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**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, DC 20549**

**FORM 8-K**

**CURRENT REPORT PURSUANT  
TO SECTION 13 OR 15(D) OF THE  
SECURITIES EXCHANGE ACT OF 1934**

Date of report (Date of earliest event reported):

August 7, 2007

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**THE GEO GROUP, INC.**

(Exact Name of Registrant as Specified in Its Charter)

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**Florida**

(State or Other Jurisdiction of Incorporation)

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**1-14260**

(Commission File Number)

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**65-0043078**

(IRS Employer Identification No.)

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**621 NW 53rd Street, Suite 700, Boca Raton, Florida**

(Address of Principal Executive Offices)

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**33487**

(Zip Code)

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(561) 893-0101

(Registrant's Telephone Number, Including Area Code)

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N/A

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

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

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

### Item 2.02 Results of Operations and Financial Condition.

On August 8, 2007, The GEO Group, Inc. (“GEO”) issued a press release (the “Press Release”) announcing its financial results for the quarter ended July 1, 2007, a copy of which is incorporated herein by reference and attached hereto as Exhibit 99.1. GEO also held a conference call on August 8, 2007 to discuss its financial results for the quarter, a transcript of which is incorporated herein by reference and attached hereto as Exhibit 99.2.

In the Press Release, GEO provided certain pro forma financial information for the quarter ended July 1, 2007 that was not calculated in accordance with Generally Accepted Accounting Principles (the “Non-GAAP Information”). Generally, for purposes of Regulation G under the Securities Exchange Act of 1934, Non-GAAP Information is any numerical measure of a company’s performance, financial position, or cash flows that either excludes or includes amounts that are not normally excluded or included in the most directly comparable measure calculated and presented in accordance with GAAP. The Press Release presents the financial measure calculated and presented in accordance with GAAP which is most directly comparable to the Non-GAAP Information with a prominence equal to or greater than its presentation of the Non-GAAP Information. The Press Release also contains a reconciliation of the Non-GAAP Information to the financial measure calculated and presented in accordance with GAAP which is most directly comparable to the Non-GAAP Information.

The Press Release includes three non-GAAP measures, Pro Forma Income from Continuing Operations, Adjusted EBITDA and Adjusted Free Cash Flow, that are presented as supplemental disclosures. Pro Forma Income from Continuing Operations is defined as income from continuing operations excluding start-up expenses and deferred financing fees. Adjusted EBITDA is defined as earnings before interest, taxes, depreciation and amortization, excluding start-up expenses and deferred financing fees. In calculating these adjusted financial measures, GEO excludes certain expenses which it believes are unusual, non-operational or non-recurring in nature, in order to facilitate an understanding of GEO’s operating performance. GEO’s management uses these adjusted financial measures in conjunction with GAAP financial measures to monitor and evaluate its operating performance and to facilitate internal and external comparisons of the historical operating performance of GEO and its business units. Adjusted Free Cash Flow is defined as income from continuing operations excluding start-up expenses, deferred financing fees and the other items referenced in the Press Release. GEO’s management believes that the Adjusted Free Cash Flow measure provides useful information to GEO’s management and investors regarding cash that GEO’s operating business generates before taking into account certain cash and non-cash items that are non-operational or infrequent in nature.

GEO’s management believes that these adjusted financial measures are useful to investors to provide them with disclosures of GEO’s operating results on the same basis as that used by GEO’s management. Additionally, GEO’s management believes that these adjusted financial measures provide useful information to investors about the performance of GEO’s overall business because such financial measures eliminate the effects of unusual, non-operational or non-recurring charges that are not directly attributable to GEO’s underlying operating performance. GEO’s management believes that because it has historically

provided similar non-GAAP Financial Information in its earnings releases, continuing to do so provides consistency in its financial reporting and continuity to investors for comparability purposes.

The Non-GAAP Financial Information should be considered in addition to results that are prepared under current accounting standards but should not be considered a substitute for, or superior to, financial information prepared in accordance with GAAP. The Non-GAAP Financial Information may differ from similarly titled measures presented by other companies. The Non-GAAP Financial Information, as well as other information in the Press Release, should be read in conjunction with GEO's financial statements filed with the Securities and Exchange Commission.

The information in this Form 8-K is being furnished and shall not be deemed "filed" for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, or otherwise subject to the liabilities of that Section. The information in this Form 8-K shall not be incorporated by reference into any registration statement or other document pursuant to the Securities Act of 1933, as amended.

## **Section 5 — Corporate Governance and Management**

### **Item 5.03. Amendment to Articles of Incorporation or Bylaws; Change in Fiscal Year.**

On August 7, 2007, GEO's board of directors unanimously approved and adopted amended and restated bylaws (the "Amended and Restated Bylaws"). The Amended and Restated Bylaws supersede and replace GEO's previous bylaws, dated March 22, 1998 (the "Prior Bylaws"), effective immediately. The Amended and Restated Bylaws, among other things, (i) expand upon provisions included in the Prior Bylaws, (ii) include provisions not included in the Prior Bylaws, and (iii) revise provisions in the Prior Bylaws to conform to certain provisions of Florida law.

The following is a brief summary of selected differences between the Amended and Restated Bylaws and the Prior Bylaws:

- addition of an advance notice provision (i) requiring at least 60 and not more than 90 days' prior notice' in order for matters to be brought by shareholders at the annual shareholders meeting, and (ii) providing that any such proposals must meet certain criteria;
- elimination of prior provision granting the GEO board of directors the ability to remove directors for cause;
- expansion of director and officer indemnification provisions; and
- appointment of the Chairman of the Board as the presiding officer for all shareholder meetings.

The following is a brief summary of selected provisions included in the Prior Bylaws which have also been incorporated into the Amended and Restated Bylaws and therefore remain in effect:

- provision providing that the GEO board of directors must consist of not less than three and not more than 19 members;
- clause providing that a director cannot be eligible for election as a member of the GEO board of directors after attaining age 73, absent a waiver from the board's Nominating and Corporate Governance Committee; and

- provisions establishing the Executive Committee of the GEO board of directors, and granting them powers to act on behalf of the GEO board except with respect to certain matters.

The foregoing summaries are qualified in their entirety by the full text of the Amended and Restated Bylaws, dated August 7, 2007, a copy of which is attached hereto as Exhibit 3.1 and incorporated herein by reference.

**Section 9 — Financial Statements and Exhibits**

**Item 9.01 Financial Statements and Exhibits.**

c) Exhibits

- 3.1 GEO's Amended and Restated Bylaws, dated August 7, 2007
- 99.1 Press Release, dated August 8, 2007, announcing GEO's financial results for the quarter ended July 1, 2007
- 99.2 Transcript of Conference Call discussing GEO's financial results for the quarter ended July 1, 2007

**SIGNATURES**

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

THE GEO GROUP, INC.

August 13, 2007  
Date

By: /s/ John G. O'Rourke  
John G. O'Rourke  
Senior Vice President and Chief Financial Officer  
(Principal Financial Officer and duly authorized  
signatory)

**AMENDED AND RESTATED**

**BYLAWS**

**OF**

**THE GEO GROUP, INC.**

**AUGUST 7, 2007**

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**AMENDED AND RESTATED**

**BYLAWS**

**OF**

**THE GEO GROUP, INC.**

**ARTICLE I**  
**OFFICES**

Section 1. Registered Office. The registered office of the corporation shall be located in the County of Palm Beach, State of Florida, or at such place as may be fixed from time to time by the board of directors.

Section 2. Other Offices. The corporation may also have offices at such other places, both within and without the State of Florida, as the board of directors may from time to time determine or the business of the corporation may require.

