

Section 1: 10-Q (10-Q)

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

FORM 10-Q

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

For the quarterly period ended June 30, 2019
OR

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

For the transition period from _____ to _____
Commission file number: 1-14260

The GEO Group, Inc.
(Exact name of registrant as specified in its charter)

Florida

(State or other jurisdiction of
incorporation or organization)

65-0043078

(IRS Employer
Identification No.)

4955 Technology Way

(Address of principal executive offices)

Boca Raton Florida

33431

(Zip Code)

(561) 893-0101

(Registrant's telephone number, including area code)

(Former name, former address and former fiscal year if changed since last report)

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

<u>Title of each class</u>	<u>Trading Symbol(s)</u>	<u>Name of each exchange on which registered</u>
Common Stock, \$0.01 par value per share	GEO	New York Stock Exchange

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an

emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

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Large accelerated filer

Non-accelerated filer

Accelerated filer

Smaller reporting company

Emerging growth company

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

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

As of July 31, 2019, the registrant had 121,251,948 shares of common stock outstanding.

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PART I - FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

THE GEO GROUP, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)
FOR THE THREE AND SIX MONTHS ENDED
JUNE 30, 2019 AND 2018
(In thousands, except per share data)

	Three Months Ended		Six Months Ended	
	June 30, 2019	June 30, 2018	June 30, 2019	June 30, 2018
Revenues	\$ 613,966	\$ 583,509	\$ 1,224,633	\$ 1,148,426
Operating expenses	453,168	437,797	910,165	864,506
Depreciation and amortization	32,352	31,313	64,821	63,239
General and administrative expenses	47,271	47,448	93,695	89,280
Operating income	81,175	66,951	155,952	131,401
Interest income	8,045	8,667	16,441	17,766
Interest expense	(38,932)	(36,345)	(79,212)	(72,214)
Loss on extinguishment of debt	(5,741)	(574)	(5,741)	(574)
Income before income taxes and equity in earnings of affiliates	44,547	38,699	87,440	76,379
Provision for income taxes	4,532	3,715	9,372	8,470
Equity in earnings of affiliates, net of income tax provision (benefit) of \$357, \$(269), \$716 and \$436, respectively	1,821	2,341	4,417	4,336
Net income	41,836	37,325	82,485	72,245
Net loss attributable to noncontrolling interests	78	96	134	163
Net income attributable to The GEO Group, Inc.	<u>\$ 41,914</u>	<u>\$ 37,421</u>	<u>\$ 82,619</u>	<u>\$ 72,408</u>
Weighted-average common shares outstanding:				
Basic	119,168	120,274	118,972	121,017
Diluted	119,544	120,659	119,517	121,461
Net income per common share attributable to The GEO Group, Inc.:				
Basic:				
Net income per common share attributable to The GEO Group, Inc. - basic	<u>\$ 0.35</u>	<u>\$ 0.31</u>	<u>\$ 0.69</u>	<u>\$ 0.60</u>
Diluted:				
Net income per common share attributable to The GEO Group, Inc. - diluted	<u>\$ 0.35</u>	<u>\$ 0.31</u>	<u>\$ 0.69</u>	<u>\$ 0.60</u>
Dividends declared per share	<u>\$ 0.48</u>	<u>\$ 0.47</u>	<u>\$ 0.96</u>	<u>\$ 0.94</u>

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

THE GEO GROUP, INC.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(Unaudited)
FOR THE THREE AND SIX MONTHS ENDED
JUNE 30, 2019 AND 2018
(In thousands)

	Three Months Ended		Six Months Ended	
	June 30, 2019	June 30, 2018	June 30, 2019	June 30, 2018
Net income	\$ 41,836	\$ 37,325	\$ 82,485	\$ 72,245
Other comprehensive income (loss), net of tax:				
Foreign currency translation adjustments	29	(5,061)	1,761	(4,540)
Pension liability adjustment, net of tax provision of \$11, \$491, \$22 and \$463, respectively	42	625	(605)	730
Change in fair value of derivative instrument classified as cash flow hedge, net of tax provision of \$809, \$402, \$1,014 and \$532, respectively	4,583	2,278	5,746	3,014
Total other comprehensive income (loss), net of tax	4,654	(2,158)	6,902	(796)
Total comprehensive income	46,490	35,167	89,387	71,449
Comprehensive loss attributable to noncontrolling interests	73	117	129	176
Comprehensive income attributable to The GEO Group, Inc.	\$ 46,563	\$ 35,284	\$ 89,516	\$ 71,625

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

THE GEO GROUP, INC.
CONSOLIDATED BALANCE SHEETS
JUNE 30, 2019 AND DECEMBER 31, 2018
(In thousands, except share data)

	<u>June 30, 2019</u>	<u>December 31, 2018</u>
	(Unaudited)	
ASSETS		
<i>Current Assets</i>		
Cash and cash equivalents	\$ 21,561	\$ 31,255
Restricted cash and cash equivalents	56,343	51,678
Accounts receivable, less allowance for doubtful accounts of \$4,228 and \$4,183, respectively	394,720	445,526
Contract receivable, current portion	13,944	15,535
Prepaid expenses and other current assets	46,316	57,768
Total current assets	<u>532,884</u>	<u>601,762</u>
<i>Restricted Cash and Investments</i>	27,358	22,431
<i>Property and Equipment, Net</i>	2,148,225	2,158,610
<i>Assets Held for Sale</i>	4,607	2,634
<i>Contract Receivable</i>	365,208	368,178
<i>Operating Lease Right-of-Use Assets, Net</i>	132,016	—
<i>Deferred Income Tax Assets</i>	29,924	29,924
<i>Goodwill</i>	776,357	776,359
<i>Intangible Assets, Net</i>	221,222	232,360
<i>Other Non-Current Assets</i>	70,337	65,860
Total Assets	<u>\$ 4,308,138</u>	<u>\$ 4,258,118</u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
<i>Current Liabilities</i>		
Accounts payable	\$ 91,257	\$ 93,032
Accrued payroll and related taxes	71,369	76,009
Accrued expenses and other current liabilities	189,083	204,170
Operating lease liabilities, current portion	32,077	—
Current portion of finance lease liabilities, long-term debt and non-recourse debt	25,866	332,027
Total current liabilities	<u>409,652</u>	<u>705,238</u>
<i>Deferred Income Tax Liabilities</i>	13,681	13,681
<i>Other Non-Current Liabilities</i>	81,812	82,481
<i>Operating Lease Liabilities</i>	102,844	—
<i>Finance Lease Liabilities</i>	3,779	4,570
<i>Long-Term Debt</i>	2,354,526	2,397,227
<i>Non-Recourse Debt</i>	320,306	15,017
<i>Commitments and Contingencies</i> (Note 12)		
<i>Shareholders' Equity</i>		
Preferred stock, \$0.01 par value, 30,000,000 shares authorized, none issued or outstanding	—	—
Common stock, \$0.01 par value, 187,500,000 shares authorized, 125,422,811 and 124,794,986 issued and 121,212,557 and 120,584,732 outstanding, respectively	1,254	1,248
Additional paid-in capital	1,220,242	1,210,916
Distributions in excess of earnings	(87,339)	(52,868)
Accumulated other comprehensive loss	(16,716)	(23,618)
Treasury stock, 4,210,254 shares, at cost	(95,175)	(95,175)
Total shareholders' equity attributable to The GEO Group, Inc.	<u>1,022,266</u>	<u>1,040,503</u>
Noncontrolling interests	(728)	(599)
Total shareholders' equity	<u>1,021,538</u>	<u>1,039,904</u>
Total Liabilities and Shareholders' Equity	<u>\$ 4,308,138</u>	<u>\$ 4,258,118</u>

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

THE GEO GROUP, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)
FOR THE SIX MONTHS ENDED
JUNE 30, 2019 AND 2018
(In thousands)

	Six Months Ended	
	June 30, 2019	June 30, 2018
Cash Flow from Operating Activities:		
Net income	\$ 82,485	\$ 72,245
Net loss attributable to noncontrolling interests	134	163
Net income attributable to The GEO Group, Inc.	82,619	72,408
Adjustments to reconcile net income attributable to The GEO Group, Inc. to net cash provided by operating activities:		
Depreciation and amortization expense	64,821	63,239
Stock-based compensation	12,180	10,787
Loss on extinguishment of debt	5,741	574
Amortization of debt issuance costs, discount and/or premium and other non-cash interest	5,023	3,992
Provision for doubtful accounts	259	525
Equity in earnings of affiliates, net of tax	(4,417)	(4,336)
Dividends received from unconsolidated joint venture	3,088	3,957
Loss (gain) on sale/disposal of property and equipment, net	1,972	(1,001)
Loss on assets held for sale	1,083	—
Changes in assets and liabilities, net of effects of acquisitions:		
Changes in accounts receivable, prepaid expenses and other assets	38,866	19,838
Changes in contract receivable	3,151	(4,919)
Changes in accounts payable, accrued expenses and other liabilities	2,681	15,189
Net cash provided by operating activities	217,067	180,253
Cash Flow from Investing Activities:		
Insurance proceeds - damaged property	10,761	4,036
Proceeds from sale of property and equipment	304	1,717
Proceeds from sale of assets held for sale	—	3,797
Change in restricted investments	(4,816)	(1,490)
Capital expenditures	(55,410)	(107,064)
Net cash used in investing activities	(49,161)	(99,004)
Cash Flow from Financing Activities:		
Proceeds from long-term debt	170,000	245,000
Payments on long-term debt	(213,926)	(134,000)
Payments on non-recourse debt	(326,942)	(7,490)
Proceeds from non-recourse debt	326,127	—
Taxes paid related to net share settlements of equity awards	(4,177)	(4,391)
Proceeds from issuance of common stock in connection with ESPP	252	264
Payment for repurchases of common stock	—	(70,446)
Debt issuance costs	(9,937)	(990)
Proceeds from the exercise of stock options	1,077	1,372
Cash dividends paid	(116,122)	(115,017)
Net cash used in financing activities	(173,648)	(85,698)
Effect of Exchange Rate Changes on Cash, Cash Equivalents and Restricted Cash and Cash Equivalents	824	(1,881)
Net Decrease in Cash, Cash Equivalents and Restricted Cash and Cash Equivalents	(4,918)	(6,330)
Cash, Cash Equivalents and Restricted Cash and Cash Equivalents, beginning of period	84,472	133,545
Cash, Cash Equivalents and Restricted Cash and Cash Equivalents, end of period	\$ 79,554	\$ 127,215
Supplemental Disclosures:		
Non-cash Investing and Financing activities:		
Right-of-use assets obtained from operating lease liabilities upon adoption of new lease standard (Refer to Note 2 - Leases)	\$ 147,000	\$ —
Capital expenditures in accounts payable and accrued expenses	\$ 6,442	\$ 5,408

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

THE GEO GROUP, INC.

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF PRESENTATION

The GEO Group, Inc., a Florida corporation, and subsidiaries (the "Company" or "GEO") is a fully-integrated real estate investment trust ("REIT") specializing in the design, financing, development and operation of correctional facilities, processing centers and community reentry centers in the United States, Australia, South Africa and the United Kingdom. The Company owns, leases and operates a broad range of facilities including maximum, medium and minimum security facilities, processing centers, as well as community-based reentry facilities and offers an expanded delivery of rehabilitation services under its 'GEO Continuum of Care' platform. The 'GEO Continuum of Care' program integrates enhanced rehabilitative programs, which are evidence-based and include cognitive behavioral treatment and post-release services, and provides academic and vocational classes in life skills and treatment programs while helping individuals reintegrate into their communities. The Company develops new facilities based on contract awards, using its project development expertise and experience to design, construct and finance what it believes are state-of-the-art facilities that maximize security and efficiency. The Company provides innovative compliance technologies, industry-leading monitoring services, and evidence-based supervision and treatment programs for community-based parolees, probationers and pretrial defendants. The Company also provides secure transportation services for individuals as contracted domestically and in the United Kingdom through its joint venture GEO Amey PECS Ltd. ("GEOAmey"). At June 30, 2019, the Company's worldwide operations include the management and/or ownership of approximately 97,000 beds at 133 facilities, including idle facilities, projects under development and recently awarded contracts, and also include the provision of community supervision services for more than 210,000 individuals, including approximately 100,000 through an array of technology products including radio frequency, GPS, and alcohol monitoring devices.

The Company's unaudited consolidated financial statements included in this Quarterly Report on Form 10-Q have been prepared in accordance with accounting principles generally accepted in the United States and the instructions to Form 10-Q and consequently do not include all disclosures required by Form 10-K. The accounting policies followed for quarterly financial reporting are the same as those disclosed in the Notes to Consolidated Financial Statements included in the Company's Annual Report on Form 10-K filed with the Securities and Exchange Commission on February 25, 2019 for the year ended December 31, 2018. The accompanying December 31, 2018 consolidated balance sheet has been derived from those audited financial statements. Additional information may be obtained by referring to the Company's Form 10-K for the year ended December 31, 2018. Certain amounts in the prior period financial statements have been reclassified to conform to the presentation of the current period financial statements. These reclassifications had no effect on the previously reported financial position, results of operations or cash flows. In the opinion of management, all adjustments (consisting only of normal recurring items) necessary for a fair presentation of the financial information for the interim periods reported in this Quarterly Report on Form 10-Q have been made. Results of operations for the six months ended June 30, 2019 are not necessarily indicative of the results for the entire year ending December 31, 2019, or for any other future interim or annual periods.

2. LEASES

On January 1, 2019, the Company adopted Accounting Standard Update ("ASU") No. 2016-02, "Leases" (Topic 842) which requires that entities record lease assets and lease liabilities on the balance sheet and disclose key information about leasing arrangements. The Company implemented the new standard using the transition method that provided for adoption on the adoption date and recognizing a cumulative-effect adjustment to retained earnings, if any, upon adoption. Therefore, the consolidated financial statements for the three and six months ended June 30, 2019 are presented under the new standard, while comparative years presented are not adjusted and continue to be reported in accordance with the Company's historical accounting policy. Refer to Note 15 - Recent Accounting Pronouncements for further information.

The Company has operating and finance leases for facilities, ground leases, office space, computers, copier equipment and transportation vehicles that have remaining lease terms of one year to seventy-seven years, some of which include options to extend the lease for up to ten years. For leases with terms greater than 12 months, the Company records the related asset and obligation at the present value of the lease payments over the term of the lease. Many of GEO's leases include rental escalation clauses, renewal options and/or termination options that are factored into the determination of lease payments when appropriate. Only renewal or termination options that are reasonably certain to be exercised by the Company are included in the lease term which is used in the calculation of lease liabilities and right-of-use assets. GEO does not typically enter into lease agreements that contain a residual guarantee or that provide for variable lease payments.

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When available, GEO uses the rate implicit in the lease to discount lease payments to present value, however, most of GEO's lease agreements do not provide a readily determinable implicit rate. Therefore, the Company must estimate its incremental borrowing rate to discount the lease payments based on information available at lease commencement.

Lease related assets and liabilities are recorded on the balance sheet as follows (in thousands):

	Classification on the Balance Sheet	June 30, 2019
Assets		
Operating lease assets	Operating Lease Right-of-Use Assets, Net	\$ 132,016
Finance lease assets	Property and Equipment, Net	3,391
Total lease assets		<u>\$ 135,407</u>
Liabilities		
Current		
Operating	Operating lease liabilities, current portion	\$ 32,077
Finance [1]	Current portion of finance liabilities, long-term debt and non-recourse debt	1,550
Noncurrent		
Operating	Operating Lease Liabilities	102,844
Finance [1]	Finance Lease Liabilities	3,779
Total lease liabilities		<u>\$ 140,250</u>

[1] Also refer to Note 11 - Debt.

Certain information related to the lease costs for finance and operating leases is presented as follows (in thousands):

	Three Months Ended June 30, 2019	Six Months Ended June 30, 2019
Operating lease cost	\$ 11,738	\$ 24,230
Finance lease cost:		
Amortization of right-of-use assets	256	512
Interest on lease liabilities	68	181
Total finance lease cost	324	693
Short-term lease cost	1,640	3,555
Total Lease Cost	\$ 13,702	\$ 28,478
Cash paid for amounts included in the measurement of lease liabilities		
Operating cash flows for operating leases	\$ 12,400	\$ 25,016
Operating cash flows for finance leases	\$ 68	\$ 181
Financing activities for finance leases	\$ 396	\$ 790
Right-of-use assets obtained in exchange for new operating lease liabilities	\$ 3,154	\$ 6,318
Weighted average remaining lease term:		
Operating leases	7.3 years	
Finance leases	3.4 years	
Weighted average discount rate:		
Operating leases	4.74%	
Finance leases	8.27%	

Undiscounted Cash Flows

The table below reconciles the undiscounted cash flows for each of the first five years and total of the remaining years to the operating lease liabilities and finance lease liabilities recorded on the balance sheet as of June 30, 2019 (in thousands).

	Operating Leases		Finance Leases	
2019	\$	20,548	\$	965
2020		31,861		1,934
2021		24,100		1,936
2022		17,521		1,234
2023		14,189		—
Thereafter		53,661		—
Total minimum lease payments		161,880		6,069
Less: amount of lease payment representing interest		(26,959)		(740)
Present value of future minimum lease payments		134,921		5,329
Less: current obligations under leases		(32,077)		(1,550)
Long-term lease obligations	\$	102,844	\$	3,779

3. GOODWILL AND OTHER INTANGIBLE ASSETS

The Company has recorded goodwill as a result of its various business combinations. Goodwill is recorded as the difference, if any, between the aggregate consideration paid for an acquisition and the fair value of the tangible assets and intangible assets acquired net of liabilities assumed, including noncontrolling interests. Changes in the Company's goodwill balances from January 1, 2019 to June 30, 2019 are as follows (in thousands):

	January 1, 2019	Foreign Currency Translation	June 30, 2019
GEO Secure Services	\$ 316,366	\$ —	\$ 316,366
GEO Care	459,589	—	459,589
International Services	404	(2)	402
Total Goodwill	<u>\$ 776,359</u>	<u>\$ (2)</u>	<u>\$ 776,357</u>

The Company has also recorded other finite and indefinite-lived intangible assets as a result of its various business combinations. The Company's intangible assets include facility management contracts, covenants not to compete, trade names and technology, as follows (in thousands):

	Weighted Average Useful Life (years)	June 30, 2019				December 31, 2018		
		Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	
Facility management contracts	16.3	\$ 308,515	\$ (137,909)	\$ 170,606	\$ 308,419	\$ (127,481)	\$ 180,938	
Covenants not to compete	1	—	—	—	700	(700)	—	
Technology	7.3	33,700	(28,284)	5,416	33,700	(27,478)	6,222	
Trade names (Indefinite lived)	Indefinite	45,200	—	45,200	45,200	—	45,200	
Total acquired intangible assets		<u>\$ 387,415</u>	<u>\$ (166,193)</u>	<u>\$ 221,222</u>	<u>\$ 388,019</u>	<u>\$ (155,659)</u>	<u>\$ 232,360</u>	

Amortization expense was \$11.2 million and \$11.7 million for the six months ended June 30, 2019 and 2018, respectively. Amortization expense was primarily related to the GEO Secure Services (formerly known as U.S. Corrections & Detention) and GEO Care segments' amortization of acquired facility management contracts. As of June 30, 2019, the weighted average period before the next contract renewal or extension for the acquired facility management contracts was approximately 1.5 years. Although the facility management contracts acquired have renewal and extension terms in the near term, the Company has historically maintained these relationships beyond the current contractual periods.

Estimated amortization expense related to the Company's finite-lived intangible assets for the remainder of 2019 through 2023 and thereafter is as follows (in thousands):

Fiscal Year	Total Amortization Expense
Remainder of 2019	\$ 11,171
2020	22,306
2021	19,782
2022	18,273
2023	13,632
Thereafter	90,858
	<u>\$ 176,022</u>

4. FINANCIAL INSTRUMENTS

The following tables provide a summary of the Company's significant financial assets and liabilities carried at fair value and measured on a recurring basis as of June 30, 2019 and December 31, 2018 (in thousands):

	Carrying Value at June 30, 2019	Fair Value Measurements at June 30, 2019		
		Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets:				
Restricted investment:				
Rabbi Trust	\$ 25,708	\$ —	\$ 25,708	\$ —
Fixed income securities	1,881	—	1,881	—

	Carrying Value at December 31, 2018	Fair Value Measurements at December 31, 2018		
		Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets:				
Restricted investments:				
Rabbi Trust	\$ 20,892	\$ —	\$ 20,892	\$ —
Fixed income securities	1,801	—	1,801	—
Liabilities:				
Interest rate swap derivatives	\$ 8,638	\$ —	\$ 8,638	\$ —

The Company's Level 2 financial instruments included in the tables above as of June 30, 2019 and December 31, 2018 consist of interest rate swap derivative liabilities held by the Company's Australian subsidiary, the Company's rabbi trust established for GEO employee and employer contributions to The GEO Group, Inc. Non-qualified Deferred Compensation Plan and an investment in Canadian dollar denominated fixed income securities. On May 22, 2019, the Company terminated the interest rate swap derivative liabilities in connection with a debt refinancing transaction by our Australian subsidiary. Refer to Note 10 - Derivative Financial Instruments and Note 11 - Debt for additional information.

The Australian subsidiary's interest rate swap derivative liabilities were valued using a discounted cash flow model based on projected Australian borrowing rates. The Company's restricted investment in the rabbi trust is invested in Company-owned life insurance policies which are recorded at their cash surrender values. These investments are valued based on the underlying investments held in the policies' separate account. The underlying assets are equity and fixed income pooled funds that are comprised of Level 1 and Level 2 securities. The Canadian dollar denominated securities, not actively traded, are valued using quoted rates for these and similar securities.

During the six months ended June 30, 2019, the Company transferred certain accounts receivable balances that had a carrying value of approximately \$3.0 million to an unrelated third party. The transfer was accounted for as a sale and the Company has no continuing involvement with the transferred assets. The Company received cash proceeds in connection with the sale of approximately \$3.0 million, and as such, there was no gain or loss in connection with the transaction.

5. FAIR VALUE OF ASSETS AND LIABILITIES

The Company's consolidated balance sheets reflect certain financial assets and liabilities at carrying value. The carrying value of certain debt instruments, if applicable, is net of unamortized discount. The following tables present the carrying values of those financial instruments and the estimated corresponding fair values at June 30, 2019 and December 31, 2018 (in thousands):

	Carrying Value as of June 30, 2019	Estimated Fair Value Measurements at June 30, 2019			
		Total Fair Value	Level 1	Level 2	Level 3
Assets:					
Cash and cash equivalents	\$ 21,561	\$ 21,561	\$ 21,561	\$ —	\$ —
Restricted cash and investments	57,993	57,993	57,993	—	—
Liabilities:					
Borrowings under senior credit facility	\$ 1,231,322	\$ 1,206,589	\$ —	\$ 1,206,589	\$ —
5.875% Senior Notes due 2022	250,000	247,275	—	247,275	—
5.125% Senior Notes due 2023	300,000	269,220	—	269,220	—
5.875% Senior Notes due 2024	250,000	221,240	—	221,240	—
6.00% Senior Notes due 2026	350,000	305,620	—	305,620	—
Non-recourse debt	342,233	339,188	—	339,188	—

	Carrying Value as of December 31, 2018	Estimated Fair Value Measurements at December 31, 2018			
		Total Fair Value	Level 1	Level 2	Level 3
Assets:					
Cash and cash equivalents	\$ 31,255	\$ 31,255	\$ 31,255	\$ —	\$ —
Restricted cash and investments	53,217	53,217	50,499	2,718	—
Liabilities:					
Borrowings under senior credit facility	\$ 1,273,965	\$ 1,188,196	\$ —	\$ 1,188,196	\$ —
5.875% Senior Notes due 2022	250,000	244,550	—	244,550	—
5.125% Senior Notes due 2023	300,000	271,992	—	271,992	—
5.875% Senior Notes due 2024	250,000	224,590	—	224,590	—
6.00% Senior Notes due 2026	350,000	310,177	—	310,177	—
Non-recourse debt	340,910	348,274	—	348,274	—

The fair values of the Company's cash and cash equivalents, and restricted cash approximates the carrying values of these assets at June 30, 2019 and December 31, 2018. Restricted cash consists of money market funds, bank deposits, commercial paper and time deposits used for asset replacement funds and other funds contractually required to be maintained at the Company's Australian subsidiary. The fair value of the money market funds and bank deposits is based on quoted market prices (Level 1) and the fair value of commercial paper and time deposits is based on market prices for similar instruments (Level 2).

