
Section 1: 8-K (8-K)

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549**

FORM 8-K

**CURRENT REPORT
Pursuant to Section 13 or 15(d)
of The Securities Exchange Act of 1934**

Date of Report (Date of earliest event reported): April 27, 2016

THE GEO GROUP, INC.

(Exact Name of Registrant as Specified in its Charter)

Florida
(State or Other Jurisdiction
of Incorporation)

1-14260
(Commission
File Number)

65-0043078
(IRS Employer
Identification No.)

621 NW 53rd Street, Suite 700, Boca Raton, Florida
(Address of Principal Executive Offices)

33487
(Zip Code)

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

N/A
(Former Name or Former Address, if Changed Since Last Report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (*see* General Instructions A.2. below):

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
 - Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
 - Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
 - Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))
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Section 2 Financial Information

Item 2.02. Results of Operations and Financial Condition.

On April 28, 2016, The GEO Group, Inc. (“GEO” or the “Company”) issued a press release (the “Earnings Press Release”) announcing its financial results for the quarter ended March 31, 2016, updating its financial guidance for full year 2016 and issuing its financial guidance for the second quarter 2016. A copy of the Earnings Press Release is furnished hereto as Exhibit 99.1. GEO also held a conference call on April 28, 2016 to discuss these matters, a transcript of which is furnished hereto as Exhibit 99.2.

In the Earnings Press Release, GEO provided Net Operating Income, EBITDA, Adjusted EBITDA, Funds From Operations, Normalized Funds From Operations, Adjusted Funds From Operations and Adjusted Net Income for the quarter ended March 31, 2016 and the comparable prior-year period that were not calculated in accordance with Generally Accepted Accounting Principles (the “Non-GAAP Information”) and are presented as supplemental disclosures. Generally, for purposes of Regulation G under the Securities Exchange Act of 1934, Non-GAAP Information is any numerical measure of a company’s performance, financial position, or cash flows that either excludes or includes amounts that are not normally excluded or included in the most directly comparable measure calculated and presented in accordance with GAAP. The Earnings Press Release presents the financial measure calculated and presented in accordance with GAAP, which is the most directly comparable to the Non-GAAP Information, with a prominence equal to or greater than its presentation of the Non-GAAP Information. The Earnings Press Release also contains a reconciliation of the Non-GAAP Information to the financial measure calculated and presented in accordance with GAAP which is the most directly comparable to the Non-GAAP Information.

Net Operating Income is defined as revenues less operating expenses, excluding depreciation and amortization expense, general and administrative expenses, real estate related operating lease expense and start-up expenses, pre-tax. Net Operating Income is calculated as net income attributable to GEO adjusted by subtracting net loss attributable to non-controlling interests, equity in earnings of affiliates, net of income tax provision, and by adding income tax (benefit) provision, interest expense, net of interest income, depreciation and amortization expense, general and administrative expenses, real estate related operating lease expense and start-up expenses, pre-tax.

EBITDA is defined as Net Operating Income adjusted by subtracting general and administrative expenses, real estate related operating lease expense, and start-up expenses, pre-tax, and by adding equity in earnings of affiliates, pre-tax. Adjusted EBITDA is defined as EBITDA adjusted for net loss/income attributable to non-controlling interests, stock-based compensation expenses, pre-tax, and certain other adjustments as defined from time to time, including for the periods presented M&A related expenses, pre-tax, and start-up expenses, pre-tax. Given the nature of GEO’s business as a real estate owner and operator, GEO believes that EBITDA and Adjusted EBITDA are helpful to investors as measures of its operational performance because they provide an indication of its ability to incur and service debt, to satisfy general operating expenses, to make capital expenditures and to fund other cash needs or reinvest cash into its business. GEO believes that by removing the impact of its asset base (primarily depreciation and amortization) and excluding certain non-cash charges, amounts spent on interest and taxes, and certain other charges that are highly variable from year to year, EBITDA and Adjusted EBITDA provide its investors with performance measures that reflect the impact to operations from trends in occupancy rates, per diem rates and operating costs, providing a perspective not immediately apparent from income from continuing operations. The adjustments GEO makes to derive the non-GAAP measures of EBITDA and Adjusted EBITDA exclude items which may cause short-term fluctuations in income from continuing operations and which GEO does not consider to be the fundamental attributes or primary drivers of its business plan and they do not affect GEO’s overall long-term operating performance. EBITDA and

Adjusted EBITDA provide disclosure on the same basis as that used by GEO's management and provide consistency in its financial reporting, facilitate internal and external comparisons of its historical operating performance and its business units and provide continuity to investors for comparability purposes.

Funds from Operations, or FFO, is defined in accordance with 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 United States 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. Normalized Funds from Operations, or 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 GEO's actual operating performance, including for the periods presented M&A related expenses, net of tax, and start-up expenses, net of tax.

Adjusted Funds from Operations, or 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 issuance costs, discount and/or premium and other non-cash interest, and by subtracting recurring consolidated maintenance capital expenditures.

Adjusted Net Income is defined as Net Income Attributable to GEO adjusted for certain items which by their nature are not comparable from period to period or that tend to obscure GEO's actual operating performance, including for the periods presented M&A related expenses, net of tax, and start-up expenses, net of tax.

Because of the unique design, structure and use of GEO's correctional facilities, the Company believes that assessing the performance of its 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. GEO has modified FFO to derive Normalized FFO and AFFO that meaningfully reflect its operations. GEO's assessment of its operations is focused on long-term sustainability. The adjustments GEO makes 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 GEO's cash flows, or the Company does not consider them to be fundamental attributes or the primary drivers of GEO's business plan and they do not affect GEO's overall long-term operating performance.

GEO may make adjustments to FFO from time to time for certain other income and expenses that do not reflect a necessary component of GEO's 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 GEO's 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. GEO believes the presentation of FFO, Normalized FFO and AFFO provide useful information to investors as they provide an indication of GEO's ability to fund capital expenditures and expand its business. FFO, Normalized FFO and AFFO provide disclosure on the same basis as that used by GEO's management and provide consistency in its financial reporting, facilitate internal and external comparisons of its historical operating performance and its business units and provide continuity to investors for comparability purposes. Additionally, FFO, Normalized FFO and AFFO are widely recognized measures in GEO's industry as a real estate investment trust.

The Earnings Press Release contains reconciliation tables for Net Operating Income, EBITDA and Adjusted EBITDA, Funds from Operations, Normalized Funds from Operations, Adjusted Funds from Operations and Adjusted Net Income.

GEO has presented in the Earnings Press Release certain forward-looking statements about GEO's future financial performance that include non-GAAP financial measures, including, Net Operating Income, Adjusted EBITDA and Adjusted Funds from Operations. The determination of the amounts that are excluded from these non-GAAP financial measures is a matter of management judgment and depends upon, among other factors, the nature of the underlying expense or income amounts recognized in a given period. While GEO has provided a high level reconciliation for the guidance ranges for full year 2016, it is unable to present a more detailed quantitative reconciliation of the forward-looking non-GAAP financial measures to their most directly comparable forward-looking GAAP financial measures because management cannot reliably predict all of the necessary components of such GAAP measures. The quantitative reconciliation of the forward-looking GAAP financial measures will be provided for completed annual and quarterly periods, as applicable, calculated in a consistent manner with the quantitative reconciliation of non-GAAP financial measures previously reported for completed annual and quarterly periods.

The Non-GAAP Information should be considered in addition to results that are prepared under current accounting standards but should not be considered a consolidated substitute for, or superior to, financial information prepared in accordance with GAAP. The Non-GAAP Information may differ from similarly titled measures presented by other companies. The Non-GAAP Information, as well as other information in the Earnings Press Release, should be read in conjunction with GEO's financial statements filed with the Securities and Exchange Commission. The information set forth in Item 2.02 in this Form 8-K is being furnished and shall not be deemed "filed" for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, or otherwise subject to the liabilities of that section. The information set forth in Item 2.02 in this Form 8-K shall not be incorporated by reference into any registration statement or other document pursuant to the Securities Act of 1933, as amended.

Section 5 Corporate Governance and Management

Item 5.02. Departure of Directors or Certain Officers; Election of Directors; Appointment of Certain Officers; Compensatory Arrangements of Certain Officers.

At the 2016 Annual Meeting of Shareholders of GEO held on April 27, 2016, the shareholders of the Company approved The GEO Group, Inc. Senior Management Performance Award Plan, as Amended and Restated, which we refer to as the Performance Award Plan. This Performance Award Plan is substantially similar to the senior executive bonus plan the Company had in place since 2010 and the senior executive bonus plan previously approved by the Company's shareholders at the 2015 annual shareholders' meeting in order to preserve the tax deductibility of cash incentive awards to executive officers under Section 162(m) of the Internal Revenue Code of 1986, as amended (the "Code").

The Compensation Committee and Board of Directors ("Board") approved the Performance Award Plan in March 2016, subject to shareholder approval. The principal modification that was made to the Performance Award Plan is to increase the target annual cash incentive performance award to the Chief Executive Officer from 100% of his base salary to 150% of his base salary. This modification was made pursuant to the Compensation Committee's review of Mr. Zoley's total compensation. During 2015, the Compensation Committee engaged Pay Governance to conduct an assessment of Mr. Zoley's total compensation, including his annual cash incentive compensation. As a result of this assessment and Pay Governance's recommendation, the Compensation Committee determined to increase Mr. Zoley's target annual cash incentive amount from 100% of this base salary to 150% of his base salary and determined to decrease Mr. Zoley's base salary from \$1,215,000 to \$1,000,000 in order to better align Mr. Zoley's total

compensation with the market and the Institutional Shareholder Services peer group and in order to reallocate his total compensation so that a greater percentage of his total compensation is tied to the performance of the Company.

The following is a brief description of the key features of the Performance Award Plan:

Eligible Employees/Performance Awards

All of our named executive officers as well as our Senior Vice Presidents who are not named executive officers, are eligible to participate in the Performance Award Plan. Under the plan, each of GEO's named executive officers is eligible to receive annual cash incentive compensation based on GEO's budgeted revenue and net income after tax for the fiscal year. For purposes of the plan, net income after tax means GEO's net income after all federal, state and local taxes. Extraordinary items and changes in accounting principles, as defined by U.S. generally accepted accounting principles, may be disregarded in determining GEO's net income after tax. Non-recurring and unusual items not included or planned for in GEO's annual budget may also be excluded from net income after tax in the sole and absolute discretion of the Compensation Committee. In determining the amount of annual incentive cash compensation awarded, net income after tax is weighted 65% and revenue is weighted 35% (collectively, the "Target Weighting of Revenue and Net-Income-After-Tax").

