as of the close of business on the business day prior to the date of the Transfer or Non-Transfer Event, as the case may be.

Section 1.4. Remedies for Breach. If the Trust or its designees shall at any time determine in good faith that a Transfer has taken place in violation of Article IX Section 2 hereof or that a Person intends to acquire or has attempted to acquire Beneficial Ownership or Constructive Ownership of any Equity Shares in violation of Article IX Section 2 hereof, the Trust shall take such action as it deems advisable to refuse to give effect to or to prevent such Transfer or acquisition, including, but not limited to, refusing to give effect to such Transfer on the books of the Trust or instituting proceedings to enjoin such Transfer or acquisition.

Section 1.5. Notice of Restricted Transfer. Any Person who acquires or attempts to acquire Equity Shares in violation of Article IX Section 1.2 hereof, or any Person who owned Equity Shares that were transferred to a Share Trust pursuant to the provisions of Article IX Section 1.3 hereof, shall immediately give written notice to the Trust of such event and shall provide to the Trust such other information as the Trust may request in order to determine the effect, if any, of such Transfer or the Non-Transfer Event, as the case may be, on the Trust's status as a REIT.

Section 1.6. Owners Required to Provide Information. From the date of the Initial Public Offering and prior to the Restriction Termination Date:

(A) Every Beneficial Owner or Constructive Owner of more than 5%, or such lower percentages as required pursuant to regulations under the Code, of the outstanding Equity Shares of the Trust shall, within 30 days after the close of the Trust's taxable year, give written notice to the Trust stating the name and address of such Beneficial Owner or Constructive Owner, the number of shares of Equity Shares Beneficially Owned or Constructively Owned, and a description of how such shares are held. Each such Beneficial Owner or Constructive Owner shall provide to the Trust such additional information as the Trust may request in order to determine the effect, if any, of such Beneficial Ownership or Constructive Ownership on the Trust's status as a REIT and to ensure compliance with the Ownership Limit.

(B) Each person who is a Beneficial Owner or Constructive Owner of Equity Shares and each Person (including the shareholder of record) who is holding Equity Shares for a Beneficial Owner or Constructive Owner shall provide to the Trust such information as the Trust may request in order to determine the Trust's status as a REIT and to ensure compliance with the Ownership Limit.

Section 1.7. Exception. The Ownership Limit shall not apply to the acquisition of Equity Shares by an underwriter that participates in a public offering of such Shares for a period of 90 days following the purchase by such underwriter of such Shares provided that the restrictions contained in Section 1.2 of this Article IX will not be violated following the distribution by such underwriter of such Shares. In addition, the Board of Trustees may, in its sole discretion, exempt a Person from the Ownership Limit under terms and conditions established in the sole discretion of the Board of Trustees as it may deem necessary or desirable in order to maintain the Trust's status as a REIT.

Section 2. Shares-in-Trust.

Section 2.1. Share Trust. Without limiting the automatic effect of the following provisions of this Article IX Section 2.1, the Prohibited Owner shall be obligated to submit the Shares-in-Trust to the Trust for registration in the name of the Share Trustee. Any Equity Shares transferred automatically and by operation of law to a Share Trust and designated Shares-in-Trust pursuant to Article IX Section 1.3 hereof shall be held for the exclusive benefit of the Beneficiary. The Trust shall name a Beneficiary of each Share Trust within five days after discovery of the existence thereof. Any transfer to a Share Trust, and subsequent designation of Equity Shares as

Shares-in-Trust pursuant to Article IX Section 1.3 hereof, shall be effective as of the close of business on the business day prior to the date of the Transfer or Non-Transfer Event that results in the transfer to the Share Trust. Shares-in-Trust shall remain issued and outstanding Equity Shares of the Trust and shall be entitled to the same rights and privileges on identical terms and conditions as are all other issued and outstanding Equity Shares of the same class and series. When transferred to the Permitted Transferee in accordance with the provisions of this Article IX Section 2.3 hereof, such Shares-in-Trust shall cease to be designated as Shares-in-Trust.

Section 2.2. Dividend Rights. The Share Trustee, as record holder of Shares-in-Trust, shall be entitled to receive all dividends and distributions as may be declared by the Board of Trustees on such Equity Shares and shall hold such dividends or distributions in trust for the benefit of the Beneficiary. The Prohibited Owner with respect to Shares-in-Trust shall repay to the Share Trustee the amount of any dividends or distributions received by it that (i) are attributable to any Equity Shares designated Shares-in-Trust and (ii) the record date of which was on or after the date that such shares became Shares-in-Trust. The Trust shall take all measures that it determines are reasonably necessary to recover the amount of any such dividend or distribution paid to a Prohibited Owner, including, if necessary, withholding any portion of future dividends or distributions payable on Equity Shares Beneficially Owned or Constructively Owned by the Person who, but for the provisions of Article IX Section 1.3 hereof, would Constructively Own or Beneficially Own the Shares-in-Trust.

Section 2.3. Rights Upon Liquidation. In the event of any voluntary or involuntary liquidation, dissolution or winding up of, or in a distribution of the assets of the Trust, the Share Trustee of Shares-in-Trust shall be entitled to receive on behalf of each Share Trust, ratably with each other holder of Equity Shares of the same class or series, that portion of the assets of the Trust which is available for distribution to the holders of such class and series of Equity Shares. The Share Trustee shall distribute to the Prohibited Owner the amounts received upon such liquidation, dissolution, or winding up, or distribution; provided, however, that the Prohibited Owner shall not be entitled to receive amounts pursuant to this Article IX Section 2.3 in excess of, in the case of a purported Transfer in which the Prohibited Owner gave value for Equity Shares and which Transfer resulted in the transfer of the shares to the Share Trust, the price per share, if any, such Prohibited Owner paid for the Equity Shares and, in the case of a Non-Transfer Event or Transfer in which the Prohibited Owner did not give value for such shares (e.g., if the shares were received through a gift or devise) and which Non-Transfer Event or Transfer, as the case may be, resulted in the transfer of shares to the Share Trust, the price per share equal to the Market Price on the date of such Non-Transfer Event or Transfer. Any remaining amount in such Share Trust shall be distributed to the Beneficiary.

Section 2.4. Voting Rights. The Share Trustee shall be entitled to vote all Shares-in-Trust. Any vote by a Prohibited Owner as a holder of Equity Shares prior to the discovery by the Trust that the Equity Shares are Shares-in-Trust shall, subject to applicable law, be rescinded and shall be void ab initio with respect to such Shares-in-Trust and the Prohibited Owner shall be deemed to have given, as of the close of business on the business day prior to the date of the purported Transfer or Non-Transfer Event that results in the transfer to the Share Trust of Equity Shares under

Article IX Section 1.3 hereof, an irrevocable proxy to the Share Trustee to vote the Shares-in-Trust in the manner in which the Share Trustee, in its sole and absolute discretion, desires.

Section 2.5. Designation of Permitted Transferee. The Share Trustee shall have the exclusive and absolute right to designate a Permitted Transferee of any and all Shares-in-Trust. As soon as reasonably practicable, in an orderly fashion so as not to materially adversely affect the Market Price of the Shares-in-Trust, the Share Trustee shall designate any Person as Permitted Transferee, provided, however, that (i) the Permitted Transferee so designated purchases for valuable consideration (whether in a public or private sale) the Shares-in-Trust, and (ii) the Permitted Transferee so designated may acquire such Shares-in-Trust without such acquisition resulting in a transfer to a Share Trust and the redesignation of such Equity Shares so acquired as Shares-in-Trust under Article IX Section 1.3 hereof. Upon the designation by the Share Trustee of a Permitted Transferee in accordance with the provisions of this Article IX Section 2.5, the Share Trustee of a Share Trust shall (i) cause to be transferred to the Permitted Transferee that number of Shares-in-Trust acquired by the Permitted Transferee, (ii) cause to be recorded on the books of the Trust that the Permitted Transferee is the holder of record of such number of Equity Shares, and (iii) distribute to the Beneficiary any and all amounts held with respect to the Shares-in-Trust after making that payment to the Prohibited Owner pursuant to Article IX Section 2.6 hereof.

