

FORM 10-Q

SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

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

For the quarterly period ended March 30, 2003

OR

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

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission file number 1-14260

WACKENHUT CORRECTIONS CORPORATION

(Exact name of registrant as specified in its charter)

Florida

65-0043078

(State or other jurisdiction of incorporation or  
organization)

(I.R.S. Employer Identification No.)

One Park Place, 621 NW 53rd Street, Suite 700,  
Boca Raton, Florida

33487

(Address of principal executive offices) (Zip code)  
(561) 893-0101

(Registrant’s telephone number, including area code)

4200 Wackenhut Drive #100, Palm Beach Gardens, Florida 33410-4243

Former name, former address and former fiscal year, if changed since last report.

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

Yes ☒

No ☐

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Exchange Act).

Yes ☒

No ☐

At May 12, 2003, 21,278,286 shares of the registrant’s Common Stock were issued and outstanding.

WACKENHUT CORRECTIONS CORPORATION

PART I — FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS.

The following condensed consolidated financial statements of Wackenhut Corrections Corporation, a Florida corporation (the “Company”), have been prepared in accordance with the instructions to Form 10-Q and, therefore, omit or condense certain footnotes and other information normally included in financial statements prepared in accordance with generally accepted accounting principles. Certain amounts in the prior year have been reclassified to conform to the current presentation. In the opinion of management, all adjustments (consisting only of normal recurring accruals) necessary for a fair presentation of the financial information for the interim periods reported have been made. Results of operations for the thirteen weeks ended March 30, 2003 are not necessarily indicative of the results for the entire fiscal year ending December 28, 2003.

WACKENHUT CORRECTIONS CORPORATION  
CONDENSED CONSOLIDATED STATEMENTS OF INCOME  
FOR THE THIRTEEN WEEKS ENDED  
MARCH 30, 2003 AND MARCH 31, 2002  
(In thousands except per share data)  
(UNAUDITED)

	Thirteen Weeks Ended	
	March 30, 2003	March 31, 2002
Revenues	\$145,254	\$140,182
Operating expenses (including amounts related to The Wackenhut Corporation (“TWC”) of \$0 and \$5,927))	123,300	123,664
Depreciation and amortization	3,313	2,485
Contribution from operations	18,641	14,033
G&A expense (including amounts related to TWC of \$655 and \$814)	8,935	8,115
Operating income	9,706	5,918
Interest income (including amounts related to TWC of \$0 and \$1)	1,129	999
Interest expense (including amounts related to TWC of \$0 and (\$18))	(3,003)	(848)
Income before income taxes and equity in earnings of affiliates	7,832	6,069
Provision for income taxes	3,280	2,472
Income before equity in earnings of affiliates	4,552	3,597
Equity in earnings of affiliates, net of income tax provision of \$449 and \$1,007	620	1,586
Net income	\$ 5,172	\$ 5,183
Basic earnings per share:		
Net income	\$ 0.24	\$ 0.25
Basic weighted average shares outstanding	21,246	20,977
Diluted earnings per share:		
Net income	\$ 0.24	\$ 0.24
Diluted weighted average shares outstanding	21,325	21,276

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

WACKENHUT CORRECTIONS CORPORATION  
CONDENSED CONSOLIDATED BALANCE SHEETS  
MARCH 30, 2003 AND DECEMBER 29, 2002  
(In thousands except share data)

	March 30, 2003	December 29, 2002
	(UNAUDITED)	
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 48,324	\$ 35,240
Accounts receivable, less allowance for doubtful accounts of \$1,238 and \$1,644	86,207	84,737
Deferred income tax asset	7,632	7,161
Other	7,320	12,445
Total current assets	149,483	139,583
Property and equipment, net	205,931	206,466
Investments in and advances to affiliates	20,371	19,776
Deferred income tax asset	1,069	119
Direct finance lease receivable	34,013	30,866
Other non current assets	4,675	5,848
	\$415,542	\$402,658
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
Current liabilities:		
Accounts payable	\$ 14,178	\$ 10,138
Accrued payroll and related taxes	16,166	17,489
Accrued expenses	41,944	43,046
Current portion of deferred revenue	1,837	2,551
Current portion of long-term debt and non-recourse debt	1,770	1,770
Total current liabilities	75,895	74,994
Deferred revenue	7,579	7,348
Other	14,578	13,058
Long-term debt	123,750	123,750
Non-recourse debt	34,013	30,866
Commitments and contingencies		
Shareholders' equity:		
Preferred stock, \$.01 par value, 10,000,000 shares authorized	—	—
Common stock, \$.01 par value, 30,000,000 shares authorized, 21,245,620 shares issued and outstanding	212	212
Additional paid-in capital	63,500	63,500
Retained earnings	116,509	111,337
Accumulated other comprehensive loss	(20,494)	(22,407)
Total shareholders' equity	159,727	152,642
	\$415,542	\$402,658

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

WACKENHUT CORRECTIONS CORPORATION  
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS  
FOR THE THIRTEEN WEEKS ENDED  
MARCH 30, 2003 AND MARCH 31, 2002  
(In thousands)  
(UNAUDITED)

	Thirteen Weeks Ended	
	March 30, 2003	March 31, 2002
Cash flows from operating activities:		
Net income	\$ 5,172	\$ 5,183
Adjustments to reconcile net income to net cash used in operating activities—		
Depreciation and amortization	3,313	2,485
Deferred tax (benefit) provision	(1,474)	1,033
Provision for doubtful accounts	104	87
Equity in earnings of affiliates, net of tax	(620)	(1,586)
Changes in assets and liabilities —		
(Increase) decrease in assets:		
Accounts receivable	(401)	3,736
Other current assets	5,432	(5,960)
Other assets	135	2,257
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	2,179	(9,238)
Accrued payroll and related taxes	(1,521)	431
Deferred revenue	(483)	(694)
Other liabilities	1,520	1,430
Net cash provided by (used in) operating activities	13,356	(836)
Cash flows from investing activities:		
Investments in and advances to affiliates	(118)	(768)
Capital expenditures	(2,224)	(1,573)
Net cash used in investing activities	(2,342)	(2,341)
Cash flows from financing activities:		
Proceeds from non-recourse debt	972	—
Net cash provided by financing activities	972	—
Effect of exchange rate changes on cash	1,098	1,332
Net increase (decrease) in cash	13,084	(1,845)
Cash, beginning of period	35,240	46,099
Cash, end of period	\$48,324	\$44,254
Supplemental disclosures:		
Cash paid for income taxes	\$ 2,600	\$ 917
Cash paid for interest	\$ 2,176	\$ 80

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

WACKENHUT CORRECTIONS CORPORATION  
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
(UNAUDITED)

1. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies followed for quarterly financial reporting are the same as those disclosed in the Notes to Consolidated Financial Statements included in the Company’s Form 10-K filed with the Securities and Exchange Commission on March 20, 2003 for the fiscal year ended December 29, 2002. Certain prior period amounts have been reclassified to conform with current period financial statement presentations.

RECENT ACCOUNTING PRONOUNCEMENTS

In October 2001, the Financial Accounting Standards Board (“FASB”) issued SFAS No. 143, “Accounting for Asset Retirement Obligations.” This standard requires companies to record the fair value of a liability for an asset retirement obligation in the period in which it is incurred. When the liability is initially recorded, the Company capitalizes a cost by increasing the carrying amount of the related long-lived asset. Over time, the liability is accreted to its present value each period, and the capitalized cost is depreciated over the useful life of the related asset. Upon settlement of the liability, the Company either settles the obligation for its recorded amount or incurs a gain or loss upon settlement. The standard is effective for fiscal years beginning after June 15, 2002, with earlier application encouraged. The adoption of SFAS No. 143 did not have a material impact on the consolidated financial statements of the Company.

In April 2002, the FASB issued SFAS No. 145, “Rescission of FASB Statements No. 4, 44, and 64, Amendment of FASB Statement No. 13, and Technical Corrections.” SFAS No. 145, among other things, requires gains and losses on extinguishment of debt to be classified as part of continuing operations rather than treated as extraordinary, as previously required in accordance with SFAS No. 4. SFAS No. 145 also modifies accounting for subleases where the original lessee remains the secondary obligor and requires certain modifications to capital leases to be treated as a sale-leaseback transaction. The adoption of SFAS No. 145 did not have a material impact on the consolidated financial statements of the Company.

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

WACKENHUT CORRECTIONS CORPORATION  
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
(UNAUDITED)

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

Had compensation cost for these plans been determined based on the fair value at date of grant in accordance with FASB Statement No. 123, the Company’s net income and earnings per share would have been reduced to the pro forma amounts as follows:

	Three Months Ended March 30, 2003	Three Months Ended March 31, 2002
(In thousands, except per share data)		
Net income:		
As reported	\$5,172	\$5,183
Deduct: Total stock-based employee compensation expense determined under fair value based method for all awards, net of related tax effects	75	1,001
Pro forma	5,097	4,182
Basic earnings per share:		
As reported	\$ 0.24	\$ 0.25
Pro forma	0.24	0.20
Diluted earnings per share:		
As reported	\$ 0.24	\$ 0.24
Pro forma	0.24	0.20

For purposes of the pro forma calculations, the fair value of each option is estimated on the date of the grant using the Black-Scholes option-pricing model, assuming no expected dividends and the following assumptions:

	Stock options granted during the	
	Three Months Ended March 30, 2003	Three Months Ended March 31, 2002
Expected volatility factor	49%	49%
Approximate risk free interest rate	2.56%	1.95%
Expected lives	4.5 years	2.6 years

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

In April 2003, the FASB issued SFAS No. 149, “Amendment of Statement 133 on Derivative Instruments and Hedging Activities.” SFAS No. 149 amends and clarifies accounting for derivative instruments, including certain derivative instruments embedded in other contracts, and for hedging activities under SFAS No. 133. In particular, this Statement clarifies under what circumstances a contract with an initial net investment meets the characteristic of a derivative and when a derivative contains a financing component that warrants special reporting in the statement of cash flows. This Statement is generally effective for contracts entered into or modified after June 30, 2003 and is not expected to have a material impact on the Company’s financial statements. This statement is a forward-looking statement within the meaning of the Private Securities Litigation Act. See “Forward-Looking Statements” on page 16.

WACKENHUT CORRECTIONS CORPORATION  
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
(UNAUDITED)

2. DOMESTIC AND INTERNATIONAL OPERATIONS

A summary of domestic and international operations is presented below (dollars in thousands):

	Thirteen Weeks Ended	
	March 30, 2003	March 31, 2002
Revenues		
Domestic operations	\$113,505	\$111,861
International operations	31,749	28,321
Total revenues	\$145,254	\$140,182
Operating Income		
Domestic operations	\$ 8,926	\$ 5,721
International operations	780	197
Total operating income	\$ 9,706	\$ 5,918
	As of	
	March 30, 2003	December 29, 2002
Long-lived Assets		
Domestic operations	\$199,604	\$200,258
International operations	6,327	6,208
Total long-lived assets	\$205,931	\$206,466

Long-lived assets consist of property and equipment.

The Company has affiliates (50% or less owned) that provide correctional detention facilities management, home monitoring and court escort services in the United Kingdom. The following table summarizes certain financial information pertaining to these unconsolidated foreign affiliates, on a combined basis (dollars in thousands):

	Thirteen Weeks Ended	
	March 30, 2003	March 31, 2002
Statement of Operations Data		
Revenues	\$ 50,981	\$ 45,551
Operating income	1,596	11,049
Net income	1,037	4,314
Balance Sheet Data		
Current assets	\$100,688	\$ 91,741
Noncurrent assets	299,881	276,299
Current liabilities	43,312	37,541
Noncurrent liabilities	317,894	300,833
Stockholders' equity	39,363	29,666



WACKENHUT CORRECTIONS CORPORATION  
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
(UNAUDITED)

2. DOMESTIC AND INTERNATIONAL OPERATIONS (CONTINUED)

The Company’s equity affiliate in the United Kingdom has entered into interest rate swaps to fix the interest rate it receives on its variable rate credit facility. Management of the Company has determined the swaps to be effective cash flow hedges. Accordingly, the Company records its share of the affiliates’ change in other comprehensive income. The swaps fair value approximated \$12.1 million, net of tax, and \$11.9 million, net of tax, at March 30, 2003 and December 29, 2002, respectively, and are reflected as a component of accumulated other comprehensive loss in the Company’s financial statements.