**ARTICLE II**  
**ANNUAL MEETINGS OF SHAREHOLDERS**

Section 1. Place of Meeting. All meetings of shareholders for the election of directors shall be held in the City of Boca Raton, State of Florida, at such place as may be fixed from time to time by the board of directors, or at such other place, either within or without the State of Florida, as shall be designated from time to time by the board of directors and stated in the notice of the meeting.

Section 2. Date and Hour of Meeting. Annual meetings of shareholders shall be held on a business day during the month of May, or on such other date and at such hour as shall be designated from time to time by the board of directors and stated in the notice of the meeting. Only such business shall be conducted as shall have been brought before the meeting by or at the direction of the Presiding Officer (as such term is defined below).

Section 3. Notice of Meeting. Written notice of the annual meeting, stating the place, date and hour of the meeting, shall be delivered not less than ten nor more than sixty days before the date of the meeting, either personally or by mail, by or at the direction of the chairman of the board, the secretary or any other duly authorized officer or persons calling the meeting, to each shareholder of record entitled to vote at such meeting.

Section 4. Purpose of Meeting. At the annual meeting, the shareholders shall elect a board of directors and transact such other business as may properly be brought before the meeting.

Section 5. Matters to be Considered at Annual Meeting. At an annual meeting of shareholders, only such new business shall be conducted, and only such proposals shall be acted upon as shall have been brought before the annual meeting (a) by, or at the direction of, the board of directors, or (b) by any shareholder of record of the corporation who is such a

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shareholder at the time of giving of notice pursuant to this Article II, Section 5, who is entitled to vote at such meeting and with respect to such proposal and who complies with the notice procedures set forth in this Article II, Section 5. For a proposal to be properly brought before an annual meeting by a shareholder, the shareholder must have given timely notice thereof in writing to the secretary of the corporation. To be timely, a shareholder's notice must be delivered to, or mailed and received at, the principal executive offices of the corporation not less than 60 days nor more than 90 days prior to the first anniversary of the preceding year's annual meeting; provided, however, that in the event that the date of the meeting is changed by more than 30 days from such anniversary date, notice by the shareholder to be timely must be received no later than the close of business of the 10th day following the earlier of the day on which notice of the date of the meeting was mailed or public disclosure of the date of the meeting was made. A shareholder's notice to the secretary of the corporation shall set forth as to each matter the shareholder proposes to bring before that annual meeting (a) a brief description of the proposal desired to be brought before the annual meeting and the reasons for conducting such business at the annual meeting, (b) the name and address, as they appear on the corporation's books, of the shareholder proposing such business and any other shareholders known by such shareholder to be supporting such proposal, (c) the class and number of shares of the corporation's capital stock which are beneficially owned by (i) the shareholder; (ii) any other person who beneficially owns, or shares beneficial ownership, of any shares owned of record or beneficially owned by such shareholder; (iii) any group of which the shareholder is a member; (iv) any person acting in concert with such shareholder or group; (v) any affiliates or associates of the foregoing persons; and (vi) any other shareholders known by such shareholder to be supporting such proposal on the date of such shareholder notice and (d) any financial interest of the persons referred to in clauses (i) through (v) of the foregoing clause (c) in, or with respect to, the proposal which is to be made. Notwithstanding anything in these bylaws to the contrary, no business shall be conducted at an annual meeting except in accordance with this Article II, Section 5. As used in this paragraph: the term "beneficial ownership" (or derivations thereof) shall include, without limitation, "beneficial ownership" as defined in Rule 13d-3 under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), or any successor regulation thereto, and a person shall be deemed, without limitation, to beneficially own any shares which such person is deemed to beneficially own under such Rule 13d-3 or any such successor regulation; the terms "affiliate" and "associate" mean persons defined as such "affiliates" or "associates" in accordance with Rule 12b-2 under the Exchange Act, or any successor regulation thereto; and the term "group" means a "group" as defined in Rule 13d-5 under the Exchange Act, or any successor regulation thereto.

A shareholder's notice to the secretary of the corporation shall be submitted to the board of directors for review. The board of directors, or a designated committee thereof, may determine whether a notice has complied with the requirements of this Article II, Section 5, and may reject as invalid any shareholder proposal which was not the subject of a notice timely made in accordance with, and containing all information required by, the terms of this Article II, Section 5. If neither the board of directors nor such committee makes a determination as to the compliance with the requirements of this Article II, Section 5, the chairman of the board, or, if he is not available, such other person as may be designated by the chairman of the board or the board of directors (the "Presiding Officer") of the annual meeting shall determine and declare at the annual meeting whether such notice has so complied and whether the shareholder proposal described in such notice may be made in accordance with the terms of this Article II, Section 5. If the board of directors or a designated committee thereof or the Presiding Officer determines

that a shareholder proposal was the subject of a notice made in accordance with the terms of this Article II, Section 5, and if the shareholder giving such notice shall make such proposal at the annual meeting, the Presiding Officer shall so declare at the annual meeting and ballots shall be provided for use at the meeting with respect to any such proposal. If the board of directors or a designated committee thereof or the Presiding Officer determines that a shareholder proposal was not the subject of a notice made in accordance with the terms of this Article II, Section 5, and if the shareholder giving such notice shall make such proposal at the annual meeting, the Presiding Officer shall so declare at the annual meeting and any such proposal shall not be acted upon at the annual meeting.

This Article II, Section 5 shall not prevent the consideration and approval or disapproval at the annual meeting of reports of officers, the board of directors and committees of the board of directors, but in connection with such reports, no new business shall be acted upon at such annual meeting unless it is presented in the form of a proposal made in accordance with this Article II, Section 5.

Section 6. Conduct of Meetings of Shareholders by Presiding Officer. The Presiding Officer shall have the power to make all decisions regarding any matters which may arise at any annual or special meeting of the shareholders of the corporation. Without limiting the foregoing, the Presiding Officer shall have the power (A) to determine the procedure to be followed in presenting and voting upon all business that may be transacted at the meeting and to adopt, to the extent he deems appropriate, rules for such purpose and (B) to adjourn a meeting, duly called and noticed, at which a quorum is present in person or by proxy if a matter to be considered and acted upon at the meeting requires the affirmative vote of more than a majority of a quorum at the meeting voting in person or by proxy and at the meeting as originally duly called and noticed (i) the number of shares voted in person or by proxy in favor of such matter is insufficient to approve it, and (ii) the number of shares voted in person or by proxy against such matter is insufficient to disapprove it. Shares which are voted in person or by proxy as abstaining from voting on any such matter shall be deemed not to have voted on such matter for the purposes of this Article II, Section 6. At any adjourned meeting which has been adjourned by the Presiding Officer as provided in this Article II, Section 6, any business may be transacted which could have been transacted at the meeting as originally called if a quorum is present.

### **ARTICLE III** **SPECIAL MEETINGS OF SHAREHOLDERS**

Section 1. Time and Place of Meeting. Special meetings of shareholders for any purpose other than the election of directors may be held at such time and place, within or without the State of Florida, as shall be stated in the notice of the meeting or in a duly executed waiver of notice thereof.

Section 2. Purpose of Meeting; Persons Entitled to Call. Special meetings of shareholders for any purpose or purposes, unless otherwise prescribed by Florida law or by the articles of incorporation, may be called at any time by the chairman of the board and shall be called by the chairman of the board or the secretary at the request in writing of a majority of the board of directors or of the holders of not less than ten percent (10%) of all the shares entitled to vote at the meeting. Any such request shall state the purpose or purposes of the proposed

meeting. Only such business shall be conducted as shall have been brought before the meeting by or at the direction of the Presiding Officer.