The following table shows, for each named executive officer, the annual incentive target amount as a percentage of salary that the respective officer is eligible to receive under the Performance Award Plan.

Named Executive Officer:	Annual Incentive Target Amount (As a Percentage of Salary):
Chief Executive Officer	150%
Chief Financial Officer	50%
Senior Vice Presidents	45%

Under the terms of the Performance Award Plan, each named executive officer's annual incentive cash compensation award is calculated by applying the following percentage adjustment methodology separately to the respective Target Weighting of Revenue and Net-Income-After-Tax results in accordance with the following table:

Percentage of Budgeted Fiscal Year Targets Achieved for Revenue and for Net-Income-After-Tax	Percentage by which the Target Weighting of Revenue and Net-Income-After- Tax is Reduced/Increased
Less than 80%	No Performance Award
80% — 100%	2.5 times the percentage (negative) difference between the actual achieved percentages of budgeted Revenue and Net-Income-After-Tax targets and 100% of the Revenue and Net-Income-After-Tax targets
100%	No Adjustment to Target Weighting
101% — 120%	(Amounts over 120% shall not be considered for purposes of this calculation) 2.5 times the percentage (positive) difference between the actual achieved percentages of budgeted Revenue (up to 120%) and Net-Income-After-Tax targets and 100% of the Revenue and Net-Income-After-Tax targets

In addition to the amounts above, if the budgeted goals for revenue and net income after tax are exceeded, the annual incentive target amounts for the Chief Financial Officer and the other Senior Vice Presidents may be increased up to an additional 50% of the executive's annual incentive target amount upon the recommendation of the Chief Executive Officer subject to the approval of the Compensation Committee. The Chief Executive Officer is not eligible for discretionary adjustments. The 50% discretionary adjustment is by definition not based on any objective criteria and is based solely on the CEO's and Compensation Committee's judgment. Factors typically considered by the Compensation Committee and the Chief Executive Officer in determining whether to grant the discretionary award include the contribution of the particular individual during the fiscal year and the overall performance of GEO during the fiscal year. GEO does not set performance targets under the Performance Award Plan in advance, the achievement of which would require payment of the discretionary adjustment under the Performance Award Plan.

Payment of Performance Awards

Performance Awards will be paid in cash as soon as practicable after the award amounts are approved and certified in writing by the Compensation Committee.

Amendment and Termination

The Board may, in its sole discretion, amend, modify, suspend, discontinue or terminate the Performance Award Plan or adopt a new plan in place of the Performance Award Plan at any time. However, no amendment, suspension or termination may, without the consent of the participant, alter or impair a participant's right to receive payment of a Performance Award for any fiscal year that is payable under the Performance Award Plan.

Under the terms of the Performance Award Plan, no amendment to the Performance Award Plan may alter the performance goals, increase the maximum amount which can be awarded to any participant, change the class of eligible employees or the target performance awards (% of salary) or make any other change that would require shareholder approval under the exemption for performance-based compensation under Section 162(m) of the Code, in each case, without the prior approval of GEO's shareholders (to the extent required under the performance-based compensation exception of Section 162(m) of the Code).

Termination of Employment

Under the terms of the Performance Award Plan, if an executive is terminated for cause, the executive will automatically forfeit any annual incentive cash compensation with respect to the fiscal year during which such termination occurs. If an executive voluntarily terminates employment prior to the end of any fiscal year (other than as a result of the retirement of the executive or, in the case of the Chief Executive Officer or Chief Financial Officer, as a result of a termination of employment by any of them for good reason (as defined in their respective employment agreements)), the executive will automatically forfeit any award for such fiscal year unless the Chief Executive Officer, in his sole and absolute discretion, grants a prorated annual incentive cash compensation award in an amount not to exceed the amount the executive would have received if the executive had remained employed for the entire fiscal year, based on the actual financial results of GEO as determined following the end of such fiscal year.

In the event (i) an executive is terminated by GEO without cause, (ii) an executive's employment is terminated due to death or disability, (iii) in the case of the Chief Executive Officer or Chief Financial Officer, any of them terminates their employment for good reason (as defined in their respective employment agreements), or (iv) in the case of the retirement of an executive which occurs effective as of

a date following the 90th day of the applicable fiscal year of GEO, then the executive is entitled to receive a prorated portion of the annual incentive cash compensation award the executive would have received under the Performance Award Plan if the executive had remained employed by GEO for the entire fiscal year, based on the actual financial results of GEO as determined following the end of such fiscal year.

A copy of the Performance Award Plan is attached as Exhibit 10.1 to this Current Report on Form 8-K and is incorporated herein by reference.

Item 5.07. Submission of Matters to a Vote of Security Holders.

The GEO 2016 Annual Meeting of Shareholders was held on April 27, 2016. The following matters were voted on at the meeting: (1) the election of six directors for a term of one year and until their successors are duly elected and qualified, (2) the ratification of the appointment of Grant Thornton LLP to serve as GEO’s independent registered public accountants for the 2016 fiscal year, (3) the approval, in a non-binding advisory vote, of the compensation paid to GEO’s named executive officers, as disclosed in GEO’s Proxy Statement for the 2016 Annual Meeting of Shareholders, pursuant to Item 402 of Regulation S-K, including the Compensation Discussion and Analysis, compensation tables and narrative discussion, (4) the approval of the Performance Award Plan, (5) a shareholder proposal regarding shareholder proxy access, and (6) a shareholder proposal regarding publishing an annual independent human rights report. The final voting results for each matter submitted to a vote of shareholders at the meeting are set forth below.

1. All of the Board’s director nominees were elected for a term of one year and until their successors are duly elected and qualified, by the votes set forth in the table below:

	<u>Votes For</u>	<u>Votes Withheld</u>	<u>Broker Non-Votes</u>
Clarence E. Anthony	63,352,930	527,343	6,612,192
Anne N. Foreman	60,822,326	3,057,947	6,612,192
Richard H. Glanton	60,822,326	3,057,947	6,612,192
Christopher C. Wheeler	63,012,659	867,614	6,612,192
Julie Myers Wood	58,161,206	5,719,067	6,612,192
George C. Zoley	62,886,713	993,560	6,612,192

2. The appointment of Grant Thornton LLP as GEO’s independent registered public accountants for the 2016 fiscal year was ratified by the shareholders, by the votes set forth in the table below:

For:	69,494,201
Against:	378,589
Abstain:	619,675
Broker Non-Votes:	—

3. The shareholders approved, in a non-binding advisory vote, the compensation of GEO's named executive officers, by the votes set forth in the table below:

For:	62,117,113
Against:	955,700
Abstain:	807,460
Broker Non-Votes:	6,612,192

4. The shareholders approved the Performance Award Plan, by the votes set forth in the table below:

For:	61,833,382
Against:	1,238,474
Abstain:	808,417
Broker Non-Votes:	6,612,192

5. The shareholders did not approve the shareholder proposal regarding shareholder proxy access, by the votes set forth in the table below:

For:	22,627,847
Against:	40,491,648
Abstain:	760,778
Broker Non-Votes:	6,612,192

6. The shareholders did not approve the shareholder proposal regarding publishing an independent human rights report, by the votes set forth in the table below:

For:	11,510,844
Against:	41,932,781
Abstain:	10,436,648
Broker Non-Votes:	6,612,192

Section 9 Financial Statements and Exhibits

Item 9.01. Financial Statements and Exhibits.

(d) *Exhibits*

<u>Exhibit No.</u>	<u>Description</u>
10.1	The GEO Group, Inc. Senior Management Performance Award Plan, as Amended and Restated.
99.1	Press Release, dated April 28, 2016, announcing GEO's financial results for the first quarter ended March 31, 2016.
99.2	Transcript of Conference Call discussing GEO's financial results for the first quarter ended March 31, 2016.

SIGNATURES

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

THE GEO GROUP, INC.

May 2, 2016

Date

By: /s/ Brian R. Evans

Brian R. Evans
Senior Vice President and Chief Financial Officer
(Principal Financial Officer)

EXHIBIT INDEX

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Section 2: EX-10.1 (EX-10.1)

Exhibit 10.1

THE GEO GROUP, INC. SENIOR MANAGEMENT PERFORMANCE AWARD PLAN AS AMENDED AND RESTATED ON APRIL 27, 2016

1. PURPOSE

The purpose of this Plan is to attract, retain, and motivate designated key employees of the Company by providing performance-based cash awards. The Company believes such awards create a strong incentive for the key employees participating in the Plan to expend maximum effort for the growth and success of the Company. This Plan is effective for fiscal years of the Company commencing on or after January 1, 2016.

2. DEFINITIONS

Unless the context otherwise requires, for purposes of this Plan, the terms below shall have the following meanings:

“Board” shall mean the Board of Directors of the Company.

“Code” shall mean the Internal Revenue Code of 1986, as amended and any successor thereto.

“Code Section 162(m) Exception” shall mean the exception for performance-based compensation under Section 162(m) of the Code or any successor section and the Treasury regulations promulgated thereunder.

“Code Section 409A” shall mean Section 409A of the Code, and its implementing regulations and guidance.

“Company” shall mean The GEO Group, Inc. and any successor by merger, consolidation or otherwise.

“Committee” shall mean the Compensation Committee of the Board or such other Committee of the Board that is appointed by the Board to administer this Plan; it is intended that all of the members of any such Committee shall satisfy the requirements to be outside directors, as defined under Code Section 162(m).

“Discretionary Adjustment” shall have the meaning set forth in Section 5.3.

“Net-Income-After-Tax” means net income of the Company, after all federal, state and local taxes. For purposes of determining Net-Income-After-Tax, extraordinary items and changes in accounting principles, as defined by United States generally accepted accounting principles, shall be disregarded. Extraordinary items shall include, but are not limited to, items of unusual and infrequent nature (i.e., loss incurred in the early extinguishment of debt). Changes in accounting principles shall include, but are not limited to, those that occur as a result of new pronouncements or requirements issued by accounting authorities including, but not limited to, the Securities Exchange Commission and the Financial Accounting Standards Board. To the extent compliant with the Code Section 162(m) Exception, non-recurring and unusual items not included or planned for in the Company's annual budget may be excluded from Net-Income-After-Tax in the sole and absolute discretion of the Committee.

“Participant” shall mean an executive employee of the Company eligible to receive a Performance Award in accordance with this Plan. The executive employees of the Company eligible to participate in the Plan are listed in Section 4 hereof.

“Performance Award” shall mean the amount paid or payable under Section 5.2 hereof.

“Performance Goals” shall mean the objective performance goals, formulas and standards described in Section 5.1 hereof.

“Plan” shall mean this Senior Management Performance Award Plan of the Company.

“Plan Year” shall mean a fiscal year of the Company.