During 2000, the Company began developing a correctional facility and preparing the facility for operation in South Africa through 50% owned foreign affiliates. In February 2002, the Company successfully opened the 3,024-bed maximum security correctional facility. The following table summarizes certain financial information pertaining to these unconsolidated foreign affiliates, on a combined basis (dollars in thousands):

	Thirteen Weeks Ended	
	March 30, 2003	March 31, 2002
Statement of Operations Data		
Revenues	\$ 8,239	\$ 791
Operating income (loss)	2,435	(1,148)
Net income (loss)	203	(1,140)
Balance Sheet Data		
Current assets	\$ 7,580	\$ 2,718
Noncurrent assets	52,045	37,022
Current liabilities	3,268	1,423
Noncurrent liabilities	56,468	36,689
Stockholders’ (deficit) equity	(111)	1,628

WACKENHUT CORRECTIONS CORPORATION  
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
(UNAUDITED)

3. COMPREHENSIVE INCOME

Statement of Financial Accounting Standards No. 130, “Reporting Comprehensive Income,” establishes standards for reporting and display of comprehensive income and its components in financial statements. The components of the Company’s comprehensive income are as follows (dollars in thousands):

	Thirteen Weeks Ended	
	March 30, 2003	March 31, 2002
Net income	\$5,172	\$5,183
Change in foreign currency translation, net of income tax expense of \$1,408 and \$786, respectively	2,202	1,230
Minimum pension liability adjustment, net of income tax expense of \$65	101	—
Unrealized (loss) gain on derivative instruments, net of income tax benefit (expense) of \$249 and (\$308), respectively	(390)	482
Comprehensive income	\$7,085	\$6,895

4. EARNINGS PER SHARE

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

	Thirteen Weeks Ended	
	March 30, 2003	March 31, 2002
Net Income	\$ 5,172	\$ 5,183
Basic earnings per share:		
Weighted average shares		
Outstanding	21,246	20,977
Per share amount	\$ 0.24	\$ 0.25
Diluted earnings per share:		
Weighted average shares		
Outstanding	21,246	20,977
Effect of dilutive securities:		
Employee and director stock		
Options	79	299
Weighted average shares assuming dilution	21,325	21,276
Per share amount	\$ 0.24	\$ 0.24

WACKENHUT CORRECTIONS CORPORATION

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(UNAUDITED)

4.

EARNINGS PER SHARE (CONTINUED)

Options to purchase 951,600 shares of the Company’s common stock, with exercise prices ranging from \$9.51 to \$26.88 per share and expiration dates between 2005 and 2013, were outstanding at March 30, 2003, but were not included in the computation of diluted EPS because their effect would be anti-dilutive. At March 31, 2002, options to purchase 476,600 shares of the Company’s common stock, with exercise prices ranging from \$16.88 to \$26.88 and expiration dates between 2006 and 2009, were outstanding and also excluded from the computation of diluted EPS because their effect would be anti-dilutive.

5.

LONG-TERM DEBT

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

The Revolving Credit Facility contains a \$30 million limit for the issuance of standby letters of credit. At March 30, 2003, \$125 million was outstanding under the Term Loan Facility, there were no borrowings under the Revolving Credit Facility, and there was \$18.7 million outstanding under letters of credit. At March 30, 2003, \$31.3 million of the Revolving Credit Facility was available to the Company for working capital, acquisitions, general corporate purposes, and for restricted payments as defined in the Senior Credit Facility.

The Senior Credit Facility permits the Company to make certain restricted payments such as the repurchase of Company common stock. At March 30, 2003, the Company had \$15 million available for restricted payments. The amount of permitted restricted payments may increase upon the Company’s generation of excess cash flow and under certain permitted asset sales.

Indebtedness under the Revolving Credit Facility bears interest at the Company’s option at the base rate (defined as the higher of the prime rate or federal funds plus 0.5%) plus a spread of 125 to 200 basis points or LIBOR plus 250 to 325 basis points, depending on the leverage ratio. Indebtedness under the Term Loan Facility bears interest at LIBOR + 400 basis points, with a minimum LIBOR rate of 2.0% during the first 18-months. As LIBOR was below 2.0% at March 30, 2003, the effective rate on the Company’s term loan borrowings was 6.0%.

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

The Senior Credit Facility includes covenants that require the Company, among other things, to maintain a maximum leverage ratio, a minimum fixed charge coverage ratio, a minimum net worth, and to limit the amount of annual capital expenditures. The facility also limits certain payments and distributions to the Company as well as the Company’s ability to enter into certain types of transactions. The Company was in compliance with the covenants of the Senior Credit Facility as of March 30, 2003.

WACKENHUT CORRECTIONS CORPORATION

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(UNAUDITED)

5. LONG-TERM DEBT (CONTINUED)

At March 30, 2003, the Company also had outstanding eleven letters of guarantee totaling approximately \$6 million under separate international facilities.

The Company’s wholly-owned Australian subsidiary financed the facility’s development with long-term debt obligations, which are non-recourse to the Company. The term of the non-recourse debt is through 2017 and it bears interest at a variable rate quoted by certain Australian banks plus 140 basis points. Any obligations or liabilities of the subsidiary are matched by a similar or corresponding commitment from the government of the State of Victoria. In connection with the non-recourse debt, the subsidiary is a party to an interest rate swap agreement to fix the interest rate on the variable rate non-recourse debt to 9.7%. The Company has determined that the swap is an effective cash flow hedge and the Company records changes in the value of the swap as a component of other comprehensive income, net of applicable income taxes. The total value of the swap liability as of March 30, 2003 and December 29, 2002 was \$5.1 million and \$5.6 million, respectively and is recorded as a component of other liabilities in the accompanying condensed consolidated financial statements.

6. COMMITMENTS AND CONTINGENCIES

FACILITIES

In fiscal 2002, the Company had been notified by the Texas Youth Commission of a declining need for beds in the Coke County Texas Facility. However, the operating and management contract was renewed during 2003 for one year by the Texas Youth Commission and is effective through March 31, 2004.

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

WACKENHUT CORRECTIONS CORPORATION

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(UNAUDITED)

6. COMMITMENTS AND CONTINGENCIES (CONTINUED)

FACILITIES (CONTINUED)

During 2000, the Company’s management contract at the 276-bed Jena Juvenile Justice Center in Jena, Louisiana (the “Facility”) was terminated. The Company incurred an operating charge of \$1.1 million during fiscal 2002 related to the Company’s lease of the inactive Facility that represented the expected costs to be incurred under the lease until a sublease or alternative use could be initiated. The Company is continuing its efforts to find an alternative correctional use or sublease for the Facility and believes that it will be successful prior to early 2004. The Company has reserved for the lease payments through early 2004 and management believes the reserve balance currently established for anticipated future losses under the lease with CPV is sufficient to cover costs under the lease until a sublease is in place or an alternative future use is established. If the Company is unable to sublease or find an alternative correctional use for the Facility by that time, an additional operating charge will be required. The remaining obligation, exclusive of the reserve for losses through early 2004, on the Jena lease through the contractual term of 2009 is approximately \$11 million.

The Company, through Premier Custodial Group Limited (“PCG”), a 50 percent owned joint venture in the United Kingdom, operates the 400-bed Youthful Offender Institution at Ashfield (the “Ashfield Facility”). During 2002, due to operational issues, the UK Prison Service reduced payment from 400 available prisoner places, as defined in the contract, to actual occupied places. Due to certain operational issues, the UK Prison Service for the periods May 23, 2002 through October 23, 2002, and from December 2, 2002 through February 28, 2003, paid PCG only for the number of beds actually occupied, which averaged approximately 200 during these periods. As a result, PCG’s revenues for the Ashfield Facility were reduced by approximately half during these periods. In addition, PCG incurred costs in additional resources and staff brought in to address the operational issues at Ashfield. PCG has implemented a comprehensive plan for addressing these operational issues. The Prison Service has audited and accepted the facility’s operations. Revenues based on available prisoner places were restored February 28, 2003.

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

TWC MERGER WITH GROUP 4 FALCK

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

WACKENHUT CORRECTIONS CORPORATION  
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
(UNAUDITED)

6. COMMITMENTS AND CONTINGENCIES (CONTINUED)

TWC MERGER WITH GROUP 4 FALCK (CONTINUED)

On May 8, 2003, the Company announced an agreement to sell its one-half interest in its UK joint venture to Serco Investments Limited (“Serco”) at a price equal to 90 percent of its fair market value, as determined by a panel of valuation experts. The Company expects the fair value determination will be completed by mid-July 2003. The Company has dismissed its lawsuit in the UK challenging Serco’s claimed right to acquire the Company’s interest in the joint venture as a result of the merger.

LEGAL

The Company is defending a wage and hour lawsuit filed in California state court by ten current and former employees. The employees are seeking certification of a class, which would encompass all current and former WCC California employees. Discovery is underway and the court has yet to hear the plaintiffs’ certification motion. The Company is unable to estimate the potential loss exposure due to the current procedural posture of the lawsuit. While the plaintiffs in this case have not quantified their claim of damages and the outcome of the matters discussed above cannot be predicted with certainty, based on information known to date, management believes that the ultimate resolution of these matters, if settled unfavorably to the Company, could have a material adverse effect on the Company’s financial position, operating results and cash flows. The Company is vigorously defending its rights in this action.

The nature of the Company’s business results in claims or litigation against the Company for damages arising from the conduct of its employees or others. Except for routine litigation incidental to the business of the Company, and the matters set forth above, there are no pending material legal proceedings to which the Company or any of its subsidiaries is a party or to which any of their property is subject.

7. SUBSEQUENT EVENTS

On May 1, 2003, Wackenhut Corrections Corporation (the “Company”) entered into a Share Purchase Agreement (the “Share Purchase Agreement”) with Group 4 Falck A/S, the Company’s 57% majority shareholder (“Group 4 Falck”), The Wackenhut Corporation, the Company’s former parent company (“TWC”) and Tuhnekaw, Inc., an indirect wholly-owned subsidiary of Group 4 Falck (“Tuhnekaw”). Pursuant to the Share Purchase Agreement, the Company will repurchase from Group 4 Falck all 12,000,000 shares of the Company’s common stock, par value \$0.01 per share (the “Common Stock”), beneficially owned by Group 4 Falck and held of record by Tuhnekaw (the “Transaction”). The Company will pay Group 4 Falck a purchase price of \$132 million in cash

The Transaction was negotiated by a special committee of the Company’s board of directors and approved by the independent directors on the Company’s board. The special committee retained independent legal and financial advisers to assist it in the evaluation of the Transaction. The special committee received a fairness opinion from Legg Mason, its independent financial advisor, stating that the consideration being paid in connection with the Transaction is fair from a financial point of view to the shareholders of the Company other than Group 4 Falck and its affiliates.

Under the terms of the Share Purchase Agreement, Group 4 Falck, TWC and Tuhnekaw cannot, and cannot permit any of their subsidiaries to, acquire beneficial ownership of any voting securities of the Company during a one-year standstill period following the closing of the Transaction. Following the Transaction, it is anticipated that the Company will have approximately 9.4 million shares of Common Sock outstanding.

Upon the closing of the Transaction, the Agreement dated March 7, 2002 by and among the Company, Group 4 Falck and TWC, which governed certain aspects of the parties’ relationship, will be terminated and the two Group 4 Falck representatives currently serving on the Company’s board of directors, Lars Norby Johansen and Soren Lundsberg Nielsen, will resign. Also to be terminated upon the closing of the Transaction is a March 7, 2002 agreement wherein Group 4 Falck agreed to reimburse the Company for up to 10% of the fair market value of the Company’s UK joint venture interest in the event pending litigation related to the sale of TWC to Group 4 Falck were to result in a court order that the Company sell its interest in the joint venture to its partner, Serco Investments Limited (“Serco”). The Company has since agreed to sell its UK joint venture interest to Serco at a price equal to 90% of its fair market value, as determined by a panel of valuation experts. It is expected that the fair market value determination will be completed by mid-July 2003.

