CoreCivic, Inc.
Form 10-Q
May 03, 2018

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
FOR THE QUARTERLY PERIOD ENDED: MARCH 31, 2018

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
FOR THE TRANSITION PERIOD FROM TO

COMMISSION FILE NUMBER: 001-16109

CORECIVIC, INC.

(Exact name of registrant as specified in its charter)

MARYLAND	62-1763875
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification Number)

10 BURTON HILLS BLVD., NASHVILLE, TENNESSEE 37215

(Address and zip code of principal executive offices)

(615) 263-3000

(Registrant's telephone number, including area code)

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

Yes No

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

Yes No

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

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

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

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

Indicate the number of shares outstanding of each class of Common Stock as of April 27, 2018:

Shares of Common Stock, $0.01 par value per share: 118,543,632 shares outstanding.

CORECIVIC, INC.

FORM 10-Q

FOR THE QUARTERLY PERIOD ENDED MARCH 31, 2018

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PART I – FINANCIAL INFORMATION

ITEM 1. – FINANCIAL STATEMENTS.

CORECIVIC, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

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

ASSETS	March 31, 2018	December 31, 2017
Cash and cash equivalents	$56,400	$ 52,183
Accounts receivable, net of allowance of $997 and $782, respectively	212,634	254,188
Prepaid expenses and other current assets	19,566	21,119
Total current assets	288,600	327,490
Property and equipment, net of accumulated depreciation of $1,512,573 and $1,475,951, respectively	2,825,203	2,802,449
Goodwill	44,779	40,927
Non-current deferred tax assets	11,194	12,814
Other assets	94,674	88,718
Total assets	$3,264,450	$ 3,272,398
LIABILITIES AND STOCKHOLDERS' EQUITY		
Accounts payable and accrued expenses	$269,458	$ 277,804
Income taxes payable	3,957	3,034
Current portion of long-term debt	12,429	10,000
Total current liabilities	285,844	290,838
Long-term debt, net	1,455,265	1,437,187
Deferred revenue	36,327	39,735
Other liabilities	52,804	53,030
Total liabilities	1,830,240	1,820,790
Commitments and contingencies		
Preferred stock – $0.01 par value; 50,000 shares authorized; none issued and outstanding at March 31, 2018 and December 31, 2017, respectively	—	—
Common stock – $0.01 par value; 300,000 shares authorized; 118,544 and 118,204 shares issued and outstanding at March 31, 2018 and December 31, 2017, respectively	1,185	1,182
Additional paid-in capital	1,795,671	1,794,713
Accumulated deficit	(360,618)	(344,287)
Accumulated other comprehensive loss	(2,028)	—
Total stockholders' equity	1,434,210	1,451,608
Total liabilities and stockholders' equity	$3,264,450	$ 3,272,398

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

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CORECIVIC, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS

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

	For the Three Months Ended March 31,	
	2018	2017
REVENUES	$440,916	$445,684
EXPENSES:		
Operating	319,151	315,303
General and administrative	24,971	24,826
Depreciation and amortization	38,089	36,257
Asset impairments	—	259
	382,211	376,645
OPERATING INCOME	58,705	69,039
OTHER (INCOME) EXPENSE:		
Interest expense, net	19,036	16,490
Other (income) expense	(43)	17
	18,993	16,507
INCOME BEFORE INCOME TAXES	39,712	52,532
Income tax expense	(1,935)	(2,485)
NET INCOME	$37,777	$50,047
BASIC EARNINGS PER SHARE	$0.32	$0.42
DILUTED EARNINGS PER SHARE	$0.32	$0.42
DIVIDENDS DECLARED PER SHARE	$0.43	$0.42

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

CORECIVIC, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(UNAUDITED AND AMOUNTS IN THOUSANDS)

	For the Three Months Ended March 31, 2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	$37,777	$50,047
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	38,089	36,257
Asset impairments	—	259
Amortization of debt issuance costs and other non-cash interest	891	783
Deferred income taxes	837	1,867
Non-cash revenue and other income	(4,318)	(5,371)
Non-cash equity compensation	3,486	4,086
Other expenses and non-cash items	1,939	831
Changes in assets and liabilities, net:		
Accounts receivable, prepaid expenses and other assets	41,249	22,002
Accounts payable, accrued expenses and other liabilities	(12,394)	(19,785)
Income taxes payable	923	515
Net cash provided by operating activities	108,479	91,491
CASH FLOWS FROM INVESTING ACTIVITIES:		
Expenditures for facility development and expansions	(3,447)	(6,417)
Expenditures for other capital improvements	(17,285)	(8,173)
Acquisitions, net of cash acquired	(48,461)	(7,062)
Proceeds from sale of assets	48	77
(Increase) decrease in other assets	(705)	1,561
Payments received on direct financing lease and notes receivable	—	684
Net cash used in investing activities	(69,850)	(19,330)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from issuance of debt and borrowings from credit facility	89,500	60,000
Scheduled principal repayments	(2,691)	(2,500)
Other principal repayments of debt	(66,000)	(72,000)
Payment of debt issuance and other refinancing and related costs	(844)	(65)
Payment of lease obligations	(746)	(553)
Dividends paid	(51,106)	(51,462)
Purchase and retirement of common stock	(2,525)	(5,089)
Proceeds from exercise of stock options	—	4,961
Net cash used in financing activities	(34,412)	(66,708)
NET INCREASE IN CASH AND CASH EQUIVALENTS	4,217	5,453
CASH AND CASH EQUIVALENTS, beginning of period	52,183	37,711
CASH AND CASH EQUIVALENTS, end of period	$56,400	$43,164
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:		
Cash paid during the period for:		

Interest (net of amounts capitalized of $0 in both 2018 and 2017)	$3,278	$10,899
Income taxes paid	$105	$—

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

CORECIVIC, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY

FOR THE THREE MONTHS ENDED MARCH 31, 2018

(UNAUDITED AND AMOUNTS IN THOUSANDS)

