

GEO GROUP INC
Form 10-K
February 26, 2015
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 10-K

(Mark One)

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

For the fiscal year ended December 31, 2014

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

The GEO Group, Inc.

(Exact name of registrant as specified in its charter)

Florida
(State or other jurisdiction of

incorporation or organization)

One Park Place, Suite 700,

621 Northwest 53rd Street

Boca Raton, Florida
(Address of principal executive offices)

Registrant's telephone number, including area code: (561) 893-0101

65-0043078
(I.R.S. Employer

Identification No.)

33487-8242
(Zip Code)

Securities registered pursuant to Section 12(b) of the Act:

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Title of Each Class	Name of Each Exchange on Which Registered
Common Stock, \$0.01 Par Value	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act:

None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes No

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 (§232.405 of this chapter) 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 if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405 of this chapter) is not contained herein, and will not be contained, to the best of the registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

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

Large accelerated filer	<input checked="" type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-Accelerated filer	<input type="checkbox"/>	Smaller reporting company	<input type="checkbox"/>

(Do not check if a smaller reporting company)

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

The aggregate market value of the 72,229,335 voting and non-voting shares of common stock held by non-affiliates of the registrant as of June 30, 2014 (based on the last reported sales price of such stock on the New York Stock Exchange on such date, the last business day of the registrant's quarter ended June 30, 2014 of \$35.73 per share) was approximately \$2.6 billion.

As of February 23, 2015, the registrant had 74,202,455 shares of common stock outstanding.

Certain portions of the registrant's definitive proxy statement pursuant to Regulation 14A of the Securities Exchange Act of 1934 for its 2015 annual meeting of shareholders, which will be filed with the Securities and Exchange Commission within 120 days after the end of the year covered by this report, are incorporated by reference into Part III of this report.

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PART I

Item 1. Business

As used in this report, the terms we, us, our, GEO and the Company refer to The GEO Group, Inc., its consolidated subsidiaries and its unconsolidated affiliates, unless otherwise expressly stated or the context otherwise requires.

General

We are a fully-integrated real estate investment trust (REIT) specializing in the ownership, leasing and management of correctional, detention and re-entry facilities and the provision of community-based services and youth services in the United States, Australia, South Africa and the United Kingdom. We own, lease and operate a broad range of correctional and detention facilities including maximum, medium and minimum security prisons, immigration detention centers, minimum security detention centers, as well as community based re-entry facilities. We develop new facilities based on contract awards, using our project development expertise and experience to design, construct and finance what we believe are state-of-the-art facilities that maximize security and efficiency. We provide innovative compliance technologies, industry-leading monitoring services, and evidence-based supervision and treatment programs for community-based parolees, probationers and pretrial defendants. We also provide secure transportation services for offender and detainee populations as contracted domestically and in the United Kingdom through our joint venture GEO Amey PECS Ltd. (GEOAmey). As of December 31, 2014, our worldwide operations included the management and/or ownership of approximately 79,000 beds at 98 correctional, detention and community based facilities, including idle facilities and projects under development, and also included the provision of monitoring of more than 70,000 offenders in a community-based environment on behalf of approximately 900 federal, state and local correctional agencies located in all 50 states.

We provide a diversified scope of services on behalf of our government clients:

our correctional and detention management services involve the provision of security, administrative, rehabilitation, education, and food services, primarily at adult male correctional and detention facilities;

our community-based services involve supervision of adult parolees and probationers and the provision of temporary housing, programming, employment assistance and other services with the intention of the successful reintegration of residents into the community;

our youth services include residential, detention and shelter care and community-based services along with rehabilitative and educational programs;

we provide comprehensive electronic monitoring and supervision services;

we develop new facilities, using our project development experience to design, construct and finance what we believe are state-of-the-art facilities that maximize security and efficiency;

we provide secure transportation services for offender and detainee populations as contracted; and

our services are provided at facilities which we either own, lease or are owned by our customers.

We began operating as a REIT for federal income tax purposes effective January 1, 2013. As a result of the REIT conversion, we reorganized our operations and moved non-real estate components into taxable REIT subsidiaries (TRS). We are a Florida corporation and our predecessor corporation prior to the REIT conversion was originally organized in 1984.

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Business Segments

We conduct our business through four reportable business segments: our U.S. Corrections & Detention segment; our GEO Care segment; our International Services segment and our Facility Construction & Design segment. We have identified these four reportable segments to reflect our current view that we operate four distinct business lines, each of which constitutes a material part of our overall business. Our U.S. Corrections & Detention segment primarily encompasses our U.S.-based privatized corrections and detention business. Our GEO Care segment, which conducts its services in the U.S., consists of our community based services business, our youth services business and our electronic monitoring and supervision service. Effective January 1, 2015, we regained ownership of our GEO Care trade name in connection with the termination of the license agreement related to the sale of the residential treatment services (RTS) operating component on December 31, 2012 and as a result renamed our GEO Community Services segment the GEO Care segment. Refer to Note 2-Discontinued Operations in the notes to our audited consolidated financial statements included in Part II, Item 8 of this annual report on Form 10-K. Our International Services segment primarily consists of our privatized corrections and detention operations in South Africa, Australia, and the United Kingdom. Our Facility Construction & Design segment primarily contracts with various states, local and federal agencies, as well as international agencies, for the design and construction of facilities for which we generally have been, or expect to be, awarded management contracts. Financial information about these segments for years 2014, 2013 and 2012 is contained in Note 16 Business Segments and Geographic Information included in the notes to our audited consolidated financial statements included in Part II, Item 8 of this annual report on Form 10-K.

Recent Developments

5.875% Senior Notes

On September 25, 2014, we completed an offering of \$250.0 million aggregate principal amount of 5.875% senior unsecured notes (the 5.875% Senior Notes). The notes will mature on October 15, 2024 and have a coupon rate and yield to maturity of 5.875%. Interest is payable semi-annually in cash in arrears on April 15 and October 15, beginning April 15, 2015. The 5.875% Senior Notes are guaranteed on a senior unsecured basis by all of our restricted subsidiaries that guarantee obligations. The 5.875% Senior Notes rank equally in right of payment with any of our unsecured, unsubordinated indebtedness and our guarantors, including our 6.625% senior notes due 2021, the 5⁷/₈% senior notes due 2022, the 5.125% senior notes due 2023, and the guarantors' guarantees thereof, senior in right of payment to any future indebtedness of the Company and the guarantors that is expressly subordinated to the 5.875% Senior Notes and the guarantees, effectively junior to any secured indebtedness of the Company and the guarantors, including indebtedness under our senior credit facility, to the extent of the value of the assets securing such indebtedness, and structurally junior to all obligations of our subsidiaries that are not guarantors. The sale of the 5.875% Senior Notes was registered under our automatic shelf registration statement on Form S-3 filed on September 12, 2014, as supplemented by the Preliminary Prospectus Supplement filed on September 22, 2014 and the Prospectus Supplement filed on September 24, 2014. We capitalized \$4.6 million of deferred financing costs in connection with the offering. At any time on or prior to October 15, 2017, we may on any one or more occasions redeem up to 35% of the aggregate principal amount of outstanding 5.875% Senior Notes issued under the indenture governing the 5.875% Senior Notes (including any additional notes) at a redemption price of 105.875% of their principal amount, plus accrued and unpaid interest, if any, to the redemption date. In addition, we may, at our option, redeem the 5.875% Senior Notes in whole or in part before October 15, 2019 at a redemption price equal to 100% of the principal amount of the 5.875% Senior Notes being redeemed plus a make-whole premium, together with accrued and unpaid interest, if any, to the redemption date. Lastly, we may, at our option, redeem the 5.875% Senior Notes in whole or in part on or after October 15, 2019 at the redemption prices specified in the indenture for each year from 2019 through 2024 and thereafter.

Australia Ravenhall

In connection with a new design and build prison project agreement with the State of Victoria (the State), we entered into a syndicated facility agreement (the Construction Facility) with National Australia Bank

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Limited to provide debt financing for construction of the project. Refer to Note 7 Contract Receivable included in the notes to our audited consolidated financial statements included in Part II, Item 8 of this annual report on Form 10-K. The Construction Facility provides for non-recourse funding up to AUD 791.0 million, or \$645.3 million, based on exchange rates as of December 31, 2014. Construction draws will be funded throughout the project according to a fixed utilization schedule as defined in the syndicated facility agreement. The term of the Construction Facility is through October 2019 and bears interest at a variable rate quoted by certain Australian banks plus 200 basis points. After October 2019, the Construction Facility will be converted to a term loan with payments due quarterly beginning in 2018 through 2041. In accordance with the terms of the Construction Facility, upon completion and commercial acceptance of the prison, in accordance with the prison contract, the State will make a lump sum payment of AUD 310 million, or \$252.9 million, based on exchange rates as of December 31, 2014, which will be used to pay a portion of the outstanding principal. The remaining outstanding principal balance will be repaid over the term of the operating agreement. As of December 31, 2014, \$79.4 million was outstanding under the Construction Facility. We also entered into multiple interest rate swap and interest rate cap agreements related to our non-recourse debt in connection with the project. Refer to Note 9 Derivative Financial Instruments included in the notes to our audited consolidated financial statements included in Part II, Item 8 of this annual report on Form 10-K.

Credit Facility

On August 27, 2014, we executed a second amended and restated credit agreement by and among us and GEO Corrections Holdings, Inc., as Borrowers, BNP Paribas, as Administrative Agent, and the lenders who are, or may from time to time become, a party thereto (the Credit Agreement).

The Credit Agreement evidences a credit facility (the Credit Facility) consisting of a \$296.3 million term loan (the Term Loan) bearing interest at LIBOR plus 2.50% (with a LIBOR floor of .75%), and a \$700 million revolving credit facility (the Revolver) initially bearing interest at LIBOR plus 2.25% (with no LIBOR floor) together with AUD 225 million available solely for the issuance of financial letters of credit and performance letters of credit, in each case denominated in Australian Dollars (the Australian LC Facility). The interest rate is subject to a pricing grid based upon our total leverage ratio. Amounts to be borrowed by us under the Credit Agreement are subject to the satisfaction of customary conditions to borrowing. The Revolver component is scheduled to mature on August 27, 2019 and the Term Loan component is scheduled to mature on April 3, 2020.

The Credit Agreement contains certain customary representations and warranties, and certain customary covenants that restrict our ability to, among other things (i) create, incur or assume any indebtedness, (ii) create, incur, assume or permit liens, (iii) make loans and investments, (iv) engage in mergers, acquisitions and asset sales, (v) make certain restricted payments, (vi) issue, sell or otherwise dispose of capital stock, (vii) engage in transactions with affiliates, (viii) allow the total leverage ratio to exceed 5.75 to 1.00, allow the senior secured leverage ratio to exceed 3.50 to 1.00 or allow the interest coverage ratio to be less than 3.00 to 1.00, (ix) cancel, forgive, make any voluntary or optional payment or prepayment on, or redeem or acquire for value any senior notes, except as permitted, (x) alter the business we conduct, and (xi) materially impair our lenders' security interests in the collateral for its loans.

Events of default under the Credit Agreement include, but are not limited to, (i) our failure to pay principal or interest when due, (ii) our material breach of any representation or warranty, (iii) covenant defaults, (iv) liquidation, reorganization or other relief relating to bankruptcy or insolvency, (v) cross default under certain other material indebtedness, (vi) unsatisfied final judgments over a specified threshold, (vii) certain material environmental liability claims which have been asserted against us, and (viii) a change in control. We were in compliance with all of the covenants of the Credit Agreement as of December 31, 2014.

As of December 31, 2014, we had \$295.5 million in aggregate borrowings outstanding, net of discount, under the Term Loan and \$70.0 million in borrowings under the Revolver, and approximately \$62.0 million in letters of credit which left \$568.0 million in additional borrowing capacity under the Revolver. In addition, we

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have the ability to increase the Senior Credit Facility by an additional \$350.0 million, subject to lender demand and prevailing market conditions and satisfying the relevant borrowing conditions thereunder. Refer to Note 14-Debt included in the notes to our audited consolidated financial statements included in Part II, Item 8 of this annual report on Form 10-K. At December 31, 2014, we also had approximately AUD 214 million in letters of credit outstanding under the Australian LC Facility in connection with certain performance guarantees related to the Ravenhall Prison Project. Refer to Note 7- Contract Receivable in the notes to the audited consolidated financial statements included in Part II, Item 8 of this annual report on Form 10-K for further discussion.

Prospectus Supplement

On May 8, 2013, we filed with the Securities and Exchange Commission a prospectus supplement related to the offer and sale from time to time of our common stock at an aggregate offering price of up to \$100.0 million through sales agents. Sales of shares of our common stock under the prospectus supplement and the equity distribution agreements entered into with the sales agents, if any, were to be made in negotiated transactions or transactions that were deemed to be at the market offerings as defined in Rule 415 under the Securities Act of 1933. On July 18, 2014, we filed with the Securities and Exchange Commission a post-effective amendment to its shelf registration statement on Form S-3 (pursuant to which the prospectus supplement had been filed) as a result of our merger into The GEO Group REIT, Inc. (GEO REIT) effective June 27, 2014. During the year ended December 31, 2014, there were approximately 1.5 million shares of common stock sold under the prospectus supplement for net proceeds of \$54.7 million. There were no shares of our common stock sold under the prospectus supplement during the year ended December 31, 2013.

In September 2014, we filed with the Securities and Exchange Commission a new automatic shelf registration statement on Form S-3. On November 10, 2014, in connection with the new shelf registration statement, we filed with the Securities and Exchange Commission a new prospectus supplement related to the offer and sale from time to time of our common stock at an aggregate offering price of up to \$150 million through sales agents. Sales of shares of our common stock under the prospectus supplement and the equity distribution agreements entered into with the sales agents, if any, may be made in negotiated transactions or transactions that are deemed to be at the market offerings as defined in Rule 415 under the Securities Act of 1933, as amended (the Securities Act). There were no shares of our stock sold under this prospectus supplement during the year ended December 31, 2014.

Contract awards and facility activations

The following contract awards and facility activations occurred during 2014:

On February 3, 2014, we announced that we assumed management of the 985-bed Moore Haven Correctional Facility, the 985-bed Bay Correctional Facility, and the 1,884-bed Graceville Correctional Facility under contracts with the Florida Department of Management Services effective February 1, 2014.

On February 3, 2014, we announced that we had increased the contracted capacity at the company-owned Rio Grande Detention Center in Laredo, Texas from 1,500 to 1,900 beds under a contract with the U.S. Marshals Service.

On April 1, 2014, we announced the signing of a contract with the California Department of Corrections and Rehabilitation for the reactivation of our company-owned 260-bed McFarland Female Community Reentry Facility located in McFarland, California.

On April 30, 2014, we announced a 640-bed expansion to the company-owned, 1,300-bed Adelanto Detention Facility in California under an amendment to the existing contract with the City of Adelanto.

On September 10, 2014, we announced that our wholly-owned subsidiary, BI Incorporated (BI) has been awarded a contract by U.S. Immigration and Customs Enforcement (ICE) for the continued provision of case

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management and supervision services under the Intensive Supervision and Appearance Program (ISAP). The contract has a term of five years, inclusive of option periods, effective September 8, 2014. The contract is expected to generate approximately \$47 million in annualized revenues.

On September 16, 2014, our newly formed wholly-owned subsidiary, GEO Ravenhall Pty. Ltd. in its capacity as trustee of another newly formed wholly-owned subsidiary, GEO Ravenhall Trust (Project Co), signed the Ravenhall Prison Project Agreement (Ravenhall Contract) with the State for the development and operation of a new 1,000-bed prison in Ravenhall, a locality near Melbourne, Australia under a Public-Private Partnership financing structure. The facility will also have the capacity to house 1,300 inmates should the State have the need for additional beds in the future. We will provide a capital contribution of approximately 20% of the project following the activation of the facility and we anticipate returns on investment consistent with our company-owned facilities. The design and construction phase (D&C Phase) of the agreement began in September 2014 with expected completion towards the end of 2017. Once constructed and commercially accepted, our wholly-owned subsidiary, the GEO Group Australasia Pty. Ltd. (GEO Australia) will operate the facility under a 25-year management contract (Operating Phase). We believe the facility will provide unprecedented levels of in-prison and post-release programs aimed at reducing reoffending rates and helping offenders reintegrate back into society.

On December 19, 2014, we announced a 626-bed expansion to the company-owned, 532-bed Karnes County Residential Center in Texas under an amendment to our existing contract with Karnes County, Texas. The expansion is expected to generate approximately \$20 million in additional annualized revenues.

On December 30, 2014, we announced that we had signed contracts with the Federal Bureau of Prisons (BOP) for the continuation of management at the Moshannon Valley Correctional Center in Pennsylvania and for the reactivation of the company-owned 1,940-bed Great Plains Correction Facility in Oklahoma. The Great Plains Correction Facility was previously included in the Company's idle facilities. Each contract has a term of ten years, inclusive of renewal options. The facilities are expected to generate approximately \$76 million in combined annualized revenues.

The following contract award and facility activation occurred subsequent to 2014:

On January 28, 2015, the Company announced that it had signed a contract for the re-activation of the company-owned, 400-bed Mesa Verde Detention Facility in California. The facility will house immigration detainees under an intergovernmental service agreement between the City of McFarland and ICE. The Company completed a \$10 million renovation of the facility at the end of 2014 and expects to begin the intake of detainees at the facility during the second quarter of 2015. The facility was previously included in the Company's idle facilities. The facility is expected to generate approximately \$17 million in annualized revenues.

Asset Acquisition

On January 26, 2015, we announced that we had signed a definitive agreement to acquire 8 correctional and detention facilities (the LCS Facilities) totaling more than 6,500 beds from LCS Corrections Services, Inc., a privately-held owner and operator of correctional and detention facilities in the United States, and its affiliates (collectively, LCS). Pursuant to the terms of the definitive asset purchase agreement, we acquired the LCS Facilities for approximately \$310 million in an all cash transaction, excluding transaction related expenses. We also acquired certain tangible and intangible assets pursuant to the asset purchase agreement. Additionally, LCS has the opportunity to receive an additional payment if the LCS Facilities exceed certain performance targets after the closing over a period of 18 months (the Earnout Payment). The aggregate amount of the purchase price paid at closing and the Earnout Payment, if achieved, will not exceed \$350 million. Approximately \$298 million of outstanding debt related to the facilities was repaid at closing using the cash consideration paid by us. We did not assume any debt as the result of the transaction. We financed the acquisition of the LCS Facilities with borrowings under our revolving credit facility. We are in the process of completing our preliminary purchase price allocation.

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We are currently marketing approximately 3,300 vacant beds at three of our idle facilities to potential customers with the re-activation of the company-owned 400-bed Mesa Verde Detention Facility in January 2015 as discussed above. The annual carrying cost of idle facilities in 2015 is estimated to be \$16.0 million, including depreciation expense of \$2.6 million. As of December 31, 2014, these facilities had a net book value of \$90.5 million. We currently do not have any firm commitment or agreement in place to activate these facilities. Historically, some facilities have been idle for multiple years before they received a new contract award. Currently, our North Lake Correctional Facility located in Baldwin, Michigan has been idle the longest of our idle facility inventory. The facility has been idle since October of 2010. This idle facility is included in the U.S. Corrections & Detention segment. The per diem rates that we charge our clients often vary by contract across our portfolio. However, if all of these idle facilities were to be activated using our U.S. Corrections & Detention average per diem rate in 2014, (calculated as the U.S. Corrections & Detention revenue divided by the number of U.S. Corrections & Detention mandays) and based on the average occupancy rate in our U.S. Corrections & Detention facilities for 2014, we would expect to receive incremental revenue of approximately \$80 million and an increase in earnings per share of approximately \$.20 to \$.25 per share based on our average U.S. Corrections and Detention operating margin.

Quality of Operations

We operate each facility in accordance with our company-wide policies and procedures and with the standards and guidelines required under the relevant management contract. For many facilities, the standards and guidelines include those established by the American Correctional Association, or ACA. The ACA is an independent organization of corrections professionals, which establishes correctional facility standards and guidelines that are generally acknowledged as a benchmark by governmental agencies responsible for correctional facilities. Many of our contracts in the United States require us to seek and maintain ACA accreditation of the facility. We have sought and received ACA accreditation and re-accreditation for all such facilities. We achieved a median re-accreditation score of 99.8% as of December 31, 2014. Approximately 87.7% of our 2014 U.S. Corrections & Detention revenue was derived from ACA accredited facilities for the year ended December 31, 2014. We have also achieved and maintained accreditation by The Joint Commission (TJC), at three of our correctional facilities and at nine of our youth services locations. We have been successful in achieving and maintaining accreditation under the National Commission on Correctional Health Care, or NCCHC, in a majority of the facilities that we currently operate. The NCCHC accreditation is a voluntary process which we have used to establish comprehensive health care policies and procedures to meet and adhere to the ACA standards. The NCCHC standards, in most cases, exceed ACA Health Care Standards and we have achieved this accreditation at six of our U.S. Corrections & Detention facilities and at two youth services locations. Additionally, BI has achieved a certification for ISO 9001:2008 for the design, production, installation and servicing of products and services produced by the Electronic Monitoring business units, including electronic home arrest and electronic monitoring technology products and monitoring services, installation services, and automated caseload management services.

Business Development Overview

We intend to pursue a diversified growth strategy by winning new clients and contracts, expanding our government services portfolio and pursuing selective acquisition opportunities. Our primary potential customers include: governmental agencies responsible for local, state and federal correctional facilities in the United States; governmental agencies responsible for correctional facilities in Australia, South Africa and the United Kingdom; federal, state and local government agencies in the United States responsible for community-based services for adult and juvenile offenders; federal, state and local government agencies responsible for monitoring community-based parolees, probationers and pretrial defendants; and other foreign governmental agencies. We achieve organic growth through competitive bidding that begins with the issuance by a government agency of a request for proposal, or RFP. We primarily rely on the RFP process for organic growth in our U.S. and international corrections operations as well as in our community based re-entry services and electronic monitoring services business.

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For our facility management contracts, our state and local experience has been that a period of approximately 60 to 90 days is generally required from the issuance of a request for proposal to the submission of our response to the request for proposal; that between one and four months elapse between the submission of our response and the agency's award for a contract; and that between 1 and 4 months elapse between the award of a contract and the commencement of facility construction or management of the facility, as applicable.

For our facility management contracts, our federal experience has been that a period of approximately 60 to 90 days is generally required from the issuance of a request for proposal to the submission of our response to the request for proposal; that between 12 and 18 months elapse between the submission of our response and the agency's award for a contract; and that between 4 and 18 weeks elapse between the award of a contract and the commencement of facility construction or management of the facility, as applicable.

If the state, local or federal facility for which an award has been made must be constructed, our experience is that construction usually takes between nine and twenty-four months to complete, depending on the size and complexity of the project. Therefore, management of a newly constructed facility typically commences between ten and twenty-eight months after the governmental agency's award.

For the services provided by BI, state, local and federal experience has been that a period of approximately 30 to 90 days is generally required from the issuance of an RFP or Invitation to Bid, or ITB, to the submission of our response; that between one and three months elapse between the submission of our response and the agency's award for a contract; and that between one and three months elapse between the award of a contract and the commencement of a program or the implementation of program operations, as applicable.

The term of our local, state and federal contracts range from one to five years and some contracts include provisions for optional renewal years beyond the initial contract term. Contracts can, and are periodically, extended beyond the contract term and optional renewal years through alternative procurement processes including sole source justification processes, cooperative procurement vehicles and agency decisions to add extension time periods.

We believe that our long operating history and reputation have earned us credibility with both existing and prospective customers when bidding on new facility management contracts or when renewing existing contracts. Our success in the RFP process has resulted in a pipeline of new projects with significant revenue potential.

During 2014, we entered into eight new or expansion projects representing an aggregate of 7,720 additional beds compared to five new or expansion projects representing an aggregate of 5,354 beds during 2013.

In addition to pursuing organic growth through the RFP process, we will from time to time selectively consider the financing and construction of new facilities or expansions to existing facilities on a speculative basis without having a signed contract with a known customer. We also plan to leverage our experience and scale of service offerings to expand the range of government-outsourced services that we provide. We will continue to pursue selected acquisition opportunities in our core services and other government services areas that meet our criteria for growth and profitability. We have engaged and intend in the future to engage independent consultants to assist us in developing privatization opportunities and in responding to requests for proposals, monitoring the legislative and business climate, and maintaining relationships with existing customers.

Facility Design, Construction and Finance

We offer governmental agencies consultation and management services relating to the design and construction of new correctional and detention facilities and the redesign and renovation of older facilities including facilities we own, lease or manage as well as facilities we do not own, lease or manage. Domestically, as of December 31, 2014, we have provided services for the design and construction of approximately 51 facilities and for the redesign, renovation and expansion of approximately 48 facilities. Internationally, as of

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December 31, 2014, we have provided services for the design and construction of 11 facilities and for the redesign, renovation and expansion of 1 facility.

Contracts to design and construct or to redesign and renovate facilities may be financed in a variety of ways. Governmental agencies may finance the construction of such facilities through any of the following methods:

a one time general revenue appropriation by the governmental agency for the cost of the new facility;

general obligation bonds that are secured by either a limited or unlimited tax levy by the issuing governmental entity; or

revenue bonds or certificates of participation secured by an annual lease payment that is subject to annual or bi-annual legislative appropriations.

We may also act as a source of financing or as a facilitator with respect to the financing of the construction of a facility. In these cases, the construction of such facilities may be financed through various methods including the following:

funds from equity offerings of our stock;

cash on hand and/or cash flows from our operations;

borrowings by us from banks or other institutions (which may or may not be subject to government guarantees in the event of contract termination);

funds from debt offerings of our notes; or

lease arrangements with third parties.

If the project is financed using direct governmental appropriations, with proceeds of the sale of bonds or other obligations issued prior to the award of the project, then financing is in place when the contract relating to the construction or renovation project is executed. If the project is financed using project-specific tax-exempt bonds or other obligations, the construction contract is generally subject to the sale of such bonds or obligations. Generally, substantial expenditures for construction will not be made on such a project until the tax-exempt bonds or other obligations are sold; and, if such bonds or obligations are not sold, construction and therefore, management of the facility, may either be delayed until alternative financing is procured or the development of the project will be suspended or entirely canceled. If the project is self-financed by us, then financing is generally in place prior to the commencement of construction.

Under our construction and design management contracts, we generally agree to be responsible for overall project development and completion. We typically act as the primary developer on construction contracts for facilities and subcontract with bonded National and/or Regional Design Build Contractors. Where possible, we subcontract with construction companies that we have worked with previously. We make use of an in-house staff of architects and operational experts from various correctional disciplines (e.g. security, medical service, food service, inmate programs and facility maintenance) as part of the team that participates from conceptual design through final construction of the project. This staff coordinates all aspects of the development with subcontractors and provides site-specific services.

When designing a facility, our architects use, with appropriate modifications, prototype designs we have used in developing prior projects. We believe that the use of these designs allows us to reduce the potential of cost overruns and construction delays and to reduce the number of correctional officers required to provide security at a facility, thus controlling costs both to construct and to manage the facility. Our facility designs also maintain security because they increase the area under direct surveillance by correctional officers and make use of additional

electronic surveillance.

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The following table sets forth the current expansion and development projects and their stage of completion for the Company's facilities:

Facilities Under Construction	Additional Beds	Capacity Following Expansion/ Construction	Estimated Completion Date	Customer	Financing
Adelanto Expansion	640	1,940	Q3 2015	City of Adelanto, CA	GEO
Karnes Residential Expansion	626	1,158	Q4 2015	Karnes County, TX	GEO
Ravenhall Prison Development	1,300	1,300	Q4 2017	Department of Justice, State of Victoria	GEO

Competitive Strengths***Leading Corrections Provider Uniquely Positioned to Offer a Continuum of Care***

We are the second largest provider of privatized correctional and detention facilities worldwide and the largest provider of community-based re-entry services, youth services and electronic monitoring services in the U.S. corrections industry. We believe these leading market positions and our diverse and complementary service offerings enable us to meet the growing demand from our clients for comprehensive services throughout the entire corrections lifecycle. Our continuum of care enables us to provide consistency and continuity in case management, which we believe results in a higher quality of care for offenders, reduces recidivism, lowers overall costs for our clients, improves public safety and facilitates successful reintegration of offenders back into society. In 2015, we are making an additional \$5 million dollar annual investment to expand our continuum of care platform of programs.

Attractive REIT Profile

Key characteristics of our business make us a highly attractive REIT. We are in a real estate intensive industry. Since our inception, we have financed and developed dozens of facilities. We have a diversified set of investment grade customers in the form of government agencies which are required to pay us on time by law. We have historically experienced customer retention in excess of 90%. Our strong and predictable occupancy rates generate a stable and sustainable stream of revenue. This stream of revenue combined with our low maintenance capital expenditure requirement translates into steady predictable cash flow. The REIT structure also allows us to pursue growth opportunities due to the capital intensive nature of corrections/detention business.

Large Scale Operator with National Presence

We operate the sixth largest correctional system in the U.S. by number of beds, including the federal government and all 50 states. We currently have correctional operations in approximately 33 states and offer electronic monitoring services in every state. In addition, we have extensive experience in overall facility operations, including staff recruitment, administration, facility maintenance, food service, security, and in the supervision, treatment and education of inmates. We believe our size and breadth of service offerings enable us to generate economies of scale which maximize our efficiencies and allows us to pass along cost savings to our clients. Our national presence also positions us to bid on and develop new facilities across the U.S.

Long-Term Relationships with High-Quality Government Customers

We have developed long-term relationships with our federal, state and other governmental customers, which we believe enhance our ability to win new contracts and retain existing business. We have provided correctional and detention management services to the United States Federal Government for 28 years, the State of California

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for 27 years, the State of Texas for approximately 27 years, various Australian state government entities for 23 years and the State of Florida for approximately 21 years. These customers accounted for approximately 66.2% of our consolidated revenues for the fiscal year ended December 31, 2014.

Recurring Revenue with Strong Cash Flow

Our revenue base is derived from our long-term customer relationships, with contract renewal rates and facility occupancy rates both approximating 90% over the past five years. We have been able to expand our revenue base by continuing to reinvest our strong operating cash flow into expansionary projects and through strategic acquisitions that provide scale and further enhance our service offerings. Our consolidated revenues have grown from \$877.0 million in 2007 to \$1.7 billion in 2014. We expect our operating cash flow to be well in excess of our anticipated annual maintenance capital expenditure needs, which would provide us significant flexibility for growth in capital expenditures, future dividend payments in connection with operating as a REIT, acquisitions and/or the repayment of indebtedness.

Sizeable International Business

Our international infrastructure, which leverages our operational excellence in the U.S., allows us to aggressively target foreign opportunities that our U.S. based competitors without overseas operations may have difficulty pursuing. We currently have international operations in Australia, South Africa and the United Kingdom. Our international services business generated approximately \$254 million of revenues, representing approximately 15% of our consolidated revenues for the year ended December 31, 2014. Included in our international revenues are construction revenues related to our prison project in Ravenhall, Australia which are presented in our Facility Design & Construction segment. We believe we are well positioned to continue benefiting from foreign governments' initiatives to outsource correctional services.

Experienced, Proven Senior Management Team

Our Chief Executive Officer and The Founder, George C. Zoley, Ph.D., has led our Company for 30 years and has established a track record of growth and profitability. Under his leadership, our annual consolidated revenues from continuing operations have grown from \$40.0 million in 1991 to \$1.7 billion in 2014. Mr. Zoley is one of the pioneers of the industry, having developed and opened what we believe to be one of the first privatized detention facilities in the U.S. in 1986. Our Chief Financial Officer, Brian R. Evans, has been with our Company for over 14 years and has led our conversion to a REIT as well as the integration of our recent acquisitions and financing activities. Our top seven senior executives have an average tenure with our Company of over 10 years.

Business Strategies

Provide High Quality, Comprehensive Services and Cost Savings Throughout the Corrections Lifecycle

Our objective is to provide federal, state and local governmental agencies with a comprehensive offering of high quality, essential services at a lower cost than they themselves could achieve. We believe government agencies facing budgetary constraints will increasingly seek to outsource a greater proportion of their correctional needs to reliable providers that can enhance quality of service at a reduced cost. We believe our expanded and diversified service offerings uniquely position us to bundle our high quality services and provide a comprehensive continuum of care for our clients, which we believe will lead to lower cost outcomes for our clients and larger scale business opportunities for us.

Maintain Disciplined Operating Approach

We refrain from pursuing contracts that we do not believe will yield attractive profit margins in relation to the associated operational risks. In addition, although we engage in facility development from time to time without having a corresponding management contract award in place, we endeavor to do so only where we have

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determined that there is medium to long-term client demand for a facility in that geographical area. We have also elected not to enter certain international markets with a history of economic and political instability. We believe that our strategy of emphasizing lower risk and higher profit opportunities helps us to consistently deliver strong operational performance, lower our costs and increase our overall profitability.

Pursue International Growth Opportunities

As a global provider of privatized correctional services, we are able to capitalize on opportunities to operate existing or new facilities on behalf of foreign governments. We have seen increased business development opportunities including opportunities to cross sell our expanded service offerings in recent years in the international markets in which we operate and are currently exploring opportunities for several new projects. We will continue to actively bid on new international projects in our current markets and in new markets that fit our target profile for profitability and operational risk.

Selectively Pursue Acquisition Opportunities

We intend to continue to supplement our organic growth by selectively identifying, acquiring and integrating businesses that fit our strategic objectives and enhance our geographic platform and service offerings. Since 2005, and including the acquisition of Protocol Criminal Justice, Inc. (Protocol) and the LCS Facilities, we have completed eight acquisitions for total consideration, including debt assumed, in excess of \$1.7 billion. Our management team utilizes a disciplined approach to analyze and evaluate acquisition opportunities, which we believe has contributed to our success in completing and integrating our acquisitions.