WACKENHUT CORRECTIONS CORPORATION  
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
(UNAUDITED)

7. SUBSEQUENT EVENTS (CONTINUED)

In addition, assuming the closing of the Transaction, the Services Agreement (the “Services Agreement”), dated October 28, 2002, between the Company and TWC, will be terminated effective December 31, 2003, and no further payments for periods thereafter will be due from the Company to Group 4 Falck under the Services Agreement. Pursuant to the Services Agreement, Group 4 Falck was scheduled to provide the Company with information systems related services through December 31, 2004. The Company will handle those services internally beginning January 1, 2004.

The sublease between the TWC, as sublessor, and the Company, as sublessee, will also be terminated upon the closing of the Transaction. The sublease, which covered the Company’s former corporate headquarters, was set to expire in 2011 and had a rental cost to the Company of approximately \$650,000 per year. The Company relocated its corporate headquarters to Boca Raton, Florida on April 14, 2003.

The completion of the Transaction is subject to the receipt of financing by the Company and to the satisfaction of customary conditions, including the continued accuracy of each party’s representations and warranties, the delivery of material third party consents and the solvency of the Company after giving effect to the Transaction. In connection with the Transaction, the Company has obtained committed financing (the “Financing”) from BNP Paribas (“BNP”) that will involve a restructuring of the Company’s existing senior secured credit facility (the “Restructured Credit Facility”) and the incurrence by the Company of new debt (the “New Debt”), with a closing anticipated by the end of June 2003.

The closing of the Financing is subject to, among other things, the following conditions: (i) there shall not have occurred any material adverse change in the business, assets, condition (financial or otherwise), operations, liabilities (whether contractual, environmental or otherwise), properties, projections or prospects of the Company and its subsidiaries taken as a whole; (ii) none of the information delivered by the Company to BNP in connection with the Financing shall be misleading or incorrect in any material respect, and BNP shall not have become aware of any matter that is inconsistent in a material and adverse manner with any of such information; (iii) there shall not have been any material disruption or material adverse change in the financial or capital markets generally or in the market for syndicated credit facilities in particular that could in the sole discretion of BNP be expected to materially adversely affect the Financing, (iv) BNP shall had had a reasonable opportunity and period of time in which to complete the Financing; and (v) other customary closing conditions shall have been satisfied.

The Restructured Credit Facility will consist of a term loan for a principal amount of approximately \$100 million and a revolving credit facility of an additional \$50 million. The New Debt will be for a principal amount of approximately \$150 million. It is anticipated that the Restructured Credit Facility and the New Debt will be issued at prevailing market interest rates. However, the terms of the Restructured Credit Facility and the New Debt have not yet been finalized and there can be no assurance that the interest rates applicable to them will not be materially higher than anticipated as a result of market conditions or other factors. In connection with the Financing, BNP will receive customary fees and other compensation for its services.

WACKENHUT CORRECTIONS CORPORATION

ITEM 2. MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

FINANCIAL CONDITION

Reference is made to Part II, Item 7 of the Company’s Annual Report on Form 10-K for the fiscal year ended December 29, 2002, filed with the Securities and Exchange Commission on March 20, 2003, for further discussion and analysis of information pertaining to the Company’s results of operations, liquidity and capital resources.

**Forward-Looking Statements:** Management’s discussion and analysis of the Company’s financial condition and results of operations and the Company’s May 1, 2003 press release announcing earnings contain forward-looking statements that are based on current expectations, estimates and projections about the industry in which the Company operates. This section of the quarterly report also includes beliefs and assumptions made by management. Words such as “expects”, “anticipates”, “intends”, “plans”, “believes”, “seeks”, “estimates”, and variations of such words and similar expressions are intended to identify such forward-looking statements. These statements are not guarantees of future performance and involve certain risks, uncertainties and assumptions (“Future Factors”) which are difficult to predict. Therefore, actual outcomes and results may differ materially from what is expressed or forecasted in such forward-looking statements. The Company undertakes no obligation to update publicly any forward-looking statements, whether as a result of new information, future events or otherwise.

Future Factors include, but are not limited to, (1) the impact, if any, resulting from the merger of TWC, the Company’s majority shareholder and Group 4 Falck; (2) the determination of the fair value of the Company’s United Kingdom joint venture and the resulting proceeds from the sale of the Company’s interest in the joint venture to its joint venture partner, Serco; (3) the Company’s ability to timely open facilities as planned, profitably manage such facilities and successfully integrate such facilities into the Company without substantial costs; (4) the instability of foreign exchange rates, exposing the Company to currency risks in Australia, New Zealand, South Africa and the United Kingdom; (5) an increase in unreimbursed labor rates; (6) the Company’s ability to expand correctional services and diversify its services in the mental health services market; (7) the Company’s ability to win management contracts for which it has submitted proposals and to retain existing management contracts; (8) the Company’s ability to raise capital given the short-term nature of the customers’ commitment to the use of the Company’s facilities; (9) the Company’s ability to sub-lease or coordinate the sale of the Jena, Louisiana Facility with Correctional Properties Trust (“CPV”) or otherwise reactivate the facility; (10) the Company’s ability to project the size and growth of the U.S. privatized corrections industry; (11) the Company’s ability to estimate the government’s level of dependency on contract services; (12) the Company’s ability to create long-term earnings visibility; (13) the Company’s ability to obtain future low-interest financing; (14) the Company’s exposure to rising general insurance costs; (15) the Company’s ability to complete the repurchase of the 12 million shares of common stock held by Group 4 Falck and (16) other future factors including, but not limited to, increasing price and product/service competition by foreign and domestic competitors, including new entrants; rapid technological developments and changes; the ability to continue to introduce competitive new products and services on a timely, cost effective basis; the mix of products/services; the achievement of lower costs and expenses; domestic and foreign governmental and public policy changes including environmental regulations; protection and validity of patent and other intellectual property rights; reliance on large customers; technological, implementation and cost/financial risks in increasing use of large, multi-year contracts; the outcome of pending and future litigation and governmental proceedings and continued availability of financing; financial instruments and financial resources in the amounts, at the times and on the terms required to support the Company’s future business and other factors contained in the Company’s Securities and Exchange Commission filings, including the prospectus dated January 23, 1996, and its current Form 10-K, 10-Q and 8-K reports.



WACKENHUT CORRECTIONS CORPORATION

CRITICAL ACCOUNTING POLICIES

The consolidated financial statements are prepared in conformity with accounting principles generally accepted in the United States. As such, we are required to make certain estimates, judgments and assumptions that we believe are reasonable based upon the information available. These estimates and assumptions affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. The Company routinely evaluates its estimates based on historical experience and on various other assumptions that management believes are reasonable under the circumstances. Actual results may differ from these estimates under different assumptions or conditions. A summary of our significant accounting policies is described in Note 2 to our financial statements on Form 10-K for the year ended December 29, 2002. The significant accounting policies and estimates which we believe are the most critical to aid in fully understanding and evaluating our reported financial results include the following:

REVENUE RECOGNITION

In accordance with SEC Staff Accounting Bulletin No. 101 and related interpretations, facility management revenues are recognized as services are provided under facility management contracts with approved government appropriations based on a net rate per day per inmate or on a fixed monthly rate. Project development and design revenues are recognized as earned on a percentage of completion basis measured by the percentage of costs incurred to date as compared to estimated total cost for each contract. This method is used because management considers costs incurred to date to be the best available measure of progress on these contracts. Provisions for estimated losses on uncompleted contracts and changes to cost estimates are made in the period in which the Company determines that such losses and changes are probable. Contract costs include all direct material and labor costs and those indirect costs related to contract performance. Changes in job performance, job conditions, and estimated profitability, including those arising from contract penalty provisions, and final contract settlements may result in revisions to estimated costs and income, and are recognized in the period in which the revisions are determined.

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

PROPERTY AND EQUIPMENT

As of March 30, 2003, the Company had approximately \$206 million in long-lived property and equipment. Property and equipment are recorded at cost. Depreciation is provided using the straight-line method over the estimated useful lives. Leasehold improvements are amortized on a straight-line basis over the shorter of the useful life of the improvement or the term of the lease. We perform ongoing evaluations of the estimated useful lives of our property and equipment for depreciation purposes. The estimated useful lives are determined and continually evaluated based on the period over which services are expected to be rendered by the asset. Maintenance and repair items are expensed as incurred.

WACKENHUT CORRECTIONS CORPORATION

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

INCOME TAXES

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

RESERVES FOR INSURANCE LOSSES

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

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

Liquidity and Capital Resources

The Company’s principal sources of liquidity are from operations and borrowings under its credit facilities. Cash and cash equivalents as of March 30, 2003 were \$48.3 million, an increase of \$13.1 million from December 29, 2002.

Cash provided by operating activities amounted to \$13.4 million in the thirteen weeks ended March 30, 2003 (“First Quarter 2003”) versus cash used in operating activities of \$0.8 million in the thirteen weeks ended March 31, 2002 (“First Quarter 2002”) primarily reflecting a decrease in other current assets and an increase in accounts payable and accrued expenses offset by a decrease in accrued payroll and related taxes.

Cash used in investing activities remained constant at \$2.3 million for both the First Quarter 2003 and First Quarter 2002.

There was \$1 million in cash provided by financing activities in the First Quarter 2003 as compared to no cash provided by financing activities in First Quarter 2002. The increase was due to additional proceeds from non-recourse debt.

WACKENHUT CORRECTIONS CORPORATION

Working capital increased from \$64.6 million at December 29, 2002 to \$73.6 million at March 30, 2003 primarily due to the increase in cash offset by a decrease in other current assets.

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

The Revolving Credit Facility contains a \$30 million limit for the issuance of standby letters of credit. At March 30, 2003, \$125 million was outstanding under the Term Loan Facility, there were no borrowings under the Revolving Credit Facility, and there was \$18.7 million outstanding under letters of credit. At March 30, 2003, \$31.3 million of the Revolving Credit Facility was available to the Company for working capital, acquisitions, general corporate purposes, and for restricted payments as defined in the Senior Credit Facility.

The Senior Credit Facility permits the Company to make certain restricted payments such as the repurchase of Company common stock. At March 30, 2003, the Company had \$15 million available for restricted payments. The amount of permitted restricted payments may increase upon the Company’s generation of excess cash flow and under certain permitted asset sales.

Indebtedness under the Revolving Credit Facility bears interest at the Company’s option at the base rate (defined as the higher of the prime rate or federal funds plus 0.5%) plus a spread of 125 to 200 basis points or LIBOR plus 250 to 325 basis points, depending on the leverage ratio. Indebtedness under the Term Loan Facility bears interest at LIBOR + 400 basis points, with a minimum LIBOR rate of 2.0% during the first 18-months. As LIBOR was below 2.0% at March 30, 2003, the effective rate on the Company’s term loan borrowings was 6.0%.

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

The Senior Credit Facility includes covenants that require the Company, among other things, to maintain a maximum leverage ratio, a minimum fixed charge coverage ratio, a minimum net worth, and to limit that amount of annual capital expenditures. The facility also limits certain payments and distributions to the Company as well as the Company’s ability to enter into certain types of transactions. The Company was in compliance with the covenants of the Senior Credit Facility as of March 30, 2003.

At March 30, 2003, the Company also had outstanding eleven letters of guarantee totaling approximately \$6 million under separate international facilities.

The Company’s liquidity and capital resources may be materially impacted by the Share Repurchase Agreement with Group 4 Falck. See Item 5. Other Information.

WACKENHUT CORRECTIONS CORPORATION

The Company’s wholly-owned Australian subsidiary financed the facility’s development with long-term debt obligations, which are non-recourse to the Company. The term of the non-recourse debt is through 2017 and it bears interest at a variable rate quoted by certain Australian banks plus 140 basis points. Any obligations or liabilities of the subsidiary are matched by a similar or corresponding commitment from the government of the State of Victoria. In connection with the non-recourse debt, the subsidiary is a party to an interest rate swap agreement to fix the interest rate on the variable rate non-recourse debt to 9.7%. The Company has determined that the swap is an effective cash flow hedge and the Company records changes in the value of the swap as a component of other comprehensive income, net of applicable income taxes. The total value of the swap liability as of March 30, 2003 and December 29, 2002 was \$5.1 million and \$5.6 million, respectively and is recorded as a component of other liabilities in the accompanying condensed consolidated financial statements.