Section 2.6. Compensation to Record Holder of Equity Shares that Become Shares-in-Trust. Any Prohibited Owner shall be entitled (following discovery of the Shares-in-Trust and subsequent designation of the Permitted Transferee in accordance with Article IX Section 2.5 hereof) to receive from the Share Trustee the lesser of (i) in the case of (a) a purported Transfer in which the Prohibited Owner gave value for Equity Shares and which purported Transfer resulted in the transfer of the shares to the Share Trust, the price per share, if any, such Prohibited Owner paid for the Equity Shares, or (b) a Non-Transfer Event or Transfer in which the Prohibited Owner did not give value for such shares (e.g., if the shares were received through a gift or devise) and which Non-Transfer Event or Transfer, as the case may be, resulted in the transfer of shares to the Share Trust, the price per share equal to the Market Price on the date of such Non-Transfer Event or Transfer, and (ii) the price per share received by the Share Trustee of the Share Trust from the sale or other disposition of such Shares-in-Trust in accordance with Article IX Section 2.5 hereof. Any amounts received by the Share Trustee in respect of such Shares-in-Trust and in excess of such amounts to be paid the Prohibited Owner pursuant to this Article IX Section 2.6 shall be distributed to the Beneficiary in accordance with the provisions of Article IX Section 2.5 hereof. Each Beneficiary and Prohibited Owner waive any and all claims that they may have against the Share Trustee and the Share Trust arising out of the disposition of Shares-in-Trust, except for claims arising out of the gross negligence or willful misconduct of, or any failure to make payments in accordance with this Article IX by such Share Trustee or the Trust.

Section 2.7. Purchase Right in Shares-in-Trust. Shares-in-Trust shall be deemed to have been offered for sale to the Trust, or its designee, at a price per share equal to the lesser of (i) the price per share in the transaction that created such Shares-in-Trust (or, in the case of devise, gift or Non-Transfer Event, the Market Price at the time of such devise, gift, or Non-Transfer Event) and (ii) the Market Price on the date the Trust, or its designee, accepts such offer. The Trust shall

have the right to accept such offer for a period of ninety (90) days after the later of (i) the date of the Non-Transfer Event or purported Transfer which resulted in such Shares-in-Trust and (ii) the date the Trust determines in good faith that a Transfer or Non-Transfer Event resulting in Shares-in-Trust has occurred, if the Trust does not receive a notice of such Transfer or Non-Transfer Event pursuant to Article IX Section 1.3 hereof

Section 3. Remedies not Limited. Nothing contained in this Article IX shall limit the authority of the Trust to take such other action as it deems necessary or advisable to protect the Trust and the interests of its shareholders by preservation of the Trust's status as a REIT and to ensure compliance with the Ownership Limit; provided, however, that nothing in this Article IX or elsewhere in this Declaration of Trust shall preclude settlement of any transaction entered into or through the facilities of the New York Stock Exchange or any other exchange on which Equity Shares may be listed from time to time.

Section 4. Ambiguity. In the case of an ambiguity in the application of any of the provisions of Article IX, including any definition contained in Article IX Section 1 hereof, the Board of Trustees shall have the power to determine the application of the provisions of this Article IX with respect to any situation based on the facts known to it.

Section 5. Legend. Each certificate for Equity Shares shall bear the following legend:

"The [Common or Preferred] Shares represented by this certificate are subject to restrictions on transfer as set forth in the Declaration of Trust of the Trust. No Person may (i) Beneficially Own or Constructively Own Common Shares in excess of 9.8% of the number of any class or series of the outstanding Common Shares, (ii) Beneficially Own or Constructively Own Preferred Shares in excess of 9.8% of the number of any class or series of the outstanding Preferred Shares, (iii) Beneficially Own Equity Shares that would result in the Trust being "closely held" under Section 856(h) of the Internal Revenue Code of 1986, as amended (the "Code"), or (iv) Constructively Own Equity Shares that would cause the Trust to Constructively Own 10% or more of the ownership interests in a tenant of the real property of the Trust, the Operating Partnership or any direct or indirect subsidiary (including, without limitation, partnership and limited liability companies) of the Trust or the Operating Partnership, within the meaning of Section 856(d)(2)(B) of the Code. Any Person who attempts to Beneficially Own or Constructively Own Equity Shares in excess of the above limitations must immediately notify the Trust in writing. If the restrictions above are violated, the Equity Shares represented hereby will be transferred automatically and by operation of law to a Share Trust and shall be designated Shares-in-Trust. All capitalized terms in this legend have the meanings defined in the Trust's Declaration of Trust, as the same may be further amended from time to time, a copy of which, including the restrictions on transfer, will be sent without charge to each shareholder who so requests."

Section 6. Severability. If any provision of this Article IX or any application of any such provision is determined to be invalid by any federal or state court having jurisdiction over the issues, the validity of the remaining provisions shall not be affected and other applications of such provision shall be affected only to the extent necessary to comply with the determination of such court.

ARTICLE X

INDEMNIFICATION

Section 1. Limitation on Liability. To the maximum extent that Maryland law in effect from time to time permits limitation of liability of trustees or officers of real estate investment trusts, no Trustee or officer of the Trust shall be liable to the Trust or its shareholders for money damages. Neither the amendment nor repeal of this provision, nor the adoption or amendment of any other provision of this Declaration of Trust or Bylaws inconsistent with this provision, shall apply to or affect in any respect the applicability of the preceding sentence with respect to any act or failure to act which occurred prior to such amendment, repeal or adoption.

Section 2. Indemnification. The Trust shall indemnify and advance expenses to a Trustee or officer of the Trust to the fullest extent permitted by and in accordance with the laws of the State of Maryland in effect from time to time. To the extent determined by the Board of Trustees, in accordance with the laws of the State of Maryland, the Trust may indemnify and advance expenses to other employees and agents of the Trust. Neither the amendment nor repeal of this provision, nor the adoption or amendment of any other provision of this Declaration of Trust or Bylaws inconsistent with this provision, shall affect any right of any person under this Article X Section 2 based on any event, omission or proceeding prior to such amendment or repeal.

Section 3. Non-liability and Indemnification of Shareholders. Shareholders shall not by virtue of being shareholders of the Trust be liable personally or individually in any manner whatsoever for any debt, act, omission or obligation incurred by the Trust or the Trustees and shall be under no obligation to the Trust or its creditors in respect to such shares other than the obligation to pay to the Trust the full amount of the consideration for which the shares were issued or to be issued. The shareholders shall not be liable to assessment and the Trustees shall have no power to bind the shareholders personally. The Trust shall indemnify and hold each shareholder harmless from and against all claims and liabilities, whether they proceed to judgment or are settled or otherwise brought to a conclusion, to which such shareholder may become subject solely by reason of his being a shareholder or having held shares of the Trust, and shall reimburse such shareholder for all legal and other expenses reasonably incurred by him in connection with any such claim or liability; provided, however, that no such shareholder shall be indemnified or reimbursed if such claim, obligation or liability is adjudged finally by a competent court of law to have arisen out of the shareholder's bad faith, willful misconduct or gross negligence, and, provided, further, that such shareholder must give prompt notice as to any such claims or liabilities or suits and must take such action as will permit the Trust to conduct the defense thereof. The rights accruing to a shareholder under this Article X Section 3 shall not exclude any other rights to which such shareholder lawfully may be entitled, nor

shall anything herein contained restrict the right of the Trust to indemnify or reimburse a shareholder in any appropriate situation even though not specifically provided herein; provided, however, that the Trust shall have no liability to reimburse shareholders for taxes assessed against them by reason of their ownership of shares, nor for any losses suffered by reason of changes in the market value of securities of the Trust.