	Common Stock		Additional Paid-in	Accumulated	Accumulated Other Comprehensive	Total Stockholders'
	Shares	Par Value	Capital	Deficit	Loss	Equity
Balance as of December 31, 2017	118,204	$ 1,182	$ 1,794,713	$ (344,287)	$ —	$ 1,451,608
Comprehensive income						
Net income	—	—	—	37,777	—	37,777
Change in fair value of interest rate swap, net of tax	—	—	—	—	(2,028)	(2,028)
Total comprehensive income	—	—	—	37,777	(2,028)	35,749
Retirement of common stock	(117)	(1)	(2,524)	—	—	(2,525)
Dividends declared on common stock ($0.43 per share)	—	—	—	(51,533)	—	(51,533)
Restricted stock compensation, net of forfeitures	—	—	3,486	—	—	3,486
Restricted stock grants	457	4	(4)	—	—	—
Cumulative effect of adoption of new accounting standard	—	—	—	(2,575)	—	(2,575)
Balance as of March 31, 2018	118,544	$ 1,185	$ 1,795,671	$ (360,618)	$ (2,028)	$ 1,434,210

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

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CORECIVIC, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY

FOR THE THREE MONTHS ENDED MARCH 31, 2017

(UNAUDITED AND AMOUNTS IN THOUSANDS)

	Common Stock		Additional Paid-in	Accumulated	Total Stockholders'
	Shares	Par Value	Capital	Deficit	Equity
Balance as of December 31, 2016	117,554	$1,176	$1,780,350	$(322,563)	$1,458,963
Net income	—	—	—	50,047	50,047
Retirement of common stock	(153)	(2)	(5,087)	—	(5,089)
Dividends declared on common stock ($0.42 per share)	—	—	—	(50,036)	(50,036)
Restricted stock compensation, net of forfeitures	—	—	4,086	—	4,086
Restricted stock grants	506	5	(5)	—	—
Stock options exercised	233	2	5,188	—	5,190
Balance as of March 31, 2017	118,140	$1,181	$1,784,532	$(322,552)	$1,463,161

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

CORECIVIC, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

MARCH 31, 2018

1. ORGANIZATION AND OPERATIONS

CoreCivic, Inc. (together with its subsidiaries, the "Company" or "CoreCivic") is one of the nation's largest owners of partnership correctional, detention, and residential reentry facilities and one of the largest prison operators in the United States. The Company also believes it is the largest private owner of real estate used by U.S. government agencies. Through three segments, CoreCivic Safety, CoreCivic Properties, and CoreCivic Community, the Company provides a broad range of solutions to government partners that serve the public good through corrections and detention management, government real estate solutions, and a growing network of residential reentry centers to help address America's recidivism crisis. As of March 31, 2018, through its CoreCivic Safety segment, the Company operated 51 correctional and detention facilities, 44 of which the Company owned, with a total design capacity of approximately 73,000 beds. Through its CoreCivic Community segment, the Company also owned and operated 26 residential reentry centers with a total design capacity of approximately 5,000 beds. In addition, through its CoreCivic Properties segment, the Company owned 13 properties leased to third parties and used by government agencies, totaling 1.4 million square feet.

In addition to providing fundamental residential services, CoreCivic's correctional, detention, and reentry facilities offer a variety of rehabilitation and educational programs, including basic education, faith-based services, life skills and employment training, and substance abuse treatment. These services are intended to help reduce recidivism and to prepare offenders for their successful reentry into society upon their release. CoreCivic also provides or makes available to offenders certain health care (including medical, dental, and mental health services), food services, and work and recreational programs.

CoreCivic began operating as a real estate investment trust ("REIT") effective January 1, 2013. The Company provides services and conducts other business activities through taxable REIT subsidiaries ("TRSs"). A TRS is a subsidiary of a REIT that is subject to applicable corporate income tax and certain qualification requirements. The Company's use of TRSs permits CoreCivic to engage in certain business activities in which the REIT may not engage directly, so long as these activities are conducted in entities that elect to be treated as TRSs under the Internal Revenue Code of 1986, as amended, and enable CoreCivic to, among other things, provide correctional services at facilities it owns and at facilities owned by its government partners. A TRS is not subject to the distribution requirements applicable to REITs so it may retain income generated by its operations for reinvestment.

2. BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying unaudited interim consolidated financial statements have been prepared by the Company and, in the opinion of management, reflect all normal recurring adjustments necessary for a fair presentation of results for the unaudited interim periods presented. Certain information and footnote disclosures normally included in financial statements prepared in accordance with U.S. generally accepted accounting principles have been condensed or omitted. The results of operations for the interim period are not necessarily indicative of the results to be obtained for the full fiscal year. Reference is made to the audited financial statements of CoreCivic included in its Annual Report on Form 10-K for the year ended December 31, 2017 filed with the Securities and Exchange Commission (the "SEC") on February 22, 2018 (the "2017 Form 10-K") with respect to certain significant accounting and financial reporting policies as well as other pertinent information of the Company.

Reclassifications

Certain reclassifications have been made to the segmented data to conform to the current year presentation.

Recent Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2014-09, "Revenue from Contracts with Customers", which establishes a single, comprehensive revenue recognition standard for all contracts with customers. For public reporting entities such as CoreCivic, ASU 2014-09 was originally effective for interim and annual periods beginning after December 15, 2016 and early adoption of the ASU was not permitted. In July 2015, the FASB agreed to defer the effective date of the ASU for public reporting entities by one year, or to interim and annual periods beginning after December 15, 2017. In summary, the core principle of ASU 2014-09 is to recognize revenue when promised goods or services are transferred to customers in an amount that reflects the consideration that is expected to be received for those goods or services. Companies are allowed to select between two transition methods: (1) a full retrospective transition method with the application of the new guidance to each prior reporting period presented, or (2) a modified retrospective transition method that recognizes the cumulative effect on prior periods at the date of adoption together with additional footnote disclosures. CoreCivic adopted the standard in the first quarter of 2018 and utilized the modified retrospective transition method upon adoption. CoreCivic completed its analysis of the various contracts and revenue streams and concluded that the adoption of the ASU does not have a material impact on the Company's results of operations or financial position and its related financial statement disclosure. Upon adoption of the ASU, CoreCivic classifies certain contract-related costs for which it may not be reimbursed, or for costs that have been reimbursed, but may be required to be returned to the customer, as reductions to revenue. Prior to adoption, such costs were reflected as operating expenses.