WACKENHUT CORRECTIONS CORPORATION

RESULTS OF OPERATIONS

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

Comparison of Thirteen Weeks Ended March 30, 2003 and Thirteen Weeks Ended March 31, 2002

Revenues increased by 3.6% to \$145.3 million in the thirteen weeks ended March 30, 2003 from \$140.2 million in the thirteen weeks ended March 31, 2002. The increase in revenues is the result of contractual adjustments for inflation and improved terms negotiated into a number of our contracts and a strengthening of the Australian dollar from the First Quarter 2002. Specifically, revenue increased approximately \$3.4 million in First Quarter 2003 compared to First Quarter 2002 due to a strengthening of the Australian dollar from the first quarter of 2002. Additionally, domestic U.S revenues increased approximately \$5.4 million dollars due to contractual adjustments for inflation, slightly higher occupancy rates and improved terms negotiated into a number of contracts. This increase was partially reduced by approximately \$3.7 million in First Quarter 2003 compared to First Quarter 2002 due to the closure of the Bayamon Correctional Facility and Southbay – Sexually Violent Predators Unit as well as a reduction in compensated resident days at the Coke County Correctional Facility

The number of compensated resident days in domestic facilities increased to 2,302,787 in First Quarter 2003 from 2,275,982 in First Quarter 2002. The average facility occupancy in domestic facilities was 99.3% of capacity in First Quarter 2003 compared to 97.4% in First Quarter 2002. Compensated resident days in Australian facilities decreased to 396,890 from 461,271 for the comparable periods primarily due to lower population levels at the immigration and detention centers.

Operating expenses decreased by 0.3% to \$123.3 million in First Quarter 2003 compared to \$123.7 million in First Quarter 2002. As a percentage of revenue, operating expenses decreased to 84.9% in First Quarter 2003 from 88.2% in the comparable period in 2002. This slight decrease is attributable to savings from our newly established workers’ compensation and general liability insurance programs and the purchase in December 2002 of four previously leased facilities offset by increased payroll related costs. Previously the lease expense associated with these properties was included in operating expense. The interest cost associated with purchasing the properties is included in interest expense.

Depreciation and amortization increased by 33.3% to \$3.3 million in First Quarter 2003 compared to \$2.5 million in First Quarter 2002. As a percentage of revenue, depreciation and amortization increased to 2.3% in First Quarter 2003 from 1.8% in the comparable period in 2002. This increase is attributable to the purchase of previously leased facilities for approximately \$155 million in December 2002.

Contribution from operations increased 32.8% to \$18.6 million in First Quarter 2003 from \$14 million in First Quarter 2002. As a percentage of revenue, contribution from operations increased to 12.8% in First Quarter 2003 from 10.0% in First Quarter 2002. This increase is primarily due to the factors discussed above.

General and administrative expenses increased 10.1% to \$8.9 million in First Quarter 2003 from \$8.1 million in First Quarter 2002. As a percentage of revenue, general and administrative expenses increased to 6.2% in First Quarter 2003 from 5.8% in First Quarter 2002. The increase relates to increased deferred compensation costs for senior executive compensation agreements as well as payments under employment agreements with certain key executives triggered by the change in control from the sale of TWC in May 2002.

WACKENHUT CORRECTIONS CORPORATION

Operating income increased by 64.0% to \$9.7 million in First Quarter 2003 from \$5.9 million in First Quarter 2002. As a percentage of revenue, operating income increased to 6.7% in First Quarter 2003 from 4.2% in First Quarter 2002 due to the factors impacting contribution from operations and general and administrative expenses.

Interest income was \$1.1 million during First Quarter 2003 compared to \$1 million in First Quarter 2002.

Interest expense was \$3 million during First Quarter 2003 compared to \$0.8 million in First Quarter 2002. This increase is attributable to the debt incurred to finance the purchase of previously leased facilities for approximately \$155 million in December 2002. Previously, these properties were leased and the lease costs were included in operating expenses in the Company’s Condensed Consolidated Statements of Income.

Income before income taxes and equity in earnings of affiliates increased to \$7.8 million in First Quarter 2003 from \$6.1 million in First Quarter 2002 due to the factors described above.

Provision for income taxes increased to \$3.3 million in First Quarter 2003 from \$2.5 million in First Quarter 2002 due to higher taxable income and a higher effective tax rate.

Equity in earnings of affiliates, net of income tax provision, decreased to \$0.6 million in First Quarter 2003 from \$1.6 million in First Quarter 2002 due to performance issues at the Ashfield facility in the United Kingdom.

Net income remained constant at \$5.2 million in First Quarter 2003 and First Quarter 2002 as a result of the factors described above.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Reference is made to Item 7A, Part II of the Company’s Annual Report on Form 10-K for the fiscal year ended December 29, 2002, for discussion pertaining to the Company’s exposure to certain market risks. There have been no material changes in the disclosure for the thirteen weeks ended March 30, 2003.

WACKENHUT CORRECTIONS CORPORATION

ITEM 4. CONTROLS AND PROCEDURES

(a) Evaluation of Disclosure Controls and Procedures

Within the 90 days prior to the date of this Quarterly Report on Form 10-Q, the Company carried out an evaluation, under the supervision and with the participation of senior management, including our Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of our controls and procedures (as defined in Rules 13a-14(c) and 15d-14(c) of the Securities Exchange Act of 1934). Based upon that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that the Company’s disclosure controls and procedures were effective, as of the date of their evaluation, in timely alerting them to material information relating to the Company required to be included in reports to be filed or submitted under the Exchange Act.

(b) Changes in Internal Controls

There have been no significant changes in the Company’s internal controls or in other factors that could affect such internal controls subsequent to the date of the evaluation referenced in Item 4(a) above.

PART II — OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

On May 8, 2003, the Company announced an agreement to sell its one-half interest in its UK joint venture to Serco Investments Limited (“Serco”) at a price equal to 90 percent of its fair market value, as determined by a panel of valuation experts. The Company expects the fair value determination will be completed by mid-July 2003. As a result of the agreement, the Company has dismissed its lawsuit in the UK challenging Serco’s claimed right to acquire the Company’s interest in the joint venture as a result of the merger.

The Company is defending a wage and hour lawsuit filed in California state court by ten current and former employees. The employees are seeking certification of a class, which would encompass all current and former WCC California employees. Discovery is underway and the court has yet to hear the plaintiffs’ certification motion. The Company is unable to estimate the potential loss exposure due to the current procedural posture of the lawsuit. While the plaintiffs in this case have not quantified their claim of damages and the outcome of the matters discussed above cannot be predicted with certainty, based on information known to date, management believes that the ultimate resolution of these matters, if settled unfavorably to the Company, could have a material adverse effect on the Company’s financial position, operating results and cash flows. The Company is vigorously defending its rights in this action. The nature of the Company’s business results in claims or litigation against the Company for damages arising from the conduct of its employees or others. Except for routine litigation incidental to the business of the Company, and the matters set forth above, there are no pending material legal proceedings to which the Company or any of its subsidiaries is a party or to which any of their property is subject.

ITEM 2. CHANGES IN SECURITIES AND USE OF PROCEEDS

Not applicable.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

Not applicable.

WACKENHUT CORRECTIONS CORPORATION

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

Not applicable.

ITEM 5. OTHER INFORMATION

On May 1, 2003, Wackenhut Corrections Corporation (the “Company”) entered into a Share Purchase Agreement (the “Share Purchase Agreement”) with Group 4 Falck A/S, the Company’s 57% majority shareholder (“Group 4 Falck”), The Wackenhut Corporation, the Company’s former parent company (“TWC”) and Tuhnekaw, Inc., an indirect wholly-owned subsidiary of Group 4 Falck (“Tuhnekaw”). Pursuant to the Share Purchase Agreement, the Company will repurchase from Group 4 Falck all 12,000,000 shares of the Company’s common stock, par value \$0.01 per share (the “Common Stock”), beneficially owned by Group 4 Falck and held of record by Tuhnekaw (the “Transaction”). The Company will pay Group 4 Falck a purchase price of \$132 million in cash

The Transaction was negotiated by a special committee of the Company’s board of directors and approved by the independent directors on the Company’s board. The special committee retained independent legal and financial advisers to assist it in the evaluation of the Transaction. The special committee received a fairness opinion from Legg Mason, its independent financial advisor, stating that the consideration being paid in connection with the Transaction is fair from a financial point of view to the shareholders of the Company other than Group 4 Falck and its affiliates.

Under the terms of the Share Purchase Agreement, Group 4 Falck, TWC and Tuhnekaw cannot, and cannot permit any of their subsidiaries to, acquire beneficial ownership of any voting securities of the Company during a one-year standstill period following the closing of the Transaction. Following the Transaction, it is anticipated that the Company will have approximately 9.4 million shares of Common Sock outstanding.

Upon the closing of the Transaction, the Agreement dated March 7, 2002 by and among the Company, Group 4 Falck and TWC, which governed certain aspects of the parties’ relationship, will be terminated and the two Group 4 Falck representatives currently serving on the Company’s board of directors, Lars Norby Johansen and Soren Lundsberg Nielsen, will resign. Also to be terminated upon the closing of the Transaction is a March 7, 2002 agreement wherein Group 4 Falck agreed to reimburse the Company for up to 10% of the fair market value of the Company’s UK joint venture interest in the event pending litigation related to the sale of TWC to Group 4 Falck were to result in a court order that the Company sell its interest in the joint venture to its partner, Serco Investments Limited (“Serco”). The Company has since agreed to sell its UK joint venture interest to Serco at a price equal to 90% of its fair market value, as determined by a panel of valuation experts. It is expected that the fair market value determination will be completed by mid-July 2003.

In addition, assuming the closing of the Transaction, the Services Agreement (the “Services Agreement”), dated October 28, 2002, between the Company and TWC, will be terminated effective December 31, 2003, and no further payments for periods thereafter will be due from the Company to Group 4 Falck under the Services Agreement. Pursuant to the Services Agreement, Group 4 Falck was scheduled to provide the Company with information systems related services through December 31, 2004. The Company will handle those services internally beginning January 1, 2004.

The sublease between the TWC, as sublessor, and the Company, as sublessee, will also be terminated upon the closing of the Transaction. The sublease, which covered the Company’s former corporate headquarters, was set to expire in 2011 and had a rental cost to the Company of approximately \$650,000 per year. The Company relocated its corporate headquarters to Boca Raton, Florida on April 14, 2003.

The completion of the Transaction is subject to the receipt of financing by the Company and to the satisfaction of customary conditions, including the continued accuracy of each party’s representations and warranties, the delivery of material third party consents and the solvency of the Company after giving effect to the Transaction. In connection with the Transaction, the Company has obtained committed financing (the “Financing”) from BNP Paribas (“BNP”) that will involve a restructuring of the Company’s existing senior secured credit facility (the “Restructured Credit Facility”) and the incurrence by the Company of new debt (the “New Debt”), with a closing anticipated by the end of June 2003.

The closing of the Financing is subject to, among other things, the following conditions: (i) there shall not have occurred any material adverse change in the business, assets, condition (financial or otherwise), operations, liabilities (whether contractual, environmental or otherwise), properties, projections or prospects of the Company and its subsidiaries taken as a whole; (ii) none of the information delivered by the Company to BNP in connection with the Financing shall be misleading or incorrect in any material respect, and BNP shall not have become aware of any matter that is inconsistent in a material and adverse manner with any of such information; (iii) there shall not have been any material disruption or material adverse change in the financial or capital markets generally or in the market for syndicated credit facilities in particular that could in the sole discretion of BNP be expected to materially adversely affect the Financing, (iv) BNP shall had had a reasonable opportunity and period of time in which to complete the Financing; and (v) other customary closing conditions shall have been satisfied.

The Restructured Credit Facility will consist of a term loan for a principal amount of approximately \$100 million and a revolving credit facility of an additional \$50 million. The New Debt will be for a principal amount of approximately \$150 million. It is anticipated that the Restructured Credit Facility and the New Debt will be issued at prevailing market interest rates. However, the terms of the Restructured Credit Facility and the New Debt have not yet been finalized and there can be no assurance that the interest rates applicable to them will not be materially higher than anticipated as a result of market conditions or other factors. In connection with the Financing, BNP will receive customary fees and other compensation for its services.