Section 3. Notice of Meeting. Written notice of a special meeting, stating the place, date and hour of the meeting and the purpose or purposes for which the meeting is called, shall be delivered not less than ten nor more than sixty days before the date of the meeting, either personally or by mail, by or at the direction of the chairman of the board, the secretary or such other duly authorized officer or persons calling the meeting, to each shareholder of record entitled to vote at such meeting.

Section 4. Business Transacted at Meeting. Business transacted at any special meeting of shareholders shall be limited to the purpose or purposes stated in the notice of the meeting.

**ARTICLE IV**  
**SHAREHOLDER LIST, QUORUM AND VOTING OF STOCK**

Section 1. Shareholder List. For a period of ten days prior to each meeting of shareholders, a complete list of the shareholders entitled to vote at such meeting or any adjournment thereof, with the address and number of shares held by each shareholder, shall be made available for inspection upon reasonable notice by any shareholder at the principal place of business of the corporation or at the office of the transfer agent or registrar of the corporation during usual business hours. The list shall also be made available at the time and place of the meeting and shall be subject to inspection by any shareholder at any time during the meeting.

Section 2. Quorum. A majority of the shares of stock issued and outstanding and entitled to vote, represented in person or by proxy, shall constitute a quorum for the transaction of business at all meetings of shareholders, except as otherwise provided by Florida law or by the articles of incorporation. Shares entitled to vote as a separate voting group may take action on a matter at a meeting only if a quorum of those shares exists with respect to that matter. If a quorum shall not be present or represented at any meeting of shareholders, the shareholders present in person or represented by proxy shall have the power to adjourn the meeting from time to time, without notice other than announcement at the meeting, until a quorum shall be present or represented. At such adjourned meeting at which a quorum shall be present or represented, any business may be transacted which might have been transacted at the meeting as originally notified. Once a share is represented for any purpose at a meeting, it is deemed present for quorum purposes for the remainder of the meeting and for any adjournment of the meeting unless a new record date is or must be set for that adjourned meeting.

Section 3. Vote Required for Shareholders' Action. Except in elections for directors, if a quorum is present, a vote shall be the act of the shareholders if the affirmative vote of shares of stock represented at the meeting and entitled to vote on the subject matter exceed the votes cast opposing the action, unless the vote of a greater number of shares of stock is required by Florida law or by the articles of incorporation. In elections for directors, if a quorum is present, directors are elected by a plurality of the votes cast by the shares of stock represented and entitled to vote at the meeting, unless the vote of a greater number of shares of stock is required

by Florida law or by the articles of incorporation. The candidates for directors receiving the highest number of votes, up to the number of directors to be elected, are elected.

Section 4. Voting of Shares. Each outstanding share of stock having voting power shall be entitled to one vote on each matter submitted to a vote at a meeting of shareholders, unless otherwise provided by Florida law or by the articles of incorporation. A shareholder may vote either in person or by proxy executed in writing by the shareholder or by his duly authorized attorney-in-fact. In all elections for directors, every shareholder entitled to vote shall have the right to vote, in person or by proxy, the number of shares of stock owned by him for as many persons as there are directors to be elected at that time and for whose election he has a right to vote.

## **ARTICLE V DIRECTORS**

Section 1. Number; Term. The number of directors which shall constitute the whole board shall be determined from time to time by resolution adopted by the affirmative vote of a majority of the board; provided, however, that the number of directors shall not be less than three (3) and shall not be more than nineteen (19). Any such resolution, when so adopted, shall effect an amendment of this section and constitute a determination of the exact number of persons constituting the board of directors. Any such resolution increasing or decreasing the number of directors shall have the effect of creating or eliminating a vacancy or vacancies, as the case may be; provided, however, that no such resolution shall reduce the number of directors below the number then holding office. Directors need not be residents of the State of Florida or shareholders of the corporation. Unless otherwise provided by Florida law or by the articles of incorporation, the directors shall be elected at the annual meeting of shareholders and each director elected shall serve until the next succeeding annual meeting and until his successor shall have been duly elected and shall have qualified or until his earlier resignation, removal from office or death.

Section 2. Vacancies. Any vacancy occurring in the board, including any vacancy created by reason of death, resignation, expiration of term of office or increase in the number of directors, may be filled by the affirmative vote of a majority of the remaining directors, though less than a quorum, and any director so chosen shall hold office until the next annual election and until his successor shall have been duly elected and shall have qualified.

Section 3. Management of Business and Affairs. The business and affairs of the corporation shall be managed under the direction of the board of directors, which may exercise all such powers of the corporation and do all such lawful acts and things as are not by Florida law or by the articles of incorporation or by these bylaws directed or required to be exercised or done by the shareholders.

Section 4. Compensation of Directors. Subject to any limitations contained in the articles of incorporation, directors of the corporation shall be eligible to receive reasonable compensation for their services, as shall be determined by the board of directors upon the recommendation of the compensation committee, including, but not limited to, a fixed sum and expenses for attendance at each regular or special meeting of a standing or special committee or

of the executive committee; provided, however, that nothing herein contained shall be construed to preclude any director from serving the corporation in any other capacity and receiving compensation therefor.

Section 5. Director Nominations; Qualifications. Nominations of candidates for election as directors at any meeting of shareholders called for an election of directors may be made by, or at the direction of, the nominating and corporate governance committee of the board of directors, or, if there is no such nominating and corporate governance committee, by, or at the direction of, a majority of the board of directors. Qualifications for members of the board of directors shall be determined by the board of directors upon consultation with the nominating and corporate governance committee.

Section 6. Removal of Directors. The shareholders may remove one or more directors with or without cause by a vote of a majority of the shares of stock issued and outstanding and entitled to vote.

Section 7. Mandatory Retirement. Unless otherwise provided by the articles of incorporation or by Florida law, all members of the board of directors shall retire upon attaining the age of seventy-three (73). The resignation of a member of the board of directors pursuant to this Article V, Section 7 shall take effect at the annual meeting following said individual's seventy-third birthday. Exceptions to the mandatory retirement described in this Article V, Section 7 shall be permitted only if approved by the unanimous vote of the nominating and corporate governance committee of the board of directors.

## **ARTICLE VI**

### **MEETINGS OF THE BOARD OF DIRECTORS**

Section 1. Time and Place. Meetings of the board of directors, regular or special, may be held either within or without the State of Florida, at such times and places as may be designated by the chairman of the board. At meetings of the board of directors, the chairman of the board shall preside.

Section 2. First Meeting. The first meeting of each newly elected board shall be held at the place fixed for the annual meeting of shareholders, and promptly following the same, and no notice of such meeting shall be necessary to the newly elected directors in order legally to constitute the meeting, provided a quorum shall be present, or the meeting may convene at such place and time as shall be specified in a notice given as hereinafter provided for special meetings of the board or as shall be fixed by the written consent of all the directors.

Section 3. Regular Meetings; Notice. Unless otherwise provided by Florida law, regular meetings of the board may be held upon such notice, or without notice, as shall from time to time be determined by the chairman of the board.

Section 4. Special Meetings; Notice. Special meetings of the board may be called by the chairman of the board on two days notice, or sooner with the consent of a majority of the board, to each director, delivered personally or by first-class mail, telegram or cablegram. Special meetings shall be called by the chairman of the board, the secretary or any other duly

authorized officer in like manner and on like notice upon the written request of two or more directors.