Section 4. Insurance. The Trust may, but shall not be required to, purchase and maintain insurance on behalf of any person who is or was a shareholder, trustee, officer, employee or agent of the Trust or who, while a trustee, officer, employee or agent of the Trust is or was serving at the request of the Trust as a trustee, officer, partner, trustee, employee or agent of another foreign or domestic corporation, partnership, joint venture, trust, employee benefit plan or other enterprise, against liability asserted against or incurred by such person in that capacity or arising from such person's status as a shareholder, trustee, officer, employee or agent, whether or not the Trust would have power to indemnify such person against the same liability under Article X hereof.

Section 5. Express Exculpatory Clauses in Instruments. Neither the shareholders nor the Trustees, officers, employees or agents of the Trust shall be liable under any written instrument creating an obligation of the Trust, and all persons shall look solely to the Trust Property for the payment of any claim under or for the performance of that instrument. The omission of the foregoing exculpatory language from any instrument shall not affect the validity or enforceability of such instrument and shall not render any shareholder, Trustee, officer, employee or agent liable thereunder to any third party, nor shall the Trustees or any shareholder, officer, employee or agent of the Trust be liable to anyone for such omission.

ARTICLE XI

AMENDMENT

Section 1. Amendment. Except as otherwise provided in this Declaration of Trust, this Declaration of Trust may be amended in accordance with the applicable laws of the State of Maryland, and, in accordance therewith, (a) Articles V and VI of this Declaration of Trust may be amended only as provided therein; (b) the Trustees by a majority vote may amend this Declaration of Trust to increase or decrease the aggregate number of shares or the number of shares of any series or class that the Trust has authority to issue; (c) the Trustees by a two-thirds (2/3) vote may amend this Declaration of Trust to qualify, or continue to qualify, the Trust as a real estate investment trust under the Code or under Maryland law; and (d) to the extent permitted by law, a majority of the entire Board of Trustees may amend this Declaration of Trust in any respect in which the charter of a Maryland corporation may be amended pursuant to Section 2-605 of the Maryland General Corporation Law, or any successor thereto.

ARTICLE XII

RELIANCE BY THIRD PARTIES

Any certificate shall be final and conclusive as to any persons dealing with the Trust if executed by an individual who, according to the records of the Trust or of any recording office in which this Declaration of Trust may be recorded, appears to be the Secretary or an Assistant Secretary of the Trust or a Trustee, and if certifying to: (a) the number or identity of Trustees, officers of the Trust or shareholders; (b) the due authorization of the execution of any document; (c) the action or vote taken, and the existence of a quorum, at a meeting of Trustees or shareholders; (d) a copy of this Declaration of Trust or of the Bylaws as a true and complete copy as then in force; (e) an amendment to this Declaration of Trust; (f) the termination of the Trust; or (g) the existence of any fact or facts which relate to the affairs of the Trust. No purchaser, lender, transfer agent or other person shall be bound to make any inquiry concerning the validity of any transaction purporting to be made on behalf of the Trust by the Trustees or by any officer, employee or agent of the Trust.

IN WITNESS WHEREOF, each of the undersigned Trustees has executed this Declaration of Trust on the ____ day of February, 1998 and acknowledges this Declaration of Trust to be his act.

TRUSTEES:

/s/ George C. Zoley

George C. Zoley

/s/ Charles R. Jones

Charles R. Jones

CORRECTIONAL PROPERTIES TRUST

BYLAWS

ARTICLE I

OFFICES

Section 1. PRINCIPAL OFFICE. The principal office of the Trust shall be determined by the Board of Trustees and located at such place or places as the Trustees may designate.

Section 2. ADDITIONAL OFFICES. The Trust may have additional offices at such places as the Trustees may from time to time determine or the business of the Trust may require.

Section 3. FISCAL AND TAXABLE YEARS. The fiscal and taxable years of the Trust shall begin on January 1 and end on December 31.

ARTICLE II

MEETINGS OF SHAREHOLDERS

Section 1. PLACE. All meetings of shareholders shall be held at the principal office of the Trust or at such other place within or without the United States as shall be determined by the Board of Trustees and stated in the notice of the meeting.

Section 2. ANNUAL MEETING. An annual meeting of the shareholders for the election of Trustees and the transaction of any business within the powers of the Trust shall be held each year, following the delivery of the annual report, referred to in Section 12 of this Article II, no later than 120 days after the end of the Trust's fiscal year at a convenient location, as determined by the Board of Trustees, and on proper notice, on a date and at the time set by the Trustees, beginning with the year 1999. Failure to hold an annual meeting does not invalidate the Trust's existence or affect any otherwise valid acts of the Trust.

Section 3. SPECIAL MEETINGS. The Chairman of the Board, a majority of the Trustees or a committee of the Board of Trustees which has been duly designated by the Board of Trustees and whose powers and authority, as provided in a resolution of the Board of Trustees or these Bylaws, include the power to call such meetings may call special meetings of the shareholders. Special meetings may not be called by the shareholders or by any other person or persons or entity.

Section 4. NOTICE. Not less than 10 nor more than 90 days before each meeting of shareholders, the secretary shall give to each shareholder entitled to vote at such meeting and to each shareholder not entitled to vote who is entitled to notice of the meeting written or printed notice stating the time and place of the meeting and, in the case of a special meeting or as otherwise may be required by any statute, the purpose for which the meeting is called, either by mail or by presenting it to such shareholder personally or by leaving it at his residence or usual place of business. If mailed, such notice shall be deemed to be given when deposited in the United States mail addressed to the shareholder at his post office address as it appears on the records of the Trust, with postage thereon prepaid.

Section 5. SCOPE OF NOTICE. Any business of the Trust may be transacted at an annual meeting of shareholders without being specifically designated in the notice, except such business as is required by any statute to be stated in such notice. No business shall be transacted at a special meeting of shareholders except as specifically designated in the notice.

Section 6. ORGANIZATION. At every meeting of the shareholders, the Chairman of the Board, if there be one, shall conduct the meeting or, in the case of vacancy in office or absence of the Chairman of the Board, one of the following officers present shall conduct the meeting in the order stated: the Vice Chairman of the Board, if there be one, the President, the Vice Presidents in their order of rank and seniority and the Secretary, or, in his absence, an assistant secretary, or in the absence of both the Secretary and assistant secretaries, a person appointed by the Chairman shall act as Secretary.

Section 7. QUORUM. At any meeting of shareholders, the presence in person or by proxy of shareholders entitled to cast a majority of all the votes entitled to be cast at such meeting shall constitute a quorum; but this Section shall not affect any requirement under any statute or the Declaration of Trust for the vote necessary for the adoption of any measure. If, however, such quorum shall not be present at any meeting of the shareholders, the shareholders entitled to vote at such meeting, present in person or by proxy, shall have the power to adjourn the meeting from time to time to a date not more than 120 days after the original record date without notice other than announcement at the meeting. At such adjourned meeting at which a quorum shall be present, any business may be transacted which might have been transacted at the meeting as originally notified.

Section 8. VOTING: NONAPPLICABILITY OF CONTROL SHARE STATUTE. A plurality of all the votes cast at a meeting of shareholders duly called and at which a quorum is present shall be sufficient to elect a Trustee. Each share may be voted for as many individuals as there are Trustees to be elected and for whose election the share is entitled to be voted. A majority of the votes cast at a meeting of shareholders duly called and at which a quorum is present shall be sufficient to approve any other matter which may properly come before the meeting, unless more than a majority of the votes cast is required herein or by statute or by the Declaration of Trust. Unless otherwise provided in the Declaration, each outstanding share, regardless of class, shall be entitled to one vote on each matter submitted to a vote at a meeting of shareholders.

Title 3, Subtitle 7, Voting Rights of Certain Control Shares, of the Corporations and Associations Article of the Annotated Code of Maryland (or any successor statute) shall not apply to any acquisition of ownership of, or voting rights or other interests in any shares of the Trust.