Nothing in this report, including in this Item 5, shall be deemed an offer to sell or an offer to buy a security for purposes of the Securities Act of



1933, as amended.

The Share Purchase Agreement and the Company’s press release regarding the Share Purchase Agreement are included with this report as Exhibit 10.1 and Exhibit 99.3, respectively, and are incorporated herein by reference.

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

- (a) Exhibits –
- 10.1

Share Purchase Agreement, dated May 1, 2003, among The Wackenhut Corporation, Tuhnekaw, Inc., Group 4 Falck A/S and Wackenhut Corrections Corporation.
- 99.1

CEO Certification.
- 99.2

CFO Certification.
- 99.3

Press Release dated May 1, 2003.
- (b) Reports on Form 8-K – The Company did not file a Form 8-K during the first quarter of the fiscal year ending December 28, 2003.

WACKENHUT CORRECTIONS CORPORATION

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

WACKENHUT CORRECTIONS CORPORATION

May 14, 2003	/s/ John G. O’Rourke
Date	John G. O’Rourke Senior Vice President — Finance, Chief Financial Officer and Treasurer (Principal Financial Officer)

G82821.SUB, DocName: 10-Q, Doc: 1, Page: 26  
Description: 10-Q

WACKENHUT CORRECTIONS CORPORATION

CERTIFICATION OF CHIEF EXECUTIVE OFFICER

(Section 302)

I, George C. Zoley, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Wackenhut Corrections Corporation;
2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;
3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;
4. The registrant’s other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and we have:

a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;

b) evaluated the effectiveness of the registrant’s disclosure controls and procedures as of a date within 90 days prior to the filing date of this quarterly report (the “Evaluation Date”); and

c) presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;
5. The registrant’s other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant’s auditors and the audit committee of registrant’s board of directors (or persons performing the equivalent function):

a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant’s ability to record, process, summarize and report financial data and have identified for the registrant’s auditors any material weaknesses in internal controls; and

b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal controls; and

WACKENHUT CORRECTIONS CORPORATION

6.
- The registrant’s other certifying officers and I have indicated in this quarterly report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: May 14, 2003

/S/ George C. Zoley

George C. Zoley

Chief Executive Officer

WACKENHUT CORRECTIONS CORPORATION

CERTIFICATION OF CHIEF FINANCIAL OFFICER

(Section 302)

I, John G. O’Rourke, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Wackenhut Corrections Corporation;
2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;
3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;
4. The registrant’s other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and we have:

a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;

b) evaluated the effectiveness of the registrant’s disclosure controls and procedures as of a date within 90 days prior to the filing date of this quarterly report (the “Evaluation Date”); and

c) presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;
5. The registrant’s other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant’s auditors and the audit committee of registrant’s board of directors (or persons performing the equivalent function):

a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant’s ability to record, process, summarize and report financial data and have identified for the registrant’s auditors any material weaknesses in internal controls; and

b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal controls; and

WACKENHUT CORRECTIONS CORPORATION

6.     The registrant’s other certifying officers and I have indicated in this quarterly report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: May 14, 2003

/S/ John G. O’Rourke

John G. O’Rourke

Chief Financial Officer

<DOCUMENT>

<TYPE>EX-10.1

<FILENAME>g82821exv10w1.txt

<DESCRIPTION>EX-10.1 Share Purchase Agreement

<TEXT>

SHARE PURCHASE AGREEMENT

dated as of

April 30, 2003

among

THE WACKENHUT CORPORATION,

TUHNEKCAW, INC.,

GROUP 4 FALCK A/S,

and

WACKENHUT CORRECTIONS CORPORATION

relating to the purchase and sale

of

COMMON STOCK

of

WACKENHUT CORRECTIONS CORPORATION



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SHARE PURCHASE AGREEMENT

AGREEMENT dated as of April 30, 2003 among The Wackenhut Corporation, a Florida corporation ("Wackenhut"), Tuhnekcaw, Inc., a Delaware corporation and a wholly-owned subsidiary of Wackenhut ("TUHNEKCAW"), Group 4 Falck A/S, a corporation organized under the laws of Denmark ("GROUP 4 FALCK" and, together with Wackenhut and Tuhnekcaw, the "SELLERS"), and Wackenhut Corrections Corporation, a Florida corporation (the "PURCHASER"). Wackenhut, Tuhnekcaw, Group 4 Falck and the Purchaser are herein referred to individually as a "PARTY" and collectively as the "PARTIES."

W I T N E S S E T H :

WHEREAS, as of the date hereof, Tuhnekcaw owns of record, and Group 4 Falck and Wackenhut Beneficially Own, 12,000,000 shares of the Purchaser's common stock, par value \$.01 per share (the "COMMON STOCK");

WHEREAS, the Sellers desire to sell, and the Purchaser desires to purchase, all of the shares of the Purchaser's Common Stock owned by the Sellers on the terms and subject to the conditions set forth in this Agreement;

WHEREAS, the Board of Directors of the Purchaser (the "BOARD"), at a meeting duly called and held upon the recommendation of an Independent Committee of the Board (the "INDEPENDENT COMMITTEE"), has adopted a resolution authorizing this Agreement and the transactions contemplated hereby; and

WHEREAS, the Independent Committee has received an opinion dated April 30, 2003, from Legg Mason Wood Walker, Incorporated, the financial advisor to the Independent Committee, that the consideration being paid in connection with the transactions contemplated by this Agreement is fair from a financial point of view to all holders of the Purchaser's Common Stock other than the Sellers.

NOW, THEREFORE, the Parties hereto agree as follows:

ARTICLE 1  
DEFINITIONS

Section 1.01. DEFINITIONS. The following terms, as used herein, shall have the following meanings:

"ACQUISITION PROPOSAL" means any offer or proposal for, or any indication of interest in, a merger or other business combination involving the

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Purchaser or any Subsidiary of the Purchaser or the acquisition of any equity interest in, or a substantial portion of the assets of, the Purchaser or any Subsidiary of the Purchaser.

"AFFILIATE" means, with respect to any Person, any other Person directly or indirectly controlling, controlled by, or under common control with such Person; PROVIDED THAT for the purposes hereof none of the Sellers shall be deemed an Affiliate of the Purchaser. For the purpose of this definition, the term "control" (including with correlative meanings, the terms "controlling", "controlled by" and "under common control with"), as used with respect to any Person, shall mean the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of such Person, whether through the ownership of voting securities, by contract or otherwise.

"APPLICABLE CLAIMS" has the meaning set forth in Section 5.03(c) of this Agreement.

"BENEFICIAL OWNERSHIP" and "BENEFICIALLY OWN" shall be determined in accordance with Rules 13d-3 and 13d-5 under the Exchange Act.

"BOARD" has the meaning set forth in the recitals to this Agreement.

"BUSINESS DAY" means any day except a Saturday, Sunday or other day on which commercial banks in New York or Florida are authorized by law to close.

"CLOSING" has the meaning set forth in Section 2.02 of this Agreement.

"CLOSING DATE" means the date of the Closing.

"COMMON STOCK" has the meaning set forth in the recitals to this Agreement.

"DAMAGES" has the meaning set forth in Section 8.02(a) of this Agreement.

"EXCHANGE ACT" means the Securities Exchange Act of 1934, as amended, and the rules and regulations promulgated thereunder.

"FINANCING LETTERS" means the letters dated April 30, 2003 attached hereto as Exhibit A.

"GROUP 4 FALCK" has the meaning set forth in the preamble to this Agreement.

"INDEMNITY AGREEMENT" means that certain Indemnity Agreement, dated as of December 9, 2002, by and among Wackenhut, the Trustee of the Wackenhut Corporation Group Insurance Program of Employees and Dependents, and the Purchaser, relating to certain employee health care benefit claims.

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"INDEPENDENT COMMITTEE" has the meaning set forth in the recitals to this Agreement.

"LETTER AGREEMENT" means that certain letter agreement dated as of March 7, 2002, between the Purchaser and Group 4 Falck, relating to a potential sale of the Purchaser's interest in its joint venture in the United Kingdom.

"LIEN" means, with respect to any property or asset, any mortgage, lien, pledge, charge, security interest, encumbrance or other adverse claim of any kind in respect of such property or asset.

"NON-SOLICITATION AGREEMENT" means the Covenant of Indemnification, Release and Non-Solicitation Agreement, dated as of September 18, 2002, between Wackenhut and the Purchaser, relating to certain matters between Wackenhut and the Purchaser.

"PARTY" has the meaning set forth in the preamble to this Agreement.

"PERSON" means an individual, corporation, partnership, limited liability company, association, trust or other entity or organization, including a government or political subdivision or an agency or instrumentality thereof.

"PURCHASE PRICE" has the meaning set forth in Section 2.01 of this Agreement.

"PURCHASER" has the meaning set forth in the preamble to this Agreement.

"PURCHASER INDEMNIFIED PERSON" has the meaning set forth in Section 8.02(a) of this Agreement.

"RELATED AGREEMENTS" means contracts, agreements, arrangements or understandings between or concerning the Sellers or their Affiliates, on the one hand, and the Purchaser or its Affiliates, on the other hand.

"SAFEGUARDS AGREEMENT" means the Agreement dated March 7, 2002, among the Purchaser, Wackenhut and Group 4 Falck, as amended from time to time, relating to the conditions under which the Purchaser approved Group 4 Falck's acquisition of Wackenhut.

"SELLER INDEMNIFIED PERSON" has the meaning set forth in Section 8.02(b) of this Agreement.

"SELLERS" has the meaning set forth in the preamble to this Agreement.

"SENIOR SELLER OFFICERS" means (i) the senior officers of Wackenhut and (ii) Soren Lundsberg-Nielsen and Lars Norby Johansen.

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"SERVICES AGREEMENT" has the meaning set forth in Section 5.03(a) of this Agreement.

"SHARES" means 12,000,000 shares of Common Stock owned, as of the date hereof, by the Sellers.

"SOFTWARE AGREEMENT" has the meaning set forth in Section 5.03(a) of this Agreement.

"SUBSIDIARY" means any Person of which securities or other ownership interests having ordinary voting power to elect a majority of the board of directors or other persons performing similar functions are at the time directly or indirectly owned by any Party.

"TUHNEKCAW" has the meaning set forth in the preamble to this Agreement.

"VOTING SECURITIES" means all securities of the Purchaser entitled, in the ordinary course, to vote in the election of directors of the Purchaser.

"WACKENHUT" has the meaning set forth in the preamble to this Agreement.

ARTICLE 2  
PURCHASE AND SALE

Section 2.01. PURCHASE AND SALE. Upon the terms and subject to the conditions of this Agreement, the Sellers agree to sell to the Purchaser, and the Purchaser agrees to purchase from the Sellers, the Shares at the Closing. The purchase price for the Shares (the "PURCHASE PRICE") is \$132,000,000. The Purchase Price shall be paid as provided in Section 2.02.

Section 2.02. CLOSING. The closing (the "CLOSING") of the purchase and sale of the Shares hereunder shall take place at the offices of Akerman Senterfitt, One Southeast Third Avenue, 28th Floor, Miami, Florida 33131, as soon as possible, but in no event later than four Business Days, after satisfaction (or waiver by the Party entitled to the benefit of such condition) of each of the conditions set forth in Article 7. At the Closing:

(a) The Purchaser shall deliver to the Sellers the Purchase Price in immediately available funds by wire transfer to an account designated by the Sellers, by notice to the Purchaser, which notice shall be delivered not later than two Business Days prior to the Closing Date.

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(b) The Sellers shall deliver to the Purchaser a certificate or certificates for the Shares duly endorsed or accompanied by stock powers duly endorsed in blank, with any required transfer stamps affixed thereto.

(c) Group 4 Falck will deliver to the Purchaser the resignations of all directors of the Purchaser designated by Group 4 Falck from their positions as directors.

ARTICLE 3  
REPRESENTATIONS AND WARRANTIES OF THE SELLERS

The Sellers, jointly and severally, represent and warrant to the Purchaser that:

Section 3.01. CORPORATE EXISTENCE AND POWER. Each is a company duly organized and validly existing under the laws of its jurisdiction of organization, and has all corporate powers and all material governmental licenses, authorizations, permits, consents and approvals required to carry out the transactions contemplated by this Agreement.