The fair values of the Company's 5.875% senior unsecured notes due 2022 ("5.875% Senior Notes due 2022"), 5.875% senior unsecured notes due 2024 ("5.875% Senior Notes due 2024"), 6.00% senior unsecured notes due 2026 ("6.00% Senior Notes"), and the 5.125% senior unsecured notes due 2023 ("5.125% Senior Notes"), although not actively traded, are based on published financial data for these instruments. The fair values of the Company's non-recourse debt related to the Washington Economic Development Finance Authority ("WEDFA") and the Company's Australian subsidiary are estimated based on market prices of similar instruments. The fair value of borrowings under the senior credit facility is based on an estimate of trading value considering the Company's borrowing rate, the undrawn spread and similar instruments.

6. RESTRICTED CASH AND CASH EQUIVALENTS

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The following table provides a reconciliation of cash, cash equivalents and restricted cash and cash equivalents reported on the consolidated balance sheets that sum to the total of the same such amounts shown in the consolidated statements of cash flows:

	June 30, 2019		June 30, 2018	
Cash and Cash Equivalents	\$	21,561	\$	65,451
Restricted cash and cash equivalents - current		56,343		58,720
Restricted cash and investments - non-current		27,358		25,297
Less Restricted investments - non-current		(25,708)		(22,253)
Total cash, cash equivalents and restricted cash and cash equivalents shown in the statement of cash flows	\$	79,554	\$	127,215

Amounts included in restricted cash and cash equivalents are attributable to certain contractual cash restriction requirements at the Company's wholly owned Australian subsidiary related to non-recourse debt and asset replacement funds contractually required to be maintained and other guarantees. Restricted investments - non-current (included in Restricted Cash and Investments in the accompanying consolidated balance sheets) consists of the Company's rabbi trust established for employee and employer contributions to The GEO Group, Inc. Non-qualified Deferred Compensation Plan and is not considered to be a restricted cash equivalent. Refer to Note 4 - Financial Instruments.

7. SHAREHOLDERS' EQUITY

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The following table presents the changes in shareholders' equity that are attributable to the Company's shareholders and to noncontrolling interests for the three and six months ended June 30, 2019 and 2018 (in thousands):

	Common shares		Additional Paid-In Capital	Distributions in Excess of Earnings	Accumulated Other Comprehensive Loss	Treasury shares		Noncontrolling Interests	Total Shareholders' Equity
	Shares	Amount				Shares	Amount		
Balance, January 1, 2019	120,585	\$ 1,248	\$ 1,210,916	\$ (52,868)	\$ (23,618)	4,210	\$(95,175)	\$ (599)	\$ 1,039,904
Proceeds from exercise of stock options	22	—	333	—	—	—	—	—	333
Stock-based compensation expense	—	—	6,727	—	—	—	—	—	6,727
Restricted stock granted	778	8	(8)	—	—	—	—	—	—
Restricted stock canceled	(6)	—	—	—	—	—	—	—	—
Dividends paid	—	—	—	(57,945)	—	—	—	—	(57,945)
Shares withheld for net settlements of share-based awards [1]	(198)	(2)	(4,170)	—	—	—	—	—	(4,172)
Issuance of common stock - ESPP	6	—	124	—	—	—	—	—	124
Transition adjustment for accounting standard adoption [2]	—	—	—	(968)	968	—	—	—	—
Net income (loss)	—	—	—	40,705	—	—	—	(56)	40,649
Other comprehensive income	—	—	—	—	1,284	—	—	—	1,284
Balance, March 31, 2019	<u>121,187</u>	<u>\$ 1,254</u>	<u>\$ 1,213,922</u>	<u>\$ (71,076)</u>	<u>\$ (21,366)</u>	<u>4,210</u>	<u>\$(95,175)</u>	<u>\$ (655)</u>	<u>\$ 1,026,904</u>
Proceeds from exercise of stock options	42	—	739	—	—	—	—	—	739
Stock-based compensation expense	—	—	5,453	—	—	—	—	—	5,453
Restricted stock granted	10	—	—	—	—	—	—	—	—
Restricted stock canceled	(32)	—	—	—	—	—	—	—	—
Dividends paid	—	—	—	(58,177)	—	—	—	—	(58,177)
Issuance of common stock - ESPP	6	—	128	—	—	—	—	—	128
Net income (loss)	—	—	—	41,914	—	—	—	(78)	41,836
Other comprehensive income	—	—	—	—	4,650	—	—	5	4,655
Balance, June 30, 2019	<u>121,213</u>	<u>\$ 1,254</u>	<u>\$ 1,220,242</u>	<u>\$ (87,339)</u>	<u>\$ (16,716)</u>	<u>4,210</u>	<u>\$(95,175)</u>	<u>\$ (728)</u>	<u>\$ 1,021,538</u>

	Common shares		Additional Paid-In Capital	Earnings in Excess of Distributions	Accumulated Other Comprehensive Loss	Treasury shares		Noncontrolling Interests	Total Shareholders' Equity
	Shares	Amount				Shares	Amount		
Balance, January 1, 2018	124,008	\$ 1,240	\$ 1,190,906	\$ 31,541	\$ (24,446)	—	—	\$ (322)	\$ 1,198,919
Proceeds from exercise of stock options	15	1	260	—	—	—	—	—	261
Stock-based compensation expense	—	—	5,827	—	—	—	—	—	5,827
Restricted stock canceled	(9)	—	—	—	—	—	—	—	—
Dividends paid	—	—	—	(58,319)	—	—	—	—	(58,319)
Shares withheld for net settlements of share-based awards [1]	(169)	(2)	(4,355)	—	—	—	—	—	(4,357)
Issuance of common stock - ESPP	8	—	141	—	—	—	—	—	141
Repurchases of common stock	(1,848)	—	—	—	—	1,848	(40,182)	—	(40,182)
Net income (loss)	—	—	—	34,987	—	—	—	(67)	34,920
Other comprehensive income	—	—	—	—	1,354	—	—	8	1,362
Balance, March 31, 2018	<u>122,005</u>	<u>\$ 1,239</u>	<u>\$ 1,192,779</u>	<u>\$ 8,209</u>	<u>\$ (23,092)</u>	<u>1,848</u>	<u>\$(40,182)</u>	<u>\$ (381)</u>	<u>\$ 1,138,572</u>
Proceeds from exercise of stock options	62	—	1,111	—	—	—	—	—	1,111
Stock-based compensation expense	—	—	4,960	—	—	—	—	—	4,960
Restricted stock granted	896	9	(9)	—	—	—	—	—	—
Restricted stock canceled	(19)	—	—	—	—	—	—	—	—
Dividends paid	—	—	—	(56,698)	—	—	—	—	(56,698)
Shares withheld for net settlements of share-based awards [1]	(2)	—	(34)	—	—	—	—	—	(34)
Issuance of common stock - ESPP	4	—	123	—	—	—	—	—	123
Repurchases of common stock	(1,269)	—	—	—	—	1,269	(30,264)	—	(30,264)
Net income (loss)	—	—	—	37,421	—	—	—	(96)	37,325
Other comprehensive income	—	—	—	—	(2,137)	—	—	(21)	(2,158)
Balance, June 30, 2018	<u>121,677</u>	<u>\$ 1,248</u>	<u>\$ 1,198,930</u>	<u>\$ (11,068)</u>	<u>\$ (25,229)</u>	<u>3,117</u>	<u>\$(70,446)</u>	<u>\$ (498)</u>	<u>\$ 1,092,937</u>

[1] During the six months ended June 30, 2019 and 2018, the Company withheld shares through net share settlements to satisfy statutory tax withholding requirements upon vesting of shares of restricted stock held by employees.

[2] On January 1, 2019, the Company adopted Accounting Standard Update ("ASU") No. 2018-02 "Income Statement-Reporting Comprehensive Income-Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income". Refer to Note 15 - Recent Accounting Pronouncements for further information.

REIT Distributions

As a REIT, GEO is required to distribute annually at least 90% of its REIT taxable income (determined without regard to the dividends paid deduction and by excluding net capital gain) and began paying regular quarterly REIT dividends in 2013. The amount, timing and frequency of future dividends, however, will be at the sole discretion of GEO's Board of Directors (the "Board") and will be declared based upon various factors, many of which are beyond GEO's control, including, GEO's financial condition and operating cash flows, the amount required to maintain REIT status, limitations on distributions in GEO's existing and future debt instruments, limitations on GEO's ability to fund distributions using cash generated through GEO's taxable REIT subsidiaries ("TRSS") and other

factors that GEO's Board may deem relevant.

During the six months ended June 30, 2019 and the year ended December 31, 2018 GEO declared and paid the following regular cash distributions to its shareholders as follows:

Declaration Date	Record Date	Payment Date	Distribution Per Share	Aggregate Payment Amount (in millions)
February 5, 2018	February 16, 2018	February 27, 2018	\$0.47	\$58.3
April 11, 2018	April 23, 2018	May 3, 2018	\$0.47	\$57.4
July 10, 2018	July 20, 2018	July 27, 2018	\$0.47	\$57.2
October 15, 2018	October 26, 2018	November 2, 2018	\$0.47	\$57.2
February 4, 2019	February 15, 2019	February 22, 2019	\$0.48	\$57.9
April 3, 2019	April 15, 2019	April 22, 2019	\$0.48	\$58.2

Stock Buyback Program

On February 14, 2018, the Company announced that its Board authorized a stock buyback program authorizing the Company to repurchase up to a maximum of \$200.0 million of its shares of common stock. The stock buyback program will be funded primarily with cash on hand, free cash flow and borrowings under the Company's \$900 million revolving credit facility (the "Revolver"). The program is effective through October 20, 2020. The stock buyback program is intended to be implemented through purchases made from time to time in the open market or in privately negotiated transactions, in accordance with applicable Securities and Exchange Commission ("SEC") requirements. The stock buyback program does not obligate the Company to purchase any specific amount of the Company's common stock and may be suspended or extended at any time at the discretion of the Company's Board. There were no repurchases of shares of the Company's common stock during the six months ended June 30, 2019. The Company believes it has the ability to continue to fund the stock buyback program, its debt service requirements and its maintenance and growth capital expenditure requirements, while maintaining sufficient liquidity for other corporate purposes.

Prospectus Supplement

On October 20, 2017, the Company filed with the SEC an automatic shelf registration on Form S-3. Under this shelf registration, the Company may, from time to time, sell any combination of securities described in the prospectus in one or more offerings. Each time that the Company may sell securities, the Company will provide a prospectus supplement that will contain specific information about the terms of that offering and the securities being offered. On November 9, 2017, in connection with the shelf registration, the Company filed with the SEC a prospectus supplement related to the offer and sale from time to time of the Company's common stock at an aggregate offering price of up to \$150 million through sales agents. Sales of shares of the Company's common stock under the prospectus supplement and the equity distribution agreements entered into with the sales agents, if any, may be made in negotiated transactions or transactions that are deemed to be "at the market" offerings as defined in Rule 415 under the Securities Act of 1933. There were no shares of common stock sold under this prospectus supplement during the six months ended June 30, 2019.

Comprehensive Income (Loss)

Comprehensive income (loss) represents the change in shareholders' equity from transactions and other events and circumstances arising from non-shareholder sources. The Company's total comprehensive income (loss) is comprised of net income attributable to GEO, net income attributable to noncontrolling interests, foreign currency translation adjustments that arise from consolidating foreign operations that do not impact cash flows, net unrealized gains and/or losses on derivative instruments, and pension liability adjustments within shareholders' equity and comprehensive income (loss).

The components of accumulated other comprehensive income (loss) attributable to GEO within shareholders' equity are as follows:

Six Months Ended June 30, 2019

	(In thousands)			
	Foreign currency translation adjustments, net of tax attributable to The GEO Group, Inc. (1)	Change in fair value of derivatives, net of tax (2)	Pension adjustments, net of tax	Total
Balance, January 1, 2019	\$ (14,573)	\$ (5,746)	\$ (3,299)	\$ (23,618)
Current-period other comprehensive income (loss) before reclassifications	1,761	1,895	(605)	3,051
Amounts reclassified from other comprehensive income into earnings	—	3,851	—	3,851
Net current-period other comprehensive income (loss)	1,761	5,746	(605)	6,902
Balance, June 30, 2019	<u>\$ (12,812)</u>	<u>\$ —</u>	<u>\$ (3,904)</u>	<u>\$ (16,716)</u>

(1) The foreign currency translation related to noncontrolling interests was not significant at June 30, 2019 or December 31, 2018.

(2) On May 22, 2019, the Company refinanced the debt associated with its Ravenhall project and terminated the associated interest rate swap derivatives which resulted in the reclassification of \$3.9 million into losses that were previously reported in accumulated other comprehensive income (loss). Refer to Note 11 - Debt for additional information.

Six Months Ended June 30, 2018

	(In thousands)			
	Foreign currency translation adjustments, net of tax attributable to The GEO Group, Inc. (1)	Change in fair value of derivatives, net of tax	Pension adjustments, net of tax	Total
Balance, January 1, 2018	(7,470)	(11,892)	(5,084)	(24,446)
Current-period other comprehensive (loss) income	(4,527)	3,014	730	(783)
Balance, June 30, 2018	<u>(11,997)</u>	<u>(8,878)</u>	<u>(4,354)</u>	<u>(25,229)</u>

(1) The foreign currency translation related to noncontrolling interests was not significant at June 30, 2018 or December 31, 2017.

8. EQUITY INCENTIVE PLANS

The Board adopted The GEO Group, Inc. 2018 Stock Incentive Plan (the "2018 Plan"), which was approved by the Company's shareholders on April 24, 2018. The 2018 Plan replaced the 2014 Stock Incentive Plan (the "2014 Plan"). As of the date the 2018 Plan was adopted, it provided for a reserve of 4,600,000 shares of common stock that may be issued pursuant to awards granted under the 2018 Plan. The Company filed a Form S-8 registration statement related to the 2018 Plan on May 11, 2018.

Stock Options

The Company uses a Black-Scholes option valuation model to estimate the fair value of each time-based or performance-based option awarded. For options granted during the six months ended June 30, 2019, the fair value was estimated using the following assumptions: (i) volatility of 40.69%; (ii) expected term of 5.0 years; (iii) risk free interest rate of 2.44%; and (iv) expected dividend yield of 8.47%. A summary of the activity of stock option awards issued and outstanding under Company plans was as follows for the six months ended June 30, 2019:

	Shares (in thousands)	Wtd. Avg. Exercise Price	Wtd. Avg. Remaining Contractual Term (years)	Aggregate Intrinsic Value (in thousands)
Options outstanding at January 1, 2019	1,462	\$ 24.30	7.20	\$ 924
Options granted	391	22.68		
Options exercised	(64)	16.93		
Options forfeited/canceled/expired	(117)	24.68		
Options outstanding at June 30, 2019	1,672	\$ 24.19	7.40	\$ 1,122
Options vested and expected to vest at June 30, 2019	1,569	\$ 24.25	7.29	\$ —
Options exercisable at June 30, 2019	842	\$ 24.67	5.99	\$ 1,036

On March 1, 2019, the Company granted approximately 391,000 options to certain employees which had a per share grant date fair value of \$3.96. For the six months ended June 30, 2019 and June 30, 2018, the amount of stock-based compensation expense related to stock options was \$0.5 million and \$0.4 million, respectively. As of June 30, 2019, the Company had \$2.5 million of unrecognized compensation costs related to non-vested stock option awards that are expected to be recognized over a weighted average period of 2.9 years.

Restricted Stock

Compensation expense for nonvested stock awards is recorded over the vesting period based on the fair value at the date of grant. Generally, the restricted stock awards vest in equal increments over either a three or four-year period. The fair value of restricted stock awards, which do not contain a market-based vesting condition, is determined using the closing price of the Company's common stock on the date of grant. The Company has historically issued share-based awards with service-based, performance-based and market-based vesting criteria.

A summary of the activity of restricted stock outstanding is as follows for the six months ended June 30, 2019:

	Shares (in thousands)	Wtd. Avg. Grant Date Fair Value
Restricted stock outstanding at January 1, 2019	2,018	\$ 27.62
Granted	788	23.79
Vested	(698)	24.08
Forfeited/canceled	(38)	24.01
Restricted stock outstanding at June 30, 2019	2,070	\$ 27.29

During the six months ended June 30, 2019, the Company granted approximately 788,000 shares of restricted stock to certain employees and executive officers. Of these awards, 250,000 are market and performance-based awards which will be forfeited if the Company does not achieve certain annual metrics during 2019, 2020 and 2021.

The vesting of these performance-based restricted stock grants are subject to the achievement by GEO of two annual performance metrics as follows: (i) up to 50% of the shares of restricted stock ("TSR Target Award") can vest at the end of a three year performance period if GEO meets certain total shareholder return ("TSR") performance targets, as compared to the total shareholder return of a peer group of companies, over a three year period from January 1, 2019 to December 31, 2021 and (ii) up to 50% of the shares of restricted stock ("ROCE Target Award") can vest at the end of a three year period if GEO meets certain return on capital employed ("ROCE") performance targets over a three year period from January 1, 2019 to December 31, 2021. These market and performance awards can vest at between 0% and 200% of the target awards for both metrics. The number of shares shown for the performance-based awards is based on the target awards for both metrics.

The metric related to ROCE is considered to be a performance condition. For share-based awards that contain a performance condition, the achievement of the targets must be probable before any share-based compensation expense is recorded. The Company reviews the likelihood of which the target in the range will be achieved and if deemed probable, compensation

expense is recorded at that time. If subsequent to initial measurement there is a change in the estimate of the probability of meeting the performance condition, the effect of the change in the estimated quantity of awards expected to vest is recognized by cumulatively adjusting compensation expense. If ultimately the performance targets are not met, for any awards where vesting was previously deemed probable, previously recognized compensation expense will be reversed in the period in which vesting is no longer deemed probable. The fair value of these awards was determined based on the closing price of the Company's common stock on the date of grant.

The metric related to TSR is considered to be a market condition. For share-based awards that contain a market condition, the probability of satisfying the market condition must be considered in the estimate of grant-date fair value and previously recorded compensation expense is not reversed if the market condition is never met. The fair value of these awards was determined based on a Monte Carlo simulation, which calculates a range of possible outcomes and the probabilities that they will occur, using the following key assumptions: (i) volatility of 43.7%; (ii) beta of 1.0; and (iii) risk free rate of 2.53%.

For the six months ended June 30, 2019 and June 30, 2018, the Company recognized \$11.6 million and \$10.4 million, respectively, of compensation expense related to its restricted stock awards. As of June 30, 2019, the Company had \$35.8 million of unrecognized compensation costs related to non-vested restricted stock awards, including non-vested restricted stock awards with performance-based and market-based vesting, that are expected to be recognized over a weighted average period of 2.4 years.

Employee Stock Purchase Plan

The Company previously adopted The GEO Group Inc. 2011 Employee Stock Purchase Plan (the "Plan or "ESPP") which was approved by the Company's shareholders. The purpose of the Plan, which is qualified under Section 423 of the Internal Revenue Service Code of 1986, as amended, is to encourage stock ownership through payroll deductions by the employees of GEO and designated subsidiaries of GEO in order to increase their identification with the Company's goals and secure a proprietary interest in the Company's success. These deductions are used to purchase shares of the Company's common stock at a 5% discount from the then current market price. The Company has made available up to 750,000 shares of its common stock, which were registered with the SEC on May 4, 2012, as amended on July 18, 2014, for sale to eligible employees under the Plan.

The Plan is considered to be non-compensatory. As such, there is no compensation expense required to be recognized. Share purchases under the Plan are made on the last day of each month. During the six months ended June 30, 2019, 12,374 shares of the Company's common stock were issued in connection with the Plan.

9. EARNINGS PER SHARE

Basic earnings per share of common stock is computed by dividing the net income attributable to The GEO Group, Inc. by the weighted average number of outstanding shares of common stock. The calculation of diluted earnings per share is similar to that of basic earnings per share except that the denominator includes dilutive common stock equivalents such as stock options and shares of restricted stock. Basic and diluted earnings per share were calculated for the three and six months ended June 30, 2019 and 2018 as follows (in thousands, except per share data):

	Three Months Ended		Six Months Ended	
	June 30, 2019	June 30, 2018	June 30, 2019	June 30, 2018
Net income	\$ 41,836	\$ 37,325	\$ 82,485	\$ 72,245
Net loss attributable to noncontrolling interests	78	96	134	163
Net income attributable to The GEO Group, Inc.	41,914	37,421	82,619	72,408
Basic earnings per share attributable to The GEO Group, Inc.:				
Weighted average shares outstanding	119,168	120,274	118,972	121,017
Per share amount	\$ 0.35	\$ 0.31	\$ 0.69	\$ 0.60
Diluted earnings per share attributable to The GEO Group, Inc.:				
Weighted average shares outstanding	119,168	120,274	118,972	121,017
Dilutive effect of equity incentive plans	376	385	545	444
Weighted average shares assuming dilution	119,544	120,659	119,517	121,461
Per share amount	\$ 0.35	\$ 0.31	\$ 0.69	\$ 0.60

Three Months

For the three months ended June 30, 2019, 1,399,742 weighted average shares of common stock underlying options were excluded from the computation of diluted earnings per share ("EPS") because the effect would be anti-dilutive. There were 775,827 common stock equivalents from restricted shares that were anti-dilutive.

For the three months ended June 30, 2018, 969,655 weighted average shares of common stock underlying options were excluded from the computation of diluted EPS because the effect would be anti-dilutive. There were 709,153 common stock equivalents from restricted shares that were anti-dilutive.

Six Months

For the six months ended June 30, 2019, 1,297,624 weighted average shares of common stock underlying options were excluded from the computation of diluted earnings per share ("EPS") because the effect would be anti-dilutive. There were 694,029 common stock equivalents from restricted shares that

were anti-dilutive.

For the six months ended June 30, 2018, 821,206 weighted average shares of common stock underlying options were excluded from the computation of diluted EPS because the effect would be anti-dilutive. There were 719,184 common stock equivalents from restricted shares that were anti-dilutive.

10. DERIVATIVE FINANCIAL INSTRUMENTS

The Company's primary objective in holding derivatives is to reduce the volatility of earnings and cash flows associated with changes in interest rates. The Company measures its derivative financial instruments at fair value.

Australia - Ravenhall

The Company's Australian subsidiary had entered into interest rate swap agreements to fix the interest rate on its variable rate non-recourse debt related to a project in Ravenhall, a locality near Melbourne, Australia to 4.2%. The Company had determined

that the swaps had payment, expiration dates, and provisions that coincided with the terms of the non-recourse debt and were therefore considered to be effective cash flow hedges. Accordingly, the Company recorded the change in the fair value of the interest rate swaps in accumulated other comprehensive income, net of applicable income taxes. On May 22, 2019, the Company refinanced the associated debt and terminated the swap agreements which resulted in the reclassification of \$3.9 million into losses that were previously reported in accumulated other comprehensive income. Refer to Note 11 - Debt for additional information. The Company no longer has any derivative financial instruments.