Section 9. PROXIES. A shareholder may vote the shares owned of record either in person or by proxy. The proxy shall be in writing and shall be signed by the shareholder or by the shareholder's duly authorized attorney-in-fact or be in such other form as may be permitted by the Maryland General Corporation Law with respect to the use of proxies by stockholders in Maryland corporations, including documents conveyed by electronic transmission. A copy, facsimile transmission or other reproduction of the writing or transmission may be substituted for the original writing or transmission for any purpose for which the original writing or transmission could be used. Every proxy shall be dated, but need not be sealed, witnessed or acknowledged. No proxy shall be valid after eleven (11) months from its date, unless otherwise provided in the proxy.

Section 10. VOTING OF SHARES BY CERTAIN HOLDERS. Any trustee or other fiduciary may vote shares registered in his name as such fiduciary, either in person or by proxy. In the case of shares held of record by more than one person, any co-owner or co-fiduciary may execute the proxy without the joinder of the co-owner(s) or co-fiduciary(ies), unless the Secretary of the Trust is notified in writing by any co-owner or co-fiduciary that the joinder of more than one is to be required.

The Trustees may adopt by resolution a procedure by which a shareholder may certify in writing to the Trust that any shares registered in the name of the shareholder are held for the account of a specified person other than the shareholder. The resolution shall set forth the class of shareholders who may make the certification, the purpose for which the certification may be made, the form of certification and the information to be contained in it; if the certification is with respect to a record date or closing of the share transfer books, the time after the record date or closing of the share transfer books within which the certification must be received by the Trust; and any other provisions with respect to the procedure which the Trustees consider necessary or desirable. On receipt of such certification, the person specified in the certification shall be regarded as, for the purposes set forth in the certification, the shareholder of record of the specified shares in place of the shareholder who makes the certification.

Section 11. INSPECTORS. At any meeting of shareholders, the chairman of the meeting may, or upon the request of any shareholder shall, appoint one or more persons as inspectors for such meeting. Such inspectors shall ascertain and report the number of shares represented at the meeting based upon their determination of the validity and effect of proxies, count all votes, report the results and perform such other acts as are proper to conduct the election and voting with impartiality and fairness to all the shareholders.

Each report of an inspector shall be in writing and signed by him or by a majority of them if there is more than one inspector acting at such meeting. If there is more than one inspector, the report of a majority shall be the report of the inspectors. The report of the inspector or inspectors

on the number of shares represented at the meeting and the results of the voting shall be prima facie evidence thereof.

Section 12. REPORTS TO SHAREHOLDERS.

Not later than 120 days after the close of each fiscal year of the Trust, the Trustees shall deliver or cause to be delivered a report of the business and operations of the Trust during such fiscal year to the shareholders, containing a balance sheet and a statement of income and surplus of the Trust, accompanied by the certification of an independent certified public accountant based on the accountant's full examination of the books and records of the real estate investment trust in accordance with generally accepted auditing procedure, and such further information as the Trustees may determine is required pursuant to any law or regulation to which the Trust is subject. A signed copy of the annual report and the accountant's certificate shall be placed on file at the principal office of the Trust and filed by the Trustees with such governmental agencies, if any, as may be required by law and as the Trustees may deem appropriate.

Section 13. NOMINATIONS AND SHAREHOLDER BUSINESS.

(a) Annual Meetings of Shareholders.

(1) Nominations of persons for election to the Board of Trustees and the proposal of business to be considered by the shareholders may be made at an annual meeting of shareholders (i) pursuant to the Trust's notice of meeting, (ii) by or at the direction of the Trustees or (iii) by any shareholder of the Trust who was a shareholder of record at the time of giving of notice provided for in this Section 13(a), who is entitled to vote at the meeting and who complied with the notice procedures set forth in this Section 13(a).

(2) For nominations or other business to be properly brought before an annual meeting by a shareholder pursuant to clause (iii) of paragraph (a)(1) of this Section 13, the shareholder must have given timely notice thereof in writing to the secretary of the Trust. To be timely, a shareholder's notice shall be delivered to the secretary at the principal executive offices of the Trust not less than 60 days nor more than 90 days prior to the first anniversary of the preceding year's annual meeting; provided, however, that in the event that the date of the annual meeting is advanced by more than 30 days or delayed by more than 60 days from such anniversary date, notice by the shareholder to be timely must be so delivered not earlier than the 90th day prior to such annual meeting and not later than the close of business on the later of the 60th day prior to such annual meeting or the tenth day following the day on which public announcement of the date of such meeting is first made. Such shareholder's notice shall set forth (i) as to each person whom the shareholder proposes to nominate for election or reelection as a Trustee all information relating to such person that is required to be disclosed in solicitations of proxies for election of Trustees, or is otherwise required, in each case pursuant to Regulation 14A under the Securities Exchange Act of 1934, as amended (the "Exchange Act") (including such person's written consent to being

named in the proxy statement as a nominee and to serving as a Trustee if elected); (ii) as to any other business that the shareholder proposes to bring before the meeting, a brief description of the business desired to be brought before the meeting, the reasons for conducting such business at the meeting and any material interest in such business of such shareholder and of the beneficial owner, if any, on whose behalf the proposal is made; and (iii) as to the shareholder giving the notice and the beneficial owner, if any, on whose behalf the nomination or proposal is made, (y) the name and address of such shareholder, as they appear on the Trust's books, and of such beneficial owner and (z) the number of each class of shares of the Trust which are owned beneficially and of record by such shareholder and such beneficial owner.

(3) Notwithstanding anything in the second sentence of paragraph (a)(2) of this Section 13 to the contrary, in the event that the number of Trustees to be elected to the Board of Trustees is increased and there is no public announcement naming all of the nominees for Trustee or specifying the size of the increased Board of Trustees made by the Trust at least 70 days prior to the first anniversary of the preceding year's annual meeting, a shareholder's notice required by this Section 13(a) shall also be considered timely, but only with respect to nominees for any new positions created by such increase, if it shall be delivered to the secretary at the principal executive offices of the Trust not later than the close of business on the tenth day following the day on which such public announcement is first made by the Trust.

(b) Special Meetings of Shareholders. Only such business shall be conducted at a special meeting of shareholders as shall have been brought before the meeting pursuant to the Trust's notice of meeting. Nominations of persons for election to the Board of Trustees may be made at a special meeting of shareholders at which Trustees are to be elected (i) pursuant to the Trust's notice of meeting, (ii) by or at the direction of the Board of Trustees or (iii) provided that the Board of Trustees has determined that Trustees shall be elected at such special meeting, by any shareholder of the Trust who was a shareholder of record at the time of giving of notice provided for in this Section 13(b), who is entitled to vote at the meeting and who complied with the notice procedures set forth in this Section 13(b). In the event the Trust calls a special meeting of shareholders for the purpose of electing one or more Trustees to the Board of Trustees, any such shareholder may nominate a person or persons (as the case may be) for election to such position as specified in the Trust's notice of meeting, if the shareholder's notice containing the information required by paragraph (a)(2) of this Section 13 shall be delivered to the secretary at the principal executive offices of the Trust not earlier than the 90th day prior to such special meeting and not later than the close of business on the later of the 60th day prior to such special meeting or the tenth day following the day on which public announcement is first made of the date of the special meeting and of the nominees proposed by the Trustees to be elected at such meeting.

(c) General.

(1) Only such persons who are nominated in accordance with the procedures set forth in this Section 13 shall be eligible to serve as Trustees and only such business shall be conducted at a meeting of shareholders as shall have been brought before the meeting in accordance with the procedures set forth in this Section 13. The presiding officer of the meeting shall have the power and duty to determine whether a nomination or any business proposed to be brought before the meeting was made in accordance with the procedures set forth in this Section 13 and, if any proposed nomination or business is not in compliance with this Section 13, to declare that such defective nomination or proposal be disregarded.

(2) For purposes of this Section 13, "public announcement" shall mean disclosure in a press release reported by the Dow Jones News Service, Associated Press or comparable news service or in a document publicly filed by the Trust with the Securities and Exchange Commission pursuant to Sections 13, 14 or 15(d) of the Exchange Act.

