

## Private Prison Co. Seeks Early Release From Investor Suit

By Jon Hill

*Law360, New York (May 15, 2017, 4:29 PM EDT)* -- CoreCivic Inc. told a Tennessee federal court on Friday that the investors who accused the private prison operator of misleading them about the quality, efficiency and regulatory compliance of its facilities should have their proposed class action tossed for failing to adequately plead their securities fraud claims.

The company took particular issue with the investors' use of alleged infractions excerpted from a U.S. Department of Justice inspector general report on the Bureau of Prisons' monitoring of contract facilities to back up their claims that CoreCivic — formerly known as Corrections Corp. of America — had made deceptive statements about its operations.

"These statements are far too general to be proven false by a handful of cherry-picked violations at a small number of facilities alleged in the complaint," CoreCivic said in its memorandum supporting its dismissal bid.

Investors began filing suit against CoreCivic and its top executives last August after then-Deputy Attorney General Sally Q. Yates said in a public memo that the federal government's use of private prisons would be phased out in response to the conclusions of the Office of the Inspector General report, which found in part that private prisons "incurred more safety and security incidents per capita than comparable BOP institutions."

According to the investors' latest amended complaint filed in March, the revelation of and response to those shortcomings caused CoreCivic's stock to plunge by nearly 40 percent.

But the company told the court that those declines were suffered industrywide, undermining investors' claim that company-specific revelations were responsible for the hit to their portfolios. Undermining their claims further is the fact that CoreCivic stock has since rebounded and hit a 52-week high following the reversal of the federal government's phase-out plan in February, the company said.

"In short, this is not securities fraud but instead the result of a short-term policy shift that impacted an entire industry," CoreCivic told the court.

Other allegedly deceptive corporate comments cited by the investors amounted to either puffery that no reasonable investor would rely on or forward-looking statements accompanied by extensive risk disclosures, the company said.

CoreCivic also disputed the investors' contention that intentional wrongdoing could be inferred in part from the company's opposition to two shareholder proposals to tighten oversight of its facilities. According to the company, its resistance was rooted in a desire to avoid putting itself a competitive disadvantage with unnecessary additional internal controls.

"The competing, nonfraudulent inferences are far more cogent and compelling than any inference that defendants intended to defraud CC's shareholders," the company said, noting that the investors had not pointed to any suspicious stock sales or other financial motivations that could have bolstered their case.

In its filing, CoreCivic maintained that it "takes the care and well-being of the inmates at its facilities very seriously."

Counsel and representatives for CoreCivic were not immediately available for comment.

Counsel for the investors was also unavailable for comment.

The investors are represented by Christopher M. Wood, Dennis J. Herman and Willow E. Radcliffe of Robbins Geller Rudman & Dowd LLP and Jerry E. Martin of Barrett Johnston Martin & Garrison LLC.

CoreCivic and its executives are represented Steven A. Riley and Milton S. McGee III of Riley Warnock & Jacobson PLC and David J. Schindler, Brian T. Glennon, Anna E. Berces and Morgan E. Whitworth of Latham & Watkins LLP.

The case is Grae v. Corrections Corp. of America et al., case number 3:16-cv-02267, in the U.S. District Court for the Middle District of Tennessee.

--Additional reporting by Natalie Olivo. Editing by Christine Chun.