Facilities and Day Reporting Centers

The following table summarizes certain information with respect to: (i) U.S. and international detention and corrections facilities; (ii) community-based services facilities; and (iii) residential and non-residential youth services facilities. The information in the table includes the facilities that we (or a subsidiary or joint venture of GEO) owned, operated under a management contract, had an agreement to provide services, had an award to manage or was in the process of constructing or expanding as of December 31, 2014:

Facility Name & Location	Capacity(1)	Primary Customer	Facility Type	Security Level	Commencement of Current Contract(2)	Base Period	Renewal Options	Managed Leased/ Owned
<i>Corrections & Detention Western Region:</i>								
Adelanto Detention Facility, Adelanto, CA(3)	1,300	ICE - IGA	Federal Detention	Minimum/ Medium	May 2011	5 years	None	Owned
Alhambra City Jail, Los Angeles, CA	67	Los Angeles County	City Jail	All Levels	July 2008	3 years	Two, One-year, Plus 1 Year Extension	Managed
Arizona State-Prison Florence West Florence, AZ	750	AZ DOC	State DUI/ RTC Correctional	Minimum	October 2002	10 years	Two, Five-year	Managed
Arizona State-Prison Phoenix West Phoenix, AZ	500	AZ DOC	State DWI Correctional	Minimum	July 2002	10 years	Two, Five-year	Managed
Aurora/ICE Processing Center Aurora, CO	1,532	ICE / USMS	Federal Detention	All Levels	September 2011/ October 2012	2 years / 2 years	Four, Two-year / Four, Two-year	Owned

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Baldwin Park City Jail, Baldwin Park, CA	32	Los Angeles County	City Jail	All Levels	July 2003	3 years	Three, Three-year	Managed
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Facility Name & Location	Capacity(1)	Primary Customer	Facility Type State Sex	Security Level	Commencement of Current Contract(2)	Base Period	Renewal Options	Managed Leased/ Owned
Central Arizona Correctional Facility Florence, AZ	1,280	AZ DOC	Offender Correctional	Minimum/ Medium	December 2006	10 years	Two, Five-year	Managed
Central Valley MCCF McFarland, CA	700	CDCR	State Correctional Facility	Medium	October 2013	Four Years and Eight Months	None	Owned
Desert View MCCF Adelanto, CA	700	CDCR	State Correctional Facility	Medium	October 2013	Four Years and Eight Months	None	Owned
Downey City Jail Los Angeles, CA	30	Los Angeles County	City Jail	All Levels	June 2003	3 years	Three, Three-year	Managed
Fontana City Jail Los Angeles, CA	39	Los Angeles County	City Jail	All Levels	February 2007	5 months	Five, One-year, Plus 2 Year Extension	Managed
Garden Grove City Jail Los Angeles, CA	16	Los Angeles County	City Jail	All Levels	January 2010	30 months	Unlimited	Managed
Golden State MCCF McFarland, CA	700	CDCR	State Correctional	Medium	November 2013	Four Years and Eight Months	None	Owned
Guadalupe County Correctional Facility Santa Rosa, NM(3)	600	NMCD - IGA	Local/State Correctional	Medium	January 1999	Perpetual	Automatic One-year	Owned
Hudson Correctional Facility Hudson, CO	1,250	Idle						Leased
Lea County Correctional Facility Hobbs, NM(3)	1,200	NMCD - IGA	Local/State Correctional	Medium	September 1998	Perpetual	Automatic One-year	Owned
Leo Chesney Community Correctional Facility Live Oak, CA	318	Idle						Leased
McFarland Community Correctional Facility McFarland, CA	300	CDCR	State Correctional	Minimum	March 2014	4 years and 3 months	None	Owned
Mesa Verde Community Correctional Facility Bakersfield, CA	400	Idle/Under Activation						Owned
Montebello City Jail Los Angeles, CA	25	Los Angeles County	City Jail	All Levels	January 1996	2 years	Unlimited, One-year	Managed
Northeast New Mexico Detention Facility Clayton, NM(3)	625	NMDOC / Clayton County	Local/State Correctional	Medium	August 2008	5 years	Five, one-year	Managed

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Northwest Detention Center Tacoma, WA	1,575	ICE	Federal Detention	All Levels	October 2009	1 year	Four, One-year/ six month extension	Owned
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Facility Name & Location	Capacity(1)	Primary Customer	Facility Type	Security Level	Commencement of Current Contract(2)	Base Period	Renewal Options	Managed Leased/Owned
Ontario City Jail Los Angeles, CA	40	Los Angeles County	City Jail	Any Level	July 2014	3 years	Two, Three-year	Managed
Western Region Detention Facility San Diego, CA	770	USMS	Federal Detention	Maximum	January 2006	5 year	One, Five-year	Leased
<i>Corrections & Detention Central Region:</i>								
Big Spring Correctional Center Big Spring, TX	3,509	BOP	Federal Correctional	Medium	April 2007	4 years	Three, Two-year	Owned
Central Texas Detention Facility San Antonio, TX(3)	688	USMS / ICE / Bexar County	Local & Federal Detention	Minimum/ Medium	April 2009	10 years	None	Managed
Cleveland Correctional Center Cleveland, TX	520	TDCJ	State Correctional	Minimum	January 2009	2.6 years	Two, Two-year	Managed
Great Plains Correctional Facility Hinton, OK	1,940	BOP	Federal Correctional	Minimum	December 2014	5 years	Five, One-year	Owned
Joe Corley Detention Facility Conroe, TX(3)	1,517	USMS / ICE - IGA	Local Correctional	Medium	July 2008/July 2008	USMS Perpetual	ICE 100 day renew not to exceed 60 months	Owned
Karnes Correctional Center Karnes City, TX(3)	679	USMS - IGA	Local & Federal Detention	All Levels	February 1998	Perpetual	None	Owned
Karnes County Residential Center(3)	532	ICE - IGA	Federal Detention	All Levels	December 2010	5 years	None	Owned
Lawton Correctional Facility Lawton, OK	2,526	OK DOC	State Correctional	Medium	October 2013	9 months	Four, Automatic One-year	Owned
Lockhart Work Program Facilities Lockhart, TX	1,000	TDCJ	State Correctional	Minimum/ Medium	January 2009	2.6 years	Two, Two-year	Managed
Reeves County Detention Complex R1/R2 Pecos, TX(3)	2,407	Reeves County / BOP	Federal Correctional	Low	February 2007	10 years	Unlimited, Ten year	Managed

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Reeves County Detention Complex R3 Pecos, TX(3)	1,356	Reeves County / BOP	Federal Correctional	Low	January 2007	10 years	Unlimited, Ten year	Managed
Rio Grande Detention Center Laredo, TX	1,900	USMS	Federal Detention	Medium	October 2008	5 years	Three, Five-year	Owned
South Texas Detention Complex Pearsall, TX	1,904	ICE	Federal Detention	All Levels	December 2011	11 months	Four, One-year	Owned
Val Verde Correctional Facility Del Rio, TX(3)	1,407	USMS - IGA	Local & Federal Detention	All Levels	January 2001	Perpetual	None	Owned
<i>Corrections & Detention Eastern Region:</i>								
Alexandria Transfer Center Alexandria, LA(3)	400	ICE - IGA	Federal Detention	Minimum/ Medium	November 2014	5 years	Four, One-year	Owned

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Facility Name & Location	Capacity(1)	Primary Customer	Facility Type State	Security Level Medium/ Maximum	Commencement of Current Contract(2)	Base Period	Renewal Options	Managed Leased/ Owned
Allen Correctional Center Kinder, LA	1,576	LA DOC	State Correctional	Medium/ Maximum	July 2010	10 years	None	Managed
Bay Correctional Center Panama City, FL	985	FL DMS	State Correctional	Minimum/ Medium	February 2014	3 years	Unlimited, Two-year	Managed
Blackwater River Correctional Facility Milton, FL	2,000	FL DMS	State Correctional	Medium/ close	October 2013	3 years	Two, Two-year	Managed
Broward Transition Center Deerfield Beach, FL	700	ICE	Federal Detention	Minimum	April 2009	11 months	Four, One-year, Unlimited 6-month	Owned
D. Ray James Correctional Facility Folkston, GA	2,847	BOP	Federal Detention	All Levels	October 2010	4 years	Three, Two-year	Owned
Graceville Correctional Facility Jackson, FL	1,884	FL DMS	State Correctional	All Levels	February 2014	3 years	Unlimited, Two year	Managed
Heritage Trails (Plainfield STOP) Plainfield, IN	1,066	IN DOC	State Correctional	Minimum	March 2011	4 years	One, Up to 4 years	Managed
LaSalle Detention Facility Jena, LA(3)	1,160	ICE - IGA	Federal Detention	Minimum/ Medium	July 2007	5 years	Forty, One-year	Owned
Lawrenceville Correctional Center Lawrenceville, VA	1,536	VA DOC	State Correctional	Medium	March 2003	5 years	Ten, One- year	Managed
Moshannon Valley Correctional Center Philipsburg, PA	1,878	BOP	Federal Correctional	Medium	April 2006	36 months	Seven, One-year	Owned
Moore Haven Correctional Facility Moore Haven, FL	985	FL DMS	State Correctional	Minimum/ Medium	February 2014	3 years	Unlimited, two-year	Managed
New Castle Correctional Facility New Castle, IN	3,196	IN DOC	State Correctional	All Levels	January 2006	4 years	Three, two-year, then thru 2020 with two additional 5 year extension	Managed
North Lake Correctional Facility Baldwin, MI	1,740	Idle						Owned
Queens Private Detention Facility Jamaica, NY	222	USMS	Federal Detention	Minimum/ Medium	January 2008	2 years	Four, Two-year	Owned
Riverbend Correctional Facility Milledgeville, GA	1,500	GA DOC	State Correctional	Medium	July 2010	Partial 1 year	Forty, One-year	Owned

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Rivers Correctional Institution Winton, NC	1,450	BOP	Federal Correctional	Low	April 2011	4 years	Three, Two-year	Owned
Robert A. Deyton Detention Facility Lovejoy, GA	768	USMS	Federal Detention	Medium	February 2008	5 years	Three, Five year	Leased
South Bay Correctional Facility South Bay, FL	1,948	FL DMS	State Correctional	Medium/ Close	July 2009	3 years	Unlimited, Two-year	Managed

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Facility Name & Location	Capacity(1)	Primary Customer	Facility Type	Security Level	Commencement of Current Contract(2)	Base Period	Renewal Options	Managed Leased/ Owned
Corrections & Detention Australia:								
Arthur Gorrie Correctional Centre Queensland, Australia	890	QLD	State Remand Prison	High/Maximum	January 2008	5 years	None	Managed
Fulham Correctional Centre & Nalu Challenge Community Australia	785	VIC DOJ	State Prison	Minimum/Medium	July 2002/December 2002	3 years	One, 18.5 years	Managed
Junee Correctional Centre New South Wales, Australia	790	NSW	State Prison	Minimum/Medium	April 2009	5 years	Two, Five-year	Managed
Parklea Correctional Centre Sydney, Australia	823	NSW	State Remand Prison	All Levels	October 2009	5 years	None	Managed
Corrections & Detention United Kingdom:								
Dungavel House Immigration Removal Centre, South Lanarkshire, UK	249	UKBA	Detention Centre	Minimum	September 2011	5 years	One, Three year	Managed
Corrections & Detention South Africa:								
Kutama-Sinthumule Correctional Centre Limpopo Province, Republic of South Africa	3,024	RSA DCS	National Prison	Maximum	February 2002	25 years	None	Managed
Corrections & Detention Canada:								
New Brunswick Youth Centre Mirimachi, Canada(4)	N/A	PNB	Provincial Juvenile Facility	All Levels	October 1997	25 years	One, Ten-year	Managed
Corrections & Detention Leased:								
Delaney Hall Newark, NJ	1,200	Community Education Centers	Community Corrections	Community	None			Owned
GEO Care Community Based Services:								
Beaumont Transitional Treatment Center Beaumont, TX	180	TDCJ	Community Corrections	Community	September 2003	2 years	Five, Two-year and One six-month	Owned
Bronx Community Re-entry Center Bronx, NY	110	BOP	Community	Community	April 2014/August 2014	1 year	Four, One-year	Leased

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			Corrections					
Cordova Center Anchorage, AK	262	BOP /AK DOC	Community Corrections	Community	January 2013	2 years / 4 months	Four, one- year/Four, one-year, One five- month	Owned
El Monte Center El Monte, CA	70	BOP	Community Corrections	Community	July 2013	1 year	Four, one year	Leased
Grossman Center Leavenworth, KS	150	BOP	Community Corrections	Community	November 2012	2 years	Three, one-year	Leased

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Facility Name & Location	Capacity(1)	Primary Customer	Facility Type	Security Level	Commencement of Current Contract(2)	Base Period	Renewal Options	Managed Leased/ Owned
Las Vegas Community Correctional Center Las Vegas, NV	124	BOP	Community Corrections	Community	October 2010	2 years	Three, one-year	Owned
Leidel Comprehensive Sanction Center Houston, TX	190	BOP	Community Corrections	Community	January 2011	2 years	Four, one-year	Owned
Marvin Gardens Center Los Angeles, CA	60	BOP	Community Corrections	Community	March 2012	2 years	Three, one-year	Leased
McCabe Center Austin, TX	113	Third Party Tenant	Community Corrections	Community	September 2012	None	None	Owned
Mid Valley House Edinburg, TX	100	BOP	Community Corrections	Community	July 2014	1 year	Four, one-year	Owned
Midtown Center Anchorage, AK	32	AK DOC	Community Corrections	Community	March 13	4 months	Four, one-year, One Five-month	Owned
Newark Center Newark, NJ	240	NJ State Parole Board	Community Corrections	Community	July 2014	3 years	Two, one-year	Leased
Northstar Center Fairbanks, AK	143	AK DOC	Community Corrections	Community	February 2011	5 months	Four, one-year, One Five-month	Leased
Oakland Center Oakland, CA	69	BOP	Community Corrections	Community	November 2008	3 years	Seven, one-year	Owned
Parkview Center Anchorage, AK	112	AK DOC	Community Corrections	Community	March 2013	4 months	Four, one-year, One Five-month	Owned
Reality House Brownsville, TX	94	BOP	Community Corrections	Community	September 2011	2 year	Three, one-year	Owned
Salt Lake City Center Salt Lake City, UT	115	BOP	Community Corrections	Community	June 2011	2 years	Three one-year	Leased
Seaside Center Nome, AK	50	AK DOC	Community Corrections	Community	December 2007	5 months	Four, one-year and One, 6-month	Leased
Southeast Texas Transitional Center Houston, TX	500	TDCJ	Community Corrections	Community	September 2003	2 years	Five, two-year	Owned

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Taylor Street Center San Francisco, CA	210	BOP / CDCR	Community Corrections	Community	April 2006/January 2012	2 years, 8 month / 3 years	Seven, one-year	Owned
Tundra Center Bethel, AK	85	AK DOC	Community Corrections	Community	February 2012	5 months	Four, one-year and One, 6-month	Owned

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Facility Name & Location	Capacity(1)	Primary Customer	Facility Type	Security Level	Commencement of Current Contract(2)	Base Period	Renewal Options	Managed Leased/ Owned
<i>GEO Care Youth Services:</i>								
<i>Residential Facilities</i>								
Abraxas Academy Morgantown, PA	214	Various	Youth Residential	Secure	June 2005	N/A	N/A	Owned
Abraxas I Marienville, PA	204	Various	Youth Residential	Staff Secure	May 2005	N/A	N/A	Owned
Abraxas Ohio Shelby, OH	100	Various	Youth Residential	Staff Secure	June 2005	N/A	N/A	Owned
Abraxas Youth Center South Mountain, PA	72	PA Dept of Public Welfare	Youth Residential	Secure/ Staff Secure	June 2005	N/A	N/A	Leased
Contact Interventions Wauconda, IL	32	Idle						Owned
DuPage Interventions Hinsdale, IL	36	DASA, Medicaid, Private	Youth Residential	Staff Secure	June 2005	N/A	N/A	Owned
Erie Residential Programs Erie, PA	30	Idle						Owned
Hector Garza Center San Antonio, TX	139	TYC	Youth Residential	Staff Secure	June 2005	N/A	N/A	Owned
Leadership Development Program South Mountain, PA	128	Various	Youth Residential	Staff Secure	June 2005	N/A	N/A	Leased
Southern Peaks Regional Treatment Center Canon City, CO	136	Various	Youth Residential	Staff Secure	June 2005	N/A	N/A	Owned
Southwood Interventions Chicago, IL	80	IL DASA, City of Chicago,	Youth Residential	Staff Secure	June 2005	N/A	N/A	Owned

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		Medicaid						
Woodridge Interventions Woodridge, IL	90	IL DASA, Medicaid	Youth Residential	Staff Secure	June 2005	N/A	N/A	Owned
<i>GEO Care Youth Services:</i>								
<i>Non-residential Facilities:</i>								
			Youth					
Abraxas Counseling Center Columbus, OH	150	Various	Non-residential	Open	2008	N/A	N/A	Lease
Cleveland Counseling Center Cleveland, OH	30	Various	Youth Non-residential	Open	2014	N/A	N/A	Lease
Cincinnati Counseling Center Cincinnati, OH	75	City of Cincinnati	Youth Non-residential	Open	2012	N/A	N/A	Lease
Harrisburg Community-Based Programs Harrisburg, PA	71	Dauphin or Cumberland Counties	Youth Non-residential	Open	1995	N/A	N/A	Lease

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Facility Name & Location	Capacity(1)	Primary Customer	Facility Type	Security Level	Commencement of Current Contract(2)	Base Period	Renewal Options	Managed Leased/ Owned
Lehigh Valley Community-Based Programs Lehigh Valley, PA	30	Lehigh and Northampton Counties	Youth Non- residential	Open	1987	N/A	N/A	Lease
Philadelphia Community-Based Programs Philadelphia, PA	35	Philadelphia DHS, C&Y Division	Youth Non- residential	Open	1987	N/A	N/A	Lease
WorkBridge Pittsburgh, PA	725	Allegheny County	Youth Non- residential	Open	1987	N/A	N/A	Lease

The following table summarizes certain information with respect to our re-entry Day Reporting Centers, which we refer to as DRCs. The information in the table includes the DRCs that we (or a subsidiary or joint venture of GEO) operated under a management contract or had an agreement to provide services as of December 31, 2014:

DRC Location	Number of reporting centers	Type of Customers	Commencement of current contract(s)	Base period	Renewal options	Manage only/ lease
Colorado(5)	9	State, County	Various, 2004 2012	Various, 1 year to 18 months	One to Four, One year	Lease
California	24	State, County	Various, 2007 2012	Various, 1 to 5 years	Varies	Lease
North Carolina	8	State	2012	2 years	One, Two year Two, One year	Lease
New Jersey	4	State, County	2008	3 years	Indefinite, One year	Lease
Pennsylvania	11	County	Various, 2006 2010	Various, 1 to 3 years	One, Five year	Lease or Manage only
Illinois	5	State, County	2003	5 years	Four, One year	Lease
Kansas	1	County	2011	4 years		Lease

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Louisiana	1	State	2010	1 year	Two, One year	Lease
Kentucky	1	County	2010	2 years	Three, One year	Lease
Virginia	1	State	2013	2 years	Three, One year	Lease

Customer Legend:

Abbreviation	Customer
AZ DOC	Arizona Department of Corrections
AK DOC	Alaska Department of Corrections
BOP	Federal Bureau of Prisons
CDCR	California Department of Corrections & Rehabilitation
CO DOC	Colorado Department of Corrections
FL DOC	Florida Department of Corrections
FL DMS	Florida Department of Management Services

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Abbreviation	Customer
GA DOC	Georgia Department of Corrections
ICE	U.S. Immigration & Customs Enforcement
IN DOC	Indiana Department of Correction
IGA	Intergovernmental Agreement
IL DASA	Illinois Department of Alcoholism and Substance Abuse
LA DOC	Louisiana Department of Corrections
NMCD	New Mexico Corrections Department
NSW	Commissioner of Corrective Services for New South Wales
OK DOC	Oklahoma Department of Corrections
PNB	Province of New Brunswick
QLD DCS	Department of Corrective Services of the State of Queensland
RSA DCS	Republic of South Africa Department of Correctional Services
TDCJ	Texas Department of Criminal Justice
TYC	Texas Youth Commission
UKBA	United Kingdom Border Agency
USMS	United States Marshals Service
VA DOC	Virginia Department of Corrections
VIC DOJ	Department of Justice of the State of Victoria

- (1) Capacity as used in the table refers to operational capacity consisting of total beds for all facilities except for the seven Non-residential service centers under Youth Services for which we have provided service capacity which represents the number of juveniles that can be serviced daily.
- (2) For Youth Services Non-Residential Service Centers, the contract commencement date represents either the program start date or the date that the facility operations were acquired by our subsidiary. The service agreements under these arrangements provide for services on an as-contracted basis and there are no guaranteed minimum populations or management contracts with specified renewal dates. These arrangements are more perpetual in nature.
- (3) GEO provides services at these facilities through various Inter-Governmental Agreements, or IGAs, through the various counties and other jurisdictions.
- (4) The contract for this facility only requires GEO to provide maintenance services.
- (5) The Colorado Day Reporting Centers provide many of the same services as the full service Day Reporting Centers, but rather than providing these services through comprehensive treatment plans dictated by the governing authority, these services are provided on a fee for service basis. Such services may be connected to government agency contracts and would be reimbursed by those agencies. Other services are offered directly to offenders allowing them to meet court-ordered requirements and paid by the offender as the service is provided.

Government Contracts Terminations, Renewals and Competitive Re-bids

Generally, we may lose our facility management contracts due to one of three reasons: the termination by a government customer with or without cause at any time; the failure by a customer to renew a contract with us upon the expiration of the then current term; or our failure to win the right to continue to operate under a contract that has been competitively re-bid in a procurement process upon its termination or expiration. Our facility management contracts typically allow a contracting governmental agency to terminate a contract with or without cause at any time by giving us written notice ranging from 30 to 180 days. If government agencies were to use these provisions to terminate, or renegotiate the terms of their agreements with us, our financial condition and results of operations could be materially adversely affected. See Risk Factors We are subject to the loss of our facility management contracts, due to terminations, non-renewals or competitive re-bids, which could adversely affect our results of operations and liquidity, including our ability to secure new facility management contracts from other government customers .

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Aside from our customers' unilateral right to terminate our facility management contracts with them at any time for any reason, there are two points during the typical lifecycle of a contract which may result in the loss by us of a facility management contract with our customers. We refer to these points as contract renewals and contract re-bids. Many of our facility management contracts with our government customers have an initial fixed term and subsequent renewal rights for one or more additional periods at the unilateral option of the customer. Because most of our contracts for youth services do not guarantee placement or revenue, we have not considered these contracts to ever be in the renewal or re-bid stage since they are more perpetual in nature. As such, the contracts for youth services are not considered as renewals or re-bids nor are they included in the table below. We count each government customer's right to renew a particular facility management contract for an additional period as a separate renewal. For example, a five-year initial fixed term contract with customer options to renew for five separate additional one-year periods would, if fully exercised, be counted as five separate renewals, with one renewal coming in each of the five years following the initial term. As of December 31, 2014, 49 of our facility management contracts representing approximately 33,000 beds are scheduled to expire on or before December 31, 2015, unless renewed by the customer at its sole option in certain cases, or unless renewed by mutual agreement in other cases. These contracts represented 41.5% of our consolidated revenues for the year ended December 31, 2014. We undertake substantial efforts to renew our facility management contracts. Our average historical facility management contract renewal approximates 90%. However, given their unilateral nature, we cannot assure you that our customers will in fact exercise their renewal options under existing contracts. In addition, in connection with contract renewals, either we or the contracting government agency have typically requested changes or adjustments to contractual terms. As a result, contract renewals may be made on terms that are more or less favorable to us than those in existence prior to the renewals.

We define competitive re-bids as contracts currently under our management which we believe, based on our experience with the customer and the facility involved, will be re-bid to us and other potential service providers in a competitive procurement process upon the expiration or termination of our contract, assuming all renewal options are exercised. Our determination of which contracts we believe will be competitively re-bid may in some cases be subjective and judgmental, based largely on our knowledge of the dynamics involving a particular contract, the customer and the facility involved. Competitive re-bids may result from the expiration of the term of a contract, including the initial fixed term plus any renewal periods, or the early termination of a contract by a customer. Competitive re-bids are often required by applicable federal or state procurement laws periodically in order to encourage competitive pricing and other terms for the government customer. Potential bidders in competitive re-bid situations include us, other private operators and other government entities. While we are pleased with our historical win rate on competitive re-bids and are committed to continuing to bid competitively on appropriate future competitive re-bid opportunities, we cannot in fact assure you that we will prevail in future competitive re-bid situations. Also, we cannot assure you that any competitive re-bids we win will be on terms more favorable to us than those in existence with respect to the expiring contract.

As of December 31, 2014, nine of our facility management contracts representing 5.0% and \$85.1 million of our 2014 consolidated revenues are subject to competitive re-bid in 2015. The following table sets forth the number of facility management contracts that we currently believe will be subject to competitive re-bid in each of the next five years and thereafter, and the total number of beds relating to those potential competitive re-bid situations during each period:

Year	Re-bid	Total Number of Beds up for Re-bid
2015	9	4,141
2016	8	4,432
2017	14	12,304
2018	12	8,005
2019	4	1,436
Thereafter	16	22,426
Total	63	52,744

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Competition

We compete primarily on the basis of the quality and range of services we offer; our experience domestically and internationally in the design, construction, and management of privatized correctional and detention facilities; our reputation; and our pricing. We compete directly with the public sector, where governmental agencies responsible for the operation of correctional, detention, youth services, community based services and re-entry facilities are often seeking to retain projects that might otherwise be privatized. In the private sector, our U.S. Corrections & Detention and International Services business segments compete with a number of companies, including, but not limited to: Corrections Corporation of America; Management and Training Corporation ; Emerald Companies; Community Education Centers; LaSalle Southwest Corrections; Group 4 Securicor; Sodexo Justice Services (formerly Kaylx); and Serco. Our GEO Care business segment competes with a number of different small-to-medium sized companies, reflecting the highly fragmented nature of the youth services and community based services industry. BI's electronic monitoring business competes with a number of companies, including, but not limited to: G4 Justice Services, LLC; Elmo-Tech, a 3M Company; and Pro-Tech, a 3M Company. Some of our competitors are larger and have more resources than we do. We also compete in some markets with small local companies that may have a better knowledge of the local conditions and may be better able to gain political and public acceptance.

Seasonality

We do experience some levels of seasonality with respect to a decrease in the number of the offender and detainee populations in our facilities under contracts with the U.S. federal government during the winter months and year-end holidays. Typically we see these populations increase to normalized levels beginning in the second quarter.

Employees and Employee Training

At December 31, 2014, we had 17,479 full-time employees. Of our full-time employees, 495 were employed at our headquarters and regional offices and 16,984 were employed at facilities and international offices. We employ personnel in positions of management, administrative and clerical, security, educational services, human services, health services and general maintenance at our various locations. Approximately 2,596 and 1,573 employees are covered by collective bargaining agreements in the United States and at international offices, respectively. We believe that our relations with our employees are satisfactory.

Under the laws applicable to most of our operations, and internal company policies, our correctional officers are required to complete a minimum amount of training. We generally require at least 40 hours of pre-service training before an employee is allowed to assume their duties plus an additional 120 hours of training during their first year of employment in our domestic facilities, consistent with ACA standards and/or applicable state laws. In addition to the usual 160 hours of training in the first year, most states require 40 or 80 hours of on-the-job training. Florida law requires that correctional officers receive 520 hours of training. We believe that our training programs meet or exceed all applicable requirements.

Our training program for domestic facilities typically begins with approximately 40 hours of instruction regarding our policies, operational procedures and management philosophy. Training continues with an additional 120 hours of instruction covering legal issues, rights of inmates, techniques of communication and supervision, interpersonal skills and job training relating to the particular position to be held. Each of our employees who has contact with inmates receives a minimum of 40 hours of additional training each year, and each manager receives at least 24 hours of training each year.

At least 160 hours of training are required for our employees in Australia and South Africa before such employees are allowed to work in positions that will bring them into contact with inmates. Our employees in Australia and South Africa receive a minimum of 40 hours of refresher training each year. In the United Kingdom, our corrections employees also receive a minimum of 240 hours of training prior to coming in contact with inmates and receive additional training of approximately 25 hours annually.

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With respect to BI and the ISAP services contract, new employees are required to complete training requirements as outlined in the contract within 14 days of hire and prior to being assigned autonomous ISAP related duties. These employees receive 25 hours of refresher training annually thereafter. Program managers for our ISAP contract must receive 24 hours of additional initial training. BI's monitoring services maintains its own comprehensive certification and training program for all monitoring service specialists. We require all new personnel hired for a position in monitoring operations to complete a seven-week training program. Successful completion of our training program and a final certification is required of all of our personnel performing monitoring operations. We require that certification is achieved prior to being permitted to work independently in the call center.

Business Regulations and Legal Considerations

Many governmental agencies are required to enter into a competitive bidding procedure before awarding contracts for products or services. The laws of certain jurisdictions may also require us to award subcontracts on a competitive basis or to subcontract or partner with businesses owned by women or members of minority groups.

Certain states, such as Florida, deem correctional officers to be peace officers and require our personnel to be licensed and subject to background investigation. State law also typically requires correctional officers to meet certain training standards.

The failure to comply with any applicable laws, rules or regulations or the loss of any required license could have a material adverse effect on our business, financial condition and results of operations. Furthermore, our current and future operations may be subject to additional regulations as a result of, among other factors, new statutes and regulations and changes in the manner in which existing statutes and regulations are or may be interpreted or applied. Any such additional regulations could have a material adverse effect on our business, financial condition and results of operations.

Insurance

The nature of our business exposes us to various types of third-party legal claims, including, but not limited to, civil rights claims relating to conditions of confinement and/or mistreatment, sexual misconduct claims brought by prisoners or detainees, medical malpractice claims, product liability claims, intellectual property infringement claims, claims relating to employment matters (including, but not limited to, employment discrimination claims, union grievances and wage and hour claims), property loss claims, environmental claims, automobile liability claims, contractual claims and claims for personal injury or other damages resulting from contact with our facilities, programs, electronic monitoring products, personnel or prisoners, including damages arising from a prisoner's escape or from a disturbance or riot at a facility. In addition, our management contracts generally require us to indemnify the governmental agency against any damages to which the governmental agency may be subject in connection with such claims or litigation. We maintain a broad program of insurance coverage for these general types of claims, except for claims relating to employment matters, for which we carry no insurance. There can be no assurance that our insurance coverage will be adequate to cover all claims to which we may be exposed. It is our general practice to bring merged or acquired companies into our corporate master policies in order to take advantage of certain economies of scale.

We currently maintain a general liability policy and excess liability policies with total limits of \$67.0 million per occurrence and in the aggregate covering the operations of U.S. Corrections & Detention, GEO Care's community based services, GEO Care's youth services and BI. We have a claims-made liability insurance program with a specific loss limit of \$35.0 million per occurrence and in the aggregate related to medical professional liability claims arising out of correctional healthcare services. We are uninsured for any claims in excess of these limits. We also maintain insurance to cover property and other casualty risks including, workers' compensation, environmental liability and automobile liability.

For most casualty insurance policies, we carry substantial deductibles or self-insured retentions of \$3.0 million per occurrence for general liability and medical professional liability, \$2.0 million per occurrence for workers' compensation and \$1.0 million per occurrence for automobile liability. In addition, certain of our

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facilities located in Florida and other high-risk hurricane areas carry substantial windstorm deductibles. Since hurricanes are considered unpredictable future events, no reserves have been established to pre-fund for potential windstorm damage. Limited commercial availability of certain types of insurance relating to windstorm exposure in coastal areas and earthquake exposure mainly in California and the Pacific Northwest may prevent us from insuring some of our facilities to full replacement value.

With respect to our operations in South Africa, the United Kingdom and Australia, we utilize a combination of locally-procured insurance and global policies to meet contractual insurance requirements and to protect us. In addition to these policies, our Australian subsidiary carries tail insurance on a general liability policy related to a discontinued contract.

Of the reserves discussed above, our most significant insurance reserves relate to workers' compensation, general liability and auto claims. These reserves are undiscounted and were \$49.5 million and \$47.6 million as of December 31, 2014 and 2013, respectively and are included in accrued expenses in the accompanying balance sheets. We use statistical and actuarial methods to estimate amounts for claims that have been reported but not paid and claims incurred but not reported. In applying these methods and assessing their results, we consider such factors as historical frequency and severity of claims at each of our facilities, claim development, payment patterns and changes in the nature of our business, among other factors. Such factors are analyzed for each of our business segments. Our estimates may be impacted by such factors as increases in the market price for medical services and unpredictability of the size of jury awards. We also may experience variability between our estimates and the actual settlement due to limitations inherent in the estimation process, including our ability to estimate costs of processing and settling claims in a timely manner as well as our ability to accurately estimate our exposure at the onset of a claim. Because we have high deductible insurance policies, the amount of our insurance expense is dependent on our ability to control our claims experience. If actual losses related to insurance claims significantly differ from our estimates, our financial condition, results of operations and cash flows could be materially adversely impacted.

International Operations

Our international operations for fiscal years 2014, 2013 and 2012 consisted of the operations of our wholly-owned Australian subsidiaries, our wholly owned subsidiary in the United Kingdom, and South African Custodial Management Pty. Limited, our consolidated joint venture in South Africa, which we refer to as SACM. In Australia, our wholly-owned subsidiary, GEO Australia, currently manages four facilities. Additionally, in September 2014, one of our Australian subsidiaries signed the Ravenhall Prison Project Agreement (Ravenhall Contract) with the State for the development and operation of a new 1,000-bed facility in Ravenhall, a locality near Melbourne, Australia under a Public-Private Partnership financing structure. The facility will also have the capacity to house 1,300 inmates should the State have the need for additional beds in the future. The D&C Phase of the agreement began in September 2014 with completion expected towards the end of 2017. We operate one facility in South Africa through SACM. Our wholly-owned subsidiary in the United Kingdom, The GEO Group UK Ltd., operates the 217-bed Dungavel House Immigration Removal Centre located near Glasgow, Scotland. See Item 7 for more discussion related to the results of our international operations. Financial information about our operations in different geographic regions appears in Note-16 Business Segments and Geographic Information in the notes to our audited consolidated financial statements included in Part II, Item 8 of this annual report on Form 10-K.

Business Concentration

Except for the major customers noted in the following table, no other single customer made up greater than 10% of our consolidated revenues, excluding discontinued operations, for these years.

Customer	2014	2013	2012
Various agencies of the U.S Federal Government:	42%	45%	47%

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Credit risk related to accounts receivable is reflective of the related revenues.

Available Information

Additional information about us can be found at www.geogroup.com. We make available on our website, free of charge, access to our Annual Report on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K, our annual proxy statement on Schedule 14A and amendments to those materials filed or furnished pursuant to Section 13(a) or 15(d) of the Securities and Exchange Act of 1934 as soon as reasonably practicable after we electronically submit such materials to the Securities and Exchange Commission, or the SEC. In addition, the SEC makes available on its website, free of charge, reports, proxy and information statements, and other information regarding issuers that file electronically with the SEC, including GEO. The SEC's website is located at <http://www.sec.gov>. Information provided on our website or on the SEC's website is not part of this Annual Report on Form 10-K.

Item 1A. Risk Factors

The following are certain risks to which our business operations are subject. Any of these risks could materially adversely affect our business, financial condition, or results of operations. These risks could also cause our actual results to differ materially from those indicated in the forward-looking statements contained herein and elsewhere. *The risks described below are not the only risks we face. Additional risks not currently known to us or those we currently deem to be immaterial may also materially and adversely affect our business operations.*

Risks Related to REIT Status

If we fail to remain qualified as a REIT, we will be subject to U.S. federal income tax as a regular corporation and could face a substantial tax liability, which would reduce the amount of cash available for distribution to our shareholders.

We began operating as a REIT on January 1, 2013. We received an opinion of our special REIT tax counsel, Skadden, Arps, Slate, Meagher & Flom LLP (Special Tax Counsel), with respect to our qualification as a REIT. Investors should be aware, however, that opinions of counsel are not binding on the Internal Revenue Service (the IRS) or any court. The opinion of Special Tax Counsel represents only the view of Special Tax Counsel based on its review and analysis of existing law and on certain representations as to factual matters and covenants made by us, including representations relating to the values of our assets and the sources of our income. The opinion is expressed as of the date issued. Special Tax Counsel has no obligation to advise us or the holders of our common stock of any subsequent change in the matters stated, represented or assumed or of any subsequent change in applicable law. Furthermore, both the validity of the opinion of Special Tax Counsel and our qualification as a REIT will depend on our satisfaction of certain asset, income, organizational, distribution, shareholder ownership and other requirements on a continuing basis, the results of which will not be monitored by Special Tax Counsel. Our ability to satisfy the asset tests depends upon our analysis of the characterization and fair market values of our assets, some of which are not susceptible to a precise determination, and for which we will not obtain independent appraisals.

We have received a favorable private letter ruling from the IRS with respect to certain issues relevant to our qualification as a REIT. Although we may generally rely upon the ruling, no assurance can be given that the IRS will not challenge our qualification as a REIT on the basis of other issues or facts outside the scope of the ruling.

If we fail to qualify as a REIT in any taxable year, we would be subject to U.S. federal income tax, including any applicable alternative minimum tax, on our taxable income at regular corporate rates, and dividends paid to our shareholders would not be deductible by us in computing our taxable income. Any resulting corporate tax liability could be substantial and would reduce the amount of cash available for distribution to our shareholders, which in turn could have an adverse impact on the value of our common stock. Unless we were

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entitled to relief under certain Internal Revenue Service Code of 1986, as amended (the Code) provisions, we also would be disqualified from re-electing to be taxed as a REIT for the four taxable years following the year in which we failed to qualify as a REIT. If we fail to qualify for taxation as a REIT, we may need to borrow additional funds or liquidate some investments to pay any additional tax liability. Accordingly, funds available for investment and making payments on our indebtedness would be reduced.

Qualifying as a REIT involves highly technical and complex provisions of the Code.

Qualification as a REIT involves the application of highly technical and complex Code provisions for which only limited judicial and administrative authorities exist. Even a technical or inadvertent violation could jeopardize our REIT qualification. Our qualification as a REIT will depend on our satisfaction of certain asset, income, organizational, distribution, shareholder ownership and other requirements on a continuing basis.

Complying with the REIT requirements may cause us to liquidate or forgo otherwise attractive opportunities.

To qualify as a REIT, we must ensure that, at the end of each calendar quarter, at least 75% of the value of our assets consists of cash, cash items, government securities and real estate assets (as defined in the Code), including certain mortgage loans and securities. The remainder of our investments (other than government securities, qualified real estate assets and securities issued by a TRS) generally cannot include more than 10% of the outstanding voting securities of any one issuer or more than 10% of the total value of the outstanding securities of any one issuer. In addition, in general, no more than 5% of the value of our total assets (other than government securities, qualified real estate assets and securities issued by a TRS) can consist of the securities of any one issuer, and no more than 25% of the value of our total assets can be represented by securities of one or more TRSs. If we fail to comply with these requirements at the end of any calendar quarter, we must correct the failure within 30 days after the end of the calendar quarter or qualify for certain statutory relief provisions to avoid losing our REIT qualification and suffering adverse tax consequences. As a result, we may be required to liquidate or forgo otherwise attractive investments. These actions could have the effect of reducing our income, amounts available for distribution to our shareholders and amounts available for making payments on our indebtedness.

In addition to the asset tests set forth above, to qualify as a REIT, we must continually satisfy tests concerning, among other things, the sources of our income, the amounts we distribute to our shareholders and the ownership of our stock. We may be unable to pursue investments that would be otherwise advantageous to us in order to satisfy the source-of-income or asset-diversification requirements for qualifying as a REIT. Thus, compliance with the REIT requirements may hinder our ability to make certain attractive investments and make payments on our indebtedness.

Dividends payable by REITs do not qualify for the reduced tax rates available for some dividends.

The maximum U.S. federal income tax rate applicable to income from qualified dividends payable to U.S. shareholders that are individuals, trusts and estates is currently 20%. Dividends payable by REITs, however, generally are not eligible for the reduced rates. Although these rules do not adversely affect the taxation of REITs, the more favorable rates applicable to regular corporate qualified dividends could cause investors who are individuals, trusts and estates to perceive investments in REITs to be relatively less attractive than investments in the stocks of non-REIT corporations that pay dividends, which could adversely affect the value of the stock of REITs, including our common stock.

REIT distribution requirements could adversely affect our ability to execute our business plan.

We generally must distribute annually at least 90% of our REIT taxable income, determined without regard to the dividends paid deduction and excluding any net capital gains, in order for us to qualify as a REIT

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(assuming that certain other requirements are also satisfied) so that U.S. federal corporate income tax does not apply to earnings that we distribute. To the extent that we satisfy this distribution requirement and qualify for taxation as a REIT but distribute less than 100% of our REIT taxable income, including any net capital gains, we will be subject to U.S. federal corporate income tax on our undistributed net taxable income. In addition, we will be subject to a 4% nondeductible excise tax if the actual amount that we distribute to our shareholders in a calendar year is less than a minimum amount specified under U.S. federal tax laws. We intend to make distributions to our shareholders to comply with the REIT requirements of the Code.

