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### **Judge Grants Class Action Status in Private Prison Lawsuit**

NASHVILLE, Tenn. (AP) — Shareholders suing private prison operator CoreCivic won class action status Tuesday for their lawsuit claiming the company inflated stock prices by misrepresenting the quality and value of its services. CoreCivic's public statements to shareholders have said the Nashville, Tennessee-based company provides a high quality service at a lower cost than government-run facilities. The securities fraud suit claims CoreCivic executives knew those statements were false. According to the suit, the company formerly called Corrections Corporation of America "ran unsafe, low quality prisons that caused multiple deaths and did not save money." In a filing with the Securities and Exchange Commission, CoreCivic has said the shareholder lawsuit is "entirely without merit." U.S. District Judge Aleta Trauger ruled Tuesday in favor of class action status. She relied in part on internal communications showing that CoreCivic executives knew of serious problems with at least some of their facilities and were privately concerned about losing contracts. The plaintiffs are led by Amalgamated Bank, which says it lost \$1.2 million when stocks fell after a 2016 U.S. Department of Justice memorandum directed the Bureau of Prisons to phase out contracts with private operators. The memo said private prisons have more safety and security issues than federally run prisons without significant cost savings. CoreCivic has pointed out in court filings that the directive was rescinded under the Trump administration, and the company's stock price went on to fully recover. It also has said a similar shareholder lawsuit against private prison operator GEO Group was dismissed by a federal judge in Florida. The company also has argued that statements boasting of the quality and value of its services were of a generic nature and not fraudulent. Trauger addressed the issue of the company's statements in her order Tuesday. "CoreCivic and its executives, as might be expected, typically portrayed its services in a positive light to shareholders," the judge wrote. "The statements at issue here, however, frequently went beyond generic puffery to claims that their services were of a high quality, specifically, in the eyes of their government clients." Meanwhile, executives knew some of those government clients were unhappy with the service CoreCivic provided, Trauger added. One example Trauger cites is an executive who worried that health care problems might be putting contracts in jeopardy at two facilities and wrote in an email, "this is going to kill us." Another example she cites: After a federal audit was less critical than had been expected, an executive wrote, "What I'm shocked over is they totally overlooked the consequences of our staff vacancies. They mentioned staffing at the end but could have been much more critical." CoreCivic is one of the nation's largest private prison operators. It owns or manages 54 detention facilities with a combined capacity of over 75,000 beds through contracts with federal, state and local governments, according to its website.