11. DEBT

Debt outstanding as of June 30, 2019 and December 31, 2018 consisted of the following (in thousands):

	June 30, 2019	December 31, 2018
Senior Credit Facility:		
Term loan	\$ 782,000	\$ 786,000
Unamortized discount on term loan	(2,582)	(2,878)
Unamortized debt issuance costs on term loan	(6,124)	(6,826)
Revolver	451,904	490,843
Total Senior Credit Facility	1,225,198	1,267,139
6.00% Senior Notes:		
Notes Due in 2026	350,000	350,000
Unamortized debt issuance costs	(4,558)	(4,820)
Total 6.00% Senior Notes Due in 2026	345,442	345,180
5.875% Senior Notes:		
Notes Due in 2024	250,000	250,000
Unamortized debt issuance costs	(2,757)	(2,971)
Total 5.875% Senior Notes Due in 2024	247,243	247,029
5.125% Senior Notes:		
Notes Due in 2023	300,000	300,000
Unamortized debt issuance costs	(3,219)	(3,548)
Total 5.125% Senior Notes Due in 2023	296,781	296,452
5.875% Senior Notes:		
Notes Due in 2022	250,000	250,000
Unamortized debt issuance costs	(2,137)	(2,514)
Total 5.875% Senior Notes Due in 2022	247,863	247,486
Non-Recourse Debt	342,353	341,074
Unamortized debt issuance costs on non-recourse debt	(5,612)	(3,883)
Unamortized discount on non-recourse debt	(120)	(164)
Total Non-Recourse Debt	336,621	337,027
Finance Lease Liabilities	5,329	6,059
Other debt	—	2,469
Total debt	2,704,477	2,748,841
Current portion of finance lease liabilities, long-term debt and non-recourse debt	(25,866)	(332,027)
Finance Lease Liabilities, long-term portion	(3,779)	(4,570)
Non-Recourse Debt, long-term portion	(320,306)	(15,017)
Long-Term Debt	\$ 2,354,526	\$ 2,397,227

Amended Credit Agreement

On June 12, 2019, GEO entered into Amendment No. 2 to Third Amended and Restated Credit Agreement (the "Credit Agreement") by and among the refinancing lenders party thereto, the other lenders party thereto, GEO and GEO Corrections Holdings, Inc. and the administrative agent. Under the amendment, the maturity date of the revolver component of the Credit Agreement has been extended to May 17, 2024. The borrowing capacity under the amended revolver will remain at \$900.0 million, and its pricing will remain unchanged currently bearing interest at LIBOR plus 2.25%. As a result of the transaction, the Company incurred a loss on extinguishment of debt of \$1.2 million related to certain unamortized deferred loan costs. Additionally, loan costs of \$4.7 million were incurred and capitalized in connection with the transaction.

The Credit Agreement evidences a credit facility (the "Credit Facility") consisting of a \$792.0 million term loan bearing interest at LIBOR plus 2.00% (with a LIBOR floor of 0.75%), and a \$900.0 million revolver initially bearing interest at LIBOR plus 2.25% (with no LIBOR floor) together with AUD275 million available solely for the issuance of financial letters of credit and performance letters of credit, in each case denominated in Australian Dollars under the Australian Dollar Letter of Credit Facility (the "Australian LC Facility"). As of June 30, 2019, there were no letters of credit issued under the Australian LC Facility. Amounts to be borrowed by GEO under the Credit Agreement are subject to the satisfaction of customary conditions to borrowing. The term loan component is scheduled to mature on March 23, 2024. The revolving credit commitment component is scheduled to mature on May 17, 2024. The Credit Agreement also has an accordion feature of \$450.0 million, subject to lender demand and prevailing market conditions and satisfying the relevant borrowing conditions.

The Credit Agreement contains certain customary representations and warranties, and certain customary covenants that restrict GEO's ability to, among other things (i) create, incur or assume any indebtedness, (ii) create, incur, assume or permit liens, (iii) make loans and investments, (iv) engage in mergers, acquisitions and asset sales, (v) make certain restricted payments, (vi) issue, sell or otherwise dispose of capital stock, (vii) engage in transactions with affiliates, (viii) allow the total leverage ratio to exceed 6.25 to 1.00, allow the senior secured leverage ratio to exceed 3.50 to 1.00, or allow the interest coverage ratio to be less than 3.00 to 1.00, (ix) cancel, forgive, make any voluntary or optional payment or prepayment on, or redeem or acquire for value any senior notes, except as permitted, (x) alter the business GEO conducts, and (xi) materially impair GEO's lenders' security interests in the collateral for its loans.

Events of default under the Credit Agreement include, but are not limited to, (i) GEO's failure to pay principal or interest when due, (ii) GEO's material breach of any representation or warranty, (iii) covenant defaults, (iv) liquidation, reorganization or other relief relating to bankruptcy or insolvency, (v) cross default under certain other material indebtedness, (vi) unsatisfied final judgments over a specified threshold, (vii) certain material environmental liability claims asserted against GEO, and (viii) a change in control.

All of the obligations under the Credit Agreement are unconditionally guaranteed by certain domestic subsidiaries of GEO and the Credit Agreement and the related guarantees are secured by a perfected first-priority pledge of substantially all of GEO's present and future tangible and intangible domestic assets and all present and future tangible and intangible domestic assets of each guarantor, including but not limited to a first-priority pledge of all of the outstanding capital stock owned by GEO and each guarantor in their domestic subsidiaries.

GEO Australasia Holdings Pty Ltd, GEO Australasia Finance Holdings Pty Ltd as trustee for the GEO Australasia Finance Holding Trust, and together with GEO Australasia Holdings, collectively ("the Australian Borrowers") are wholly owned foreign subsidiaries of GEO. GEO has designated each of the Australian Borrowers as restricted subsidiaries under the Credit Agreement. However, the Australian Borrowers are not obligated to pay or perform any obligations under the Credit Agreement other than their own obligations as Australian Borrowers under the Credit Agreement. The Australian Borrowers do not pledge any of their assets to secure any obligations under the Credit Agreement.

On August 18, 2016, the Company executed a Letter of Offer providing for a bank guarantee line and bank guarantee/standby sub-facility in an aggregate amount of approximately AUD100 million, or \$70.0 million, based on exchange rates in effect as of June 30, 2019 (collectively, the "Bank Guarantee Facility"). The Bank Guarantee Facility allows GEO to provide letters of credit to assure performance of certain obligations of its wholly owned subsidiary relating to its correctional facility in Ravenhall, located near Melbourne, Australia. The Bank Guarantee Facility is unsecured. The issuance of letters of credit under the Bank Guarantee Facility is subject to the satisfaction of the conditions precedent specified in the Letter of Offer. Letters of credit issued under the bank guarantee lines are due on demand and letters of credit issued under the bank guarantee/standby sub-facility cannot have a duration exceeding twelve months. The Bank Guarantee Facility may be terminated by the lender on 90 days written notice. As of June 30, 2019, there was AUD100 million in letters of credit issued under the Bank Guarantee Facility.

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As of June 30, 2019, the Company had approximately \$782 million in aggregate borrowings outstanding under its term loan, approximately \$452 million in borrowings under its revolver, and approximately \$62 million in letters of credit which left approximately \$386 million in additional borrowing capacity under the Revolver. The weighted average interest rate on outstanding borrowings under the Credit Agreement as of June 30, 2019 was 4.5%.

6.00% Senior Notes due 2026

Interest on the 6.00% Senior Notes accrues at the stated rate. The Company pays interest semi-annually in arrears on April 15 and October 15 of each year. On or after April 15, 2019, the Company may, at its option, redeem all or part of the 6.00% Senior Notes at the redemption prices set forth in the indenture governing the 6.00% Senior Notes. The indenture contains certain covenants, including limitations and restrictions on the Company and its subsidiary guarantors. Refer to Note 16- Condensed Consolidating Financial Information.

5.875% Senior Notes due 2024

Interest on the 5.875% Senior Notes due 2024 accrues at the stated rate. The Company pays interest semi-annually in arrears on April 15 and October 15 of each year. On or after October 15, 2019, the Company may, at its option, redeem all or part of the 5.875% Senior Notes due 2024 at the redemption prices set forth in the indenture governing the 5.875% Senior Notes due 2024. The indenture contains certain covenants, including limitations and restrictions on the Company and its subsidiary guarantors. Refer to Note 16- Condensed Consolidating Financial Information.

5.125% Senior Notes due 2023

Interest on the 5.125% Senior Notes accrues at the stated rate. The Company pays interest semi-annually in arrears on April 1 and October 1 of each year. On or after April 1, 2018, the Company may, at its option, redeem all or part of the 5.125% Senior Notes at the redemption prices set forth in the indenture governing the 5.125% Senior Notes. The indenture contains certain covenants, including limitations and restrictions on the Company and its subsidiary guarantors. Refer to Note 16- Condensed Consolidating Financial Information.

5.875% Senior Notes due 2022

Interest on the 5.875% Senior Notes due 2022 accrues at the stated rate. The Company pays interest semi-annually in arrears on January 15 and July 15 of each year. On or after January 15, 2017, the Company may, at its option, redeem all or part of the 5.875% Senior Notes due 2022 at the redemption prices set forth in the indenture governing the 5.875% Senior Notes due 2022. The indenture contains certain covenants, including limitations and restrictions on the Company and its subsidiary guarantors. Refer to Note 16- Condensed Consolidating Financial Information.

Non-Recourse Debt

Tacoma Processing Center

The remaining balance of the original debt service requirement under the \$54.4 million note payable ("2011 Revenue Bonds") to WEDFA is \$22.9 million, of which \$7.3 million is classified as current in the accompanying consolidated balance sheet as of June 30, 2019. The payment of principal and interest on the 2011 Revenue Bonds issued by WEDFA is non-recourse to GEO. The 2011 Revenue Bonds will mature in October 2021 with a fixed coupon rate of 5.25%.

As of June 30, 2019, included in current restricted cash and cash equivalents is \$8.3 million of funds held in trust for debt service and other reserves with respect to the above mentioned note payable to WEDFA.

Australia - Ravenhall

In connection with a design and build project agreement with the State of Victoria, the Company entered into a syndicated facility agreement (the "Construction Facility") to provide debt financing for construction of the project. The Construction Facility provided for non-recourse funding up to AUD 791.0 million, or approximately \$556.0 million, based on exchange rates as of June 30, 2019. The term of the Construction Facility was through September 2019 and bore interest at a variable rate quoted by certain Australian banks plus 200 basis points. On May 22, 2019, the Company completed an offering of AUD 461.6

million, or \$324.4 million, based on exchange rates as of June 30, 2019, aggregate principal amount of non-recourse senior secured notes due 2042 ("the Non-Recourse Notes"). The amortizing Non-Recourse Notes were issued by Ravenhall Finance Co Pty Limited in a private placement pursuant to Section 4(a)(2) of the Securities Act of 1933, as amended. The Non-Recourse Notes were issued with a coupon and yield to maturity of 4.23% with a maturity date of March 31, 2042. The net proceeds from this offering were used to refinance the outstanding Construction Facility and to pay all related fees, costs and expenses associated with the transaction. As a result of the transaction, the Company incurred a \$4.5 million loss on extinguishment of debt related to swap termination fees and unamortized deferred costs associated with the Construction Facility. Additionally, loan costs of approximately \$7.5 million were incurred and capitalized in connection with the offering.

Guarantees

Australia

The Company has entered into a guarantee in connection with the operating performance of a facility in Australia. The obligation amounted to approximately AUD 100.0 million, or \$70.0 million, based on exchange rates as of June 30, 2019. The guarantee is secured by outstanding letters of credit under the Company's Revolver.

At June 30, 2019, the Company also had eight other letters of credit outstanding under separate international facilities relating to performance guarantees of its Australian subsidiary totaling \$10.8 million.

South Africa

In connection with the creation of South African Custodial Services Pty. Limited ("SACS"), the Company had entered into certain guarantees related to the financing, construction and operation of the South African facility. The Company had guaranteed certain obligations of SACS under its debt agreements to SACS' senior lenders through the issuance of letters of credit under the Company's revolver. In July 2018, SACS settled all amounts due under the debt facilities and has therefore discharged the guaranteed obligations, therefore the guarantees related to these obligations were no longer necessary and the letters of credit were not renewed. Additionally, SACS was required to maintain funding in a rectification account maintained for the payment of certain costs in the event of contract termination. SACS has met the required funding obligation and there is no further requirement to maintain the required funding amount.

In addition to the above, the Company had also agreed to provide a loan, if required, of up to 20 million South African Rand, or \$1.4 million based on exchange rates as of June 30, 2019, referred to as the shareholder's standby facility, to SACS for the purpose of financing SACS' obligations under its contract with the South African government. No amounts have been funded under the shareholder's standby facility. The Company's obligations under the shareholder's standby facility expired upon SACS' release from its obligations under the common terms agreement. SACS' obligations in terms of the common terms agreements expired in February 2019 with the final payment of the facility management fees when the Company's obligations under the shareholder's standby facility expired.

The Company had also guaranteed certain obligations of SACS to the security trustee for SACS' lenders. The Company secured its guarantee to the security trustee by ceding its rights to claims against SACS in respect of any loans or other finance agreements, and by pledging the Company's shares in SACS. The Company's liability under the guarantee is limited to the cession and pledge of shares. The guarantee expired in February 2019 when of all SACS' obligations in terms of the finance agreements were settled.

Except as discussed above, the Company does not have any off balance sheet arrangements.

12. COMMITMENTS AND CONTINGENCIES

Litigation, Claims and Assessments

As previously reported and described in the Company's prior periodic reports, including most recently in our Form 10-Q for the quarter ended March 31, 2019, former civil immigration detainees at the Aurora Immigration Processing Center filed a class action lawsuit on October 22, 2014, against the Company in the United States District Court for the District of Colorado (the "Court"). The complaint alleges that the Company was in violation of the Colorado Minimum Wages of Workers Act and the federal Trafficking Victims Protection Act ("TVPA"). The plaintiff class claims that the Company was unjustly enriched because of the level of payment the detainees received for work performed at the facility, even though the voluntary work program as well as the wage rates and standards associated with the program that are at issue in the case are authorized by the Federal government under guidelines approved by the United States Congress. On July 6, 2015, the Court found that detainees were not employees under the Colorado Minimum Wage Order and dismissed this claim. In February 2017, the Court granted the plaintiff-class' motion for class certification. The plaintiff class seeks actual damages, compensatory damages, exemplary damages, punitive damages, restitution, attorneys' fees and costs, and such other relief as the Court may deem proper. In the

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time since the Colorado suit was initially filed, three similar lawsuits have been filed - two in Washington and one in California. In Washington, one of the two lawsuits was filed on September 9, 2017 by immigration detainees against the Company in the U.S. District Court for the Western District of Washington. The second was filed on September 20, 2017 by the State Attorney General against the Company in the Superior Court of the State of Washington for Pierce County, which the Company removed to the U.S. District Court for the Western District of Washington on October 9, 2017. In California, a class-action lawsuit was filed on December 19, 2017 by immigration detainees against the Company in the U.S. District Court Eastern Division of the Central District of California. All three lawsuits allege violations of the respective state's minimum wage laws. However, the California lawsuit, like the Colorado suit, also includes claims that the Company violated the TVPA and California's equivalent state statute. On July 2, 2019, the Company filed a Motion for Summary Judgment in the Washington Attorney General's Tacoma lawsuit based on the Company's position that its legal defenses prevent the case from proceeding to trial. The Company intends to take all necessary steps to vigorously defend itself and has consistently refuted the allegations and claims in these lawsuits. The Company has not recorded an accrual relating to these matters at this time, as a loss is not considered probable nor reasonably estimable at this stage of the lawsuits. We establish accruals for specific legal proceedings when it is considered probable that a loss has been incurred and the amount of the loss can be reasonably estimated. However, the results of these claims or proceedings cannot be predicted with certainty, and an unfavorable resolution of one or more of these claims or proceedings could have a material adverse effect on the Company's financial condition, results of operations or cash flows. Our accruals for loss contingencies are reviewed quarterly and adjusted as additional information becomes available. We do not accrue for anticipated legal fees and costs, but expense those items as incurred.

The nature of the Company's business exposes it to various types of third-party legal claims or litigation against the Company, including, but not limited to, civil rights claims relating to conditions of confinement and/or mistreatment, sexual misconduct claims, medical malpractice claims, claims relating to the TVPA, product liability claims, intellectual property infringement claims, claims relating to employment laws (including, but not limited to, employment discrimination claims, union grievances and wage and hour claims), property loss claims, environmental claims, automobile liability claims, indemnification claims by its customers and other third parties, contractual claims and claims for personal injury or other damages resulting from contact with the Company's facilities, programs, electronic monitoring products, personnel, inmates or detainees, including damages arising from an escape or from a disturbance or riot at a facility. Expenses associated with legal proceedings may fluctuate from quarter to quarter based on the level of activity required during the different stages of legal proceedings, new developments that arise in the course of the legal proceedings, and the Company's litigation strategy. The Company does not expect the outcome of any pending claims or legal proceedings to have a material adverse effect on its financial condition, results of operations or cash flows. However, the results of these claims or proceedings cannot be predicted with certainty, and an unfavorable resolution of one or more of these claims or proceedings could have a material adverse effect on the Company's financial condition, results of operations or cash flows.

Other Assessment

A state non-income tax audit completed in 2016 included tax periods for which the state tax authority had a number of years ago processed a substantial tax refund. At the completion of the audit fieldwork, the Company received a notice of audit findings disallowing deductions that were previously claimed by the Company, approved by the state tax authority and served as the basis for the approved refund claim. In early January 2017, the Company received a formal Notice of Assessment of Taxes and Demand for Payment from the taxing authority disallowing the deductions. The total tax, penalty and interest related to the assessment is approximately \$18.6 million. The Company has filed an administrative protest and disagrees with the assessment and intends to take all necessary steps to vigorously defend its position. The Company has established a reserve based on its estimate of the most probable loss based on the facts and circumstances known to date and the advice of outside counsel in connection with this matter.

Commitments

The Company currently has contractual commitments for a number of projects using Company financing. The Company's management estimates that the cost of these existing capital projects will be approximately \$173 million of which \$129 million was spent through the first six months of 2019. The Company estimates the remaining capital requirements related to these capital projects will be \$44 million which will be spent through the remainder of 2019.

Idle Facilities

As of June 30, 2019, the Company was marketing approximately 2,300 vacant beds at three of its idle facilities to potential customers. The carrying values of these idle facilities, which are included in Property and Equipment, Net in the accompanying consolidated balance sheets, totaled \$27.5 million as of June 30, 2019, excluding equipment and other assets that can be easily

transferred for use at other facilities. There was no indication of impairment related to the Company's idle facilities at June 30, 2019.

13. BUSINESS SEGMENTS AND GEOGRAPHIC INFORMATION

Operating and Reporting Segments

The Company conducts its business through four reportable business segments: the GEO Secure Services segment (formerly known as U.S. Corrections & Detention); the GEO Care segment; the International Services segment; and the Facility Construction & Design segment. The Company's segment revenues from external customers and a measure of segment profit are as follows (in thousands):

	Three Months Ended		Six Months Ended	
	June 30, 2019	June 30, 2018	June 30, 2019	June 30, 2018
Revenues:				
GEO Secure Services	\$ 399,475	\$ 368,989	\$ 789,985	\$ 727,670
GEO Care	155,507	149,928	309,350	290,006
International Services	54,388	64,592	118,612	130,750
Facility Construction & Design [1]	4,596	—	6,686	—
Total revenues	\$ 613,966	\$ 583,509	\$ 1,224,633	\$ 1,148,426
Operating income from segments:				
GEO Secure Services	\$ 83,865	\$ 77,318	\$ 160,789	\$ 146,506
GEO Care	41,661	35,139	80,199	66,831
International Services	2,920	1,942	8,659	7,344
Facility Construction & Design [1]	—	—	—	—
Operating income from segments	\$ 128,446	\$ 114,399	\$ 249,647	\$ 220,681
General and Administrative Expenses	(47,271)	(47,448)	(93,695)	(89,280)
Total Operating Income	\$ 81,175	\$ 66,951	\$ 155,952	\$ 131,401

[1] In 2019, Facility Construction & Design revenues related to an expansion project at the Company's managed-only Fulham Correctional Centre in Australia which is expected to be completed in the third quarter of 2020.

Pre-Tax Income Reconciliation of Segments

The following is a reconciliation of the Company's total operating income from its reportable segments to the Company's income before income taxes and equity in earnings of affiliates (in thousands):

	Three Months Ended		Six Months Ended	
	June 30, 2019	June 30, 2018	June 30, 2019	June 30, 2018
Operating income from segments	\$ 128,446	\$ 114,399	\$ 249,647	\$ 220,681
Unallocated amounts:				
General and Administrative Expenses	(47,271)	(47,448)	(93,695)	(89,280)
Net Interest Expense	(30,887)	(27,678)	(62,771)	(54,448)
Loss on Extinguishment of Debt	(5,741)	(574)	(5,741)	(574)
Income before income taxes and equity in earnings of affiliates	\$ 44,547	\$ 38,699	\$ 87,440	\$ 76,379

Equity in Earnings of Affiliates

Equity in earnings of affiliates includes the Company's 50% owned joint ventures in SACS, located in South Africa, and GEOAmeY, located in the United Kingdom. The Company's investments in these entities are accounted for under the equity method of accounting. The Company's investments in these entities are presented as a component of Other Non-Current Assets in the accompanying consolidated balance sheets.

The Company has recorded \$1.2 million and \$2.6 million in earnings, net of tax, for SACS operations during the three and six months ended June 30, 2019, and \$2.1 million and \$3.7 million in earnings, net of tax, for SACS operations during the three and six months ended June 30, 2018, respectively, which are included in equity in earnings of affiliates, net of income tax provision in the accompanying consolidated statements of operations. As of June 30, 2019 and December 31, 2018, the Company's investment in SACS was \$12.5 million and \$13.4 million, respectively, and represents its share of cumulative reported earnings.

The Company has recorded \$0.6 million and \$1.8 million in earnings, net of tax, for GEO AmeY's operations during the three months and six months ended June 30, 2019, and \$0.2 million and \$0.6 million in earnings, net of tax, for GEO AmeY's operations during the three months and six months ended June 30, 2018, respectively, which are included in equity in earnings of affiliates, net of income tax provision in the accompanying consolidated statements of operations. As of June 30, 2019 and December 31, 2018, the Company's investment in GEOAmeY was \$6.5 million and \$4.8 million, respectively, and represents its share of cumulative reported earnings.

14. BENEFIT PLANS

The following table summarizes key information related to the Company's pension plans and retirement agreements (in thousands):

	Six Months Ended June 30, 2019	Year Ended December 31, 2018
Change in Projected Benefit Obligation		
Projected benefit obligation, beginning of period	\$ 32,474	\$ 32,820
Service cost	499	1,200
Interest cost	696	1,242
Actuarial loss	—	(2,166)
Benefits paid	(391)	(622)
Projected benefit obligation, end of period	\$ 33,278	\$ 32,474
Change in Plan Assets		
Plan assets at fair value, beginning of period	\$ —	\$ —
Company contributions	391	622
Benefits paid	(391)	(622)
Plan assets at fair value, end of period	\$ —	\$ —
Unfunded Status of the Plan	\$ 33,278	\$ 32,474

	Three Months Ended		Six Months Ended	
	June 30, 2019	June 30, 2018	June 30, 2019	June 30, 2018
Components of Net Periodic Benefit Cost				
Service cost	\$ 250	\$ 300	\$ 499	\$ 600
Interest cost	348	310	696	621
Net loss	53	133	105	266
Net periodic pension cost	\$ 651	\$ 743	\$ 1,300	\$ 1,487

The long-term portion of the pension liability as of June 30, 2019 and December 31, 2018 was \$33.0 million and \$32.1 million, respectively, and is included in Other Non-Current Liabilities in the accompanying consolidated balance sheets.