Section 5. Waiver of Notice. Notice of a meeting of the board need not be given to any director who signs a waiver of notice either before or after the meeting. Attendance of a director at a meeting shall constitute a waiver of notice of such meeting and waiver of any and all objections to the place or time of the meeting or the manner in which it has been called or convened, except when a director states, at the beginning of the meeting, any objection to the transaction of business because the meeting is not lawfully called or convened.

Section 6. Quorum. A majority of the directors shall constitute a quorum for the transaction of business unless a greater number is required by Florida law or by the articles of incorporation. The act of a majority of the directors present at any meeting at which a quorum is present shall be the act of the board, unless the act of a greater number is required by Florida law or by the articles of incorporation. Members of the board of directors may participate in a meeting of the board by means of a conference telephone or similar communications equipment whereby all persons participating in the meeting can hear each other, and such participation shall constitute presence in person at the meeting. If a quorum shall not be present at any meeting of directors, a majority of the directors present thereat may adjourn the meeting, without notice other than announcement at the meeting, to another time and place.

Section 7. Action by Directors Without a Meeting. Any action required or permitted by Florida law or by the articles of incorporation to be taken at a meeting of the board, or any action which may be taken at a meeting of the board or a committee thereof, may be taken without a meeting if a consent in writing, setting forth the action to be so taken, signed by all the directors or all the members of the committee, as the case may be, is filed in the minutes of the proceedings of the board or of the committee. Such consent shall have the same effect as a unanimous vote.

Section 8. Director-Emeritus Attendance at Meetings. The board of directors may name retiring directors as director-emeritus having the right to attend, but not vote at, meetings of the board of directors. The expenses of such director-emeritus, including transportation, meals and lodging, may, in the discretion of the board of directors, be paid by the corporation.

## **ARTICLE VII**

### **EXECUTIVE AND OTHER COMMITTEES**

Section 1. Designation; Authority of the Executive Committee. The board of directors may, by resolution, appoint an executive committee to consist of up to five (5) directors, which executive committee shall have and may exercise, during the intervals between meeting of the board of directors, all the powers vested in the board of directors under any statute, the articles of incorporation or these bylaws, except the power to: (a) determine the number of directors constituting the board; (b) remove any director for cause; (c) fill any vacancies in the board of directors; (d) change the membership or fill vacancies in the executive committee; (e) approve amendments to the articles of incorporation; or (f) amend or repeal these bylaws. The board of directors shall have the exclusive power at any time and from time to time to change the membership of and fill vacancies in the executive committee. The executive



committee may make rules for the conduct of its business. The executive committee shall keep and preserve minutes and/or other records reflecting its actions. A majority of the members of the executive committee shall be a quorum. After at least three hours notice, with good faith effort to contact each member by telephone or electronic mail, all actions may be taken without additional notice of any kind by the majority of the members of the executive committee. However, if one of the members of the executive committee dissents, action can only be taken upon the approval of a majority of the members of the executive committee after due notice as provided for in this Article VII. All actions of the executive committee shall be reported to the board of directors at its next regularly scheduled meeting following such action.

Section 2. Designation; Authority of the Other Committees. The board of directors, by resolution adopted by a majority of the board, may designate from among its members such other committees as it deems appropriate, each of which, to the extent provided in such resolution, shall have and may exercise all the power and authority of the board in the management of the corporation as designated in such resolution, except as otherwise prohibited by Florida law. Each such committee shall consist of the number of directors as the board of directors deems appropriate. Vacancies in the membership of any such committee shall be filled by the board of directors at a regular or special meeting of the board. Each such committee shall keep regular minutes of its proceedings and report the same to the board when required.

## **ARTICLE VIII NOTICES**

Section 1. How and When Given. Whenever, under the provisions of Florida law or of the articles of incorporation or of these bylaws, notice is required to be given to any director or shareholder, it shall not be construed to mean personal notice, but such notice may be given in writing, by mail, addressed to such director or shareholder at his address as it appears on the records of the corporation, with postage thereon prepaid, and such notice shall be deemed to be given when deposited in the United States mail. Notice to directors may also be given by telegram, cablegram or email (return receipt requested).

Section 2. Waiver. Whenever any notice is required to be given under the provisions of Florida law or the articles of incorporation or of these bylaws, a waiver thereof in writing signed by the person or persons entitled to such notice, whether before or after the time stated therein, shall be deemed equivalent to the giving of such notice. This provision of these bylaws shall be liberally construed.

## **ARTICLE IX OFFICERS, AGENTS AND EMPLOYEES**

Section 1. Titles. The officers of the corporation shall consist of a chairman of the board, a chief executive officer, a president, one or more senior vice presidents, a secretary and a treasurer. In addition, the chief executive officer may create such additional officers as the chief executive officer deems necessary for the conduct of the corporation's business, including additional vice presidents (including senior vice presidents) and one or more assistant secretaries and assistant treasurers. In its discretion, the board of directors may also appoint a vice-chairman

of the board. Any person may hold two or more offices. No person holding two or more offices shall sign any instrument on behalf of the corporation in the capacity of more than one office.

Section 2. Manner of Appointment. At its first meeting immediately after each annual meeting of shareholders, the board of directors shall (1) appoint the chairman of the board and the chief executive officer and (2) at the recommendation of the chief executive officer, appoint a president, one or more senior vice presidents, a secretary and a treasurer. None of the above officers need be a member of the board except the chairman of the board. The chief executive officer may also appoint such additional officers as the chief executive officer may deem necessary for the conduct of the corporation's business, including additional vice presidents (including senior vice presidents) and one or more assistant secretaries and assistant treasurers, who shall hold their offices for such terms and shall exercise such powers and perform such duties as the chief executive officer shall determine from time to time.

Section 3. Compensation. At the recommendation of the compensation committee and the chief executive officer, the salaries of all officers of the corporation at the level of senior vice president and above shall be fixed by the board of directors. Salaries of all officers of the corporation below the level of senior vice president and all employees of the corporation shall be fixed by the chief executive officer, except that the chief executive officer may delegate such powers to other officers or agents as to employees under their immediate control.

Section 4. Term of Office. The officers of the corporation shall hold office until the next annual meeting of the board of directors, unless otherwise provided in these bylaws, and until their successors are chosen and qualified. Any officer elected or appointed by the board of directors may be removed at any time, with or without cause, by the affirmative vote of a majority of the board. Any officer or assistant officer, if appointed by another officer, may likewise be removed by such officer. Any vacancy occurring in any office of the corporation may be filled by the board of directors or the chief executive officer.

Section 5. The Chairman of the Board of Directors. There shall be a chairman of the board who shall be elected by the board of directors from its members. The chairman of the board shall serve as the Presiding Officer at all meetings of the shareholders and the board of directors. The chairman of the board shall see that all orders and resolutions of the board of directors are implemented and shall perform such other functions as the board of directors may require from time to time. The chairman of the board shall be responsible to the board of directors and shall consult the board of directors on major corporation strategies, policies, and objectives, including long-range planning, mergers, acquisitions, consolidations and liquidations.

Section 6. The Chief Executive Officer. The chief executive officer shall be responsible for the day-to-day management of the corporation. The chief executive officer shall have the general powers and duties of supervision and management usually vested in the office of the chief executive officer of a corporation and shall exercise such powers and perform such duties as generally pertain or are necessarily incidental to the chief executive officer's office and shall have such other powers and perform such other duties as may be specifically assigned to the chief executive officer from time to time by the board of directors. In addition, the chief executive officer shall have general charge of, and shall direct, and supervise the operations of the corporation's subsidiaries, subject to the control and direction of the board of directors, and

the presidents of each of the corporation's subsidiaries will report directly to the chief executive officer. The chief executive officer shall execute bonds, mortgages, and other contracts requiring a seal, under the seal of the corporation, except where required or permitted by law to be otherwise signed and executed and except where the signing and execution thereof shall be expressly delegated by the board to some other officer or agent of the corporation.