From time to time, we may generate taxable income greater than our cash flow as a result of differences in timing between the recognition of taxable income and the actual receipt of cash or the effect of nondeductible capital expenditures, the creation of reserves or required debt or amortization payments. If we do not have other funds available in these situations, we could be required to borrow funds on unfavorable terms, sell assets at disadvantageous prices or distribute amounts that would otherwise be invested in future acquisitions to make distributions sufficient to enable us to pay out enough of our taxable income to satisfy the REIT distribution requirement and to avoid corporate income tax and the 4% excise tax in a particular year. These alternatives could increase our costs, reduce our equity or adversely impact our ability to raise short and long-term debt. Furthermore, the REIT distribution requirements may increase the financing we need to fund capital expenditures, future growth and expansion initiatives. Thus, compliance with the REIT requirements may hinder our ability to grow, which could adversely affect the value of our common stock.

Our cash distributions are not guaranteed and may fluctuate.

A REIT generally is required to distribute at least 90% of its REIT taxable income to its shareholders. Our board of directors, in its sole discretion, will determine on a quarterly basis the amount of cash to be distributed to our shareholders based on a number of factors including, but not limited to, our results of operations, cash flow and capital requirements, economic conditions, tax considerations, borrowing capacity and other factors, including debt covenant restrictions that may impose limitations on cash payments and plans for future acquisitions and divestitures. Consequently, our distribution levels may fluctuate.

Certain of our business activities may be subject to corporate level income tax and foreign taxes, which would reduce our cash flows, and may have potential deferred and contingent tax liabilities.

We may be subject to certain federal, state, local and foreign taxes on our income and assets, including alternative minimum taxes, taxes on any undistributed income and state, local or foreign income, franchise, property and transfer taxes. In addition, we could, in certain circumstances, be required to pay an excise or penalty tax, which could be significant in amount, in order to utilize one or more relief provisions under the Code to maintain qualification for taxation as a REIT. In addition, we may incur a 100% excise tax on transactions with a TRS if they are not conducted on an arm's length basis. Any of these taxes would decrease our earnings and our available cash.

Our TRS assets and operations will continue to be subject, as applicable, to federal and state corporate income taxes and to foreign taxes in the jurisdictions in which those assets and operations are located.

We will also be subject to a federal corporate level tax at the highest regular corporate rate (currently 35%) on the gain recognized from a sale of assets occurring during our first ten years as a REIT, up to the amount of the built-in gain that existed on January 1, 2013, which is based on the fair market value of those assets in excess of our tax basis as of January 1, 2013. Gain from a sale of an asset occurring after the specified period ends will not be subject to this corporate level tax. We currently do not expect to sell any asset if the sale would result in the imposition of a material tax liability. We cannot, however, assure you that we will not change our plans in this regard.

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REIT ownership limitations may restrict or prevent you from engaging in certain transfers of our common stock.

In order to satisfy the requirements for REIT qualification, no more than 50% in value of all classes or series of our outstanding shares of stock may be owned, actually or constructively, by five or fewer individuals (as defined in the Code to include certain entities) at any time during the last half of each taxable year beginning with our 2014 taxable year. In 2014 GEO merged into a newly formed entity, to facilitate GEO's compliance with the REIT rules by implementing ownership limitations that generally restrict shareholders from owning more than 9.8% of our outstanding shares. The merger was approved by our shareholders. Under applicable constructive ownership rules, any shares of stock owned by certain affiliated owners generally would be added together for purposes of the common stock ownership limits, and any shares of a given class or series of preferred stock owned by certain affiliated owners generally would be added together for purposes of the ownership limit on such class or series.

Our significant use of TRSs may cause us to fail to qualify as a REIT.

The net income of our TRSs is not required to be distributed to us, and such undistributed TRS income is generally not subject to our REIT distribution requirements. However, if the accumulation of cash or reinvestment of significant earnings in our TRSs causes the fair market value of our securities in those entities, taken together with other non-qualifying assets to exceed 25% of the fair market value of our assets, in each case as determined for REIT asset testing purposes, we would, absent timely responsive action, fail to qualify as a REIT.

There are uncertainties relating to the special earnings and profits (E&P) distribution.

To qualify for taxation as a REIT, we were required to distribute to our shareholders all of our pre-REIT accumulated earnings and profits, if any, as measured for federal income tax purposes, prior to the end of our first taxable year as a REIT, which was for the taxable period ended December 31, 2013. We declared and paid a special dividend during the fourth quarter of 2012 for the purposes of distributing to our shareholders our pre-REIT accumulated earnings and profits. The calculation of the amount to be distributed in a special E&P distribution was a complex factual and legal determination. We currently believe our special E&P distribution paid during the fourth quarter of 2012, together with distributions paid in 2013, satisfied the requirements relating to the distribution of our pre-REIT accumulated earnings and profits. No assurance can be given, however, that the IRS will agree with our calculation. If the IRS finds additional amounts of pre-REIT E&P, there are procedures generally available to cure any failure to distribute all of our pre-REIT E&P.

Legislative or other actions affecting REITs could have a negative effect on us.

The rules dealing with U.S. federal income taxation are constantly under review by persons involved in the legislative process and by the IRS and the U.S. Department of the Treasury (the Treasury). Changes to the tax laws or interpretations thereof, with or without retroactive application, could materially and adversely affect our investors or us. We cannot predict how changes in the tax laws might affect our investors or us. New legislation, Treasury regulations, administrative interpretations or court decisions could significantly and negatively affect our ability to qualify as a REIT or the U.S. federal income tax consequences to our investors and us of such qualification.

We have limited experience operating as a REIT, which may adversely affect our financial condition, results of operations, cash flow, per share trading price of our common stock and ability to satisfy debt service obligations.

We have only been operating as a REIT since January 1, 2013. Accordingly, the experience of our senior management operating a REIT is limited. Our pre-REIT operating experience may not be sufficient to operate successfully as a REIT. Failure to maintain REIT status could adversely affect our financial condition, results of operations, cash flow, per share trading price of our common stock and ability to satisfy debt service obligations.

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Risks Related to Our High Level of Indebtedness

Our significant level of indebtedness could adversely affect our financial condition and prevent us from fulfilling our debt service obligations.

We have a significant amount of indebtedness. Our total consolidated indebtedness as of December 31, 2014 was approximately \$1.5 billion, excluding non-recourse debt of \$145.3 million and capital lease obligations of \$10.9 million. As of December 31, 2014, we had \$62.0 million outstanding in letters of credit and \$70.0 million in borrowings outstanding under the Revolver. Also as of December 31, 2014, we had the ability to borrow \$568.0 million under the Revolver, after applying the limitations and restrictions in our debt covenants and subject to our satisfying the relevant borrowing conditions under the Senior Credit Facility with respect to the incurrence of additional indebtedness. At December 31, 2014, we also had approximately AUD 214 million in letters of credit outstanding under the Australian LC Facility in connection with certain performance guarantees related to the Ravenhall Prison Project. We also have the ability to increase the Senior Credit Facility by an additional \$350 million, subject to lender demand and prevailing market conditions and satisfying the relevant borrowing conditions.

Our substantial indebtedness could have important consequences. For example, it could:

make it more difficult for us to satisfy our obligations with respect to our senior notes and our other debt and liabilities;

require us to dedicate a substantial portion of our cash flow from operations to payments on our indebtedness, thereby reducing the availability of our cash flow to fund working capital, capital expenditures, and other general corporate purposes including to make distributions on our common stock as currently contemplated or necessary to maintain our qualification as a REIT;

limit our flexibility in planning for, or reacting to, changes in our business and the industry in which we operate;

increase our vulnerability to adverse economic and industry conditions;

place us at a competitive disadvantage compared to competitors that may be less leveraged;

restrict us from pursuing strategic acquisitions or exploiting certain business opportunities; and

limit our ability to borrow additional funds or refinance existing indebtedness on favorable terms.

If we are unable to meet our debt service obligations, we may need to reduce capital expenditures, restructure or refinance our indebtedness, obtain additional equity financing or sell assets. We may be unable to restructure or refinance our indebtedness, obtain additional equity financing or sell assets on satisfactory terms or at all. In addition, our ability to incur additional indebtedness will be restricted by the terms of our Senior Credit facility, the indenture governing the 6.625% Senior Notes, the indenture governing the 5.125% Senior Notes, the indenture governing the 5⁷/₈% Senior Notes and the indenture governing the 5.875% Senior Notes.

We are incurring significant indebtedness in connection with substantial ongoing capital expenditures. Capital expenditures for existing and future projects may materially strain our liquidity.

As of December 31, 2014, we were developing a number of projects that we estimate will cost approximately \$235.2 million, of which \$61.6 million was spent through December 31, 2014. We estimate our remaining capital requirements to be approximately \$173.6 million, which we anticipate will be spent in fiscal years 2015 through 2017. Included in these commitments is a contractual commitment to provide a capital contribution towards the design and construction of a prison project in Ravenhall, a locality near Melbourne, Australia, in the amount of AUD 115 million, or \$93.8 million, based on exchange rates at December 31, 2014. This capital contribution is expected to be made in January 2017. Capital expenditures related to facility maintenance costs are expected to be \$24.5 million for 2015. We intend to finance these and future

projects using

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our own funds, including cash on hand, cash flow from operations and borrowings under the Revolver. In addition to these current estimated capital requirements for 2015 and 2016, we are currently in the process of bidding on, or evaluating potential bids for the design, construction and management of a number of new projects. In the event that we win bids for these projects and decide to self-finance their construction, our capital requirements in 2015 through 2017 could materially increase. As of December 31, 2014, we had the ability to borrow \$568.0 million under the Revolver after applying the limitations and restrictions in our debt covenants and subject to our satisfying the relevant borrowing conditions under the Senior Credit Facility. In addition, we have the ability to increase the Senior Credit Facility by an additional \$350 million, subject to lender demand and prevailing market conditions and satisfying the relevant borrowing conditions thereunder. While we believe we currently have adequate borrowing capacity under our Senior Credit Facility to fund our operations and all of our committed capital expenditure projects, we may need additional borrowings or financing from other sources in order to complete potential capital expenditures related to new projects in the future. We cannot assure you that such borrowings or financing will be made available to us on satisfactory terms, or at all. In addition, the large capital commitments that these projects will require over the next 12-18 month period may materially strain our liquidity and our borrowing capacity for other purposes. Capital constraints caused by these projects may also cause us to have to entirely refinance our existing indebtedness or incur more indebtedness. Such financing may have terms less favorable than those we currently have in place, or not be available to us at all. In addition, the concurrent development of these and other large capital projects exposes us to material risks. For example, we may not complete some or all of the projects on time or on budget, which could cause us to absorb any losses associated with any delays.

Despite current indebtedness levels, we may still incur more indebtedness, which could further exacerbate the risks described above.

The terms of the indentures governing the 6.625% Senior Notes, the 5.125% Senior Notes, the 5^{7/8}% Senior Notes and the 5.875% Senior Notes and our Senior Credit Facility restrict our ability to incur but do not prohibit us from incurring significant additional indebtedness in the future. As of December 31, 2014, we had the ability to borrow an additional \$568.0 million under the revolver portion of our Senior Credit Facility after applying the limitations and restrictions in our debt covenants and subject to our satisfying the relevant borrowing conditions under the Senior Credit Facility. We also would have the ability to increase the Senior Credit Facility by an additional \$350 million, subject to lender demand, prevailing market conditions and satisfying relevant borrowing conditions. Also, we may refinance all or a portion of our indebtedness, including borrowings under our Senior Credit Facility, the 6.625% Senior Notes, the 5.125% Senior Notes, the 5^{7/8}% Senior Notes and the 5.875% Senior Notes. The terms of such refinancing may be less restrictive and permit us to incur more indebtedness than we can now. If new indebtedness is added to our and our subsidiaries' current debt levels, the related risks that we and they now face related to our significant level of indebtedness could intensify.

The covenants in the indentures governing the 6.625% Senior Notes, the 5.125% Senior Notes, the 5 7/8% Senior Notes and the 5.875% Senior Notes and the covenants in our Senior Credit Facility impose significant operating and financial restrictions which may adversely affect our ability to operate our business.

The indentures governing the 6.625% Senior Notes, the 5.125% Senior Notes, the 5^{7/8}% Senior Notes and the 5.875% Senior Notes and our Senior Credit Facility impose significant operating and financial restrictions on us and certain of our subsidiaries, which we refer to as restricted subsidiaries. These restrictions limit our ability to, among other things:

incur additional indebtedness;

pay dividends and or distributions on our capital stock, repurchase, redeem or retire our capital stock, prepay subordinated indebtedness, make investments;

issue preferred stock of subsidiaries;

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guarantee other indebtedness;

create liens on our assets;

transfer and sell assets;

make capital expenditures above certain limits;

create or permit restrictions on the ability of our restricted subsidiaries to pay dividends or make other distributions to us;

enter into sale/leaseback transactions;

enter into transactions with affiliates; and

merge or consolidate with another company or sell all or substantially all of our assets.

These restrictions could limit our ability to finance our future operations or capital needs, make acquisitions or pursue available business opportunities. In addition, our Senior Credit Facility requires us to maintain specified financial ratios and satisfy certain financial covenants, including maintaining a maximum senior secured leverage ratio and total leverage ratio, and a minimum interest coverage ratio. We may be required to take action to reduce our indebtedness or to act in a manner contrary to our business objectives to meet these ratios and satisfy these covenants. We could also incur additional indebtedness having even more restrictive covenants. Our failure to comply with any of the covenants under our Senior Credit Facility, the indentures governing the 6.625% Senior Notes, the 5.125% Senior Notes, the 5⁷/₈% Senior Notes, the 5.875% Senior Notes, or any other indebtedness could prevent us from being able to draw on the Revolver, cause an event of default under such documents and result in an acceleration of all of our outstanding indebtedness. If all of our outstanding indebtedness were to be accelerated, we likely would not be able to simultaneously satisfy all of our obligations under such indebtedness, which would materially adversely affect our financial condition and results of operations.

Servicing our indebtedness will require a significant amount of cash. Our ability to generate cash depends on many factors beyond our control and we may not be able to generate the cash required to service our indebtedness.

Our ability to make payments on our indebtedness and to fund planned capital expenditures will depend on our ability to generate cash in the future. This, to a certain extent, is subject to general economic, financial, competitive, legislative, regulatory and other factors that are beyond our control.

Our business may not be able to generate sufficient cash flow from operations or future borrowings may not be available to us under our Senior Credit Facility or otherwise in an amount sufficient to enable us to pay our indebtedness or debt securities, including the 6.625% Senior Notes, the 5.125% Senior Notes, the 5⁷/₈% Senior Notes, and the 5.875% Senior Notes, or to fund our other liquidity needs. As a result, we may need to refinance all or a portion of our indebtedness on or before maturity. However, we may not be able to complete such refinancing on commercially reasonable terms or at all. If for any reason we are unable to meet our debt service obligations, we would be in default under the terms of the agreements governing our outstanding debt. If such a default were to occur, the lenders under the senior credit facility, and holders of the 6.625% Senior Notes, the 5.125% Senior Notes, the 5⁷/₈% Senior Notes and the 5.875% Senior Notes could elect to declare all amounts outstanding immediately due and payable, and the lenders would not be obligated to continue to advance funds under the Senior Credit Facility. If the amounts outstanding under the Senior Credit Facility or other agreements governing our outstanding debt, were accelerated, our assets may not be sufficient to repay in full the money owed to our lenders and holders of the 6.625% Senior Notes, the 5.125% Senior Notes, the 5⁷/₈% Senior Notes and the 5.875% Senior Notes and any other debt holders.

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Because portions of our senior indebtedness have floating interest rates, a general increase in interest rates will adversely affect cash flows.

Borrowings under our Senior Credit Facility bear interest at a variable rate. As a result, to the extent our exposure to increases in interest rates is not eliminated through interest rate protection agreements, such increases will result in higher debt service costs which will adversely affect our cash flows. We currently do not have interest rate protection agreements in place to protect against interest rate fluctuations on borrowings under our Senior Credit Facility. As of December 31, 2014, we had \$365.5 million of indebtedness outstanding under our Senior Credit Facility, and a one percent increase in the interest rate applicable to the Senior Credit Facility would increase our annual interest expense by approximately \$4.0 million.

We depend on distributions from our subsidiaries to make payments on our indebtedness. These distributions may not be made.

A substantial portion of our business is conducted by our subsidiaries. Therefore, our ability to meet our payment obligations on our indebtedness is substantially dependent on the earnings of certain of our subsidiaries and the payment of funds to us by our subsidiaries as dividends, loans, advances or other payments. Our subsidiaries are separate and distinct legal entities and, unless they expressly guarantee any indebtedness of ours, they are not obligated to make funds available for payment of our indebtedness in the form of loans, distributions or otherwise. Our subsidiaries' ability to make any such loans, distributions or other payments to us will depend on their earnings, business results, the terms of their existing and any future indebtedness, tax considerations and legal or contractual restrictions to which they may be subject. If our subsidiaries do not make such payments to us, our ability to repay our indebtedness may be materially adversely affected. For the year ended December 31, 2014, our subsidiaries accounted for 71.2% of our consolidated revenues, and as of December 31, 2014, our subsidiaries accounted for 92.3% of our total assets.

We may not be able to satisfy our repurchase obligations in the event of a change of control because the terms of our indebtedness or lack of funds may prevent us from doing so.

Upon a change of control as specified in the indentures governing the terms of our senior notes, each holder of the 6.625% Senior Notes, the 5.125% Senior Notes, the 5 7/8% Senior Notes and the 5.875% Senior Notes will have the right to require us to repurchase their notes at 101% of their principal amount, plus accrued and unpaid interest, and, liquidated damages, if any, to the date of repurchase. The terms of the Senior Credit Facility limit our ability to repurchase the notes in the event of a change of control. Any future agreement governing any of our indebtedness may contain similar restrictions and provisions. Accordingly, it is possible that restrictions in the Senior Credit Facility or other indebtedness that may be incurred in the future will not allow the required repurchase of the 6.625% Senior Notes, the 5.125% Senior Notes, the 5 7/8% Senior Notes and the 5.875% Senior Notes upon a change of control. Even if such repurchase is permitted by the terms of our then existing indebtedness, we may not have sufficient funds available to satisfy our repurchase obligations. Our failure to purchase any of the senior notes would be a default under the indenture governing such notes, which in turn would trigger a default under the Senior Credit Facility and the indentures governing the other senior notes.

Risks Related to Our Business and Industry

From time to time, we may not have a management contract with a client to operate existing beds at a facility or new beds at a facility that we are expanding and we cannot assure you that such a contract will be obtained. Failure to obtain a management contract for these beds will subject us to carrying costs with no corresponding management revenue.

From time to time, we may not have a management contract with a client to operate existing beds or new beds at facilities that we are currently in the process of renovating and expanding. While we will always strive to work diligently with a number of different customers for the use of these beds, we cannot assure you that a contract for the beds will be secured on a timely basis, or at all. While a facility or new beds at a facility are

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vacant, we incur carrying costs. We are currently marketing approximately 3,300 vacant beds at three of our idle facilities to potential customers with the re-activation of the company-owned 400-bed Mesa Verde Detention Facility in January 2015. The annual carrying cost of idle facilities in 2015 is estimated to be \$16.0 million, including depreciation expense of \$2.6 million, if the facilities remain vacant for the remainder of 2015. At December 31, 2014, these facilities had a net book value of \$90.5 million. In addition, now that we have acquired eight correctional and detention facilities from LCS Correctional Services, Inc. and its affiliates, we are marketing approximately an additional 3,200 beds in incremental capacity at these newly acquired facilities. Failure to secure a management contract for a facility or expansion project could have a material adverse impact on our financial condition, results of operations and/or cash flows. We review our facilities for impairment whenever events or changes in circumstances indicate the net book value of the facility may not be recoverable. Impairment charges taken on our facilities could require material non-cash charges to our results of operations. In addition, in order to secure a management contract for these beds, we may need to incur significant capital expenditures to renovate or further expand the facility to meet potential clients' needs.

Negative conditions in the capital markets could prevent us from obtaining financing, which could materially harm our business.

Our ability to obtain additional financing is highly dependent on the conditions of the capital markets, among other things. The capital and credit markets have experienced significant periods of volatility and disruption since 2008. During this time period, the economic impacts observed have included a downturn in the equity and debt markets, the tightening of the credit markets, a general economic slowdown and other macroeconomic conditions, volatility in currency exchange rates and concerns over sovereign debt levels abroad and in the U.S. and concerns over the failure to adequately address the federal deficit and the debt ceiling. If those macroeconomic conditions continue or worsen in the future, we could be prevented from raising additional capital or obtaining additional financing on satisfactory terms, or at all. If we need, but cannot obtain, adequate capital as a result of negative conditions in the capital markets or otherwise, our business, results of operations and financial condition could be materially adversely affected. Additionally, such inability to obtain capital could prevent us from pursuing attractive business development opportunities, including new facility constructions or expansions of existing facilities, and business or asset acquisitions.

We are subject to the loss of our facility management contracts, due to terminations, non-renewals or competitive re-bids, which could adversely affect our results of operations and liquidity, including our ability to secure new facility management contracts from other government customers.

We are exposed to the risk that we may lose our facility management contracts primarily due to one of three reasons: (i) the termination by a government customer with or without cause at any time; (ii) the failure by a customer to exercise its unilateral option to renew a contract with us upon the expiration of the then current term; or (iii) our failure to win the right to continue to operate under a contract that has been competitively re-bid in a procurement process upon its termination or expiration. Our facility management contracts typically allow a contracting governmental agency to terminate a contract with or without cause at any time by giving us written notice ranging from 30 to 180 days. If government agencies were to use these provisions to terminate, or renegotiate the terms of their agreements with us, our financial condition and results of operations could be materially adversely affected.

Aside from our customers' unilateral right to terminate our facility management contracts with them at any time for any reason, there are two points during the typical lifecycle of a contract which may result in the loss by us of a facility management contract with our customers. We refer to these points as contract renewals and contract re-bids. Many of our facility management contracts with our government customers have an initial fixed term and subsequent renewal rights for one or more additional periods at the unilateral option of the customer. Because most of our contracts for youth services do not guarantee placement or revenue, we have not considered these contracts to ever be in the renewal or re-bid stage since they are more perpetual in nature. We count each government customer's right to renew a particular facility management contract for an additional

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period as a separate renewal. For example, a five-year initial fixed term contract with customer options to renew for five separate additional one-year periods would, if fully exercised, be counted as five separate renewals, with one renewal coming in each of the five years following the initial term. As of December 31, 2014, 49 of our facility management contracts representing approximately 33,000 beds are scheduled to expire on or before December 31, 2015, unless renewed by the customer at its sole option in certain cases, or unless renewed by mutual agreement in other cases. These contracts represented 41.5% of our consolidated revenues for the year ended December 31, 2014. We undertake substantial efforts to renew our facility management contracts. Our average historical facility management contract renewal rate approximates 90%. However, given their unilateral nature, we cannot assure you that our customers will in fact exercise their renewal options under existing contracts. In addition, in connection with contract renewals, either we or the contracting government agency have typically requested changes or adjustments to contractual terms. As a result, contract renewals may be made on terms that are more or less favorable to us than those in existence prior to the renewals.

We define competitive re-bids as contracts currently under our management which we believe, based on our experience with the customer and the facility involved, will be re-bid to us and other potential service providers in a competitive procurement process upon the expiration or termination of our contract, assuming all renewal options are exercised. Our determination of which contracts we believe will be competitively re-bid may in some cases be subjective and judgmental, based largely on our knowledge of the dynamics involving a particular contract, the customer and the facility involved. Competitive re-bids may result from the expiration of the term of a contract, including the initial fixed term plus any renewal periods, or the early termination of a contract by a customer. Competitive re-bids are often required by applicable federal or state procurement laws periodically in order to further competitive pricing and other terms for the government customer. Potential bidders in competitive re-bid situations include us, other private operators and other government entities.

As of December 31, 2014, nine of our facility management contracts representing \$85.1 million (or 5.0%) of our consolidated revenues for the year ended December 31, 2014 are subject to competitive re-bid in 2015. While we are pleased with our historical win rate on competitive re-bids and are committed to continuing to bid competitively on appropriate future competitive re-bid opportunities, we cannot in fact assure you that we will prevail in future re-bid situations. Also, we cannot assure you that any competitive re-bids we win will be on terms more favorable to us than those in existence with respect to the expiring contract.

For additional information on facility management contracts that we currently believe will be competitively re-bid during each of the next five years and thereafter, please see **Business Government Contracts Terminations, Renewals and Competitive Re-bids**. The loss by us of facility management contracts due to terminations, non-renewals or competitive re-bids could materially adversely affect our financial condition, results of operations and liquidity, including our ability to secure new facility management contracts from other government customers.

We may not be able to successfully identify, consummate or integrate acquisitions.

We have an active acquisition program, the objective of which is to identify suitable acquisition targets that will enhance our growth. The pursuit of acquisitions may pose certain risks to us. We may not be able to identify acquisition candidates that fit our criteria for growth and profitability. Even if we are able to identify such candidates, we may not be able to acquire them on terms satisfactory to us. We will incur expenses and dedicate attention and resources associated with the review of acquisition opportunities, whether or not we consummate such acquisitions.

Additionally, even if we are able to acquire suitable targets on agreeable terms, we may not be able to successfully integrate their operations with ours. Achieving the anticipated benefits of any acquisition will depend in significant part upon whether we integrate such acquired businesses in an efficient and effective manner. We may not be able to achieve the anticipated operating and cost synergies or long-term strategic benefits of our acquisitions within the anticipated timing or at all. For example, elimination of duplicative costs

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may not be fully achieved or may take longer than anticipated. For at least the first year after a substantial acquisition, and possibly longer, the benefits from the acquisition will be offset by the costs incurred in integrating the businesses and operations. We may also assume liabilities in connection with acquisitions that we would otherwise not be exposed to. An inability to realize the full extent of, or any of, the anticipated synergies or other benefits of an acquisition as well as any delays that may be encountered in the integration process, which may delay the timing of such synergies or other benefits, could have an adverse effect on our business and results of operations.

As a result of our acquisitions, we have recorded and will continue to record a significant amount of goodwill and other intangible assets. In the future, our goodwill or other intangible assets may become impaired, which could result in material non-cash charges to our results of operations.

We have a substantial amount of goodwill and other intangible assets resulting from business acquisitions. As of December 31, 2014, we had \$649.2 million of goodwill and other intangible assets. At least annually, or whenever events or changes in circumstances indicate a potential impairment in the carrying value as defined by Generally Accepted Accounting Principles in the United States of America, or U.S. GAAP, we will evaluate this goodwill for impairment by first assessing 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 the reporting unit is less than the carrying amount. Estimated fair values could change if there are changes in our capital structure, cost of debt, interest rates, capital expenditure levels, operating cash flows, or market capitalization. Impairments of goodwill or other intangible assets could require material non-cash charges to our results of operations.

Our growth depends on our ability to secure contracts to develop and manage new correctional, detention and community based facilities and to secure contracts to provide electronic monitoring services, community-based re-entry services and monitoring and supervision services, the demand for which is outside our control.

Our growth is primarily dependent upon our ability to obtain new contracts to develop and manage new correctional, detention and community based facilities, because contracts to manage existing public facilities have not to date typically been offered to private operators. Additionally, our growth is generally dependent upon our ability to obtain new contracts to offer electronic monitoring services, provide community-based re-entry services and provide monitoring and supervision services. Public sector demand for new privatized facilities in our areas of operation may decrease and our potential for growth will depend on a number of factors we cannot control, including overall economic conditions, governmental and public acceptance of the concept of privatization, government budgetary constraints, and the number of facilities available for privatization.

In particular, the demand for our correctional and detention facilities and services, electronic monitoring services, community-based re-entry services and monitoring and supervision services could be adversely affected by changes in existing criminal or immigration laws, crime rates in jurisdictions in which we operate, the relaxation of criminal or immigration enforcement efforts, leniency in conviction, sentencing or deportation practices, and the decriminalization of certain activities that are currently proscribed by criminal laws or the loosening of immigration laws. For example, any changes with respect to the decriminalization of drugs and controlled substances could affect the number of persons arrested, convicted, sentenced and incarcerated, thereby potentially reducing demand for correctional facilities to house them. Similarly, reductions in crime rates could lead to reductions in arrests, convictions and sentences requiring incarceration at correctional facilities. Immigration reform laws which are currently a focus for legislators and politicians at the federal, state and local level also could materially adversely impact us. Various factors outside our control could adversely impact the growth of our GEO Care business, including government customer resistance to the privatization of residential community based facilities, and changes to Medicare and Medicaid reimbursement programs.

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We may not be able to meet state requirements for capital investment or locate land for the development of new facilities, which could adversely affect our results of operations and future growth.

Certain jurisdictions, including California, have in the past required successful bidders to make a significant capital investment in connection with the financing of a particular project. If this trend were to continue in the future, we may not be able to obtain sufficient capital resources when needed to compete effectively for facility management contracts. Additionally, our success in obtaining new awards and contracts may depend, in part, upon our ability to locate land that can be leased or acquired under favorable terms. Our inability to secure financing and desirable locations for new facilities could adversely affect our results of operations and future growth.

We depend on a limited number of governmental customers for a significant portion of our revenues. The loss of, or a significant decrease in business from, these customers could seriously harm our financial condition and results of operations.

We currently derive, and expect to continue to derive, a significant portion of our revenues from a limited number of governmental agencies. Of our governmental clients, four customers, through multiple individual contracts, accounted for 42.5% of our consolidated revenues for the year ended December 31, 2014. In addition, three federal governmental agencies with correctional and detention responsibilities, the Bureau of Prisons, ICE, and the U.S. Marshals Service, accounted for 41.9% of our total consolidated revenues for the year ended December 31, 2014 through multiple individual contracts, with the Bureau of Prisons accounting for 15.8% of our total consolidated revenues for such period, ICE accounting for 15.6% of our total consolidated revenues for such period, and the U.S. Marshals Service accounting for 10.5% of our total consolidated revenues for such period; however, no individual contract with these clients accounted for more than 5.0% of our total consolidated revenues. Government agencies from the State of Florida accounted for 6.4% of our total consolidated revenues for the year ended December 31, 2014 through multiple individual contracts. Our revenues depend on our governmental customers receiving sufficient funding and providing us with timely payment under the terms of our contracts. If the applicable governmental customers do not receive sufficient appropriations to cover their contractual obligations, they may delay or reduce payment to us or terminate their contracts with us. With respect to our federal government customers, any future impasse or struggle impacting the federal government's ability to reach agreement on the federal budget, debt ceiling, immigration reform and how to fund the Department of Homeland Security, and any future federal government shut downs could result in material payment delays, payment reductions or contract terminations. Additionally, our governmental customers may request in the future that we reduce our per diem contract rates or forego increases to those rates as a way for those governmental customers to control their spending and address their budgetary shortfalls. The loss of, or a significant decrease in, business from the Bureau of Prisons, ICE, the U.S. Marshals Service, the State of Florida or any other significant customers could seriously harm our financial condition and results of operations. We expect to continue to depend upon these federal and state agencies and a relatively small group of other governmental customers for a significant percentage of our revenues.

A decrease in occupancy levels could cause a decrease in revenues and profitability.

While a substantial portion of our cost structure is generally fixed, most of our revenues are generated under facility management contracts which provide for per diem payments based upon daily occupancy. Several of these contracts provide minimum revenue guarantees for us, regardless of occupancy levels, up to a specified maximum occupancy percentage. However, many of our contracts have no minimum revenue guarantees and simply provide for a fixed per diem payment for each inmate/detainee/patient actually housed. As a result, with respect to our contracts that have no minimum revenue guarantees and those that guarantee revenues only up to a certain specified occupancy percentage, we are highly dependent upon the governmental agencies with which we have contracts to provide inmates, detainees and patients for our managed facilities. Under a per diem rate structure, a decrease in our occupancy rates could cause a decrease in revenues and profitability. In October 2011, the State of California implemented its Criminal Justice Realignment Plan. As a result of the implementation of the Criminal Justice Realignment Plan, the State of California discontinued contracts with

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Community Correctional Facilities which housed low level state offenders across the state. The implementation of the Criminal Justice Realignment Plan by California resulted in the cancellation of our agreements for the housing of low level state offenders at three of our California Community Corrections facilities as well as an agreement for the housing of out-of-state California inmates at our North Lake Correctional Facility in Michigan. Also, in Michigan there have been recommendations for the early release of inmates to relieve overcrowding conditions. In addition, we have acquired eight correctional and detention facilities from LCS Correctional Services, Inc. and its affiliates which currently have lower occupancy rates than GEO's facilities. It may take longer than anticipated to increase the occupancy rates for these facilities. When combined with relatively fixed costs for operating each facility, regardless of the occupancy level, a material decrease in occupancy levels at one or more of our facilities could have a material adverse effect on our revenues and profitability, and consequently, on our financial condition and results of operations.

State budgetary constraints may have a material adverse impact on us.

State budgets continue their slow to moderate recovery. According to the National Conference of State Legislatures, the outlook for state budgets is stable. Revenue performance is positive, and expenditure overruns are relatively modest. Overall, most state officials anticipate a slow and steady improvement in state finances. As of December 31, 2014, we had 11 state correctional clients: Florida, Georgia, Alaska, Louisiana, Virginia, Indiana, Texas, Oklahoma, New Mexico, Arizona, and California. If state budgetary constraints persist or intensify, our 11 state customers' ability to pay us may be impaired and/or we may be forced to renegotiate our management contracts with those customers on less favorable terms and our financial condition, results of operations or cash flows could be materially adversely impacted. In addition, budgetary constraints in states that are not our current customers could prevent those states from outsourcing correctional, detention or community based service opportunities that we otherwise could have pursued.

Competition for inmates may adversely affect the profitability of our business.

We compete with government entities and other private operators on the basis of cost, bed availability, location of facility, quality and range of services offered, experience in managing facilities, and reputation of management and personnel. Barriers to entering the market for the management of correctional and detention facilities may not be sufficient to limit additional competition in our industry. In addition, some of our government customers may assume the management of a facility currently managed by us upon the termination of the corresponding management contract or, if such customers have capacity at the facilities which they operate, they may take inmates currently housed in our facilities and transfer them to government operated facilities. Since we are paid on a per diem basis with no minimum guaranteed occupancy under some of our contracts, the loss of such inmates and resulting decrease in occupancy could cause a decrease in both our revenues and our profitability.

We are dependent on government appropriations, which may not be made on a timely basis or at all and may be adversely impacted by budgetary constraints at the federal, state and local levels.

Our cash flow is subject to the receipt of sufficient funding of and timely payment by contracting governmental entities. If the contracting governmental agency does not receive sufficient appropriations to cover its contractual obligations, it may terminate our contract or delay or reduce payment to us. Any delays in payment, or the termination of a contract, could have a material adverse effect on our cash flow and financial condition, which may make it difficult to satisfy our payment obligations on our indebtedness, including the 6.625% Senior Notes, the 5.125% Senior Notes, the 5^{7/8}% Senior Notes, the 5.875% Senior Notes and the Senior Credit Facility, in a timely manner. In addition, as a result of, among other things, recent economic developments, federal, state and local governments have encountered, and may continue to encounter, unusual budgetary constraints. As a result, a number of state and local governments are under pressure to control additional spending or reduce current levels of spending which could limit or eliminate appropriations for the facilities that we operate. Additionally, as a result of these factors, we may be requested in the future to reduce

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our existing per diem contract rates or forego prospective increases to those rates. Budgetary limitations may also make it more difficult for us to renew our existing contracts on favorable terms or at all. Further, a number of states in which we operate are experiencing budget constraints for fiscal year 2015. We cannot assure you that these constraints will not result in reductions in per diems, delays in payment for services rendered or unilateral termination of contracts.

Public resistance to privatization of correctional, detention and community based facilities could result in our inability to obtain new contracts or the loss of existing contracts, which could have a material adverse effect on our business, financial condition and results of operations.

The management and operation of correctional, detention and community based facilities by private entities has not achieved complete acceptance by either government agencies or the public. Some governmental agencies have limitations on their ability to delegate their traditional management responsibilities for such facilities to private companies and additional legislative changes or prohibitions could occur that further increase these limitations. In addition, the movement toward privatization of such facilities has encountered resistance from groups, such as labor unions, that believe that correctional, detention and community based facilities should only be operated by governmental agencies. In addition, negative publicity about poor conditions, an escape, riot or other disturbance at a privately managed facility may result in adverse publicity to us and the private corrections industry in general. Any of these occurrences or continued trends may make it more difficult for us to renew or maintain existing contracts or to obtain new contracts. Changes in governing political parties could also result in significant changes to previously established views of privatization. Increased public resistance to the privatization of correctional, detention and community based facilities in any of the markets in which we operate, as a result of these or other factors, could have a material adverse effect on our business, financial condition and results of operations.

Operating juvenile correctional facilities poses certain unique or increased risks and difficulties compared to operating other facilities.

As a result of the acquisition of Cornell Companies, Inc. (the Cornell Acquisition) in 2010, we re-entered the market of operating juvenile correctional facilities. We intentionally had exited the market of operating juvenile correctional facilities a number of years prior to the Cornell Acquisition. Operating juvenile correctional facilities may pose increased operational risks and difficulties that may result in increased litigation, higher personnel costs, higher levels of turnover of personnel and reduced profitability. Examples of the increased operational risks and difficulties involved in operating juvenile correctional facilities include, mandated client to staff ratios as high as 1:6, elevated reporting and audit requirements, a reduced number of options to use with offenders (e.g., mechanical restraints and seclusion are not permitted options to use with offenders in juvenile correctional facilities), and multiple funding sources as opposed to a single source payer. Additionally, juvenile services contracts related to educational services may provide for annual collection several months after a school year is completed. This may pose a risk that we will not be able to collect the full amount owed thereby reducing our profitability or it may adversely impact our annual budgeting process due to the lag time between us providing the educational services required under a contract and collecting the amount owed to us for such services. We cannot assure that we will be successful in operating juvenile correctional facilities or that we will be able to minimize the risks and difficulties involved while yielding an attractive profit margin.