(3) Notwithstanding the foregoing provisions of this Section 13, a shareholder shall also comply with all applicable requirements of state law and of the Exchange Act and the rules and regulations thereunder with respect to the matters set forth in this Section 13. Nothing in this Section 13 shall be deemed to affect any rights of shareholders to request inclusion of proposals in the Trust's proxy statement pursuant to Rule 14A-8 under the Exchange Act.

Section 14. INFORMAL ACTION BY SHAREHOLDERS. Any action required or permitted to be taken at a meeting of shareholders may be taken without a meeting if a consent in writing, setting forth such action, is signed by each shareholder entitled to vote on the matter and any other shareholder entitled to notice of a meeting of shareholders (but not to vote thereat) has waived in writing any right to dissent from such action, and such consent and waiver are filed with the minutes of proceedings of the shareholders.

Section 15. VOTING BY BALLOT. Voting on any question or in any election may be by voice vote unless the presiding officer shall order or any shareholder shall demand that voting be by ballot.

ARTICLE III

TRUSTEES

Section 1. GENERAL POWERS; QUALIFICATIONS; TRUSTEES HOLDING OVER. The business and affairs of the Trust shall be managed under the direction of its Board of Trustees. A Trustee shall be an individual at least 21 years of age who is not under legal disability. Unless

otherwise agreed between the Trust and the Trustee, each individual Trustee, may engage in other business activities of the type conducted by the Trust and is not required to present to the Trust any investment opportunities presented to them even though the investment opportunities may be within the scope of the Trust's investment policies. In case of failure to elect Trustees at an annual meeting of the shareholders, the Trustees holding over shall continue to direct the management of the business and affairs of the Trust until their successors are elected and qualify.

Section 2. ANNUAL AND REGULAR MEETINGS. An annual meeting of the Trustees shall be held immediately after and at the same place as the annual meeting of shareholders, no notice other than this Bylaw being necessary. The Trustees may provide, by resolution, the time and place, either within or without the State of Maryland, for the holding of regular meetings of the Trustees without other notice than such resolution.

Section 3. SPECIAL MEETINGS. Special meetings of the Trustees may be called by or at the request of the Chairman of the Board, the Chief Executive Officer or the President or by a majority of the Trustees then in office. The person or persons authorized to call special meetings of the Trustees may fix any place, either within or without the State of Maryland, as the place for holding any special meeting of the Trustees called by them.

Section 4. NOTICE. Notice of any special meeting shall be given upon at least 24 hours written or telecopied notice which shall be delivered personally, telecopied or mailed to each Trustee at his business or residence address. Personally delivered or telecopied notices shall be given at least 24 hours prior to the meeting. If mailed, such notice shall be deemed given 48 hours after the time of mailing. Neither the business to be transacted at, nor the purpose of, any annual, regular or special meeting of the Trustees need be stated in the notice, unless specifically required by statute or these Bylaws.

Section 5. QUORUM. Except as provided in subsection (b) of Section 6, a majority of the entire Board of Trustees shall constitute a quorum for transaction of business at any meeting of the Trustees, provided that, if less than a majority of such Trustees are present at said meeting, a majority of the Trustees present may adjourn the meeting from time to time without further notice, and provided further that if, pursuant to the Declaration of Trust or these Bylaws, the vote of a majority of a particular group of Trustees is required for action, a quorum must also include a majority of such group.

The Trustees present at a meeting which has been duly called and convened may continue to transact business until adjournment, notwithstanding the withdrawal of enough Trustees to leave less than a quorum.

Section 6. VOTING.

(a) The action of the majority of the Trustees present at a meeting at which a quorum is present shall be the action of the Trustees, unless the concurrence of a greater proportion is required for such action by the Declaration of Trust, these Bylaws or applicable statute.

Section 7. TELEPHONE MEETINGS. Trustees may participate in a meeting by means of a conference telephone or similar communications equipment if all persons participating in the meeting can hear each other at the same time. Participation in a meeting by these means shall constitute presence in person at the meeting.

Section 8. INFORMAL ACTION BY TRUSTEES. Any action required or permitted to be taken at any meeting of the Trustees may be taken without a meeting, if a consent in writing to such action is signed by each Trustee and such written consent is filed with the minutes of proceedings of the Trustees.

Section 9. VACANCIES. If for any reason any or all the Trustees cease to be Trustees, such event shall not terminate the Trust or affect these Bylaws or the powers of the remaining Trustees hereunder (even if fewer Trustees remain than as required by law). Any vacancy (including a vacancy created by an increase in the number of Trustees) shall be filled, at any regular meeting or at any special meeting called for that purpose, by a majority of the Trustees. Any individual so elected as Trustee shall hold office for the unexpired term of the Trustee he is replacing and until his successor is elected and qualified.

Section 10. COMPENSATION. Trustees shall not receive any stated salary for their services as Trustees but, by resolution of the Trustees, may receive cash compensation, a fixed sum of shares, or options for a fixed sum of shares of the Trust for any service or activity they performed or engaged in as Trustees. Trustees may receive a fee for, and non-employee Trustees shall be reimbursed for, expenses in connection with, attendance, if any, at each annual regular or special meeting of the Trustees or of any committee thereof; and for their expenses, if any, in connection with each property visit and any other service or activity performed or engaged in as Trustees; but nothing herein contained shall be construed to preclude any Trustees from serving the Trust in any other capacity and receiving compensation therefor.

Section 11. REMOVAL OF TRUSTEES. The shareholders may, at any time, remove any Trustee in the manner provided in the Declaration of Trust.

Section 12. LOSS OF DEPOSITS. No Trustee shall be liable for any loss which may occur by reason of the failure of the bank, trust company, savings and loan association, or other institution with whom moneys or shares have been deposited.

Section 13. SURETY BONDS. Unless required by law, no Trustee shall be obligated to give any bond or surety or other security for the performance of any of his duties.

Section 14. NUMBER, TENURE AND QUALIFICATIONS. The number of Trustees of the Trust shall be at least one (1) and not more than fifteen (15), as determined from time to time by the Board of Trustees. Trustees need not be shareholders of the Trust.

Section 15. INTERESTED TRUSTEE MATTERS. A contract or other transaction between the Trust and any of its Trustees or between the Trust and any other trust, corporation, firm, or other entity in which any of its Trustees is a trustee or director or has a material financial interest is not void or voidable because of any one or more of the following:

- (i) The common trustee/directorship or interest;
- (ii) The presence of the Trustee at the meeting of the Board or committee of the Board which authorizes, approves or ratifies the contract or transaction,
- (iii) The counting of the vote of the Trustee for the authorization, approval or ratification of the contract or transaction.
- (iv) The counting of the Trustee in determining the presence of a quorum at a meeting of the Board of Trustees or committee of the Board of Trustees or at a meeting of the shareholders, as the case may be, at which the contract or transaction is authorized, approved or ratified.

ARTICLE IV

COMMITTEES

Section 1. GENERAL. The Board of Trustees may, by a majority of the whole board, designate one or more committees, each such committee to consist of one or more of the Trustees of the Trust. The board may designate one or more Trustees as alternate members of any committee, who may replace any absent or disqualified member at any meeting of the committee. Any such committee, to the extent provided by the Board of Trustees shall have and may exercise all the powers and authority of the Board of Trustees in the management of the business and affairs of the Trust, and may authorize the seal of the Trust to be affixed to all papers which may require it; but no such committee shall have the power or authority in reference to amending or supplementing the Declaration of Trust (except that a committee may, to the extent authorized in the resolution or resolutions providing for the issuance of shares adopted by the Board of Trustees, fix the designations and any of the preferences or rights of such shares, including without limitation, those relating to voting powers, restrictions, limitations as to dividends or distributions, terms or conditions of redemption, liquidation, any distribution of assets of the Trust or the conversion into, or the exchange of such shares for, shares of any other class or classes or any other series of shares or authorize the increase or decrease of the shares of any class or series), or amending the Bylaws of the Trust; and,

unless the Board of Trustees or the Declaration of Trust so provides, no such committee shall have the power or authority to authorize a merger, declare a dividend, authorize the issuance of shares or to adopt a certificate of ownership.