In February 2016, the FASB issued ASU 2016-02, "Leases (ASC 842)", which requires lessees to put most leases on their balance sheets but recognize expenses on their income statements in a manner similar to current accounting requirements. ASU 2016-02 also eliminates current real estate-specific provisions for all entities. For lessors, the ASU modifies the classification criteria and the accounting for sales-type and direct financing leases. For public reporting entities such as CoreCivic, guidance in ASU 2016-02 is effective for fiscal years beginning after December 15, 2018, and interim periods within those fiscal years, and early adoption of the ASU is permitted. Entities are required to use a modified retrospective approach for leases that exist or are entered into after the beginning of the earliest comparative period in the financial statements. CoreCivic is currently planning to adopt the ASU when effective in its fiscal year 2019. CoreCivic does not currently expect that the new standard will have a material impact on its financial statements, but expects that it will result in an increase in its long-term assets and liabilities for leases where the Company is the lessee.

In January 2017, the FASB issued ASU 2017-04, "Intangibles–Goodwill and Other (Topic 350): Simplifying the Test of Goodwill Impairment", that eliminates the requirement to calculate the implied fair value of goodwill by performing a hypothetical application of the acquisition method as of the date of the impairment test to measure a goodwill impairment charge. This requirement is the second step in the annual two-step quantitative impairment test that is currently required under Accounting Standards Codification ("ASC") 350, "Intangibles-Goodwill and Other". Instead, entities will recognize an impairment charge based on the first step of the quantitative impairment test currently required, which is the measurement of the excess of a reporting unit's carrying amount over its fair value. Entities will still have the option to perform a qualitative assessment to determine if the quantitative impairment test is necessary. For public reporting entities such as CoreCivic, guidance in ASU 2017-04 is effective for fiscal years beginning after December 15, 2019, and interim periods within those years. Early adoption of the ASU is allowed for interim or annual goodwill impairment tests performed on testing dates on or after January 1, 2017. CoreCivic is reviewing the ASU to determine the potential impact it might have on the methodology for evaluating goodwill for impairment subsequent to the adoption of the standard.

In October 2016, the FASB issued ASU 2016-16, "Intra-Entity Transfers of Assets Other Than Inventory", which requires companies to recognize the income tax effects of intercompany sales or transfers of assets, other than inventory, in the income statement as income tax expense when the sale or transfer occurs. The new guidance is effective for public companies for fiscal years beginning after December 15, 2017, and interim periods within those annual periods. The guidance requires companies to apply a modified retrospective approach with a cumulative catch-up adjustment to opening retained earnings in the period of adoption. In the period of adoption, companies will write off any income tax effects that had been deferred from past intercompany transactions involving non-inventory assets to opening retained earnings. CoreCivic adopted the new standard in the first quarter of 2018 and wrote off approximately $2.6 million of prepaid taxes to accumulated deficit as a result of intercompany transactions between the REIT and one of its TRSs.

Other recent accounting pronouncements issued by the FASB (including its Emerging Issues Task Force), the American Institute of Certified Public Accountants and the SEC did not, or are not expected to, have a material effect on the Company's results of operations or financial position.

Fair Value of Financial Instruments

To meet the reporting requirements of ASC 825, "Financial Instruments", regarding fair value of financial instruments, CoreCivic calculates the estimated fair value of financial instruments using market interest rates, quoted market prices of similar instruments, or discounted cash flow techniques with observable Level 1 inputs for publicly traded debt and Level 2 inputs for all other financial instruments, as defined in ASC 820, "Fair Value Measurement". At March 31, 2018 and December 31, 2017, there were no material differences between the carrying amounts and the estimated fair values of CoreCivic's financial instruments, other than as follows (in thousands):

	March 31, 2018		December 31, 2017	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Note receivable from Agecroft Prison Management, LTD	$3,176	$4,663	$3,059	$4,511
Debt	$(1,479,809)	$(1,475,996)	$(1,459,000)	$(1,490,063)

Derivative Financial Instruments

The Company is exposed to interest rate risk and management considers it prudent to periodically reduce the Company's exposure to cash flow variability resulting from interest rate fluctuations. In the first quarter of 2018, the Company entered into an interest rate swap transaction. This agreement was designated as a cash flow hedge and was used to hedge the exposure to variability in future cash flows resulting from changes in interest rates related to the anticipated private placement of long-term debt in connection with the construction of a new correctional facility in Lansing, Kansas, as further described in Note 12. The interest rate swap had a notional amount totaling $125.0 million. At March 31, 2018, the fair value of this agreement was a $2.0 million liability recorded in accrued expenses. The fair value of this derivative financial instrument was determined using quoted prices in markets that are not active or inputs that are observable for the liability and therefore it is classified as Level 2 in the fair value hierarchy. The Company has deferred the loss in accumulated other comprehensive income as of March 31, 2018, as the hedge is expected to be highly effective. On April 20, 2018, the day the private placement was priced, the Company terminated the interest rate swap, resulting in a payment of $0.2 million from the counterparty based on changes in interest rates up to the termination date.

3. GOODWILL

ASC 350, "Intangibles-Goodwill and Other", establishes accounting and reporting requirements for goodwill and other intangible assets. Goodwill was $44.8 million and $40.9 million as of March 31, 2018 and December 31, 2017, respectively. This goodwill was established in connection with multiple business combination transactions.

Under the provisions of ASC 350, CoreCivic performs a qualitative assessment that may allow it to skip the annual two-step impairment test. Under ASC 350, a company has the option to first assess qualitative factors to determine whether the existence of events or circumstances leads to a determination that it is more likely than not that the fair value of a reporting unit is less than its carrying amount. If, after assessing the totality of events or circumstances, an entity determines it is not more likely than not that the fair value of a reporting unit is less than its carrying amount, then performing the two-step impairment test is unnecessary. If the two-step impairment test is required, CoreCivic determines the fair value of a reporting unit using a collaboration of various common valuation techniques, including market multiples and discounted cash flows. These impairment tests are required to be performed at least annually. CoreCivic performs its impairment tests during the fourth quarter, in connection with its annual budgeting process. CoreCivic performs these impairment tests at least annually and whenever circumstances indicate the carrying value of goodwill may not be recoverable.