Section 7. The President. Unless otherwise provided by any succession plan adopted by the board of directors of the corporation, the president shall, in the absence or disability of the chief executive officer, perform the duties and exercise the powers of the chief executive officer and shall perform such other duties and have such other powers as the board may from time to time prescribe.

Section 8. The Senior Vice President. Unless otherwise provided by any succession plan adopted by the board of directors of the corporation, the senior vice-president, or if there shall be more than one, the senior vice-presidents, in the order determined by the board of directors, shall, in the absence or disability of the president, perform the duties and exercise the powers of the president and shall perform such other duties and have such other powers as the board may from time to time prescribe.

Section 9. The Secretary. The secretary shall attend, or designate an agent to attend, all meetings of the board of directors and all meetings of the shareholders and shall maintain as permanent records minutes of all the proceedings of the meetings of the corporation and of the board, a record of all actions taken by the shareholders or board of directors without a meeting, and a record of all actions taken by a committee of the board of directors in place of the board of directors in a book to be kept for that purpose. The records shall be maintained in written form or in any other form capable of being converted into written form within a reasonable time. The secretary shall give, or cause to be given, notice of all meetings of the shareholders and of special meetings of the board of directors and shall perform such other duties as may be prescribed by the board of directors or the chief executive officer, under whose supervision he shall be. The secretary shall have custody of the corporate seal of the corporation and he, or another duly authorized agent, shall have authority to affix the same to any instrument requiring it, and when so affixed it may be attested by his signature or by the signature of such duly authorized agent. The board of directors may give general authority to any other officer to affix the seal of the corporation and to attest the affixing by his signature.

Section 10. The Treasurer. The treasurer shall have the custody of the corporate funds and securities and shall keep full and accurate accounts of receipts and disbursements in books belonging to the corporation and shall deposit all moneys and other valuable effects in the name and to the credit of the corporation in such depositories as may be designated by the board of directors. The treasurer shall disburse the funds of the corporation as may be ordered by the board, taking proper vouchers for such disbursements, and, upon request, shall render to the chairman of the board and the board of directors, at its regular meetings, an account of all his transactions as treasurer and of the financial condition of the corporation.

**ARTICLE X**  
**SHARES**

Section 1. Shares Represented by Certificates. The shares of the corporation shall be represented by certificates signed by the chairman of the board, the chief executive officer or the president of the corporation and by the secretary or another duly authorized officer of the corporation, and may be sealed with the seal of the corporation or a facsimile thereof. Every shareholder shall be entitled to have a certificate representing all shares to which the shareholder is entitled. When the corporation is authorized to issue shares of more than one class or more than one series of any class, there shall be set forth or fairly summarized upon the face or back of the certificate, or the certificate shall have a statement that the corporation will furnish to any shareholder upon request and without charge, a full statement of, the designations, preferences, limitations, and relative rights of the shares of each class or series authorized to be issued and, if the corporation is authorized to issue any preferred or special class in series, the variations in the relative rights and preferences between the shares of each such series so far as the same have been fixed and determined and the authority of the board of directors to fix and determine the relative rights and preferences of subsequent series.

Section 2. Signatures. The signatures of the officers upon a certificate may be facsimiles if the certificate is manually signed on behalf of a transfer agent or a registrar, other than the corporation itself or an employee of the corporation. In case any officer who has signed or whose facsimile signature has been placed upon such certificate shall have ceased to be such officer before such certificate is issued, it may be issued by the corporation with the same effect as if he were such officer at the date of its issuance.

Section 3. Lost Certificates. The board of directors may direct a new certificate to be issued in place of any certificate theretofore issued by the corporation alleged to have been lost or destroyed. When authorizing such issue of a new certificate, the board of directors, in its discretion and as a condition precedent to the issuance thereof, may prescribe such terms and conditions as it deems expedient, and may require such indemnities as it deems adequate, to protect the corporation from any claim that may be made against it with respect to any such certificate alleged to have been lost or destroyed.

Section 4. Transfers of Shares. Upon surrender to the corporation or to the transfer agent of the corporation of a certificate representing shares duly endorsed or accompanied by proper evidence of succession, assignment or authority to transfer, a new certificate shall be issued to the person entitled thereto and the old certificate shall be canceled and the transaction recorded upon the books of the corporation.

Section 5. Fixing of Record Date. For the purpose of determining shareholders entitled to notice of or to vote at any meeting of shareholders or any adjournment thereof, or entitled to receive payment of any dividend, or in order to make a determination of shareholders for any other purpose, the board of directors may fix in advance a date as the record date for any such determination of shareholders, such date in any case to be not more than sixty days and, in the case of a meeting of shareholders, not less than ten days prior to the date on which the particular action requiring such determination of shareholders is to be taken.

Section 6. Registered Shareholders. The corporation shall be entitled to recognize the exclusive right of a person registered on its books as the owner of shares to receive dividends, and to vote as such owner, and to hold liable for calls and assessments a person

registered on its books as the owner of shares, and shall not be bound to recognize any equitable or other claim to or interest in such share or shares on the part of any other person, whether or not the corporation shall have express or other notice thereof, except as otherwise provided by Florida law.

**ARTICLE XI**  
**GENERAL PROVISIONS**

Section 1. Dividends. Subject to the provisions of the articles of incorporation relating thereto, if any, dividends may be declared by the board of directors at any regular or special meeting, in accordance with Florida law. Dividends may be paid in cash, in property or in shares of the corporation's capital stock, subject to any provisions of Florida law or of the articles of incorporation. Before payment of any dividend, there may be set aside out of any funds of the corporation available for dividends such sum or sums as the directors from time to time, in their absolute discretion, think proper as a reserve fund to meet contingencies, or for equalizing dividends, or for repairing or maintaining any property of the corporation or for such other purpose as the directors shall think conducive to the interest of the corporation, and the directors may modify or abolish any such reserve in the manner in which it was created.

Section 2. Checks. All checks or demands for money and notes of the corporation shall be signed by such officer or officers or such other person or persons as the board of directors may from time to time designate.

Section 3. Fiscal Year. The fiscal year of the corporation shall terminate at the close of business on the Sunday closest to December 31 of each year.

Section 4. Seal. The corporate seal shall have inscribed thereon the name of the corporation, the year of its incorporation, and the words "Corporate Seal, Florida." The seal may be used by causing it or a facsimile thereof to be impressed or affixed or in any manner reproduced.

**ARTICLE XII**  
**INDEMNIFICATION**

Section 1. Corporation to Indemnify. To the full extent permitted by Florida law and these bylaws, the corporation shall indemnify any person who was or is made a party to any proceeding by reason of the fact that he or she was or is a director or an officer of the corporation, or a director or an officer of the corporation serving as a trustee or fiduciary of an employee benefit plan of the corporation, and the board of directors may indemnify any employee of the corporation with respect to such circumstances by resolution, against any liability incurred in connection with such proceeding, including an appeal thereof. This obligation to indemnify shall not apply, however, to any person against whom the corporation has commenced any proceeding (other than as a nominal plaintiff in a shareholder's derivative suit), including such proceeding by way of counterclaim, cross-claim or third-party complaint; nor shall it apply to any person who has commenced any proceeding against the corporation or who has solicited such proceeding or who, in furtherance thereof, has actively assisted, participated or intervened, or who may derive a financial or other benefit from such proceeding.