SECTION 3.02. OWNERSHIP OF SHARES. The Sellers or their wholly-owned Subsidiaries are the record and beneficial owners of the Shares, and will transfer and deliver to the Purchaser at the Closing valid title to the Shares free and clear of any Lien or any other limitation or restriction. The Sellers Beneficially Own 12,000,000 shares of Common Stock, in the aggregate, and none of the Sellers nor any of their Affiliates Beneficially Own any securities of the Purchaser other than such 12,000,000 shares of Common Stock.

Section 3.03. AUTHORIZATION; NO BREACH. The execution, delivery and performance of this Agreement by each of them and the consummation of the transactions contemplated hereby are within their powers and have been duly authorized by all necessary action on their part, including without limitation any requisite approval of their shareholders. This Agreement has been duly and validly executed by them and constitutes a legal, valid and binding obligation of them, enforceable against them in accordance with this Agreement's terms. The execution, delivery and performance by them of this Agreement and the consummation of the transactions contemplated hereby, do not and will not, (i) conflict with, violate or result in a default under or breach of, (ii) result in the creation of any Lien, right or obligation of Purchaser, or require any payment by Purchaser, relating to the Shares pursuant to or (iii) require any authorization, permit, filing, consent, approval, exemption or other action by or notice or declaration to, or filing with, any court or administrative or governmental body or agency of any jurisdiction pursuant to, (x) the certificate of incorporation, bylaws or other organizational documents of either of them, (y) any law, statute, rule, regulation, order, judgment or decree to which

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either of them, any of their Subsidiaries or any of their directors or executive officers is subject, or (z) any material agreement or material instrument to which either of them, any of their Subsidiaries or any of their directors or executive officers is a party or subject; except for any filings that may be required under applicable securities laws or stock exchange rules and regulations.

SECTION 3.04. NO OTHER AGREEMENTS. To the knowledge of the Senior Seller Officers, other than the Safeguards Agreement, the Letter Agreement and the other agreements referred to in Section 5.03 hereof, there are no Related Agreements.

Section 3.05. FINDER'S FEES. Except for Lehman Brothers, whose fees will be paid by the Sellers, there is no investment banker, broker, finder or other intermediary which has been retained by or is authorized to act on behalf of any of them or any of their Affiliates which might be entitled to any fee or commission from them or any of their Affiliates as a result of or upon consummation of the transactions contemplated by this Agreement.

ARTICLE 4  
REPRESENTATIONS AND WARRANTIES OF THE PURCHASER

The Purchaser represents and warrants to the Sellers as follows:

Section 4.01. CORPORATE EXISTENCE AND POWER. The Purchaser is a corporation duly organized, validly existing and in good standing under the laws of Florida, and has all corporate powers and all material governmental licenses, authorizations, permits, consents and approvals required to carry out the transactions contemplated by this Agreement.

Section 4.02. AUTHORIZATION; NO BREACH. The execution, delivery and performance by the Purchaser of this Agreement and the consummation of the transactions contemplated hereby are within the Purchaser's powers and have been duly authorized by all necessary action on the part of the Purchaser. This Agreement has been duly and validly executed by the Purchaser and constitutes a legal, valid and binding obligation of the Purchaser, enforceable against it in accordance with this Agreement's terms. Subject to the receipt of funds specified in the Financing Letters, the execution, delivery and performance by the Purchaser of this Agreement and the consummation of the transactions contemplated hereby and thereby, do not and will not, (i) conflict with, violate or result in a default under or breach of or (ii) require any authorization, permit, filing, consent, approval, exemption or other action by or notice or



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declaration to, or filing with, any court or administrative or governmental body or agency of any jurisdiction pursuant to, (x) the Purchaser's Amended and Restated Certificate of Incorporation or By-laws or (y) any law, statute, rule, regulation, order, judgment or decree to which the Purchaser, any of its Subsidiaries or any of its directors or executive officers is subject; except for any filings that may be required under applicable securities laws or stock exchange rules and regulations. The Purchaser has a good faith belief that, prior to July 31, 2003, it shall have obtained any and all consents (including, without limitation, those consents required to be obtained pursuant to Section 7.02(c) hereto) necessary under any material agreement or material instrument to which the Purchaser, any of its Subsidiaries or any of its directors or executive officers is a party or subject, for the performance by the Purchaser of this Agreement and the consummation of the transactions contemplated hereby.

SECTION 4.03. FINANCING. The Purchaser has delivered to Group 4 Falck a correct and complete copy of the Financing Letters. Other than the Financing Letters and an associated fee letter (which fee letter contains no term contrary to any of the terms of the Financing Letters), there are no contracts, agreements, arrangements or understandings, in each case whether oral or written, between the Purchaser and the counterparties to the Financing Letters or any of their Affiliates that relate to this Agreement or the transactions contemplated hereby. Assuming receipt of the funds specified in the Financing Letters on the terms thereof, the Purchaser acknowledges that it will have, at or prior to the Closing, available lines of credit or other sources of funds to enable it to make payment of the Purchase Price and all other fees and expenses required to be paid by it in accordance with this Agreement.

SECTION 4.04. NO OTHER AGREEMENTS. To the knowledge of the senior officers of the Purchaser, other than the Safeguards Agreement, the Letter Agreement and the other agreements referred to in Section 5.03 hereof, there are no Related Agreements.

Section 4.05. FINDERS' FEES. Except for Legg Mason Wood Walker Incorporated, whose fees will be paid by the Purchaser, and any fees payable by the Purchaser to parties specified in the Financing Letters, there is no investment banker, broker, finder or other intermediary which has been retained by or is authorized to act on behalf of the Purchaser or any of its Affiliates which might be entitled to any fee or commission from the Purchaser or any of its Affiliates as a result of or upon consummation of the transactions contemplated by this Agreement.

SECTION 4.06. SOLVENCY. The Purchaser believes that it currently meets and, after giving effect to the transactions contemplated by this Agreement (including payment of fees related thereto), that it will meet, the solvency test set forth in Section 607.06401(3) of the Florida Business Corporation Act.

#### ARTICLE 5 CERTAIN COVENANTS OF THE PARTIES

SECTION 5.01. REASONABLE BEST EFFORTS. Subject to the terms and conditions of this Agreement, each of the Parties agrees that it will use its reasonable best efforts to take, or cause to be taken, all actions and to do, or cause to be done, all things necessary or desirable under applicable laws and

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regulations to consummate the transactions contemplated by this Agreement; PROVIDED THAT in no event shall the Purchaser be required to pay costs and expenses in connection with arranging any financing in connection with the transactions contemplated hereby (or any alternative financing) in excess of the costs and expenses contemplated by the Financing Letters or agree to financing terms that differ in a manner adverse to the Purchaser from those contemplated by the Financing Letters.

SECTION 5.02. PUBLIC ANNOUNCEMENTS. The Parties agree to consult with each other before issuing any press release or making any public statement with respect to this Agreement or the transactions contemplated hereby and will not issue any such press release or make any such public statement prior to such consultation; PROVIDED, HOWEVER, that, in the case of any press release or public statement that may be required to be issued under any applicable law or listing agreement with any securities exchange, a Party shall be deemed to have satisfied its obligations under this Section 5.02 by using its reasonable best efforts (after giving due regard to all the relevant circumstances) to consult with the other Parties hereto prior to issuing any such press release or public statement.

SECTION 5.03. TERMINATION OF CERTAIN AGREEMENTS. The Sellers and the Purchaser agree as follows:

(i) The Services Agreement between Wackenhut and Purchaser dated October 28, 2002 (the "SERVICES AGREEMENT") and the provision of Information Systems related services provided by Wackenhut to Purchaser thereunder, shall terminate as of December 31, 2003, and thereafter no payments under such Services Agreement in respect of any period after December 31, 2003 shall be due or payable from Purchaser to Wackenhut; PROVIDED THAT, prior to and following the termination of the Services Agreement, Wackenhut shall reasonably cooperate with Purchaser to ensure a smooth transition in the transfer of Information Systems related services from Wackenhut to Purchaser. Notwithstanding anything in this Section 5.03(a)(i) to the contrary, it is understood and agreed that the Services Agreement shall remain in full force and effect if the Closing hereunder is not consummated in accordance with the terms hereof.

(ii) All agreements relating to the sublease of the property located at 4200 Wackenhut Drive, Palm Beach Gardens, Florida 33410, from Wackenhut, as sublessor, to the Purchaser, as sublessee, shall be terminated effective as of the Closing Date, and no payments under any agreements relating to such sublease in respect of any period after the Closing Date shall be due or payable from the Purchaser to Wackenhut; it being understood and agreed that such agreements shall remain in full force and effect if the Closing hereunder is not consummated in accordance with the terms hereof.

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(b) The Parties agree that the Safeguards Agreement and the Letter Agreement shall each terminate effective as of the Closing Date and shall be of no further force or effect, it being understood and agreed that such agreements shall remain in full force and effect if the Closing hereunder is not consummated in accordance with the terms thereof.

(c) Wackenhut will continue to handle all general liability, automobile and workers' compensation claims on behalf of the Purchaser and its Affiliates with occurrence dates prior to October 2, 2002. The Purchaser agrees that, for all claims with dates of loss prior to October 2, 2002 for which the Purchaser was or is an insured party under certain insurance policies reinsured by Titania Insurance Company of America (collectively, the "APPLICABLE CLAIMS"), it shall, consistent with its duties and obligations as an insured party, cooperate fully with Wackenhut and its Affiliates and any third party administrators, investigators, adjusters and attorneys in connection with the investigation, defense and resolution of any Applicable Claims.

(d) The Parties agree that the Indemnity Agreement shall remain in effect in accordance with its terms notwithstanding this Agreement and the consummation of the Closing hereunder.

(e) Except for Section 3 of the Non-Solicitation Agreement which shall terminate and be of no further force or effect as of the first anniversary of the Closing Date, the Parties agree that the Non-Solicitation Agreement shall remain in effect in accordance with its terms notwithstanding this Agreement and the consummation of the Closing hereunder, it being understood and agreed that the Non-Solicitation Agreement shall remain in full force and effect if the Closing hereunder is not consummated in accordance with the terms hereof. The Purchaser further agrees that it shall abide by any and all otherwise applicable non-compete agreements between Wackenhut and employees of Wackenhut and its Affiliates.

(f) The Parties agree that the Purchaser's software licensing rights under the terms of that certain Master Software License Agreement, dated April 2, 1998, between Wackenhut and Infinium Software, Inc., as amended (the "SOFTWARE AGREEMENT"), shall remain in effect in accordance with the terms of the Software Agreement notwithstanding this Agreement and the consummation of the Closing hereunder, to the extent that the Purchaser complies with all of its obligations under the Software Agreement. Wackenhut covenants and agrees not to take any action adverse or detrimental to Purchaser's licensing rights under the Software Agreement following the Closing.

(g) Notwithstanding anything to the contrary in this Agreement, except as explicitly provided elsewhere herein, all Related Agreements shall terminate in connection with the consummation of the Closing hereunder in accordance with its terms, and all obligations under any Related Agreement pursuant to which one

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party thereto is obligated to guarantee or otherwise ensure the performance of any obligations or undertakings of the other party thereto to any other Person shall terminate as to each other concurrently therewith.

SECTION 5.04 . USE OF THE NAME "WACKENHUT". (a) The Parties agree and acknowledge that the use of the name, trademark or service mark "Wackenhut" in all of its forms is, and shall remain, the sole property of Sellers and their Affiliates following the consummation of the Closing hereunder and, except as expressly provided in Section 5.04(b), none of the Purchaser or any of its Affiliates shall retain any rights (including without limitation any rights of use) therein.

(b) Notwithstanding Section 5.04(a), the Purchaser and its Affiliates shall be permitted to use the name, trademark or service mark "Wackenhut" to the same extent they use them as of the date hereof for a period not to exceed one year following the Closing hereunder; PROVIDED THAT during such period Purchaser and its Affiliates shall use their respective reasonable best efforts to eliminate the use of the name "Wackenhut" from their operations as rapidly as possible. Notwithstanding the foregoing, with respect to its corporate name, (i) the Purchaser shall recommend in its 2004 proxy statement that its shareholders vote to amend the Purchaser's articles of incorporation to eliminate "Wackenhut" from the Purchaser's name at the Purchaser's 2004 annual meeting of its shareholders and (ii) if the Purchaser continues to use the name "WCC," it shall prior to the first anniversary of the Closing Date develop an alternative full name for the initial "W" in the name "WCC."