4. REAL ESTATE TRANSACTIONS
Acquisitions

On January 19, 2018, CoreCivic acquired the 261,000 square-foot Capital Commerce Center, located in Tallahassee, Florida for a purchase price of $44.7 million, excluding transaction-related costs and certain closing credits. Capital Commerce Center is 98% leased, and 87% leased to the state of Florida on behalf of the Florida Department of Business and Professional Regulation. In allocating the purchase price of this transaction, CoreCivic recorded $41.5 million of net tangible assets and $3.2 million of identifiable intangible assets. CoreCivic acquired the property as a strategic investment that further diversifies the Company's cash flows through government-leased properties.

Leasing Transactions

On January 24, 2018, CoreCivic entered into a 20-year lease agreement with the Kansas Department of Corrections ("KDOC") for a 2,432-bed correctional facility the Company is constructing in Lansing, Kansas. The new facility will replace the Lansing Correctional Facility, the State's largest correctional complex for adult male inmates, originally constructed in 1863. CoreCivic will be responsible for facility maintenance throughout the 20-year term of the lease, at which time ownership will revert to the State. Construction of the new facility commenced in the first quarter of 2018 with a timeline for completion of approximately 24 months. CoreCivic expects to account for the lease with the KDOC as a multiple element lease with a portion of the lease payments attributable to the capital lease. In addition, portions of the lease payments will be attributable to maintenance services and capital maintenance, representing two separately valued non-lease components. As of March 31, 2018, CoreCivic has capitalized $1.4 million associated with the construction project and $0.6 million in loan costs associated with a private placement to finance the Kansas project which is expected to close in the second quarter of 2018.

Idle Facilities

As of March 31, 2018, CoreCivic had eight idled correctional facilities that are currently available and being actively marketed to potential customers. The following table summarizes each of the idled facilities and their respective carrying values, excluding equipment and other assets that could generally be transferred and used at other facilities CoreCivic owns without significant cost (dollars in thousands):

			Net Carrying Values	
Facility	Design Capacity	Date Idled	March 31, 2018	December 31, 2017
Prairie Correctional Facility	1,600	2010	$15,857	$ 16,118
Huerfano County Correctional Center	752	2010	16,909	16,980
Diamondback Correctional Facility	2,160	2010	41,151	41,370
Southeast Kentucky Correctional Facility	656	2012	21,656	21,864
Marion Adjustment Center	826	2013	11,956	12,058
Kit Carson Correctional Center	1,488	2016	56,661	57,095
Eden Detention Center	1,422	2017	39,320	39,707
Torrance County Detention Facility	910	2017	36,495	36,882
	9,814		$240,005	$ 242,074

CoreCivic also has two idled non-core facilities containing 440 beds with an aggregate net book value of $4.0 million. CoreCivic incurred approximately $3.5 million and $2.6 million in operating expenses at the idled facilities for the three months ended March 31, 2018 and 2017, respectively.

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CoreCivic considers the cancellation of a contract as an indicator of impairment and tested each of the idled facilities for impairment when it was notified by the respective customers that they would no longer be utilizing such facility. CoreCivic updates the impairment analyses on an annual basis for each of the idled facilities and evaluates on a quarterly basis market developments for the potential utilization of each of these facilities in order to identify events that may cause CoreCivic to reconsider its most recent assumptions. As a result of CoreCivic's analyses, CoreCivic determined each of the idled facilities to have recoverable values in excess of the corresponding carrying values.

5. BUSINESS COMBINATIONS

Effective January 1, 2018, CoreCivic closed on the acquisition of Rocky Mountain Offender Management Systems, LLC ("RMOMS"), which provides non-residential correctional alternatives, including electronic monitoring and case management services, to municipal, county, and state governments in eight states. The aggregate purchase price was $7.0 million, excluding transaction-related expenses.

In allocating the purchase price for the transaction, CoreCivic recorded the following (in millions):

Property and equipment	$0.8
Intangible assets	3.1
Total identifiable assets and liabilities	3.9
Goodwill	3.1
Total consideration	$7.0

Several factors gave rise to the goodwill recorded in the acquisition of RMOMS, such as the expected benefit from synergies of the business combination that continues to broaden the scope of solutions CoreCivic provides. The results of operations for this business combination have been included in the Company's consolidated financial statements from the date of the acquisition.

6. DEBT

Debt outstanding as of March 31, 2018 and December 31, 2017 consists of the following (in thousands):

	March 31, 2018	December 31, 2017
$900.0 Million Revolving Credit Facility, principal due at maturity in July 2020; interest payable periodically at variable interest rates. The weighted average rate at March 31, 2018 and December 31, 2017 was 3.3% and 3.1%, respectively.	$ 198,000	$ 199,000
Term Loan, scheduled principal payments through maturity in July 2020; interest payable periodically at variable interest rates. The rate at March 31, 2018 and December 31, 2017 was 3.4% and 3.1%, respectively. Unamortized debt issuance costs amounted to $0.3 million at both March 31, 2018 and December 31, 2017.	82,500	85,000
4.625% Senior Notes, principal due at maturity in May 2023; interest payable semi-annually in May and November at 4.625%. Unamortized debt issuance costs amounted to $3.1 million and $3.3 million at March 31, 2018 and December 31, 2017, respectively.	350,000	350,000
4.125% Senior Notes, principal due at maturity in April 2020; interest payable semi-annually in April and October at 4.125%. Unamortized debt issuance costs amounted to $1.7 million and $1.9 million at March 31, 2018 and December 31, 2017, respectively.	325,000	325,000
5.0% Senior Notes, principal due at maturity in October 2022; interest payable semi-annually in April and October at 5.0%.	250,000	250,000

Unamortized debt issuance costs amounted to $2.2 million and $2.3 million at March 31, 2018 and December 31, 2017, respectively.		
4.75% Senior Notes, principal due at maturity in October 2027; interest payable semi-annually in April and October at 4.75%. Unamortized debt issuance costs amounted to $3.9 million and $4.0 million at March 31, 2018 and December 31, 2017, respectively.	250,000	250,000
4.5% Non-Recourse Mortgage Note, principal and interest at 4.5% payable monthly until maturity in January 2033; Unamortized debt issuance costs amounted to $0.3 million at March 31, 2018.	24,309	—
Total debt	1,479,809	1,459,000
Unamortized debt issuance costs	(12,115)	(11,813)
Current portion of long-term debt	(12,429)	(10,000)
Long-term debt, net	$1,455,265	$ 1,437,187