Section 2. COMMITTEES. The Trust shall initially have the following committees, the specific authority and members of which shall be as designated herein or by resolution of the Board of Trustees.

(a) An Audit Committee, which shall make recommendations concerning the engagement of independent public accountants, review with the independent public accountants the plans and results of the audit engagement, approve professional services provided by the independent public accountants, review the independence of the independent public accountants, consider the range of audit and non-audit fees and review the adequacy of the Trust's initial accounting controls.

(b) A Compensation Committee, which shall determine compensation for the Trust's executive officers and administer any share incentive plans adopted by the Trust.

(c) An Executive Committee, which shall have such authority as may be delegated to it by the Trustees.

Section 3. RECORDS OF COMMITTEE MEETINGS. Each committee shall keep regular minutes of its meetings and report the same to the Board of Trustees when required. The presence of a majority of the total membership of any committee shall constitute a quorum for the transaction of business at any meeting of such committee and the act of a majority of those present shall be necessary and sufficient for the taking of any action at such meeting.

ARTICLE V

OFFICERS

Section 1. GENERAL PROVISIONS. The officers of the Trust may consist of a Chairman of the Board, a Vice Chairman of the Board, a Chief Executive Officer, a President, one or more Vice Presidents, a Treasurer, one or more Assistant Treasurers, a Secretary, and one or more Assistant Secretaries. In addition, the Trustees may from time to time appoint such other officers with such powers and duties as they shall deem necessary or desirable. The officers of the Trust shall be elected annually by the Trustees at the first meeting of the Trustees held after each annual meeting of shareholders. If the election of officers shall not be held at such meeting, such election shall be held as soon thereafter as may be convenient. Each officer shall hold office until his successor is elected and qualifies or until his death, resignation or removal in the manner hereinafter provided. Any two or more offices except President and Vice President may be held by the same person. In their discretion, the Trustees may leave unfilled any office except that of President and Secretary.

Election of an officer or agent shall not of itself create contract rights between the Trust and such officer or agent.

Section 2. REMOVAL AND RESIGNATION. Any officer or agent of the Trust may be removed by the Trustees if in their judgment the best interests of the Trust would be served thereby, but such removal shall be without prejudice to the contract rights, if any, of the person so removed. Any officer of the Trust may resign at any time by giving written notice of his resignation to the Trustees, the Chairman of the Board, the President or the Secretary. Any resignation shall take effect at any time subsequent to the time specified therein or, if the time when it shall become effective is not specified therein immediately upon its receipt. The acceptance of a resignation shall not be necessary to make it effective unless otherwise stated in the resignation. Such resignation shall be without prejudice to the contract rights, if any, of the Trust.

Section 3. VACANCIES. A vacancy in any office may be filled by the Trustees for the balance of the term.

Section 4. CHAIRMAN AND VICE CHAIRMAN OF THE BOARD. The Chairman of the Board shall preside over the meetings of the Trustees and of the shareholders at which he shall be present and shall in general oversee all of the business and affairs of the Trust. In the absence of the Chairman of the Board, the Vice Chairman of the Board shall preside at such meetings at which he shall be present. The Chairman and the Vice Chairman of the Board may execute any deed, mortgage, bond, contract or other instrument, except in cases where the execution thereof shall be expressly delegated by the Trustees or by these Bylaws to some other officer or agent of the Trust or shall be required by law to be otherwise executed. The Chairman of the Board and the Vice Chairman of the Board shall perform such other duties as may be assigned to him by the Trustees.

Section 5. CHIEF EXECUTIVE OFFICER. The Trustees may designate a Chief Executive Officer from among the elected officers. The Chief Executive Officer shall have responsibility for implementation of the policies of the Trust as determined by the Trustees, and for the administration of the business affairs of the Trust. In the absence of both the Chairman and Vice Chairman of the Board, the Chief Executive Officer shall preside over the meetings of the Trustees and of the shareholders at which he shall be present. The Chief Executive Officer may execute any deed, mortgage, bond, contract or other instrument, except in cases where the execution thereof shall be expressly delegated by the Trustees or by these Bylaws to some other officer or agent of the Trust or shall be required by law to be otherwise executed. The Chief Executive Officer shall perform such other duties as may be assigned to him by the Trustees.

Section 6. CHIEF OPERATING OFFICER. The Trustees may designate a Chief Operating Officer from among the elected officers. The Chief Operating Officer may execute any deed, mortgage, bond, contract or other instrument, except in cases where the execution thereof shall be expressly delegated by the Trustees or by these Bylaws to some other officer or agent of the Trust or shall be required by law to be otherwise executed; and in general shall perform all duties incident

to the office of Chief Operating Officer and such other duties as may be prescribed by all the Trustees or the Chief Executive Officer from time to time.

Section 7. CHIEF DEVELOPMENT OFFICER. The Trustees may designate a Chief Development Officer from among the elected officers. The Chief Development Officer may execute any deed, mortgage, bond, contract or other instrument, except in cases where the execution thereof shall be expressly delegated by the Trustees or by these Bylaws to some other officer or agent of the Trust or shall be required by law to be otherwise executed; and in general shall perform all duties incident to the office of Chief Development Officer and such other duties as may be prescribed by all the Trustees or the Chief Executive Officer from time to time.

Section 8. CHIEF FINANCIAL OFFICER. The Trustees may designate a Chief Financial Officer from among the elected officers. The Chief Financial Officer may execute any deed, mortgage, bond, contract or other instrument, except in cases where the execution thereof shall be expressly delegated by the Trustees or by these Bylaws to some other officer or agent of the Trust or shall be required by law to be otherwise executed; and in general shall perform all duties incident to the office of Chief Financial Officer and such other duties as may be prescribed by all the Trustees or the Chief Executive Officer from time to time.

Section 9. PRESIDENT. In the absence of the Chairman, the Vice Chairman of the Board and the Chief Executive Officer, the President shall preside over the meetings of the Trustees and of the shareholders at which he shall be present. In the absence of a designation of a Chief Executive Officer by the Trustees, the President shall be the Chief Executive Officer and shall be ex officio a member of all committees that may, from time to time, be constituted by the Trustees. The President may execute any deed, mortgage, bond, contract or other instrument, except in cases where the execution thereof shall be expressly delegated by the Trustees or by these Bylaws to some other officer or agent of the Trust or shall be required by law to be otherwise executed; and in general shall perform all duties incident to the office of President and such other duties as may be prescribed by the Trustees or the Chief Executive Officer from time to time.

Section 10. VICE PRESIDENTS. In the absence of the President or in the event of a vacancy in such office, the Vice President (or in the event there be more than one Vice President, the Vice Presidents in the order designated at the time of their election or, in the absence of any designation, then in the order of their election) shall perform the duties of the President and when so acting shall have all the powers of and be subject to all the restrictions upon the President; and shall perform such other duties as from time to time may be assigned to him by the Chief Executive Officer, the President or the Trustees. The Trustees may designate one or more Vice Presidents as Executive Vice President or as Vice President for particular areas of responsibility.

Section 11. SECRETARY. The Secretary shall (a) keep the minutes of the proceedings of the shareholders, the Trustees and committees of the Trustees in one or more books provided for that purpose; (b) see that all notices are duly given in accordance with the provisions of these Bylaws or as required by law; (c) be custodian of the trust records and of the seal of the Trust; (d) keep a

register of the post office address of each shareholder which shall be furnished to the Secretary by such shareholder; (e) have general charge of the share transfer books of the Trust; and (f) in general perform such other duties as from time to time may be assigned to him by the Chief Executive Officer, the President or by the Trustees.