15. RECENT ACCOUNTING PRONOUNCEMENTS

The Company implemented the following accounting standards during the six months ended June 30, 2019:

In June 2018, the FASB issued ASU No. 2018-07, "*Compensation - Stock Compensation (Topic 718), Improvements to Nonemployee Share-Based Payment Accounting*" as a part of its Simplification Initiative. The amendments in this update expand the scope of Topic 718 to include share-based payment transactions for acquiring goods and services from nonemployees. An entity should apply the requirements of Topic 718 to nonemployee awards except for specific guidance on inputs to an option pricing model and the period of time over which share-based payment awards vest and the pattern of cost recognition over that period. The amendments specify that Topic 718 applies to all share-based payment transactions in which a grantor acquires goods or services to be used or consumed in a grantor's own operations by issuing share-based payment awards. The amendments also clarify that Topic 718 does not apply to share-based payments used to effectively provide (1) financing to the issuer or (2) awards granted in conjunction with selling goods or services to customers as part of a contract accounted for under Topic 606, "*Revenue from Contracts with Customers*." The new standard became effective for the Company beginning January 1, 2019. The adoption of this standard did not have a material impact on the Company's financial position, results of operations or cash flows.

In February 2018, the FASB issued ASU No. 2018-02, "*Income Statement-Reporting Comprehensive Income-Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income*". The amendments in this update allow an entity to elect to reclassify the income tax effects resulting from the Tax Cuts and Jobs Act on items within accumulated other comprehensive income ("AOCI") to retained earnings. The new standard is effective for all entities for fiscal years beginning after December 15, 2018, and interim periods within those fiscal years. Early adoption was permitted. The Company adopted the new standard effective January 1, 2019 and has made a policy election to reclassify the income tax effects resulting from the Tax Cuts and Jobs Act on items within AOCI to distributions in excess of earnings on a prospective basis. As a result, the Company reclassified \$0.7 million for the tax effect of the tax rate reduction related to its pension liability and \$1.7 million for the tax effect of other income tax effects of tax reform on items remaining in AOCI related to currency translation adjustments to distributions in excess of earnings on January 1, 2019. The net effect of both adjustments resulted in an aggregate increase to distributions in excess of earnings of approximately \$1.0 million. Refer to Note 7 - Shareholders' Equity.

In August 2017, the FASB issued ASU No. 2017-12, "*Derivatives and Hedging - Targeted Improvements to Accounting for Hedging Activities*." The objective of this guidance is to improve the financial reporting of hedging relationships to better portray the economic results of an entity's risk management activities in its financial statements. Certain of the amendments in this update as they relate to cash flow hedges, eliminate the requirement to separately record hedge ineffectiveness currently in earnings. Instead, the entire change in the fair value of the hedging instrument is recorded in other comprehensive income. Those amounts are reclassified to earnings in the same income statement line item that is used to present the earnings effect of the hedged item when the hedged item affects earnings. The new standard became effective for the Company beginning January 1, 2019. The adoption of this standard did not have a material impact on the Company's financial position, results of operations or cash flows.

In February 2016, the FASB issued ASU 2016-02, "*Leases*," which requires entities to recognize lease assets and lease liabilities on the balance sheet and to disclose key information about leasing arrangements. For finance leases and operating leases, a lessee should recognize in the statement of financial position a liability to make lease payments (the lease liability) and a right-of-use asset representing its right to use the underlying asset for the lease term with each initially measured at the present value of the lease payments. The amendments in ASU 2016-02 became effective for the Company on January 1, 2019. The Company elected the package of transition expedients available for expired or existing lease contracts, which allowed it to carry forward its historical assessments of (1) whether contracts are or contain leases, (2) lease classification and (3) initial direct costs. The Company also elected not to apply the recognition requirements to lease arrangements that have terms of twelve months or less. The adoption had a material impact in the Company's consolidated balance sheets, but did not have an impact on its consolidated statements of operations or cash flows. The most significant impact was the recognition of right-of-use assets and lease liabilities for operating leases, while our accounting for finance leases remained substantially unchanged. The new standard resulted in the recording of operating right-of-use lease assets and operating lease liabilities of approximately \$140 million and \$147 million, respectively, as of January 1, 2019. Refer to Note 2 - Leases for further discussion and additional required disclosures.

The following accounting standards will be adopted in future periods:

In August 2018, the FASB issued ASU No. 2018-14, "*Compensation-Retirement Benefits-Defined Benefit Plans-General (Topic 715.20)*" as a part of its disclosure framework project. The amendments in this update remove, modify and add certain disclosures primarily related to amounts in accumulated other comprehensive income expected to be recognized as components of net periodic benefit cost over the next fiscal year, explanations for reasons for significant gains and losses related to changes in the benefit obligation for the period, and projected and accumulated benefit obligations. The new standard is effective for the Company beginning January 1, 2021. The adoption of this standard is not expected to have a material impact on the Company's financial position, results of operations or cash flows.

In August 2018, the FASB issued ASU No. 2018-13, "*Fair Value Measurement (Topic 820)*" as a part of its disclosure framework project. The amendments in this update remove, modify and add certain disclosures primarily related to transfers between Level 1 and Level 2 of the fair value hierarchy, various disclosures related to Level 3 fair value measurements and investments in certain entities that calculate net asset value. The new standard is effective for the Company beginning January 1, 2020. The adoption of this standard is not expected to have a material impact on the Company's financial position, results of operations or cash flows.

In June 2016, the FASB issued ASC No. 2016-13, "*Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*". The purpose of Update No. 2016-13 is to replace the current incurred loss impairment methodology for financial assets measured at amortized cost with a methodology that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information, including forecasted information, to develop credit loss estimates. Update No. 2016-13 is effective for annual periods beginning after December 15, 2019, including interim periods within those annual periods. Early adoption is permitted for annual periods beginning after December 15, 2018. The Company is in the process of determining the effect that the adoption will have on its financial position and results of operations.

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

16. CONDENSED CONSOLIDATING FINANCIAL INFORMATION

As of June 30, 2019, the Company's 6.00% Senior Notes, 5.125% Senior Notes, the 5.875% Senior Notes due 2022 and the 5.875% Senior Notes due 2024 were fully and unconditionally guaranteed on a joint and several senior unsecured basis by the Company and certain of its wholly-owned domestic subsidiaries (the "Subsidiary Guarantors"). The following condensed consolidating financial information, which has been prepared in accordance with the requirements for presentation of Rule 3-10(d) of Regulation S-X promulgated under the Securities Act, presents the condensed consolidating financial information separately for:

- (i) The GEO Group, Inc., as the issuer of the notes;
- (ii) The Subsidiary Guarantors, on a combined basis, which are 100% owned by The GEO Group, Inc., and which are guarantors of the notes;
- (iii) The Company's other subsidiaries, on a combined basis, which are not guarantors of the notes (the "Non-Guarantor Subsidiaries");
- (iv) Consolidating entries and eliminations representing adjustments to (a) eliminate intercompany transactions between or among the Company, the Subsidiary Guarantors and the Subsidiary Non-Guarantors and (b) eliminate the investments in the Company's subsidiaries; and
- (v) The Company and its subsidiaries on a consolidated basis.

CONDENSED CONSOLIDATING STATEMENT OF OPERATIONS AND COMPREHENSIVE INCOME
(dollars in thousands)
(unaudited)

	For the Three Months Ended June 30, 2019				
	The GEO Group, Inc.	Combined Subsidiary Guarantors	Combined Non-Guarantor Subsidiaries	Eliminations	Consolidated
Revenues	\$ 233,539	\$ 498,406	\$ 61,639	\$ (179,618)	\$ 613,966
Operating expenses	189,310	392,023	51,453	(179,618)	453,168
Depreciation and amortization	7,299	24,208	845	—	32,352
General and administrative expenses	17,813	24,752	4,706	—	47,271
Operating income	19,117	57,423	4,635	—	81,175
Interest income	3,497	2,180	7,716	(5,348)	8,045
Interest expense	(23,127)	(14,703)	(6,450)	5,348	(38,932)
Loss on extinguishment of debt	(486)	(790)	(4,465)	—	(5,741)
Income (loss) before income taxes and equity in earnings of affiliates	(999)	44,110	1,436	—	44,547
Income tax provision	239	3,550	743	—	4,532
Equity in earnings of affiliates, net of income tax provision	—	—	1,821	—	1,821
Income before equity in income of consolidated subsidiaries	(1,238)	40,560	2,514	—	41,836
Income from consolidated subsidiaries, net of income tax provision	43,074	—	—	(43,074)	—
Net income	41,836	40,560	2,514	(43,074)	41,836
Net loss attributable to noncontrolling interests	—	—	78	—	78
Net income attributable to The GEO Group, Inc.	\$ 41,836	\$ 40,560	\$ 2,592	\$ (43,074)	\$ 41,914
Net income	\$ 41,836	\$ 40,560	\$ 2,514	\$ (43,074)	\$ 41,836
Other comprehensive income, net of tax	—	42	4,612	—	4,654
Total comprehensive income	\$ 41,836	\$ 40,602	\$ 7,126	\$ (43,074)	\$ 46,490
Comprehensive loss attributable to noncontrolling interests	—	—	73	—	73
Comprehensive income attributable to The GEO Group, Inc.	\$ 41,836	\$ 40,602	\$ 7,199	\$ (43,074)	\$ 46,563

CONDENSED CONSOLIDATING STATEMENT OF OPERATIONS AND COMPREHENSIVE INCOME
(dollars in thousands)
(unaudited)

	For the Three Months Ended June 30, 2018				
	The GEO Group, Inc.	Combined Subsidiary Guarantors	Combined Non-Guarantor Subsidiaries	Eliminations	Consolidated
Revenues	\$ 202,186	\$ 474,966	\$ 67,256	\$ (160,899)	\$ 583,509
Operating expenses	161,122	381,040	56,534	(160,899)	437,797
Depreciation and amortization	6,564	23,695	1,054	—	31,313
General and administrative expenses	16,281	25,738	5,429	—	47,448
Operating income	18,219	44,493	4,239	—	66,951
Interest income	3,406	1,447	8,908	(5,094)	8,667
Interest expense	(19,073)	(13,959)	(8,407)	5,094	(36,345)
Loss on extinguishment of debt	(574)	—	—	—	(574)
Income before income taxes and equity in earnings of affiliates	1,978	31,981	4,740	—	38,699
Income tax provision	716	1,442	1,557	—	3,715
Equity in earnings of affiliates, net of income tax provision	—	—	2,341	—	2,341
Income before equity in income of consolidated subsidiaries	1,262	30,539	5,524	—	37,325
Income from consolidated subsidiaries, net of income tax provision	36,063	—	—	(36,063)	—
Net income	37,325	30,539	5,524	(36,063)	37,325
Net loss attributable to noncontrolling interests	—	—	96	—	96
Net income attributable to The GEO Group, Inc.	\$ 37,325	\$ 30,539	\$ 5,620	\$ (36,063)	\$ 37,421
Net income	\$ 37,325	\$ 30,539	\$ 5,524	\$ (36,063)	\$ 37,325
Other comprehensive income (loss), net of tax	—	625	(2,783)	—	(2,158)
Total comprehensive income	\$ 37,325	\$ 31,164	\$ 2,741	\$ (36,063)	\$ 35,167
Comprehensive loss attributable to noncontrolling interests	—	—	117	—	117
Comprehensive income attributable to The GEO Group, Inc.	\$ 37,325	\$ 31,164	\$ 2,858	\$ (36,063)	\$ 35,284

CONDENSED CONSOLIDATING STATEMENT OF OPERATIONS AND COMPREHENSIVE INCOME
(dollars in thousands)
(unaudited)

	For the Six Months Ended June 30, 2019				
	The GEO Group, Inc.	Combined Subsidiary Guarantors	Combined Non-Guarantor Subsidiaries	Eliminations	Consolidated
Revenues	\$ 461,921	\$ 993,296	\$ 130,607	\$ (361,191)	\$ 1,224,633
Operating expenses	360,826	804,477	106,053	(361,191)	910,165
Depreciation and amortization	14,718	48,392	1,711	—	64,821
General and administrative expenses	35,013	48,781	9,901	—	93,695
Operating income	51,364	91,646	12,942	—	155,952
Interest income	6,975	3,515	15,915	(9,964)	16,441
Interest expense	(46,423)	(28,551)	(14,202)	9,964	(79,212)
Loss on extinguishment of debt	(486)	(790)	(4,465)	—	(5,741)
Income before income taxes and equity in earnings of affiliates	11,430	65,820	10,190	—	87,440
Income tax provision	528	5,929	2,915	—	9,372
Equity in earnings of affiliates, net of income tax provision	—	—	4,417	—	4,417
Income before equity in income of consolidated subsidiaries	10,902	59,891	11,692	—	82,485
Income from consolidated subsidiaries, net of income tax provision	71,583	—	—	(71,583)	—
Net income	82,485	59,891	11,692	(71,583)	82,485
Net loss attributable to noncontrolling interests	—	—	134	—	134
Net income attributable to The GEO Group, Inc.	\$ 82,485	\$ 59,891	\$ 11,826	\$ (71,583)	\$ 82,619
Net income	\$ 82,485	\$ 59,891	\$ 11,692	\$ (71,583)	\$ 82,485
Other comprehensive income (loss), net of tax	—	(605)	7,507	—	6,902
Total comprehensive income	\$ 82,485	\$ 59,286	\$ 19,199	\$ (71,583)	\$ 89,387
Comprehensive loss attributable to noncontrolling interests	—	—	129	—	129
Comprehensive income attributable to The GEO Group, Inc.	\$ 82,485	\$ 59,286	\$ 19,328	\$ (71,583)	\$ 89,516

CONDENSED CONSOLIDATING STATEMENT OF OPERATIONS AND COMPREHENSIVE INCOME
(dollars in thousands)
(unaudited)

	For the Six Months Ended June 30, 2018				
	The GEO Group, Inc.	Combined Subsidiary Guarantors	Combined Non-Guarantor Subsidiaries	Eliminations	Consolidated
Revenues	\$ 397,816	\$ 933,694	\$ 136,062	\$ (319,146)	\$ 1,148,426
Operating expenses	312,944	759,006	111,702	(319,146)	864,506
Depreciation and amortization	13,024	48,138	2,077	—	63,239
General and administrative expenses	30,622	48,185	10,473	—	89,280
Operating income	41,226	78,365	11,810	—	131,401
Interest income	7,583	2,864	18,292	(10,973)	17,766
Interest expense	(37,695)	(28,419)	(17,073)	10,973	(72,214)
Loss on extinguishment of debt	(574)	—	—	—	(574)
Income before income taxes and equity in earnings of affiliates	10,540	52,810	13,029	—	76,379
Income tax provision	893	3,742	3,835	—	8,470
Equity in earnings of affiliates, net of income tax provision	—	—	4,336	—	4,336
Income before equity in income of consolidated subsidiaries	9,647	49,068	13,530	—	72,245
Income from consolidated subsidiaries, net of income tax provision	62,598	—	—	(62,598)	—
Net income	72,245	49,068	13,530	(62,598)	72,245
Net loss attributable to noncontrolling interests	—	—	163	—	163
Net income attributable to The GEO Group, Inc.	\$ 72,245	\$ 49,068	\$ 13,693	\$ (62,598)	\$ 72,408
Net income	\$ 72,245	\$ 49,068	\$ 13,530	\$ (62,598)	\$ 72,245
Other comprehensive income (loss), net of tax	—	730	(1,526)	—	(796)
Total comprehensive income	\$ 72,245	\$ 49,798	\$ 12,004	\$ (62,598)	\$ 71,449
Comprehensive loss attributable to noncontrolling interests	—	—	176	—	176
Comprehensive income attributable to The GEO Group, Inc.	\$ 72,245	\$ 49,798	\$ 12,180	\$ (62,598)	\$ 71,625

CONDENSED CONSOLIDATING BALANCE SHEET
(dollars in thousands)
(unaudited)

	As of June 30, 2019				
The GEO Group, Inc.	Combined Subsidiary Guarantors	Combined Non-Guarantor Subsidiaries	Eliminations	Consolidated	
ASSETS					
Cash and cash equivalents	\$ 4,716	\$ —	\$ 16,845	\$ —	\$ 21,561
Restricted cash and cash equivalents	851	—	55,492	—	56,343
Accounts receivable, less allowance for doubtful accounts	163,184	186,592	41,825	3,119	394,720
Contract receivable, current portion	—	—	13,944	—	13,944
Prepaid expenses and other current assets	1,019	37,478	9,768	(1,949)	46,316
Total current assets	<u>169,770</u>	<u>224,070</u>	<u>137,874</u>	<u>1,170</u>	<u>532,884</u>
Restricted Cash and Investments	—	25,708	1,650	—	27,358
Property and Equipment, Net	841,260	1,222,261	84,704	—	2,148,225
Assets Held for Sale	705	3,902	—	—	4,607
Contract Receivable	—	—	365,208	—	365,208
Operating Lease Right-of-Use Assets, Net	24,754	106,526	736	—	132,016
Intercompany Receivable	965,511	238,050	25,732	(1,229,293)	—
Deferred Income Tax Assets	798	27,928	1,198	—	29,924
Goodwill	—	775,954	403	—	776,357
Intangible Assets, Net	—	220,670	552	—	221,222
Investment in Subsidiaries	1,479,372	573,816	2,189	(2,055,377)	—
Other Non-Current Assets	11,361	116,819	20,424	(78,267)	70,337
Total Assets	<u>\$ 3,493,531</u>	<u>\$ 3,535,704</u>	<u>\$ 640,670</u>	<u>\$ (3,361,767)</u>	<u>\$ 4,308,138</u>
LIABILITIES AND SHAREHOLDERS' EQUITY					
Accounts payable	\$ 18,083	\$ 67,982	\$ 5,192	\$ —	\$ 91,257
Accrued payroll and related taxes	—	53,505	17,864	—	71,369
Accrued expenses and other current liabilities	28,829	132,868	27,639	(253)	189,083
Operating lease liabilities, current portion	5,108	26,622	347	—	32,077
Current portion of finance lease liabilities, long-term debt and non-recourse debt	8,000	1,550	16,316	—	25,866
Total current liabilities	<u>60,020</u>	<u>282,527</u>	<u>67,358</u>	<u>(253)</u>	<u>409,652</u>
Deferred Income Tax Liabilities	—	—	13,681	—	13,681
Intercompany Payable	106,062	1,086,737	35,070	(1,227,869)	—
Other Non-Current Liabilities	2,362	153,949	3,768	(78,267)	81,812
Operating lease Liabilities	20,199	82,256	389	—	102,844
Finance Lease Liabilities	—	3,779	—	—	3,779
Long-Term Debt	2,282,622	—	71,904	—	2,354,526
Non-Recourse Debt	—	—	320,306	—	320,306
Commitments & Contingencies and Other					
Shareholders' Equity:					
The GEO Group, Inc. Shareholders' Equity	1,022,266	1,926,456	128,922	(2,055,378)	1,022,266
Noncontrolling Interests	—	—	(728)	—	(728)
Total Shareholders' Equity	<u>1,022,266</u>	<u>1,926,456</u>	<u>128,194</u>	<u>(2,055,378)</u>	<u>1,021,538</u>
Total Liabilities and Shareholders' Equity	<u>\$ 3,493,531</u>	<u>\$ 3,535,704</u>	<u>\$ 640,670</u>	<u>\$ (3,361,767)</u>	<u>\$ 4,308,138</u>

CONDENSED CONSOLIDATING BALANCE SHEET
(dollars in thousands)

As of December 31, 2018					
The GEO Group, Inc.	Combined Subsidiary Guarantors	Combined Non-Guarantor Subsidiaries	Eliminations	Consolidated	
ASSETS					
Cash and cash equivalents	\$ 4,468	\$ 7,873	\$ 18,914	\$ —	\$ 31,255
Restricted cash and cash equivalents	2,854	—	48,824	—	51,678
Accounts receivable, less allowance for doubtful accounts	190,594	221,957	44,377	(11,402)	445,526
Contract receivable, current portion	—	—	15,535	—	15,535
Prepaid expenses and other current assets	2,011	50,482	7,114	(1,839)	57,768
Total current assets	199,927	280,312	134,764	(13,241)	601,762
Restricted Cash and Investments	—	21,009	1,422	—	22,431
Property and Equipment, Net	845,291	1,227,223	86,096	—	2,158,610
Assets Held for Sale	705	1,929	—	—	2,634
Contract Receivable	—	—	368,178	—	368,178
Intercompany Receivable	990,365	150,710	22,407	(1,163,482)	—
Deferred Income Tax Assets	798	27,928	1,198	—	29,924
Goodwill	—	775,955	404	—	776,359
Intangible Assets, Net	—	231,787	573	—	232,360
Investment in Subsidiaries	1,503,841	458,229	2,190	(1,964,260)	—
Other Non-Current Assets	9,541	115,695	19,334	(78,710)	65,860
Total Assets	\$ 3,550,468	\$ 3,290,777	\$ 636,566	\$ (3,219,693)	\$ 4,258,118
LIABILITIES AND SHAREHOLDERS' EQUITY					
Accounts payable	\$ 13,566	\$ 72,128	\$ 7,338	\$ —	\$ 93,032
Accrued payroll and related taxes	—	56,543	19,466	—	76,009
Accrued expenses and other current liabilities	23,565	168,231	25,615	(13,241)	204,170
Current portion of finance lease liabilities, long-term debt and non-recourse debt	8,000	2,017	322,010	—	332,027
Total current liabilities	45,131	298,919	374,429	(13,241)	705,238
Deferred Income Tax Liabilities	—	—	13,681	—	13,681
Intercompany Payable	142,055	989,856	31,571	(1,163,482)	—
Other Non-Current Liabilities	1,395	152,815	6,981	(78,710)	82,481
Finance Lease Liabilities	—	4,570	—	—	4,570
Long-Term Debt	2,321,384	—	75,843	—	2,397,227
Non-Recourse Debt	—	—	15,017	—	15,017
Commitments & Contingencies and Other					
Shareholders' Equity:					
The GEO Group, Inc. Shareholders' Equity	1,040,503	1,844,617	119,643	(1,964,260)	1,040,503
Noncontrolling Interests	—	—	(599)	—	(599)
Total Shareholders' Equity	1,040,503	1,844,617	119,044	(1,964,260)	1,039,904
Total Liabilities and Shareholders' Equity	\$ 3,550,468	\$ 3,290,777	\$ 636,566	\$ (3,219,693)	\$ 4,258,118

CONDENSED CONSOLIDATING STATEMENT OF CASH FLOWS
(dollars in thousands)
(unaudited)

	For the Six Months Ended June 30, 2019			
	The GEO Group, Inc.	Combined Subsidiary Guarantors	Combined Non-Guarantor Subsidiaries	Consolidated
Cash Flow from Operating Activities:				
Net cash provided by operating activities	\$ 130,455	\$ 31,924	\$ 54,688	\$ 217,067
Cash Flow from Investing Activities:				
Insurance proceeds - damaged property	—	10,761	—	10,761
Proceeds from sale of property and equipment	—	112	192	304
Change in restricted investments	—	(4,816)	—	(4,816)
Capital expenditures	(12,002)	(42,804)	(604)	(55,410)
Net cash used in investing activities	(12,002)	(36,747)	(412)	(49,161)
Cash Flow from Financing Activities:				
Proceeds from long-term debt	170,000	—	—	170,000
Payments on long-term debt	(213,926)	—	—	(213,926)
Payments on non-recourse debt	—	—	(326,942)	(326,942)
Proceeds from non-recourse debt	—	—	326,127	326,127
Taxes paid related to net share settlements of equity awards	(4,177)	—	—	(4,177)
Proceeds from issuance of common stock in connection with ESPP	252	—	—	252
Debt issuance costs	(4,656)	—	(5,281)	(9,937)
Proceeds from stock options exercised	1,077	—	—	1,077
Dividends paid	(116,122)	—	—	(116,122)
Net cash used in financing activities	(167,552)	—	(6,096)	(173,648)
Effect of Exchange Rate Changes on Cash, Cash Equivalents and Restricted Cash and Cash Equivalents	—	—	824	824
Net (Decrease) Increase in Cash, Cash Equivalents and Restricted Cash and Cash Equivalents	(49,099)	(4,823)	49,004	(4,918)
Cash, Cash Equivalents and Restricted Cash and Cash Equivalents, beginning of period	54,666	4,823	24,983	84,472
Cash, Cash Equivalents and Restricted Cash and Cash Equivalents, end of period	\$ 5,567	\$ —	\$ 73,987	\$ 79,554

CONDENSED CONSOLIDATING STATEMENT OF CASH FLOWS
(dollars in thousands)
(unaudited)

	For the Six Months Ended June 30, 2018			
	The GEO Group, Inc.	Combined Subsidiary Guarantors	Combined Non-Guarantor Subsidiaries	Consolidated
Cash Flow from Operating Activities:				
Net cash provided by operating activities	\$ 118,354	\$ 37,087	\$ 24,812	\$ 180,253
Cash Flow from Investing Activities:				
Proceeds from sale of property and equipment	—	—	1,717	1,717
Proceeds from sale of assets held for sale	—	3,797	—	3,797
Insurance proceeds - damaged property	—	4,036	—	4,036
Change in restricted investments	—	(1,490)	—	(1,490)
Capital expenditures	(68,607)	(36,998)	(1,459)	(107,064)
Net cash used in investing activities	(68,607)	(30,655)	258	(99,004)
Cash Flow from Financing Activities:				
Proceeds from long-term debt	245,000	—	—	245,000
Payments on long-term debt	(134,000)	—	—	(134,000)
Payments on non-recourse debt	—	—	(7,490)	(7,490)
Taxes paid related to net share settlements of equity awards	(4,391)	—	—	(4,391)
Proceeds from issuance of common stock in connection with ESPP	264	—	—	264
Debt issuance costs	(990)	—	—	(990)
Proceeds from stock options exercised	1,372	—	—	1,372
Payments for repurchases of common stock	(70,446)	—	—	(70,446)
Dividends paid	(115,017)	—	—	(115,017)
Net cash used in financing activities	(78,208)	—	(7,490)	(85,698)
Effect of Exchange Rate Changes on Cash, Cash Equivalents and Restricted Cash and Cash Equivalents	—	—	(1,881)	(1,881)
Net (Decrease) Increase in Cash, Cash Equivalents and Restricted Cash and Cash Equivalents	(28,461)	6,432	15,699	(6,330)
Cash, Cash Equivalents and Restricted Cash and Cash Equivalents, beginning of period	54,666	4,952	73,927	133,545
Cash, Cash Equivalents and Restricted Cash and Cash Equivalents, end of period	\$ 26,205	\$ 11,384	\$ 89,626	\$ 127,215

17. SUBSEQUENT EVENTS

Dividend

On July 9, 2019, the Board of Directors declared a quarterly cash dividend of \$0.48 per share of common stock which was paid on July 26, 2019 to shareholders of record as of the close of business on July 19, 2019.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.