Revolving Credit Facility. During July 2015, CoreCivic entered into an amended and restated $900.0 million senior secured revolving credit facility (the "$900.0 Million Revolving Credit Facility"). The $900.0 Million Revolving Credit Facility has an aggregate principal capacity of $900.0 million and a maturity of July 2020. The $900.0 Million Revolving Credit Facility also has an "accordion" feature that provides for uncommitted incremental extensions of credit in the form of increases in the revolving commitments or incremental term loans in an aggregate principal amount up to an additional $350.0 million as requested by CoreCivic, subject to bank approval. At CoreCivic's option, interest on outstanding borrowings under the $900.0 Million Revolving Credit Facility is based on either a base rate plus a margin ranging from 0.00% to 0.75% or at the London Interbank Offered Rate ("LIBOR") plus a margin ranging from 1.00% to 1.75% based on CoreCivic's then-current leverage ratio. The $900.0 Million Revolving Credit Facility includes a $30.0 million sublimit for swing line loans that enables CoreCivic to borrow at the base rate from the Administrative Agent without advance notice.

Based on CoreCivic's current total leverage ratio, loans under the $900.0 Million Revolving Credit Facility bear interest at the base rate plus a margin of 0.50% or at LIBOR plus a margin of 1.50%, and a commitment fee equal to 0.35% of the unfunded balance. The $900.0 Million Revolving Credit Facility also has a $50.0 million sublimit for the issuance of standby letters of credit. As of March 31, 2018, CoreCivic had $198.0 million in borrowings outstanding under the $900.0 Million Revolving Credit Facility as well as $7.6 million in letters of credit outstanding resulting in $694.4 million available under the $900.0 Million Revolving Credit Facility.

The $900.0 Million Revolving Credit Facility is secured by a pledge of all of the capital stock of CoreCivic's domestic subsidiaries, 65% of the capital stock of CoreCivic's foreign subsidiaries, all of CoreCivic's accounts receivable, and all of CoreCivic's deposit accounts. The $900.0 Million Revolving Credit Facility requires CoreCivic to meet certain financial covenants, including, without limitation, a maximum total leverage ratio, a maximum secured leverage ratio, and a minimum fixed charge coverage ratio. As of March 31, 2018, CoreCivic was in compliance with all such covenants. In addition, the $900.0 Million Revolving Credit Facility contains certain covenants that, among other things, limit the incurrence of additional indebtedness, payment of dividends and other customary restricted payments, transactions with affiliates, asset sales, mergers and consolidations, liquidations, prepayments and modifications of other indebtedness, liens and other encumbrances and other matters customarily restricted in such agreements. In addition, the $900.0 Million Revolving Credit Facility is subject to certain cross-default provisions with terms of CoreCivic's other indebtedness, and is subject to acceleration upon the occurrence of a change of control.

On October 6, 2015, CoreCivic obtained a $100.0 million Incremental Term Loan ("Term Loan") under the "accordion" feature of the $900.0 Million Revolving Credit Facility. Interest rates under the Term Loan are the same as the interest rates under the $900.0 Million Revolving Credit Facility. The Term Loan also has the same collateral requirements, financial and certain other covenants, and cross-default provisions as the $900.0 Million Revolving Credit Facility. The Term Loan, which is pre-payable, also has a maturity concurrent with the $900.0 Million Revolving Credit Facility due July 2020, with scheduled quarterly principal payments through 2020. As of March 31, 2018, the outstanding balance of the Term Loan was $82.5 million.

On April 17, 2018, CoreCivic entered into the Second Amended and Restated Credit Agreement (the "New Credit Agreement"), as further described in Note 12.

Senior Notes. Interest on the $325.0 million aggregate principal amount of CoreCivic's 4.125% senior notes issued in April 2013 (the "4.125% Senior Notes") accrues at the stated rate and is payable in April and October of each year. The 4.125% Senior Notes are scheduled to mature on April 1, 2020. Interest on the $350.0 million aggregate principal amount of CoreCivic's 4.625% senior notes issued in April 2013 (the "4.625% Senior Notes") accrues at the stated rate and is payable in May and November of each year. The 4.625% Senior Notes are scheduled to mature on May 1, 2023. Interest on the $250.0 million aggregate principal amount of CoreCivic's 5.0% senior notes issued in September 2015 (the "5.0% Senior Notes") accrues at the stated rate and is payable in April and October of each year. The 5.0% Senior Notes are scheduled to mature on October 15, 2022. Interest on the $250.0 million aggregate principal amount of CoreCivic's 4.75% senior notes issued in October 2017 (the "4.75% Senior Notes") accrues at the stated rate and is payable in April and October of each year. The 4.75% Senior Notes are scheduled to mature on October 15, 2027.

The 4.125% Senior Notes, the 4.625% Senior Notes, the 5.0% Senior Notes, and the 4.75% Senior Notes, collectively referred to herein as the "Senior Notes", are senior unsecured obligations of the Company and are guaranteed by all of the Company's subsidiaries that guarantee the $900.0 Million Revolving Credit Facility. CoreCivic may redeem all or part of the Senior Notes at any time prior to three months before their respective maturity date at a "make-whole" redemption price, plus accrued and unpaid interest thereon to, but not including, the redemption date. Thereafter, the Senior Notes are redeemable at CoreCivic's option, in whole or in part, at a redemption price equal to 100% of the aggregate principal amount of the notes to be redeemed plus accrued and unpaid interest thereon to, but not including, the redemption date.

Non-Recourse Mortgage Note. As previously discussed herein, on January 19, 2018, CoreCivic acquired the 261,000 square-foot Capital Commerce Center, located in Tallahassee, Florida for a purchase price of $44.7 million. The acquisition was partially financed with a $24.5 million non-recourse mortgage note, which is fully-secured by the Capital Commerce Center property, with an interest rate of 4.5%, maturing in January 2033. Principal and interest on the mortgage note are payable in equal monthly payments over the 15-year term of the note. The note is pre-payable at any time with a prepayment charge, if any, equal to an amount so as to maintain the same yield on the mortgage note as if it had been carried through to its full term using Treasury instruments having a term equal to the remaining term of the mortgage note as of the prepayment date. As of March 31, 2018, the outstanding balance of the mortgage note was $24.3 million.