Section 12. TREASURER. The Treasurer shall have the custody of the funds and securities of the Trust and shall keep full and accurate accounts of receipts and disbursements in books belonging to the Trust and shall deposit all moneys and other valuable effects in the name and to the credit of the Trust in such depositories as may be designated by the Trustees. The Treasurer shall disburse the funds of the Trust as may be ordered by the Trustees, taking proper vouchers for such disbursements, and shall render to the Chief Executive Officer, the President and Trustees, at the regular meetings of the Trustees or whenever they may require it, an account of all his transactions as Treasurer and of the financial condition of the Trust. If required by the Trustees, the Treasurer shall give the Trust a bond in such sum and with such surety or sureties as shall be satisfactory to the Trustees for the faithful performance of the duties of his office and for the restoration to the Trust in case of his death, resignation, retirement or removal from office, of all books, papers, vouchers, moneys and other property of whatever kind in his possession or under his control belonging to the Trust.

Section 13. ASSISTANT SECRETARIES AND ASSISTANT TREASURERS. The Assistant Secretaries and Assistant Treasurers, in general shall perform such duties as shall be assigned to them by the Secretary or Treasurer, respectively, or by the Chief Executive Officer, the President or the Trustees. The Assistant Treasurers shall, if required by the Trustees, give bonds for the faithful performance of their duties in such sums and with such surety or sureties as shall be satisfactory to the Trustees.

Section 14. SALARIES. The salaries of the officers shall be fixed from time to time by the Trustees and no officer shall be prevented from receiving such salary by reason of the fact that he is also a Trustee.

ARTICLE VI

CONTRACTS, LOANS, CHECKS AND DEPOSITS

Section 1. CONTRACTS. The Trustees may authorize any officer or agent to enter into any contract or to execute and deliver any instrument in the name of and on behalf of the Trust and such authority may be general or confined to specific instances.

Section 2. CHECKS AND DRAFTS. All checks, drafts or other orders for the payment of money, notes or other evidences of indebtedness issued in the name of the Trust shall be signed by such officer or officers, agent or agents of the Trust in such manner as shall from time to time be determined by the Trustees.

Section 3. DEPOSITS. All funds of the Trust not otherwise employed shall be deposited from time to time to the credit of the Trust in such banks, trust companies or other depositories as the Trustees may designate.

ARTICLE VII

SHARES

Section 1. CERTIFICATES. Subject to the authority of the Trustees to determine to issue shares without certificates, each shareholder shall be entitled to a certificate or certificates which shall represent and certify the number of shares of each class of beneficial interests held by him in the Trust. Each certificate shall be signed by the Chief Executive Officer, the President or a Vice President and countersigned by the Secretary or an Assistant Secretary or the Treasurer or an Assistant Treasurer and may be sealed with the seal, if any, of the Trust. The signatures may be either manual or facsimile. Certificates shall be consecutively numbered; and if the Trust shall, from time to time, issue several classes of shares, each class may have its own number series. A certificate is valid and may be issued whether or not an officer who signed it is still an officer when it is issued. Each certificate representing shares which are restricted as to their transferability or voting powers, which are preferred or limited as to their dividends or as to their allocable portion of the assets upon liquidation or which are redeemable at the option of the Trust, shall have a statement of such restriction, limitation, preference or redemption provision, or a summary thereof, plainly stated on the Certificate. In lieu of such statement or summary, the Trust may set forth upon the face or back of the certificate a statement that the Trust will furnish to any shareholder, upon request and without charge, a full statement of such information.

Section 2. TRANSFERS. Certificates shall be treated as negotiable, and title thereto and to the shares they represent shall be transferred by delivery thereof to the same extent as those of a Maryland stock corporation. No transfers of shares of the Trust shall be made if (i) void ab initio pursuant to any provision of the Declaration of Trust or (ii) the Board of Trustees, pursuant to any Provision of the Declaration of Trust, shall have refused to permit the transfer of such shares. Permitted transfers of shares of the Trust shall be made on the share records of the Trust only upon the instruction of the registered holder thereof, or by his attorney thereunto authorized by power of attorney duly executed and filed with the Secretary or with a transfer agent or transfer clerk, and upon surrender of the certificate or certificates, if issued, for such shares properly endorsed or accompanied by a duly executed share transfer power and the payment of all taxes thereon. Upon surrender to the Trust or the transfer agent of the Trust of a certificate for shares duly endorsed or accompanied by proper evidence of succession, assignment or authority to transfer, as to any transfers not prohibited by any provision of the Declaration of Trust or by action of the Board of Trustees thereunder, it shall be the duty of the Trust to issue a new certificate to the person entitled thereto, cancel the old certificate and record the transaction upon its books.

Section 3. REPLACEMENT CERTIFICATE. Any officer designated by the Trustees may direct a new certificate to be issued in place of any certificate previously issued by the Trust alleged to have been lost, stolen or destroyed upon the making of an affidavit of that fact by the person claiming the certificate to be lost, stolen or destroyed. When authorizing the issuance of a new certificate, the officer designated by the Trustees may, in his discretion and as a condition precedent to the issuance thereof, require the owner of such lost, stolen or destroyed certificate or the owner's legal representative to advertise the same in such manner as he shall require and/or to give bond, with sufficient surety, to the Trust to indemnify it against any loss or claim which may arise as a result of the issuance of a new certificate.

Section 4. FIXING OF RECORD DATE. The Trustees may set, in advance, a record date for the purpose of determining shareholders entitled to notice of or to vote at any meeting of shareholders or determining shareholders entitled to receive payment of any dividend or the allotment of any other rights, or in order to make a determination of shareholders for any other purpose. Such date, in any case, shall not be prior to the close of business on the day the record date is fixed and shall be not more than 90 days and in the case of a meeting of shareholders not less than ten days, before the date on which the meeting or particular action requiring such determination of shareholders of record is to be held or taken.

If no record date is fixed for the determination of shareholders, (a) the record date for the determination of shareholders entitled to notice of or to vote at a meeting of shareholders shall be at the close of business on the day on which the notice of meeting is mailed or the 30th day before the meeting, whichever is the closer date to the meeting; and (b) the record date for the determination of shareholders entitled to receive payment of a dividend or an allotment of any other rights shall be the close of business on the day on which the resolution of the Trustees, declaring the dividend or allotment of rights, is adopted.

When a determination of shareholders entitled to vote at any meeting of shareholders has been made as provided in this section, such determination shall apply to any adjournment thereof, except that when the meeting is adjourned to a date more than 120 days after the record date fixed for the original meeting, a new record date shall be determined as set forth herein.

Section 5. SHARE LEDGER. The Trust shall maintain at its principal office or at the office of its counsel, accountants or transfer agent, an original or duplicate share ledger containing the name and address of each shareholder and the number of shares of each class held by such shareholder.

ARTICLE VIII

DISTRIBUTIONS

Section 1. AUTHORIZATION. Dividends and other distributions upon the shares of the Trust may be authorized and declared by the Board Trustees in their discretion, subject to the provisions of law and the Declaration of Trust. Dividends may be paid in cash, property or shares of the Trust, subject to the provisions of law and the Declaration of Trust.

Section 2. CONTINGENCIES. Before payment of any dividends or any other distributions, there may be set aside out of any funds of the Trust available for dividends or any other distributions such sum or sums as the Trustees may from time to time, in their absolute discretion, think proper as a reserve fund for contingencies, for equalizing dividends, for repairing or maintaining any property of the Trust or for such other purpose as the Trustees shall determine to be in the best interest of the Trust, and the Trustees may modify or abolish any such reserve in the manner in which it was created.

ARTICLE IX

SEAL

Section 1. SEAL. The Trustees may authorize the adoption of a seal by the Trust. The seal shall have inscribed thereon the name of the Trust and the year of its formation. The Trustees may authorize one or more duplicate seals and provide for the custody thereof.