“**Pro Rata**” shall mean a portion of a Performance Award based on the number of days worked during a Plan Year as compared to the total number of days in the Plan Year.

“**Revenue**” shall mean gross revenues of the Company.

“**Salary**” shall mean the Participant’s base salary in effect on the earlier of (i) the last day of the Plan Year or (ii) December 31st of such Plan Year, not taking into account any deferrals of base salary that such Participant may make to a 401(k) plan, a Section 125 plan or any other deferred compensation plan; provided, however, that the term “Salary” shall not, in any event, with respect to any Participant, exceed \$2,000,000.

“**Target Performance Award**” shall mean the targeted Performance Award, expressed as a percentage of Salary as set forth in Section 4 hereof.

3. GOVERNANCE

The Plan shall be governed by the Committee. The Committee shall have the exclusive authority and responsibility to: (a) interpret the Plan; (b) determine amounts to be paid out under the Plan and the conditions for payment thereof; (c) certify attainment of Performance Goals and other material terms; (d) adjust Performance Awards as provided herein; (e) authorize the payment of all benefits and expenses of the Plan as they become payable under the Plan; (f) adopt, amend and rescind rules and regulations relating to the Plan; and (g) make all other determinations and take all other actions necessary or desirable for the Plan’s administration, including, without limitation, correcting any defect, supplying any omission or reconciling any inconsistency in this Plan in the manner and to the extent it shall deem necessary to carry this Plan into effect. Notwithstanding anything to the contrary, the Plan shall be administered on a day-to-day basis by the Chief Executive Officer and the Vice President of Human Resources of the Company.

Decisions of the Committee shall be made by a majority of its members. All decisions of the Committee on any question concerning the interpretation and administration of the Plan shall be final, conclusive, and binding upon all parties. The Committee may rely on information and consider recommendations provided by the Board or the executive officers of the Company.

4. ELIGIBLE PARTICIPANTS; TARGET PERFORMANCE AWARD

The eligible Participants and the Target Performance Awards for such Participants are as follows:

Positions	Target Performance Awards (% of Salary)
Chief Executive Officer	150%
Chief Financial Officer	50%
Sr. Vice Presidents	45%

5. PERFORMANCE GOALS AND PERFORMANCE AWARDS

Performance Goals. The Performance Goals shall be the budgeted Revenue and Net-Income-After-Tax for the subject Plan Year, which shall be weighted as follows (collectively, the “Target Weighting of Revenue and Net-Income-After-Tax”):

Revenue	35%
Net-Income-After-Tax	65%

Performance Awards. Subject to compliance with Section 5.4 herein, each Participant shall be eligible to receive a Performance Award based on the Company’s financial performance for Revenue and Net-Income-After-Tax during the Plan Year.

Participants' Annual Performance Awards will be calculated by applying the following percentage adjustment methodology separately to the respective Target Weighting of Revenue and Net-Income-After-Tax results in accordance with the following chart:

Percentage of Budgeted Fiscal Year Targets Achieved for Revenue and for Net-Income-After-Tax	Percentage by which the Target Weighting of Revenue and Net-Income-After-Tax is Reduced/Increased
Less than 80%	No Performance Award
80% - 100%	2.5 times the percentage (negative) difference between the actual achieved percentages of budgeted Revenue and Net-Income-After-Tax targets and 100% of the Revenue and Net-Income-After-Tax targets
100%	No Adjustment to Target Weighting
101% - 120%	(Amounts over 120% shall not be considered for purposes of this calculation) 2.5 times the percentage (positive) difference between the actual achieved percentages of budgeted Revenue (up to 120%) and Net-Income-After-Tax targets and 100% of the Revenue and Net-Income-After-Tax targets

Example A — Budget Performance (100% Target Payout)

Performance Goals	Budget	Actual	Percentage Difference between Actual and Budget	Factor	Percentage Adjustment to Target Weighting	Target Weighting	Actual Weighting
Revenue	\$100.00	\$100.00	0%	n/a	0%	35%	35%
Net Income	\$ 10.00	\$ 10.00	0%	n/a	0%	65%	65%
Total percentage applied to individual target performance awards							100%

Example B — 105% Target Payout

Performance Goals	Budget	Actual	Percentage Difference between Actual and Budget	Factor	Percentage Adjustment to Target Weighting	Target Weighting	Actual Weighting
Revenue	\$100.00	\$102.00	+2%	2.5	+5%	35%	36.75%
Net Income	\$ 10.00	\$ 10.20	+2%	2.5	+5%	65%	68.25%
Total percentage applied to individual target performance awards							105%

Example C — 95% Target Payout

Performance Goals	Budget	Actual	Percentage Difference between Actual and Budget	Factor	Percentage Adjustment to Target Weighting	Target Weighting	Actual Weighting
Revenue	\$100.00	\$98.00	-2%	2.5	-5%	35%	33.25%
Net Income	\$ 10.00	\$ 9.80	-2%	2.5	-5%	65%	61.75%
Total percentage applied to individual target performance awards							95%

Example D — 98.5% Target Payout

Performance Goals	Budget	Actual	Percentage Difference between Actual and Budget	Factor	Percentage Adjustment to Target Weighting	Target Weighting	Actual Weighting
Revenue	\$100.00	\$102.00	+2%	2.5	+5%	35%	36.75%
Net Income	\$ 10.00	\$ 9.80	-2%	2.5	-5%	65%	61.75%
Total percentage applied to individual target performance awards							98.5%

Following final calculations of the Company's financial performance during the relevant Plan Year, data shall be presented to the Chief Executive Officer which shall set forth the Participants' Performance Awards calculated in accordance with the Plan. The Chief Executive Officer shall review the data for all Participants, apply any Discretionary Adjustments applicable pursuant to Section 5.3, and then prepare final recommendations for the Committee.

Discretionary Adjustment. For Participants other than the Chief Executive Officer, the Chief Executive Officer may recommend a discretionary increase (the "Discretionary Adjustment") to a Participant's Performance Award of up to 50% of the Participant's Target Performance Award calculated in accordance with the provisions of Sections 5.1 and 5.2, subject to review and approval by the Committee. The Chief Executive Officer shall not be eligible to receive a discretionary Performance Award adjustment pursuant to this Section 5.3.

Form and Timing of Payment; Committee Certification. The Performance Awards will be paid in cash to the Participants who are to receive such payments as soon as practicable after the award amounts are approved and certified in writing by the Committee; provided, however, that the Performance Awards shall be paid no later than March 15th following the end of the Plan Year to which such Performance Awards relate.

6. CHANGE IN STATUS

In the event that a Participant remains employed with the Company but is no longer eligible to receive a Performance Award during the Plan Year, whether due to a promotion, demotion or lateral move, the Participant shall be entitled to a Pro Rata portion of the Performance Award for which he/she was eligible under this Plan, subject to the terms of Section 5.4, based upon the length of time the Participant served in the eligible position, in which case such Performance Award (a) shall be determined after the end of the Plan Year during which the change in eligibility status occurs based solely on the actual results of the Company for such full Plan Year, and (b) shall not exceed a Pro Rata portion of the actual Performance Award which the Participant would otherwise have been eligible to receive under this Plan with respect to the Plan Year in which the change in eligibility status occurs had the Participant remained eligible to receive a Performance Award for the full Plan Year.

7. TERMINATION OF EMPLOYMENT. Notwithstanding anything herein to the contrary, subject to Sections 5.4 and 14 of this Plan, the provisions of this Section 7 shall apply in the event of the termination of employment of a Participant.

- 7.1 ***Termination by the Company for Cause.*** In the event that a Participant's employment is terminated by the Company for Cause (as such term is defined under such Participant's employment agreement with the Company), any Performance Award for the Plan Year in which the termination occurs will be automatically forfeited by the Participant.
- 7.2 ***Resignation or Voluntary Termination by the Participant Other Than for Good Reason.*** In the event that a Participant resigns or otherwise voluntarily terminates employment with the Company for any reason (other than by reason of retirement from the Company in accordance with Company policy and/or any agreement between the Company and the Participant, which is addressed in paragraph 7.4 below, or as a result of the Chief Executive Officer or Chief Financial Officer terminating his/her employment for Good Reason (as such term is defined in their employment agreements with the Company)), any Performance Award for the Plan Year in which the termination occurs will be automatically forfeited by the Participant unless the Chief Executive Officer, in his sole and absolute discretion, decides to grant a Performance Award for such Plan Year to such Participant, in which case such Performance Award (a) shall be determined after the end of the Plan Year during which the termination occurs based solely on the actual results of the Company for such full Plan Year, and (b) shall not exceed a Pro Rata portion of the actual Performance Award which the Participant would otherwise have been eligible to receive under this Plan with respect to the Plan Year in which the termination occurs had the Participant remained employed with the Company for the full Plan Year.
- 7.3 ***Termination by the Company without Cause, by the Participant for Good reason, or as a Result of the Death or Disability of the Participant.*** In the event that a Participant's employment is terminated (a) by the Company without Cause (as such term is defined under such Participant's employment agreement with the Company), (b) by the Participant, but only in the case of the Chief Executive Officer or Chief Financial Officer, for Good Reason (as such term is defined in their employment agreements with the Company)), or (c) as a result of the death or disability (as such term is defined under such Participant's employment agreement with the Company) of the Participant, then such Participant (or such Participant's estate, as applicable), shall be entitled to receive a Pro Rata portion of the actual Performance Award which the Participant would otherwise have been eligible to receive under this Plan with respect to the Plan Year in which the termination occurs had the Participant remained employed with the Company for the full Plan Year; provided, however, that such Performance Award shall not be determined until after the end of the Plan Year during which the termination occurs and shall be based solely on the actual results of the Company for such full Plan Year.
- 7.4 ***Termination as a Result of the Retirement of the Participant.*** In the event that a Participant's employment is terminated as a result of the retirement of the Participant in accordance with Company policy on a date following the 90th day of then current Company fiscal year, the Participant shall be entitled to receive a Pro Rata portion of the actual Performance Award which the Participant would otherwise have been eligible to receive under this Plan with respect to the Plan Year in which the termination occurs had the Participant remained employed with the Company for the full Plan Year; provided, however, that such Performance Award shall not be determined until after the end of the Plan Year during which the termination occurs and shall be based solely on the actual the results of the Company for such full Plan Year. No Performance Award or Pro Rata portion thereof shall be due or payable to a Participant whose employment is terminated as a result of a retirement that is effective prior to the 90th day of the then current Company fiscal year.

8. NON-ASSIGNABILITY

No Performance Award under this Plan or payment thereof, nor any right or benefit under this Plan, shall be subject to anticipation, alienation, sale, assignment, pledge, encumbrance, garnishment, execution or levy of any

kind or charge, and any attempt to anticipate, alienate, sell, assign, pledge, encumber and to the extent permitted by applicable law, charge, garnish, execute upon or levy upon the same shall be void and shall not be recognized or given effect by the Company.