Adverse publicity may negatively impact our ability to retain existing contracts and obtain new contracts.

Any negative publicity about an escape, riot or other disturbance or perceived poor conditions at a privately managed facility, any failures experienced by our electronic monitoring services and any negative publicity about a crime or disturbance occurring during a failure of service or the loss or unauthorized access to any of the data we maintain in the course of providing our services may result in publicity adverse to us and the private corrections industry in general. Any of these occurrences or continued trends may make it more difficult for us to renew existing contracts or to obtain new contracts or could result in the termination of an existing contract or the

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closure of one or more of our facilities, which could have a material adverse effect on our business. Such negative events may also result in a significant increase in our liability insurance costs.

We may incur significant start-up and operating costs on new contracts before receiving related revenues, which may impact our cash flows and not be recouped.

When we are awarded a contract to manage a facility, we may incur significant start-up and operating expenses, including the cost of constructing the facility, purchasing equipment and staffing the facility, before we receive any payments under the contract. These expenditures could result in a significant reduction in our cash reserves and may make it more difficult for us to meet other cash obligations, including our payment obligations on the 6.625% Senior Notes, the 5.125% Senior Notes, the 5⁷/₈% Senior Notes, the 5.875% Senior Notes and the Senior Credit Facility. In addition, a contract may be terminated prior to its scheduled expiration and as a result we may not recover these expenditures or realize any return on our investment.

Failure to comply with extensive government regulation and applicable contractual requirements could have a material adverse effect on our business, financial condition or results of operations.

The industry in which we operate is subject to extensive federal, state and local regulation, including educational, environmental, health care and safety laws, rules and regulations, which are administered by many regulatory authorities. Some of the regulations are unique to the corrections industry, and the combination of regulations affects all areas of our operations. Corrections officers and juvenile care workers are customarily required to meet certain training standards and, in some instances, facility personnel are required to be licensed and are subject to background investigations. Certain jurisdictions also require us to award subcontracts on a competitive basis or to subcontract with businesses owned by members of minority groups. We may not always successfully comply with these and other regulations to which we are subject and failure to comply can result in material penalties or the non-renewal or termination of facility management contracts. In addition, changes in existing regulations could require us to substantially modify the manner in which we conduct our business and, therefore, could have a material adverse effect on us.

In addition, private prison managers are increasingly subject to government legislation and regulation attempting to restrict the ability of private prison managers to house certain types of inmates, such as inmates from other jurisdictions or inmates at medium or higher security levels. Legislation has been enacted in several states, and has previously been proposed in the United States House of Representatives, containing such restrictions. Although we do not believe that existing legislation will have a material adverse effect on us, future legislation may have such an effect on us.

Governmental agencies may investigate and audit our contracts and, if any improprieties are found, we may be required to refund amounts we have received, to forego anticipated revenues and we may be subject to penalties and sanctions, including prohibitions on our bidding in response to RFPs from governmental agencies to manage correctional facilities. Governmental agencies we contract with have the authority to audit and investigate our contracts with them. As part of that process, governmental agencies may review our performance of the contract, our pricing practices, our cost structure and our compliance with applicable laws, regulations and standards. For contracts that actually or effectively provide for certain reimbursement of expenses, if an agency determines that we have improperly allocated costs to a specific contract, we may not be reimbursed for those costs, and we could be required to refund the amount of any such costs that have been reimbursed. If we are found to have engaged in improper or illegal activities, including under the United States False Claims Act, we may be subject to civil and criminal penalties and administrative sanctions, including termination of contracts, forfeitures of profits, suspension of payments, fines and suspension or disqualification from doing business with certain governmental entities. An adverse determination in an action alleging improper or illegal activities by us could also adversely impact our ability to bid in response to RFPs in one or more jurisdictions.

In addition to compliance with applicable laws and regulations, our facility management contracts typically have numerous requirements addressing all aspects of our operations which we may not be able to satisfy. For

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example, our contracts require us to maintain certain levels of coverage for general liability, workers' compensation, vehicle liability, and property loss or damage. If we do not maintain the required categories and levels of coverage, the contracting governmental agency may be permitted to terminate the contract. In addition, we are required under our contracts to indemnify the contracting governmental agency for all claims and costs arising out of our management of facilities and, in some instances, we are required to maintain performance bonds relating to the construction, development and operation of facilities. Facility management contracts also typically include reporting requirements, supervision and on-site monitoring by representatives of the contracting governmental agencies. Failure to properly adhere to the various terms of our customer contracts could expose us to liability for damages relating to any breaches as well as the loss of such contracts, which could materially adversely impact us.

We may face community opposition to facility location, which may adversely affect our ability to obtain new contracts.

Our success in obtaining new awards and contracts sometimes depends, in part, upon our ability to locate land that can be leased or acquired, on economically favorable terms, by us or other entities working with us in conjunction with our proposal to construct and/or manage a facility. Some locations may be in or near populous areas and, therefore, may generate legal action or other forms of opposition from residents in areas surrounding a proposed site. When we select the intended project site, we attempt to conduct business in communities where local leaders and residents generally support the establishment of a privatized correctional or detention facility. Future efforts to find suitable host communities may not be successful. In many cases, the site selection is made by the contracting governmental entity. In such cases, site selection may be made for reasons related to political and/or economic development interests and may lead to the selection of sites that have less favorable environments.

Our business operations expose us to various liabilities for which we may not have adequate insurance and may have a material adverse effect on our business, financial condition or results of operations.

The nature of our business exposes us to various types of third-party legal claims, including, but not limited to, civil rights claims relating to conditions of confinement and/or mistreatment, sexual misconduct claims brought by prisoners or detainees, medical malpractice claims, product liability claims, intellectual property infringement claims, claims relating to employment matters (including, but not limited to, employment discrimination claims, union grievances and wage and hour claims), property loss claims, environmental claims, automobile liability claims, contractual claims and claims for personal injury or other damages resulting from contact with our facilities, programs, electronic monitoring products, personnel or prisoners, including damages arising from a prisoner's escape or from a disturbance or riot at a facility. In addition, our management contracts generally require us to indemnify the governmental agency against any damages to which the governmental agency may be subject in connection with such claims or litigation. We maintain insurance coverage for these general types of claims, except for claims relating to employment matters, for which we carry no insurance. However, we generally have high deductible payment requirements on our primary insurance policies, including our general liability insurance, and there are also varying limits on the maximum amount of our overall coverage. As a result, the insurance we maintain to cover the various liabilities to which we are exposed may not be adequate. Any losses relating to matters for which we are either uninsured or for which we do not have adequate insurance could have a material adverse effect on our business, financial condition or results of operations. In addition, any losses relating to employment matters could have a material adverse effect on our business, financial condition or results of operations. To the extent the events serving as a basis for any potential claims are alleged or determined to constitute illegal or criminal activity, we could also be subject to criminal liability. Such liability could result in significant monetary fines and could affect our ability to bid on future contracts and retain our existing contracts.

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We may not be able to obtain or maintain the insurance levels required by our government contracts.

Our government contracts require us to obtain and maintain specified insurance levels. The occurrence of any events specific to our company or to our industry, or a general rise in insurance rates, could substantially increase our costs of obtaining or maintaining the levels of insurance required under our government contracts, or prevent us from obtaining or maintaining such insurance altogether. If we are unable to obtain or maintain the required insurance levels, our ability to win new government contracts, renew government contracts that have expired and retain existing government contracts could be significantly impaired, which could have a material adverse effect on our business, financial condition and results of operations.

Our international operations expose us to risks which could materially adversely affect our financial condition and results of operations.

For the year ended December 31, 2014, our international operations accounted for approximately 15% of our consolidated revenues from continuing operations. We face risks associated with our operations outside the United States. These risks include, among others, political and economic instability, exchange rate fluctuations, taxes, duties and the laws or regulations in those foreign jurisdictions in which we operate. In the event that we experience any difficulties arising from our operations in foreign markets, our business, financial condition and results of operations may be materially adversely affected.

We conduct certain of our operations through joint ventures or consortiums, which may lead to disagreements with our joint venture partners or business partners and adversely affect our interest in the joint ventures or consortiums.

We conduct our operations in South Africa through our consolidated joint venture, SACM, and through our 50% owned and unconsolidated joint venture South African Custodial Services Pty. Limited, referred to as SACS. We conduct our prisoner escort and related custody services in the United Kingdom through our 50% owned and unconsolidated joint venture in GEO Amey PECS Limited, which we refer to as GEO Amey. We may enter into additional joint ventures in the future. Although we have the majority vote in our consolidated joint venture, SACM, through our ownership of 62.5% of the voting shares, we share equal voting control on all significant matters to come before SACS. We also share equal voting control on all significant matters to come before GEO Amey. We are conducting certain operations in Victoria, Australia through a consortium comprised of our wholly owned subsidiary, GEO Australia, John Holland Construction and Honeywell. The consortium is in the process of developing a new 1,000 bed prison in Ravenhall, a location near Melbourne, Australia. These joint venture partners, as well as any future partners, may have interests that are different from ours which may result in conflicting views as to the conduct of the business of the joint venture or consortium. In the event that we have a disagreement with a joint venture partner or consortium business partner as to the resolution of a particular issue to come before the joint venture or consortium, or as to the management or conduct of the business of the joint venture or consortium in general, we may not be able to resolve such disagreement in our favor and such disagreement could have a material adverse effect on our interest in the joint venture or consortium or the business of the joint venture or consortium in general.

We are dependent upon our senior management and our ability to attract and retain sufficient qualified personnel.

We are dependent upon the continued service of each member of our senior management team, including George C. Zoley, Ph.D., our Chairman and Chief Executive Officer, Brian R. Evans, our Chief Financial Officer, John M. Hurley, our Senior Vice President, Operations and President, U.S. Corrections & Detention, Ann Schlarb, our Senior Vice President, GEO Care, David Venturella, our Senior Vice President, Business Development and also our other executive officers at the Vice President level and above. The unexpected loss of Mr. Zoley, Mr. Evans or any other key member of our senior management team could materially adversely affect our business, financial condition or results of operations.

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In addition, the services we provide are labor-intensive. When we are awarded a facility management contract or open a new facility, depending on the service we have been contracted to provide, we may need to hire operating management, correctional officers, security staff, physicians, nurses and other qualified personnel. The success of our business requires that we attract, develop and retain these personnel. Our inability to hire sufficient qualified personnel on a timely basis or the loss of significant numbers of personnel at existing facilities could have a material effect on our business, financial condition or results of operations.

Our profitability may be materially adversely affected by inflation.

Many of our facility management contracts provide for fixed management fees or fees that increase by only small amounts during their terms. While a substantial portion of our cost structure is generally fixed, if, due to inflation or other causes, our operating expenses, such as costs relating to personnel, utilities, insurance, medical and food, increase at rates faster than increases, if any, in our facility management fees, then our profitability could be materially adversely affected.

Various risks associated with the ownership of real estate may increase costs, expose us to uninsured losses and adversely affect our financial condition and results of operations.

Our ownership of correctional and detention facilities subjects us to risks typically associated with investments in real estate. Investments in real estate, and in particular, correctional and detention facilities, are relatively illiquid and, therefore, our ability to divest ourselves of one or more of our facilities promptly in response to changed conditions is limited. Investments in correctional and detention facilities, in particular, subject us to risks involving potential exposure to environmental liability and uninsured loss. Our operating costs may be affected by the obligation to pay for the cost of complying with existing environmental laws, ordinances and regulations, as well as the cost of complying with future legislation. In addition, although we maintain insurance for many types of losses, there are certain types of losses, such as losses from hurricanes, earthquakes, riots and acts of terrorism, which may be either uninsurable or for which it may not be economically feasible to obtain insurance coverage, in light of the substantial costs associated with such insurance. As a result, we could lose both our capital invested in, and anticipated profits from, one or more of the facilities we own. Further, even if we have insurance for a particular loss, we may experience losses that may exceed the limits of our coverage.

Risks related to facility construction and development activities may increase our costs related to such activities.

When we are engaged to perform construction and design services for a facility, we typically act as the primary contractor and subcontract with other companies who act as the general contractors. As primary contractor, we are subject to the various risks associated with construction (including, without limitation, shortages of labor and materials, work stoppages, labor disputes and weather interference) which could cause construction delays. In addition, we are subject to the risk that the general contractor will be unable to complete construction within the level of budgeted costs or be unable to fund any excess construction costs, even though we typically require general contractors to post construction bonds and insurance. Under such contracts, we are ultimately liable for all late delivery penalties and cost overruns.

The rising cost and increasing difficulty of obtaining adequate levels of surety credit on favorable terms could adversely affect our operating results.

We are often required to post performance bonds issued by a surety company as a condition to bidding on or being awarded a facility development contract. Availability and pricing of these surety commitments is subject to general market and industry conditions, among other factors. Recent events in the economy have caused the surety market to become unsettled, causing many reinsurers and sureties to reevaluate their commitment levels and required returns. As a result, surety bond premiums generally are increasing. If we are unable to effectively pass along the higher surety costs to our customers, any increase in surety costs could adversely affect our

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operating results. In addition, we may not continue to have access to surety credit or be able to secure bonds economically, without additional collateral, or at the levels required for any potential facility development or contract bids. If we are unable to obtain adequate levels of surety credit on favorable terms, we would have to rely upon letters of credit under our senior credit facility, which would entail higher costs even if such borrowing capacity was available when desired, and our ability to bid for or obtain new contracts could be impaired.

Adverse developments in our relationship with our employees could adversely affect our business, financial condition or results of operations.

At December 31, 2014, approximately 24% of our workforce was covered by collective bargaining agreements and, as of such date, collective bargaining agreements with approximately 14% of our employees were set to expire in less than one year. While only approximately 24% of our workforce schedule is covered by collective bargaining agreements, increases in organizational activity or any future work stoppages could have a material adverse effect on our business, financial condition, or results of operations.

Technological changes could cause our electronic monitoring products and technology to become obsolete or require the redesign of our electronic monitoring products, which could have a material adverse effect on our business.

Technological changes within the electronic monitoring business in which we conduct business may require us to expend substantial resources in an effort to develop and/or utilize new electronic monitoring products and technology. We may not be able to anticipate or respond to technological changes in a timely manner, and our response may not result in successful electronic monitoring product development and timely product introductions. If we are unable to anticipate or timely respond to technological changes, our business could be adversely affected and could compromise our competitive position, particularly if our competitors announce or introduce new electronic monitoring products and services in advance of us. Additionally, new electronic monitoring products and technology face the uncertainty of customer acceptance and reaction from competitors.

Any negative changes in the level of acceptance of or resistance to the use of electronic monitoring products and services by governmental customers could have a material adverse effect on our business, financial condition and results of operations.

Governmental customers use electronic monitoring products and services to monitor low risk offenders as a way to help reduce overcrowding in correctional facilities, as a monitoring and sanctioning tool, and to promote public safety by imposing restrictions on movement and serving as a deterrent for alcohol usage. If the level of acceptance of or resistance to the use of electronic monitoring products and services by governmental customers were to change over time in a negative manner so that governmental customers decide to decrease their usage levels and contracting for electronic monitoring products and services, this could have a material adverse effect on our business, financial condition and results of operations.

We depend on a limited number of third parties to manufacture and supply quality infrastructure components for our electronic monitoring products. If our suppliers cannot provide the components or services we require and with such quality as we expect, our ability to market and sell our electronic monitoring products and services could be harmed.

If our suppliers fail to supply components in a timely manner that meets our quantity, quality, cost requirements, or technical specifications, we may not be able to access alternative sources of these components within a reasonable period of time or at commercially reasonable rates. A reduction or interruption in the supply of components, or a significant increase in the price of components, could have a material adverse effect on our marketing and sales initiatives, which could adversely affect our financial condition and results of operations.

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The interruption, delay or failure of the provision of our services or information systems could adversely affect our business.

Certain segments of our business depend significantly on effective information systems. As with all companies that utilize information technology, we are vulnerable to negative impacts if information is inadvertently interrupted, delayed, compromised or lost. We routinely process, store and transmit large amounts of data for our clients. We continually work to update and maintain effective information systems. Despite the security measures we have in place and any additional measures we may implement in the future, our facilities and systems, and those of our third-party service providers, could be vulnerable to security breaches, computer viruses, lost or misplaced data, programming errors, human errors, acts of vandalism, or other events. For example, several well-known companies have recently disclosed high-profile security breaches, involving sophisticated and highly targeted attacks on their company's infrastructure or their customers' data, which were not recognized or detected until after such companies had been affected notwithstanding the preventative measures they had in place. Any security breach or event resulting in the interruption, delay or failure of our services or information systems, or the misappropriation, loss, or other unauthorized disclosure of client data or confidential information, whether by us directly or our third-party service providers, could damage our reputation, expose us to the risks of litigation and liability, disrupt our business, result in lost business or otherwise adversely affect our results of operations.

An inability to acquire, protect or maintain our intellectual property and patents in the electronic monitoring space could harm our ability to compete or grow.

We have numerous United States and foreign patents issued as well as a number of United States patents pending in the electronic monitoring space. There can be no assurance that the protection afforded by these patents will provide us with a competitive advantage, prevent our competitors from duplicating our products, or that we will be able to assert our intellectual property rights in infringement actions.

In addition, any of our patents may be challenged, invalidated, circumvented or rendered unenforceable. There can be no assurance that we will be successful should one or more of our patents be challenged for any reason. If our patent claims are rendered invalid or unenforceable, or narrowed in scope, the patent coverage afforded to our products could be impaired, which could significantly impede our ability to market our products, negatively affect our competitive position and harm our business and operating results.

There can be no assurance that any pending or future patent applications held by us will result in an issued patent, or that if patents are issued to us, that such patents will provide meaningful protection against competitors or against competitive technologies. The issuance of a patent is not conclusive as to its validity or its enforceability. The United States federal courts or equivalent national courts or patent offices elsewhere may invalidate our patents or find them unenforceable. Competitors may also be able to design around our patents. Our patents and patent applications cover particular aspects of our products. Other parties may develop and obtain patent protection for more effective technologies, designs or methods. If these developments were to occur, it could have an adverse effect on our sales. We may not be able to prevent the unauthorized disclosure or use of our technical knowledge or trade secrets by consultants, vendors, former employees and current employees, despite the existence of nondisclosure and confidentiality agreements and other contractual restrictions. Furthermore, the laws of foreign countries may not protect our intellectual property rights effectively or to the same extent as the laws of the United States. If our intellectual property rights are not adequately protected, we may not be able to commercialize our technologies, products or services and our competitors could commercialize our technologies, which could result in a decrease in our sales and market share that would harm our business and operating results.

Additionally, the expiration of any of our patents may reduce the barriers to entry into our electronic monitoring line of business and may result in loss of market share and a decrease in our competitive abilities, thus having a potential adverse effect on our financial condition, results of operations and cash flows.

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Our electronic monitoring products could infringe on the intellectual property rights of others, which may lead to litigation that could itself be costly, could result in the payment of substantial damages or royalties, and/or prevent us from using technology that is essential to our products.

There can be no assurance that our current products or products under development will not infringe any patent or other intellectual property rights of third parties. If infringement claims are brought against us, whether successfully or not, these assertions could distract management from other tasks important to the success of our business, necessitate us expending potentially significant funds and resources to defend or settle such claims and harm our reputation. We cannot be certain that we will have the financial resources to defend ourselves against any patent or other intellectual property litigation.

In addition, intellectual property litigation or claims could force us to do one or more of the following:

cease selling or using any products that incorporate the asserted intellectual property, which would adversely affect our revenue;

pay substantial damages for past use of the asserted intellectual property;

obtain a license from the holder of the asserted intellectual property, which license may not be available on reasonable terms, if at all; or

redesign or rename, in the case of trademark claims, our products to avoid infringing the intellectual property rights of third parties, which may not be possible and could be costly and time-consuming if it is possible to do.

In the event of an adverse determination in an intellectual property suit or proceeding, or our failure to license essential technology, our sales could be harmed and/or our costs could increase, which would harm our financial condition.

We license intellectual property rights in the electronic monitoring space, including patents, from third party owners. If such owners do not properly maintain or enforce the intellectual property underlying such licenses, our competitive position and business prospects could be harmed. Our licensors may also seek to terminate our license.

We are a party to a number of licenses that give us rights to third-party intellectual property that is necessary or useful to our business. Our success will depend in part on the ability of our licensors to obtain, maintain and enforce our licensed intellectual property. Our licensors may not successfully prosecute any applications for or maintain intellectual property to which we have licenses, may determine not to pursue litigation against other companies that are infringing such intellectual property, or may pursue such litigation less aggressively than we would. Without protection for the intellectual property we license, other companies might be able to offer similar products for sale, which could adversely affect our competitive business position and harm our business prospects.

If we lose any of our rights to use third-party intellectual property, it could adversely affect our ability to commercialize our technologies, products or services, as well as harm our competitive business position and our business prospects.

We may be subject to costly product liability claims from the use of our electronic monitoring products, which could damage our reputation, impair the marketability of our products and services and force us to pay costs and damages that may not be covered by adequate insurance.

Manufacturing, marketing, selling, testing and the operation of our electronic monitoring products and services entail a risk of product liability. We could be subject to product liability claims to the extent our electronic monitoring products fail to perform as intended. Even unsuccessful claims against us could result in the expenditure of funds in litigation, the diversion of management time and resources, damage to our reputation

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and impairment in the marketability of our electronic monitoring products and services. While we maintain liability insurance, it is possible that a successful claim could be made against us, that the amount of our insurance coverage would not be adequate to cover the costs of defending against or paying such a claim, or that damages payable by us would harm our business.

Risks Related to Our Common Stock

The market price of our common stock may vary substantially.

The trading prices of equity securities issued by REITs have historically been affected by changes in market interest rates. One of the factors that may influence the market price of our common stock is the annual yield from distributions on our common stock as compared to yields on other financial instruments. An increase in market interest rates, or a decrease in our distributions to shareholders, may lead prospective purchasers of our shares to demand a higher annual yield, which could reduce the market price of our common stock.

Other factors that could affect the market price of our common stock include the following:

actual or anticipated variations in our quarterly results of operations;

changes in market valuations of companies in the correctional and detention industries;

changes in expectations of future financial performance or changes in estimates of securities analysts;

fluctuations in stock market prices and volumes;

issuances of common stock or other securities in the future;

the addition or departure of key personnel;

announcements by us or our competitors of acquisitions, investments or strategic alliances; and

changes in the prospects of the privatized corrections and detention industry.

Future sales of shares of our common stock could adversely affect the market price of our common stock and may be dilutive to current shareholders.

Sales of shares of our common stock, or the perception that such sales could occur, could adversely affect the price for our common stock. As of December 31, 2014, there were 125,000,000 shares of common stock authorized under our Articles of Incorporation, of which 74,190,688 shares were outstanding. Our Board of Directors may authorize the issuance of additional authorized but unissued shares of our common stock or other authorized but unissued securities of ours at any time, including pursuant to equity incentive plans and stock purchase plans. In addition, we have filed a registration statement with the SEC allowing us to offer, from time to time, an indeterminate amount of common stock, subject to certain market conditions and other factors. Accordingly, we may, from time to time and at any time, seek to offer and sell shares of our common stock based upon market conditions and other factors. For example, on May 8, 2013, we filed with the SEC a prospectus supplement related to the offer and sale from time to time of our common stock at an aggregate offering price of up to \$100 million through certain sales agents. Sales of shares of our common stock under this prospectus supplement and the equity distribution agreements entered into with the sales agents, if any, may be made in negotiated transactions or transactions that are deemed to be at the market offerings as defined in Rule 415 under the Securities Act of 1933. Additionally, on July 18, 2014, we filed with the Securities and Exchange Commission a post-effective amendment to our shelf registration statement on Form S-3 (pursuant to which the prospectus supplement had been filed) as a result of the merger of the

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Company into GEO REIT effective June 27, 2014.

In September 2014, the Company filed with the Securities and Exchange Commission a new shelf registration statement on Form S-3. On November 10, 2014, in connection with the new shelf registration, the Company filed with the Securities and Exchange Commission a new prospectus supplement related to the offer

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and sale from time to time of the Company's common stock at an aggregate offering price of up to \$150 million through sales agents. Sales of shares of the Company's common stock under the prospectus supplement and the equity distribution agreements entered into with the sales agents, if any, may be made in negotiated transactions or transactions that are deemed to be at the market offerings as defined in Rule 415 under the Securities Act of 1933.

An offering of shares of our common stock may have a dilutive effect on our earnings per share and funds from operations per share after giving effect to the issuance of our common stock in this offering and the receipt of the expected net proceeds. The actual amount of dilution from any offering of our equity securities, cannot be determined at this time. The market price of our common stock could decline as a result of sales of a large number of shares of our common stock in the market pursuant to an offering, or otherwise, or as a result of the perception or expectation that such sales could occur.

Various anti-takeover protections applicable to us may make an acquisition of us more difficult and reduce the market value of our common stock.

We are a Florida corporation and the anti-takeover provisions of Florida law impose various impediments to the ability of a third party to acquire control of our company, even if a change of control would be beneficial to our shareholders. In addition, provisions of our articles of incorporation may make an acquisition of us more difficult. Our articles of incorporation authorize the issuance by our Board of Directors of blank check preferred stock without shareholder approval. Such shares of preferred stock could be given voting rights, dividend rights, liquidation rights or other similar rights superior to those of our common stock, making a takeover of us more difficult and expensive. In addition to discouraging takeovers, the anti-takeover provisions of Florida law and our articles of incorporation may have the impact of reducing the market value of our common stock.

Failure to maintain effective internal controls in accordance with Section 404 of the Sarbanes-Oxley Act of 2002 could have an adverse effect on our business and the trading price of our common stock.

If we fail to maintain the adequacy of our internal controls, in accordance with the requirements of Section 404 of the Sarbanes-Oxley Act of 2002, as such standards are modified, supplemented or amended from time to time, our exposure to fraud and errors in accounting and financial reporting could materially increase. Also, inadequate internal controls would likely prevent us from concluding on an ongoing basis that we have effective internal control over financial reporting in accordance with Section 404 of the Sarbanes-Oxley Act of 2002. Such failure to achieve and maintain effective internal controls could adversely impact our business and the price of our common stock.

We may issue additional debt securities that could limit our operating flexibility and negatively affect the value of our common stock.

In the future, we may issue additional debt securities which may be governed by an indenture or other instrument containing covenants that could place restrictions on the operation of our business and the execution of our business strategy in addition to the restrictions on our business already contained in the agreements governing our existing debt. In addition, we may choose to issue debt that is convertible or exchangeable for other securities, including our common stock, or that has rights, preferences and privileges senior to our common stock. Because any decision to issue debt securities will depend on market conditions and other factors beyond our control, we cannot predict or estimate the amount, timing or nature of any future debt financings and we may be required to accept unfavorable terms for any such financings. Accordingly, any future issuance of debt could dilute the interest of holders of our common stock and reduce the value of our common stock.

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Item 1B. *Unresolved Staff Comments*

None.

Item 2. *Properties*

We lease our corporate offices which are located in Boca Raton, Florida, under a lease agreement which was amended in April 2013. The current lease expires in March 2020 and has two 5-year renewal options, which if exercised will result in a maximum term ending March 2030. In addition, we lease office space for our eastern regional office in Charlotte, North Carolina; our central regional office in San Antonio, Texas; our western regional office in Los Angeles, California; and our youth services division in Pittsburgh, Pennsylvania. As a result of the BI acquisition in February 2011 and Protocol acquisition in February 2014, we are also currently leasing office space in Boulder, Colorado and Aurora, Illinois, respectively. We also lease office space in Sydney, Australia, in Sandton, South Africa, and in Berkshire, England, through our overseas affiliates to support our Australian, South African, and United Kingdom operations, respectively. We consider our office space adequate for our current operations.

See the Facilities and Day Reporting Centers listing under Item 1 for a list of the correctional, detention and re-entry properties we own or lease in connection with our operations. In addition to the properties listed under Item 1, we also lease 47 ISAP service centers, 83 electronic monitoring field offices and an electronic monitoring call center in Anderson, Indiana. We consider our correctional, detention and re-entry properties, our field offices and our electronic monitoring call center adequate for our current and planned levels of operations.

Item 3. *Legal Proceedings*

The nature of our business exposes us to various types of third-party legal claims, including, but not limited to, civil rights claims relating to conditions of confinement and/or mistreatment, sexual misconduct claims brought by prisoners or detainees, product liability claims, intellectual property infringement claims, claims relating to employment matters (including, but not limited to, employment discrimination claims, union grievances and wage and hour claims), property loss claims, environmental claims, automobile liability claims, contractual claims and claims for personal injury or other damages resulting from contact with our facilities, programs, electronic monitoring products, personnel or prisoners, including damages arising from a prisoner's escape or from a disturbance or riot at a facility. We do not expect the outcome of any pending claims or legal proceedings to have a material adverse effect on our financial condition, results of operations or cash flows.

Item 4. *Mine Safety Disclosures*

Not applicable.

Table of Contents**PART II****Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities**

Our common stock trades on the New York Stock Exchange under the symbol GEO. The following table shows the high and low prices for our common stock, as reported by the New York Stock Exchange, for each of the four quarters of fiscal years 2014 and 2013. The prices shown have been rounded to the nearest \$1/100. The approximate number of shareholders of record as of February 23, 2015 is 637.

Quarter	2014		2013	
	High	Low	High	Low
First	\$ 34.14	\$ 30.85	\$ 36.63	\$ 31.54
Second	35.82	31.53	35.96	30.11
Third	38.41	34.20	39.35	32.84
Fourth	41.66	36.01	37.72	28.51

Equity Compensation Plan Information

The following table sets forth information about our common stock that may be issued upon the exercise of options, warrants and rights under all of our equity compensation plans as of December 31, 2014 including our 2006 Stock Incentive Plan and our 2014 Stock Incentive Plan. Our shareholders have approved all of these plans.

Plan Category	(a) Number of Securities to be Issued Upon Exercise of Outstanding Options, Warrants and Rights	(b) Weighted-Average Exercise Price of Outstanding Options, Warrants and Rights	(c) Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plans (Excluding Securities Reflected in Column (a))
	Equity compensation plans approved by security holders	663,918	\$ 23.89
Equity compensation plans not approved by security holders			
Total	663,918	\$ 23.89	3,747,271

Distributions

As a REIT, the Company is required to distribute annually at least 90% of its REIT taxable income (determined without regard to the dividends paid deduction and by excluding net capital gain). The amount, timing and frequency of future distributions will be at the sole discretion of the Company's Board of Directors and will be declared based upon various factors, many of which are beyond the Company's control, including, the Company's financial condition and operating cash flows, the amount required to maintain REIT status and reduce any income taxes that the Company otherwise would be required to pay, limitations on distributions in the Company's existing and future debt instruments, limitations on the Company's ability to fund distributions using cash generated through our TRS and other factors that the Company's Board of Directors may deem relevant.

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During the years ended December 31, 2014 and 2013 we declared and paid the following regular cash distributions to our shareholders which were treated as qualified and non-qualified ordinary income dividends for federal income tax purposes as stated below:

Declaration Date	Payment Date	Record Date	Ordinary Dividends				Capital Gains			Aggregate Payment Amount (in millions)	
			Distribution per share	Total	Qualified(1)	Non-Qualified	Unrecaptured Section 1250	Long Term	Non Dividend Distributions(2)		
January 17, 2013	March 1, 2013	February 15, 2013	0.50	0.50	0.1551057	0.3448943				35.7	
May 7, 2013	June 3, 2013	May 20, 2013	0.50	0.50	0.1551057	0.3448943				35.8	
July 30, 2013	August 29, 2013	August 19, 2013	0.50	0.50	0.1551057	0.3448943				36.1	
November 1, 2013	November 26, 2013	November 14, 2013	0.55	0.55	0.1706163	0.3793837				39.6	
Totals			\$ 2.05	\$ 2.05	\$ 0.6359334	\$ 1.4140666	\$	\$	\$	\$ 0.4486565	\$ 147.2
Percentage			100.0%	100.0%	31.0%	69.0%	0.0%	0.0%	0.0%	19.3%	
February 18, 2014	March 14, 2014	March 3, 2014	0.57	0.4602428	0.0448272	0.4154156				0.1097572	41.1
April 28, 2014	May 27, 2014	May 15, 2014	0.57	0.4602428	0.0448272	0.4154156				0.1097572	41.5
August 5, 2014	August 29, 2014	August 18, 2014	0.57	0.4602428	0.0448272	0.4154156				0.1097572	41.4
November 5, 2014	November 26, 2014	November 17, 2014	0.62	0.5006150	0.0487594	0.4518556				0.119385	46
Totals			\$ 2.33	\$ 1.8813434	\$ 0.1832410	\$ 1.6981024	\$	\$	\$	\$ 0.4486565	\$ 170
Percentage			100.0%	80.7%	7.9%	72.8%	0.0%	0.0%	0.0%	19.3%	

(1) The amount constitutes a Qualified Dividend, as defined by the Internal Revenue Service.

(2) The amount constitutes a Return of Capital, as defined by the Internal Revenue Service.

We intend to continue paying regular quarterly cash dividends consistent with our stated expectation to pay at least 75% of our adjusted funds from operations (AFFO) in dividends with a goal to increase our dividend payout ratio over time. The amount, timing and frequency of our future dividends will be at the sole discretion of the Board of Directors based upon the factors mentioned above.

In addition to these factors, the indentures governing our 6.625% Senior Notes, 5.125% Senior Notes, 5⁷/₈% Senior Notes, 5.875% Senior Notes and our Senior Credit Facility also place material restrictions on our ability to pay dividends. See the Liquidity and Capital Resources section in Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations and Note 14 Debt in Item 8 Financial Statements and Supplementary Data, for further description of these restrictions. We believe we have the ability to continue to fund our working capital, our debt service requirements, and our maintenance and growth capital expenditure requirements, while maintaining sufficient liquidity for other corporate purposes.

Table of Contents**Performance Graph**

The following performance graph compares the performance of our common stock to the Russell 2000, the S&P 500 Commercial Services and Supplies Index, and the MSCI U.S. REIT Index and is provided in accordance with Item 201(e) of Regulation S-K.

Comparison of Five-Year Cumulative Total Return***The GEO Group, Inc., Russell 2000,****S&P 500 Commercial Services and Supplies Index****and MSCI U.S. REIT Index****(Performance through December 31, 2014)**

Date	The GEO		S&P 500	MSCI U.S.
	Group, Inc.	Russell 2000	Commercial Services and Supplies	REIT Index
December 31, 2009	\$ 100.00	\$ 100.00	\$ 100.00	\$ 100.00
December 31, 2010	\$ 112.72	\$ 125.31	\$ 108.76	\$ 123.53
December 31, 2011	\$ 76.55	\$ 118.47	\$ 101.64	\$ 129.34
December 31, 2012	\$ 159.04	\$ 135.81	\$ 111.74	\$ 146.88
December 31, 2013	\$ 192.91	\$ 186.07	\$ 144.17	\$ 144.84
December 31, 2014	\$ 257.89	\$ 192.63	\$ 160.89	\$ 181.46

Assumes \$100 invested on December 31, 2009 in our common stock and the Index companies.

* Total return assumes reinvestment of dividends.

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The following table sets forth historical financial data as of and for each of the five years in the period ended December 31, 2014. The selected consolidated financial data should be read in conjunction with our Management Discussion and Analysis of Financial Condition and Results of Operations and our consolidated financial statements and the notes to the consolidated financial statements (in thousands, except per share and operational data).

Year Ended:	2014	2013	2012	2011	2010
Results of Continuing Operations:					
Revenues	\$ 1,691,620	\$ 1,522,074	\$ 1,479,062	\$ 1,407,172	\$ 1,084,592
Operating income from continuing operations	234,731	185,484	184,353	179,599	126,902
Income from continuing operations	\$ 143,840	\$ 117,462	\$ 144,558	\$ 69,644	\$ 54,371
Income from continuing operations per common share attributable to The GEO Group, Inc.:					
Basic:	\$ 1.99	\$ 1.65	\$ 2.39	\$ 1.12	\$ 0.99
Diluted:	\$ 1.98	\$ 1.64	\$ 2.37	\$ 1.11	\$ 0.98
Weighted Average Shares Outstanding:					
Basic	72,270	71,116	60,934	63,425	55,379
Diluted	72,547	71,605	61,265	63,740	55,989
Cash and Stock Dividends per Common Share:					
Quarterly Cash Dividends	\$ 2.33	\$ 2.05	0.4		
Special Dividend-Cash and Stock(3)		\$ 5.68			
Financial Condition:					
Current assets	\$ 377,406	\$ 384,345	\$ 337,183	\$ 459,329	\$ 422,084
Current liabilities	254,075	223,125	259,871	288,818	267,287
Total assets	3,002,208	2,889,364	2,839,194	3,049,923	2,412,373
Long-term debt, including current portion (excluding non-recourse debt and capital leases)	1,465,921	1,488,721	1,351,697	1,338,384	807,836
Total Shareholders' equity	\$ 1,045,993	\$ 1,023,976	\$ 1,047,304	\$ 1,038,521	\$ 1,039,490
Operational Data:					
Facilities in operation(2)	92	86	87	90	98
Operational capacity of contracts(2)	75,302	66,130	65,949	65,787	70,552
Compensated mandays(1)	22,390,904	20,867,016	20,530,885	19,884,802	17,203,880

- (1) Compensated mandays are calculated as follows: (a) for per diem rate facilities the number of beds occupied by residents on a daily basis during the fiscal year; and (b) for fixed rate facilities the capacity of the facility multiplied by the number of days the facility was in operation during the fiscal year.
- (2) Represents the number of beds primarily from correction and detention facilities and excludes idle facilities.
- (3) Special Dividend paid on December 31, 2012 Refer to Note 3 Shareholders' Equity included in the notes to our audited consolidated financial statements included in Part II, Item 8 of this annual report on Form 10-K.