CoreCivic may also seek to issue additional debt or equity securities from time to time when the Company determines that market conditions and the opportunity to utilize the proceeds from the issuance of such securities are favorable.

Debt Maturities. Scheduled principal payments as of March 31, 2018 (prior to the amendment and restatement of the $900.0 Million Revolving Credit Facility, as further described in Note 12) for the remainder of 2018, the next four years, and thereafter were as follows (in thousands):

2018 (remainder)	$ 8,380
2019	16,220
2020	584,276
2021	1,334
2022	251,396
Thereafter	618,203
Total debt	$ 1,479,809

7. STOCKHOLDERS' EQUITY
Dividends on Common Stock

During 2017 and the first quarter of 2018, CoreCivic's Board of Directors declared the following quarterly dividends on its common stock:

Declaration Date	Record Date	Payable Date	Per Share
February 17, 2017	April 3, 2017	April 17, 2017	$ 0.42
May 11, 2017	July 3, 2017	July 17, 2017	$ 0.42
August 10, 2017	October 2, 2017	October 16, 2017	$ 0.42
December 7, 2017	January 2, 2018	January 15, 2018	$ 0.42
February 22, 2018	April 2, 2018	April 16, 2018	$ 0.43

Future dividends will depend on CoreCivic's distribution requirements as a REIT, future earnings, capital requirements, financial condition, limitations under debt covenants, opportunities for alternative uses of capital, and on such other factors as the Board of Directors of CoreCivic may consider relevant.

Stock Options

Since 2012, CoreCivic has elected not to issue stock options to its non-employee directors, officers, and executive officers as it had in prior years, and instead elected to issue all of its equity compensation in the form of restricted common stock units ("RSUs"), as described hereafter. All outstanding stock options were fully vested as of December 31, 2016. As of March 31, 2018, options to purchase 1.0 million shares of common stock were outstanding with a weighted average exercise price of $19.85 per share.

Restricted Stock Units

During the first quarter of 2018, CoreCivic issued approximately 908,000 RSUs to certain of its employees and non-employee directors, with an aggregate value of $19.6 million, including 813,000 RSUs to employees and non-employee directors whose compensation is charged to general and administrative expense and 95,000 RSUs to employees whose compensation is charged to operating expense. During 2017, CoreCivic issued approximately 554,000 RSUs to certain of its employees and non-employee directors, with an aggregate value of $18.1 million, including 487,000 RSUs to employees and non-employee directors whose compensation is charged to general and administrative expense and 67,000 RSUs to employees whose compensation is charged to operating expense.

CoreCivic established performance-based vesting conditions on the RSUs awarded to its officers and executive officers in years 2015 through 2018. Unless earlier vested under the terms of the agreements, performance-based RSUs issued to officers and executive officers in those years are subject to vesting over a three-year period based upon the satisfaction of certain annual performance criteria, and no more than one-third of the RSUs may vest in any one performance period. Time-based RSUs issued to other employees in 2016 through 2018, unless earlier vested under the terms of the agreements, generally vest equally on the first, second, and third anniversary of the award. Time-based RSUs issued to other employees in 2015, unless earlier vested under the terms of the agreements, "cliff" vest on the third anniversary of the award. RSUs issued to non-employee directors vest one year from the date of award.

During the three months ended March 31, 2018, CoreCivic expensed $3.5 million, net of forfeitures, relating to RSUs ($0.5 million of which was recorded in operating expenses and $3.0 million of which was recorded in general and administrative expenses). During the three months ended March 31, 2017, CoreCivic expensed $4.1 million, net of forfeitures, relating to RSUs ($0.5 million of which was recorded in operating expenses and $3.6 million of which was recorded in general and administrative expenses). As of March 31, 2018, approximately 1.4 million RSUs remained outstanding and subject to vesting.

8. EARNINGS PER SHARE

Basic earnings per share is computed by dividing net income by the weighted average number of common shares outstanding during the year. Diluted earnings per share reflects the potential dilution that could occur if securities or other contracts to issue common stock were exercised or converted into common stock or resulted in the issuance of common stock that then shared in the earnings of the entity. For CoreCivic, diluted earnings per share is computed by dividing net income by the weighted average number of common shares after considering the additional dilution related to restricted stock-based awards and stock options.

A reconciliation of the numerator and denominator of the basic earnings per share computation to the numerator and denominator of the diluted earnings per share computation is as follows (in thousands, except per share data):

	For the Three Months Ended March 31,	
	2018	2017
NUMERATOR		
Basic:		
Net income	$37,777	$50,047
Diluted:		
Net income	$37,777	$50,047
DENOMINATOR		
Basic:		
Weighted average common shares outstanding	118,359	117,782
Diluted:		
Weighted average common shares outstanding	118,359	117,782
Effect of dilutive securities:		
Stock options	101	420
Restricted stock-based awards	49	57
Weighted average shares and assumed conversions	118,509	118,259
BASIC EARNINGS PER SHARE	$0.32	$0.42
DILUTED EARNINGS PER SHARE	$0.32	$0.42

Approximately 0.5 million stock options were excluded from the computation of diluted earnings per share for the three months ended March 31, 2018, because they were anti-dilutive. There were no stock options excluded from the computation of diluted earnings per share for the three months ended March 31, 2017.

9. COMMITMENTS AND CONTINGENCIES

Legal Proceedings

The nature of CoreCivic's business results in claims and litigation alleging that it is liable for damages arising from the conduct of its employees, offenders or others. The nature of such claims includes, but is not limited to, claims arising from employee or offender misconduct, medical malpractice, employment matters, property loss, contractual claims, including claims regarding compliance with contract performance requirements, and personal injury or other damages resulting from contact with CoreCivic's facilities, personnel or offenders, including damages arising from an offender's escape or from a disturbance at a facility. CoreCivic maintains insurance to cover many of these claims, which may mitigate the risk that any single claim would have a material effect on CoreCivic's consolidated financial position, results of operations, or cash flows, provided the claim is one for which coverage is available. The combination of self-insured retentions and deductible amounts means that, in the aggregate, CoreCivic is subject to substantial self-insurance risk.