9. NO RIGHT TO EMPLOYMENT

Nothing in the Plan or in any notice of award pursuant to the Plan shall confer upon any person the right to continue in the employment of the Company or one of its subsidiaries or affiliates nor affect the right of the Company or any of its subsidiaries or affiliates to terminate the employment of any Participant.

10. AMENDMENT OR TERMINATION

The Board reserves the right, in its sole discretion, to amend, modify, suspend, discontinue, or terminate the Plan or to adopt a new plan in place of this Plan at any time; provided, however, that:

no such amendment shall, without the prior approval of the stockholders of the Company in accordance with applicable law to the extent required under Code Section 162(m),

- alter the Performance Goals as set forth in Section 5.1;
- increase the maximum amounts set forth in Section 5.2 and Section 5.3;
- change the class of eligible employees or the Target Performance Awards (% of Salary) set forth in Section 4; or
- implement any change to a provision of the Plan requiring stockholder approval in order for the Plan to continue to comply with the requirements of the Code Section 162(m) Exception;

no amendment, suspension, or termination shall, without the consent of the Participant, alter or impair a Participant's right to receive payment of a Performance Award for a Plan Year otherwise payable hereunder; and

in the event of any conflict between the terms of this Plan and the terms of any employment, compensation or similar agreement between the Company and a Participant, the terms of the employment, compensation or similar agreement between the Company and the Participant shall prevail.

11. SEVERABILITY

In the event that any one or more of the provisions contained in the Plan shall, for any reason, be held to be invalid, illegal or unenforceable, in any respect, such invalidity, illegality or unenforceability shall not affect any other provision of the Plan and the Plan shall be construed as if such invalid, illegal or unenforceable provisions had never been contained therein.

12. WITHHOLDING

The Company shall have the right to make such provisions as it deems necessary or appropriate to satisfy any obligations it may have to withhold federal, state, or local income or other taxes incurred by reason of payments pursuant to the Plan.

13. GOVERNING LAW

This Plan and any amendments thereto shall be construed, administered, and governed in all respects in accordance with the laws of the State of Florida (regardless of the law that might otherwise govern under applicable principles of conflict of laws).

14. REGULATORY PROVISIONS

This Plan is not intended to provide for deferral of compensation for purposes of Code Section 409A, by means of complying with Section 1.409A-1(b)(4) of the final Treasury regulations issued under Code Section 409A. The provisions of this Plan shall be interpreted in a manner that satisfies the requirements of

Section 1.409A-1(b)(4) of the final Treasury regulations issued under Code Section 409A and the Plan shall be operated accordingly. If any provision of this Plan or any term or condition of any Performance Award would otherwise frustrate or conflict with this intent, the provision, term or condition will be interpreted and deemed amended so as to avoid this conflict.

In the event that following the application of the immediately preceding paragraph, any Performance Award is subject to Code Section 409A, the provisions of Code Section 409A are hereby incorporated herein by reference to the extent necessary for any Performance Award that is subject to Code Section 409A to comply therewith. In such event, the provisions of this Plan shall be interpreted in a manner that satisfies the requirements of Code Section 409A and the Plan shall be operated accordingly. If any provision of this Plan or any term or condition of any Performance Award would otherwise frustrate or conflict with this intent, the provision, term or condition will be interpreted and deemed amended so as to avoid this conflict.

Notwithstanding any other provision of this Plan, if a Participant is not employed by the Company on the last day of the Plan Year to which a Performance Award relates, the maximum Performance Award payable to such Participant shall not exceed the "Pro-Rata Performance Award." For this purpose, the term "Pro-Rata Performance Award" shall mean the Performance Award, if any, that would have been payable by the Company to such Participant for the Plan Year if and to the extent that the performance goals for such Plan Year have been met, if the Participant had been employed by the Company throughout the entire Plan Year, multiplied by a fraction, the numerator of which shall be the number of days from the first day of the Plan Year through and including the date of termination of employment and the denominator of which shall be the total number of days in the Plan Year.

15. RECAPTURE OF PERFORMANCE AWARD

A Performance Award (or any part thereof) may be forfeited and the Executive may be required to repay the Company such Performance Award (or any part thereof) upon such terms and conditions as may be determined by the Board in accordance with The GEO Group, Inc. Executive Adjustment and Recapture of Incentive Compensation Policy, as may be amended from time to time, or any successor policy or otherwise.

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Section 3: EX-99.1 (EX-99.1)

Exhibit 99.1



NEWS RELEASE

One Park Place, Suite 700 ■ 621 Northwest 53rd Street ■ Boca Raton, Florida 33487 ■ www.geogroup.com
CR-16-12

THE GEO GROUP REPORTS FIRST QUARTER 2016 RESULTS

- **1Q16 Normalized FFO of \$0.66 per Diluted Share**
- **1Q16 AFFO of \$0.84 per Diluted Share**
- **1Q16 EPS of \$0.44 per Diluted Share**
- **1Q16 Adjusted EPS of \$0.45 per Diluted Share**
- **FY 2016 AFFO Guidance of \$3.54 to \$3.62 per Diluted Share**
- **FY 2016 EPS Guidance of \$1.96 to \$2.04 per Diluted Share**

Boca Raton, Fla. – April 28, 2016 — The GEO Group, Inc. (NYSE: GEO) ("GEO"), a fully integrated equity real estate investment trust ("REIT") specializing in the design, financing, development, and operation of correctional, detention, and community reentry facilities around the globe, reported today its financial results for the first quarter 2016.

First Quarter 2016 Highlights

- **Net Income Attributable to GEO of \$0.44 per Diluted Share**
- **Adjusted Net Income of \$0.45 per Diluted Share**
- **Net Operating Income of \$136.3 million**
- **Normalized FFO of \$0.66 per Diluted Share**

- **AFFO of \$0.84 per Diluted Share**

For the first quarter 2016, GEO reported Normalized Funds From Operations (“Normalized FFO”) of \$48.7 million, or \$0.66 per diluted share, compared to \$44.2 million, or \$0.60 per diluted share, for the first quarter 2015. GEO reported first quarter 2016 Adjusted Funds From Operations (“AFFO”) of \$62.4 million, or \$0.84 per diluted share, compared to \$52.9 million, or \$0.72 per diluted share, for the first quarter 2015. For the first quarter 2016, GEO reported Net Operating Income (“NOI”) of \$136.3 million compared to \$116.0 million for the first quarter 2015.

George C. Zoley, Chairman and Chief Executive Officer of GEO, said, “We are very pleased with our strong first quarter results as well as our outlook for the balance of the year, which is underpinned by the continued growth of our diversified business units of GEO Corrections & Detention and GEO Care. During the first quarter, we completed a number of important operational milestones including the activation of the 3,400-bed Arizona State Prison in Kingman, Arizona and the implementation of GEO Care’s new Family Case Management Program. Our continued organic growth is representative of the need for correctional and detention bed space across the United States and of GEO’s ability to provide tailored real estate, management, and programmatic solutions across the entire spectrum of correctional services. We continue to be focused on pursuing new growth opportunities and enhancing value for our shareholders.”

—More—

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GEO reported total revenues for the first quarter 2016 of \$510.2 million up from total revenues of \$427.4 million for the first quarter 2015. First quarter 2016 revenues reflect \$40.8 million in construction revenues associated with GEO's contract for the development and operation of the new 1,300-bed Ravenhall Prison Facility in Australia (the "Ravenhall, Australia project"), which is lower than the \$63 million GEO had previously anticipated and compares to \$21.8 million in construction revenues for the first quarter 2015.

GEO reported first quarter 2016 net income attributable to GEO of \$32.4 million, or \$0.44 per diluted share, compared to \$28.8 million, or \$0.39 per diluted share, for the first quarter 2015. GEO's first quarter 2016 results reflect approximately \$1.2 million, net of tax, in start-up expenses. Adjusting for start-up expenses, GEO reported first quarter 2016 adjusted net income of \$0.45 per diluted share.

NOI, Funds From Operations ("FFO"), Normalized FFO, and AFFO are widely used non-GAAP supplemental financial measures of REIT performance. Please see the section of this press release below titled "Note to Reconciliation Tables and Supplemental Disclosure - Important Information on GEO's Non-GAAP Financial Measures" for information on how GEO defines these supplemental Non-GAAP financial measures as well as Adjusted Net Income.

2016 Financial Guidance

GEO updated its financial guidance for the full-year and issued guidance for the second quarter 2016. GEO expects full-year 2016 total revenues to be in a range of \$2.18 billion to \$2.20 billion, including approximately \$264 million in construction revenue associated with GEO's contract for the development and operation of the Ravenhall, Australia project. GEO expects its full-year 2016 AFFO to be in a range of \$3.54 to \$3.62 per diluted share. GEO expects Adjusted EPS for the full year 2016 to be in a range of \$1.96 to \$2.04 per diluted share.

For the second quarter 2016, GEO expects total revenues to be in a range of \$544 million to \$549 million, including approximately \$70 million in construction revenue associated with GEO's contract for the development and operation of the Ravenhall, Australia project. GEO expects second quarter 2016 AFFO to be in a range of \$0.87 to \$0.89 per diluted share. GEO expects second quarter 2016 Adjusted EPS to be in a range of \$0.47 to \$0.49 per diluted share, excluding the write-off of deferred financing fees in connection with GEO's recent \$350 million, 6.00% senior notes offering and the tender offer, redemption, repurchase, or other discharge of \$300 million of GEO's 6.625% senior notes due 2021.

Quarterly Dividend

On April 20, 2016, GEO's Board of Directors declared a quarterly cash dividend of \$0.65 per share. The quarterly cash dividend will be paid on May 12, 2016 to shareholders of record as of the close of business on May 2, 2016. The declaration of future quarterly cash dividends is subject to approval by GEO's Board of Directors and to meeting the requirements of all applicable laws and regulations. GEO's Board of Directors retains the power to modify its dividend policy as it may deem necessary or appropriate in the future.

—More—

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Reconciliation Tables and Supplemental Information

GEO has made available Supplemental Information which contains reconciliation tables of Net Income Attributable to GEO to Net Operating Income, EBITDA, and Adjusted EBITDA, and Net Income Attributable to GEO to FFO, Normalized FFO and AFFO along with supplemental financial and operational information on GEO's business segments and other important operating metrics. A reconciliation table of Net Income Attributable to GEO to Adjusted Net Income is also presented herein. Please see the section of this press release below titled "Note to Reconciliation Tables and Supplemental Disclosure - Important Information on GEO's Non-GAAP Financial Measures" for information on how GEO defines these supplemental Non-GAAP financial measures and reconciles them to the most directly comparable GAAP measures. GEO's Reconciliation Tables can be found herein and in GEO's Supplemental Information which is available on GEO's Investor Relations webpage at www.geogroup.com.