#### ARTICLE 6 STANDSTILL

SECTION 6.01. ACQUISITION OF VOTING SECURITIES. Effective on and after the date hereof, the Sellers will not, and will not permit any of their Subsidiaries to, purchase or otherwise acquire, or agree or offer to purchase or otherwise acquire, Beneficial Ownership of any Voting Securities.

SECTION 6.02. CERTAIN ACTIONS. Effective on and after the Closing Date, the Sellers will not, and will not permit any of their Affiliates to:

(a) make, or take any action to solicit, initiate or encourage, an Acquisition Proposal;

(b) seek to influence or control, in any manner whatsoever, the management or policies of the Purchaser;

(c) make, or in any way participate in, any "solicitation" of "proxies" to vote (as such terms are defined in Rule 14a-1 under the Exchange Act), solicit any consent or communicate with or seek to advise or influence any Person with respect to the voting of any Voting Securities or nominate, or solicit any votes or proxies for the nomination of, any directors with respect to the Purchaser;

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(d) form, join or encourage the formation of any "group" (within the meaning of Section 13(d)(3) of the Exchange Act) with respect to any Voting Securities;

(e) call or seek to have called any meeting of the shareholders of the Purchaser;

(f) solicit, seek to effect, negotiate with or voluntarily provide any information to any other Person with respect to, or make any statement or proposal, whether written or oral, to the Board or otherwise make any public announcement (except as required by law or the requirements of any relevant stock exchange) whatsoever with respect to, any form of acquisition or business combination transaction involving the Purchaser or any significant portion of its assets, including, without limitation, a merger, tender offer, exchange offer or liquidation, or any restructuring, recapitalization or similar transaction with respect to the Purchaser;

(g) take any action that raises a significant risk that the Purchaser might be required to make a public announcement regarding a business combination, merger or other type of transaction described above;

(h) assist, advise or encourage any other Person in doing any of the foregoing; or

(i) request to amend, waive or not to enforce any provision of this paragraph, unless specifically invited by the Board to do so.

SECTION 6.03. TERMINATION OF STANDSTILL PROVISIONS. The provisions of this Article 6 shall terminate upon the earliest to occur of any of the following:

(a) the written agreement of the Purchaser and the Sellers to terminate the provisions of this Article 6;

(b) the first anniversary of the Closing Date; or

(c) the termination of this Agreement in accordance with the provisions of Article 9 hereof.

#### ARTICLE 7 CONDITIONS TO CLOSING

Section 7.01. CONDITIONS TO OBLIGATIONS OF EACH PARTY. The obligations of each Party to consummate the Closing are subject to the satisfaction of the following conditions:

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(a) No provision of any applicable law or regulation and no judgment, injunction, order or decree shall prohibit the consummation of the Closing.

(b) No material proceeding challenging this Agreement or any of the transactions contemplated hereby or seeking to prohibit, alter, prevent or materially delay the Closing shall have been instituted by any Person before any court, arbitrator or governmental body, agency or official and be pending, which in the reasonable judgment of any Party, may reasonably be expected to cause such Party or any of its Affiliates, to incur or suffer any Damages; PROVIDED THAT such Party has received a written opinion of its counsel to such effect.

Section 7.02. CONDITIONS TO OBLIGATION OF THE PURCHASER. The obligation of the Purchaser to consummate the Closing is subject to the satisfaction of the following further conditions:

(a) (i) The Sellers shall have performed in all material respects all of their obligations hereunder required to be performed by them on or prior to the Closing Date,

(ii) the representations and warranties of the Sellers contained in this Agreement and in any certificate or other writing delivered by the Sellers pursuant hereto shall be true in all respects at and as of the Closing Date as if made at and as of such time, and

(iii) the Purchaser shall have received a certificate from the Sellers signed by the chief executive officer of each of the Sellers to the foregoing effect.

(b) The Purchaser shall have received all funds contemplated in the Financing Letters on the terms set forth therein.

(c) The Purchaser shall have obtained any consents required pursuant to the terms of any material agreements or instruments with its lenders or its customers and under any agreements specified by the counterparties to the Financing Letters or any of their Affiliates, including, without limitation, those agreements set forth in the list provided by the Purchaser to the Sellers on April 30, 2003, in each case in form and substance reasonably acceptable to the Purchaser.

(d) The Purchaser shall be able to meet the solvency test set forth in Section 607.06401(3) of the Florida Business Corporation Act as of the Closing Date after giving effect to the consummation of the transactions contemplated by this Agreement (including payment of fees related thereto) and the Purchaser shall have received a certificate or opinion to that effect from an independent firm of nationally recognized standing customarily engaged in rendering such certificates or opinions.

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Section 7.03. CONDITION TO OBLIGATION OF THE SELLERS. The obligation of the Sellers to consummate the Closing is subject to the satisfaction of the following further conditions:

(a) The Purchaser shall have performed in all material respects all of its obligations hereunder required to be performed by it on or prior to the Closing Date.

(b) The representations and warranties of the Purchaser contained in this Agreement and in any certificate or other writing delivered by the Purchaser pursuant hereto shall be true in all respects at and as of the Closing Date as if made at and as of such time.

(c) The Sellers shall have received a certificate from the Purchaser signed by its chief executive officer to the foregoing effect.

#### ARTICLE 8 SURVIVAL; INDEMNIFICATION

Section 8.01. SURVIVAL. The representations and warranties of the Parties hereto contained in this Agreement or in any certificate or other writing delivered pursuant hereto or in connection herewith, shall survive the Closing until the second anniversary of the Closing Date, except that the representations and warranties contained in Sections 3.01, 3.03, 4.01 and 4.02 shall survive indefinitely. Notwithstanding the preceding sentence, any representation or warranty in respect of which indemnity may be sought under this Agreement shall survive the time at which it would otherwise terminate pursuant to the preceding sentence, if notice of the inaccuracy or breach thereof giving rise to such right of indemnity shall have been given in reasonable detail to the Party against whom such indemnity may be sought prior to the time of such termination. The covenants and agreements of the Parties contained in this Agreement shall survive the Closing in accordance with their terms or, if no term is specified, indefinitely.

Section 8.02. INDEMNIFICATION. The Sellers, jointly and severally, hereby indemnify the Purchaser, any Affiliate of the Purchaser and any of their respective directors, officers, agents and employees (a "PURCHASER INDEMNIFIED PERSON") against and agrees to hold each of them harmless from any and all losses, claims, damages, costs, liabilities or expenses (or actions, suits or proceedings in respect thereof), including, without limitation, reasonable expenses of investigation and reasonable attorneys' fees and expenses in connection with any action, suit or proceeding ("DAMAGES") incurred or suffered by any Purchaser Indemnified Person, in each case arising out of any misrepresentation or breach of warranty, covenant or agreement made or to be performed by any of the Sellers pursuant to this Agreement.

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(b) The Purchaser hereby indemnifies the Sellers, any Affiliate of the Sellers and any of their respective directors, officers, agents and employees (a "SELLER INDEMNIFIED PERSON") against and agrees to hold each of them harmless from any and all Damages incurred or suffered by any Seller Indemnified Person, in each case arising out of any misrepresentation or breach of warranty, covenant or agreement made or to be performed by the Purchaser pursuant to this Agreement.

(c) Each Party agrees to promptly reimburse the other Parties hereto against any Damages arising out of any guarantee or other obligation or undertaking to third parties entered into prior to the date hereof (if any) if (x) the reimbursing Party was the primary obligor in respect of such guarantee, obligation or undertaking and (y) the claiming Party had guarantor liability or other secondary liability solely as a result of an agreement with respect to the obligations of the reimbursing Party, which agreement was entered into prior to the date hereof.

SECTION 8.03. NO SPECIAL DAMAGES. Notwithstanding anything to the contrary herein, no Party shall be liable to any other Party for any indirect, special, punitive, exemplary or consequential loss or damage (including any loss of revenue or profit) arising out of this Agreement. Both parties shall use commercially reasonable efforts to mitigate their damages.

#### ARTICLE 9 TERMINATION

SECTION 9.01. TERMINATION. Anything contained herein to the contrary notwithstanding, this Agreement may be terminated and the transactions contemplated hereby abandoned at any time prior to the Closing:

(a) by mutual written consent of the Parties;

(b) by the Purchaser if any of the conditions set forth in Section 7.01 or 7.02 shall have become incapable of fulfillment, and shall not have been waived by the Purchaser;

(c) by the Sellers if any of the conditions set forth in Section 7.01 or 7.03 shall have become incapable of fulfillment, and shall not have been waived by the Sellers;

(d) by any of the Parties if the Closing does not occur on or prior to July 31, 2003;

PROVIDED THAT the Party seeking termination pursuant to clause (b), (c), or (d) is not in breach of any of its representations, warranties, covenants or agreements contained in this Agreement.



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SECTION 9.02. NOTICE OF TERMINATION. In the event of termination by any of the Parties pursuant to this Article 9, written notice thereof shall forthwith be given to the other Party or Parties and the transactions contemplated by this Agreement shall be terminated, without further action by any Party.

SECTION 9.03. EFFECT OF TERMINATION. If this Agreement is terminated and the transactions contemplated hereby are abandoned as described in this Article 9, this Agreement shall become void and of no further force and effect. Nothing in this Article 9 shall be deemed to release any Party from any liability for any breach by such Party of the terms and provisions of this Agreement or to impair the right of any Party to compel specific performance by another Party of its obligations under this Agreement.

ARTICLE 10  
MISCELLANEOUS

SECTION 10.01. NOTICES. All notices, requests and other communications to any Party hereunder shall be in writing (including facsimile transmission) and shall be given,

if to the Purchaser, to:

Wackenhut Corrections Corporation  
One Park Place  
621 NW 53rd Street, Suite 700  
Boca Raton, Florida 33487  
Attention: General Counsel  
Fax: 561-999-7744

and

Independent Committee of Wackenhut Corrections Corporation  
c/o Wackenhut Corrections Corporation  
One Park Place  
621 NW 53rd Street, Suite 700  
Boca Raton, Florida 33487  
Attention: Chairman  
Fax: 561-999-7744

with copies to:

Akerman Senterfitt  
One Southeast Third Avenue  
28th Floor  
Miami, FL 33131-1714  
Attention: Stephen Roddenberry  
Fax: 305-374-5095

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and

Davis Polk & Wardwell  
450 Lexington Avenue  
New York, NY 10017  
Attention: Leonard Kreynin  
Fax: 212-450-3800

if to the Sellers, to:

Group 4 Falck A/S  
Polititorvet  
DK-1780 Copenhagen V  
Denmark  
Attention: Group General Counsel  
Fax: + 45 33 91 00 26

with copies to:

The Wackenhut Corporation  
4200 Wackenhut Drive, #100  
Palm Beach Gardens, Florida 33410  
Attention: General Counsel  
Fax: 561-691-6680

and

Simpson Thacher & Bartlett  
3330 Hillview Avenue  
Palo Alto, CA 94304  
Attention: Kevin Kennedy  
Fax: 650-251-5002

All such notices, requests and other communications shall be deemed received on the date of receipt by the recipient thereof if received prior to 5 p.m. in the place of receipt and such day is a Business Day in the place of receipt. Otherwise, any such notice, request or communication shall be deemed not to have been received until the next succeeding Business Day in the place of receipt.

SECTION 10.02. AMENDMENTS AND WAIVERS. (1) Any provision of this Agreement may be amended or waived if, but only if, such amendment or waiver is in writing and is signed, in the case of an amendment, by each Party to this Agreement, or in the case of a waiver, by the Party against whom the waiver is to be effective.

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(b) No failure or delay by any Party in exercising any right, power or privilege hereunder shall operate as a waiver thereof nor shall any single or partial exercise thereof preclude any other or further exercise thereof or the exercise of any other right, power or privilege. The rights and remedies herein provided shall be cumulative and not exclusive of any rights or remedies provided by law.