(a) A “proceeding” includes any threatened, pending or completed action, suit or other type of proceeding, formal or informal, whether civil, criminal, administrative or investigative, at all stages thereof, including appeals.

(b) The term “liability” includes obligations to pay a judgment, settlement, penalty, fine (including an excise tax assessed with respect to any employee benefit plan), and reasonable expenses, including legal and other professional fees, actually and reasonably incurred in defending a proceeding.

Section 2. Advancement of Reasonable Expenses.

(a) The corporation shall pay reasonable expenses, including legal and other professional fees, actually and reasonably incurred by a person with respect to a proceeding for which he or she is entitled to be indemnified under Section 1 of this Article XII in advance of the final disposition thereof (“Advance Expenses”).

(b) The payment of Advance Expenses shall be on a conditional basis only and the person’s acceptance of such Advance Expenses or the benefits thereof constitutes his or her agreement to repay such Advance Expenses in the event and to the extent that he or she is ultimately prohibited from being indemnified by the corporation by reason of Florida law or by these bylaws. No security shall be required with respect to the obligation to repay and payment shall be made without reference to the person’s ability to make repayment.

Section 3. Application for Indemnification and Advance Expenses. (a) A person’s application for payment of indemnification pursuant to Section 1 of this Article XII or for payment of Advance Expenses pursuant to Section 2 of this Article XII shall be in writing and shall be submitted to the chairman of the board. The corporation may, but shall not be required to, make payment pursuant to such application directly to the person or entity whom the applicant is obliged to pay. An application for Advance Expenses shall include such documents and other information as are reasonably available to the applicant and as may be necessary to determine both the reasonableness of the expenses and whether they have been actually and reasonably incurred.

(b) If the applicant for Advance Expenses and his or her attorney certify to the corporation that the production of any documents or other information as may be necessary to determine the reasonableness of the expenses or the reasonableness of their being incurred may have the effect of impairing or destroying the applicant’s attorney-client privilege or attorney work product protection, or both, the corporation shall make the payment applied for without such documents or information. Such payment, however, shall be without prejudice to the corporation’s right to, upon the final disposition of the related proceeding, obtain the documents and information which would have been required by the corporation had the certification not been made. If such documents and information are not promptly produced or to the extent the production does not support the reasonableness of the expenses or that they were reasonably incurred, the applicant shall immediately upon demand by the corporation reimburse the corporation for the Advance Expenses paid.

Section 4. Contractual Nature of Indemnity. The provisions of this Article XII shall continue as to a person who has ceased to be a director or an officer of the corporation, or an employee in the case of such employee being entitled to indemnification hereunder by reason of a resolution of the board of directors, and shall inure to the benefit of the heirs, personal representatives and administrators of such person. This Article XII shall be deemed to be a contract between the corporation and each person who, at any time that this Article XII is in effect, serves or served in any capacity which entitles him or her to indemnification hereunder and any repeal or other modification of this Article XII or any repeal or modification of Florida law, or any other applicable law, shall not limit any rights of indemnification with respect to proceedings then existing or arising out of events, acts or omissions occurring prior to such repeal or modification, including without limitation, the right to indemnification for proceedings commenced after such repeal or modification to enforce this Article XII with regard to proceedings arising out of acts, omissions or events arising prior to such repeal or modification. This Article XII applies with respect to acts or omissions occurring on, before and after the date these bylaws are adopted.

Section 5. Insurance Contracts and Funding. The corporation may maintain insurance, at its expense, to protect itself and any director, officer, employee or agent of the corporation, or person serving in any capacity with another corporation, partnership, joint venture, trust or other entity (including serving as a trustee or fiduciary of any employee benefit plan) against any expenses, liabilities or losses, whether or not the corporation would have the power to indemnify such person against such expenses, liabilities or losses under applicable law. The corporation may enter into contracts with any director, officer, employee or agent of the corporation in furtherance of the provisions of this Article XII, and may create a trust fund, grant a security interest or use other means (including, without limitation, a letter of credit) to insure the payment of such amounts as may be necessary to effect the advancing of expenses and indemnification as provided in this Article XII.

Section 6. Rights Not Exclusive. The rights conferred on any person by this Article XII shall not be exclusive of any other rights which such person may have or hereafter acquire under any statute, provision of the articles of incorporation, bylaws, agreement, vote of shareholders or disinterested directors or otherwise. The corporation may, except as may be prohibited under Florida law or these bylaws, by agreement in writing, grant indemnification to a director, officer, employee or agent of the corporation or to any person serving at the request of the corporation in any capacity with another corporation, partnership, joint venture, trust or other entity (including serving as a trustee or fiduciary of any employee benefit plan).

Section 7. Protection of Rights. If a written application for payment of indemnification under Section 1 of this Article XII or for payment of Advance Expenses payable under Section 2 of this Article XII is not paid by the corporation in a reasonably prompt manner, the applicant may bring an action against the corporation for the payment thereof. If successful, in whole or in part, in such action, the applicant shall also be entitled to be paid his or her reasonable expenses, including attorneys' fees, thereby incurred. It shall be a defense to any such action (other than an action brought to enforce an application for expenses incurred in defending any proceeding in advance of its final disposition) that indemnification of the applicant is prohibited by law or by these bylaws, but the burden of proving such defense shall be on the corporation. Neither the failure of the corporation (including its board of directors or its

shareholders) to have made a determination, if required, prior to the commencement of such action that indemnification of the applicant is proper in these circumstances, nor an actual determination by the corporation (including its board of directors or its shareholders) that indemnification of the applicant is prohibited or not authorized, shall be a defense to the action or create a presumption that indemnification of the applicant is prohibited or not authorized.

Section 8. Savings Clause. If this Article XII or any portion hereof shall be invalidated or held to be unenforceable on any ground by any court of competent jurisdiction, the decision of which shall not have been reversed on appeal, the corporation shall nevertheless indemnify each person entitled to be indemnified under Section 1 of this Article XII from liability with respect to any proceeding to the fullest extent permitted by any applicable portion of this Article XII that shall not have been invalidated and to the extent not prohibited by Florida law.

Section 9. Secondary Obligation. The corporation's indemnification of any person who was or is serving at its request with another corporation, partnership, joint venture, trust or other entity (including serving as a trustee or fiduciary of any employee benefit plan), shall be reduced by any amounts such person may collect as indemnification from such other party.

Section 10. Subrogation. In the event of payment made to a person pursuant to this Article XII, the corporation shall be subrogated to the extent of such payment to all of the rights of recovery of such person, who shall execute all papers required and shall do everything that may be necessary to secure such rights, including the execution of such documents necessary to enable the corporation effectively to bring an action to enforce such rights.

Section 11. No Duplication of Payments. The corporation shall not be liable under these bylaws to make any payment with respect to the liability of a person to the extent such person has otherwise actually received payment.

### **ARTICLE XIII** **AMENDMENTS**

Section 1. Alteration, Amendment and Repeal. These bylaws may be altered, amended or repealed or new bylaws may be adopted, by the affirmative vote of a majority of the board of directors at any regular or special meeting of the board.





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CR-07-29

## THE GEO GROUP REPORTS SECOND QUARTER 2007 RESULTS

- **2Q GAAP Income from Continuing Operations Increased to \$12.4 Million — \$0.24 EPS**
- **2Q Pro-Forma Income from Continuing Operations Increased to \$13.5 Million — \$0.26 EPS**
- **2Q Revenue Increased to \$258.2 Million from \$208.7 Million**
- **GEO Increases 2007 Earnings Guidance to Pro Forma Range of \$1.05 to \$1.09 EPS**

**Boca Raton, Fla. — August 8, 2007 — The GEO Group (NYSE: GEO) (“GEO”)** today reported second quarter and year-to-date 2007 financial results. All financial results in this press release have been adjusted to reflect the effect of GEO’s June 1, 2007 2-for-1 stock split as well as GEO’s October 2, 2006 3-for-2 stock split.