Conference Call Information

GEO has scheduled a conference call and simultaneous webcast for today at 11:00 AM (Eastern Time) to discuss GEO's first quarter 2016 financial results as well as its progress and outlook. The call-in number for the U.S. is 1-877-250-1553 and the international call-in number is 1-412-542-4145. In addition, a live audio webcast of the conference call may be accessed on the Conference Calls/Webcasts section of GEO's investor relations webpage at www.geogroup.com. A replay of the webcast will be available on the website for one year. A telephonic replay of the conference call will be available until May 12, 2016 at 1-877-344-7529 (U.S.) and 1-412-317-0088 (International). The participant passcode for the telephonic replay is 10085221.

About The GEO Group

The GEO Group, Inc. (NYSE: GEO) is the first fully integrated equity real estate investment trust specializing in the design, financing, development, and operation of correctional, detention, and community reentry facilities around the globe. GEO is the world's leading provider of diversified correctional, detention, community reentry, and electronic monitoring services to government agencies worldwide with operations in the United States, Australia, South Africa, and the United Kingdom. GEO's worldwide operations include the ownership and/or management of 104 facilities totaling approximately 87,000 beds, including projects under development, with a growing workforce of approximately 20,500 professionals.

Note to Reconciliation Tables and Supplemental Disclosure – Important Information on GEO's Non-GAAP Financial Measures

Net Operating Income, EBITDA, Adjusted EBITDA, Funds from Operations, Normalized Funds from Operations, Adjusted Funds from Operations, and Adjusted Net Income are non-GAAP financial measures that are presented as supplemental disclosures.

—More—

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GEO has presented herein certain forward-looking statements about GEO's future financial performance that include non-GAAP financial measures, including, Net Operating Income, Adjusted EBITDA, FFO, Normalized FFO, and AFFO. The determination of the amounts that are excluded from these non-GAAP financial measures is a matter of management judgment and depends upon, among other factors, the nature of the underlying expense or income amounts recognized in a given period. While we have provided a high level reconciliation for the guidance ranges for full year 2016, we are unable to present a more detailed quantitative reconciliation of the forward-looking non-GAAP financial measures to their most directly comparable forward-looking GAAP financial measures because management cannot reliably predict all of the necessary components of such GAAP measures. The quantitative reconciliation of the forward-looking GAAP financial measures will be provided for completed annual and quarterly periods, as applicable, calculated in a consistent manner with the quantitative reconciliation of non-GAAP financial measures previously reported for completed annual and quarterly periods.

Net Operating Income is defined as revenues less operating expenses, excluding depreciation and amortization expense, general and administrative expenses, real estate related operating lease expense, and start-up expenses, pre-tax. Net Operating Income is calculated as net income attributable to GEO adjusted by subtracting net loss attributable to non-controlling interests, equity in earnings of affiliates, net of income tax provision, and by adding income tax (benefit) provision, interest expense, net of interest income, depreciation and amortization expense, general and administrative expenses, real estate related operating lease expense, and start-up expenses, pre-tax.

EBITDA is defined as Net Operating Income adjusted by subtracting general and administrative expenses, real estate related operating lease expense, and start-up expenses, pre-tax, and by adding equity in earnings of affiliates, pre-tax. Adjusted EBITDA is defined as EBITDA adjusted for net loss/income attributable to non-controlling interests, stock-based compensation expenses, pre-tax, and certain other adjustments as defined from time to time, including for the periods presented M&A related expenses, pre-tax, and start-up expenses, pre-tax. Given the nature of our business as a real estate owner and operator, we believe that EBITDA and Adjusted EBITDA are helpful to investors as measures of our operational performance because they provide an indication of our ability to incur and service debt, to satisfy general operating expenses, to make capital expenditures and to fund other cash needs or reinvest cash into our business. We believe that by removing the impact of our asset base (primarily depreciation and amortization) and excluding certain non-cash charges, amounts spent on interest and taxes, and certain other charges that are highly variable from year to year, EBITDA and Adjusted EBITDA provide our investors with performance measures that reflect the impact to operations from trends in occupancy rates, per diem rates and operating costs, providing a perspective not immediately apparent from income from continuing operations. The adjustments we make to derive the non-GAAP measures of EBITDA and Adjusted EBITDA exclude items which may cause short-term fluctuations in income from continuing operations and which we do not consider to be the fundamental attributes or primary drivers of our business plan and they do not affect our overall long-term operating performance. EBITDA and Adjusted EBITDA 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 provide continuity to investors for comparability purposes.

—More—

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Funds From Operations, or FFO, is defined in accordance with 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 United States 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. Normalized Funds from Operations, or 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 GEO's actual operating performance, including for the periods presented M&A related expenses, net of tax, and start-up expenses, net of tax.

Adjusted Funds From Operations, or AFFO, is defined as Normalized FFO adjusted by adding non-cash expenses such as non-real estate related depreciation and amortization, stock based compensation expense, the amortization of debt issuance costs, discount and/or premium and other non-cash interest, and by subtracting recurring consolidated maintenance capital expenditures.

Adjusted Net Income is defined as Net Income Attributable to GEO adjusted for certain items which by their nature are not comparable from period to period or that tend to obscure GEO's actual operating performance, including for the periods presented M&A related expenses, net of tax, and start-up expenses, net of tax.

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 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.

—More—

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Safe-Harbor Statement

This press release contains forward-looking statements regarding future events and future performance of GEO that involve risks and uncertainties that could materially affect actual results, including statements regarding financial guidance for the second quarter of 2016 and full year 2016, the assumptions underlying such guidance, and statements regarding future project activations and growth opportunities. Factors that could cause actual results to vary from current expectations and forward-looking statements contained in this press release include, but are not limited to: (1) GEO's ability to meet its financial guidance for 2016 given the various risks to which its business is exposed; (2) GEO's ability to declare future quarterly cash dividends and the timing and amount of such future cash dividends; (3) GEO's ability to successfully pursue further growth and continue to create shareholder value; (4) risks associated with GEO's ability to control operating costs associated with contract start-ups; (5) GEO's ability to timely open facilities as planned, profitably manage such facilities and successfully integrate such facilities into GEO's operations without substantial costs; (6) GEO's ability to win management contracts for which it has submitted proposals and to retain existing management contracts; (7) GEO's ability to obtain future financing on acceptable terms; (8) GEO's ability to sustain company-wide occupancy rates at its facilities; (9) GEO's ability to access the capital markets in the future on satisfactory terms or at all; (10) GEO's ability to remain qualified as a REIT; (11) the incurrence of REIT related expenses; and (12) other factors contained in GEO's Securities and Exchange Commission periodic filings, including its Form 10-K, 10-Q and 8-K reports.

First quarter 2016 financial tables to follow:

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Condensed Consolidated Statements of Operations

(In thousands, except per share data)

(Unaudited)

	<u>Q1 2016</u>	<u>Q1 2015</u>
Revenues	\$510,185	\$427,369
Operating expenses	388,506	317,909
Depreciation and amortization	28,451	24,940
General and administrative expenses	34,061	31,848
Operating income	59,167	52,672
Interest income	4,557	2,073
Interest expense	(29,366)	(24,646)
Income before income taxes and equity in earnings of affiliates	34,358	30,099
Provision for income taxes	3,151	2,828
Equity in earnings of affiliates, net of income tax provision	1,119	1,485
Net income	32,326	28,756
Less: Net loss attributable to noncontrolling interests	24	21
Net income attributable to The GEO Group, Inc.	<u>\$32,350</u>	<u>\$28,777</u>

Weighted Average Common Shares Outstanding:

Basic	73,875	73,549
Diluted	74,200	73,884

Income per Common Share Attributable to The GEO Group, Inc.:

Basic:		
Net income per share — basic	<u>\$ 0.44</u>	<u>\$ 0.39</u>
Diluted:		
Net income per share — diluted	<u>\$ 0.44</u>	<u>\$ 0.39</u>

Reconciliation of Net Income Attributable to GEO to Adjusted Net Income

(In thousands, except per share data)

(Unaudited)

	<u>Q1 2016</u>	<u>Q1 2015</u>
Net Income attributable to GEO	\$32,350	\$28,777
Add:		
Start-up expenses, net of tax	1,190	—
M&A related expenses, net of tax	—	1,559
Adjusted Net Income	<u>\$33,540</u>	<u>\$30,336</u>
Weighted average common shares outstanding - Diluted	74,200	73,884
Adjusted Net Income Per Diluted Share	\$ 0.45	\$ 0.41

— More —

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Condensed Consolidated Balance Sheets

(In thousands)

(Unaudited)

	As of	
	<u>March 31, 2016</u>	<u>December 31, 2015</u>
ASSETS		
<i>Current Assets</i>		
Cash and cash equivalents	\$ 23,225	\$ 59,638
Restricted cash and investments	48,306	8,489
Accounts receivable, less allowance for doubtful accounts	341,596	314,097
Current deferred income tax assets	—	27,914
Prepaid expenses and other current assets	32,351	28,208
Total current assets	\$ 445,478	\$ 438,346
<i>Restricted Cash and Investments</i>	21,456	20,236
<i>Property and Equipment, Net</i>	1,919,594	1,916,386
<i>Contract Receivable</i>	230,927	174,141
<i>Direct Finance Lease Receivable</i>	—	1,826
<i>Non-Current Deferred Income Tax Assets</i>	24,154	7,399
<i>Intangible Assets, Net (including goodwill)</i>	834,557	839,586
<i>Other Non-Current Assets</i>	66,861	64,307
Total Assets	\$ 3,543,027	\$ 3,462,227
LIABILITIES AND SHAREHOLDERS' EQUITY		
<i>Current Liabilities</i>		
Accounts payable	\$ 83,509	\$ 77,523
Accrued payroll and related taxes	47,247	48,477
Accrued expenses and other current liabilities	126,260	135,483
Current portion of capital lease obligations, long-term debt, and non-recourse debt	17,586	17,141
Total current liabilities	\$ 274,602	\$ 278,624
<i>Non-Current Deferred Income Tax Liabilities</i>	—	11,471
<i>Other Non-Current Liabilities</i>	90,789	87,694
<i>Capital Lease Obligations</i>	8,387	8,693
<i>Long-Term Debt</i>	1,884,641	1,855,810
<i>Non-Recourse Debt</i>	292,879	213,098
<i>Shareholders' Equity</i>	991,729	1,006,837
Total Liabilities and Shareholders' Equity	\$ 3,543,027	\$ 3,462,227