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Item 7. *Management's Discussion and Analysis of Financial Condition and Results of Operations*
Introduction

The following discussion and analysis provides information which management believes is relevant to an assessment and understanding of our consolidated results of operations and financial condition. This discussion contains forward-looking statements that involve risks and uncertainties. Our actual results may differ materially from those anticipated in these forward-looking statements as a result of numerous factors including, but not limited to, those described above under Item 1A. Risk Factors, and Forward-Looking Statements Safe Harbor below. The discussion should be read in conjunction with the consolidated financial statements and notes thereto.

We are a real estate investment trust specializing in the ownership, leasing and management of correctional, detention and re-entry facilities and the provision of community-based services and youth services in the United States, Australia, South Africa, and the United Kingdom. We own, lease and operate a broad range of correctional and detention facilities including maximum, medium and minimum security prisons, immigration detention centers, minimum security detention centers, and community based re-entry facilities. We offer counseling, education and/or treatment to inmates with alcohol and drug abuse problems at most of the domestic facilities we manage. We are also a provider of innovative compliance technologies, industry-leading monitoring services, and evidence-based supervision and treatment programs for community-based parolees, probationers and pretrial defendants. Additionally, we have an exclusive contract with ICE to provide supervision and reporting services designed to improve the participation of non-detained aliens in the immigration court system. We develop new facilities based on contract awards, using our project development expertise and experience to design, construct and finance what we believe are state-of-the-art facilities that maximize security and efficiency. We also provide secure transportation services for offender and detainee populations as contracted domestically and in the United Kingdom through our joint venture GEOAmey.

As of December 31, 2014, our worldwide operations included the management and/or ownership of approximately 79,000 beds at 98 correctional, detention and re-entry facilities, including idle facilities and projects under development and also included the provision of monitoring of more than 70,000 offenders in a community-based environment on behalf of approximately 900 federal, state and local correctional agencies located in all 50 states.

For the years ended December 31, 2014, 2013 and 2012 we had consolidated revenues of \$1.7 billion, \$1.5 billion and \$1.5 billion, respectively, and we maintained an average company wide facility occupancy rate of 95.7% including 75,302 active beds and excluding 3,708 idle beds for the year ended December 31, 2014, and 94.8% including 66,130 active beds and excluding 6,016 idle beds for the year ended December 31, 2013.

REIT Conversion

We have been a leading owner, lessor and operator of correctional, detention and re-entry facilities and provider of community-based services and youth services in the industry since 1984 and began operating as a REIT for federal income tax purposes effective January 1, 2013. As a result of the REIT conversion, we reorganized our operations and moved non-real estate components into TRSs. Through the TRS structure, the portion of our businesses which are non-real estate related, such as our managed-only contracts, international operations, electronic monitoring services, and other non-residential and community based facilities, are part of wholly-owned taxable subsidiaries of the REIT. Most of our business segments, which are real estate related and involve company-owned and company-leased facilities, are part of the REIT. The TRS structure allows us to maintain the strategic alignment of almost all of our diversified business segments under one entity. The TRS assets and operations will continue to be subject to federal and state corporate income taxes and to foreign taxes as applicable in the jurisdictions in which those assets and operations are located.

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As a REIT, we are required to distribute annually at least 90% of our REIT taxable income (determined without regard to the dividends paid deduction and by excluding net capital gain) and we began paying regular distributions in 2013. We declared and paid the following regular REIT distributions to our shareholders which were treated for federal income taxes as follows:

Declaration Date	Payment Date	Record Date	Distribution Per Share	Ordinary Dividends			Aggregate Payment Amount (millions)
				Qualified(1)	Non-Qualified	Nondividend Distributions(2)	
August 7, 2012	September 7, 2012	August 21, 2012	\$ 0.20	N/A	N/A	N/A	\$ 12.3
October 31, 2012	November 30, 2012	November 16, 2012	\$ 0.20	N/A	N/A	N/A	\$ 12.3
January 17, 2013	March 1, 2013	February 15, 2013	\$ 0.50	\$ 0.1551057	\$ 0.3448943		\$ 35.7
May 7, 2013	June 3, 2013	May 20, 2013	\$ 0.50	\$ 0.1551057	\$ 0.3448943		\$ 35.8
July 30, 2013	August 29, 2013	August 19, 2013	\$ 0.50	\$ 0.1551057	\$ 0.3448943		\$ 36.1
November 1, 2013	November 26, 2013	November 14, 2013	\$ 0.55	\$ 0.1706163	\$ 0.3793837		\$ 39.6
February 18, 2014	March 14, 2014	March 3, 2014	\$ 0.57	\$ 0.0448272	\$ 0.4154156	\$ 0.1097572	\$ 41.1
April 28, 2014	May 27, 2014	May 15, 2014	\$ 0.57	\$ 0.0448272	\$ 0.4154156	\$ 0.1097572	\$ 41.5
August 5, 2014	August 29, 2014	August 18, 2014	\$ 0.57	\$ 0.0448272	\$ 0.4154156	\$ 0.1097572	\$ 41.4
November 5, 2014	November 26, 2014	November 17, 2014	\$ 0.62	\$ 0.0487594	\$ 0.4518556	\$ 0.1097572	\$ 46.0

(1) The amount constitutes a Qualified Dividend, as defined by the Internal Revenue Service.

(2) The amount constitutes a Return of Capital, as defined by the Internal Revenue Service.

Divestiture of RTS

Applicable REIT rules substantially restrict the ability of REITs to operate health care facilities. As a result, in order to achieve and preserve our REIT status, on December 31, 2012, we completed the divestiture of all of our Residential Treatment Services. The operating results of RTS have been retroactively reclassified to discontinued operations for all periods presented in the Form 10-K. Refer to Note 2 Discontinued Operations included in the notes to our audited consolidated financial statements included in Part II, Item 8 of this annual report on Form 10-K.

Change in Fiscal Year

In connection with our conversion to a REIT, on December 31, 2012, we changed our fiscal year to a calendar year and changed our fiscal quarters to coincide with each calendar quarter. The year 2012 means the 52 week period from January 2, 2012 through December 31, 2012.

Critical Accounting Policies

We believe that the accounting policies described below are critical to understanding our business, results of operations and financial condition because they involve the more significant judgments and estimates used in the preparation of our consolidated financial statements. We have discussed the development, selection and application of our critical accounting policies with the audit committee of our Board of Directors, and our audit committee has reviewed our disclosure relating to our critical accounting policies in this Management's Discussion and Analysis of Financial Condition and Results of Operations.

Our 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 revenues and expenses during the reporting period. We routinely evaluate our estimates based on historical experience and on various other assumptions that our management believes are reasonable under the circumstances. Actual results may differ from these estimates under different assumptions or conditions. If actual results significantly differ from our estimates, our financial condition and results of operations could be materially impacted.

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Other significant accounting policies, primarily those with lower levels of uncertainty than those discussed below, are also critical to understanding our consolidated financial statements. The notes to our consolidated financial statements contain additional information related to our accounting policies and should be read in conjunction with this discussion.

Revenue Recognition

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, as applicable. A limited number of our contracts have provisions upon which a small portion of the revenue for the contract is based on the performance of certain targets. Revenue based on the performance of certain targets is less than 1% of our consolidated annual revenues. These performance targets are based on specific criteria to be met over specific periods of time. Such criteria includes our ability to achieve certain contractual benchmarks relative to the quality of service we provide, non-occurrence of certain disruptive events, effectiveness of our quality control programs and our responsiveness to customer requirements and concerns. For the limited number of contracts where revenue is based on the performance of certain targets, revenue is either (i) recorded pro rata when revenue is fixed and determinable or (ii) recorded when the specified time period lapses. In many instances, we are a party to more than one contract with a single entity. In these instances, each contract is accounted for separately. We have not recorded any revenue that is at risk due to future performance contingencies.

Construction revenues are recognized from our contracts with certain customers to perform construction and design services (project development services) for various facilities. In these instances, we act as the primary developer and subcontract with bonded National and/or Regional Design Build Contractors. These construction revenues are recognized as earned on a percentage of completion basis measured by the percentage of costs incurred to date as compared to the estimated total cost for each contract. Provisions for estimated losses on uncompleted contracts and changes to cost estimates are made in the period in which we determine that such losses and changes are probable. Typically, we enter into fixed price contracts and do not perform additional work unless approved change orders are in place. Costs attributable to unapproved change orders are expensed in the period in which the costs are incurred if we believe that it is not probable that the costs will be recovered through a change in the contract price. If we believe that it is probable that the costs will be recovered through a change in the contract price, costs related to unapproved change orders are expensed in the period in which they are incurred, and contract revenue is recognized to the extent of the costs incurred. Revenue in excess of the costs attributable to unapproved change orders is not recognized until the change order is approved. 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. For the years ended December 31, 2014, 2013 and 2012, there have been no changes in job performance, job conditions and estimated profitability that would require a revision to the estimated costs and income related to project development services. As the primary contractor, we are exposed to the various risks associated with construction, including the risk of cost overruns. Accordingly, we record our construction revenue on a gross basis and include the related cost of construction activities in Operating Expenses.

When evaluating multiple element arrangements for certain contracts where we provide project development services to our clients in addition to standard management services, we follow revenue recognition guidance for multiple element arrangements under ASC 605-25 *Multiple Element Arrangements* . This revenue recognition guidance related to multiple deliverables in an arrangement provides guidance on determining if separate contracts should be evaluated as a single arrangement and if an arrangement involves a single unit of accounting or separate units of accounting and if the arrangement is determined to have separate units, how to allocate amounts received in the arrangement for revenue recognition purposes. In instances where we provide these project development services and subsequent management services, generally, the arrangement results in no delivered elements at the onset of the agreement. The elements are delivered, and revenue is recognized, over

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the contract period as the project development and management services are performed. Project development services are generally not provided separately to a customer without a management contract. We have determined that the significant deliverables in such an arrangement during the project development phase and services performed under the management contract qualify as separate units of accounting. With respect to the deliverables during the management services period, we regularly negotiate such contracts and provide management services to our customers outside of any arrangement for construction. We establish per diem rates for all of our management contracts based on, amongst other factors, expected and guaranteed occupancy, costs of providing the services and desired margins. As such, the fair value of the consideration to each deliverable was determined using our estimated selling price for the project development deliverable and vendor specific objective evidence for the facility management services deliverable.

Reserves for Insurance Losses

The nature of our business exposes us to various types of third-party legal claims, including, but not limited to, civil rights claims relating to conditions of confinement and/or mistreatment, sexual misconduct claims brought by prisoners or detainees, product liability claims, intellectual property infringement claims, claims relating to employment matters (including, but not limited to, employment discrimination claims, union grievances and wage and hour claims), property loss claims, environmental claims, automobile liability claims, contractual claims and claims for personal injury or other damages resulting from contact with our facilities, programs, electronic monitoring products, personnel or prisoners, including damages arising from a prisoner's escape or from a disturbance or riot at a facility. In addition, our management contracts generally require us to indemnify the governmental agency against any damages to which the governmental agency may be subject in connection with such claims or litigation. We maintain a broad program of insurance coverage for these general types of claims, except for claims relating to employment matters, for which we carry no insurance. There can be no assurance that our insurance coverage will be adequate to cover all claims to which we may be exposed. It is our general practice to bring merged or acquired companies into our corporate master policies in order to take advantage of certain economies of scale.

We currently maintain a general liability policy and excess liability policies with total limits of \$67.0 million per occurrence and in the aggregate covering the operations of U.S. Corrections & Detention, GEO Care's community based services, GEO Care's youth services and BI. We have a claims-made liability insurance program with a specific loss limit of \$35.0 million per occurrence and in the aggregate related to medical professional liability claims arising out of correctional healthcare services. We are uninsured for any claims in excess of these limits. We also maintain insurance to cover property and other casualty risks including, workers' compensation, environmental liability and automobile liability.

For most casualty insurance policies, we carry substantial deductibles or self-insured retentions of \$3.0 million per occurrence for general liability and medical professional liability, \$2.0 million per occurrence for workers' compensation and \$1.0 million per occurrence for automobile liability. In addition, certain of our facilities located in Florida and other high-risk hurricane areas carry substantial windstorm deductibles. Since hurricanes are considered unpredictable future events, no reserves have been established to pre-fund for potential windstorm damage. Limited commercial availability of certain types of insurance relating to windstorm exposure in coastal areas and earthquake exposure mainly in California and the Pacific Northwest may prevent the Company from insuring some of its facilities to full replacement value.

With respect to operations in South Africa, the United Kingdom and Australia, we utilize a combination of locally-procured insurance and global policies to meet contractual insurance requirements and protect us. In addition to these policies, our Australian subsidiary carries tail insurance on a general liability policy related to a discontinued contract.

Of the reserves discussed above, our most significant insurance reserves relate to workers' compensation, general liability and auto claims. These reserves are undiscounted and were \$49.5 million and \$47.6 million as of

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December 31, 2014 and 2013, respectively and are included in accrued expenses in the accompanying balance sheets. We use statistical and actuarial methods to estimate amounts for claims that have been reported but not paid and claims incurred but not reported. In applying these methods and assessing their results, we consider such factors as historical frequency and severity of claims at each of our facilities, claim development, payment patterns and changes in the nature of our business, among other factors. Such factors are analyzed for each of our business segments. Our estimates may be impacted by such factors as increases in the market price for medical services and unpredictability of the size of jury awards. We also may experience variability between our estimates and the actual settlement due to limitations inherent in the estimation process, including our ability to estimate costs of processing and settling claims in a timely manner as well as our ability to accurately estimate our exposure at the onset of a claim. Because we have high deductible insurance policies, the amount of our insurance expense is dependent on our ability to control our claims experience. If actual losses related to insurance claims significantly differ from our estimates, our financial condition, results of operations and cash flows could be materially adversely impacted.

Income Taxes

The consolidated financial statements reflect provisions for federal, state, local and foreign income taxes. We recognize deferred tax assets and liabilities for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax basis, as well as operating loss and tax credit carryforwards. We measure deferred tax assets and liabilities using enacted tax rates expected to apply to taxable income in the years in which those temporary differences and carryforwards are expected to be recovered or settled. The effect on deferred tax assets and liabilities as a result of a change in tax rates is recognized as income in the period that includes the enactment date. At December 31, 2012, we reversed certain deferred tax assets and liabilities related to our REIT activities. Refer to Note 17- Income Taxes in the notes to the consolidated financial statements included in Part II, Item 8 of this annual report on Form 10-K. Effective January 1, 2013, as a REIT that plans to distribute 100% of its taxable income to shareholders, we do not expect to pay federal income taxes at the REIT level (including our qualified REIT subsidiaries), as the resulting dividends paid deduction will generally offset our taxable income. Since we do not expect to pay taxes on our REIT taxable income, we do not expect to be able to recognize such deferred tax assets and liabilities.

Deferred income taxes are determined based on the estimated future tax effects of differences between the financial statement and tax basis of assets and liabilities given the provisions of enacted tax laws. Significant judgments are required to determine the consolidated provision for income taxes. Deferred income tax provisions and benefits are based on changes to the assets or liabilities from year to year. Realization of our deferred tax assets is dependent upon many factors such as tax regulations applicable to the jurisdictions in which we operate, estimates of future taxable income and the character of such taxable income.

Additionally, we must use significant judgment in addressing uncertainties in the application of complex tax laws and regulations. If actual circumstances differ from our assumptions, adjustments to the carrying value of deferred tax assets or liabilities may be required, which may result in an adverse impact on the results of our operations and our effective tax rate. Valuation allowances are recorded related to deferred tax assets based on the more likely than not criteria. We have not made any significant changes to the way we account for our deferred tax assets and liabilities in any year presented in the consolidated financial statements, with the exception of the reversal of certain deferred tax assets and liabilities related to our REIT activities. Based on our estimate of future earnings and our favorable earnings history, we currently expect full realization of the deferred tax assets net of any recorded valuation allowances. Furthermore, tax positions taken by us may not be fully sustained upon examination by the taxing authorities. In determining the adequacy of our provision (benefit) for income taxes, potential settlement outcomes resulting from income tax examinations are regularly assessed. As such, the final outcome of tax examinations, including the total amount payable or the timing of any such payments upon resolution of these issues, cannot be estimated with certainty.

Table of Contents***Property and Equipment***

Property and equipment are stated at cost, less accumulated depreciation. Depreciation is computed using the straight-line method over the estimated useful lives of the related assets. Buildings and improvements are depreciated over 2 to 50 years. Equipment and furniture and fixtures are depreciated over 3 to 10 years. Accelerated methods of depreciation are generally used for income tax purposes. Leasehold improvements are amortized on a straight-line basis over the shorter of the useful life of the improvement or the term of the lease. We perform ongoing evaluations of the estimated useful lives of the 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. If the assessment indicates that assets will be used for a longer or shorter period than previously anticipated, the useful lives of the assets are revised, resulting in a change in estimate. We have not made any changes in estimates during the years ended December 31, 2014, 2013 and 2012. Maintenance and repairs are expensed as incurred. Interest is capitalized in connection with the construction of company-owned correctional and detention facilities. Cost for self-constructed correctional and detention facilities includes direct materials and labor, capitalized interest and certain other indirect costs associated with construction of the facility, such as property taxes, other indirect labor and related benefits and payroll taxes. The Company begins the capitalization of costs during the pre-construction phase, which is the period during which costs are incurred to evaluate the site, and continues until the facility is substantially complete and ready for occupancy. Labor costs capitalized for the years ended December 31, 2014, 2013 and 2012 were not significant. Capitalized interest is recorded as part of the asset to which it relates and is amortized over the asset's estimated useful life.

Asset Impairments

The Company had property and equipment of \$1.8 billion and 1.7 billion as of December 31, 2014 and 2013, respectively, including approximately 3,700 vacant beds at four idle facilities with a carrying value of \$114.9 million which are being marketed to potential customers as of December 31, 2014, excluding equipment and other assets that can be easily transferred for use at other facilities.

We review long-lived assets to be held and used for impairment whenever events or changes in circumstances indicate that the carrying amount of such assets may not be fully recoverable. 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 that might impair recovery of long-lived assets such as the termination of a management contract or a significant decrease in inmate population. If impairment indicators are present, we perform a recoverability test to determine whether or not an impairment loss should be measured.

We test idle facilities for impairment upon notification that the facilities will no longer be utilized by the customer. If a long-lived asset is part of a group that includes other assets, the unit of accounting for the long-lived asset is its group. Generally, we group assets by facility for the purpose of considering whether any impairment exists. The estimates of recoverability are based on projected undiscounted cash flows associated with actual marketing efforts where available or, in other instances, projected undiscounted cash flows that are comparable to historical cash flows from management contracts at similar facilities and sensitivity analyses that consider reductions to such cash flows. Our sensitivity analyses include adjustments to projected cash flows compared to the historical cash flows due to current business conditions which impact per diem rates as well as labor and other operating costs, changes related to facility mission due to changes in prospective clients, and changes in projected capacity and occupancy rates. We also factor in prolonged periods of vacancies as well as the time and costs required to ramp up facility population once a contract is obtained. We perform the impairment analyses on an annual basis for each of the idle facilities and update each quarter for market developments for the potential utilization of each of the facilities in order to identify events that may cause us to reconsider the most recent assumptions. Such events could include negotiations with a prospective customer for the utilization of an idle facility at terms significantly less favorable than used in our most recent impairment analysis, or changes in legislation surrounding a particular facility that could impact our ability to house certain

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types of inmates at such facility. Further, a substantial increase in the number of available beds at other facilities that we own, or in the marketplace, could lead to deterioration in market conditions and projected cash flows. Although they are not frequently received, an unsolicited offer to purchase any of our idle facilities, at amounts that are less than their carrying value could also cause us to reconsider the assumptions used in the most recent impairment analysis. We have identified marketing prospects to utilize each of the remaining currently idled facilities and do not see any catalysts that would result in a current impairment. However, we can provide no assurance that we will be able to secure management contracts to utilize our idle facilities, or that we will not incur impairment charges in the future. In all cases, the projected undiscounted cash flows in our analysis as of December 31, 2014 substantially exceeded the carrying amounts of each facility.

Our evaluations also take into consideration historical experience in securing new management contracts to utilize facilities that had been previously idled for periods comparable to or in excess of the periods our currently idle facilities have been idle. Such previously idle facilities are currently being operated under contracts that generate cash flows resulting in the recoverability of the net book value of the previously idled facilities by substantial amounts. Due to a variety of factors, the lead time to negotiate contracts with federal and state agencies to utilize idle bed capacity is generally lengthy which has historically resulted in periods of idleness similar to the ones we are currently experiencing. As a result of our analyses, we determined each of these assets to have recoverable values substantially in excess of the corresponding carrying values.

By their nature, these estimates contain uncertainties with respect to the extent and timing of the respective cash flows due to potential delays or material changes to forecasted terms and conditions in contracts with prospective customers that could impact the estimate of projected cash flows. Notwithstanding the effects the current economy has had on our customers' demand for prison beds in the short term which has led to our decision to idle certain facilities, we believe the long-term trends favor an increase in the utilization of our idle correctional facilities. This belief is also based on our experience in working with governmental agencies faced with significant budgetary challenges which is a primary contributing factor to the lack of appropriated funding to build new bed capacity by federal and state agencies.

Discontinued Operations

We report the results of operations of a component of an entity that either has been disposed of or is classified as held for sale or where the management contracts with that component have terminated either by expiration or otherwise in discontinued operations. We present such events as discontinued operations so long as the financial results can be clearly identified, the future operations and cash flows are completely eliminated from ongoing operations, and so long as we do not have any significant continuing involvement in the operations of the component after the disposal or termination transaction.

When a component of an entity has been disposed of or classified as held for sale or a management contract is terminated, we look at our overall relationship with the customer. If the operations or cash flows of the component have been (or will be) eliminated from the ongoing operations of the entity as a result of the transaction and the entity will not have significant continuing involvement in the operations of the component after the transaction, the results of operations of the component of an entity are reported in discontinued operations. If we will continue to maintain a relationship generating significant cash flows and having continuing involvement with the customer, the disposal, the asset held for sale classification or the loss of the management contract(s) is not treated as discontinued operations. If the disposal, the asset held for sale classification or the loss of the management contract(s) results in a loss in the overall customer relationship as no future significant cash flows will be generated and we will have no continuing involvement with the customer, the results are classified in discontinued operations.

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Recent Accounting Pronouncements

The following accounting standards have an implementation date subsequent to the year ended December 31, 2014 and as such, have not yet been adopted by us:

In January 2015, the FASB issued ASU No. 2015-01 *Simplifying Income Statement Presentation by Eliminating the Concept of Extraordinary Items*, which eliminates the concept of extraordinary items altogether from U.S. GAAP. By removing the concept of extraordinary items from U.S. GAAP, this ASU removes the uncertainty and disparity in practice involved in identifying, presenting, and disclosing extraordinary items, as well as more closely aligns U.S. GAAP with IFRS. As with all of the FASB's simplification initiatives, the new guidance is also expected to reduce the costs and complexity of financial statement preparation. The amendments resulting from ASU 2015-01 are effective for all entities for fiscal years, and for interim periods within those fiscal years, beginning after December 15, 2015, with earlier adoption permitted provided that the guidance is applied from the beginning of the fiscal year of adoption. The implementation of this standard is not expected to have a material impact on the Company's financial position, results of operations or cash flows.

In June 2014, the FASB issued ASU No. 2014-12, *Accounting for Share-Based Payments When the Terms of an Award Provide That a Performance Target Could Be Achieved after the Requisite Service Period*, which resolves the diverse accounting treatment of share-based payments on an award where the terms provide that the performance target could be achieved after an employee completes the requisite service period. The amendments require that a performance target that affects vesting and that could be achieved after the requisite service period be treated as a performance condition. The amendments in this update apply to all reporting entities that grant their employees share-based payments in which the terms of the award provide that a performance target that affects vesting could be achieved after the requisite service period. This standard will become effective for annual periods and interim periods within those annual periods beginning on or after December 15, 2015. The implementation of this standard is not expected to have a material impact on the Company's financial position, results of operations or cash flows.

In May 2014, the FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers*, which initiates a joint project between FASB and the International Accounting Standards Board (IASB) to clarify the principles for recognizing revenue and develop a common revenue standard for U.S. GAAP and International Financial Reporting Standards (IFRS). The core principle of the guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for goods or services. The guidance in this update affects any entity that either enters into contracts with customers to transfer goods or services or enters into contracts for the transfer of nonfinancial assets unless those contracts are within the scope of other standards. This standard will become effective for annual periods, beginning after December 15, 2016, including those interim periods within that reporting period. Early adoption is not permitted. An entity may apply the amendment in this update retrospectively to each reporting period presented, or retrospectively with the cumulative effect of initially applying this update recognized at the date of initial application. The Company is in the process of evaluating whether this standard would have a material impact on the Company's financial position, results of operations or cash flows.

In April 2014, the FASB issued ASU No. 2014-08, *Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity*, which changes the requirements for reporting discontinued operations. A discontinued operation may include a component of an entity or group of components of an entity, or a business or nonprofit activity. Under the ASU, only those disposals of components of an entity that represent a strategic shift that has (or will have) a major effect on an entity's operations and financial results will be reported as discontinued operations in the financial statements. This standard will become effective for disposals or activities classified as held for sale that occur within annual periods beginning on or after December 15, 2014. The implementation of this standard is not expected to have a material impact on the Company's financial position, results of operations or cash flows.

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In January 2014, the FASB issued ASU No. 2014-05, *Service Concession Arrangements*, which specifies that an operating entity should not account for a service concession arrangement that falls within the scope of this update as a lease in accordance with Topic 840. An operating entity should refer to other Topics as applicable to account for various aspects of a service concession arrangement. The amendments also specify that the infrastructure used in a service concession arrangement should not be recognized as property, plant and equipment of the operating entity. A service concession arrangement is defined as an arrangement between a public-sector entity and an operating entity for which the terms provide that the operating entity will operate the public-sector entity's infrastructure (for example, airports, roads, bridges, tunnels, prisons and hospitals) for a specified period of time. This standard will become effective for annual periods, and interim periods within those annual periods, beginning after December 31, 2014. The implementation of this standard is not expected to have a material impact on the Company's financial position, results of operations or cash flows.

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.

Results of Operations

The following discussion should be read in conjunction with our consolidated financial statements and the notes to the consolidated financial statements accompanying this report. This discussion contains forward-looking statements that involve risks and uncertainties. Our actual results may differ materially from those anticipated in the forward-looking statements as a result of certain factors, including, but not limited to, those described under Item 1A. Risk Factors and those included in other portions of this report.

The discussion of our results of operations below excludes the results of discontinued operations reported in 2014, 2013 and 2012. Refer to Note 2 Discontinued Operations included in the notes to our audited consolidated financial statements included in Part II, Item 8 of this annual report on Form 10-K for further information.

In connection with our conversion to a REIT, on December 31, 2012 we changed our fiscal year to a calendar year and changed our fiscal quarters to coincide with each calendar quarter. For the purposes of the discussion below, 2012 means the period from January 2, 2012 to December 31, 2012.

Effective January 1, 2015, GEO regained ownership of the GEO Care service mark and domain name and has renamed the Community Services segment to GEO Care for all periods presented. Refer to Note 2 Discontinued Operations included in Part II, Item 8 of this annual report on Form 10-K for further information.

2014 versus 2013

Revenues

	2014	% of Revenue	2013	% of Revenue	\$ Change	% Change
	(Dollars in thousands)					
U.S. Corrections & Detention	\$ 1,108,397	65.5%	\$ 1,011,818	66.5%	\$ 96,579	9.5%
GEO Care	329,253	19.5%	302,094	19.8%	27,159	9.0%
International Services	197,992	11.7%	\$ 208,162	13.7%	\$ (10,170)	(4.9)%
Facility Construction & Design	55,978	3.3%	\$	%	\$	100.0%
Total	\$ 1,691,620	100.0%	\$ 1,522,074	100.0%	\$ 169,546	11.1%

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U.S. Corrections & Detention

Revenues increased in 2014 compared to 2013 primarily due to aggregate increases of \$82.3 million resulting from: (i) the activation and intake of inmates at the Central Valley, Desert View and McFarland correctional facilities, as well as our 100-bed expansion of the Company-owned Golden State correctional facility, in the fourth quarter of 2013; (ii) our assumption of the management of the Moore Haven, Bay and Graceville correctional facilities in the first quarter of 2014; and (iii) our 400-bed expansion of the Rio Grande correctional facility in the first quarter of 2014 and 640-bed expansion of the Adelanto correctional facility in the second quarter of 2014. We also experienced aggregate increases in revenues of \$30.9 million at certain of our facilities primarily due to net increases in population, transportation services and/or rates, including the increased revenues due to our purchase of the previously managed-only 1,287-bed Joe Corley Detention Center in June 2013. These increases were partially offset by an aggregate decrease of \$16.7 million primarily due to contract terminations.

The number of compensated mandays in U.S. Corrections & Detention facilities was 18.7 million in 2014 as compared to 17.1 million in 2013. We experienced an aggregate net increase of approximately 1.6 million mandays as a result of our new contracts discussed above and also as a result of population increases at certain facilities. These increases were partially offset by decreases resulting from contract terminations. We look at the average occupancy in our facilities to determine how we are managing our available beds. The average occupancy is calculated by taking compensated mandays as a percentage of capacity. The average occupancy in our U.S. Detention & Corrections facilities was 96.3% and 95.4% of capacity in 2014 and 2013, respectively, excluding idle facilities.

GEO Care

The increase in revenues for GEO Care in 2014 compared to 2013 is primarily attributable to net increases of \$26.8 million due to increased counts in our electronic monitoring contracts and ISAP program at BI and BI's acquisition of Protocol in the first quarter of 2014. Protocol accounted for \$10.1 million of the \$26.8 million increase. In addition, we experienced a net increase of \$7.0 million primarily due to new programs and program growth at our community based and re-entry centers. These increases were partially offset by decreases in revenues of \$6.6 million related to contract terminations and census declines at certain facilities.

International Services

The decrease in revenues for International Services in 2014 compared to 2013 is primarily due to the result of foreign exchange rate fluctuations of \$(12.0) million. Revenues also decreased by \$7.3 million in our United Kingdom subsidiary due to the discontinuation of our Harmondworth management contract. These decreases were partially offset by an aggregate net increase of \$9.1 million primarily attributable to our Australian subsidiary related to population increases, contractual increases linked to the inflationary index and the provision of additional services under certain contracts.

Facility Construction & Design

The increase in revenues for our Facility Construction & Design services is due to the commencement of design and construction activity for our new Ravenhall Prison Contract executed in September 2014 with the Department of Justice in the State of Victoria, Australia. Refer to Note 7 Contract Receivable of the notes to our audited consolidated financial statements included in Part II, Item 8 of this annual report on Form 10-K.

Table of Contents**Operating Expenses**

	2014	% of Segment Revenues	2013 (Dollars in thousands)	% of Segment Revenues	\$ Change	% Change
U.S. Corrections & Detention	\$ 781,680	70.5%	\$ 731,788	72.3%	\$ 49,892	6.8%
GEO Care	219,335	66.6%	200,826	66.5%	18,509	9.2%
International Services	189,147	95.5%	192,251	92.4%	(3,104)	(1.6)%
Facility Design & Construction	55,538	99.2%		%	55,538	100.0%
Total	\$ 1,245,700	73.6%	\$ 1,124,865	73.9%	\$ 120,835	10.7%

Operating expenses consist of those expenses incurred in the operation and management of our correctional, detention and GEO Care facilities and expenses incurred in our Facility Construction & Design segment, except that there were no significant expenses incurred in such segment for 2013.

U.S. Corrections & Detention

Operating expenses increased in 2014 compared to 2013 primarily due to aggregate increases of \$61.3 million resulting from: (i) the activation and intake of inmates at the Central Valley, Desert View and McFarland correctional facilities, as well as our 100-bed expansion of the Company-owned Golden State correctional facility, in the fourth quarter of 2013; (ii) our assumption of the management of the Moore Haven, Bay and Graceville correctional facilities in the first quarter of 2014; and (iii) our 400-bed expansion of the Rio Grande correctional facility in the first quarter of 2014 and 640-bed expansion of the Adelanto correctional facility in the second quarter of 2014. We also experienced aggregate increases in expenses of \$12.0 million at certain of our facilities primarily due to net increases in population, transportation services and/or rates. These increases were partially offset by an aggregate decrease of \$17.3 million primarily due to contract terminations. Additionally, in 2013, in connection with our annual actuarial analysis we recorded an additional \$6.1 million to our insurance reserves which is why we experienced a decrease in our operating expenses as a percentage of revenues in 2014. In 2014, additional charges to our insurance reserves were not as significant based on the same annual actuarial analysis.

GEO Care

Operating expenses for GEO Care increased by approximately \$18.5 million during 2014 from 2013 primarily due to increases of approximately \$25.4 million due to the following: (i) variable costs associated with increases in counts in our electronic monitoring contracts and ISAP program at BI; (ii) new programs and program growth at our community based and re-entry centers; and (iii) BI's acquisition of Protocol in the first quarter of 2014. These increases were partially offset by decreases that resulted from contract terminations and census declines of approximately \$6.8 million.

International Services

Operating expenses for our International Services segment during 2014 decreased \$3.1 million over 2013 which was primarily attributable to the impact of foreign currency exchange rate fluctuations of \$(10.9) million. In addition, there was a net decrease of \$6.2 million related to the discontinuation of our Harmondsworth contract at our subsidiary in the United Kingdom in September 2014. These decreases were partially offset by an increase of \$2.2 million related to bid costs incurred at our subsidiary in the United Kingdom. Both the termination of our Harmondsworth contract and the bid costs incurred in the United Kingdom resulted in an increase in operating expenses as a percentage of revenues. These decreases were also partially offset by a net increase of \$11.8 million primarily attributable to our Australian subsidiary due to population increases, contractual increases in labor and additional services provided under new contracts at those facilities.

Table of Contents**Facility Construction & Design**

The increase in operating expenses for our Facility Construction & Design services is due to the commencement of design and construction activity for our new Ravenhall Prison Contract executed in September 2014 with the Department of Justice in the State of Victoria, Australia. Refer to Note 7 – Contract Receivable of the notes to our audited consolidated financial statements included in Part II, Item 8 of this annual report on Form 10-K.

Depreciation and Amortization

	2014	% of Segment Revenue	2013	% of Segment Revenue	\$ Change	% Change
	(Dollars in thousands)					
U.S. Corrections & Detention	\$ 63,690	5.7%	\$ 62,112	6.1%	\$ 1,578	2.5%
GEO Care	29,766	9.0%	29,989	9.9%	(223)	(0.7)%
International Services	2,715	1.4%	2,563	1.2%	152	5.9%
Total	\$ 96,171	5.7%	\$ 94,664	6.2%	\$ 1,507	1.6%

U.S. Corrections & Detention

U.S. Corrections & Detention depreciation and amortization expense increased by \$1.6 million in 2014 compared to 2013 primarily due to renovations made at several of our facilities and also our purchase of the 1,287-bed Joe Corley Detention Center in June 2013.

GEO Care

GEO Care depreciation and amortization decreased slightly in 2014 compared to 2013. The decrease is primarily due to certain assets becoming fully depreciated in 2014.

International Services

Depreciation and amortization expense increased slightly in 2014 compared to 2013 primarily due to increases in capital expenditures at our Australian subsidiary. This increase was partially offset by exchange rate fluctuations.

Other Unallocated Operating Expenses

	2014	% of Revenue	2013	% of Revenue	\$ Change	% Change
	(Dollars in thousands)					
General and Administrative Expenses	\$ 115,018	6.8%	\$ 117,061	7.7%	\$ (2,043)	(1.7)%

General and administrative expenses comprise substantially all of our other unallocated operating expenses primarily including corporate management salaries and benefits, professional fees and other administrative expenses. The decrease in general and administrative expenses in 2014 compared to 2013 was primarily attributable to nonrecurring professional fees incurred in 2013 associated with our conversion to a REIT. The decrease in general and administrative expenses as a percentage of revenue is primary due to new contracts added or expanded in 2014 which did not have a corresponding direct increase in overhead costs.

Table of Contents**Non Operating Income and Expense****Interest Income and Interest Expense**

	2014	% of Revenue	2013	% of Revenue	\$ Change	% Change
	(Dollars in thousands)					
Interest Income	\$ 4,747	0.3%	\$ 3,324	0.2%	\$ 1,423	42.8%
Interest Expense	\$ 87,368	5.2%	\$ 83,004	5.5%	\$ 4,364	5.3%

The majority of our interest income generated in 2014 and 2013 is from the cash balances at our foreign subsidiaries. Interest income increased in 2014 primarily due to interest earned on our long-term contract receivable in connection with the Ravenhall prison project. Refer to Note 7 Contract Receivable of the notes to our audited consolidated financial statements included in Part II, Item 8 of this annual report on Form 10-K for further information.