Forward-Looking Information

This Quarterly Report on Form 10-Q and the documents incorporated by reference herein contain “forward-looking” statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. “Forward-looking” statements are any statements that are not based on historical information. Statements other than statements of historical facts included in this report, including, without limitation, statements regarding our future financial position, business strategy, budgets, projected costs and plans and objectives of management for future operations, are “forward-looking” statements. Forward-looking statements generally can be identified by the use of forward-looking terminology such as “may,” “will,” “expect,” “anticipate,” “intend,” “plan,” “believe,” “seek,” “estimate” or “continue” or the negative of such words or variations of such words and similar expressions. These statements are not guarantees of future performance and involve certain risks, uncertainties and assumptions, which are difficult to predict. Therefore, actual outcomes and results may differ materially from what is expressed or forecasted in such forward-looking statements and we can give no assurance that such forward-looking statements will prove to be correct. Important factors that could cause actual results to differ materially from those expressed or implied by the forward-looking statements, or “cautionary statements,” include, but are not limited to:

- our ability to timely build and/or open facilities as planned, successfully manage such facilities and successfully integrate such facilities into our operations without substantial additional costs;
- our ability to fulfill our debt service obligations and its impact on our liquidity;
- our ability to successfully refinance any of our debt service obligations within the anticipated timing;
- our ability to estimate the government’s level of utilization of public-private partnerships for secure services and the impact of any modifications or reductions by our government customers of their utilization of public-private partnerships;
- our ability to accurately project the size and growth of public-private partnerships for secure services in the U.S. and internationally and our ability to capitalize on opportunities for public-private partnerships;
- our ability to successfully respond to any challenges or concerns that our government customers may raise regarding their use of public-private partnerships for secure services;
- our ability to successfully respond to delays encountered by states pursuing public-private partnerships for secure services and cost savings initiatives implemented by a number of states;
- our ability to activate the inactive beds at our idle facilities;
- our ability to maintain or increase occupancy rates at our facilities;

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- our ability to expand, diversify and grow our secure services, reentry, community-based services, monitoring services, evidence-based supervision and treatment programs and secure transportation services businesses;
- our ability to win management contracts for which we have submitted proposals, retain existing management contracts and meet any performance standards required by such management contracts;
- our ability to control operating costs associated with contract start-ups;
- our ability to raise new project development capital given the often short-term nature of the customers' commitment to use newly developed facilities;
- our ability to develop long-term earnings visibility;
- our ability to identify suitable acquisitions, and to successfully complete and integrate such acquisitions on satisfactory terms, to enhance occupancy levels and the financial performance of assets acquired and estimate the synergies to be achieved as a result of such acquisitions;
- our exposure to the impairment of goodwill and other intangible assets as a result of our acquisitions;
- our ability to successfully conduct our operations in the United Kingdom, South Africa and Australia through joint ventures or a consortium;
- our ability to obtain future financing on satisfactory terms or at all, including our ability to secure the funding we need to complete ongoing capital projects;
- our exposure to political and economic instability and other risks impacting our international operations;
- the instability of foreign exchange rates, exposing us to currency risks in Australia, the United Kingdom, and South Africa, or other countries in which we may choose to conduct our business;
- our exposure to risks impacting our information systems, including those that may cause an interruption, delay or failure in the provision of our services;
- our exposure to rising general insurance costs;
- an increase in unreimbursed labor rates;
- our exposure to federal, state and foreign income tax law changes, including changes to the REIT provisions and the Tax Cuts and Jobs Act and our exposure as a result of federal, state and international examinations of our tax returns or tax positions and examinations of non-income tax filings as well as changes in related laws;
- our exposure to claims for which we are uninsured;
- our exposure to rising medical costs;
- our ability to manage costs and expenses relating to ongoing litigation arising from our operations;
- our ability to accurately estimate on an annual basis, loss reserves related to general liability, workers compensation and automobile liability claims;
- the ability of our government customers to secure budgetary appropriations to fund their payment obligations to us and continue to operate under our existing agreements and/or renew our existing agreements;
- our ability to pay quarterly dividends consistent with our requirements as a REIT, and expectations as to timing and amounts;
- our ability to remain qualified for taxation as a real estate investment trust, or REIT;

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- our ability to comply with government regulations and applicable contractual requirements;
- our ability to acquire, protect or maintain our intellectual property;
- the risk that a number of factors could adversely affect the market price of our common stock;
- our ability to fully implement our stock buyback program and the timing and amounts of any future stock repurchases; and
- other factors contained in our filings with the Securities and Exchange Commission, or the SEC, including, but not limited to, those detailed in our Quarterly Reports on Form 10-Q, our Annual Report on Form 10-K for the year ended December 31, 2018 and our Current Reports on Form 8-K filed with the SEC.

We undertake no obligation to update publicly any forward-looking statements, whether as a result of new information, future events or otherwise. All subsequent written and oral forward-looking statements attributable to us, or persons acting on our behalf, are expressly qualified in their entirety by the cautionary statements included in this Quarterly Report on Form 10-Q.

Introduction

The following discussion and analysis provides information which management believes is relevant to an assessment and understanding of our consolidated results of operations and financial condition. This discussion contains forward-looking statements that involve risks and uncertainties. Our actual results may differ materially from those anticipated in these forward-looking statements as a result of numerous factors including, but not limited to, those described above under "Forward-Looking Information", those described below under "Part II - Item 1A. Risk Factors" and under "Part I - Item 1A. Risk Factors" in our Annual Report on Form 10-K for the year ended December 31, 2018. The discussion should be read in conjunction with our unaudited consolidated financial statements and notes thereto included in this Quarterly Report on Form 10-Q.

We are a real estate investment trust ("REIT") specializing in the ownership, leasing and management of secure services and reentry facilities and the provision of community-based services in the United States, Australia, South Africa, and the United Kingdom. We own, lease and operate a broad range of secure services facilities including maximum, medium and minimum security facilities, processing centers, and community-based reentry facilities and we offer an expanded delivery of rehabilitation services under our 'GEO Continuum of Care' platform. We offer counseling, education and/or treatment to individuals with alcohol and drug abuse problems at most of the domestic facilities we manage. We are also a provider of innovative compliance technologies, industry-leading monitoring services, and evidence-based supervision and treatment programs for community-based parolees, probationers and pretrial defendants.

At June 30, 2019, our worldwide operations include the management and/or ownership of approximately 97,000 beds at 133 secure services and reentry facilities, including idle facilities, projects under development and recently awarded contracts, and also include the provision of community supervision services for more than 210,000 individuals, including approximately 100,000 through an array of technology products including radio frequency, GPS, and alcohol monitoring devices.

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

- our secure services management services involve the provision of security, administrative, rehabilitation, education and provision of meals, primarily at adult male secure services facilities;
- our community-based services involve supervision of parolees and probationers and the provision of temporary housing, programming, employment assistance and other rehabilitative and educational program and services with the intention of the successful reintegration of residents into the community;
- our monitoring services provide our governmental clients with innovative compliance technologies, industry-leading monitoring services, and evidence-based supervision and treatment programs for community-based parolees, probationers and pretrial defendants; including services provided under the Intensive Supervision Appearance Program, which we refer to as ISAP, for the provision of services designed to improve the participation in the immigration court system;

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- we develop new facilities using our project development experience to design, construct and finance what we believe are state-of-the-art facilities that maximize security and efficiency;
- we provide secure transportation services for individuals as contracted domestically and internationally - our joint venture GEOAmev is responsible for providing escort and custody services in the United Kingdom, including all of Wales and England except London and the East of England; and
- our services are provided at facilities which we either own, lease or are owned by our customers.

For the six months ended June 30, 2019 and June 30, 2018, we had consolidated revenues of \$1,224.6 million and \$1,148.4 million, respectively. We maintained an average company wide facility occupancy rate of 93.3% including 93,315 active beds and excluding 3,532 idle beds which includes those being marketed to potential customers for the six months ended June 30, 2019, and 92.3% including 87,717 active beds and excluding 8,256 idle beds which includes those being marketed to potential customers and beds under development for the six months ended June 30, 2018.

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

During the six months ended June 30, 2019 and the year ended December 31, 2018, respectively, we declared and paid the following regular cash distributions to our shareholders as follows:

Declaration Date	Record Date	Payment Date	Distribution Per Share	Aggregate Payment Amount (in millions)
February 5, 2018	February 16, 2018	February 27, 2018	\$0.47	\$58.3
April 11, 2018	April 23, 2018	May 3, 2018	\$0.47	\$57.4
July 10, 2018	July 20, 2018	July 27, 2018	\$0.47	\$57.2
October 15, 2018	October 26, 2018	November 2, 2018	\$0.47	\$57.2
February 4, 2019	February 15, 2019	February 22, 2019	\$0.48	\$57.9
April 3, 2019	April 15, 2019	April 22, 2019	\$0.48	\$58.2

On July 9, 2019, the Board of Directors declared a quarterly cash dividend of \$0.48 per share of common stock which was paid on July 26, 2019 to shareholders of record as of the close of business on July 19, 2019.

Reference is made to Part II, Item 7 of our Annual Report on Form 10-K filed with the SEC on February 25, 2019, for further discussion and analysis of information pertaining to our financial condition and results of operations as of and for the fiscal year ended December 31, 2018.

2019 Developments

Idle Facilities

We are currently marketing approximately 2,300 vacant beds at three of our idle facilities to potential customers. The carrying values of these idle facilities totaled \$27.5 million as of June 30, 2019, excluding equipment and other assets that can be easily transferred for use at other facilities.

Contract Awards

On June 5, 2019, we announced that our Australian subsidiary is currently in negotiation discussions with the State of Victoria, Australia to increase the capacity at our Ravenhall Correctional Centre by an additional 300 beds increasing the capacity of the facility to 1,600 beds. The 300-bed capacity increase is expected to generate incremental annualized revenues of

approximately \$19 million.

On June 5, 2019, we also announced that we have entered into a contract modification to increase the contract capacity at our company-owned Montgomery Processing Center in Conroe, Texas by 314 beds increasing the center's capacity to 1,314 beds. The 314-bed contract capacity increase is expected to be fully operational in September 2019 and generate incremental annualized revenues of approximately \$10 million.

On May 2, 2019, we announced that we have entered into a new ten-year contract, inclusive of renewal option periods, with the Federal Bureau of Prisons ("BOP") for the reactivation of our existing company-owned, 1,800-bed North Lake Correctional Facility located in Baldwin, Michigan. The contract is expected to generate approximately \$37 million in incremental annualized revenues. We also announced on May 2, 2019 that Reeves County, Texas has entered into two new ten-year contracts, inclusive of renewal periods, with the BOP for the county-owned, 1,800-bed Reeves County Detention Center I & II and the county-owned, 1,376-bed Reeves County Detention Center III. We provide management consulting and support services to Reeves County. The new ten-year contracts were awarded to GEO and Reeves County under a long-standing procurement, for the housing of non-U.S. citizen criminal aliens, commonly referred to as Criminal Alien Requirement (CAR) 19, which was issued by the BOP in 2017.

On April 25, 2019, we announced that we had signed a contract modification for the reactivation of our existing company-owned 1,000-bed South Louisiana Processing Center (the "Center") located in Basile, Louisiana. The previously idled Center will house federal immigration detainees under an existing intergovernmental service agreement. The Center began the intake process during the third quarter of 2019 and is expected to generate approximately \$25 million in incremental annualized revenues.

Critical Accounting Policies

The accompanying unaudited consolidated financial statements are prepared in conformity with accounting principles generally accepted in the United States. As such, we are required to make certain estimates, judgments and assumptions that we believe are reasonable based upon the information available. These estimates and assumptions affect the reported amounts of assets and liabilities as of the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. We routinely evaluate our estimates based on historical experience and on various other assumptions that management believes are reasonable under the circumstances. Actual results may differ from these estimates under different assumptions or conditions. During the six months ended June 30, 2019, we did not experience any significant changes in estimates or judgments inherent in the preparation of our consolidated financial statements. A summary of our significant accounting policies is contained in Note 1 to our consolidated financial statements included in our Annual Report on Form 10-K for the year ended December 31, 2018.

RESULTS OF OPERATIONS

The following discussion and analysis should be read in conjunction with our unaudited consolidated financial statements and the notes to our unaudited consolidated financial statements included in Part I, Item 1, of this Quarterly Report on Form 10-Q.

Comparison of Second Quarter 2019 and Second Quarter 2018

Revenues

	2019	% of Revenue	2018	% of Revenue	\$ Change	% Change
	(Dollars in thousands)					
GEO Secure Services	\$ 399,475	65.1%	\$ 368,989	63.2%	\$ 30,486	8.3 %
GEO Care	155,507	25.3%	149,928	25.7%	5,579	3.7 %
International Services	54,388	8.9%	64,592	11.1%	(10,204)	(15.8)%
Facility Construction & Design	4,596	0.7%	—	—%	4,596	100.0 %
Total	<u>\$ 613,966</u>	<u>100.0%</u>	<u>\$ 583,509</u>	<u>100.0%</u>	<u>\$ 30,457</u>	<u>5.2 %</u>

GEO Secure Services

Revenues increased in Second Quarter 2019 compared to Second Quarter 2018 primarily due to aggregate increases of \$18.9 million due to aggregate net increases in population with our federal clients, transportation services and/or rates. We also had

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increases of \$15.2 million resulting from the activation of our contracts at our company-owned Eagle Pass Facility in Eagle Pass, Texas and our company-owned Montgomery Processing Center in Conroe, Texas. These increases were partially offset by net decreases of \$3.6 million at certain of our facilities due to contract terminations.

The number of compensated mandays in GEO Secure Services facilities was approximately 6.0 million in Second Quarter 2019 and 5.8 million in Second Quarter 2018. We experienced an aggregate net increase of approximately 200,000 mandays as a result of population increases with our federal clients and our contract activations discussed above, offset by contract terminations. We look at the average occupancy in our facilities to determine how we are managing our available beds. The average occupancy is calculated by taking compensated mandays as a percentage of capacity. The average occupancy in our GEO Secure Services facilities was 96.2% and 95.3% of capacity in the Second Quarter 2019 and Second Quarter 2018, respectively, excluding idle facilities.

GEO Care

Revenues increased in Second Quarter 2019 compared to Second Quarter 2018 primarily due to aggregate increases of \$9.3 million related to increases in average client and participant counts under our ISAP and electronic monitoring services. These increases were partially offset by \$3.7 million related to declines in census levels at certain of our community-based and reentry centers along with contract terminations/closures of underutilized facilities.

International Services

Revenues for International Services in Second Quarter 2019 compared to Second Quarter 2018 decreased by \$10.2 million. We experienced a net decrease in revenues of \$5.2 million which was primarily due to the transition of our Parklea Correctional Centre by our Australian subsidiary to a new operator in March 2019. Additionally, we had a decrease due to foreign exchange rate fluctuations of \$5.0 million resulting from the strengthening of the U.S. dollar against certain international currencies.

Facility Construction & Design

Beginning in the fourth quarter of 2018 and into 2019, we had facility construction & design services related to an expansion project at our Fulham Correctional Centre in Australia which is expected to be completed in the third quarter of 2020.

Operating Expenses

	2019	% of Segment Revenues	2018	% of Segment Revenues	\$ Change	% Change
(Dollars in thousands)						
GEO Secure Services	\$ 294,727	73.8%	\$ 272,695	73.9%	\$ 22,032	8.1 %
GEO Care	102,771	66.1%	103,054	68.7%	(283)	(0.3)%
International Services	51,074	93.9%	62,048	96.1%	(10,974)	(17.7)%
Facility Construction & Design	4,596	100.0%	—	—%	4,596	100.0 %
Total	<u>\$ 453,168</u>	73.8%	<u>\$ 437,797</u>	75.0%	<u>\$ 15,371</u>	3.5 %

GEO Secure Services

Operating expenses for GEO Secure Services increased by \$22.0 million in Second Quarter 2019 compared to Second Quarter 2018. The increase was primarily due to aggregate net increases in population, transportation services and the variable costs associated with those services of \$14.6 million. We also experienced increases of \$10.6 million resulting from the activation of our contracts at our company-owned Eagle Pass Facility in Eagle Pass, Texas and our company-owned Montgomery Processing Center in Conroe, Texas as well as start up costs incurred in connection with our company-owned South Louisiana Processing Center which is expected to be activated during the third quarter of 2019. These increases were partially offset by decreases of \$3.2 million at certain of our facilities primarily due to contract terminations.

GEO Care

Operating expenses for GEO Care decreased slightly during Second Quarter 2019 from Second Quarter 2018 primarily due to \$4.9 million of net decreases related to census levels at certain of our community-based and reentry centers as well as contract terminations/closures of underutilized facilities. These decreases were partially offset by \$4.6 million related to increases in average client and participant counts under our ISAP and electronic monitoring services.

International Services

Operating expenses for International Services in Second Quarter 2019 compared to Second Quarter 2018 decreased by \$11.0 million. We experienced a net decrease in operating expenses of \$6.2 million which was primarily due to the transition of our Parklea Correctional Centre by our Australian subsidiary to a new operator in March 2019. Additionally, we had a decrease due to foreign exchange rate fluctuations of \$4.8 million resulting from the strengthening of the U.S. dollar against certain international currencies.

Facility Construction & Design

Beginning in the fourth quarter of 2018 and into 2019, we had facility construction & design services related to an expansion project at our Fulham Correctional Centre in Australia which is expected to be completed in the third quarter of 2020.

Depreciation and Amortization

	2019	% of Segment Revenue	2018	% of Segment Revenue	\$ Change	% Change
(Dollars in thousands)						
GEO Secure Services	\$ 19,589	4.9%	\$ 18,976	5.1%	\$ 613	3.2 %
GEO Care	12,369	8.0%	11,735	7.8%	634	5.4 %
International Services	394	0.7%	602	0.9%	(208)	(34.6)%
Total	<u>\$ 32,352</u>	5.3%	<u>\$ 31,313</u>	5.4%	<u>\$ 1,039</u>	3.3 %

GEO Secure Services

GEO Secure Services depreciation and amortization expense increased in Second Quarter 2019 compared to Second Quarter 2018 primarily due to the activation of our contracts at our company-owned Eagle Pass Facility in Eagle Pass, Texas and our company-owned Montgomery Processing Center in Conroe, Texas as well as renovations made at several of our other facilities.

GEO Care

GEO Care depreciation and amortization expense increased in Second Quarter 2019 compared to Second Quarter 2018 primarily due to renovations at certain of our centers.

International Services

Depreciation and amortization expense decreased slightly in Second Quarter 2019 compared to Second Quarter 2018 as a result of certain assets becoming fully depreciated and there were no significant expansions or renovations during 2018 or 2019 at our international subsidiaries.

Other Unallocated Operating Expenses

	2019	% of Revenue	2018	% of Revenue	\$ Change	% Change
(Dollars in thousands)						
General and Administrative Expenses	\$ 47,271	7.7%	\$ 47,448	7.4%	\$ (177)	(0.4)%

General and administrative expenses comprise substantially all of our other unallocated operating expenses which primarily includes corporate management salaries and benefits, professional fees and other administrative expenses. General and administrative expenses decreased slightly in Second Quarter 2019 compared to Second Quarter 2018. The decrease was primarily due to \$4.5 million in legal related expenses in Second Quarter 2018 that did not recur in Second Quarter 2019. This decrease was partially offset by normal personnel and compensation adjustments, professional, consulting, business development and other administrative expenses in the aggregate of approximately \$4.3 million.

Non Operating Expenses

Interest Income and Interest Expense

	2019	% of Revenue	2018	% of Revenue	\$ Change	% Change
(Dollars in thousands)						
Interest Income	\$ 8,045	1.3%	\$ 8,667	1.5%	\$ (622)	(7.2)%
Interest Expense	\$ 38,932	6.3%	\$ 36,345	6.2%	\$ 2,587	7.1 %

Interest income decreased in the Second Quarter 2019 compared to Second Quarter 2018 primarily due to a lower balance on our contract receivable related to our facility in Ravenhall, Australia. Also contributing to the decrease was the effect of the strengthening of the U.S. dollar against certain international currencies.

Interest expense increased in Second Quarter 2019 compared to Second Quarter 2018 primarily due to increased net interest expense attributable to higher interest rates as well as higher overall debt balances. Refer to Note 11- Debt of the Notes to Unaudited Consolidated Financial Statements included in Part I, Item 1 of this Quarterly Report on Form 10-Q for further discussion.