Section 2. AFFIXING SEAL. Whenever the Trust is required to place its seal to a document, it shall be sufficient to meet the requirements of any law, rule or regulation relating to a seal to place the word "(SEAL)" adjacent to the signature of the person authorized to execute the document on behalf of the Trust.

ARTICLE X

INDEMNIFICATION AND ADVANCES FOR EXPENSES

To the maximum extent permitted by Maryland law in effect from time to time, the Trust shall indemnify (a) any Trustee or officer or any former Trustee or officer (including among the foregoing, for all purposes of this Article X and without limitation, any individual who, while a Trustee or officer and at the express request of the Trust, serves or has served another corporation, partnership, joint venture, trust, employee benefit plan or any other enterprise as a director, officer, shareholder, partner or trustee of such corporation, partnership, joint venture, trust, employee benefit plan or other enterprise) who has been successful, on the merits or otherwise, in the defense of a proceeding to

which he was made a party by reason of service in such capacity, against reasonable expenses incurred by him in connection with the proceeding, and (b) any Trustee or officer or any former Trustee or officer against any claim or liability to which he may become subject by reason of such status unless it is established that (i) his act or omission was material to the matter giving rise to the proceeding and was committed in bad faith or was the result of active and deliberate dishonesty, (ii) he actually received an improper personal benefit in money, property or services or (iii) in the case of a criminal proceeding, he had reasonable cause to believe that his act or omission was unlawful.

Notwithstanding the foregoing, if the proceeding was one by or in the right of the Trust, indemnification may not be made in respect of any proceeding in which the Trustee or officer shall have been adjudged to be liable to the Trust. In addition, the Trust shall pay or reimburse, in advance of final disposition of a proceeding, reasonable expenses incurred by a Trustee or officer or former Trustee or officer made a party to a proceeding by reason such status, provided that, the Trust shall have received (i) a written affirmation by the Trustee or officer of his good faith belief that he has met the applicable standard of conduct necessary for indemnification by the Trust as authorized by these Bylaws and (ii) a written undertaking by or on its behalf to repay the amount paid or reimbursed by the Trust if it shall ultimately be determined that the applicable standard of conduct was not met. The Trust may, with the approval of its Trustees, provide such indemnification or payment or reimbursement of expenses to any Trustee or officer or any former Trustee or officer who served a predecessor of the Trust as a trustee, director, officer or partner, and to any employee or agent of the Trust or a Predecessor of the Trust. Neither the amendment nor repeal of this Article, nor the adoption or amendment of any other provision of the Declaration of Trust or these Bylaws inconsistent with this Article, shall apply to or affect in any respect the applicability of this Article with respect to any act or failure to act which occurred prior to such amendment, repeal or adoption.

Any indemnification or payment or reimbursement of the expenses permitted by these Bylaws shall be furnished in accordance with the procedures provided for indemnification or payment or reimbursement of expenses, as the case may be, under Section 2-418 of the Maryland General Corporation Law (the "MGCL") for directors of Maryland corporations. The Trust may provide to Trustees, officers and shareholders such other and further indemnification or payment or reimbursement of expenses, as the case may be, to the fullest extent permitted by MGCL, as in effect from time to time, for directors of Maryland corporations.

ARTICLE XI

WAIVER OF NOTICE

Whenever any notice is required to be given pursuant to the Declaration of Trust or Bylaws or pursuant to applicable law, a waiver thereof in writing, signed by the person or persons entitled to such notice, whether before or after the time stated therein, shall be deemed equivalent to the giving of such notice. Neither the business to be transacted at nor the purpose of any meeting need be set forth in the waiver of notice, unless specifically required by statute. The attendance of any person at any meeting shall constitute a waiver of notice of such meeting, except where such person

attends a meeting for the express purpose of objecting to the transaction of any business on the ground that the meeting is not lawfully called or convened.

ARTICLE XII

AMENDMENT OF BYLAWS

The Trustees shall have the exclusive power to adopt, alter or repeal any provision of these Bylaws and to make new Bylaws in accordance with Article III hereof.

ARTICLE XIII

MISCELLANEOUS

All references to the Declaration of Trust shall include any amendments thereto.

CERTIFICATE OF LIMITED PARTNERSHIP

OF

This Certificate of Limited Partnership of _____ (the "Limited Partnership") is being executed by the undersigned for the purpose of forming a limited partnership pursuant to the Delaware Revised Uniform Limited Partnership Act.

1. The name of the limited partnership is

2. The address of the registered office of the limited partnership in Delaware is 1013 Centre Road, Wilmington, Delaware 19805. The limited partnership's registered agent at the address is Corporation Service Company.

3. The names and addresses of the general partners are:

| | |
|------|---------|
| NAME | ADDRESS |
|------|---------|

[4. ANY OTHER INFORMATION WHICH THE GENERAL PARTNERS CHOOSE TO INCLUDE.]

IN WITNESS WHEREOF, the undersigned, constituting all of the general partners of the Partnership, have caused this Certificate of Limited Partnership [WHICH SHALL BECOME EFFECTIVE ON _____, 19__,] to be duly executed as of ____ day of _____, 19__.

_____, General Partner

CONSENT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

As independent certified public accountants, we hereby consent to the use of our reports (and to all references to our Firm) included in or made a part of this Registration Statement File No. 333-_____.

ARTHUR ANDERSEN LLP

West Palm Beach, Florida,
February 20, 1998.

CONSENT OF PERSON ABOUT TO BECOME A TRUSTEE

Pursuant to Rule 438 promulgated under the Securities Act of 1933, as amended, I, George R. Wackenhut, hereby consent to be named as a person about to become a trustee of Correctional Properties Trust in this Registration Statement on Form S-11.

/s/ George R. Wackenhut

Name: George R. Wackenhut

February 18, 1998

CONSENT OF PERSON ABOUT TO BECOME A TRUSTEE

Pursuant to Rule 438 promulgated under the Securities Act of 1933, as amended, I, Richard R. Wackenhut, hereby consent to be named as a person about to become a trustee of Correctional Properties Trust in this Registration Statement on Form S-11.

/s/ Richard R. Wackenhut

Name: Richard R. Wackenhut

February 18, 1998

CONSENT OF PERSON ABOUT TO BECOME A TRUSTEE

Pursuant to Rule 438 promulgated under the Securities Act of 1933, as amended, I, Anthony D. Travisono, hereby consent to be named as a person about to become a trustee of Correctional Properties Trust in this Registration Statement on Form S-11.

/s/ Anthony D. Travisono

Name: Anthony D. Travisono

February 18, 1998

CONSENT OF PERSON ABOUT TO BECOME A TRUSTEE

Pursuant to Rule 438 promulgated under the Securities Act of 1933, as amended, I, Clarence E. Anthony, hereby consent to be named as a person about to become a trustee of Correctional Properties Trust in this Registration Statement on Form S-11.

/s/ Clarence E. Anthony

Name: Clarence E. Anthony

February 18, 1998

CONSENT OF PERSON ABOUT TO BECOME A TRUSTEE

Pursuant to Rule 438 promulgated under the Securities Act of 1933, as amended, I, James D. Motta, hereby consent to be named as a person about to become a trustee of Correctional Properties Trust in this Registration Statement on Form S-11.

/s/ James D. Motta

Name: James D. Motta

February 18, 1998

CONSENT OF PERSON ABOUT TO BECOME A TRUSTEE

Pursuant to Rule 438 promulgated under the Securities Act of 1933, as amended, I, William M. Murphy, hereby consent to be named as a person about to become a trustee of Correctional Properties Trust in this Registration Statement on Form S-11.

/s/ William M. Murphy

Name: William M. Murphy

February 18, 1998

CONSENT OF PERSON ABOUT TO BECOME A TRUSTEE

Pursuant to Rule 438 promulgated under the Securities Act of 1933, as amended, I, Robert R. Veach, Jr. hereby consent to be named as a person about to become a trustee of Correctional Properties Trust in this Registration Statement on Form S-11.

/s/ Robert R. Veach, Jr.

Name: Robert R. Veach, Jr.

February 18, 1998