Interest expense increased in 2014 compared to 2013 primarily due to \$5.6 million of additional bond interest as a result of our \$250 million offering of our 5.875% Senior Notes in September 2014. Interest expense also increased by \$1.4 million in connection with our non-recourse debt related to our Ravenhall prison project. These increases were partially offset by a decrease in term loan interest under our Senior Credit Facility as a portion of the proceeds from our \$300 million offering of our 5.125% Senior Notes in 2013 was used to pay outstanding term loans under the facility. Refer to Note 14 Debt of the notes to our audited consolidated financial statements included in Part II, Item 8 of this annual report on Form 10-K.

Loss on Extinguishment of Debt

	2014	% of Revenue	2013	% of Revenue	\$ Change	% Change
	(Dollars in thousands)					
Loss on Extinguishment of Debt	\$	%	\$ 20,657	1.4%	\$ (20,657)	(100.0)%

The loss on extinguishment of debt in 2013 is the result of the following: (i) in the second quarter 2013, we refinanced our Prior Senior Credit Facility and entered into a new Credit Agreement, as a result of which we wrote off \$4.4 million of unamortized deferred financing costs and unamortized debt discount pertaining to the Prior Senior Credit Facility and expensed \$1.1 million in fees related to the new Credit Agreement; (ii) our defeasance of the non-recourse bonds related to South Texas Local Development Corporation (STLDC) on September 30, 2013, as a result of which we incurred a \$1.5 million loss on extinguishment of debt which represented the excess of the reacquisition price over the carrying value of the bonds and other defeasance related fees and expenses; and (iii) in the fourth quarter 2013, we completed a tender offer and redemption of our 7³/₄% Senior Notes which resulted in a loss of \$17.7 million related to the tender premium and deferred costs associated with the 7³/₄% Senior Notes. This loss was partially offset by proceeds of \$4.0 million received for the settlement of the interest rate swaps related to the 7³/₄% Senior Notes. Refer to Note 14 Debt of the notes to our audited consolidated financial statements included in Part II, Item 8 of this annual report on Form 10-K.

Provision (Benefit) for Income Taxes

	2014	Effective Rate	2013	Effective Rate
	(Dollars in thousands)			
Provision (Benefit) for Income Taxes	\$ 14,093	9.3%	\$ (26,050)	(30.6)%

The provision for income taxes during 2014 increased by \$40.1 million compared to 2013 and the effective tax rate increased from (30.6)% to 9.3%. The increase is primarily attributable to certain one-time discrete items in 2013 which did not recur in 2014. As a REIT, we are required to distribute at least 90% of our taxable income to shareholders and in turn are allowed a deduction for the distribution at the REIT level. The Company's

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wholly-owned taxable REIT subsidiaries continue to be fully subject to federal, state and foreign income taxes, as applicable. We estimate our annual effective tax rate to be approximately 10% exclusive of any non-recurring items. As a result of incremental business profitability in our taxable REIT subsidiaries, or TRS, our composition of taxable income changed resulting in an increase in our estimated effective tax rate for the year.

Equity in Earnings of Affiliates

	2014	% of Revenue	2013	% of Revenue	\$ Change	% Change
	(Dollars in thousands)					
Equity in Earnings of Affiliates	\$ 5,823	0.3%	\$ 6,265	0.4%	\$ (442)	(7.1)%

Equity in earnings of affiliates, presented net of income taxes, represents the earnings of SACS and GEOAmeY, respectively. Overall, we experienced a slight decrease in equity in earnings of affiliates during 2014 compared to 2013, which is primarily due to less favorable performance from the operations of GEOAmeY during 2014 compared to 2013 along with foreign currency exchange rate fluctuations.

*2013 versus 2012***Revenues**

	2013	% of Revenue	2012	% of Revenue	\$ Change	% Change
	(Dollars in thousands)					
U.S. Corrections & Detention	\$ 1,011,818	66.5%	\$ 974,780	65.9%	\$ 37,038	3.8%
GEO Care	302,094	19.8%	291,891	19.7%	10,203	3.5%
International Services	208,162	13.7%	212,391	14.4%	(4,229)	(2.0)%
Total	\$ 1,522,074	100.0%	\$ 1,479,062	100.0%	\$ 43,012	2.9%

U.S. Corrections & Detention

Revenues increased in 2013 as compared to 2012 primarily due to aggregate increases of \$24.3 million due to the activation and intake of inmates at Adelanto East in August 2012, Central Valley and Desert View in fourth quarter 2013 and the commencement of services under our contract, signed in October 2012, with the United States Marshals Service for the housing of up to 320 federal detainees at our Aurora Detention Facility. We also experienced aggregate increases in revenues of \$28.9 million at certain of our facilities primarily due to net increases in population, transportation services and/or rates, including the expansion of New Castle in the first quarter of 2012. These increases were partially offset by an aggregate decrease of \$16.1 million due to contract terminations.

The number of compensated mandays in U.S. Corrections & Detention facilities was 17.1 million in 2013 as compared to 16.7 million in 2012. We experienced an aggregate net increase of approximately 400,000 mandays as a result of our new contracts discussed above and also as a result of population increases at certain facilities. These increases were partially offset by decreases resulting from contract terminations. We look at the average occupancy in our facilities to determine how we are managing our available beds. The average occupancy is calculated by taking compensated mandays as a percentage of capacity. The average occupancy in our U.S. Detention & Corrections facilities was 95.4% and 96.3% of capacity in 2013 and 2012, respectively, excluding idle facilities.

GEO Care

The increase in revenues for GEO Care in 2013 compared to 2012 is primarily attributable to increases of \$8.7 million due to new electronic monitoring equipment and an increase in ISAP counts at BI. In addition, we experienced a net increase of \$5.5 million due to population increases at certain youth facilities and new programs and growth at our community based and re-entry centers. These increases were partially offset by decreases in revenues of \$4.1 million related to contract terminations and census declines at certain facilities.

Table of Contents**International Services**

The decrease in revenues in 2013 compared to 2012 is primarily due to the result of foreign exchange rate fluctuations of \$(14.6) million caused by the weakening of the U.S. dollar against certain foreign currencies. This decrease was partially offset by an aggregate net increase of \$10.4 million primarily attributable to our Australian subsidiary related to population increases, contractual increases linked to the inflationary index, and the provision of additional services under certain contracts.

Operating Expenses

	2013	% of Segment Revenues	2012	% of Segment Revenues	\$ Change	% Change
	(Dollars in thousands)					
U.S. Corrections & Detention	\$ 731,788	72.3%	\$ 689,226	70.7%	\$ 42,562	6.2%
GEO Care	200,826	66.5%	199,752	68.4%	1,074	0.5%
International Services	192,251	92.4%	200,254	94.3%	(8,003)	(4.0)%
Total	\$ 1,124,865	73.9%	\$ 1,089,232	73.6%	\$ 35,633	3.3%

Operating expenses consist of those expenses incurred in the operation and management of our correctional, detention and GEO Care facilities and expenses incurred in our Facility Construction and Design segment, except that there were no significant expenses incurred in such segment for 2013 or 2012.

U.S. Corrections & Detention

The increase in operating expenses for U.S. Corrections & Detention reflects the following: (i) the activation and intake of inmates at Adelanto East in August 2012, Central Valley and Desert View during fourth quarter 2013 and the commencement of services under our contract, signed in October 2012, with the United States Marshals Service at our Aurora Detention Facility which contributed an aggregate increase to operating expenses of \$15.2 million; (ii) increases of \$22.4 million at certain of our facilities primarily related to net population increases, higher levels of required staffing, additional medical costs and other variable costs; (iii) in 2012 we received approximately \$10.0 million in net operating tax refunds, not related to income taxes, for certain previously disputed claims in various jurisdictions that did not recur in 2013; and (iv) in connection with our annual actuarial analysis we recorded an additional \$6.1 million to our insurance reserves in 2013. Additionally, in 2012, we recorded a \$0.8 million decrease to our reserve based on the same actuarial analysis. These increases were partially offset by aggregate decreases in operating expenses of \$8.7 million due to contract terminations. We also donated one of our facilities during fourth quarter 2012 which resulted in a decrease over 2013 of \$2.8 million. The additional charge to our insurance reserve in 2013 as compared to the net operating tax refunds received in 2012 resulted in an increase in our operating expenses as a percentage of revenues.

GEO Care

Operating expenses for GEO Care increased by \$1.1 million during 2013 from 2012 primarily due to net increases of \$4.5 million due to the following: (i) variable costs associated with increases in electronic monitoring contracts and ISAP services at BI; (ii) population increases at certain youth facilities and the related variable costs; and (iii) new programs and program growth at our community based and re-entry centers. In addition, in connection with our annual actuarial analysis, we recorded an additional \$2.1 million to our insurance reserves during 2013. In 2012, we recorded an additional \$1.3 million to our insurance reserves based on this same analysis. These increases were partially offset by decreases that resulted from contract terminations and census declines of \$4.2 million. The decrease in operating expenses as a percentage of revenue is primarily due to a shift in our product mix to BI products that have higher profit margins.

Table of Contents**International Services**

Operating expenses for our International Services segment during 2013 decreased \$8.0 million over 2012 which was primarily attributable to the impact of foreign currency exchange rate fluctuations of \$(13.4) million caused by the weakening of the U.S. dollar against certain foreign currencies. In addition, there was a net decrease of \$4.2 million primarily related to cost cutting measures implemented to reduce overhead costs in the United Kingdom. These decreases were partially offset by a net increase of \$9.6 million primarily attributable to our Australian subsidiary due to population increases, contractual increases in labor and additional services provided under new contracts at those facilities.

Depreciation and Amortization

	2013	% of Segment Revenue	2012 (Dollars in thousands)	% of Segment Revenue	\$ Change	% Change
U.S. Corrections & Detention	\$ 62,112	6.1%	\$ 62,578	6.4%	\$ (466)	(0.7)%
GEO Care	29,989	9.9%	26,738	9.2%	3,251	12.2%
International Services	2,563	1.2%	2,369	1.1%	194	8.2%
Total	\$ 94,664	6.2%	\$ 91,685	6.2%	\$ 2,979	3.2%

U.S. Corrections & Detention

U.S. Corrections & Detention depreciation and amortization expense decreased slightly in 2013 compared to 2012 primarily due to certain intangible assets which became fully amortized towards the end of 2012.

GEO Care

GEO Care depreciation and amortization increased by \$3.3 million in 2013 compared to 2012. The increase is primarily due to an increase in monitoring and other equipment at BI in 2013 related to certain contract wins.

International Services

Depreciation and amortization expense increased slightly in 2013 compared to 2012 primarily due to increases in capital expenditures at our Australian subsidiary. This increase was partially offset by exchange rate fluctuations caused by the weakening of the U.S. dollar against certain foreign currencies.

Other Unallocated Operating Expenses

	2013	% of Revenue	2012 (Dollars in thousands)	% of Revenue	\$ Change	% Change
General and Administrative Expenses	\$ 117,061	7.7%	\$ 113,792	7.7%	\$ 3,269	2.9%

General and administrative expenses comprise substantially all of our other unallocated operating expenses including primarily corporate management salaries and benefits, professional fees and other administrative expenses. The increase in general and administrative expenses in 2013 compared to 2012 was primarily due to professional fees incurred in connection with our various debt refinancing activities and related registration statements in 2013. Refer to Note 14 Debt of the notes to our audited consolidated financial statements included in Part II, Item 8 of this annual report on Form 10-K.

Table of Contents**Non Operating Income and Expense****Interest Income and Interest Expense**

	2013	% of Revenue	2012	% of Revenue	\$ Change	% Change
	(Dollars in thousands)					
Interest Income	\$ 3,324	0.2%	\$ 6,716	0.5%	\$ (3,392)	(50.5)%
Interest Expense	\$ 83,004	5.5%	\$ 82,189	5.6%	\$ 815	1.0%

The majority of our interest income generated in 2013 and 2012 is from the cash balances at our foreign subsidiaries. Interest income decreased in 2013 primarily due to lower cash balances at our foreign subsidiaries along with declining interest rates in 2013.

Interest expense increased slightly in 2013 compared to 2012 due to the following: (i) interest expense increased by \$12.5 million in connection with the completion of our \$300 million 5.125% Senior Notes offering in March 2013; (ii) an increase of \$1.2 million caused by the capitalization of interest in 2012; and (iii) interest expense increased by \$3.7 million in connection with the completion of our \$250 million 5⁷/₈% Senior Notes offering during the fourth quarter 2013. These increases were partially offset by decreases due to the following (i) interest expense on the Municipal Corrections Finance (MCF) 8.47% Taxable Revenue Bonds, Series 2001, due August 1, 2016 issued by MCF (the MCF Bonds) was \$3.3 million (the MCF bonds were redeemed in August 2012); (ii) interest expense decreased in 2013 by \$6.6 million as a result of our refinancing the prior Senior Credit Facility in the second quarter 2013; (iii) a decrease of \$4.1 million in connection with our tender offer and redemption of the 7³/₄% Senior Notes during the fourth quarter 2013; (iv) a decrease of \$0.5 million related to the defeasance of the STLDC bonds in the third quarter 2013; and (v) other less significant decreases of \$2.1 million. Refer to Note 14 Debt of the notes to our audited consolidated financial statements included in Part II, Item 8 of this annual report on Form 10-K.

Loss on Extinguishment of Debt

	2013	% of Revenue	2012	% of Revenue	\$ Change	% Change
	(Dollars in thousands)					
Loss on Extinguishment of Debt	\$ 20,657	1.4%	\$ 8,462	0.6%	\$ 12,195	144.1%

The loss on extinguishment of debt in 2013 is the result of the following: (i) in the second quarter 2013, we refinanced our Prior Senior Credit Facility and entered into a new Credit Agreement, as a result of which we wrote off \$4.4 million of unamortized deferred financing costs and unamortized debt discount pertaining to the Prior Senior Credit Facility and expensed \$1.1 million in fees related to the new Credit Agreement; (ii) our defeasance of the non-recourse bonds related to STLDC on September 30, 2013, as a result of which we incurred a \$1.5 million loss on extinguishment of debt which represented the excess of the reacquisition price over the carrying value of the bonds and other defeasance related fees and expenses; and (iii) in the fourth quarter 2013, we completed a tender offer and redemption of our 7³/₄% Senior Notes which resulted in a loss of \$17.7 million related to the tender premium and deferred costs associated with the 7³/₄% Senior Notes. This loss was partially offset by proceeds of \$4.0 million received for the settlement of the interest rate swaps related to the 7³/₄% Senior Notes. The loss on extinguishment of debt in 2012 was the result of our early redemption of the MCF Bonds. Refer to Note 14 Debt of the notes to our audited consolidated financial statements included in Part II, Item 8 of this annual report on Form 10-K.

Provision (Benefit) for Income Taxes

	2013	Effective Rate	2012	Effective Rate
	(Dollars in thousands)			
Provision (Benefit) for Income Taxes	\$ (26,050)	(30.6)%	\$ (40,562)	(40.4)%

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The income tax benefit was \$26.1 million in 2013 compared to \$40.6 million in 2012 and the effective tax rate increased from (40.4)% to (30.6%). The benefit in both years is primarily attributable to our REIT conversion which became effective January 1, 2013. As a REIT, we are required to distribute at least 90% of our taxable income to shareholders and in turn are allowed a deduction for the distribution at the REIT level. The Company's wholly-owned taxable REIT subsidiaries continue to be fully subject to federal, state and foreign income taxes, as applicable. In 2013, GEO had a net tax benefit relating to its REIT conversion, IRS settlement and miscellaneous nonrecurring items of \$21.9 million. Together these items had a favorable impact to the effective tax rate. In 2012, GEO had a net tax benefit relating to the REIT conversion of \$79.0 million which was primarily related to the reversal of certain deferred tax assets and liabilities upon conversion.

Equity in Earnings of Affiliates

	2013	% of Revenue	2012	% of Revenue	\$ Change	% Change
Equity in Earnings of Affiliates	\$ 6,265	0.4%	\$ 3,578	0.2%	\$ 2,687	75.1%

Equity in earnings of affiliates, presented net of income taxes, represents the earnings of SACS and GEOAmeY, respectively. Overall, we experienced an increase in equity in earnings of affiliates during 2013 compared to 2012, which is primarily due to increased performance from the operations of GEOAmeY in 2013 compared to 2012.

Financial Condition**Capital Requirements**

Our current cash requirements consist of amounts needed for working capital, distributions of our REIT taxable income in order to maintain our REIT qualification under the Code, debt service, supply purchases, investments in joint ventures, and capital expenditures related to either the development of new correctional, detention and re-entry facilities, or the maintenance of existing facilities. In addition, some of our management contracts require us to make substantial initial expenditures of cash in connection with opening or renovating a facility. Generally, these initial expenditures are subsequently fully or partially recoverable as pass-through costs or are billable as a component of the per diem rates or monthly fixed fees to the contracting agency over the original term of the contract. Additional capital needs may also arise in the future with respect to possible acquisitions, other corporate transactions or other corporate purposes.

In connection with GEOAmeY, our joint venture in the United Kingdom, we and our joint venture partner have each provided a line of credit of £12 million, or \$18.6 million, based on exchange rates as of December 31, 2014, for GEOAmeY's operations.

As of December 31, 2014, we were developing a number of projects that we estimate will cost approximately \$235.2 million, of which \$61.6 million was spent through December 31, 2014. We estimate our remaining capital requirements to be approximately \$173.6 million, which we anticipate will be spent in fiscal years 2015 through 2017. Included in these commitments is a contractual commitment to provide a capital contribution towards the design and construction of a prison project in Ravenhall, a locality near Melbourne, Australia, in the amount of AUD 115 million, or \$93.8 million, based on exchange rates at December 31, 2014. This capital contribution is expected to be made in January 2017.

Liquidity and Capital Resources**Credit Agreement**

On August 27, 2014, we executed a second amended and restated credit agreement by and among us and GEO Corrections Holdings, Inc., as Borrowers, BNP Paribas, as Administrative Agent, and the lenders who are, or may from time to time become, a party thereto (the Credit Agreement).

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The Credit Agreement evidences a credit facility (the *Credit Facility*) consisting of a \$296.3 million term loan (the *Term Loan*) bearing interest at LIBOR plus 2.50% (with a LIBOR floor of .75%), and a \$700 million revolving credit facility (the *Revolver*) initially bearing interest at LIBOR plus 2.25% (with no LIBOR floor) together with AUD 225 million available solely for the issuance of financial letters of credit and performance letters of credit, in each case denominated in Australian Dollars (the *Australian LC Facility*). The interest rate is subject to a pricing grid based upon our total leverage ratio. At December 31, 2014, we had approximately AUD 214 million in letters of credit outstanding under the Australian LC Facility in connection with certain performance guarantees related to the Ravenhall Prison Project. Refer to Note 14-Debt in the notes to our audited consolidated financial Statements included in Part II, Item 8 of this annual report on Form 10-K for further discussion. Amounts to be borrowed by us under the Credit Agreement are subject to the satisfaction of customary conditions to borrowing. The Revolver component is scheduled to mature on August 27, 2019 and the Term Loan component is scheduled to mature on April 3, 2020.

The Credit Agreement contains certain customary representations and warranties, and certain customary covenants that restrict our ability to, among other things (i) create, incur or assume any indebtedness, (ii) create, incur, assume or permit liens, (iii) make loans and investments, (iv) engage in mergers, acquisitions and asset sales, (v) make certain restricted payments, (vi) issue, sell or otherwise dispose of capital stock, (vii) engage in transactions with affiliates, (viii) allow the total leverage ratio to exceed 5.75 to 1.00, allow the senior secured leverage ratio to exceed 3.50 to 1.00 or allow the interest coverage ratio to be less than 3.00 to 1.00, (ix) cancel, forgive, make any voluntary or optional payment or prepayment on, or redeem or acquire for value any senior notes, except as permitted, (x) alter the business we conduct, and (xi) materially impair our lenders' security interests in the collateral for its loans. The restricted payments covenant remains consistent with our election to be treated as a real estate investment trust under the Internal Revenue Code of 1986, effective as of January 1, 2013.

Events of default under the Credit Agreement include, but are not limited to, (i) our failure to pay principal or interest when due, (ii) our material breach of any representation or warranty, (iii) covenant defaults, (iv) liquidation, reorganization or other relief relating to bankruptcy or insolvency, (v) cross default under certain other material indebtedness, (vi) unsatisfied final judgments over a specified threshold, (vii) certain material environmental liability claims which have been asserted against us, and (viii) a change in control. We were in compliance with all of the covenants of the Credit Agreement as of December 31, 2014.

As of December 31, 2014, we had \$295.5 million in aggregate borrowings outstanding, net of discount, under the Term Loan and \$70.0 million in borrowings under the Revolver, and approximately \$62.0 million in letters of credit which left \$568.0 million in additional borrowing capacity under the Revolver. In addition, we have the ability to increase the Senior Credit Facility by an additional \$350.0 million, subject to lender demand and prevailing market conditions and satisfying the relevant borrowing conditions thereunder. Refer to Note 14 Debt in the notes to our audited consolidated financial statements included in Part II, Item 8 of this annual report on Form 10-K.

5.875% Senior Notes

On September 25, 2014, we completed an offering of \$250.0 million aggregate principal amount of senior unsecured notes. The notes will mature on October 15, 2024 and have a coupon rate and yield to maturity of 5.875%. Interest is payable semi-annually in cash in arrears on April 15 and October 15, beginning April 15, 2015. The 5.875% Senior Notes are guaranteed on a senior unsecured basis by all our restricted subsidiaries that guarantee obligations. The 5.875% Senior Notes rank equally in right of payment with any unsecured, unsubordinated indebtedness of the Company and the guarantors, including our 6.625% senior notes due 2021, the 5⁷/₈% senior notes due 2022, the 5.125% senior notes due 2023, and the guarantors' guarantees thereof, senior in right of payment to any future indebtedness of ours and the guarantors that is expressly subordinated to the 5.875% Senior Notes and the guarantees, effectively junior to any secured indebtedness of ours and the guarantors, including indebtedness under our senior credit facility, to the extent of the value of the assets securing such indebtedness, and structurally junior to all obligations of our subsidiaries that are not guarantors.

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The sale of the 5.875% Senior Notes was registered under our automatic shelf registration statement on Form S-3 filed on September 12, 2014. Refer to Note 14 Debt in the notes to our audited consolidated financial statements included in Part II, Item 8 of this annual report on Form 10-K.

5⁷/₈% Senior Notes

On October 3, 2013, we completed an offering of \$250.0 million aggregate principal amount of 5⁷/₈% Senior Notes. The 5⁷/₈% Senior Notes will mature on January 15, 2022 and have a coupon rate and yield to maturity of 5⁷/₈%. Interest is payable semi-annually on January 15 and July 15 each year, which commenced on January 15, 2014. The proceeds received from the 5⁷/₈% Senior Notes were used, together with cash on hand, to fund the repurchase, redemption or other discharge of our 7³/₄% Senior Notes and to pay related transaction fees and expenses. Refer to Note 14 Debt in the notes to our audited consolidated financial statements included in Part II, Item 8 of this annual report on Form 10-K.

5.125% Senior Notes

On March 19, 2013, we completed an offering of \$300.0 million aggregate principal amount of 5.125% Senior Notes. The 5.125% Senior Notes will mature on April 1, 2023 and have a coupon rate and yield to maturity of 5.125%. Interest is payable semi-annually on April 1 and October 1 each year, which commenced on October 1, 2013. A portion of the proceeds received from the 5.125% Senior Notes were used on the date of the financing to repay the prior revolver credit draws outstanding under the prior senior credit facility. Refer to Note 14 Debt in the notes to our audited consolidated financial statements included in Part II, Item 8 of this annual report on Form 10-K.

6.625% Senior Notes

In February 2011, we completed an offering of \$300.0 million in aggregate principal amount of our 6.625% Senior Notes. The 6.625% Senior Notes will mature on February 15, 2021 and have a coupon rate and yield to maturity of 6.625%. Interest is payable semi-annually in arrears on February 15 and August 15, which commenced on August 15, 2011. Refer to Note 14 Debt in the notes to our audited consolidated financial statements included in Part II, Item 8 of this annual report on Form 10-K.

In addition to the debt outstanding under the Senior Credit Facility, the 6.625% Senior Notes, the 5.125% Senior Notes, the 5⁷/₈% Senior Notes and the 5.875% Senior Notes, we also have significant debt obligations which, although these obligations are non-recourse to us, require cash expenditures for debt service. Our significant debt obligations could have material consequences. See Risk Factors Risks Related to Our High Level of Indebtedness in Item 1A of this annual report on Form 10-K. We are exposed to various commitments and contingencies which may have a material adverse effect on our liquidity. We also have guaranteed certain obligations for our South African joint venture and other of our international subsidiaries. These non-recourse obligations, commitments and contingencies and guarantees are further discussed in Notes 1, 14 and 18 in the notes to our consolidated financial statements included in Part II, Item 8 of this annual report on Form 10-K.

We are also considering opportunities for future business and/or asset acquisitions. If we are successful in our pursuit of these new projects, our cash on hand, cash flows from operations and borrowings under the existing Senior Credit Facility may not provide sufficient liquidity to meet our capital needs through 2014 and we could be forced to seek additional financing or refinance our existing indebtedness. There can be no assurance that any such financing or refinancing would be available to us on terms equal to or more favorable than our current financing terms, or at all. In the future, our access to capital and ability to compete for future capital-intensive projects will also be dependent upon, among other things, our ability to meet certain financial covenants in the indentures governing the 6.625% Senior Notes, the 5.125% Senior Notes, the 5⁷/₈% Senior Notes, the 5.875% Senior Notes and our Senior Credit Facility. A substantial decline in our financial

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performance could limit our access to capital pursuant to these covenants and have a material adverse affect on our liquidity and capital resources and, as a result, on our financial condition and results of operations. In addition to these foregoing potential constraints on our capital, a number of state government agencies have been suffering from budget deficits and liquidity issues. While we expect to be in compliance with our debt covenants, if these constraints were to intensify, our liquidity could be materially adversely impacted as could our ability to remain in compliance with these debt covenants.

Prospectus Supplement

On May 8, 2013, we filed with the Securities and Exchange Commission a prospectus supplement related to the offer and sale from time to time of our common stock at an aggregate offering price of up to \$100 million through sales agents. Sales of shares of our common stock under the prospectus supplement and the equity distribution agreements entered into with the sales agents, if any, may be made in negotiated transactions or transactions that are deemed to be at the market offerings as defined in Rule 415 under the Securities Act of 1933. On July 18, 2014, we filed with the Securities and Exchange Commission a post-effective amendment to our shelf registration statement on Form S-3 (pursuant to which the prospectus supplement had been filed) as a result of our merger into GEO REIT effective June 27, 2014. During the year ended December 31, 2014, there were approximately 1.5 million shares of common stock sold under the prospectus supplement for net proceeds of \$54.7 million. There were no shares of our common stock sold under the prospectus supplement during the year ended December 31, 2013.

In September 2014, we filed with the Securities and Exchange Commission a new shelf registration statement on Form S-3. On November 10, 2014, in connection with the new shelf registration, we filed with the Securities and Exchange Commission a new prospectus supplement related to the offer and sale from time to time of our common stock at an aggregate offering price of up to \$150 million through sales agents. Sales of shares of our common stock under the prospectus supplement and the equity distribution agreements entered into with the sales agents, if any, may be made in negotiated transactions or transactions that are deemed to be at the market offerings as defined in Rule 415 under the Securities Act of 1933. There were no shares of our common stock issued under this prospectus supplement during the year ended December 31, 2014.

REIT Distributions

As a REIT, we are subject to a number of organizational and operational requirements, including a requirement that we annually distribute to our shareholders an amount equal to at least 90% of our REIT taxable income (determined before the deduction for dividends paid and by excluding any net capital gain). Generally, we expect to distribute all or substantially all of our REIT taxable income so as not to be subject to the income or excise tax on undistributed REIT taxable income. The amount, timing and frequency of distributions will be at the sole discretion of our Board of Directors and will be based upon various factors.

We plan to fund all of our capital needs, including distributions of our REIT taxable income in order to maintain our REIT qualification, and capital expenditures, from cash on hand, cash from operations, borrowings under our Senior Credit Facility and any other financings which our management and Board of Directors, in their discretion, may consummate. Currently, our primary source of liquidity to meet these requirements is cash flow from operations and borrowings under the \$700.0 million Revolver. Our management believes that cash on hand, cash flows from operations and availability under our Senior Credit Facility will be adequate to support our capital requirements for 2014 and 2015 as disclosed under Capital Requirements above.

Non-Recourse Debt

South Texas Detention Complex

We had a debt service requirement related to the development of the South Texas Detention Complex, a 1,904-bed detention complex in Frio County, Texas. These bonds were to mature in February 2016 and had fixed coupon rates between 4.63% and 5.07%. On September 30, 2013, we completed a legal defeasance of the

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\$49.5 million taxable revenue bonds. Refer to Note 14-Debt in the notes to our consolidated financial statements included in Part II, Item 8 of this annual report on Form 10-K for further information.

Northwest Detention Center

On June 30, 2003, CSC arranged financing for the construction of a detention center in Tacoma, Washington, referred to as the Northwest Detention Center, which was completed and opened for operation in April 2004. We began to operate this facility following our acquisition of CSC in November 2005 (this facility was expanded by us in 2009 to 1,575 beds from the original 1,030 beds).

In connection with the original financing, CSC of Tacoma, LLC, a wholly owned subsidiary of CSC, issued a \$57.0 million note payable to the Washington Economic Development Finance Authority (WEDFA), an instrumentality of the State of Washington, which issued revenue bonds (2003 Revenue Bonds). The bonds were non-recourse to us and matured and were fully paid in October 2014.

Additionally, on December 9, 2011, WEDFA issued \$54.4 million of its Washington Economic Development Finance Authority Taxable Economic Development Revenue Bonds, series 2011 (2011 Revenue Bonds). The payment of principal and interest on the bonds is non-recourse to us. None of the bonds nor CSC's obligations under the loan are our obligations nor are they guaranteed by us.

As of December 31, 2014, the remaining balance of the debt service requirement related to the 2003 Revenue Bonds and 2011 Revenue Bonds is \$49.4 million, of which \$6.3 million is classified as current in the accompanying balance sheet. As of December 31, 2014, included in restricted cash and investments is \$4.3 million (all current) of funds held in trust with respect to the Northwest Detention Center for debt service and other reserves which had not been released to us as of December 31, 2014. Refer to Note 14-Debt in the notes to our consolidated financial statements included in Part II, Item 8 of this annual report on Form 10-K for further information.

MCF

MCF was obligated for the outstanding balance of the MCF Bonds. The bonds bore interest at a rate of 8.47% per annum and were payable in semi-annual installments of interest and annual installments of principal. All unpaid principal and accrued interest on the bonds was due on the earlier of August 1, 2016 (maturity) or as noted under the bond documents. The bonds were limited, non-recourse obligations of MCF and were collateralized by the property and equipment, bond reserves, assignment of subleases and substantially all assets related to the eleven facilities owned by MCF. The bonds were not guaranteed by us or our subsidiaries.

On August 31, 2012, we purchased 100% of the partnership interests of MCF from the third party holders of these interests for a total net consideration of \$35.2 million. Subsequent to the acquisition, the indenture relating to the MCF bonds was discharged and the remaining principal balance as of August 31, 2012 of \$77.9 million was redeemed, with an effective date of September 4, 2012. We financed the acquisition of the partnership interests in MCF and the redemption of the MCF bonds with the proceeds from a term loan under our prior senior credit facility.

In 2012, in connection with the transaction, we incurred a loss on extinguishment of debt in connection with the early redemption of the MCF bonds of \$8.5 million which consisted of a make-whole premium of \$14.9 million which includes \$0.1 million of bond redemption costs, offset by the effect of the then unamortized bond premium of \$6.4 million. Refer to Note 14-Debt in the notes to our consolidated financial statements included in Part II, Item 8 of this annual report on Form 10-K for further information.

Table of Contents***Australia Fulham***

Our wholly-owned Australian subsidiary financed the development of a facility and subsequent expansion in 2003 with long-term debt obligations. These obligations are non-recourse to us and total \$16.4 million (AUD 20.1 million) and \$23.9 million (AUD 26.9 million) at December 31, 2014 and December 31, 2013, respectively, based on exchange rates in effect as of December 31, 2014. 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. As a condition of the loan, we are required to maintain a restricted cash balance of AUD 5.0 million along with interest earned on the account, which, at December 31, 2014, was \$4.1 million (including interest) based on exchange rates in effect as of December 31, 2014. This amount is included in non-current restricted cash and the annual maturities of the future debt obligation are included in Non-Recourse Debt.

Australia Ravenhall

In connection with a new design and build prison project agreement with the State of Victoria, we entered into a Construction Facility with National Australia Bank Limited to provide debt financing for construction of the project. Refer to Note 7 Contract Receivable in the notes to our audited consolidated financial statements included in Part II, Item 8 of this annual report on Form 10-K. The Construction Facility provides for non-recourse funding up to AUD 791.0 million, or \$645.3 million, based on exchange rates as of December 31, 2014. Construction draws will be funded throughout the project according to a fixed utilization schedule as defined in the syndicated facility agreement. The term of the Construction Facility is through October 2019 and bears interest at a variable rate quoted by certain Australian banks plus 200 basis points. After October 2019, the Construction Facility will be converted to a term loan with payments due quarterly beginning in 2018 through 2041. In accordance with the terms of the Construction Facility, upon completion and commercial acceptance of the prison, in accordance with prison contract, the State will make a lump sum payment of AUD 310 million, or \$252.9 million, based on exchange rates as of December 31, 2014, which will be used to pay a portion of the outstanding principal. The remaining outstanding principal balance will be repaid over the term of the operating agreement. As of December 31, 2014, \$79.4 million was outstanding under the Construction Facility. We also entered into interest rate swap and interest rate cap agreements related to our non-recourse debt in connection with the project. Refer to Note 9 Derivative Financial Instruments in the notes to our consolidated financial statements included in Part II, Item 8 of this annual report on Form 10-K.

Guarantees

The Company has entered into certain guarantees in connection with the design, financing and construction of certain facilities as well as loan, working capital and other obligation guarantees for our subsidiaries in Australia, South Africa, Canada and our joint ventures. Refer to Note 14-Debt in the notes to our consolidated financial statements included in Part II, Item 8 of this annual report on Form 10-K.

Executive Retirement Agreements

We have a non-qualified deferred compensation agreement with our Chief Executive Officer, which we refer to as our CEO. The current agreement, as amended, provides for a lump sum payment upon retirement, no sooner than age 55. As of December 31, 2014, our CEO had reached age 55 and was eligible to receive the payment upon retirement. If our CEO had retired as of December 31, 2014, we would have had to pay him \$7.1 million. Based on our current capitalization, we do not believe that making this payment would materially adversely impact our liquidity.

Off-Balance Sheet Arrangements

Except as discussed above, and in the notes to our consolidated financial statements included in Part II, Item 8 of this annual report on Form 10-K, we do not have any off balance sheet arrangements.

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We are also exposed to various commitments and contingencies which may have a material adverse effect on our liquidity. See Note 18 Commitments and Contingencies in the notes to our consolidated financial statements included in Part II, Item 8 of this annual report on Form 10-K.

Derivatives

One of our Australian subsidiaries is a party to an interest rate swap agreement to fix the interest rate on the variable rate non-recourse debt to 9.7%. We have determined the swap, which has a notional amount of \$50.9 million, payment and expiration dates, and call provisions that coincide with the terms of the non-recourse debt, to be an effective cash flow hedge. Accordingly, we record the change in the value of the interest rate swap in accumulated other comprehensive income, net of applicable income taxes, respectively, and is recorded as a component of other liabilities in the accompanying consolidated balance sheets. There was no material ineffectiveness of this interest rate swap for the periods presented. We do not expect to enter into any transactions during the next twelve months which would result in the reclassification into earnings or losses associated with this swap currently reported in accumulated other comprehensive income (loss). Refer to Note 9-Derivative Instruments in the notes to our audited consolidated financial statements included in Part II, Item 8 of this annual report on Form 10-K for further information.

In September 2014, one of our Australian subsidiaries entered into interest rate swap agreements to fix the interest rate on its variable rate non-recourse debt related to a prison project in Ravenhall, a locality near Melbourne, Australia to 3.3% during the design and construction phase and 4.2% during the project's operating phase. Refer to Note 7-Contract Receivable and Note 9-Derivative Instruments in the notes to our audited consolidated financial statements included in Part II, Item 8 of this annual report on Form 10-K for further information. The swaps' notional amounts coincide with construction draw fixed commitments throughout the project. At December 31, 2014, the swaps had a notional value of approximately AUD 97.4 million, or \$79.4 million, based on exchange rates at December 31, 2014, related to the outstanding draws for the design and construction phase and approximately AUD 466.3 million, or \$380.4 million, based on exchange rates at December 31, 2014, related to future construction draws. We have determined that the swaps have payment, expiration dates and provisions that coincide with the terms of the non-recourse debt and the critical terms of the swap agreements and construction draw fixed commitments are the same and are therefore considered to be effective cash flow hedges. Accordingly, we will record the change in the fair value of the interest rate swaps in accumulated other comprehensive income, net of applicable income taxes.

Additionally, upon completion and commercial acceptance of the prison project, the Department of Justice in the State in accordance with the prison contract, will make a lump sum payment of AUD 310 million, or \$252.9 million, based on exchange rates at December 31, 2014, towards a portion of the outstanding balance which will be used to pay down the principal of the non-recourse debt. The Company's Australian subsidiary also entered into interest rate cap agreements in September 2014 giving the Company the option to cap the interest rate on its variable non-recourse debt related to the project in the event that the completion of the prison project is delayed which could delay the State's payment. These instruments do not meet the requirements for hedge accounting, and therefore, changes in fair value of the interest rate caps are recorded in earnings. Refer to Note 9-Derivative Instruments in the notes to our audited consolidated financial statements included in Part II, Item 8 of this annual report on Form 10-K for further information.