SECTION 10.03. EXPENSES; DOCUMENTARY TAXES. Except as otherwise contemplated by this Agreement, each Party will bear its own costs and expenses (including legal fees and expenses) incurred in connection with this Agreement and the transactions contemplated hereby. Sellers shall pay any and all stamp, transfer and other similar taxes payable or determined to be payable in connection with the execution and delivery of this Agreement or the transfer of the Shares.

SECTION 10.04. SPECIFIC PERFORMANCE. The Parties agree that any breach by one of them of any provision of this Agreement would irreparably injure the other Parties and that money damages would be an inadequate remedy therefor. Accordingly, each of the Parties agrees that the other Parties shall be entitled to one or more injunctions enjoining any such breach and requiring specific performance of the provisions of this Agreement and consents to the entry thereof, in addition to any other remedy to which such other Parties may be entitled at law or in equity.

SECTION 10.05. SUCCESSORS AND ASSIGNS. The provisions of this Agreement shall be binding upon and inure to the benefit of the Parties and their respective successors and assigns, whether so expressed or not; PROVIDED that no Party may assign, delegate or otherwise transfer any of its rights or obligations under this Agreement without the consent of each other Party.

SECTION 10.06. GOVERNING LAW. This Agreement shall be governed by and construed in accordance with the law of the State of Florida.

SECTION 10.07. JURISDICTION. Each of the Parties agree that any suit, action or proceeding seeking to enforce any provision of, or based on any matter arising out of or in connection with, this Agreement or the transactions contemplated hereby shall be brought in the United States District Court for the Southern District of Florida, West Palm Beach Division, or in any Florida State Circuit Court sitting in Palm Beach County, Florida, and that any cause of action arising out of this Agreement shall be deemed to have arisen from a transaction of business in the State of Florida, and each of the Parties hereby irrevocably consents to the jurisdiction of such courts (and of the appropriate appellate courts therefrom) in any such suit, action or proceeding and irrevocably waives, to the fullest extent permitted by law, any objection that it may now or hereafter have to the laying of the venue of any such suit, action or proceeding in any such court or that any such suit, action or proceeding which is brought in any such court has been brought in an inconvenient forum.

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Process in any such suit, action or proceeding may be served on any party anywhere in the world, whether within or without the jurisdiction of any such court. Without limiting the foregoing, each Party agrees that service of process on such Party as provided in Section 10.01 shall be deemed effective service of process on such Party.

SECTION 10.08. WAIVER OF JURY TRIAL. EACH OF THE PARTIES HEREBY IRREVOCABLY WAIVES ANY AND ALL RIGHT TO TRIAL BY JURY IN ANY LEGAL PROCEEDING ARISING OUT OF OR RELATED TO THIS AGREEMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY.

SECTION 10.09. COUNTERPARTS; THIRD PARTY BENEFICIARIES. This Agreement may be signed in any number of counterparts, each of which shall be an original, with the same effect as if the signatures thereto and hereto were upon the same instrument. This Agreement shall become effective when each Party shall have received a counterpart hereof signed by the other Party. No provision of this Agreement is intended to confer upon any Person other than the parties hereto any rights or remedies hereunder.

SECTION 10.10. ENTIRE AGREEMENT. This Agreement (including Exhibit A) constitutes the entire agreement between the Parties with respect to the subject matter of this Agreement and supersedes all prior agreements and understandings, both oral and written, between the Parties with respect to the subject matter of this Agreement.

SECTION 10.11. CAPTIONS. The captions herein are included for convenience of reference only and shall be ignored in the construction or interpretation hereof.

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IN WITNESS WHEREOF, the Parties have caused this Agreement to be duly executed by their respective authorized officers as of the day and year first above written.

WACKENHUT CORRECTIONS CORPORATION

By: /s/ George C. Zoley  
-----  
Name: George C. Zoley  
Title: Chairman and Chief Executive Officer

TUHNEKCAW, INC.

By: /s/ Lars Norby Johansen  
-----  
Name: Lars Norby Johansen  
Title:

THE WACKENHUT CORPORATION

By: /s/ Lars Norby Johansen  
-----  
Name: Lars Norby Johansen  
Title:

GROUP 4 FALCK A/S

By: /s/ Lars Norby Johansen  
-----  
Name: Lars Norby Johansen  
Title:

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EXHIBIT A

FINANCING LETTERS

[OMITTED]

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Exhibit 99.1

CERTIFICATION PURSUANT TO  
18 U.S.C. SECTION 1350,  
AS ADOPTED PURSUANT TO  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report on Form 10-Q of Wackenhut Corrections Corporation (the “Company”) for the period ended March 30, 2003 as filed with the Securities and Exchange Commission on the date hereof (the “Form 10-Q”), I, George C. Zoley, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (1)

The Form 10-Q fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
- (2)

The information contained in the Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of the Company.

/S/ George C. Zoley

George C. Zoley  
Chief Executive Officer  
May 14, 2003



<DOCUMENT>

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<DESCRIPTION>EX-99.2 CFO CERTIFICATION

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Exhibit 99.2

CERTIFICATION PURSUANT TO  
18 U.S.C. SECTION 1350,  
AS ADOPTED PURSUANT TO  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report on Form 10-Q of Wackenhut Corrections Corporation (the “Company”) for the period ended March 30, 2003 as filed with the Securities and Exchange Commission on the date hereof (the “Form 10-Q”), I, John G. O’Rourke, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (1)

The Form 10-Q fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
- (2)

The information contained in the Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of the Company.

/S/ John G. O’Rourke

John G. O’Rourke  
Chief Financial Officer  
May 14, 2003

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EXHIBIT 99.3

WCC LOGO

NEWS RELEASE

One Park Place, 621 NW 53rd Street, Suite 700, Boca Raton, FL 33487

CR-03-11

WCC ANNOUNCES AGREEMENT TO  
BUY OUT CONTROLLING INTEREST  
HELD BY GROUP 4 FALCK

BOCA RATON, FLA. - MAY 1, 2003 -- WACKENHUT CORRECTIONS CORPORATION (NYSE: WHC) ("WCC") has entered into an agreement to repurchase all 12 million shares of WCC common stock held by Group 4 Falck A/S ("Group 4 Falck"), its 57% majority shareholder. WCC will pay Group 4 Falck a purchase price of \$132.0 million in cash.

The transaction was negotiated by a special committee of WCC's board of directors and approved by the independent directors on the WCC board. The special committee retained independent legal and financial advisers to assist it in the evaluation of the transaction. The special committee received a fairness opinion from Legg Mason, its independent financial advisor, stating that the consideration being paid in connection with the transaction is fair from a financial point of view to the shareholders of WCC other than Group 4 Falck.

The completion of the transaction is subject to the satisfaction of normal closing conditions and the receipt of financing by WCC. WCC has obtained committed financing from BNP Paribas that will involve a restructuring of WCC's existing senior credit facility and the issuance of new debt, with a closing anticipated by the end of June 2003.

The announced transaction will result in approximately 9.4 million weighted average shares and would result in 2003 earnings per share of approximately \$1.40, on a pro forma basis, compared to the current guidance of \$1.04 to \$1.06 per share based on 21.4 million weighted average shares. 2003 estimated earning per share results would be approximately \$1.10 to \$1.14 based on an assumed closing date of June 15, 2003. The pro forma and estimated results for 2003 include the expensing of approximately \$2 million related to the refinancing that closed in December 2002 as well as additional pre-tax annual interest expense of approximately \$12.0 million (pro forma) and \$6.0 million (estimated), assuming that the newly proposed subordinated debt is completed at an interest rate of 9%. Based upon current business assumptions, 2004 earnings per share are currently estimated to range between \$1.75 and \$1.85.

George C. Zoley, chairman of the board and chief executive officer of WCC, stated: "We think that this transaction presents a unique opportunity to increase WCC's independence and create value for WCC's minority shareholders. We believe that the elimination of the uncertainty created by the Group 4 Falck 12 million share overhang and the anticipated accretion in WCC's per share earnings, even after taking into account increased debt service, will have a long-term beneficial impact on WCC's stock price. We also feel confident that the removal of a controlling shareholder will provide WCC with more flexibility to pursue new opportunities related to the continued expansion of its business both domestically and abroad."

-----  
CONTACT: JOHN G. O'ROURKE (561) 999-7401 [www.wcc-corrections.com](http://www.wcc-corrections.com)

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Lars Norby Johansen, president and chief executive officer of Group 4, commented: "Group 4 Falck is pleased to have moved forward with its announced intention to dispose of the WCC shares it acquired in the acquisition of The Wackenhut Corporation last year. This transaction furthers our resolve to concentrate our efforts on the development of our core security and safety business."

Upon closing of the transaction, the Agreement dated March 7, 2002 by and among WCC, Group 4 and The Wackenhut Corporation, WCC's former parent company ("TWC"), which governed certain aspects of the parties' relationship, will be terminated and the two Group 4 Falck representatives will resign from the WCC Board. Also to be terminated at closing is a March 7, 2002 agreement wherein Group 4 Falck agreed to reimburse WCC for up to 10% of the fair market value of WCC's UK joint venture interest in the event current litigation related to the sale of The Wackenhut Corporation to Group 4 Falck results in a Court order that WCC sell its interest in the joint venture to its partner, Serco.

In addition, assuming closing of the transaction, the Services Agreement (the "Services Agreement"), dated October 28, 2002, between WCC and TWC, will be terminated effective December 31, 2003, and no further payments for periods thereafter will be due from WCC to Group 4 under the Services Agreement. Pursuant to the Services Agreement, Group 4 was scheduled to provide WCC with information systems related services through December 31, 2004. WCC will handle those services internally beginning January 1, 2004, eliminating a service payment by WCC to TWC of \$1.75 million in 2004.

In addition, the sublease between TWC, as sublessor, and WCC, as sublessee, will be terminated upon closing. The sublease, which covered WCC's former corporate headquarters, was set to expire in 2011 and had a rental cost to WCC of approximately \$650,000 per year. WCC relocated its corporate headquarters to Boca Raton, Florida on April 14, 2003.

The description contained in this press release of WCC's proposed transaction with Group 4, and of the agreement relating thereto, is qualified in its entirety by reference to the terms of that certain Share Purchase Agreement, dated April 30, 2003, among WCC, Group 4, TWC and Tuhnekcaw, Inc.

THIS PRESS RELEASE CONTAINS FORWARD-LOOKING STATEMENTS REGARDING FUTURE EVENTS THAT INVOLVE RISKS AND UNCERTAINTIES THAT COULD MATERIALLY AFFECT ACTUAL RESULTS, INCLUDING STATEMENTS REGARDING WCC'S PROPOSED TRANSACTION WITH GROUP 4. FACTORS THAT COULD CAUSE ACTUAL RESULTS TO VARY FROM CURRENT EXPECTATIONS AND FORWARD-LOOKING STATEMENTS CONTAINED IN THIS PRESS RELEASE INCLUDE, BUT ARE NOT LIMITED TO: (1) WCC'S ABILITY TO OBTAIN FINANCING FOR THE TRANSACTION WITH GROUP 4 ON SATISFACTORY TERMS; (2) RISKS ASSOCIATED WITH WCC'S ABILITY TO CONTROL OPERATING COSTS ASSOCIATED WITH CONTRACT START-UPS; (3) WCC'S ABILITY TO TIMELY OPEN FACILITIES AS PLANNED, PROFITABLY MANAGE SUCH FACILITIES AND SUCCESSFULLY INTEGRATE SUCH FACILITIES INTO WCC'S OPERATIONS WITHOUT SUBSTANTIAL COSTS; (4) WCC'S ABILITY TO WIN MANAGEMENT CONTRACTS FOR WHICH IT HAS SUBMITTED PROPOSALS AND TO RETAIN EXISTING MANAGEMENT CONTRACTS; (5) WCC'S ABILITY TO SUSTAIN COMPANY-WIDE OCCUPANCY RATES AT ITS FACILITIES; AND (6) OTHER FACTORS CONTAINED IN WCC'S SECURITIES AND EXCHANGE COMMISSION FILINGS, INCLUDING THE FORMS 10-K, 10-Q AND 8-K REPORTS.

-END-

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CONTACT: JOHN G. O'ROURKE (561) 999-7401 [www.wcc-corrections.com](http://www.wcc-corrections.com)  
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