GEO reported second quarter 2007 GAAP Income from Continuing Operations of \$12.4 million, or \$0.24 per share, based on 51.6 million diluted weighted average shares outstanding compared to \$6.4 million, or \$0.20 per share, based on 32.8 million diluted weighted average shares outstanding in the second quarter of 2006. For the first half of 2007, GEO reported GAAP Income from Continuing Operations of \$17.5 million, or \$0.38 per share, based on 46.6 million diluted weighted average shares outstanding compared to \$11.1 million, or \$0.35 per share, based on 31.3 million diluted weighted average shares outstanding for the first half of 2006.

Second quarter 2007 Pro Forma Income from Continuing Operations increased to \$13.5 million, or \$0.26 per share, based on 51.6 million diluted weighted average shares outstanding from Pro Forma Income from Continuing Operations of \$7.6 million, or \$0.23 per share, based on 32.8 million diluted weighted average shares outstanding in the second quarter of 2006. For the first half of 2007, Pro Forma Income from Continuing Operations increased to \$22.5 million, or \$0.48 per share, on 46.6 million diluted weighted average shares outstanding from Pro Forma Income from Continuing Operations of \$12.5 million, or \$0.40 per share, based on 31.3 million diluted weighted average shares outstanding for the first half of 2006.

George C. Zoley, Chairman and Chief Executive Officer of GEO, said: “We are very pleased with our earnings results which reflect strong performance from our three business units as a result of better-than-expected performance by a number of our facilities and new contract wins. Our organic growth pipeline remains strong with projects totaling more than 11,000 beds under development, including projects we activated in the first half of the year, representing more than \$198 million in combined annual operating revenues.”

Pro Forma Income from Continuing Operations excludes the items set forth in the table below, which presents a reconciliation of pro forma income from continuing operations to GAAP Income from Continuing Operations for the second quarter and first six months of 2007. Please see the section of this press release below entitled “Important Information on GEO’s Non-GAAP Financial Measures” for information on how GEO defines Pro Forma Income from Continuing Operations.

— More —

**Table 1. Reconciliation of Pro Forma Income from Continuing Operations to GAAP Income from Continuing Operations**

(In thousands except per share data)	13 Weeks Ended 1-Jul-07	13 Weeks Ended 2-Jul-06	26 Weeks Ended 1-Jul-07	26 Weeks Ended 2-Jul-06
<b>Income from continuing operations</b>	\$ 12,367	\$ 6,431	\$ 17,463	\$ 11,105
Start-up expenses, net of tax	1,163	378	2,085	589
Write-off of deferred financing fees from extinguishment of debt, net of tax	—	803	2,972	803
<b>Pro forma income from continuing operations</b>	<u>\$ 13,530</u>	<u>\$ 7,612</u>	<u>\$ 22,520</u>	<u>\$ 12,497</u>
<b>Diluted earnings per share</b>				
<b>Income from Continuing Operations</b>	\$ 0.24	\$ 0.20	\$ 0.38	\$ 0.35
Start-up expenses, net of tax	0.02	0.01	0.04	0.02
Write-off of deferred financing fees from extinguishment of debt, net of tax	—	0.02	0.06	0.03
<b>Diluted pro forma earnings per share</b>	<u>\$ 0.26</u>	<u>\$ 0.23</u>	<u>\$ 0.48</u>	<u>\$ 0.40</u>
<b>Weighted average shares outstanding</b>	51,592	32,772	46,577	31,338

**Revenue**

GEO reported second quarter 2007 revenue of \$258.2 million compared to \$208.7 million in the second quarter of 2006. Exclusive of pass-through construction revenues, GEO reported second quarter 2007 operating revenues of \$231.9 million. U.S. Corrections revenue for the second quarter of 2007 increased to \$169.0 million from \$150.7 million for the second quarter of 2006. International Services revenue for the second quarter of 2007 increased to \$33.3 million from \$24.9 million for the second quarter of 2006. GEO Care revenue for the second quarter of 2007 increased to \$29.5 million from \$15.5 million for the second quarter of 2006.

For the first half of 2007, GEO reported revenue of \$495.2 million compared to \$394.6 million for the first half of 2006. Exclusive of pass-through construction revenues, GEO reported operating revenues of \$447.2 million for the first half of 2007. U.S. Corrections revenue for the first half of 2007 increased to \$333.4 million from \$297.5 million for the first half of 2006. International Services revenue for the first half of 2007 increased to \$62.2 million from \$48.0 million for the first half of 2006. GEO Care revenue for the first half of 2007 increased to \$51.6 million from \$30.4 million for the first half of 2006.

**Adjusted EBITDA**

Second quarter 2007 Adjusted EBITDA increased to \$37.4 million from \$23.0 million in the second quarter of 2006. Adjusted EBITDA for the first half of 2007 increased to \$67.0 million from \$41.7 million for the first half of 2006. Please see the section of this press release below entitled "Important Information on GEO's Non-GAAP Financial Measures" for information on how GEO defines Adjusted EBITDA. The following table presents a reconciliation from Adjusted EBITDA to GAAP Net Income for the second quarter and first six months of 2007.

— More —

**Table 2. Reconciliation from Adjusted EBITDA to GAAP Net Income**

(In thousands)	13 Weeks Ended 1-Jul-07	13 Weeks Ended 2-Jul-06	26 Weeks Ended 1-Jul-07	26 Weeks Ended 2-Jul-06
<b>Net income</b>	\$ 12,367	\$ 6,318	\$ 17,630	\$ 10,874
Discontinued operations	—	113	(167)	231
Interest expense, net	7,633	5,022	15,458	10,385
Income tax provision	7,004	3,595	10,145	6,288
Depreciation and amortization	8,471	6,024	15,752	11,688
<b>EBITDA</b>	\$ 35,475	\$ 21,072	\$ 58,818	\$ 39,466
<b>Adjustments, pre-tax</b>				
Start-up expenses	1,877	609	3,365	949
Write-off of deferred financing fees from extinguishment of debt	—	1,295	4,794	1,295
<b>Adjusted EBITDA</b>	\$ 37,352	\$ 22,976	\$ 66,977	\$ 41,710

**Adjusted Free Cash Flow**

Adjusted Free Cash Flow for the second quarter of 2007 increased to \$19.5 million from \$12.0 million for the second quarter of 2006. Adjusted Free Cash Flow for the first half of 2007 increased to \$34.1 million from \$23.5 million for the first half of 2006. Please see the section of this press release below entitled "Important Information on GEO's Non-GAAP Financial Measures" for information on how GEO defines Adjusted Free Cash Flow.

The following table presents a reconciliation from Adjusted Free Cash Flow to GAAP Income from Continuing Operations for the second quarter and first six months of 2007.