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The following is a table of certain of our contractual obligations, as of December 31, 2014, which requires us to make payments over the periods presented.

Contractual Obligations	Total	Payments Due by Period			
		Less Than 1 Year	1-3 Years (In thousands)	3-5 Years	More Than 5 Years
Long-Term Debt	\$ 1,100,421	\$ 102	\$ 165	\$ 154	\$ 1,100,000
Term Loan	295,500	3,000	6,000	6,000	280,500
Revolver	70,000			70,000	
Capital Lease Obligations (includes imputed interest)	14,775	1,932	3,869	3,870	5,104
Operating Lease Obligations	172,472	35,679	59,388	44,324	33,081
Non-Recourse Debt (including future construction draws)	711,133	12,753	276,000	14,250	408,130
Estimated interest payments on debt(a)	1,055,130	98,399	240,084	217,482	499,165
Estimated funding of pension and other post retirement benefits	25,826	7,568	1,101	1,267	15,890
Estimated construction commitments	173,600	79,800	93,800		
Estimated tax payments for uncertain tax positions(b)	2,076		2,076		
Total	\$ 3,620,933	\$ 239,233	\$ 682,483	\$ 357,347	\$ 2,341,870

- (a) Due to the uncertainties of future LIBOR rates, the variable interest payments on our Senior Credit Facility and swap agreements were calculated using an average LIBOR rate of 1.72% based on projected interest rates through fiscal 2020.
- (b) State income tax payments are reflected net of the federal income tax benefit.

Cash Flow

Cash and cash equivalents as of December 31, 2014 was \$41.3 million, compared to \$52.1 million as of December 31, 2013 and was impacted by the following:

Cash provided by operating activities of continuing operations in 2014, 2013 and 2012 was \$202.5 million, \$192.2 million, \$255.2 million, respectively. Cash provided by operating activities of continuing operations in 2014 was positively impacted by increases in net income attributable to GEO, non-cash expenses such as depreciation and amortization, amortization of debt issuance costs, stock-based compensation expense and dividends received from our unconsolidated joint venture. Increases in equity in earnings of affiliates negatively impacted cash. Changes in accounts receivable, prepaid expenses and other assets decreased in total by a net of \$23.8 million, representing a positive impact on cash. The decrease was primarily driven by approximately \$22.4 million of federal and state tax over payments that were included in other current assets at December 31, 2013 which were applied in 2014. The remaining change is due to the timing of billings and collections. Changes in accounts payable, accrued expenses and other liabilities increased by \$9.0 million which positively impacted cash. The increase was primarily due to a prepayment from the RTS divestiture of \$6.5 million in connection with the termination of the services and license agreement as well as the timing of payments. Additionally, cash provided by operating activities from continuing operations in 2014 was negatively impacted by an increase in contract receivable of \$73.3 million. This increase relates to costs incurred and estimated earnings in excess of billings related to the Ravenhall Project. Refer to Note 7 Contract Receivable included in the notes to our audited consolidated financial statements included in Part II, Item 8 of this annual report on Form 10-K. The Contract Receivable is expected to grow as construction services are performed and will continue to have a negative impact on cash from operating activities until the balance is ultimately settled with the State. In accordance with the contract, the project will not be billed out until completion and commercial acceptance of the Facility.

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Cash provided by operating activities of continuing operations in 2013 was positively impacted by non-cash expenses such as depreciation and amortization, loss on extinguishment of debt, stock-based compensation expense and dividends received from our unconsolidated joint venture. These positive impacts were offset by changes in our working capital components which were primarily driven by increases in accounts receivable, prepaid expenses and other assets along with decreases in accounts payable, accrued expenses and other liabilities. Accounts receivable, prepaid expenses and other current assets increased by \$27.2 million, representing a negative impact on cash. The increase was primarily driven by federal and state income tax overpayments of \$22.4 million included in prepaid expenses and other current assets at December 31, 2013 and the timing of billings and collections. Increases in equity in earnings of affiliates, net of tax, the tax benefit related to equity compensation and a release of reserves for uncertain tax positions also negatively impacted cash. Accounts payable, accrued expenses and other liabilities decreased by \$10.0 million which negatively impacted cash. The decrease was primarily caused by general liability insurance settlements in 2013, a release of reserves for uncertain tax positions and the timing of payments on accounts payable and accrued payroll and related taxes.

Cash provided by operating activities of continuing operations in 2012 was positively impacted by increases in net income attributable to GEO, non-cash expenses such as depreciation and amortization and stock based compensation expense. These positive impacts were offset by the deferred income tax benefit and changes in our working capital components which were primarily driven by decreases in accounts receivable, prepaid expenses and other assets along with increases in accounts payable, accrued expenses and other liabilities. Accounts receivable, prepaid expenses and other assets decreased by \$44.7 million and represented a source of cash. The decrease was primarily caused by increased operations at several new facilities which opened during 2011 and 2012. Accounts payable, accrued expenses and other liabilities increased by \$27.4 million, net of acquisitions, and represented a use of cash. The increase was primarily caused by the timing of payments and a \$15 million customer prepayment in 2012.

Cash used in investing activities by continuing operations of \$121.2 million in 2014 was primarily the result of capital expenditures of \$114.2 million, offset by changes in restricted cash of \$5.4 million. Cash used in investing activities by continuing operations of \$99.0 million in 2013 was primarily the result of capital expenditures of \$117.6 million, offset by changes in restricted cash of \$17.4 million. Cash used in investing activities by continuing operations of \$52.6 million in 2012 was primarily the result of capital expenditures of \$107.5 million and the acquisition of the ownership interests in MCF of \$35.2 million, offset by a decrease in restricted cash of \$51.2 million and the proceeds from the RTS divestiture of \$33.3 million.

Cash used in financing activities by continuing operations in 2014 reflects payments of \$696.0 million on long term debt and non-recourse debt offset by \$741.2 million of proceeds from long term debt and non-recourse debt, including \$404.0 million of borrowings under our Revolver. We also paid cash dividends of \$170.2 million, deferred debt issuance costs of \$26.4 million offset by an increase of \$54.7 million for issuance of common stock under our prospectus supplement.

Cash used in financing activities by continuing operations in 2013 reflects payments of \$1,134.5 million on indebtedness offset by \$1,238.0 million of proceeds from long term debt, including \$300.0 million from the 5.125% Senior Notes, \$250.0 million from the 5 7/8% Senior Notes as well as \$688.0 million of borrowings under our Revolver. We also paid cash dividends of \$147.2 million, deferred debt issuance costs of \$23.8 million and debt issuance fees of \$13.4 million.

Cash used in financing activities by continuing operations in 2012 reflects payments of \$456.5 million on indebtedness offset by \$358.0 million of borrowings under our Senior Credit Facility which includes proceeds of \$100.0 million from our prior Term Loan A-3. We also made a cash distribution of \$5.8 million to the partners of MCF, paid a \$102.4 million dividend to our shareholders and paid \$14.9 million in fees, including a make-whole provision, related to the early extinguishment of debt in connection with the redemption of the MCF bonds.

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Inflation

We believe that inflation, in general, did not have a material effect on our results of operations during 2014, 2013 and 2012. While some of our contracts include provisions for inflationary indexing, inflation could have a substantial adverse effect on our results of operations in the future to the extent that wages and salaries, which represent our largest expense, increase at a faster rate than the per diem or fixed rates received by us for our management services.

Funds from Operations

Funds from Operations (FFO) is a widely accepted supplemental non-GAAP measure utilized to evaluate the operating performance of real estate companies. It is defined in accordance with the standards established by the National Association of Real Estate Investment Trusts, or NAREIT, which defines FFO as net income (loss) attributable to common shareholders (computed in accordance with Generally Accepted Accounting Principles), excluding real estate related depreciation and amortization, excluding gains and losses from the cumulative effects of accounting changes, extraordinary items and sales of properties, and including adjustments for unconsolidated partnerships and joint ventures.

We also present Normalized Funds From Operations, or Normalized FFO, and Adjusted Funds from Operations, or AFFO, supplemental non-GAAP financial measures of real estate companies' operating performances.

Normalized FFO is defined as FFO adjusted for certain items which by their nature are not comparable from period to period or that tend to obscure the Company's actual operating performance, including for the periods presented REIT conversion related expenses, net of tax, tax benefit related to IRS settlement and REIT conversion, M&A related expenses, net of tax and loss on extinguishment of debt, net of tax.

AFFO is defined as Normalized FFO adjusted by adding non-cash expenses such as non-real estate related depreciation and amortization, stock based compensation, the amortization of debt costs and other non-cash interest, and non-cash mark-to-market adjustments for derivative instruments and by subtracting recurring consolidated maintenance capital expenditures.

Because of the unique design, structure and use of our correctional facilities, we believe that assessing the performance of our correctional facilities without the impact of depreciation or amortization is useful and meaningful to investors. Although NAREIT has published its definition of FFO, companies often modify this definition as they seek to provide financial measures that meaningfully reflect their distinctive operations. We have modified FFO to derive Normalized FFO and AFFO that meaningfully reflect our operations. Our assessment of our operations is focused on long-term sustainability. The adjustments we make to derive the non-GAAP measures of Normalized FFO and AFFO exclude items which may cause short-term fluctuations in income from continuing operations but have no impact on our cash flows, or we do not consider them to be fundamental attributes or the primary drivers of our business plan and they do not affect our overall long-term operating performance.

We may make adjustments to FFO from time to time for certain other income and expenses that do not reflect a necessary component of our operational performance on the basis discussed above, even though such items may require cash settlement. Because FFO, Normalized FFO and AFFO exclude depreciation and amortization unique to real estate as well as non-operational items and certain other charges that are highly variable from year to year, they provide our investors with performance measures that reflect the impact to operations from trends in occupancy rates, per diem rates, operating costs and interest costs, providing a perspective not immediately apparent from income from continuing operations. We believe the presentation of FFO, Normalized FFO and AFFO provide useful information to investors as they provide an indication of our ability to fund capital expenditures and expand our business. FFO, Normalized FFO and AFFO provide disclosure on the same basis as that used by our management and provide consistency in our financial reporting, facilitate internal and external comparisons of our historical operating performance and our business units and

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provide continuity to investors for comparability purposes. Additionally, FFO, Normalized FFO and AFFO are widely recognized measures in our industry as a real estate investment trust.

Our reconciliation of net income to FFO, Normalized FFO and AFFO for the years ended December 31, 2014 and 2013, respectively, is as follows (in thousands):

	December 31, 2014	December 31, 2013
Funds From Operations		
Net income attributable to The GEO Group, Inc.	\$ 143,930	\$ 115,135
Depreciation-real estate assets	52,960	51,680
Loss from Disc Ops, net of income tax provision (benefit)		(2,265)
NAREIT Defined FFO	196,890	169,080
Expenses associated with REIT conversion, net of taxes		5,440
Tax benefit associated with IRS settlement & REIT conversion		(21,103)
Loss on extinguishment of debt, net of taxes		14,240
M&A related expenses, net of tax	\$ 681	\$
Normalized Funds from Operations	\$ 197,571	\$ 167,657
Depreciation-non-real estate assets	43,211	42,984
Consolidated maintenance capital expenditures	(23,277)	(19,159)
Stock-based compensation expenses	8,909	7,889
Amortization of debt costs and other non-cash interest	5,332	5,916
Non-Cash Mark-to-Market Adjustment Derivative Instruments	1,121	
Adjusted Funds from Operations	\$ 232,867	\$ 205,287

Outlook

The following discussion of our future performance contains statements that are not historical statements and, therefore, constitute forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Our forward-looking statements are subject to risks and uncertainties that could cause actual results to differ materially from those stated or implied in the forward-looking statement. Please refer to Item 1A. Risk Factors in this Annual Report on Form 10-K, the Forward-Looking Statements Safe Harbor, as well as the other disclosures contained in this Annual Report on Form 10-K, for further discussion on forward-looking statements and the risks and other factors that could prevent us from achieving our goals and cause the assumptions underlying the forward-looking statements and the actual results to differ materially from those expressed in or implied by those forward-looking statements.

Revenue

Domestically, we continue to pursue a number of opportunities for corrections and detention facilities. Continued need for corrections facilities in various states and the need for bed space at federal prisons and detention facilities are two of the factors that have contributed to these opportunities. At the state level, we reactivated the Company-owned, 300-bed McFarland Community Reentry Facility during the third quarter of 2014 under a contract with the California Department of Corrections and Rehabilitation. The facility houses female inmates and provides enhanced rehabilitation and recidivism reduction programs.

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Under the contract, the facility can be expanded by 300 beds at the department's option within 12 months. Additionally during the fourth quarter of 2013, we reactivated the Company-owned, 700-bed Central Valley Modified Community Correctional Facility and the Company-owned, 700-bed Desert View Modified Community Correctional Facility. We also executed a new contract for the continued housing of California inmates at the Company-owned Golden State Modified Community Correctional Facility, which increased the facility's contract capacity from 600 to 700 beds. In Florida, we assumed management of 3,854 contract prison beds at three facilities during the first quarter of 2014 which were previously managed by a different private operator. These facilities included the 1,884-bed Graceville Correctional Facility and the 985-bed Moore Haven Correctional Facility, which were developed and had been previously operated by us, as well as the 985-bed Bay Correctional Facility.

At the federal level, we expanded the contract capacity at the Company-owned Rio Grande Detention Center from 1,500 to 1,900 beds during the first quarter of 2014 for use by the U.S. Marshals and ICE. We also recently completed the development of a new, Company-owned, 400-bed immigration transfer center in Alexandria, Louisiana, which we will manage under an amendment we entered into under our contract for the LaSalle Detention Facility also in Louisiana. Additionally, we announced a 640-bed expansion to the Company-owned, 1,300-bed Adelanto Detention Facility in California under an amendment to the existing contract with the City of Adelanto which in turn contracts with ICE for the housing of immigration detainees at the facility. We will finance, develop, and manage the \$45 million expansion, which will increase the facility's total capacity to 1,940 beds and is expected to generate approximately \$21 million in additional annualized revenues. We expect to complete the 640-bed expansion and begin intake by July 2015. During the fourth quarter of 2014, we announced the development of a 626-bed expansion to the company-owned, 532-bed Karnes County Residential Center in Texas under an amendment to our existing contract with Karnes County, Texas and the existing intergovernmental service agreement between Karnes County and U.S. Immigration and Customs Enforcement. We will finance, develop, and manage the \$36 million expansion, which will increase the Facility's total capacity to 1,158 beds. The expansion is expected to generate approximately \$20 million in additional annualized revenues and returns on investment consistent with our company-owned facilities. GEO expects to complete the 626-bed expansion and begin intake in the fourth quarter of 2015. Additionally, during the fourth quarter of 2014, we announced the signing of contracts with the Federal Bureau of Prisons for the continuation of management at the Moshannon Valley Correctional Center in Pennsylvania and for the reactivation of the Great Plains Correctional Facility in Oklahoma. Under the new ten-year contracts, inclusive of renewal options, the Facilities will house up to a combined 3,818 federal inmates and are expected to generate approximately \$76.0 million in combined annualized revenues. The Great Plains Correctional Facility is expected to begin the intake process in the second quarter of 2015. The contract for the continued management of the Moshannon Valley Correctional Center will commence in the second quarter of 2016, following the expiration of the current contract.

We continue to be encouraged by opportunities as discussed above; however any positive trends may, to some extent, be adversely impacted by government budgetary constraints in the future. While the outlook for state budgets is stable, revenue performance is positive, and expenditure overruns are relatively modest, state lawmakers continue to face numerous budget challenges and state officials are concerned about sluggish revenue growth, rebuilding budget reserves and long-term spending trends, according to a survey conducted in the Spring of 2014 by the National Conference of State Legislatures. As a result of budgetary pressures, state correctional agencies may pursue a number of cost savings initiatives which may include reductions in per diem rates and/or the scope of services provided by private operators. These potential cost savings initiatives could have a material adverse impact on our current operations and/or our ability to pursue new business opportunities. Additionally, if state budgetary constraints, as discussed above, persist or intensify, our state customers' ability to pay us may be impaired and/or we may be forced to renegotiate our management contracts on less favorable terms and our financial condition, results of operations or cash flows could be materially adversely impacted. We plan to actively bid on any new projects that fit our target profile for profitability and operational risk. Although we are pleased with the overall industry outlook, positive trends in the industry may be offset by several factors, including budgetary constraints, unanticipated contract terminations, contract non-renewals, and/or contract re-

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bids. Although we have historically had a relatively high contract renewal rate, there can be no assurance that we will be able to renew our expiring management contracts on favorable terms, or at all. Also, while we are pleased with our track record in re-bid situations, we cannot assure that we will prevail in any such future situations.

Internationally, we are exploring a number of opportunities in our current markets and will continue to actively bid on any opportunities that fit our target profile for profitability and operational risk. In September 2014, we announced that a consortium led by us and comprised of The GEO Group Australia Pty. Ltd., John Holland Construction and Honeywell won a contract with the Department of Justice in the State of Victoria for the development and operation of a 1,300-bed capacity prison in Ravenhall, Australia. The Ravenhall facility will be developed under a public-private partnership financing structure with a capital contribution from us of approximately AUD 115 million and we anticipate returns on investment consistent with our company-owned facilities.

With respect to our re-entry services, electronic monitoring services, and youth services business conducted through our GEO Care business segment, we are currently pursuing a number of business development opportunities. Relative to opportunities for community-based re-entry centers, we expect to compete for several formal solicitations from the BOP for re-entry centers across the country and are also working with our existing local and state correctional clients to leverage new opportunities for both residential facilities as well as non-residential day reporting centers. We continue to expend resources on informing state and local governments about the benefits of public-private partnerships, and we anticipate that there will be new opportunities in the future as those efforts begin to yield results. We believe we are well positioned to capitalize on any suitable opportunities that become available in this area.

Operating Expenses

Operating expenses consist of those expenses incurred in the operation and management of our contracts to provide services to our governmental clients. Labor and related cost represented 55.1% of our operating expenses in 2014. Additional significant operating expenses include food, utilities and inmate medical costs. In 2014, operating expenses totaled 73.6% of our consolidated revenues. Our operating expenses as a percentage of revenue in 2015 will be impacted by the opening of any new or existing facilities as a result of the cost of transitioning and/or start-up operations related to a facility opening. During 2015, we will incur carrying costs for facilities that are currently vacant in 2014. The carrying costs associated with the approximately 3,300 beds we are currently marketing with the re-activation of the company-owned 400-bed Mesa Verde Detention Facility in January 2015, are expected to be \$16.0 million in 2015, including depreciation of \$2.6 million. As of December 31, 2014, our worldwide operations include the management and/or ownership of approximately 79,000 beds at 98 correctional, detention and community services facilities, including idle facilities and projects under development, and also included the provision of monitoring of approximately 70,000 offenders in a community-based environment on behalf of approximately 900 federal, state and local correctional agencies located in all 50 states.

General and Administrative Expenses

General and administrative expenses consist primarily of corporate management salaries and benefits, professional fees and other administrative expenses. In 2014, general and administrative expenses totaled 6.8% of our consolidated revenues. We expect general and administrative expenses as a percentage of revenue in 2015 to remain consistent or decrease as a result of cost savings initiatives and decreases in nonrecurring costs related to our REIT conversion. We expect business development costs to remain consistent as we pursue additional business development opportunities in all of our business lines. We also plan to continue expending resources from time to time on the evaluation of potential acquisition targets.

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Idle Facilities

We are currently marketing approximately 3,300 vacant beds at three of our idle facilities to potential customers. The annual carrying cost of idle facilities in 2015 is estimated to be \$16.0 million, including depreciation expense of \$2.6 million. As of December 31, 2014, these facilities had a net book value of \$90.5 million. We currently do not have any firm commitment or agreement in place to activate these facilities. Historically, some facilities have been idle for multiple years before they received a new contract award. Currently, our North Lake Correctional Facility located in Baldwin, Michigan has been idle the longest of our idle facility inventory since October of 2010. In December 2014, we signed a contract with the BOP for the reactivation of the Great Plains Correctional Facility in Hinton, Oklahoma. Prior to signing this contract, it had also been idle since October of 2010. In January 2015, we signed a contract for the re-activation of the company-owned, 400-bed Mesa Verde Detention Facility in California. These idle facilities are included in the U.S. Corrections & Detention segment. The per diem rates that we charge our clients often vary by contract across our portfolio. However, if all of these idle facilities were to be activated using our U.S. Corrections & Detention average per diem rate in 2014, (calculated as the U.S. Corrections & Detention revenue divided by the number of U.S. Corrections & Detention mandays) and based on the average occupancy rate in our U.S. Corrections & Detention facilities for 2014, we would expect to receive incremental revenue of approximately \$80 million and an increase in earnings per share of approximately \$.20 to \$.25 per share based on our average U.S. Corrections and Detention operating margin.

Forward-Looking Statements Safe Harbor

This Annual Report on Form 10-K and the documents incorporated by reference herein contain forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended.

Forward-looking statements are any statements that are not based on historical information. Statements other than statements of historical facts included in this report, including, without limitation, statements regarding our future financial position, business strategy, budgets, projected costs and plans and objectives of management for future operations, are forward-looking statements. Forward-looking statements generally can be identified by the use of forward-looking terminology such as may, will, expect, anticipate, intend, plan, believe, seek, estimate, the negative of such words or variations of such words and similar expressions. These statements are not guarantees of future performance and involve certain risks, uncertainties and assumptions, which are difficult to predict. Therefore, actual outcomes and results may differ materially from what is expressed or forecasted in such forward-looking statements and we can give no assurance that such forward-looking statements will prove to be correct. Important factors that could cause actual results to differ materially from those expressed or implied by the forward-looking statements, or cautionary statements, include, but are not limited to:

our ability to timely build and/or open facilities as planned, profitably manage such facilities and successfully integrate such facilities into our operations without substantial additional costs;

our ability to remain qualified for taxation as a REIT;

our ability to fulfill our debt service obligations and its impact on our liquidity;

the instability of foreign exchange rates, exposing us to currency risks in Australia, the United Kingdom, and South Africa, or other countries in which we may choose to conduct our business;

our ability to activate the inactive beds at our idle facilities;

our ability to maintain or increase occupancy rates at our facilities;

an increase in unreimbursed labor rates;

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our ability to expand, diversify and grow our correctional, detention, mental health, residential treatment, re-entry, community-based services, youth services, monitoring services, evidence-based supervision and treatment programs and secure transportation services businesses;

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our ability to win management contracts for which we have submitted proposals, retain existing management contracts and meet any performance standards required by such management contracts;

our ability to control operating costs associated with contract start-ups;

our ability to raise new project development capital given the often short-term nature of the customers' commitment to use newly developed facilities;

our ability to estimate the government's level of dependency on privatized correctional services;

our ability to accurately project the size and growth of the U.S. and international privatized corrections industry;

our ability to successfully respond to delays encountered by states privatizing correctional services and cost savings initiatives implemented by a number of states;

our ability to develop long-term earnings visibility;

our ability to identify suitable acquisitions and to successfully complete and integrate such acquisitions on satisfactory terms, and estimate the synergies to be achieved as a result of such acquisitions;

our exposure to the impairment of goodwill and other intangible assets as a result of our acquisitions;

our ability to successfully conduct our operations through joint ventures and consortiums;

our ability to obtain future financing on satisfactory terms or at all, including our ability to secure the funding we need to complete ongoing capital projects;

our exposure to political and economic instability and other risks impacting our international operations;

our exposure to risks impacting our information systems, including those that may cause an interruption, delay or failure in the provision of our services;

our exposure to rising general insurance costs;

our exposure to state and federal income tax law changes internationally and domestically and our exposure as a result of federal and international examinations of our tax returns or tax positions;

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our exposure to claims for which we are uninsured;

our exposure to rising employee and inmate medical costs;

our ability to manage costs and expenses relating to ongoing litigation arising from our operations;

our ability to accurately estimate on an annual basis, loss reserves related to general liability, workers compensation and automobile liability claims;

the ability of our government customers to secure budgetary appropriations to fund their payment obligations to us and to continue to operate under our existing agreements and/or renew our existing agreements;

our ability to pay quarterly dividends consistent with our expectations;

our ability to comply with government regulations and applicable contractual requirements;

our ability to acquire, protect or maintain our intellectual property; and

other factors contained in our filings with the Securities and Exchange Commission, or the SEC, including, but not limited to, those detailed in this Annual Report on Form 10-K, our Quarterly Reports on Form 10-Q and our Current Reports on Form 8-K filed with the SEC.

We undertake no obligation to update publicly any forward-looking statements, whether as a result of new information, future events or otherwise. All subsequent written and oral forward-looking statements attributable to us, or persons acting on our behalf, are expressly qualified in their entirety by the cautionary statements included in this report.

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Item 7A. *Quantitative and Qualitative Disclosures About Market Risk*
Interest Rate Risk

We are exposed to market risks related to changes in interest rates with respect to our Senior Credit Facility. Payments under the Senior Credit Facility are indexed to a variable interest rate. Based on borrowings outstanding as of December 31, 2014 under the Senior Credit Facility of \$365.5 million, for every one percent increase in the interest rate applicable to the Senior Credit Facility, our total annual interest expense would increase by \$4.0 million.

We have entered into certain interest rate swap arrangements for hedging purposes, fixing the interest rate on our Australian non-recourse debt. The difference between the floating rate and the swap rate on these instruments is recognized in interest expense within the respective entity. Because the interest rates with respect to these instruments are fixed, a hypothetical 100 basis point change in the current interest rate would not have a material impact on our financial condition or results of operations.

Additionally, we invest our cash in a variety of short-term financial instruments to provide a return. These instruments generally consist of highly liquid investments with original maturities at the date of purchase of three months or less. While these instruments are subject to interest rate risk, a hypothetical 100 basis point increase or decrease in market interest rates would not have a material impact on our financial condition or results of operations.

Foreign Currency Exchange Rate Risk

We are exposed to market risks related to fluctuations in foreign currency exchange rates between the U.S. Dollar, the Australian Dollar, the South African Rand and the British Pound currency exchange rates. Based upon our foreign currency exchange rate exposure as of December 31, 2014 with respect to our international operations, every 10 percent change in historical currency rates would have a \$3.1 million effect on our financial position and a \$0.8 million impact on our results of operations over the next fiscal year.

Item 8. *Financial Statements and Supplementary Data*

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MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

To the Shareholders of

The GEO Group, Inc.:

The accompanying consolidated financial statements have been prepared in conformity with accounting principles generally accepted in the United States. They include amounts based on judgments and estimates.

Representation in the consolidated financial statements and the fairness and integrity of such statements are the responsibility of management. In order to meet management's responsibility, the Company maintains a system of internal controls and procedures and a program of internal audits designed to provide reasonable assurance that our assets are controlled and safeguarded, that transactions are executed in accordance with management's authorization and properly recorded, and that accounting records may be relied upon in the preparation of financial statements.

The consolidated financial statements have been audited by Grant Thornton LLP, independent registered public accountants, whose appointment by our Audit Committee was ratified by our shareholders. Their report, which is included in this Form 10-K expresses an opinion as to whether management's consolidated financial statements present fairly in all material respects, the Company's financial position, results of operations and cash flows for each of the three years in the period ended December 31, 2014 in conformity with accounting principles generally accepted in the United States of America. The effectiveness of our internal control over financial reporting as of December 31, 2014 has also been audited by Grant Thornton LLP, independent registered public accountants, as stated in their report which is included in this Form 10-K. Their audits were conducted in accordance with the standards of the Public Company Accounting Oversight Board (United States).

The Audit Committee of the Board of Directors meets periodically with representatives of management, the independent registered public accountants and our internal auditors to review matters relating to financial reporting, internal accounting controls and auditing. Both the internal auditors and the independent registered certified public accountants have unrestricted access to the Audit Committee to discuss the results of their reviews.

George C. Zoley

Chairman and Chief Executive Officer

Brian R. Evans

Senior Vice President and Chief Financial Officer

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MANAGEMENT'S ANNUAL REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

Our management is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rules 13a-15(f) and 15d-15(f) under the Securities Exchange Act of 1934. The Company's internal control over financial reporting is a process designed under the supervision of the Company's Chief Executive Officer and Chief Financial Officer that: (i) pertains to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the Company's assets; (ii) provides reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements for external reporting in accordance with accounting principles generally accepted in the United States, and that receipts and expenditures are being made only in accordance with authorization of the Company's management and directors; and (iii) provides reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate. Management has assessed the effectiveness of the Company's internal control over financial reporting as of December 31, 2014. In making its assessment of internal control over financial reporting, management used the criteria set forth in the Internal Control – Integrated Framework issued by the 2013 Committee of Sponsoring Organizations of the Treadway Commission (COSO) (the 2013 Internal Control – Integrated Framework).

The Company evaluated, with the participation of its Chief Executive Officer and Chief Financial Officer, its internal control over financial reporting as of December 31, 2014, based on the 2013 Internal Control – Integrated Framework. Based on this evaluation, the Company's management concluded that as of December 31, 2014, its internal control over financial reporting is effective in providing reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles.

Grant Thornton LLP, the independent registered public accounting firm that audited the financial statements included in this Annual Report on Form 10-K, has issued an attestation report on our internal control over financial reporting as of December 31, 2014.

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Board of Directors and Shareholders of

The GEO Group, Inc.

We have audited the internal control over financial reporting of The GEO Group, Inc. and subsidiaries (the Company) as of December 31, 2014, based on criteria established in the 2013 *Internal Control-Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Annual Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2014, based on criteria established in the 2013 *Internal Control-Integrated Framework* issued by COSO.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated financial statements of the Company as of and for the year ended December 31, 2014, and our report dated February 25, 2015 expressed an unqualified opinion on those financial statements.

/s/ GRANT THORNTON LLP

Miami, Florida

February 25, 2015

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Board of Directors and Shareholders of

The GEO Group, Inc.

We have audited the accompanying consolidated balance sheets of The GEO Group, Inc. and subsidiaries (the Company) as of December 31, 2014 and 2013, and the related consolidated statements of operations, comprehensive income (loss), shareholders' equity, and cash flows for each of the three years in the period ended December 31, 2014. Our audits of the basic consolidated financial statements included the financial statement schedules listed in the index appearing under Item 15. These financial statements and financial statement schedules are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and financial statement schedules based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of The GEO Group, Inc. and subsidiaries as of December 31, 2014 and 2013, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2014 in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, the related financial statement schedules, when considered in relation to the basic consolidated financial statements taken as a whole, present fairly, in all material respects, the information set forth therein.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the Company's internal control over financial reporting as of December 31, 2014, based on criteria established in the 2013 *Internal Control-Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), and our report dated February 25, 2015 expressed an unqualified opinion thereon.

/s/ GRANT THORNTON LLP

Miami, Florida

February 25, 2015

Table of Contents**THE GEO GROUP, INC.****CONSOLIDATED STATEMENTS OF OPERATIONS**

Years Ended December 31, 2014, 2013 and 2012

	2014	2013	2012
	(In thousands, except per share data)		
Revenues	\$ 1,691,620	\$ 1,522,074	\$ 1,479,062
Operating Expenses (excluding depreciation and amortization)	1,245,700	1,124,865	1,089,232
Depreciation and Amortization	96,171	94,664	91,685
General and Administrative Expenses	115,018	117,061	113,792
Operating Income	234,731	185,484	184,353
Interest Income	4,747	3,324	6,716
Interest Expense	(87,368)	(83,004)	(82,189)
Loss on Extinguishment of Debt		(20,657)	(8,462)
Income Before Income Taxes, Equity in Earnings of Affiliates and Discontinued Operations	152,110	85,147	100,418
Provision (Benefit) for Income Taxes	14,093	(26,050)	(40,562)
Equity in Earnings of Affiliates, net of income tax provision of \$2,302, \$2,389 and \$1,660	5,823	6,265	3,578
Income from Continuing Operations	143,840	117,462	144,558
Loss from Discontinued Operations, net of income tax provision (benefit) of \$0, \$0, and \$(7,805)		(2,265)	(10,660)
Net Income	143,840	115,197	133,898
Less: (Income) loss Attributable to Noncontrolling Interests	90	(62)	852
Net Income Attributable to The GEO Group, Inc.	\$ 143,930	\$ 115,135	\$ 134,750
Weighted Average Common Shares Outstanding:			
Basic	72,270	71,116	60,934
Diluted	72,547	71,605	61,265
Income per Common Share Attributable to The GEO Group, Inc. (1):			
Basic:			
Income from continuing operations	\$ 1.99	\$ 1.65	\$ 2.39
Loss from discontinued operations		(0.03)	(0.17)
Net income per share basic	\$ 1.99	\$ 1.62	\$ 2.21
Diluted:			
Income from continuing operations	\$ 1.98	\$ 1.64	\$ 2.37
Loss from discontinued operations		(0.03)	(0.17)
Net income per share diluted	\$ 1.98	\$ 1.61	\$ 2.20

- (1) Note that earnings per share tables may contain summation differences due to rounding.
The accompanying notes are an integral part of these consolidated financial statements.

Table of Contents**THE GEO GROUP, INC.****CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)****Years Ended December 31, 2014, 2013 and 2012**

	2014	2013 (In thousands)	2012
Net Income	\$ 143,840	\$ 115,197	\$ 133,898
Foreign currency translation adjustments, net of income tax benefit (provision) of \$0, \$0 and \$1,784, respectively	(4,512)	(8,296)	1,561
Pension liability adjustment, net of income tax (provision) benefit of \$1,621, \$(576) and \$291, respectively	(2,522)	914	(461)
Change in fair value of derivative instrument classified as cash flow hedge, net of income tax (provision) benefit of \$2,926, \$(134) and \$261, respectively	(16,048)	183	(476)
Total other comprehensive income (loss), net of tax	(23,082)	(7,199)	624
Total comprehensive income	120,758	107,998	134,522
Comprehensive loss attributable to noncontrolling interests	140	38	968
Comprehensive income attributable to The GEO Group, Inc.	\$ 120,898	\$ 108,036	\$ 135,490

Table of Contents**THE GEO GROUP, INC.****CONSOLIDATED BALANCE SHEETS****December 31, 2014 and December 31, 2013**

	2014	2013
	(In thousands, except	
	share data)	
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 41,337	\$ 52,125
Restricted cash and investments	4,341	11,518
Accounts receivable, less allowance for doubtful accounts of \$3,315 and \$2,549, respectively	269,038	250,530
Current deferred income tax assets	25,884	20,936
Prepaid expenses and other current assets	36,806	49,236
Total current assets	377,406	384,345
Restricted Cash and Investments	19,578	18,349
Property and Equipment, Net	1,772,166	1,727,798
Contract Receivable	66,229	
Direct Finance Lease Receivable	9,256	16,944
Non-Current Deferred Income Tax Assets	5,873	4,821
Goodwill	493,890	490,196
Intangible Assets, Net	155,275	163,400
Other Non-Current Assets	102,535	83,511
Total Assets	\$ 3,002,208	\$ 2,889,364
LIABILITIES AND SHAREHOLDERS EQUITY		
Current Liabilities		
Accounts payable	\$ 58,155	\$ 47,286
Accrued payroll and related taxes	38,556	38,726
Accrued expenses and other current liabilities	140,612	114,950
Current portion of capital lease obligations, long-term debt and non-recourse debt	16,752	22,163
Total current liabilities	254,075	223,125
Non-Current Deferred Income Tax Liabilities	10,068	14,689
Other Non-Current Liabilities	87,429	64,961
Capital Lease Obligations	9,856	10,924
Long-Term Debt	1,462,819	1,485,536
Non-Recourse Debt	131,968	66,153
Commitments and Contingencies (Note 18)		
Shareholders Equity		
Preferred stock, \$0.01 par value, 30,000,000 shares authorized, none issued or outstanding		
Common stock, \$0.01 par value, 125,000,000 and 90,000,000 shares authorized, 74,190,688 and 86,662,676 issued and 74,190,688 and 72,082,071 outstanding, respectively	742	866
Additional paid-in capital	866,056	848,018
Earnings in excess of distributions	206,342	232,646
Accumulated other comprehensive loss	(27,461)	(4,429)
Treasury stock, 0 and 14,580,605 shares, at cost, respectively		(53,579)
Total shareholders equity attributable to The GEO Group, Inc.	1,045,679	1,023,522
Noncontrolling interests	314	454
Total shareholders equity	1,045,993	1,023,976

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Total Liabilities and Shareholders' Equity	\$ 3,002,208	\$ 2,889,364
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The accompanying notes are an integral part of these consolidated financial statements.