Loss on Extinguishment of Debt

	2019	% of Revenue	2018	% of Revenue	\$ Change	% Change
(Dollars in thousands)						
Loss on Extinguishment of Debt	\$ 5,741	0.9%	\$ 574	—%	\$ 5,167	900.2%

On May 22, 2019, we completed an offering of Non-Recourse Notes related to our Ravenhall facility in Australia. The net proceeds from this offering were used to refinance our outstanding Construction Facility. As a result of the transaction, we incurred a \$4.5 million loss on extinguishment of debt related to swap termination fees and unamortized deferred loan costs associated with the Construction Facility. Additionally, on June 12, 2019, GEO entered into Amendment No. 2 to our Credit Agreement. Under the amendment, the maturity date of our Revolver has been extended to May 17, 2024. As a result of the transaction, we incurred a loss on extinguishment of debt of \$1.2 million related to certain unamortized deferred loan costs. Refer to Note 11- Debt of the Notes to Unaudited Consolidated Financial Statements included in Part I, Item 1 of this Quarterly Report on Form 10-Q for further discussion.

Income Tax Provision

	2019	Effective Rate	2018	Effective Rate	\$ Change	% Change
(Dollars in thousands)						
Provision for Income Taxes	\$ 4,532	10.2%	\$ 3,715	9.6%	\$ 817	22.0%

The provision for income taxes during Second Quarter 2019 increased compared to Second Quarter 2018 along with our effective tax rate. The increase in the effective rate is primarily due to a change in the composition of our income. In second quarter 2019 more income was earned by our taxable REIT subsidiaries, which are fully subject to tax. Additionally, there was a \$0.1 million discrete tax expense in the second quarter of 2019 as compared to a \$.8 million discrete tax benefit in the second quarter of 2018. As a REIT, we are required to distribute at least 90% of our taxable income to shareholders and in turn we are allowed a deduction for the distribution at the REIT level. Our wholly-owned taxable REIT subsidiaries continue to be fully subject to federal, state and foreign income taxes, as applicable. We estimate our annual effective tax rate to be in the range of approximately 9% to 11% exclusive of any discrete items.

Equity in Earnings of Affiliates, net of Income Tax Provision

	2019	% of Revenue	2018	% of Revenue	\$ Change	% Change
(Dollars in thousands)						
Equity in Earnings of Affiliates	\$ 1,821	0.3%	\$ 2,341	0.4%	\$ (520)	(22.2)%

Equity in earnings of affiliates, presented net of income tax provision, represents the earnings of SACS and GEOAmeY in the aggregate. Equity in earnings of affiliates during Second Quarter 2019 compared to Second Quarter 2018 decreased primarily due to labor related expenses in connection with the ramp up of GEOAmeY's court custody and escort services contract in Scotland which began in the first quarter of 2019.

Comparison of First Half 2019 and First Half 2018

Revenues

	<u>2019</u>	<u>% of Revenue</u>	<u>2018</u>	<u>% of Revenue</u>	<u>\$ Change</u>	<u>% Change</u>
(Dollars in thousands)						
GEO Secure Services	\$ 789,985	64.5%	\$ 727,670	64.0%	\$ 62,315	8.6 %
GEO Care	309,350	25.3%	290,006	25.3%	19,344	6.7 %
International Services	118,612	9.7%	130,750	11.4%	(12,138)	(9.3)%
Facility Construction & Design	6,686	0.5%	—	—%	6,686	100.0 %
Total	<u>\$ 1,224,633</u>	<u>100.0%</u>	<u>\$ 1,148,426</u>	<u>100.0%</u>	<u>\$ 76,207</u>	<u>6.6 %</u>

GEO Secure Services

Revenues increased in First Half 2019 compared to First Half 2018 primarily due to aggregate increases of \$39.5 million due to aggregate net increases in population with our federal clients, transportation services and/or rates. We also had increases of \$29.8 million resulting from the activation of our contracts at our company-owned Eagle Pass Facility in Eagle Pass, Texas and our company-owned Montgomery Processing Center in Conroe, Texas. These increases were partially offset by net decreases of \$7.0 million at certain of our facilities due to contract terminations.

The number of compensated mandays in GEO Secure Services facilities was approximately 11.9 million in First Half 2019 and 11.4 million in First Half 2018. We experienced an aggregate net increase of approximately 500,000 mandays as a result of population increases with our federal clients and our contract activations discussed above, offset by contract terminations. We look at the average occupancy in our facilities to determine how we are managing our available beds. The average occupancy is calculated by taking compensated mandays as a percentage of capacity. The average occupancy in our GEO Secure Services facilities was 95.8% and 94.6% of capacity in the First Half 2019 and First Half 2018, respectively, excluding idle facilities.

GEO Care

Revenues increased in First Half 2019 compared to First Half 2018 primarily due to aggregate increases of \$20.0 million primarily related to increases in average client and participant counts under our ISAP and electronic monitoring services. These increases were partially offset by \$0.7 million related to declines in census levels at certain of our community-based and reentry centers along with contract terminations/closures of underutilized facilities.

International Services

Revenues for International Services in First Half 2019 compared to First Half 2018 decreased by \$12.1 million. This decrease was primarily due to foreign exchange rate fluctuations of \$12.1 million resulting from the strengthening of the U.S. dollar against certain international currencies. Although we experienced net increases in our Australia subsidiary due to the operation of our Ravenhall correctional facility project which began operations during the fourth quarter of 2017 and continued to ramp up in 2018, we also experienced offsetting decreases in revenue in connection with the transition of our Parklea Correctional Centre to a new operator in March 2019.

Facility Construction & Design

Beginning in the fourth quarter of 2018 and into 2019, we had facility construction & design services related to an expansion project at our Fulham Correctional Centre in Australia which is expected to be completed in the third quarter of 2020.

Operating Expenses

	2019	% of Segment Revenues	2018	% of Segment Revenues	\$ Change	% Change
(Dollars in thousands)						
GEO Secure Services	\$ 587,156	74.3%	\$ 543,143	74.6%	\$ 44,013	8.1 %
GEO Care	\$ 207,177	67.0%	\$ 199,130	68.7%	\$ 8,047	4.0 %
International Services	\$ 109,146	92.0%	\$ 122,233	93.5%	\$ (13,087)	(10.7)%
Facility Construction & Design	\$ 6,686	100.0%	\$ —	—%	\$ 6,686	100.0 %
Total	<u>\$ 910,165</u>	<u>74.3%</u>	<u>\$ 864,506</u>	<u>75.3%</u>	<u>\$ 45,659</u>	<u>5.3 %</u>

GEO Secure Services

Operating expenses for GEO Secure Services increased by \$44.0 million in First Half 2019 compared to First Half 2018. The increase was primarily due to aggregate net increases in population, transportation services and the variable costs associated with those services of \$30.5 million. We also experienced increases of \$19.6 million resulting from the activation of our contracts at our company-owned Eagle Pass Facility in Eagle Pass, Texas and our company-owned Montgomery Processing Center in Conroe, Texas as well as start up costs incurred in connection with our company-owned South Louisiana Processing Center which is expected to be activated during the third quarter of 2019. These increases were partially offset by decreases of \$6.1 million at certain of our facilities primarily due to contract terminations.

GEO Care

Operating expenses for GEO Care increased by \$8.1 million during First Half 2019 from First Half 2018 primarily due to \$9.2 million related to increases in average client and participant counts under our ISAP and electronic monitoring services. These increases were partially offset by decreases of \$1.1 million due to net decreases in census levels at certain of our community-based and reentry centers as well as contract terminations/closures of underutilized facilities.

International Services

Operating expenses for International Services in First Half 2019 compared to First Half 2018 decreased by \$13.1 million. This decrease was primarily due to foreign exchange rate fluctuations of \$12.2 million resulting from the strengthening of the U.S. dollar against certain international currencies. Although we experienced net increases in our Australia subsidiary due to the operation of our Ravenhall correctional facility project which began operations during the fourth quarter of 2017 and continued to ramp up in 2018, we also experienced partially offsetting decreases in operating expenses in connection with the transition of our Parklea Correctional Centre to a new operator in March 2019 resulting in an aggregate net decrease of \$0.9 million.

Facility Construction & Design

Beginning in the fourth quarter of 2018 and into 2019, we had facility construction & design services related to an expansion project at our Fulham Correctional Centre in Australia which is expected to be completed in the third quarter of 2020.

Depreciation and Amortization

	2019	% of Segment Revenue	2018	% of Segment Revenue	\$ Change	% Change
(Dollars in thousands)						
GEO Secure Services	\$ 39,452	5.0%	\$ 37,473	5.1%	\$ 1,979	5.3 %
GEO Care	\$ 24,562	7.9%	\$ 22,376	7.7%	\$ 2,186	9.8 %
International Services	\$ 807	0.7%	\$ 966	0.7%	\$ (159)	(16.5)%
Total	<u>\$ 64,821</u>	<u>5.3%</u>	<u>\$ 60,815</u>	<u>5.4%</u>	<u>\$ 4,006</u>	<u>6.6 %</u>

GEO Secure Services

GEO Secure Services depreciation and amortization expense increased in First Half 2019 compared to First Half 2018 primarily due to the activation of our contracts at our company-owned Eagle Pass Facility in Eagle Pass, Texas and our company-owned Montgomery Processing Center in Conroe, Texas as well as renovations made at several of our other facilities.

GEO Care

GEO Care depreciation and amortization expense increased in First Half 2019 compared to First Half 2018 primarily due to renovations at certain of our centers.

International Services

Depreciation and amortization expense decreased in First Half 2019 compared to First Half 2018 as a result of certain assets becoming fully depreciated and there were no significant expansions or renovations during 2018 or 2019 at our international subsidiaries.

Other Unallocated Operating Expenses

	2019	% of Revenue	2018	% of Revenue	\$ Change	% Change
(Dollars in thousands)						
General and Administrative Expenses	\$93,695	7.7%	\$ 89,280	7.8%	\$ 4,415	4.9%

General and administrative expenses comprise substantially all of our other unallocated operating expenses which primarily includes corporate management salaries and benefits, professional fees and other administrative expenses. General and administrative expenses increased in First Half 2019 compared to First Half 2018. The increase is primarily due to increases related to higher non-cash stock-based compensation expense of \$1.4 million as well as normal personnel and compensation adjustments, professional, consulting, business development and other administrative expenses in the aggregate of \$3.0 million.

Non Operating Expenses

Interest Income and Interest Expense

	2019	% of Revenue	2018	% of Revenue	\$ Change	% Change
(Dollars in thousands)						
Interest Income	\$ 16,441	1.3%	\$ 17,766	1.5%	\$ (1,325)	(7.5)%
Interest Expense	\$ 79,212	6.5%	\$ 72,214	6.3%	\$ 6,998	9.7 %

Interest income decreased in the First Half 2019 compared to First Half 2018 primarily due to a lower balance on our contract receivable related to our facility in Ravenhall, Australia. Also contributing to the decrease was the effect of the strengthening of the U.S. dollar against certain international currencies.

Interest expense increased in First Half 2019 compared to First Half 2018 primarily due to increased net interest expense attributable to higher interest rates as well as higher overall debt balances. Refer to Note 11- Debt of the Notes to Unaudited Consolidated Financial Statements included in Part I, Item 1 of this Quarterly Report on Form 10-Q for further discussion.

Loss on Extinguishment of Debt

	2019	% of Revenue	2018	% of Revenue	\$ Change	% Change
(Dollars in thousands)						
Loss on Extinguishment of Debt	\$ 5,741	0.9%	\$ 574	—%	\$ 5,167	900.2%

On May 22, 2019, we completed an offering of Non-Recourse Notes related to our Ravenhall facility in Australia. The net proceeds from this offering were used to refinance our outstanding Construction Facility. As a result of the transaction, we incurred a \$4.5 million loss on extinguishment of debt related to swap termination fees and unamortized deferred loan costs associated with the Construction Facility. Additionally, on June 12, 2019, GEO entered into Amendment No. 2 to our Credit Agreement. Under the amendment, the maturity date of our Revolver has been extended to May 17, 2024. As a result of the

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transaction, we incurred a loss on extinguishment of debt of \$1.2 million related to certain unamortized deferred loan costs. Refer to Note 11- Debt of the Notes to Unaudited Consolidated Financial Statements included in Part I, Item 1 of this Quarterly Report on Form 10-Q for further discussion.

Income Tax Provision

	2019	Effective Rate		2018	Effective Rate	\$ Change	% Change
	(Dollars in thousands)						
Provision for Income Taxes	\$9,372	10.7%	\$	8,470	11.1%	\$ 902	10.6%

The provision for income taxes during First Half 2019 increased compared to First Half 2018 while our effective tax rate decreased. The decrease in the effective rate is primarily due to a change in the composition of our income. Additionally, in the First Half of 2019, there was a \$0.5 million discrete tax expense related to stock compensation that vested during the period. In contrast, in the First Half 2018, there was a \$0.4 million discrete tax benefit net of a \$1.1 million discrete tax expense related to stock compensation that vested during that period. As a REIT, we are required to distribute at least 90% of our taxable income to shareholders and in turn are allowed a deduction for the distribution at the REIT level. Our wholly-owned taxable REIT subsidiaries continue to be fully subject to federal, state and foreign income taxes, as applicable. We estimate our annual effective tax rate to be in the range of approximately 9% to 11% exclusive of any discrete items.

Equity in Earnings of Affiliates, net of Income Tax Provision

	2019	% of Revenue		2018	% of Revenue	\$ Change	% Change
	(Dollars in thousands)						
Equity in Earnings of Affiliates	\$ 4,417	0.4%	\$	4,336	0.4%	\$ 81	1.9%

Equity in earnings of affiliates, presented net of income tax provision, represents the earnings of SACS and GEOAmeY in the aggregate. Equity in earnings of affiliates during First Half 2019 compared to First Half 2018 remained flat primarily due to labor related expenses in connection with the ramp up of GEOAmeY's court custody and escort services contract in Scotland which began in the first quarter of 2019.

Financial Condition**Capital Requirements**

Our current cash requirements consist of amounts needed for working capital, distributions of our REIT taxable income in order to maintain our REIT qualification, debt service, supply purchases, investments in joint ventures, and capital expenditures related to either the development of new secure services and reentry facilities, or the maintenance of existing facilities. In addition, some of our management contracts require us to make substantial initial expenditures of cash in connection with opening or renovating a facility. Generally, these initial expenditures are subsequently fully or partially recoverable as pass-through costs or are billable as a component of the per diem rates or monthly fixed fees to the contracting agency over the original term of the contract.

We currently have contractual commitments for a number of projects using Company financing. We estimate that the cost of these existing capital projects will be approximately \$173 million of which \$129 million was spent through June 30, 2019. We estimate that the remaining capital requirements related to these capital projects will be \$44 million which will be spent through 2019.

Liquidity and Capital Resources**Indebtedness**

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On June 12, 2019, we entered into Amendment No. 2 to Third Amended and Restated Credit Agreement (the "Credit Agreement") by and among the refinancing lenders party thereto, the other lenders party thereto, GEO and GEO Corrections Holdings, Inc. and the administrative agent. Under the amendment, the maturity date of the revolver has been extended to May 17, 2024. The borrowing capacity under the amended revolver will remain at \$900.0 million, and its pricing will remain unchanged currently bearing interest at LIBOR plus 2.25%. As a result of the transaction, we incurred a loss on extinguishment of debt of \$1.2 million related to certain unamortized deferred loan costs. Additionally, loan costs of \$4.7 million were incurred and capitalized in connection with the transaction.

As of June 30, 2019, we had approximately \$782 million in aggregate borrowings outstanding, net of discount, under our term loan and approximately \$452 million in borrowings under our revolver, and approximately \$62 million in letters of credit which left approximately \$386 million in additional borrowing capacity under our revolver. Refer to Note 11 - Debt of the Notes to Unaudited Consolidated Financial Statements included in Part I, Item 1 of this Quarterly Report on Form 10-Q for further discussion.

Australia - Ravenhall

In connection with a design and build project agreement with the State of Victoria, we entered into a syndicated facility agreement (the "Construction Facility") to provide debt financing for construction of the project. The Construction Facility provided for non-recourse funding up to AUD 791.0 million, or approximately \$556.0 million, based on exchange rates as of June 30, 2019. The term of the Construction Facility was through September 2019 and bore interest at a variable rate quoted by certain Australian banks plus 200 basis points. On May 22, 2019, we completed an offering of AUD 461.6 million, or \$324.4 million, based on exchange rates as of June 30, 2019, aggregate principal amount of non-recourse senior secured notes due 2042 ("the Non-Recourse Notes"). The amortizing Non-Recourse Notes were issued by Ravenhall Finance Co Pty Limited in a private placement pursuant to Section 4(a) (2) of the Securities Act of 1933, as amended. The Non-Recourse Notes were issued with a coupon and yield to maturity of 4.23% with a maturity date of March 31, 2042. The net proceeds from this offering were used to refinance the outstanding Construction Facility and to pay all related fees, costs and expenses associated with the transaction. As a result of the transaction, we incurred a \$4.5 million loss on extinguishment of debt related to swap termination fees and unamortized deferred costs associated with the Construction Facility. Additionally, loan costs of approximately \$7.5 million were incurred and capitalized in connection with the offering.

In addition to the debt outstanding under the Credit Facility, the 6.00% Senior Notes, the 5.125% Senior Notes, the 5.875% Senior Notes due 2022 and the 5.875% Senior Notes due 2024, we also have significant debt obligations which, although these obligations are non-recourse to us, require cash expenditures for debt service. Our significant debt obligations could have material consequences. See "Risk Factors-Risks Related to Our High Level of Indebtedness" in Item 1A of our Annual Report on Form 10-K for the year ended December 31, 2018. We are exposed to various commitments and contingencies which may have a material adverse effect on our liquidity. We also have guaranteed certain obligations for certain of our international subsidiaries. These non-recourse obligations, commitments and contingencies and guarantees are further discussed in our Annual Report on Form 10-K for the year ended December 31, 2018.

Refer to Note 11 - Debt of the Notes to Unaudited Consolidated Financial Statements included in Part I, Item 1 of this Quarterly Report on Form 10-Q for further information on our indebtedness.

We consider opportunities for future business and/or asset acquisitions as we deem appropriate when market conditions present opportunities. If we are successful in our pursuit of any new projects, our cash on hand, cash flows from operations and borrowings under the existing Credit Facility may not provide sufficient liquidity to meet our capital needs and we could be forced to seek additional financing or refinance our existing indebtedness. There can be no assurance that any such financing or refinancing would be available to us on terms equal to or more favorable than our current financing terms, or at all. In the future, our access to capital and ability to compete for future capital intensive projects will also be dependent upon, among other things, our ability to meet certain financial covenants in the indenture governing the 5.125% Senior Notes, the indenture governing the 5.875% Senior Notes due 2022, the indenture governing the 5.875% Senior Notes due 2024, the indenture governing the 6.00% Senior Notes due 2026 and our Credit Agreement. A substantial decline in our financial performance could limit our access to capital pursuant to these covenants and have a material adverse affect on our liquidity and capital resources and, as a result, on our financial condition and results of operations. In addition to these foregoing potential constraints on our capital, a number of state government agencies have been suffering from budget deficits and liquidity issues. While we expect to be in compliance with our debt covenants, if these constraints were to intensify, our liquidity could be materially adversely impacted as could our ability to remain in compliance with these debt covenants.

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We may from time to time seek to purchase or retire our outstanding senior notes through cash purchases and/or exchanges for equity securities, in open market purchases, privately negotiated transactions or otherwise. Such repurchases or exchanges, if any, will depend on prevailing market conditions, our liquidity requirements, contractual restrictions and other factors. The amounts involved may be material.

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

We plan to fund all of our capital needs, including distributions of our REIT taxable income in order to maintain our REIT qualification, and capital expenditures, from cash on hand, cash from operations, borrowings under our Credit Facility and any other financings which our management and Board, in their discretion, may consummate. Currently, our primary source of liquidity to meet these requirements is cash flow from operations and borrowings under our \$900.0 million revolver. Our management believes that cash on hand, cash flows from operations and availability under our Credit Facility will be adequate to support our capital requirements for 2019 as disclosed under "Capital Requirements" above.

Stock Buyback Program

Refer to Note 7 - Shareholders' Equity of the Notes to Unaudited Consolidated Financial Statements included in Part I, Item 1 of this Quarterly Report on Form 10-Q for further information.

Prospectus Supplement

Refer to Note 7 - Shareholders' Equity of the Notes to Unaudited Consolidated Financial Statements included in Part I, Item 1 of this Quarterly Report on Form 10-Q for further information.

Executive Retirement Agreement

We have a non-qualified deferred compensation agreement with our Chief Executive Officer ("CEO"). The current agreement, as amended, provides for a lump sum payment upon retirement, no sooner than age 55. Our CEO has reached age 55 and is eligible to receive the payment upon retirement. If our CEO had retired as of June 30, 2019, we would have had to pay him approximately \$8.6 million. Based on our current capitalization, we do not believe that making this payment would materially adversely impact our liquidity.

Off-Balance Sheet Arrangements

Except as discussed in the notes to our Unaudited Consolidated Financial Statements included in Part I, Item 1 of this quarterly report on Form 10-Q, we do not have any off-balance sheet arrangements.

Cash Flow

Cash, cash equivalents and restricted cash and cash equivalents as of June 30, 2019 was \$79.6 million, compared to \$127.2 million as of June 30, 2018.

Operating Activities

Cash provided by operating activities amounted to \$217.1 million for the six months ended June 30, 2019 versus cash provided by operating activities of \$180.3 million for the six months ended June 30, 2018. Cash provided by operating activities during the six months ended June 30, 2019 was positively impacted by net income attributable to GEO, non-cash expenses such as depreciation and amortization, amortization of debt issuance costs, discount and/or premium and other non-cash interest, stock-based compensation expense and loss on extinguishment of debt. Equity in earnings of affiliates, net of tax negatively impacted cash.

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Changes in accounts receivable, prepaid expenses and other assets decreased in total by \$38.9 million, representing a positive impact on cash. The decrease was primarily driven by the timing of billings and collections. Changes in accounts payable, accrued expenses and other liabilities increased by \$2.7 million which positively impacted cash. The increase was primarily driven by the timing of payments. Additionally, cash provided by operating activities for the six months ended June 30, 2019 was positively impacted by a decrease in changes in contract receivable related to our correctional facility in Ravenhall, Australia of \$3.2 million which was a result of the timing of interest accruals and payments made towards the contract receivable.

Cash provided by operating activities during the six months ended June 30, 2018 was positively impacted by net income attributable to GEO, non-cash expenses such as depreciation and amortization, amortization of debt issuance costs, discount and/or premium and other non-cash interest and stock-based compensation expense. Equity in earnings of affiliates, net of tax negatively impacted cash. Changes in accounts receivable, prepaid expenses and other assets decreased in total by \$19.8 million, representing a positive impact on cash. The decrease was primarily driven by the timing of billings and collections. Changes in accounts payable, accrued expenses and other liabilities increased by \$15.2 million which positively impacted cash. The increase was primarily driven by the timing of payments. Additionally, cash provided by operating activities for the six months ended June 30, 2018 was negatively impacted by an increase in changes in contract receivable related to our prison project in Ravenhall, Australia of \$4.9 million which was a result of the timing of interest accruals and payments made towards the contract receivable.

Investing Activities

Cash used in investing activities of \$49.2 million during the six months ended June 30, 2019 was primarily the result of capital expenditures of \$55.4 million. Cash used in investing activities of \$99.0 million during the six months ended June 30, 2018 was primarily the result of capital expenditures of \$107.1 million.