— More —

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Reconciliation of Net Income Attributable to GEO to FFO, Normalized FFO, and AFFO

(In thousands, except per share data)

(Unaudited)

	<u>Q1 2016</u>	<u>Q1 2015</u>
Net Income attributable to GEO	\$ 32,350	\$ 28,777
Add:		
Real Estate Related Depreciation and Amortization	15,142	13,885
Equals: NAREIT defined FFO	<u>\$47,492</u>	<u>\$42,662</u>
Add:		
Start-up expenses, net of tax	1,190	—
M&A related expenses, net of tax	—	1,559
Equals: FFO, normalized	<u>\$48,682</u>	<u>\$44,221</u>
Add:		
Non-Real Estate Related Depreciation & Amortization	13,309	11,055
Consolidated Maintenance Capital Expenditures	(5,240)	(6,661)
Stock Based Compensation Expenses	3,241	2,621
Amortization of debt issuance costs, discount and/or premium and other non-cash interest	2,366	1,695
Equals: AFFO	<u>\$62,358</u>	<u>\$52,931</u>
Weighted average common shares outstanding - Diluted	74,200	73,884
FFO/AFFO per Share - Diluted		
Normalized FFO Per Diluted Share	<u>\$ 0.66</u>	<u>\$ 0.60</u>
AFFO Per Diluted Share	<u>\$ 0.84</u>	<u>\$ 0.72</u>

— More —

Contact: Pablo E. Paez
Vice President, Corporate Relations

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Reconciliation of Net Income Attributable to GEO to Net Operating Income and Adjusted EBITDA

(In thousands)

(Unaudited)

	<u>Q1 2016</u>	<u>Q1 2015</u>
Net income attributable to GEO	\$ 32,350	\$ 28,777
Less		
Net loss attributable to noncontrolling interests	24	21
Net Income	\$ 32,326	\$ 28,756
Add (Subtract):		
Equity in earnings of affiliates, net of income tax provision	(1,119)	(1,485)
Income tax provision	3,151	2,828
Interest expense, net of interest income	24,809	22,573
Depreciation and amortization	28,451	24,940
General and administrative expenses	34,061	31,848
Net Operating Income, net of operating lease obligations	<u>\$121,679</u>	<u>\$109,460</u>
Add:		
Operating lease expense, real estate	12,681	6,566
Start-up expenses, pre-tax	1,939	—
Net Operating Income (NOI)	<u>\$136,299</u>	<u>\$116,026</u>
Subtract (Add):		
General and administrative expenses	34,061	31,848
Operating lease expense, real estate	12,681	6,566
Start-up expenses, pre-tax	1,939	—
Equity in earnings of affiliates, pre-tax	(1,590)	(2,098)
EBITDA	<u>\$ 89,208</u>	<u>\$ 79,710</u>
Adjustments		
Net loss attributable to noncontrolling interests	24	21
Stock based compensation expenses, pre-tax	3,241	2,621
Start-up expenses, pre-tax	1,939	—
M&A related expenses, pre-tax	—	2,174
Adjusted EBITDA	<u>\$ 94,412</u>	<u>\$ 84,526</u>

— More —

Contact: Pablo E. Paez
Vice President, Corporate Relations

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2016 Outlook/Reconciliation(In thousands, except per share data)
(Unaudited)

	<u>Full Year 2016</u>	
Net Income	\$144,500	to \$151,500
Real Estate Related Depreciation and Amortization	<u>63,000</u>	<u>63,000</u>
Funds from Operations (FFO)	<u>\$207,500</u>	to <u>\$214,500</u>
Adjustments		
Start-Up Expenses	<u>1,000</u>	<u>1,000</u>
Normalized Funds from Operations	<u>\$208,500</u>	to <u>\$215,500</u>
Non-Real Estate Related Depreciation and Amortization	53,000	53,000
Consolidated Maintenance Capex	(23,000)	(24,000)
Non-Cash Stock Based Compensation and Non-Cash Interest Expense	<u>25,000</u>	<u>25,000</u>
Adjusted Funds From Operations (AFFO)	<u>\$263,500</u>	to <u>\$269,500</u>
Net Cash Interest Expense	88,000	88,000
Consolidated Maintenance Capex	23,000	24,000
Income Taxes	<u>18,000</u>	<u>18,000</u>
Adjusted EBITDA	<u>\$392,500</u>	to <u>\$399,500</u>
G&A Expenses	139,000	139,000
Non-Cash Stock Based Compensation	(13,000)	(13,000)
Real Estate Related Operating Lease Expense	<u>50,000</u>	<u>50,000</u>
Net Operating Income	<u>\$568,500</u>	to <u>\$575,500</u>
FFO Per Diluted Share (Normalized)	\$ 2.80	to \$ 2.89
AFFO Per Diluted Share	\$ 3.54	to \$ 3.62
Weighted Average Common Shares Outstanding-Diluted	74,500	to 74,500

- End -

Contact: Pablo E. Paez
Vice President, Corporate Relations
([Back To Top](#))

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Section 4: EX-99.2 (EX-99.2)**Exhibit 99.2**

Participants

CORPORATE PARTICIPANTS

Pablo E. Paez
Vice President-Corporate Relations, The GEO
Group, Inc.

George C. Zoley
Chairman, Chief Executive Officer & Founder, The
GEO Group, Inc.

Brian R. Evans
Chief Financial Officer & Senior Vice President,
The GEO Group, Inc.

J. David Donahue
Senior Vice President and President, GEO Corrections and
Detention, The GEO Group, Inc.

Ann M. Schlarb
Senior Vice President & President-GEO Care, The GEO Group,
Inc.

OTHER PARTICIPANTS

Kwan Hong Kim
Analyst, SunTrust Robinson Humphrey, Inc.

Michael Kodesch
Analyst, Canaccord Genuity, Inc.

Kevin McVeigh
Analyst, Macquarie Capital (USA), Inc.

Management Discussion Section

Operator

Good morning and welcome to The GEO Group Incorporated First Quarter 2016 Earnings Conference Call. I would now like to turn the conference over to Pablo Paez, Vice President of Corporate Relations. Please go ahead.

Pablo E. Paez

Vice President-Corporate Relations, The GEO Group, Inc.

Thank you, operator. Good morning, everyone, and thank you for joining us for today's discussion of The GEO Group's first quarter 2016 earnings results. With us today is George Zoley, Chairman and Chief Executive Officer; Brian Evans, Chief Financial Officer; David Donahue, President of GEO Corrections & Detention; and Ann Schlarb, President of GEO Care.

This morning, we will discuss our first quarter results and current business development activities. We will conclude the call with a question-and-answer session. This conference call is also being webcast live on our Web site at www.geogroup.com.

Today, we will discuss non-GAAP basis information. A reconciliation from non-GAAP basis information to GAAP basis results is included in the press release and supplemental disclosure we issued this morning.

Additionally, much of the information we will discuss today, including the answers we give in response to your questions, may include forward-looking statements regarding our beliefs and current expectations with respect to various matters. These forward-looking statements are intended to fall within the Safe Harbor provisions of the securities laws. Our actual results may differ materially from those in the forward-looking statements as a result of various factors contained in our Securities and Exchange Commission filings, including the Form 10-K, 10-Q and 8-K reports.

With that, please allow me to turn this call over to our Chairman and CEO, George Zoley. George?

George C. Zoley

Chairman, Chief Executive Officer & Founder, The GEO Group, Inc.

Thank you, Pablo, and good morning to everyone. Thank you for joining us on this call. We are very pleased with our first quarter results and the outlook for the balance of the year, which continue to reflect organic growth in each of our diversified business segments of GEO Corrections & Detention and GEO Care.

During the first quarter of the year, we achieved a number of important milestones. GEO Corrections & Detention successfully completed the activation of the Arizona State Prison in Kingman. We had assumed management of this 3,400-bed facility on December 1 of last year under a seven-year contract with the Arizona Department of Corrections. At the time of the transition of management functions, the Kingman facility housed approximately 1,700 inmates. We are pleased to have achieved a smooth transition from the previous operator and have completed the ramp up at the facility, which is now operating at its design capacity of 3,400 beds.

The Kingman facility plays an important role in helping meet the need for cost efficient correctional bed space in Arizona, and this important contract is a testament to our decade-long partnership with the State of Arizona.

With respect to GEO Care, we have continued to implement our new five-year contract with the Department of Homeland Security for the provision of case management services for families going through the immigration review process. This important contract is representative of GEO Care's leadership in the provision of community-based and case management programs through our comprehensive GEO Continuum of Care.

GEO Care has been able to build on its existing relationships with local community providers to provide comprehensive case management services under this new program. These important projects underscore the diversified nature of our services and our ability to grow across the entire spectrum of corrections management, community re-entry programs, case management services and offender rehabilitation.

Internationally, we're continuing to develop the \$650 million Ravenhall Correctional Facility for the State of Victoria in Australia, which, as we have discussed in the past, will include an \$88 million investment by GEO. The facility remains on schedule for completion in the fourth quarter of 2017. And subsequently, we will begin operating the facility under a 25-year contract. Once operational, the Ravenhall facility is expected to generate approximately \$75 million in revenues per year. The Ravenhall project will be the premier GEO Continuum of Care offender rehabilitation facility in the world. As the world's largest private provider of detention and correctional services in prison as well as in community, we remain focused on combining investments in government infrastructure with best-in-class social services.

Our financial performance continues to be underpinned by our company's diversification, which has allowed us to capture growth opportunities across multiple market segments. Our ability to develop industry-leading rehabilitation and reentry programs through our comprehensive GEO Continuum of Care has positioned GEO to pursue diversified growth opportunities. The strength of this growth platform and our financial performance has allowed us to continuously enhance value for our shareholders.

We are proud that our continued growth has allowed us to pay the highest dividend in our industry of \$2.60 per share on an annualized basis, which currently represents less than 75% of our AFFO guidance for 2016.

At this time, I would like to turn the call over to Brian Evans.

Brian R. Evans

Chief Financial Officer & Senior Vice President, The GEO Group, Inc.

Thank you, George, and good morning to everyone. As disclosed in our press release today, we reported adjusted funds from operations in the first quarter 2016 of \$0.84 per share, which represents a 17% year-over-year increase. We reported adjusted EPS for the first quarter 2016 of \$0.45 per share, which represents a 10% year-over-year increase.

Our revenues for the first quarter 2016 increased to approximately \$510 million from \$427 million a year ago. Our construction revenue for the first quarter 2016 was \$41 million, which came in \$22 million lower than our guidance of \$63 million. As a reminder, our construction revenue is related to our Ravenhall project in Australia and has little or no margin.