Table of Contents**THE GEO GROUP, INC.****CONSOLIDATED STATEMENTS OF CASH FLOWS****Year Ended December 31, 2014, 2013 and 2012**

	2014	2013 (In thousands)	2012
Cash Flow from Operating Activities:			
Net Income	\$ 143,840	\$ 115,197	\$ 133,898
Net (income) loss attributable to noncontrolling interests	90	(62)	852
Net income attributable to The GEO Group, Inc.	143,930	115,135	134,750
Adjustments to reconcile net income attributable to The GEO Group, Inc. to net cash provided by operating activities:			
Depreciation and amortization expense	96,171	94,664	91,685
Deferred tax provision (benefit)	(10,355)	(5,948)	(87,710)
Amortization of debt issuance costs, discount and/or premium	5,332	5,916	3,864
Stock-based compensation	8,909	7,889	6,543
Loss on extinguishment of debt		20,657	8,462
Loss on derivative instrument	1,121		
Provision for doubtful accounts	985	1,136	760
Loss on divestiture of RTS-non-cash			22,566
Equity in earnings of affiliates, net of tax	(5,823)	(6,265)	(3,578)
Tax benefit related to equity compensation	(2,035)	(2,197)	(621)
Release of reserve for uncertain tax positions		(5,701)	
Loss on sale/disposal of property and equipment and assets held for sale	490	959	6,319
Dividends received from unconsolidated joint venture	4,274	3,153	
Changes in assets and liabilities, net of acquisition:			
Changes in accounts receivable, prepaid expenses and other assets	23,809	(27,239)	44,737
Changes in contract receivable	(73,289)		
Changes in accounts payable, accrued expenses and other liabilities	9,022	(9,970)	27,410
Cash provided by operating activities continuing operations	202,541	192,189	255,187
Cash provided by operating activities discontinued operations			9,053
Net cash provided by operating activities	202,541	192,189	264,240
Cash Flow from Investing Activities:			
Acquisition of Protocol, cash consideration, net of cash acquired	(13,025)		
Acquisition of ownership interests in MCF			(35,154)
Proceeds from RTS divestiture			33,253
Proceeds from sale of property and equipment	699	205	65
Proceeds from sale of assets held for sale		1,969	5,641
Net working capital adjustment from RTS divestiture		(996)	
Change in restricted cash and investments	5,380	17,412	51,189
Capital expenditures	(114,224)	(117,566)	(107,549)
Cash used in investing activities continuing operations	(121,170)	(98,976)	(52,555)
Cash used in investing activities discontinued operations			(2,761)
Net cash used in investing activities	(121,170)	(98,976)	(55,316)
Cash Flow from Financing Activities:			
Payments on long-term debt	(678,099)	(1,134,544)	(456,485)
Proceeds from long term debt	654,000	1,238,000	358,000
Payments on non-recourse debt	(18,627)		
Proceeds from non-recourse debt	87,896		
Taxes paid related to net share settlements of equity awards	(1,844)		

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Termination of interest rate swap agreements		3,974	
Distribution to noncontrolling interests			(5,758)
Debt issuance costs - deferred	(26,420)	(23,834)	(1,398)
Debt issuance fees		(13,421)	(14,861)
Payments for purchase of treasury shares			(8,666)
Proceeds from stock options exercised	7,281	5,425	9,276
Tax benefit related to equity compensation	2,035	2,197	621
Proceeds from reissuance of treasury stock in connection with ESPP	387	319	460
Issuance of common stock under prospectus supplement	54,725		
Payment for retirement of common stock			(1,036)
Cash dividends paid	(170,234)	(147,156)	(102,435)
<i>Net cash (used in) provided by financing activities</i>	(88,900)	(69,040)	(222,282)
<i>Effect of Exchange Rate Changes on Cash and Cash Equivalents</i>	(3,259)	(3,803)	1,735
<i>Net (Decrease) Increase in Cash and Cash Equivalents</i>	(10,788)	20,370	(11,623)
<i>Cash and Cash Equivalents, beginning of period</i>	52,125	31,755	43,378
<i>Cash and Cash Equivalents, end of period</i>	\$ 41,337	\$ 52,125	\$ 31,755

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	2014	2013	2012
	(In thousands)		
<i>Supplemental Disclosures</i>			
<i>Cash paid during the year for:</i>			
Income taxes	\$ 7,976	\$ 16,697	\$ 2,997
Interest	\$ 71,669	\$ 69,304	\$ 73,901
<i>Non-cash investing and financing activities:</i>			
Deferred tax assets recorded in equity in connection with MCF Transaction	\$	\$	\$ 10,015
Stock portion of Special Dividend	\$	\$	\$ 274,402
Capital expenditures in accounts payable and accrued expenses	\$ 11,798	\$ 2,148	\$ 1,959

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

Table of Contents**THE GEO GROUP, INC.****CONSOLIDATED STATEMENTS OF SHAREHOLDERS EQUITY**

Years Ended December 31, 2014, 2013 and 2012

GEO Group Inc. Shareholders

	Common Stock		Additional	Earnings	Accumulated	Treasury Stock		Noncontrolling	Total
	Number	Amount	Paid-In	in Excess	Other	Number of	Amount	Interest	Shareholders
	of Shares		Capital	of	Comprehensive	Shares			Equity
				Distributions	Income				
					(Loss)				
					(In thousands)				
Balance, January 1, 2012	61,181	\$ 852	\$ 727,297	\$ 507,170	\$ 1,930	24,004	\$ (214,031)	\$ 15,303	\$ 1,038,521
Proceeds from stock options exercised	593	6	9,270						9,276
Tax benefit related to equity compensation			621						621
Stock based compensation expense			2,539						2,539
Restricted stock granted	315	3	(3)						
Purchase and retirement of common stock	(58)	(1)	(628)	(407)					(1,036)
Restricted stock canceled	(28)								
Amortization of restricted stock			4,449						4,449
Dividends Cash				(102,435)					(102,435)
Dividends Stock	9,689		105,784	(274,402)		(9,689)	168,618		
Purchase of treasury shares	(298)					298	(8,666)		(8,666)
Re-issuance of treasury shares (ESPP)	23		5	(9)		(23)	464		460
Increase in Ownership of Subsidiary (MCF)			(17,053)					(8,085)	(25,138)
Other adjustments to Additional Paid-In-Capital			(51)						(51)
Distribution to noncontrolling interests								(5,758)	(5,758)
Net income				134,750				(852)	133,898
Other comprehensive income					740			(116)	624
Balance, December 31, 2012	71,417	\$ 860	\$ 832,230	\$ 264,667	\$ 2,670	14,590	\$ (53,615)	\$ 492	\$ 1,047,304
Proceeds from stock options exercised	318	3	5,422						5,425
Tax benefit related to equity compensation			2,197						2,197
Stock based compensation expense			1,307						1,307
Restricted stock granted	345	3	(3)						
Restricted stock canceled	(8)								
Amortization of restricted stock			6,582						6,582
Dividends Paid				(147,156)					(147,156)
Purchase of treasury shares	10		283			(10)	36		319

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Re-issuance of treasury shares (ESPP)										
Net income					115,135				62	115,197
Other comprehensive income						(7,099)			(100)	(7,199)
Balance, December 31, 2013	72,082	\$ 866	\$ 848,018	\$ 232,646	\$	(4,429)	14,580	\$ (53,579)	\$	454 \$ 1,023,976

Table of Contents**GEO Group Inc. Shareholders**

	Common Stock		Additional Paid-In Capital	Earnings in Excess of Distributions	Accumulated Other Comprehensive Income (Loss) (In thousands)		Treasury Stock		Noncontrolling Interest	Total Shareholders Equity
	Number of Shares	Amount			Number of Shares	Amount				
Proceeds from stock options exercised	386	4	7,277							7,281
Tax benefit related to equity compensation			2,035							2,035
Stock based compensation expense			1,161							1,161
Shares withheld for net settlements of share-based awards	(54)		(428)			43	(1,416)			(1,844)
Restricted stock granted	306	3	(3)							
Retirement of treasury shares		(146)	(54,826)			(14,618)	54,972			
Restricted stock canceled	(23)									
Amortization of restricted stock			7,748							7,748
Dividends Paid				(170,234)						(170,234)
Issuance of common stock (ATM)	1,483	15	54,710							54,725
Issuance of common stock (ESPP)	11		364			(5)	23			387
Net income (loss)				143,930					(90)	143,840
Other comprehensive loss						(23,032)			(50)	(23,082)
Balance, December 31, 2014	74,191	\$ 742	\$ 866,056	\$ 206,342	\$ (27,461)		\$	\$	314	\$ 1,045,993

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

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THE GEO GROUP, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Years Ended December 31, 2014, 2013 and 2012

1. Summary of Business Organization, Operations and Significant Accounting Policies

The GEO Group, Inc., a Florida corporation, and subsidiaries (the Company or GEO) is a fully-integrated real estate investment trust (REIT) specializing in the ownership, leasing and management of correctional, detention and re-entry facilities and the provision of community-based services and youth services in the United States, Australia, South Africa and the United Kingdom. The Company owns, leases and operates a broad range of correctional and detention facilities including maximum, medium and minimum security prisons, immigration detention centers, minimum security detention centers, as well as community based re-entry facilities. The Company develops new facilities based on contract awards, using its project development expertise and experience to design, construct and finance what it believes are state-of-the-art facilities that maximize security and efficiency. The Company provides innovative compliance technologies, industry-leading monitoring services, and evidence-based supervision and treatment programs for community-based parolees, probationers and pretrial defendants. The Company also provides secure transportation services for offender and detainee populations as contracted domestically and in the United Kingdom through its joint venture GEO Amey PECS Ltd. (GEOAmey). As of December 31, 2014, GEO's worldwide operations included the ownership and/or management of approximately 79,000 beds at 98 correctional, detention and community services facilities, including idle facilities and projects under development, and also included the provision of monitoring of approximately 70,000 offenders in a community-based environment on behalf of approximately 900 federal, state and local correctional agencies located in all 50 states.

GEO, which has been in operation since 1984, began operating as a REIT for federal income tax purposes effective January 1, 2013. As a result of the REIT conversion, GEO reorganized its operations and moved non-real estate components into taxable REIT subsidiaries (TRSs). Through the TRS structure, the portion of GEO's businesses which are non-real estate related, such as its managed-only contracts, international operations, electronic monitoring services, and other non-residential and community based facilities, are part of wholly-owned taxable subsidiaries of the REIT. Most of GEO's business segments, which are real estate related and involve company-owned and company-leased facilities, are part of the REIT. The TRS structure allows the Company to maintain the strategic alignment of almost all of its diversified business segments under one entity. The TRS assets and operations will continue to be subject to federal and state corporate income taxes and to foreign taxes as applicable in the jurisdictions in which those assets and operations are located.

As a part of the Company's conversion to a REIT, the Company merged into The GEO Group REIT, Inc. (GEO REIT), a newly formed wholly-owned subsidiary of GEO. The merger became effective June 27, 2014 and was approved by the Company's shareholders on May 2, 2014. The purpose of the merger was to ensure the effective adoption of charter provisions that implement standard REIT share ownership and transfer restrictions. In the merger, shares of GEO's common stock were converted into the same number of GEO REIT shares of common stock. In addition, each share of the Company's common stock held in treasury at June 27, 2014 was retired, and a corresponding adjustment was recorded to common stock and additional paid-in capital. Effective at the time of the merger, GEO REIT was renamed The GEO Group, Inc. Also, in connection with the merger, the Company's authorized common stock was increased from 90 million shares to 125 million shares.

The consolidated financial statements have been prepared in conformity with accounting principles generally accepted in the United States. The significant accounting policies of the Company are described below.

Fiscal Year

In connection with the REIT conversion discussed above, effective December 31, 2012, the Company changed to a calendar year from a fiscal year that ended on the Sunday closest to the calendar year end and changed its fiscal quarters to coincide with each calendar quarter. For fiscal year 2012, the period began on January 2, 2012 and ended on December 31, 2012.

Table of Contents***Consolidation***

The accompanying consolidated financial statements include the accounts of the Company, its wholly-owned subsidiaries, and the Company's activities relating to the financing of operating facilities (the Company's variable interest entities (VIE) are discussed further below under ***Variable Interest Entities***). The equity method of accounting is used for investments in non-controlled affiliates in which the Company's ownership ranges from 20 to 50 percent, or in instances in which the Company is able to exercise significant influence but not control. The Company reports SACS and its 50% owned joint venture in the United Kingdom, GEOAmev, under the equity method of accounting. Noncontrolling interests in consolidated entities represent equity that other investors have contributed to SACM and, prior to its acquisition by the Company during 2012, Municipal Corrections Finance, L.P (MCF). Non-controlling interests are adjusted for income and losses allocable to the other shareholders in these entities. As further discussed under the ***Variable Interest Entities*** policy below, the Company acquired a 100% interest in MCF effective August 31, 2012 and the non-controlling interest related to MCF was reclassified to shareholders' equity attributable to GEO. In addition, on September 30, 2013, the Company completed a defeasance of the bonds related to South Texas Local Development Corporation (STLDC). Subsequent to September 30, 2013, the Company no longer includes the financial position and results of operations of any VIE's in its consolidated financial statements. All significant intercompany balances and transactions have been eliminated.

Divestiture of Residential Treatment Services

The operating results of Residential Treatment Services (RTS), which was divested on December 31, 2012 in connection with the Company's conversion to a REIT, have been retroactively reclassified to discontinued operations for the fiscal year ended December 31, 2012. Refer to Note 2- Discontinued Operations.

Discontinued Operations

The Company reports the results of operations of a component of an entity that either has been disposed of or is classified as held for sale or where the management contracts with that component have terminated either by expiration or otherwise in discontinued operations. The Company presents such events as discontinued operations so long as the financial results can be clearly identified, the future operations and cash flows are completely eliminated from ongoing operations, and so long as the Company does not have any significant continuing involvement in the operations of the component after the disposal or termination transaction.

When a component of an entity has been disposed of or classified as held for sale or a management contract is terminated, the Company looks at its overall relationship with the customer. If the operations or cash flows of the component have been (or will be) eliminated from the ongoing operations of the entity as a result of the transaction and the entity will not have significant continuing involvement in the operations of the component after the transaction, the results of operations of the component of the entity are reported in discontinued operations. If the Company will continue to maintain a relationship generating significant cash flows and having continuing involvement with the customer, the disposal, the asset held for sale classification or the loss of the management contract(s) is not treated as discontinued operations. If the disposal, the asset held for sale classification or the loss of the management contract(s) results in a loss in the overall customer relationship as no future significant cash flows will be generated and the Company will have no continuing involvement with the customer, the results are classified in discontinued operations.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. The Company's significant estimates include reserves for self-insured retention related to general liability insurance,

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workers' compensation insurance, auto liability insurance, medical malpractice insurance, employer group health insurance, projected undiscounted cash flows used to evaluate asset impairment, pension assumptions, percentage of completion and estimated cost to complete for construction projects and recoverability of notes receivable, estimated useful lives of property and equipment and intangible assets, stock based compensation and allowance for doubtful accounts. These estimates and assumptions affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. While the Company believes that such estimates are reasonable when considered in conjunction with the consolidated financial statements taken as a whole, the actual amounts of such estimates, when known, will vary from these estimates. If actual results significantly differ from the Company's estimates, the Company's financial condition and results of operations could be materially impacted.

Dividends

As a REIT, the Company is required to distribute annually at least 90% of its REIT taxable income (determined without regard to the dividends paid deduction and by excluding net capital gain). The amount, timing and frequency of future distributions, however, will be at the sole discretion of the Company's Board of Directors and will be declared based upon various factors, many of which are beyond the Company's control, including, the Company's financial condition and operating cash flows, the amount required to maintain REIT status and reduce any income and excise taxes that the Company otherwise would be required to pay, limitations on distributions in the Company's existing and future debt instruments, limitations on the Company's ability to fund distributions using cash generated through our TRSs and other factors that the Company's Board of Directors may deem relevant. The Company began paying regular REIT distributions in 2013. Refer to Note 3 Shareholders' Equity.

A REIT is not permitted to retain earnings and profits accumulated during the years it was taxed as a C corporation or earnings and profits accumulated by its subsidiaries that have been converted to qualified REIT subsidiaries, and must make one or more distributions to shareholders that equal or exceed these accumulated amounts by the end of the first REIT year. On December 31, 2012, the Company paid a one-time Pre-REIT distribution to its shareholders. Earnings and profits, which determine the taxability of distributions to shareholders, will differ from net income reported for financial reporting purposes due to the differences in the treatment of gains and losses, revenue and expenses, and depreciation for financial reporting relative to federal income tax purposes.

Cash and Cash Equivalents

Cash and cash equivalents include all interest-bearing deposits or investments with original maturities of three months or less when purchased. The Company maintains cash and cash equivalents with various financial institutions. These financial institutions are located throughout the United States, Australia, South Africa and the United Kingdom. As of December 31, 2014 and December 31, 2013, the Company had \$22.1 million and \$20.4 million in cash and cash equivalents held by its international subsidiaries, respectively.

Concentration of Credit Risk

The Company maintains deposits of cash in excess of federally insured limits with certain financial institutions and accordingly the Company is subject to credit risk. Other than cash, financial instruments that potentially subject the Company to concentrations of credit risk consist principally of trade accounts receivable, contract receivable, a direct finance lease receivable, long-term debt and financial instruments used in hedging activities. The Company's cash management and investment policies restrict investments to low-risk, highly liquid securities, and the Company performs periodic evaluations of the credit standing of the financial institutions with which it deals.

Accounts Receivable

Accounts receivable consists primarily of trade accounts receivable due from federal, state, and local government agencies for operating and managing correctional facilities, providing youth and community based

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services, providing electronic monitoring and supervision services, providing construction and design services and providing inmate residential and prisoner transportation services. The Company generates receivables with its governmental clients and with other parties in the normal course of business as a result of billing and receiving payment. The Company regularly reviews outstanding receivables, and provides for estimated losses through an allowance for doubtful accounts. In evaluating the level of established loss 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. The Company also performs ongoing credit evaluations for some of its customers' financial conditions and generally does not require collateral. Generally, the Company receives payment for these services thirty to sixty days in arrears. However, certain of the Company's accounts receivable are paid by customers after the completion of their program year and therefore can be aged in excess of one year. The Company maintains reserves for potential credit losses, and such losses traditionally have been within its expectations. Actual write-offs are charged against the allowance when collection efforts have been unsuccessful. As of December 31, 2014 and December 31, 2013, \$0.5 million and \$0.8 million, respectively, of the Company's trade receivables were considered to be long-term and are classified as Other Non-Current Assets in the accompanying Consolidated Balance Sheets.

Notes Receivable

The Company has notes receivable from its former joint venture partner in the United Kingdom related to a subordinated loan extended to the joint venture partner while an active member of the partnership. The notes bear interest at a rate of 13%, and have semi-annual payments due June 15 and December 15 through June 2018. The Company recognizes interest income on its Notes Receivable as it is earned. The balance outstanding as of December 31, 2014 and December 31, 2013 was \$1.3 million and \$2.0 million, respectively. These notes receivable are included in Other Non-Current Assets in the accompanying Consolidated Balance Sheets.

Note Receivable from Joint Venture

In May 2011, the GEO Group UK Limited, the Company's subsidiary in the United Kingdom (GEO UK), extended a non-revolving line of credit facility to GEOAmeY for the purpose of funding mobilization costs and on-going start up and operations in the principal amount of £12 million or \$18.6 million, based on the applicable exchange rate at December 31, 2014. Amounts under the line of credit were drawn down in multiple advances up to the principal amount and accrued interest at LIBOR plus 3%. The Company recognized interest income on its notes receivable as it was earned. Principal repayments by GEOAmeY under the line of credit were due in March and September, beginning September 2013, with the final payment due no later than March 30, 2018.

On October 3, 2013, the Company and its joint venture partner entered into a modified line of credit agreement with GEOAmeY. Under the modified agreement, the terms of the line of credit were amended such that (i) the balance of accrued interest at September 30, 2013, in the amount of £0.9 million or \$1.5 million, based on the applicable exchange rate at September 30, 2013, was forgiven; (ii) the principal amount was revised to be due on demand rather than in accordance with the previous repayment schedule; interest payments began accruing on January 1, 2014 and are being paid monthly; and (iii) the interest rate was reset to the base rate of the Bank of England plus 0.5%. In December 2014, GEOAmeY made a principal payment to the Company in the amount of £1.5 million, or \$2.3 million, based on exchange rates at December 31, 2014.

As of December 31, 2014, the Company was owed £10.5 million, or \$16.3 million, based on exchange rates as of December 31, 2014, under the line of credit. As of December 31, 2013, the Company was owed £12 million, or \$19.8 million. These balances are included within Other Non-Current Assets in the accompanying Consolidated Balance Sheets. Refer to Note 16 Business Segments and Geographic Information regarding the Company's investment in GEOAmeY.

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Contract Receivable

The Company's Australian subsidiary has recorded a contract receivable in connection with the construction of a 1,000-bed detention facility in Ravenhall, Australia for the State of Victoria. The contract receivable represents costs incurred and estimated earnings in excess of billings and is recorded at net present value based on the timing of expected future settlement.

Restricted Cash and Investments

The Company's restricted cash and investments at December 31, 2014 are attributable to certain cash restriction requirements at the Company's wholly owned Australian subsidiary related to the non-recourse debt, other guarantees and restricted investments related to The GEO Group Inc. Non-qualified Deferred Compensation Plan as well as dividends held for unvested restricted stock awards. The current portion of restricted cash and investments primarily represents the amount expected to be paid within the next twelve months for debt service related to the Company's non-recourse debt.

Prepaid expenses and Other Current Assets

Prepaid expenses and other current assets include assets that are expected to be realized within the next fiscal year. Included in the balance at December 31, 2014 and December 31, 2013 is \$7.9 million and \$22.4 million, respectively, of federal and state overpayments that will be or were applied against tax payments due in 2015 and 2014.

Direct Finance Leases

The Company accounts for the portion of its contracts with certain governmental agencies that represent capitalized lease payments on buildings and equipment as investments in direct finance leases. Accordingly, the minimum lease payments to be received over the term of the leases less unearned income are capitalized as the Company's investments in the leases. Unearned income is recognized as income over the term of the leases using the effective interest method.

Property and Equipment

Property and equipment are stated at cost, less accumulated amortization and depreciation. Depreciation is computed using the straight-line method over the estimated useful lives of the related assets. Buildings and improvements are depreciated over 2 to 50 years. Equipment and furniture and fixtures are depreciated over 3 to 10 years. Accelerated methods of depreciation are generally used for income tax purposes. Leasehold improvements are amortized on a straight-line basis over the shorter of the useful life of the improvement or the term of the lease. The Company performs ongoing evaluations of the estimated useful lives of the 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. If the assessment indicates that assets will be used for a longer or shorter period than previously anticipated, the useful lives of the assets are revised, resulting in a change in estimate. The Company has not made any such changes in estimates during the years ended December 31, 2014, 2013 and 2012, respectively. Maintenance and repairs are expensed as incurred. Interest is capitalized in connection with the construction of company-owned correctional and detention facilities. Cost for self-constructed correctional and detention facilities includes direct materials and labor, capitalized interest and certain other indirect costs associated with construction of the facility, such as property taxes, other indirect labor and related benefits and payroll taxes. The Company begins the capitalization of costs during the pre-construction phase, which is the period during which costs are incurred to evaluate the site, and continues until the facility is substantially complete and ready for occupancy. Labor costs capitalized for the years ended December 31, 2014, 2013 and 2012 were not significant. Capitalized interest is recorded as part of the asset to which it relates and is amortized over the asset's estimated useful life. Refer to Note 6 Property and Equipment.

Table of Contents***Asset Impairments***

The Company had property and equipment of \$1.8 billion and \$1.7 billion as of December 31, 2014 and 2013, respectively, including approximately 3,700 vacant beds at four idle facilities with a carrying value of \$114.9 million which are being marketed to potential customers as of December 31, 2014, excluding equipment and other assets that can be easily transferred for use at other facilities.

The Company reviews long-lived assets to be held and used for impairment whenever events or changes in circumstances indicate that the carrying amount of such assets may not be fully recoverable. 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 that might impair recovery of long-lived assets such as the termination of a management contract or a prolonged decrease in inmate population. If impairment indicators are present, the Company performs a recoverability test to determine whether or not an impairment loss should be measured.

The Company tests idle facilities for impairment upon notification that the facilities will no longer be utilized by the customer. If a long-lived asset is part of a group that includes other assets, the unit of accounting for the long-lived asset is its group. Generally, the Company groups assets by facility for the purpose of considering whether any impairment exists. The estimates of recoverability are based on projected undiscounted cash flows associated with actual marketing efforts where available or, in other instances, projected undiscounted cash flows that are comparable to historical cash flows from management contracts at similar facilities and sensitivity analyses that consider reductions to such cash flows. The Company's sensitivity analyses include adjustments to projected cash flows compared to the historical cash flows due to current business conditions which impact per diem rates as well as labor and other operating costs, changes related to facility mission due to changes in prospective clients, and changes in projected capacity and occupancy rates. The Company also factors in prolonged periods of vacancies as well as the time and costs required to ramp up facility population once a contract is obtained. The Company performs the impairment analyses on an annual basis for each of the idle facilities and takes into consideration updates each quarter for market developments affecting the potential utilization of each of the facilities in order to identify events that may cause the Company to reconsider the most recent assumptions. Such events could include negotiations with a prospective customer for the utilization of an idle facility at terms significantly less favorable than the terms used in the Company's most recent impairment analysis, or changes in legislation surrounding a particular facility that could impact the Company's ability to house certain types of inmates at such facility. Further, a substantial increase in the number of available beds at other facilities the Company owns, or in the marketplace, could lead to deterioration in market conditions and projected cash flows. Although they are not frequently received, an unsolicited offer to purchase any of the Company's idle facilities, at amounts that are less than their carrying value could also cause the Company to reconsider the assumptions used in the most recent impairment analysis. The Company has identified marketing prospects to utilize each of the remaining currently idled facilities and does not see any catalysts that would result in a current impairment. However, the Company can provide no assurance that it will be able to secure management contracts to utilize its idle facilities, or that it will not incur impairment charges in the future. In all cases, the projected undiscounted cash flows in our analysis as of December 31, 2014 substantially exceeded the carrying amounts of each facility.

The Company's evaluations also take into consideration historical experience in securing new management contracts to utilize facilities that had been previously idled for periods comparable to or in excess of the periods the Company's currently idle facilities have been idle. Such previously idle facilities are currently being operated under contracts that generate cash flows resulting in the recoverability of the net book value of the previously idled facilities by substantial amounts. Due to a variety of factors, the lead time to negotiate contracts with federal and state agencies to utilize idle bed capacity is generally lengthy which has historically resulted in periods of idleness similar to the ones the Company is currently experiencing. As a result of its analyses, the Company determined each of these assets to have recoverable values substantially in excess of the corresponding carrying values.

By their nature, these estimates contain uncertainties with respect to the extent and timing of the respective cash flows due to potential delays or material changes to forecasted terms and conditions in contracts with prospective customers that could impact the estimate of projected cash flows. Notwithstanding the effects the

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current economy has had on the Company's customers' demand for prison beds in the short term which has led to its decision to idle certain facilities, the Company believes the long-term trends favor an increase in the utilization of its idle correctional facilities. This belief is also based on the Company's experience in working with governmental agencies faced with significant budgetary challenges which is a primary contributing factor to the lack of appropriated funding to build new bed capacity by federal and state agencies.

Assets Held under Capital Leases

Assets held under capital leases are recorded at the lower of the net present value of the minimum lease payments or the fair value of the leased asset at the inception of the lease. Amortization expense is recognized using the straight-line method over the shorter of the estimated useful life of the asset or the term of the related lease and is included in depreciation expense.

Goodwill and Other Intangible Assets***Goodwill***

The Company has recorded goodwill as a result of its business combinations. Goodwill is recorded as the difference, if any, between the aggregate consideration paid for an acquisition and the fair value of the net tangible assets and other intangible assets acquired. The Company's goodwill is not amortized and is tested for impairment annually on the first day of the fourth fiscal quarter, and whenever events or circumstances arise that indicate impairment may have occurred. Impairment testing is performed for all reporting units that contain goodwill. The reporting units are the same as the reporting segment for U.S. Corrections & Detention and are at the operating segment level for GEO Care. On the measurement date of October 1, 2014, the Company's management elected to qualitatively assess the Company's goodwill for impairment for certain of its reporting units, pursuant to the provisions of Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2011-08. For one of its other reporting units, the Company elected to quantitatively assess the Company's goodwill for impairment as discussed further below. Under provisions of the qualitative analysis, when testing goodwill for impairment, the Company first assesses 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, the Company determines it is more likely than not that the fair value of a reporting unit is less than its carrying amount, the Company performs the first step of the two-step impairment test by calculating the fair value of the reporting unit, using a discounted cash flow method, and comparing the fair value with the carrying amount of the reporting unit. If the carrying amount of a reporting unit exceeds its fair value, the Company performs the second step of the goodwill impairment test to measure the amount of the impairment loss, if any. The qualitative factors used by the Company's management to determine the likelihood that the fair value of the reporting unit is less than the carrying amount include, among other things, a review of overall economic conditions and their current and future impact on the Company's existing business, the Company's financial performance, industry outlook and market competition.

For the reporting unit that the Company elected to quantitatively assess the goodwill for impairment, the Company used a third party valuation firm to determine the estimated fair value of the reporting unit using a discounted cash flow and other valuation models. Growth rates for sales and profits are determined using inputs from the Company's long term planning process. The Company also makes estimates for discount rates and other factors based on market conditions, historical experience and other economic factors. Changes in these factors could significantly impact the fair value of the reporting unit. During the year, the Company's management monitors the actual performance of the business relative to the fair value assumptions used during the prior year annual impairment test and updates its annual impairment test, if needed, to determine the likelihood that the goodwill has been impaired. With respect to the reporting units that were assessed qualitatively, management determined that it was more likely than not that the fair values of the reporting units exceeded their carrying values. With respect to the reporting unit that was assessed quantitatively, management concluded that the estimated fair value exceeded its carrying value.

Table of Contents***Other Intangible Assets***

The Company has also recorded other finite and indefinite lived intangible assets as a result of previously completed business combinations. Other acquired finite and indefinite lived intangible assets are recognized separately if the benefit of the intangible asset is obtained through contractual or other legal rights, or if the intangible asset can be sold, transferred, licensed, rented or exchanged, regardless of the Company's intent to do so. The Company's intangible assets include facility management contracts, the BI and Protocol (BI's recently acquired subsidiary) trade names and technology. The facility management contracts represent customer relationships in the form of management contracts acquired at the time of each business combination; the value of BI's and Protocol's trade names represent, among other intangible benefits, name recognition to its customers and intellectual property rights; and the acquired technology represents BI's innovation with respect to its GPS tracking monitoring, radio frequency monitoring, voice verification monitoring and alcohol compliance systems and Protocol's innovation with respect to its customer relationship management software. When establishing useful lives, the Company considers the period and the pattern in which the economic benefits of the intangible asset are consumed or otherwise used up; or, if that pattern cannot be reliably determined, using a straight-line amortization method over a period that may be shorter than the ultimate life of such intangible asset. The Company currently amortizes its acquired facility management contracts over periods ranging from three to eighteen years and its acquired technology over seven years. There is no residual value associated with the Company's finite-lived intangible assets. The Company reviews its finite lived intangible assets for impairment whenever events or changes in circumstances indicate that the carrying amount of such assets may not be fully recoverable. The Company does not amortize its indefinite lived intangible assets. The Company reviews its indefinite lived intangible assets annually or more frequently if events or changes in circumstances indicate that the asset might be impaired. These reviews resulted in no impairment to the carrying value of the indefinite lived intangible assets for all periods presented. The Company records the costs associated with renewal and extension of facility management contracts as expenses in the period they are incurred.

Debt Issuance Costs

Debt issuance costs, net of accumulated amortization of \$21.5 million and \$19.5 million, totaling \$53.9 million and \$33.1 million at December 31, 2014 and 2013, respectively, are included in Other Non-Current Assets in the accompanying Consolidated Balance Sheets and are amortized to interest expense using the effective interest method over the term of the related debt. When evaluating the accounting for debt transactions and the related costs, in instances when there is a significant decrease in a creditor's individual principal balance, the Company expenses the associated unamortized debt issuance costs.

Variable Interest Entities

The Company evaluates its joint ventures and other entities in which it has a variable interest (a VIE), generally in the form of investments, loans, guarantees, or equity in order to determine if it has a controlling financial interest and is required to consolidate the entity as a result. The reporting entity with a variable interest that provides the entity with a controlling financial interest in the VIE will have both of the following characteristics: (i) the power to direct the activities of a VIE that most significantly impact the VIE's economic performance and (ii) the obligation to absorb the losses of the VIE that could potentially be significant to the VIE or the right to receive benefits from the VIE that could potentially be significant to the VIE.

The Company consolidated STLDC, a VIE, until September 30, 2013. STLDC was created to finance construction for the development of a 1,904-bed facility in Frio County, Texas. STLDC, the owner of the complex, issued \$49.5 million in taxable revenue bonds and had an operating agreement with the Company, which provided the Company with the sole and exclusive right to operate and manage the detention center. The operating agreement and bond indenture required the revenue from the contract to be used to fund the periodic debt service requirements as they became due. The net revenues, if any, after various expenses such as trustee fees, property taxes and insurance premiums were distributed to the Company to cover operating expenses and management fees. The Company was responsible for the entire operations of the facility including the payment

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of all operating expenses whether or not there were sufficient revenues. The bonds had a 10-year term and were non-recourse to the Company. At the end of the 10-year term of the bonds, or if the bonds were redeemed, canceled or defeased, title and ownership of the facility would transfer from STLDC to the Company.

On September 30, 2013, the Company completed a defeasance of the bonds and the title to the facility was transferred to the Company. In connection with the defeasance, the Company incurred a \$1.5 million loss on extinguishment of debt which represented the excess of the reacquisition price of the defeasance over the net carrying value of the bonds and other defeasance related fees and expenses. Upon the closing of the transaction, the operating agreement was terminated and STLDC is no longer a VIE and is no longer consolidated by the Company.

MCF was created in August 2001 as a special limited partnership for the purpose of acquiring, owning, leasing and operating low to medium security adult and juvenile correction and treatment facilities. At its inception, MCF purchased assets representing eleven facilities from certain wholly owned subsidiaries of Cornell Companies, Inc. (Cornell), a wholly owned GEO subsidiary, and leased those assets back to Cornell under a Master Lease Agreement (the Lease). These assets were purchased from Cornell using proceeds from the 8.47% Revenue Bonds due 2016 (the MCF bonds). Under the terms of the Lease, the Company would lease the assets for the remainder of the 20-year base term, which was scheduled to end in 2021, and had options at its sole discretion to renew the Lease for up to approximately 25 additional years. Prior to the transaction discussed below, MCF's sole source of revenue was from the Company and as such the Company had the power to direct the activities of the VIE that most significantly impacted its performance. The Company's risk was generally limited to the rental obligations under the operating leases. This entity was included in the accompanying consolidated financial statements as a VIE through August 31, 2012. The non-controlling interests were also included in the accompanying consolidated financial statements through August 31, 2012. Upon the purchase of the ownership interests in MCF as discussed below, MCF is no longer a VIE but is still included in the accompanying consolidated financial statements and all intercompany transactions are eliminated in consolidation.

On August 31, 2012, the Company purchased 100% of the partnership interests of MCF from the third party holders of these interests for a total net consideration of \$35.2 million. After the purchase, the Company redeemed the MCF bonds. As the transaction increased GEO's ownership interest in MCF, from 0% to 100%, and GEO retained its controlling interest in MCF, the purchase of the partnership interests has been accounted for as an equity transaction with additional paid-in capital adjusted for the difference between the August 31, 2012 balance of the non-controlling interest in MCF of \$8.1 million and the \$35.2 million consideration paid, net of MCF deferred tax assets of \$10.0 million, with no gain or loss recorded in consolidated net income or comprehensive income. Refer to Note 3 Shareholders' Equity. The Company incurred costs related to the purchase of the ownership interests of MCF of \$1.6 million for the fiscal year ended December 31, 2012. These costs were expensed as incurred and included in general and administrative expenses in the accompanying Consolidated Statements of Operations.

The Company does not consolidate its 50% owned South African joint venture interest in South African Custodial Services Pty. Limited (SACS), a VIE. SACS joint venture investors are GEO and Kensani Corrections, Pty. Ltd (an independent third party); each partner owns a 50% share. The Company has determined it is not the primary beneficiary of SACS since it does not have the power to direct the activities of SACS that most significantly impact its performance. As such, the Company's investment in this entity is accounted for under the equity method of accounting. SACS was established and subsequently, in 2001, was awarded a 25-year contract to design, finance and build the Kutama Sinthumule Correctional Centre in Louis Trichardt, South Africa. To fund the construction of the prison, SACS obtained long-term financing from its equity partners and lenders, the repayment of which is fully guaranteed by the South African government, except in the event of default, in which case the government guarantee is reduced to 80%. The Company's maximum exposure for loss under this contract is limited to its investment in the joint venture of \$8.0 million at December 31, 2014 and its guarantees related to SACS are discussed in Note 14 Debt.

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The Company does not consolidate its 50% owned joint venture in the United Kingdom. In February 2011, The GEO Group Limited, the Company's wholly-owned subsidiary in the United Kingdom (GEO UK), executed a Shareholders Agreement (the Shareholders Agreement) with Amey Community Limited (Amey) and Amey UK PLC (Amey Guarantor) to form GEO Amey PECS Limited (GEOAmey), a private company limited by shares incorporated in England and Wales. GEOAmey was formed by GEO UK and Amey (an independent third party) for the purpose of performing prisoner escort and related custody services in England and Wales. In order to form this private company, GEOAmey issued share capital of £100 divided into 100 shares of £1 each and allocated the shares 50/50 to GEO UK and Amey. GEO UK and Amey each have three directors appointed to the Board of Directors and neither party has the power to direct the activities that most significantly impact the performance of GEOAmey. As such, the Company's investment in this entity is accounted for under the equity method of accounting. Both parties provide lines of credit of £12.0 million, or \$18.6 million, based on exchange rates in effect as of December 31, 2014, to ensure that GEOAmey can comply with future contractual commitments related to the performance of its operations. As of December 31, 2014, \$16.3 million was owed to the Company by GEOAmey under the line of credit. GEOAmey commenced o