Financing Activities

Cash used in financing activities during the six months ended June 30, 2019 was approximately \$173.6 million compared to cash used in financing activities of \$85.7 million during the six months ended June 30, 2018. Cash used in financing activities during the six months ended June 30, 2019 was primarily the result of dividends paid of \$116.1 million, payments on long-term debt of \$213.9 million and payments on non-recourse debt of \$326.9 million. These decreases were partially offset by proceeds from long-term debt of \$170.0 million and proceeds from non-recourse debt of \$326.1 million. Cash used in financing activities during the six months ended June 30, 2018 was primarily the result of proceeds from long-term debt of \$245.0 million. This increase was partially offset by a decrease for dividends paid of \$115.0 million, payments for repurchases of our common stock of \$70.4 million, payments on long-term debt of \$134.0 million and payments on non-recourse debt of \$7.5 million.

Non-GAAP Measures

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

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

Normalized FFO is defined as FFO adjusted for certain items which by their nature are not comparable from period to period or that tend to obscure the Company's actual operating performance, including for the periods presented the Net Tax Cuts and Jobs Act impact, loss on extinguishment of debt, pre-tax, start-up expenses, pre-tax, legal related expenses, pre-tax, escrow releases, pre-tax and the tax effect of adjustments to FFO.

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.

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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 net income attributable to GEO 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 net income attributable to GEO.

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.

Our reconciliation of net income attributable to The GEO Group, Inc. to FFO, Normalized FFO and AFFO for the three and six months ended June 30, 2019 and 2018 is as follows (in thousands):

	Three Months Ended		Six Months Ended	
	June 30, 2019	June 30, 2018	June 30, 2019	June 30, 2018
Net income attributable to The GEO Group, Inc.	\$ 41,914	\$ 37,421	\$ 82,619	\$ 72,408
Add (Subtract):				
Real estate related depreciation and amortization	17,937	17,509	36,039	34,897
Loss on real estate assets	—	590	1,497	492
NAREIT Defined FFO	\$ 59,851	\$ 55,520	\$ 120,155	\$ 107,797
Add (Subtract):				
Net Tax Cuts and Jobs Act Impact	—	—	—	304
Start-up expenses, pre-tax	1,874	98	1,874	98
Legal related expenses, pre-tax	—	4,500	—	4,500
Escrow releases, pre-tax	—	(2,273)	—	(2,273)
Loss on extinguishment of debt, pre-tax	5,741	574	5,741	574
Tax effect of adjustments to Funds From Operations *	(853)	(713)	(899)	(713)
Normalized Funds from Operations	\$ 66,613	\$ 57,706	\$ 126,871	\$ 110,287
Add (Subtract):				
Non-real estate related depreciation and amortization	14,415	13,804	28,782	28,342
Consolidated maintenance capital expenditures	(5,515)	(6,076)	(9,149)	(11,399)
Stock-based compensation expense	5,454	4,960	12,180	10,787
Amortization of debt issuance costs, discount and/or premium and other non-cash interest	2,460	1,855	5,023	3,992
Adjusted Funds from Operations	\$ 83,427	\$ 72,249	\$ 163,707	\$ 142,009

* Tax effect of adjustments relate to loss on real estate assets, loss on extinguishment of debt, start-up expenses, legal expenses and escrow releases.

Outlook

The following discussion contains statements that are not historical statements and, therefore, constitute forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Our forward-looking statements are subject to risks and uncertainties that could cause actual results to differ materially from those stated or implied in the forward-looking statements. Please refer to “Part I - Item 1A. Risk Factors” and the “Forward Looking Statements - Safe Harbor”

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sections in our Annual Report on Form 10-K for the fiscal year ended December 31, 2018, as well as the "Forward-Looking Statements - Safe Harbor" section and other disclosures contained in this Form 10-Q for further discussion on forward-looking statements and the risks and other factors that could prevent us from achieving our goals and cause the assumptions underlying the forward-looking statements and the actual results to differ materially from those expressed in or implied by those forward-looking statements.

Revenue

We continue to be encouraged by the current landscape of growth opportunities; however any positive trends may, to some extent, be adversely impacted by government budgetary constraints or any changes to a government's willingness to maintain or grow public-private partnerships in the future. While state finances overall are stable, future budgetary pressures may cause state correctional agencies to pursue a number of cost savings initiatives which may include reductions in per diem rates and/or the scope of services provided by private operators. These potential cost savings initiatives could have a material adverse impact on our current operations and/or our ability to pursue new business opportunities. Additionally, if state budgetary constraints, as discussed above, persist or intensify, our state customers' ability to pay us may be impaired and/or we may be forced to renegotiate our management contracts on less favorable terms and our financial condition, results of operations or cash flows could be materially adversely impacted. We plan to actively bid on any new projects that fit our target profile for profitability and operational risk. Although we are pleased with the overall industry outlook, positive trends in the industry may be offset by several factors, including budgetary constraints, contract modifications, contract terminations, contract non-renewals, and/or contract re-bids and the impact of any other potential changes to the willingness to maintain or grow public-private partnerships on the part of other government agencies. We believe we have a strong relationship with our government partners and we believe that we operate facilities that maximize security and efficiency while offering our suite of GEO Continuum of Care services and resources.

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

Internationally, we are exploring a number of opportunities in our current markets and will continue to actively bid on any opportunities that fit our target profile for profitability and operational risk. On March 29, 2018, we announced that our transportation joint venture in the United Kingdom, GEO Amey, has signed a contract with Scottish Prison Service for the provision of court custody and escort services in Scotland. The contract has a base term of eight years effective January 26, 2019 with a renewal option of four years and is expected to have an average annual revenue of approximately \$39 million. In New South Wales, Australia we are developing a 489-bed expansion at the Junee Correctional Centre which is expected to be completed during the fourth quarter of 2019. We are also constructing a 137-bed expansion at the Fulham Correctional Centre in Victoria, Australia. Additionally, our Australian subsidiary is currently in negotiation discussions with the State of Victoria, Australia to increase the capacity at our Ravenhall Correctional Centre by an additional 300 beds increasing the capacity of the facility to 1,600 beds. The 300-bed capacity increase is expected to generate incremental annualized revenues of approximately \$19 million. With respect to the Parklea Correctional Centre in Australia, we were unfortunately unsuccessful during the current competitive rebid process and have transitioned the management contract in March of 2019. In addition, we were recently informed by the State of Queensland, Australia that the Arthur Gorrie Correctional Centre will be transitioned to government operation between the end of 2019 and the first quarter of 2020.

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

Operating Expenses

Operating expenses consist of those expenses incurred in the operation and management of our contracts to provide services to our governmental clients. Labor and related costs represented 57.4% of our operating expenses during the six months ended June 30, 2019. Additional significant operating expenses include food, utilities and medical costs. During the six months ended June 30, 2019, operating expenses totaled 74.3% of our consolidated revenues. We expect our operating expenses as a percentage of revenues in 2019 will be impacted by the opening of any new or existing idle facilities as a result of the cost of

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transitioning and/or start-up operations related to a facility opening. During 2019, we will incur carrying costs for facilities that are currently vacant. As of June 30, 2019, our worldwide operations include the management and/or ownership of approximately 97,000 beds at 133 facilities, including idle facilities, projects under development and recently awarded contracts, and also include the provision of community supervision services for more than 210,000 individuals, including approximately 100,000 through an array of technology products including radio frequency, GPS, and alcohol monitoring devices.

General and Administrative Expenses

General and administrative expenses consist primarily of corporate management salaries and benefits, professional fees and other administrative expenses. During the six months ended June 30, 2019, general and administrative expenses totaled 7.7% of our consolidated revenues. We expect general and administrative expenses as a percentage of revenues in 2019 to remain consistent or decrease as a result of cost savings initiatives. We expect business development costs to remain consistent or increase slightly as we pursue additional business development opportunities in all of our business lines. We also plan to continue expending resources from time to time on the evaluation of potential acquisition targets.

Idle Facilities

We are currently marketing approximately 2,300 vacant beds at two of our GEO Secure Services and one of our GEO Care idle facilities to potential customers. The annual carrying cost of our idle facilities in 2019 is estimated to be \$11.5 million, including depreciation expense of \$1.0 million. As of June 30, 2019, these three facilities had a net book value of \$27.5 million. We currently do not have any firm commitment or agreement in place to activate the remaining facilities. Historically, some facilities have been idle for multiple years before they received a new contract award. These idle facilities are included in the GEO Secure Services and GEO Care segments. The per diem rates that we charge our clients often vary by contract across our portfolio. However, if all three remaining idle facilities were to be activated using our GEO Secure Services and GEO Care average per diem rates in 2019 (calculated as the GEO Secure Services and GEO Care revenue divided by the number of GEO Secure Services and GEO Care mandays) and based on the average occupancy rate in our facilities through June 30, 2019, we would expect to receive incremental annualized revenue of approximately \$55 million and an annualized increase in earnings per share of approximately \$0.05 to \$0.10 per share based on our average operating margins.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.

Interest Rate Risk

We are exposed to market risks related to changes in interest rates with respect to our Credit Facility. Payments under the Credit Facility are indexed to a variable interest rate. Based on borrowings outstanding under the Credit Facility of approximately \$1,234 million and approximately \$62 million in outstanding letters of credit, as of June 30, 2019, for every one percent increase in the average interest rate applicable to the Credit Facility, our total annual interest expense would increase by approximately \$13 million.

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

Foreign Currency Exchange Rate Risk

We are also exposed to market risks related to fluctuations in foreign currency exchange rates between the U.S. dollar, and the Australian dollar, the South African Rand and the British Pound currency exchange rates. Based upon our foreign currency exchange rate exposure at June 30, 2019, every 10 percent change in historical currency rates would have approximately a \$5.2 million effect on our financial position and approximately a \$0.8 million impact on our results of operations during the six months ended June 30, 2019.

ITEM 4. CONTROLS AND PROCEDURES.

Evaluation of Disclosure Controls and Procedures.

Our management, with the participation of our Chief Executive Officer and our Chief Financial Officer, has evaluated the effectiveness of our disclosure controls and procedures (as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended, referred to as the Exchange Act), as of the end of the period covered by this report. On the basis of this review, our management, including our Chief Executive Officer and our Chief Financial Officer, has concluded that as of the end of the period covered by this report, our disclosure controls and procedures were effective to give reasonable assurance that the information required to be disclosed in our reports filed with the SEC, under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the rules and forms of the SEC, and to ensure that the information required to be disclosed in the reports filed or submitted under the Exchange Act is accumulated and communicated to our management, including our Chief Executive Officer and our Chief Financial Officer, in a manner that allows timely decisions regarding required disclosure.

It should be noted that the effectiveness of our system of disclosure controls and procedures is subject to certain limitations inherent in any system of disclosure controls and procedures, including the exercise of judgment in designing, implementing and evaluating the controls and procedures, the assumptions used in identifying the likelihood of future events, and the inability to eliminate misconduct completely. Accordingly, there can be no assurance that our disclosure controls and procedures will detect all errors or fraud. As a result, by its nature, our system of disclosure controls and procedures can provide only reasonable assurance regarding management's control objectives.

Changes in Internal Control Over Financial Reporting.

Our management is responsible to report any changes in our internal control over financial reporting (as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) during the period to which this report relates that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting. Management believes that there have not been any changes in our internal control over financial reporting (as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) during the period to which this report relates that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting. With respect to the adoption of ASC Topic 842, "Leases" on January 1, 2019, we implemented certain internal controls to ensure we adequately evaluated our lease contracts and properly assessed the impact of the new accounting standard on our financial statements, including relevant disclosures, to facilitate this adoption on January 1, 2019. There were no significant changes to our internal control over financial reporting during the six months ended June 30, 2019 due to the adoption of this standard. Refer to Note 2 - Leases of the Notes to Unaudited Consolidated Financial Statements included in Part I, Item 1 of this Quarterly Report on Form 10-Q for additional disclosures required under the new standard.

PART II - OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS.

The information required herein is incorporated by reference from Note 12 - Commitments, Contingencies and Other in the Notes to the Unaudited Consolidated Financial Statements included in Part I, Item 1 of this Quarterly Report on Form 10-Q.

ITEM 1A. RISK FACTORS.

Item 1A of Part I of our Annual Report on Form 10-K for the year ended December 31, 2018 (the "2018 Form 10-K") includes a detailed discussion of the risk factors that could materially affect our business, financial condition or future prospects. Set forth below is a discussion of the material changes to our

existing risk factors previously disclosed in the 2018 Form 10-K as modified by the Quarterly Report of Form 10-Q for the quarter ended March 31, 2019 (the "2019 Q1 Form 10-Q"). The information below updates two existing risk factors, and should be read in conjunction with, the risk factors in our 2018 Form 10-K and the 2019 Q1 Form 10-Q. We encourage you to read these risk factors in their entirety.

Public resistance to the use of public-private partnerships for correctional facilities, processing centers and community reentry centers could result in our inability to obtain new contracts or the loss of existing contracts, impact our ability to obtain or refinance debt financing or enter into commercial arrangements, which could have a material adverse effect on our business, financial condition, results of operations and the market price of our securities.

The management and operation of correctional facilities, processing centers and community reentry centers under public-private partnerships has not achieved complete acceptance by either government agencies or the public. Some governmental agencies have limitations on their ability to delegate their traditional management responsibilities for such facilities and centers to private companies or they may be instructed by a governmental agency or authority overseeing them to reduce their utilization or scope of public-private partnerships or undertake additional reviews of their public-private partnerships. Any report prepared by or requested by a governmental agency or public official, investigation or inquiry, public statement by any governmental agency or public official, policy or legislative change, or other similar occurrence or action, that seeks to, or purports to, prohibit, eliminate, or otherwise restrict or limit in any way, the federal government's (or any state or local government's) ability to contract with private operators of these facilities and centers, could adversely impact our ability to maintain or renew existing contracts or to obtain new contracts.

In addition, the movement toward using public-private partnerships for such facilities and centers has encountered resistance from groups which believe that such facilities and centers should only be operated by governmental agencies. For example, several financial institutions, including some of our lenders, have recently announced that they will not be renewing existing agreements or entering into new agreements with companies that operate such facilities and centers pursuant to public-private partnerships. Some of these same institutions have ceased their equity analyst coverage of our company. While we believe we will continue to have access to the capital and debt markets on a cost-effective basis to support the growth and expansion of our high-quality services, if other financial institutions or third parties that currently provide us with financing or that we do business with decide in the future to cease providing us with financing or doing business with us, such determinations could have a material adverse effect on our business, financial condition and results of operations. Increased public resistance to the use of public-private partnerships for our facilities and centers in any of the markets in which we operate, as a result of these or other factors, could have a material adverse effect on our business, financial condition, results of operations and the market price of our securities.

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

The nature of our business exposes us to various types of third-party legal claims, including, but not limited to, civil rights claims relating to conditions of confinement and/or mistreatment, sexual misconduct claims brought by prisoners or detainees, medical malpractice claims, claims relating to the federal Trafficking and Victims Protection Act, product liability claims,

intellectual property infringement claims, claims relating to employment laws (including, but not limited to, employment discrimination claims, union grievances and wage and hour claims), property loss claims, environmental claims, automobile liability claims, contractual claims and claims for personal injury or other damages resulting from contact with our facilities, programs, electronic monitoring products, personnel or prisoners, including damages arising from a prisoner’s escape or from a disturbance or riot at a facility. Some of these lawsuits purport or may be determined to be class or collective actions and seek substantial damages or injunctive relief, or both, and some may remain unresolved for several years. In addition, our management contracts generally require us to indemnify the governmental agency against any damages to which the governmental agency may be subject in connection with such claims or litigation. Expenses associated with legal proceedings may fluctuate from quarter to quarter based on the level of activity required during the different stages of legal proceedings, new developments that arise in the course of legal proceedings, and the Company’s litigation strategy. Such expenses may be difficult to estimate and may be significant for legal proceedings that are class or collective actions, present numerous or novel claims and those legal proceedings that remain unresolved for several years. We maintain insurance coverage for these general types of claims, except for claims relating to employment matters, for which we carry no insurance. However, we generally have high deductible payment requirements on our primary insurance policies, including our general liability insurance, and there are also varying limits on the maximum amount of our overall coverage. As a result, the insurance we maintain to cover the various liabilities to which we are exposed may not be adequate. Any losses relating to matters for which we are either uninsured or for which we do not have adequate insurance could have a material adverse effect on our business, financial condition or results of operations. In addition, any losses relating to employment matters could have a material adverse effect on our business, financial condition or results of operations. To the extent the events serving as a basis for any potential claims are alleged or determined to constitute illegal or criminal activity, we could also be subject to criminal liability. Such liability could result in significant monetary fines and could affect our ability to bid on future contracts and retain our existing contracts.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS.

Period	Total Number of Shares Purchased (1)	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Approximate Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs (in millions) (2)
April 1, 2019 - April 30, 2019	—	\$ —	—	\$ 104.8
May 1, 2019 - May 31, 2019	—	\$ —	—	\$ 104.8
June 1, 2019 - June 30, 2019	229	\$ 23.69	—	\$ 104.8
Total	229		—	

(1) We withheld 229 shares through net share settlements to satisfy statutory tax withholding requirements upon vesting of shares of restricted stock held by employees. These purchases were not made as part of a publicly announced plan or program.

(2) On February 14, 2018, we announced that our Board of Directors authorized a stock buyback program authorizing us to repurchase up to \$200.0 million of our shares of common stock. The program is effective through October 20, 2020. There were no shares of our common stock repurchased under the stock buyback program during the six months ended June 30, 2019.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES.

Not applicable.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

ITEM 5. OTHER INFORMATION.

Not applicable.

ITEM 6. EXHIBITS.

(A) Exhibits

Table of Contents

10.1	<u>Amendment No. 2 to Third Amended and Restated Credit Agreement, dated June 12, 2019, by and among The GEO Group, Inc. and GEO Corrections Holdings, Inc., as the Borrowers, GEO Australasia Holdings PTY LTD, GEO Australasia Finance Holdings PTY LTD, as trustee of the GEO Australasia Finance Holding Trust, BNP Paribas, as administrative agent, and the lenders party thereto (portions of this exhibit have been omitted).</u>
31.1	<u>SECTION 302 CEO Certification.</u>
31.2	<u>SECTION 302 CFO Certification.</u>
32.1	<u>SECTION 906 CEO Certification.</u>
32.2	<u>SECTION 906 CFO Certification.</u>
101.INS	XBRL Instance Document - The instance document does not appear in the interactive data file because its XBRL tags are embedded within the inline XBRL document.
101.SCH	XBRL Taxonomy Extension Schema Document
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	XBRL Taxonomy Extension Label Linkbase Document
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document

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 thereunto duly authorized.

THE GEO GROUP, INC.

Date: August 2, 2019

/s/ Brian R. Evans

Brian R. Evans
Senior Vice President & Chief Financial Officer
(duly authorized officer and principal financial officer)

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Section 2: EX-10.1 (EX-10.1)

Exhibit 10.1

EXECUTION VERSION

Certain identified information has been excluded from the exhibit because it is both (1) not material and (2) would be competitively harmful if publicly disclosed.

AMENDMENT NO. 2 TO THIRD AMENDED AND RESTATED CREDIT AGREEMENT, dated as of June 12, 2019 (this "Amendment"), by and among each of the Revolving Credit Lenders, each of the Issuing Lenders, the Swingline Lender and any other Lender party hereto (each, a "Consenting Lender"), The GEO Group, Inc. ("GEO"), GEO Corrections Holdings, Inc. ("Corrections"), and together with GEO, the "Borrowers"), GEO Australasia Holdings PTY LTD ("GEO Australasia Holdings"), GEO Australasia Finance Holdings PTY LTD as trustee of the GEO Australasia Finance Holding Trust (the "Australasian Trust") (the "Australian Trustee" and together with GEO Australasia Holdings, collectively, the "Australian Borrowers") and BNP Paribas, as administrative agent for the Lenders under the Existing Credit Agreement and the Amended Credit Agreement, each referred to below (in such capacities, the "Administrative Agent"). Capitalized terms used but not defined herein have the meaning given to such terms in the Existing Credit Agreement.

WHEREAS, reference is made to the Third Amended and Restated Credit Agreement, dated as of March 23, 2017 (as amended pursuant to Amendment No. 1 dated as of April 30, 2018 and as further amended, restated, supplemented or otherwise modified to the Amendment Effective Time (as defined below), the "Existing Credit Agreement"; and as amended by this Amendment, the "Amended Credit Agreement"), among the Borrowers, the Australian Borrowers, the Lenders from time to time party thereto and the Administrative Agent;

WHEREAS, the Borrowers and the Australian Borrowers have requested that the Existing Credit Agreement be amended to extend the maturity date of the revolving credit facility thereunder and otherwise in the manner and at the time set forth in Section 1 below;

WHEREAS, pursuant to Section 9.02(b) of the Existing Credit Agreement, such amendment requires the consent of the Administrative Agent, each of the Issuing Lenders, the Swingline Lender and each of the Revolving Credit Lenders; and

WHEREAS, the Consenting Lenders are willing to so amend the Existing Credit Agreement on the terms and conditions set forth herein.

NOW, THEREFORE, in good and valuable consideration for the promises and agreements, provisions and covenants herein contained, the parties hereto agree as follows:

1. **Amendment of the Existing Credit Agreement.** Immediately upon the Amendment Effective Time, the Existing Credit Agreement shall be amended as follows:

(a) Section 1.01 of the Existing Credit Agreement is hereby amended by adding the following definitions in appropriate alphabetical order:

(i) "Amendment No. 2" means that certain Amendment No. 2 to Third Amended and Restated Credit Agreement, dated as of the Amendment No. 2 Effective Date, by and among the Borrowers, the Australian Borrowers, the Administrative Agent, the Swingline Lender, each of the Issuing Lenders, each of the Revolving Credit Lenders and any other Lender party thereto.

(ii) "Amendment No. 2 Effective Date" means June 12, 2019.

(iii) "Beneficial Ownership Certification" means a certification regarding beneficial ownership or control as required by the Beneficial Ownership Regulation.

(iv) “Beneficial Ownership Regulation” means 31 C.F.R. § 1010.230.

(b) The definition of “Excluded Swap Obligation” set out in Section 1.01 of the Existing Credit Agreement is hereby amended by inserting the words “(i) any obligations and liabilities under Hedging Agreements entered into in connection with any Indebtedness permitted by Section 6.01(k) and (ii)” immediately after the word “means” at the beginning thereof.

(c) []

(d) The definition of “Revolving Credit Commitment Termination Date” set out in Section 1.01 of the Existing Credit Agreement is hereby amended and restated in its entirety to read as follows:

“Revolving Credit Commitment Termination Date” means May 17, 2024.

(e) The Existing Credit Agreement is hereby amended by inserting the following new Section 1.10 immediately after Section 1.09 thereof:

“Section 1.10 Divisions. For all purposes under the Loan Documents, in connection with any division or plan of division under Delaware law (or any comparable event under a different jurisdiction’s laws): (a) if any asset, right, obligation or liability of any Person becomes the asset, right, obligation or liability of a different Person, then it shall be deemed to have been transferred from the original Person to the subsequent Person, and (b) if any new Person comes into existence, such new Person shall be deemed to have been organized and acquired on the first date of its existence by the holders of its Equity Interests at such time.

(g) The Existing Credit Agreement is hereby amended by replacing the period at the end of Section 5.01(h) thereof with “; and”, and adding the following new Section 5.01(i) immediately thereafter:

“(i) promptly following any request therefor, such additional information and documentation regarding each Loan Party reasonably requested by the Administrative Agent or any Lender for purposes of compliance with applicable “know your customer” and AML Laws, including without limitation the Patriot Act and the Beneficial Ownership Regulation.”

(h) Section 6.02(h) of the Existing Credit Agreement is hereby amended by inserting the words “or any obligations or liabilities under any related Hedging Agreements” immediately after the reference therein to “Indebtedness permitted by Section 6.01(k)”.