CoreCivic records litigation reserves related to certain matters for which it is probable that a loss has been incurred and the range of such loss can be estimated. Based upon management's review of the potential claims and outstanding litigation, and based upon management's experience and history of estimating losses, and taking into consideration CoreCivic's self-insured retention amounts, management believes a loss in excess of amounts already recognized would not be material to CoreCivic's financial statements. In the opinion of management, there are no pending legal proceedings that would have a material effect on CoreCivic's consolidated financial position, results of operations, or cash flows. Any receivable for insurance recoveries is recorded separately from the corresponding litigation reserve, and only if recovery is determined to be probable. Adversarial proceedings and litigation are, however, subject to inherent uncertainties, and unfavorable decisions and rulings resulting from legal proceedings could occur which could have a material adverse impact on CoreCivic's consolidated financial position, results of operations, or cash flows for the period in which such decisions or rulings occur, or future periods. Expenses associated with legal proceedings may also fluctuate from quarter to quarter based on changes in CoreCivic's assumptions, new developments, or by the effectiveness of CoreCivic's litigation and settlement strategies.

10. INCOME TAXES

As discussed in Note 1, the Company began operating in compliance with REIT requirements for federal income tax purposes effective January 1, 2013. As a REIT, the Company must distribute at least 90 percent of its taxable income (including dividends paid to it by its TRSs) and will not pay federal income taxes on the amount distributed to its stockholders. In addition, the Company must meet a number of other organizational and operational requirements. It is management's intention to adhere to these requirements and maintain the Company's REIT status. Most states where CoreCivic holds investments in real estate conform to the federal rules recognizing REITs. Certain subsidiaries have made an election with the Company to be treated as TRSs in conjunction with the Company's REIT election; the TRS elections permit CoreCivic to engage in certain business activities in which the REIT may not engage directly. A TRS is subject to federal and state income taxes on the income from these activities and therefore, CoreCivic includes a provision for taxes in its consolidated financial statements.

Income taxes are accounted for under the provisions of ASC 740, "Income Taxes". ASC 740 generally requires CoreCivic to record deferred income taxes for the tax effect of differences between book and tax bases of its assets and liabilities. Deferred income taxes reflect the available net operating losses and the net tax effect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes using enacted tax rates in effect for the year in which the differences are expected to reverse. The effect of a change in tax rates on deferred tax assets and liabilities is recognized in the statement of operations in the period that includes the enactment date. Realization of the future tax benefits related to deferred tax assets is dependent on many factors, including CoreCivic's past earnings history, expected future earnings, the character and jurisdiction of such earnings, unsettled circumstances that, if unfavorably resolved, would adversely affect utilization of its deferred tax assets, carryback and carryforward periods, and tax strategies that could potentially enhance the likelihood of realization of a deferred tax asset.

The Tax Cuts and Jobs Act (the "TCJA") was enacted on December 22, 2017. The TCJA reduces the U.S. federal corporate tax rate from 35% to 21%, requires companies to pay a one-time transition tax on earnings of certain foreign subsidiaries that were previously tax deferred, and creates new taxes on certain foreign-sourced earnings. However, the TCJA does not change the dividends paid deduction applicable to REITs and, therefore, CoreCivic generally will not be subject to federal income taxes on the Company's REIT taxable income and gains that it distributes to its stockholders. In the fourth quarter of 2017, the Company recorded, in accordance with ASC 740, the tax effects of enactment of the TCJA on existing deferred tax balances and the Company estimates there is no one-time transition tax on foreign earnings. The Company re-measured certain deferred tax assets and liabilities based on the rates at which they are expected to reverse in the future, which is generally 21%. In the fourth quarter of 2017, the Company recognized a charge of $4.5 million, which was included as a component of income tax expense, for the revaluation of deferred tax assets and liabilities and other taxes associated with the TCJA. However, the Company is still analyzing certain aspects of the TCJA, including research on historical earnings of certain foreign subsidiaries among others, and refining its calculations which could potentially affect the measurement of these balances or potentially give rise to new deferred tax amounts.

CoreCivic recorded an income tax expense of $1.9 million and $2.5 million for the three months ended March 31, 2018 and 2017, respectively. As a REIT, CoreCivic is entitled to a deduction for dividends paid, resulting in a substantial reduction in the amount of federal income tax expense it recognizes. Substantially all of CoreCivic's income tax expense is incurred based on the earnings generated by its TRSs. CoreCivic's overall effective tax rate is estimated based on its current projection of taxable income primarily generated by its TRSs. The Company's consolidated effective tax rate could fluctuate in the future based on changes in estimates of taxable income, the relative amounts of taxable income generated by the TRSs and the REIT, the implementation of additional tax planning strategies, changes in federal or state tax rates or laws affecting tax credits available to the Company, changes in other tax laws, changes in estimates related to uncertain tax positions, or changes in state apportionment factors, as well as changes in the valuation allowance applied to the Company's deferred tax assets that are based primarily on the amount of state net operating losses and tax credits that could expire unused.

Income Tax Contingencies

ASC 740 prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. The guidance prescribed in ASC 740 establishes a recognition threshold of more likely than not that a tax position will be sustained upon examination. The measurement attribute requires that a tax position be measured at the largest amount of benefit that is greater than 50% likely of being realized upon ultimate settlement.

CoreCivic had no liabilities recorded for uncertain tax positions as of March 31, 2018 and December 31, 2017. CoreCivic recognizes interest and penalties related to unrecognized tax positions in income tax expense. CoreCivic does not currently anticipate that the total amount of unrecognized tax positions will significantly change in the next twelve months.