For the first quarter of 2016, we reported net operating income of approximately \$136 million or a 17% increase year-over-year. Compared to our first quarter 2015, our first quarter 2016 results reflect the reactivation of the 1,940-bed Great Plains and the 1,748-bed North Lake Correctional Facilities in June of 2015, the activation of the 640-bed expansion of the Adelanto detention facility in July of 2015, the activation of the 626-bed expansion of the Karnes Residential Center in December 2015, the new GEO Care contract with the Department of Homeland Security for case management services in November of 2015, and \$41 million in construction revenue compared to \$22 million in construction revenue for the first quarter of 2015. These revenues for both periods are associated with the Ravenhall prison project in Australia.

Moving to our guidance, we have increased the low-end of our full year AFFO guidance resulting in a range of \$3.54 to \$3.62 per share. We've also increased the low-end of our full-year adjusted EPS guidance resulting in a range of \$1.96 to \$2.04.

We've confirmed our full year revenue guidance and expect total revenues to be in a range of \$2.18 billion to \$2.2 billion, including approximately \$264 million in construction revenue related to the Ravenhall project. For the second quarter 2016, we expect total revenues to be in a range of \$544 million to \$549 million including approximately \$70 million in construction revenue related to the Ravenhall project.

Our second quarter 2016 AFFO is expected to be in a range of \$0.87 to \$0.89 per share and we expect adjusted EPS for the second quarter of 2016 to be between \$0.47 and \$0.49 per share excluding the write-off of deferred financing fees associated with our recent bond offering and tender offer for 6.625% senior notes due in 2021.

With respect to our liquidity position, we continue to have ample borrowing capacity in excess of \$150 million under our revolving credit facility in addition to an accordion feature of \$350 million under our credit facility. As I mentioned, we completed the offering of new 10-year senior notes earlier this month. The note offering of \$350 million was priced at a 6% yield. The proceeds from the offering were used to fund the tender offer and redemption for any and all of the \$300 million of our 6.625% senior notes and to pay down borrowings outstanding under our revolver.

With respect to our usage of cash, we expect our project and growth CapEx to be approximately \$30 million in 2016, of which \$10 million is spent in the first quarter. We also have approximately \$17 million of scheduled annual principal payments of debt. As it relates to our dividend payment, as we announced last week, our Board has declared a quarterly cash dividend of \$0.65 per share or \$2.60 annualized, which currently represents a payout of less than 75% of 2016 AFFO guidance. As we have expressed to you in the past, our Board remains committed to returning value to our shareholders by targeting an annual dividend payout of at least approximately 75% and we will review our dividend payment on an annual basis at a minimum.

Finally, for those investors new to GEO, I'd like to briefly touch upon what we believe are our company's attractive investment characteristics which are underpinned by our real estate portfolio of company-owned facilities which have a physical useful life of as long as 75 years or longer. We currently own or lease approximately 70% of our facilities worldwide and we have stable and sustainable income through increasingly longer-term contract arrangements. We have a diversified base of investment-grade customers and have historically enjoyed occupancy rates in the mid-to-high 90s with customer retention rates in excess of 90%.

With that, I'll turn the call to Dave Donahue for a review of our market opportunity.

J. David Donahue

Senior Vice President and President, GEO Corrections and Detention, The GEO Group, Inc.

Thanks, Brian, and good morning to everyone. I'd like to address recent project activations, major contract rebids, and select publicly known business development opportunities. GEO was the largest detention operator for the US federal government agencies including the Federal Bureau of Prisons, US Immigration and Customs Enforcement, more commonly referred to as ICE, and the US Marshals Service. Our business relationship with these three federal agencies now spans three decades.

Additionally, we provide correctional facilities for ten states including Florida, Georgia, Louisiana, Oklahoma, Arizona, New Mexico, California, Vermont, Virginia and Indiana. Our business relationships with our state customers began in the mid-1980s and now involve more than 20 facilities that are almost all medium security or higher. With respect to international business, GEO is the only US publicly traded company providing corrections and detention services overseas. We presently operate in the United Kingdom, Australia and South Africa.

As it relates to our recent project activations, during the first quarter of 2016, we completed the activation of the 3,400-bed Arizona State Prison in Kingman, Arizona under a seven-year managed-only contract with the Arizona Department of Corrections. We assumed management of the Kingman facility in December of last year. And at that time, it housed approximately 1,700 inmates. We are pleased to have completed the ramp up process at the facility and have now achieved normalized operations at 3,400 beds. At full occupancy, the facility is expected to generate approximately \$73 million in gross annualized revenues, including \$24 million for debt service payments, resulting in net annualized revenues to GEO of approximately \$49 million.

Moving to our company-owned Karnes ICE Residential Center, for which we completed a \$32 million expansion in the fourth quarter of last year, as you may remember, the center began operating with the new fixed monthly payment under a new five-year contract which was effective on November 1 of last year, resulting in approximately \$57 million in annualized revenues.

As we updated you during our last call, the State of Texas has completed the rules promulgation process with respect to licensing of family residential centers. This process is only an added set to the standards of compliance the center already adheres to under ICE's family residential standards. Presently, the center operates as a short-term processing facility and this licensing process will allow for longer lengths of stay.

We submitted our license application in early March and are hopeful to complete the process within the next month, after which the center will be one of the few, if not the only licensed family residential facility in the United States. Finally, during the first quarter, we completed the transition of our ICE population from the South Louisiana Correctional Center to the Pine Prairie facility in order to better align the mission of these facilities.

As we have previously discussed, the BOP had issued Criminal Alien Requirement 16 or better known as CAR 16. The CAR 16 procurement involves the rebid of several contracting facilities, totaling more than 10,000 beds with contracts that expire during 2017. The procurement includes our company-owned 3,500-bed Big Spring Correctional Center in Big Spring Texas.

CAR 16 also includes a 3,600-bed Reeves County Detention Complex which is owned by Reeves County, Texas. Reeves County has two separate contracts with the Bureau of Prisons involving 3,600 beds. GEO is a subcontractor to Reeves County and provides management services under a fee-only arrangement for the provision of approximately two dozen management positions. All other employees of the Reeves County complex are employees of Reeves County. CAR 16 proposals were submitted last June and contract awards are expected in late 2016 with new contracts going into effect in the first quarter of 2017.

With respect to future growth opportunities, we currently have approximately 3,000 beds in idle facilities and have several active efforts to redeploy this available capacity. There are a number of publicly known opportunities in the US and overseas we are currently pursuing, totaling several thousand beds. And we are also exploring a number of non-public opportunities that relate to both new project development and potential asset purchases.

At the federal level, ICE has issued a procurement for a 1,000-bed detention center in the Houston, Texas area. This is a rebid of the Houston ICE processing center. The RFP requires proposed facilities to be within a 50 mile radius of the ICE Houston office, complying with the most recent ICE detention standards and provide extensive ICE offices and support areas. In addition to this procurement, ICE has indicated a need for beds in the Chicago and New Jersey areas. We are continuing to monitor these potential opportunities.

Moving to the state level, several states continue to face capacity constraints and inmate population growth. And many of our state customers require additional beds as aging inefficient prisons need to be replaced with new, more cost efficient facilities. For instance, in the states we currently operate, the average age of state prisons range from approximately 30 to 60 years. There are several states including Arizona, Oklahoma, Ohio and others which are considering public-private partnerships for the housing of inmates as well as the development and operation of new and replacement correctional facilities.

In Oklahoma, the Board of Corrections recently approved the Department of Corrections to explore available options for the housing of offenders in private facilities to meet the ongoing need for new and replacement beds. In Ohio, last year, the legislature approved the sale of a state-owned prison, totaling 2,700 beds. This opportunity would present the second such sale of a corrections asset for the State of Ohio. Additionally, other states including Minnesota, Alabama and Michigan have recently discussed proposals for the development of new facilities or for the leasing of available private facilities to meet ongoing bed needs or replace older, more costly facilities.

With respect to our international markets, our GEO Australia subsidiary has continued to work on our project for the development and operation of the new 1,300-bed Ravenhall prison near Melbourne. This large-scale project is expected to be completed in late 2017 and will provide an unprecedented level of in-prison and post-release rehabilitation programs. The project is being developed under a public-private partnership. GEO will make an investment of \$88 million with expected returns on investment, consistent with our company-owned facilities.

Additionally, in Australia, the State of New South Wales has issued a procurement of 1,000-bed facility known as the Grafton prison under a public-private partnership structure similar to our Ravenhall prison project in the State of Victoria.

At this time, I'll turn the call over to Ann for a review of our GEO Care segment. Ann?

Ann M. Schlarb

Senior Vice President & President-GEO Care, The GEO Group, Inc.

Thank you, Dave, and good morning, everyone. As you may remember, our GEO Care segment is comprised of four divisions. Our GEO Reentry division manages 21 halfway houses totaling over 3000 beds and 63 day reporting centers nationwide with the ability to service more than 4,000 participants. Our Youth Services division oversees 12 residential facilities with approximately 1,300 beds and seven non-residential programs with approximately 1,200 participants.

Our BI division monitors approximately 139,000 offenders under community supervision, including 102,000 individuals through an array of technology products including radio frequency, GPS and alcohol monitoring devices. Finally, our GEO Continuum of Care division oversees the integration of our industry-leading evidence-based rehabilitation programs, both in-prison and through our community-based and post-release services.

As we've discussed in the past, we're enthusiastic about the opportunity to expand our delivery of offender rehabilitation services through the GEO Continuum of Care, which we believe is in line with current criminal justice reform discussions. We view these efforts as positive and we believe that the emphasis on offender rehabilitation and community reentry programs as part of criminal justice reform will create growth opportunities for our company.

Each of our divisions continues to pursue several new growth opportunities. GEO Reentry continues to work with existing and prospective local and state correctional customers to leverage new opportunities in the provision of community-based

reentry services in both residential facilities and non-residential day reporting centers. We are pursuing new residential reentry center opportunities for state and federal agencies and new day reporting centers in several states.

These new opportunities total more than \$28 million in potential annualized revenues. We were also successful – also recently successful in securing new contracts for the continued housing of BOP offenders at our Salt Lake City residential facility in Utah and for additional beds for our state programs in Newark, New Jersey and at our Taylor Street facility in California. Additionally, we recently transitioned the Alaska offender population in our Seaside Center from the old building that was leased by GEO to a new center which is now company owned.

Our Youth Services division continues to work towards maximizing the utilization of our existing asset base and continues to undertake new marketing initiatives to increase the overall utilization of our existing youth services facilities. Our Ohio, Texas and Colorado facilities continued to experience strong census consistent with improvements we saw in 2015. We're pursuing additional referrals to our Pennsylvania facilities and are looking to continue our expansion of community-based programs in Ohio.