(i) Section 6.03(f) of the Existing Credit Agreement is hereby amended and restated in its entirety as follows:

“(f) GEO or any Restricted Subsidiary may sell or discount without recourse accounts receivable arising in the ordinary course of business in connection with the compromise or collection thereof in the ordinary course of business, *provided* that the aggregate face or principal amount of all such accounts receivable sold at less than par value or otherwise discounted after the Amendment No. 2 Effective Date shall not exceed \$25,000,000;”.

(j) The Existing Credit Agreement is hereby amended by inserting the following new Section 9.18 immediately after Section 9.17 thereof:

“Section 9.18 Acknowledgement Regarding Any Supported QFCs. To the extent that the Loan Documents provide support, through a guarantee or otherwise, for any Swap Obligations or any other agreement or instrument that is a QFC (such support, “QFC Credit Support”, and each such QFC, a “Supported QFC”), the parties hereto acknowledge and agree as follows with respect to the resolution power of the Federal Deposit Insurance Corporation under the Federal Deposit Insurance Act and Title II of the Dodd-Frank Wall Street Reform and Consumer Protection Act (together with the regulations promulgated thereunder, the “U.S. Special Resolution Regimes”) in respect of such Supported QFC and QFC Credit Support (with the provisions below applicable notwithstanding that the Loan Documents and any Supported QFC may in fact be stated to be governed by the laws of the State of New York and/or of the United States or any other state of the United States):

(a) In the event a Covered Entity that is party to a Supported QFC (each, a “Covered Party”) becomes subject to a proceeding under a U.S. Special Resolution Regime, the transfer of such Supported QFC and the benefit of such QFC Credit Support (and any interest and obligation in or under such Supported QFC and such QFC Credit Support, and any rights in property securing such Supported QFC or such QFC Credit Support) from such Covered Party will be effective to the same extent as the transfer would be effective under the U.S. Special Resolution Regime if the Supported QFC and such QFC Credit Support (and any such interest, obligation and rights in property) were governed by the laws of the United States or a state of the United States. In the event a Covered Party or a BHC Act Affiliate of a Covered Party becomes subject to a proceeding under a U.S. Special Resolution Regime, Default Rights under the Loan Documents that might otherwise apply to such Supported QFC or any QFC Credit Support that may be exercised against such Covered Party are permitted to be exercised to no greater extent than such Default Rights could be exercised under the U.S. Special Resolution Regime if the Supported QFC and the Loan Documents were governed by the laws of the United States or a state of the United States. Without limitation of the foregoing, it is understood and agreed that rights and remedies of the parties with respect to a Defaulting Lender shall in no event affect the rights of any Covered Party with respect to a Supported QFC or any QFC Credit Support.

(b) As used in this Section 9.18, the following terms have the following meanings:

(i) “BHC Act Affiliate” of a party means an “affiliate” (as such term is defined under, and interpreted in accordance with, 12 U.S.C. 1841(k)) of such party.

(ii) “Covered Entity” means any of the following: (i) a “covered entity” as that term is defined in, and interpreted in accordance with, 12 C.F.R. § 252.82(b); (ii) a “covered bank” as that term is defined in, and interpreted in accordance with, 12 C.F.R. § 47.3(b); or (iii) a “covered FSI” as that term is defined in, and interpreted in accordance with, 12 C.F.R. § 382.2(b).

(iii) “Default Right” has the meaning assigned to that term in, and shall be interpreted in accordance with, 12 C.F.R. §§ 252.81, 47.2 or 382.1, as applicable.

(iv) “QFC” has the meaning assigned to the term “qualified financial contract” in, and shall be interpreted in accordance with, 12 U.S.C. 5390(c)(8)(D).”

2. **Conditions to Amendment Effective Time.** The effectiveness of this Amendment is contingent upon (i) satisfaction (or waiver in accordance with Section 4) of the conditions set forth in Section III of Annex I hereto and (ii) receipt by the Administrative Agent of fully compiled and executed counterparts of this Amendment (or Lender Addenda hereto) duly executed by the Administrative Agent, each Issuing Lender, the Swingline Lender, each Revolving Credit Lender, the Required Lenders, the Borrowers and the Australian Borrowers, in each case on the date hereof (the first time at which clauses (i) and (ii) are satisfied, the "Amendment Effective Time").

3. **Representations and Warranties.** (a) By its execution of this Amendment, each of the Borrowers hereby certifies that all of the representations and warranties of (i) the Borrowers set forth in Section I of Annex I hereto are true and correct in all respects and (ii) the Loan Parties set forth in the Loan Documents are true and correct in all material respects (*provided* that any such representations and warranties qualified as to materiality, "Material Adverse Effect" or similar language are true and correct in all respects), in each case under clauses (i) and (iii) as of the Amendment Effective Time (or, to the extent such representations and warranties referred to in clause (ii) specifically refer to an earlier date or time, as of such earlier date or time).

(a) By its execution of this Amendment, each of the Australian Borrowers hereby certifies that all of the representations and warranties of the Australian Borrowers, (i) set forth in Section II of Annex I hereto are true and correct in all respects and (ii) set forth in the Loan Documents are true and correct in all material respects (*provided* that any such representations and warranties qualified as to materiality, "Material Adverse Effect" or similar language are true and correct in all respects), in each case under clauses (i) and (iii) as of the Amendment Effective Time (or, to the extent such representations and warranties referred to in clause (ii) specifically refer to an earlier date or time, as of such earlier date or time).

4. **Amendment, Modification and Waiver.** This Amendment may not be amended nor may any provision hereof be waived except pursuant to a writing signed by each of the parties hereto.

5. **Entire Agreement; References.** This Amendment, the Existing Credit Agreement, the Amended Credit Agreement and the other Loan Documents constitute the entire agreement among the parties with respect to the subject matter hereof and thereof and supersede all other prior agreements and understandings, both written and verbal, among the parties or any of them with respect to the subject matter hereof. Each reference to "hereof", "hereunder", "herein" and "hereby" and each other similar reference and each reference to "this Agreement" and each other similar reference contained in the Existing Credit Agreement shall, from the Amendment Effective Time, refer to the Amended Credit Agreement.

6. **Governing Law; Jurisdiction; Consent to Service of Process.**

(a) This Amendment and any claim, controversy or dispute arising under or related to this Amendment, whether in tort, contract (at law or in equity) or otherwise, shall be construed in accordance with and governed by the laws of the State of New York.

(b) Each party hereto hereby irrevocably and unconditionally submits, for itself and its property, to the exclusive jurisdiction of the Supreme Court of the State of New York and of the United States District Court of the Southern District of New York, in each case sitting in New York County, and any appellate court from any thereof, in any action or proceeding arising out of or relating to this Amendment, or for recognition or enforcement of any judgment, and each of the parties hereto hereby irrevocably and unconditionally submits to the jurisdiction of such courts and agrees that all claims in respect of any such action, litigation or proceeding may be heard and determined in such New York State court or, to the fullest extent permitted by applicable law, in such Federal court. Each of the parties hereto agrees that a final

judgment in any such action or proceeding shall be conclusive and may be enforced in other jurisdictions by suit on the judgment or in any other manner provided by law. Nothing in any Loan Document shall affect any right that the Administrative Agent or any Consenting Lender may otherwise have to bring any action or proceeding relating to any Loan Document against the Loan Parties or their respective properties in the courts of any jurisdiction.

(c) Each party hereto hereby irrevocably and unconditionally waives, to the fullest extent permitted by applicable law, any objection that it may now or hereafter have to the laying of venue of any action or proceeding arising out of or relating to any Loan Document in any court referred to in Section 6(b) above. Each of the parties hereto hereby irrevocably waives, to the fullest extent permitted by applicable law, the defense of an inconvenient forum to the maintenance of such action or proceeding in any such court.

(d) Each party to this Amendment irrevocably consents to service of process in the manner provided for notices in Sections 9.01 and 9.09(d) of the Existing Credit Agreement. Nothing in any Loan Document will affect the right of any party to this Amendment to serve process in any other manner permitted by applicable law.

7. WAIVER OF JURY TRIAL. EACH PARTY HERETO HEREBY IRREVOCABLY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY RIGHT IT MAY HAVE TO A TRIAL BY JURY IN ANY LEGAL PROCEEDING DIRECTLY OR INDIRECTLY ARISING OUT OF OR RELATING TO THIS AMENDMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY (WHETHER BASED ON CONTRACT, TORT OR ANY OTHER THEORY). EACH PARTY HERETO (A) CERTIFIES THAT NO REPRESENTATIVE, AGENT OR ATTORNEY OF ANY OTHER PERSON HAS REPRESENTED, EXPRESSLY OR OTHERWISE, THAT SUCH OTHER PERSON WOULD NOT, IN THE EVENT OF LITIGATION, SEEK TO ENFORCE THE FOREGOING WAIVER AND (B) ACKNOWLEDGES THAT IT AND THE OTHER PARTIES HERETO HAVE BEEN INDUCED TO ENTER INTO THIS AMENDMENT BY, AMONG OTHER THINGS, THE MUTUAL WAIVERS AND CERTIFICATIONS IN THIS SECTION.

8. Severability. Any term or provision of this Amendment held to be invalid, illegal or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such invalidity, illegality or unenforceability without affecting the validity, legality or enforceability of the remaining terms and provisions of this Amendment or affecting the validity or enforceability of any of the terms or provisions of this Amendment, and the invalidity of a particular term or provision in a particular jurisdiction shall not invalidate such term or provision in any other jurisdiction. If any term or provision of this Amendment is so broad as to be unenforceable, the term or provision shall be interpreted to be only so broad as would be enforceable.

9. Counterparts. This Amendment may be executed in counterparts, each of which shall be deemed to be an original, but all of which shall constitute a single agreement.

10. Special Acknowledgement and Agreement. It is hereby (x) acknowledged that the Collateral excludes, for so long as the Administrative Agent elects (in its sole discretion), at GEO's request, to not encumber such Material Real Property in accordance with Section 5.10 of the Existing Credit Agreement, the Loan Parties' facility known as the Montgomery Processing Center located in Conroe, Texas, and (y) agreed that GEO shall be deemed to have timely complied with the written notice requirements of clause (x) of Section 5.11(c) of the Existing Credit Agreement with respect to the extension of the Revolving Credit Commitment Termination Date contemplated by this Amendment if such notice shall have been furnished to the Lenders at least one day prior to the Amendment Effective Time.

11. **Loan Document**. This Amendment constitutes a “Loan Document” for purposes of the Existing Credit Agreement and the other Loan Documents.

[Remainder of Page Intentionally Left Blank]

IN WITNESS WHEREOF, each of the undersigned has caused its duly authorized officer to execute and deliver this Amendment as of the date first written above.

BNP PARIBAS, as the Administrative Agent, an Issuing Lender, the Swingline Lender and a Revolving Credit Lender

By: /s/ Merie Smith

Name: Merie Smith

Title: Vice President

By: /s/ Sang W. Han

Name: Sang W. Han

Title: Director

[Amendment No. 2 to Third Amended and Restated Credit Agreement – The GEO Group, Inc.]

THE GEO GROUP, INC.

By: /s/ Brian R. Evans

Name: Brian R. Evans

Title: Senior Vice President &
Chief Financial Officer

GEO CORRECTIONS HOLDINGS, INC.

By: /s/ Brian R. Evans

Name: Brian R. Evans

Title: Vice President &
Chief Financial Officer

[Amendment No. 2 to Third Amended and Restated Credit Agreement – The GEO Group, Inc.]

Executed by **GEO AUSTRALASIA HOLDINGS
PTY LTD** under section 127 of the
Corporations Act 2001 (Cth):

/s/ Brian R. Evans
Signature of director

Brian R. Evans
Name of director (block letters)

Executed by **GEO AUSTRALASIA FINANCE
HOLDINGS PTY LTD** as trustee of the **GEO
AUSTRALASIA FINANCE HOLDING TRUST**
under section 127 of the *Corporations Act 2001*
(Cth):

/s/ Brian R. Evans
Signature of director

Brian R. Evans
Name of director (block letters)

/s/ George C. Zoley
Signature of director/company secretary

George C. Zoley
Name of director/company secretary (block letters)

/s/ George C. Zoley
Signature of director/company secretary

George C. Zoley
Name of director/company secretary (block letters)

[Amendment No. 2 to Third Amended and Restated Credit Agreement – The GEO Group, Inc.]

OTHER TERMS AND CONDITIONS

I. Additional Representations and Warranties of the Borrowers.

To induce the Consenting Lenders and the Administrative Agent to enter into this Amendment and to consent to the amendments to the Existing Credit Agreement contemplated hereby, the Borrowers hereby represent and warrant as of the Amendment Effective Time that:

1. Corporate Power; Authorization; Enforceable Obligations.

(a) Each Loan Party is duly organized or incorporated and validly existing and has all the corporate or other organizational power and authority to execute, deliver and perform its obligations under this Amendment and the Confirmation and Reaffirmation Agreement delivered in connection herewith (the "Confirmation"), as applicable. Each Loan Party has taken all necessary corporate or other action to authorize the execution, delivery and performance of this Amendment and the Confirmation, as applicable.

(b) Each of this Amendment and the Confirmation have been duly executed and delivered on behalf of each Loan Party party hereto or thereto, and constitutes a legal, valid and binding obligation of each Loan Party party hereto or thereto, enforceable against each such Loan Party in accordance with its terms, except as enforceability may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or similar laws affecting the enforcement of creditors' rights generally and by general equitable principles (whether enforcement is sought by proceedings in equity or at law) and the implied covenants of good faith and fair dealing.

2. No Event of Default. Immediately before and after giving effect to this Amendment, no Default or Event of Default shall have occurred and be continuing.

3. No Legal Bar. The execution, delivery and performance of this Amendment and the Confirmation by each Loan Party party hereto or thereto (a) do not require any consent or approval of, registration or filing with, or any other action by, any Governmental Authority, except for such as have been obtained or made and are in full force and effect, (b) will not violate any applicable law or regulation or the charter, by-laws or other organizational documents of GEO or any of its Subsidiaries or any order of any Governmental Authority, (c) will not violate or result in a default under any indenture or other agreement or instrument binding upon GEO or any of its Subsidiaries or assets, or give rise to a right thereunder to require any payment, repurchase or redemption to be made by any such Person, or result in, termination, cancellation or acceleration of any obligation thereunder and (d) will not result in the creation or imposition of any Lien on any asset of GEO or any of its Subsidiaries (other than any Liens created under the Loan Documents), except (in the case of each of clauses (a), (b) and (c) of this paragraph) to the extent that the failure to obtain or make such consent, approval, registration, filing or action, or such violation, as the case may be, individually or in the aggregate, could not reasonably be expected to have a Material Adverse Effect.

4. Solvency. GEO and its Subsidiaries are (when taken as a whole on a consolidated basis), and immediately after giving effect this Amendment will be, Solvent.

5. **Beneficial Ownership Certification.** As of the Amendment Effective Time, to the best knowledge of GEO, the information included in the Beneficial Ownership Certification provided on (or as of) the date hereof to the Administrative Agent or any Lender in connection with this Amendment is true and correct in all respects.

II. Additional Representations and Warranties of the Australian Borrowers.

To induce the Consenting Lenders and the Administrative Agent to enter into this Amendment and to consent to the amendments to the Existing Credit Agreement contemplated hereby, each Australian Borrower, as to itself, hereby represents and warrants as of the Amendment Effective Time that:

1. Corporate Power; Authorization; Enforceable Obligations.

(a) Such Australian Borrower is duly organized or incorporated and validly existing and has all the corporate or other organizational power and authority to execute, deliver and perform its obligations under this Amendment. Such Australian Borrower has taken all necessary corporate or other action to authorize the execution, delivery and performance of this Amendment.

(b) This Amendment has been duly executed and delivered on behalf of such Australian Borrower party hereto, and constitutes a legal, valid and binding obligation of such Australian Borrower party hereto, enforceable against each such Australian Borrower in accordance with its terms, except as enforceability may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or similar laws affecting the enforcement of creditors' rights generally and by general equitable principles (whether enforcement is sought by proceedings in equity or at law) and the implied covenants of good faith and fair dealing.

2. **No Legal Bar.** The execution, delivery and performance of this Amendment by such Australian Borrower (a) does not require any consent or approval of, registration or filing with, or any other action by, any Governmental Authority, except for such as have been obtained or made and are in full force and effect, (b) will not violate any applicable law or regulation or the charter, by-laws or other organizational documents of such Australian Borrower or any order of any Governmental Authority, (c) will not violate or result in a default under any indenture or other agreement or instrument binding upon such Australian Borrower or assets, or give rise to a right thereunder to require any payment, repurchase or redemption to be made by any such Person, or result in, termination, cancellation or acceleration of any obligation thereunder and (d) will not result in the creation or imposition of any Lien on any asset of such Australian Borrower, except (in the case of each of clauses (a), (b) and (c) of this paragraph) to the extent that the failure to obtain or make such consent, approval, registration, filing or action, or such violation, as the case may be, individually or in the aggregate, could not reasonably be expected to have a Material Adverse Effect.

III. Conditions to the Amendment Effective Time.

In addition to the other conditions set forth in this Amendment and this Annex, the agreement of each Consenting Lender is subject to the satisfaction (or waiver in accordance with Section 4 of this Amendment) of the following conditions precedent:

(a) The Administrative Agent shall have received a favorable written opinion (addressed to the Administrative Agent and the Lenders and dated the date of the Amendment Effective Time) (i) of Akerman LLP, counsel for the Borrowers and the Guarantors, covering such matters relating to the Borrowers, the Guarantors, this Amendment, the other Loan Documents or the transactions contemplated by this Amendment, as the Administrative Agent shall reasonably request (and each

Borrower for itself and on behalf of each Guarantor hereby instructs such counsel to deliver such opinion to the Lenders and the Administrative Agent), (ii) of Hughes Gorski Seedorf Odsen & Tervooren, LLC, Alaska counsel for certain Guarantors, covering such matters relating to such Guarantors as the Administrative Agent shall reasonably request (and GEO, on behalf of such Guarantors, hereby instructs such counsel to deliver such opinion to the Lenders and the Administrative Agent), (iii) of Allens, Australia counsel to the Australian Borrowers, with respect to matters of Australian law, all in form and substance reasonably satisfactory to the Administrative Agent (and each Australian Borrower hereby instructs such counsel to deliver such opinion to the Lenders and the Administrative Agent), and (iv) of the in-house general counsel for the Borrowers and the Guarantors, covering such other matters relating to the Borrowers, the Guarantors, this Agreement, the other Loan Documents or the transactions contemplated by this Amendment, as the Administrative Agent shall reasonably request (and each Borrower for itself and on behalf of each Guarantor hereby instructs such counsel to deliver such opinion to the Lenders and the Administrative Agent).

(b) The Administrative Agent shall have received the Confirmation dated as of the date of this Amendment and duly executed and delivered by each of the Borrowers and the Guarantors.

(c) The Administrative Agent shall have received a certificate of each Loan Party, dated as of the date of the Amendment Effective Time, in form and substance reasonably satisfactory to the Administrative Agent, certifying and attaching (x) the incumbency and genuineness of the signature of each officer of such Loan Party executing this Amendment, the Confirmation and any other Loan Documents and (y) that:

(i) as to each Loan Party, either (x) such Loan Party's articles of incorporation, bylaws or similar charter documents certified and delivered to the Administrative Agent on the Second Restatement Effective Date, the Third Restatement Effective Date or the Amendment No. 1 Effective Date, as applicable, remain in full force and effect on the date hereof without modification or amendment since such original delivery or (y) attached thereto are true, correct and complete copies of (A) the articles of incorporation or similar charter documents of such Loan Party certified as of a recent date by the appropriate Governmental Authority in its jurisdiction of organization, and (B) the bylaws or operating agreement or similar governing documents of such Loan Party, in each case under this clause (y) as in effect on the date hereof;

(ii) attached thereto is a true, correct and complete copy of resolutions duly adopted by the Board of Directors of each Loan Party authorizing the execution, delivery and performance of this Amendment or such other Loan Documents to which such Loan Party is a party;

(iii) attached thereto is a certificate, as of a recent date, of the good standing of each Loan Party under the laws of its jurisdiction of organization (or equivalent) (to the extent such concept exists in such jurisdiction) and a certificate of the relevant taxing authorities of such jurisdiction, if available, certifying that such Person has filed all required tax returns and owes no delinquent taxes (to the extent such certificates are issued by a Governmental Authority in such jurisdiction); and

(iv) in the case of each Australian Borrower, (x) there will be no default or contravention of, and neither is it prohibited by, Chapter 2E or 2J or any other provision (to the extent relevant) of the Australian Corporations Act from entering into and delivering this Amendment or any other Loan Documents to which it is a party and the performance of any of its obligations under those documents, (y) it is solvent and there are no reasonable grounds it will become insolvent by entering into and complying with its obligations under the Loan Documents.

(d) The Administrative Agent shall have received a certificate, dated the date hereof and signed by the President, a Vice President or a Financial Officer of GEO, providing certifications to the effect that, on and as of the date hereof (including at the Amendment Effective Time), (i) the representations and warranties of each Loan Party set forth in this Amendment and each other Loan Documents are true and correct in all material respects (*provided* that any such representations and warranties qualified as to materiality, Material Adverse Effect or similar language are true and correct in all respects), as if made on and as of such date (or, if any such representation or warranty is expressly stated to have been made as of a specific date, as of such specific date), and (ii) no Default has occurred and is continuing.

(e) The Administrative Agent and BNP Paribas Securities Corp. (the "Lead Arranger") shall have received all fees and other amounts previously agreed in writing by the Borrowers and the Administrative Agent or the Lead Arranger to be due and payable on or prior to the Amendment Effective Time, as applicable, including reimbursement or payment of all out-of-pocket expenses (including reasonable fees, charges and disbursements of counsel) required to be reimbursed or paid by any Loan Party under any Loan Document.

(f) The Administrative Agent shall have received a certificate, dated the date hereof, from the chief financial officer of GEO certifying the Solvency of GEO and its Subsidiaries, on a consolidated basis, as of the Amendment Effective Time.

(g) The Administrative Agent shall have received all documentation and other information about the Loan Parties requested in connection with applicable "know your customer" and AML Laws, including the Patriot Act and the Beneficial Ownership Regulation (and including a Beneficial Ownership Certification), that in each case has been reasonably requested by the Administrative Agent or any Lender in writing prior to the Amendment Effective Time.

[Remainder of page left intentionally blank]

Annex I-4

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Section 3: EX-31.1 (EX-31.1)

EXHIBIT 31.1

THE GEO GROUP, INC.

CERTIFICATION OF CHIEF EXECUTIVE OFFICER

I, George C. Zoley, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of The GEO Group, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 2, 2019

/s/ George C. Zoley

George C. Zoley

[\(Back To Top\)](#)**Section 4: EX-31.2 (EX-31.2)****EXHIBIT 31.2****THE GEO GROUP, INC.****CERTIFICATION OF CHIEF FINANCIAL OFFICER**

I, Brian R. Evans, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of The GEO Group, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 2, 2019

/s/ Brian R. Evans

 Brian R. Evans
 Chief Financial Officer
[\(Back To Top\)](#)**Section 5: EX-32.1 (EX-32.1)****Exhibit 32.1**

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report on Form 10-Q of The GEO Group, Inc. (the "Company") for the period ended June 30, 2019 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, George C. Zoley, Chief Executive Officer of the Company, hereby certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 that:

- (1) the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
- (2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ George C. Zoley
George C. Zoley
Chief Executive Officer

Date: August 2, 2019
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Section 6: EX-32.2 (EX-32.2)

Exhibit 32.2

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report on Form 10-Q of The GEO Group, Inc. (the "Company") for the period ended June 30, 2019 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Brian R. Evans, Chief Financial Officer of the Company, hereby certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 that:

- (1) the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
- (2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Brian R. Evans
Brian R. Evans
Chief Financial Officer

Date: August 2, 2019
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