11. SEGMENT REPORTING

As of March 31, 2018, CoreCivic operated 51 correctional and detention facilities, 44 of which were owned by the Company. In addition, CoreCivic owned and operated 26 residential reentry centers and owned 13 properties that it leased to third parties. Management views CoreCivic's operating results in three operating segments, CoreCivic Safety, CoreCivic Community, and CoreCivic Properties. CoreCivic Safety includes the operating results of those correctional and detention facilities placed into service that were owned, or controlled via a long-term lease, and managed by CoreCivic, as well as those correctional and detention facilities owned by a third party and managed by CoreCivic. CoreCivic Safety also includes the operating results of TransCor America, LLC, a subsidiary of the Company that provides transportation services to governmental agencies. CoreCivic Community includes the operating results of those residential reentry centers placed into service that were owned, or controlled via a long-term lease, and managed by CoreCivic. CoreCivic Community also includes the operating results of the electronic monitoring and case management services provided by RMOMS. CoreCivic Properties includes the operating results of those properties leased to third parties. The operating performance of the three segments can be measured based on their net operating income. CoreCivic defines facility net operating income as a facility's revenues less operating expenses.

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The revenue and net operating income for each of the three segments and a reconciliation to CoreCivic's operating income is as follows for the three months ended March 31, 2018 and 2017 (in thousands):

	For the Three Months Ended March 31, 2018	2017
Revenue:		
Safety	$404,498	$418,683
Community	24,800	17,054
Properties	11,615	9,872
Total segment revenue	440,913	445,609
Operating expenses:		
Safety	296,503	300,709
Community	19,367	12,015
Properties	3,114	2,423
Total segment operating expenses	318,984	315,147
Facility net operating income:		
Safety	107,995	117,974
Community	5,433	5,039
Properties	8,501	7,449
Total facility net operating income	121,929	130,462
Other revenue (expense):		
Other revenue	3	75
Other operating expense	(167)	(156)
General and administrative	(24,971)	(24,826)
Depreciation and amortization	(38,089)	(36,257)
Asset impairments	—	(259)
Operating income	$58,705	$69,039

The following table summarizes capital expenditures including accrued amounts for the three months ended March 31, 2018 and 2017 (in thousands):

	For the Three Months Ended March 31, 2018	2017
Capital expenditures:		
Safety	$11,470	$12,242
Community	7,147	5,440

Properties	40,994	3,094
Corporate and other	6,641	430
Total capital expenditures	$66,252	$21,206

The total assets are as follows (in thousands):

	March 31, 2018	December 31, 2017
Assets:		
Safety	$2,579,007	$ 2,643,609
Community	258,476	253,978
Properties	265,339	220,235
Corporate and other	161,628	154,576
Total Assets	$3,264,450	$ 3,272,398

12. SUBSEQUENT EVENTS

On April 17, 2018, CoreCivic entered into the New Credit Agreement in an aggregate principal amount of up to $1.0 billion, replacing the $900.0 Million Revolving Credit Facility and Term Loan. The New Credit Agreement provides for a term loan of $200.0 million and a revolving credit facility in an aggregate principal amount of up to $800.0 million. The New Credit Agreement, among other things, extends the maturity from July 2020 to April 2023, and increases the total leverage covenant from 5.0x to 5.5x. The New Credit Agreement also contains an "accordion" feature that provides for uncommitted incremental extensions of credit in the form of increases in the revolving commitments or incremental term loans of up to $350.0 million, as requested by CoreCivic, and provides additional flexibility by increasing certain permitted investment, disposition, and borrowing thresholds. Interest rate margins, unused facility fees, and commitment fees for letters of credit remain the same under the New Credit Agreement, except for the addition of a new interest rate margin and fee tier to accommodate the increase in the covenant for total leverage from 5.0x to 5.5x. All other terms remain substantially the same. In the second quarter of 2018, CoreCivic expects to capitalize approximately $2.1 million of new costs associated with the New Credit Agreement. CoreCivic also expects to report a charge of approximately $1.0 million during the second quarter of 2018 for the write-off of a portion of the existing loan costs and other costs associated with the New Credit Agreement.

On April 20, 2018, CoreCivic of Kansas, LLC (the "Issuer"), a wholly-owned subsidiary of the Company, priced $159.5 million in aggregate principal amount of non-recourse senior secured notes of the Issuer (the "Notes"), in a private placement pursuant to Section 4(a)(2) of the Securities Act of 1933, as amended. The Company will use the proceeds of the private placement, which will be drawn on quarterly funding dates beginning in the second quarter of 2018, to fund construction of the new Lansing Correctional Facility, along with costs and expenses of the project. The Notes will have a yield to maturity of 4.43% and will be scheduled to mature approximately 20 years following completion of the project, expected to occur during the first quarter of 2020. The private placement is expected to close during the second quarter of 2018. CoreCivic expects to capitalize approximately $3.5 million of costs associated with the private placement.

Because the Issuer has been designated as an unrestricted subsidiary of the Company under terms of the Company's New Credit Agreement, the issuance and service of the Notes, and the revenues and expenses associated with the facility lease, will not impact the financial covenants associated with the Company's New Credit Agreement.

13. CONDENSED CONSOLIDATING FINANCIAL STATEMENTS OF THE COMPANY AND SUBSIDIARIES

The following condensed consolidating financial statements of CoreCivic and subsidiaries have been prepared pursuant to Rule 3-10 of Regulation S-X. These condensed consolidating financial statements have been prepared from the Company's financial information on the same basis of accounting as the consolidated financial statements.

CONDENSED CONSOLIDATING BALANCE SHEET

As of March 31, 2018

(Unaudited and in thousands)

ASSETS	Parent	Combined Subsidiary Guarantors	Consolidating Adjustments and Other	Total Consolidated Amounts
Cash and cash equivalents	$35,420	$ 20,980	$ —	$ 56,400
Accounts receivable, net of allowance	160,505	402,926	(350,797)	212,634
Prepaid expenses and other current assets	2,803	22,512	(5,749)	19,566
Total current assets	198,728	446,418	(356,546)	288,600
Property and equipment, net	2,494,590	330,577	36	2,825,203
Goodwill	33,057	11,722	—	44,779
Non-current deferred tax assets	—	11,668	(474)	11,194
Other assets	460,517	52,047	(417,890)	94,674
Total assets	$3,186,892	$ 852,432	$ (774,874)	$ 3,264,450
LIABILITIES AND STOCKHOLDERS' EQUITY				
Accounts payable and accrued expenses	$274,701	$ 348,636	$ (353,879)	$ 269,458
Income taxes payable	1,734	2,223	—	3,957
Current portion of long-term debt	12,429	—	—	12,429
Total current liabilities	288,864	350,859	(353,879)	285,844
Long-term debt, net				