Finally, our BI subsidiary continues to market its supervision and electronic monitoring services to local, state and federal correctional agencies nationwide. BI is currently bidding on new business opportunities in the District of Columbia as well as a number of other jurisdictions.

With respect to our contract for the Intensive Supervision Appearance Program, or ISAP, we have been ramping up the program from 23,000 participants in early 2014 to approximately 46,000 participants today. The program is on track to achieve ICE's objective of 53,000 participants by the end of 2016 according to a congressional testimony from the agency last year.

Similar to this important contract, during the first quarter, GEO Care continued the implementation of our new family case management program contract, which was awarded to us by the Department of Homeland Security late last year. This important program provides community-based case management services for families going through the immigration review process.

This new contract represents approximately \$11 million in annualized revenues and is indicative of GEO Care's leadership in the provision of community-based and case management programs through our comprehensive GEO Continuum of Care. GEO Care had existing relationships with local community providers throughout the country and we've been able to build upon these partnerships and expand our network of community partners in order to provide comprehensive services under this new program.

At this time, I will turn the call back to George for his closing remarks.

George C. Zoley

Chairman, Chief Executive Officer & Founder, The GEO Group, Inc.

Thank you, Ann. We are very pleased with our strong financial performance for the quarter and our outlook for the balance of the year. We've achieved a number of important milestones with the ramp up of the Kingman, Arizona facility by GEO Corrections & Detention and the implementation of the new family case management program by GEO Care. These important projects are representative of our diversified growth platform and our ability to provide tailored real estate, management and programmatic solutions to our customer base across all segments of the correctional spectrum. This diversified growth and investment strategy has positioned GEO as the world's largest private provider of corrections, detention and offender rehabilitation services.

We remain focused on pursuing new growth opportunities and are enthusiastic about the opportunity to expand our delivery of offender rehabilitation services through our GEO Continuum of Care platform, which we believe gives our company a competitive advantage when pursuing new contracts. As a REIT, GEO is focused on providing essential real estate solutions to government agencies in the fields of detention, corrections and post-release facilities. But additionally, as a service provider, our commitment is to be the world's leader in the delivery of offender rehabilitation and community reentry programs.

This commitment is consistent with criminal justice reform efforts that emphasize rehabilitation and community reentry programs for offenders, which we view as positive for our company as evidenced by our continued growth in our diversified business segments. We believe that our unique platform of correctional and rehabilitation services better positions GEO to capture future growth, which will enhance value for our shareholders and allow us to continue to grow our earnings, cash flows and dividend payments.

This concludes our presentation and we would now like to open the call to your questions.

Question And Answer Section

Operator

Thank you. [Operator Instructions] Our first question comes from Tobey Sommer with SunTrust. Please go ahead.

Kwan Hong Kim

Analyst, SunTrust Robinson Humphrey, Inc.

Hi. This is actually Kwan Kim on for Tobey. Thank you taking the questions. Could you give us some commentary around the current election cycle, what your expectations are on the potential outcomes you may be anticipating in 2017? Thank you.

George C. Zoley

Chairman, Chief Executive Officer & Founder, The GEO Group, Inc.

Well, we believe we provide essential government services at the federal level and in the state level. And, historically, those services have received bipartisan support and we expect that support to continue in the future.

Kwan Hong Kim

Analyst, SunTrust Robinson Humphrey, Inc.

Got it. And on the margin side, as the utilization stays at the current high level, how should we think about the impact to the margins for rest of the year and 2017?

Brian R. Evans

Chief Financial Officer & Senior Vice President, The GEO Group, Inc.

The utilization of which? Are you speaking about a specific business unit or segment?

Kwan Hong Kim

Analyst, SunTrust Robinson Humphrey, Inc.

Well, just overall, United States, international.

Brian R. Evans

Chief Financial Officer & Senior Vice President, The GEO Group, Inc.

I think the margins will improve a little bit through the balance of the year. The first quarter is typically our lowest performing quarter. We see some seasonality in some of the populations at some of our facilities and we typically expect that to improve during the second quarter and going into the third quarter. So we should see a little bit better margins and that's obviously reflected in our guidance in improved performance.

Kwan Hong Kim

Analyst, SunTrust Robinson Humphrey, Inc.

Got it. Thank you.

Operator

The next question comes from Michael Kodesch with Canaccord. Please go ahead.

Michael Kodesch

Analyst, Canaccord Genuity, Inc.

Hey, good morning, guys. And nice quarter. Just a few questions from me here. Starting off with the tender offer and then the debt as well, you guys have some nice proceeds there, I was just kind of wondering what the plan is for the excess cash.

Brian R. Evans

Chief Financial Officer & Senior Vice President, The GEO Group, Inc.

Well, currently, we use it to pay down the revolver and create some additional liquidity there. As I think is evident from the call, as George mentioned and Dave mentioned, there is a number of opportunities that we're continuing to pursue and the bulk of those opportunities would require some sort of capital to make them come through. So the Houston project is a significant opportunity. ICE is continuing to look for beds in Gary, Indiana – in the Indiana area, Illinois area and then in the Newark area, as Dave mentioned. So those are significant potential capital opportunities that we may see a need for. There is a project in Australia that could require capital. There is a new bid down there that we've discussed. So all of those opportunities would require capital.

Michael Kodesch

Analyst, Canaccord Genuity, Inc.

Great, thanks. That's actually good color. And then moving on to interest income, you guys have seen a nice lift over the past few quarters. I know you have some contracts and notes receivable in there related to some of your foreign contracts. I was wondering if you could break down 1Q and then maybe how that would look going forward as well.

Brian R. Evans

Chief Financial Officer & Senior Vice President, The GEO Group, Inc.

Well, the interest income is stepping up, as you mentioned, in connection with that contract receivable that we have on the balance sheet. So as that continues to grow, the interest income will continue to step up some. I don't have the exact breakout in front of me, but again it's probably another \$1 million for the year or something like that, not material, but it's factored in.

Michael Kodesch

Analyst, Canaccord Genuity, Inc.

Sorry, that's an additional million for the contract receivable or on a different piece?

Brian R. Evans

Chief Financial Officer & Senior Vice President, The GEO Group, Inc.

In interest income throughout the balance of the year. We'll continue to see that grow as the contract receivable grows.

Michael Kodesch

Analyst, Canaccord Genuity, Inc.

I see. Okay, thanks.

Brian R. Evans

Chief Financial Officer & Senior Vice President, The GEO Group, Inc.

The contract receivable will grow probably another \$150 million or so.

Michael Kodesch

Analyst, Canaccord Genuity, Inc.

Okay, that's really helpful. And then moving on to the Baldwin facility, I was wondering if you guys could give – and I'm sorry if I missed this in your prepared remarks – I was wondering if you could give a little color as to how that's ramping just both from Vermont and Washington?

J. David Donahue

Senior Vice President and President, GEO Corrections and Detention, The GEO Group, Inc.

Well, thanks for the question, Michael. The facility has stabilized with normal operating rhythm for the State of Vermont. The State of Washington, we have not seen utilization from that department. As you may recall, they have gone through an effort of reorganizing their own agency and leadership as being in place there, but we continue dialog with the State of Washington about future needs and the facility is performing very well. Thank you.

Michael Kodesch

Analyst, Canaccord Genuity, Inc.

So, thanks. And then as you kind of mentioned in your prepared remarks then, I think Michigan is looking at potentially leasing a facility and I think they were looking at the Baldwin facility. I was wondering, just kind of with the way things are right now, what's your appetite for an arrangement like that?

J. David Donahue

Senior Vice President and President, GEO Corrections and Detention, The GEO Group, Inc.

Well, I could say, we, obviously, are in dialog with the Michigan Department of Corrections and respective stakeholders in that jurisdiction because we do have a significant presence there. Their department has continued needs and others in evaluation about their physical plants and their current capacity expectations. So we've made ourselves available for that continued conversation. We want to be very supportive of Michigan and their needs. And in concert with that, we're willing to have the open dialog to best suit the organizational activity for that community.

Michael Kodesch

Analyst, Canaccord Genuity, Inc.

Great, thanks. I appreciate it. That's all for me for now. I'll jump back in the queue, if anything else. Nice quarter.

Operator

The next comes from Kevin McVeigh with Macquarie. Please go ahead.

Kevin McVeigh

Analyst, Macquarie Capital (USA), Inc.

Great, thanks. Hey, nice job. Can you just give us a sense at a high level, George or Brian, just how state budgets have been trending and just how we should think about that across populations more from existing organic growth, if you could?

George C. Zoley

Chairman, Chief Executive Officer & Founder, The GEO Group, Inc.

I think most of our client populations are fairly stable with a few exceptions.

J. David Donahue

Senior Vice President and President, GEO Corrections and Detention, The GEO Group, Inc.

Kevin, this is Dave.

Kevin McVeigh

Analyst, Macquarie Capital (USA), Inc.

Hey, Dave.

J. David Donahue

Senior Vice President and President, GEO Corrections and Detention, The GEO Group, Inc.

Hi. I would entertain the logic that – right now, as most state governments are evaluating their revenue expectations and their budget outlays for upcoming appropriators to consider, they're seeing compression and they're looking for opportunities to become more efficient. So we continue to be encouraged by the ability for us to provide services, quality services to create options for them to consider. But the expectations for the economic adjustments is really up to what's in front of those jurisdictions and we're just happy to be available to those dialogs when they have needs.

Kevin McVeigh

Analyst, Macquarie Capital (USA), Inc.

Got it. And then it sounds like you made a couple of references to the dividend. Any sense in terms of – what we should expect in terms of the pace of increase of payout? Is that – just any thoughts on that would be helpful.

Brian R. Evans

Chief Financial Officer & Senior Vice President, The GEO Group, Inc.

Our track record we established in the short period of time that we've been a REIT, we've evaluated it at least annually and consistently in the fourth quarter. And I would expect that we will continue to follow that pattern and we've been pretty straightforward that we're targeting that 75% to 80% payout ratio. And I think we've been consistently right at that, maybe 74% or something like that. But we've been right around that payout ratio. So we'll continue to monitor that. We'll continue to evaluate in a timely fashion. We'll continue to evaluate it against whatever our projected capital needs are. But I think we've shown good discipline in regards to that matter.

Kevin McVeigh

Analyst, Macquarie Capital (USA), Inc.

Understood. Thanks, Brian.

Operator

Ladies and gentlemen, this concludes our question-and-answer session. I would like to turn the conference back over to George Zoley for any closing remarks.

George C. Zoley

Chairman, Chief Executive Officer & Founder, The GEO Group, Inc.

Well, thank you all for joining us on this call and look forward to addressing you in the future. Thank you.

Operator

Thank you, sir. The conference has now concluded. Thank you for attending. You may now disconnect.

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