**Table 3. Reconciliation of Adjusted Free Cash Flow to GAAP Income from Continuing Operations**

(In thousands)	13 Weeks Ended 1-Jul-07	13 Weeks Ended 2-Jul-06	26 Weeks Ended 1-Jul-07	26 Weeks Ended 2-Jul-06
<b>Income from Continuing Operations</b>	\$ 12,367	\$ 6,431	\$ 17,463	\$ 11,105
Depreciation and Amortization	8,471	6,024	15,752	11,688
Income Tax Provision	7,004	3,595	10,145	6,288
Income Taxes Paid	(8,101)	(4,595)	(13,717)	(4,867)
Stock Based Compensation Included in G&A	780	313	1,354	490
Maintenance Capital Expenditures	(2,901)	(1,598)	(5,297)	(3,321)
Equity in Earnings of Affiliates, Net of Income Tax	(506)	(351)	(889)	(628)
Dividends from Equity Affiliates	—	—	—	—
Minority Interest	100	(35)	191	(26)
Amortization of Debt Costs and Other Non-Cash Interest	458	287	952	568
Write-off of Deferred Financing Fees	—	1,295	4,794	1,295
Start-Up Expenses	1,877	609	3,365	949
<b>Adjusted Free Cash Flow</b>	\$ 19,549	\$ 11,975	\$ 34,113	\$ 23,541

— More —

**Important Information on GEO's Non-GAAP Financial Measures**

Pro Forma Income from Continuing Operations, Adjusted EBITDA, and Adjusted Free Cash Flow are non-GAAP financial measures. Pro Forma Income from Continuing Operations is defined as Income from Continuing Operations excluding Start-Up Expenses and Deferred Financing Fees as set forth in Table 1 above. Adjusted EBITDA is defined as EBITDA excluding Start-Up Expenses and Deferred Financing Fees as set forth in Table 2 above. Adjusted Free Cash Flow is defined as Income from Continuing Operations after giving effect to the items set forth in Table 3 above. A reconciliation of these non-GAAP measures to the most directly comparable GAAP measurements of these items is included above in Tables 1, 2, and 3, respectively. GEO believes that these financial measures are important operating measures that supplement discussion and analysis of GEO's financial results derived in accordance with GAAP. These non-GAAP financial measures should be read in conjunction with GEO's consolidated financial statements and related notes included in GEO's filings with the Securities and Exchange Commission.

**2007 Financial Guidance**

As a result of GEO's second quarter earnings results, GEO is increasing its 2007 earnings guidance to a pro forma range of \$1.05 to \$1.09 per share, exclusive of \$0.07 per share associated with the write-off of deferred financing fees during the first quarter of 2007 and \$0.08 per share in after-tax start-up expenses associated with facility openings. GEO is increasing its 2007 operating revenue guidance to a range of \$895 million to \$905 million exclusive of pass-through construction revenues.

GEO is maintaining its third quarter 2007 earnings guidance in the pro forma range of \$0.27 to \$0.29 per share, exclusive of \$0.04 per share in after-tax start-up expenses. GEO is maintaining its third quarter 2007 operating revenue guidance in the range of \$223 million to \$228 million exclusive of pass-through construction revenues. GEO is maintaining its fourth quarter 2007 earnings guidance in the pro forma range of \$0.30 to \$0.32 per share. GEO is maintaining its fourth quarter 2007 operating revenue guidance in the range of \$225 million to \$230 million exclusive of pass-through construction revenues.

**2007 Operating Revenue Guidance (In Millions)**

<i>(Exclusive of Pass-Through Construction Revenue)</i>	<u>1Q 2007</u>	<u>2Q 2007</u>	<u>3Q 2007</u>	<u>4Q 2007</u>	<u>FY 2007</u>
<b>Revenue Guidance (August 8, 2007)</b>	<u>\$ 215.3A</u>	<u>\$ 231.9A</u>	<u>\$ 223 - \$228</u>	<u>\$ 225 - \$230</u>	<u>\$ 895 - \$905</u>

**2007 Earnings Per Share**

	<u>1Q 2007</u>	<u>2Q 2007</u>	<u>3Q 2007</u>	<u>4Q 2007</u>	<u>FY 2007</u>
<b>GAAP EPS Guidance (August 8, 2007)</b>	\$ 0.13A	\$ 0.24A	\$ 0.23 - \$0.25	\$ 0.30 - \$0.32	\$ 0.90 - \$0.94
<b>After-Tax Start-Up Expenses</b>	\$ 0.02A	\$ 0.02A	\$ 0.04	—	\$ 0.08
<b>Deferred Financing Fees</b>	\$ 0.07A	—	—	—	\$ 0.07
<b>Revised Pro Forma Guidance (August 8, 2007)</b>	<u>\$ 0.22A</u>	<u>\$ 0.26A</u>	<u>\$ 0.27 - \$0.29</u>	<u>\$ 0.30 - \$0.32</u>	<u>\$ 1.05 - \$1.09</u>
<b>Diluted Weighted Average Shares Outstanding (In Millions)</b>	41.6	51.6	51.6	51.6	49.1

— More —

**Conference Call Information**

GEO has scheduled a conference call and simultaneous webcast at 11:00 AM (Eastern Time) on Wednesday, August 8, 2007 to discuss GEO's second quarter 2007 financial results as well as its progress and outlook. The call-in number for the U.S. is 1-800-299-9630 and the international call-in number is 1-617-786-2904. The participant pass-code for the conference call is 85324576. In addition, a live audio webcast of the conference call may be accessed on the Conference Calls/Webcasts section of GEO's investor relations home page at [www.thegeogroupinc.com](http://www.thegeogroupinc.com). A replay of the audio webcast will be available on the website for one year. A telephonic replay of the conference call will be available until September 8, 2007 at 1-888-286-8010 (U.S.) and 1-617-801-6888 (International). The pass-code for the telephonic replay is 57625129. GEO will discuss Non-GAAP ("Pro Forma") basis information on the conference call. A reconciliation from Non-GAAP ("Pro Forma") basis information to GAAP basis results may be found on the Conference Calls/Webcasts section of GEO's investor relations home page at [www.thegeogroupinc.com](http://www.thegeogroupinc.com).

**About The GEO Group, Inc.**

The GEO Group, Inc. ("GEO") is a world leader in the delivery of correctional, detention, and residential treatment services to federal, state, and local government agencies around the globe. GEO offers a turnkey approach that includes design, construction, financing, and operations. GEO represents government clients in the United States, Australia, South Africa, and the United Kingdom. GEO's worldwide operations include 68 correctional and residential treatment facilities with a total design capacity of approximately 59,000 beds.

**Safe-Harbor Statement**

*This press release contains forward-looking statements regarding future events and future performance of GEO that involve risks and uncertainties that could materially affect actual results, including statements regarding estimated earnings, revenues and costs and our ability to maintain growth and strengthen contract relationships. Factors that could cause actual results to vary from current expectations and forward-looking statements contained in this press release include, but are not limited to: (1) GEO's ability to meet its financial guidance for 2007 given the various risks to which its business is exposed; (2) GEO's ability to successfully pursue further growth and continue to enhance shareholder value; (3) GEO's ability to access the capital markets in the future on satisfactory terms or at all; (4) risks associated with GEO's ability to control operating costs associated with contract start-ups; (5) GEO's ability to timely open facilities as planned, profitably manage such facilities and successfully integrate such facilities into GEO's operations without substantial costs; (6) GEO's ability to win management contracts for which it has submitted proposals and to retain existing management contracts; (7) GEO's ability to obtain future financing on acceptable terms; (8) GEO's ability to sustain company-wide occupancy rates at its facilities; and (9) other factors contained in GEO's Securities and Exchange Commission filings, including the forms 10-K, 10-Q and 8-K reports.*

**Second quarter and six months financial tables to follow:**

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**THE GEO GROUP, INC.**  
**CONSOLIDATED STATEMENTS OF INCOME**  
**FOR THE THIRTEEN AND TWENTY-SIX WEEKS ENDED**  
**JULY 1, 2007 AND JULY 2, 2006**  
(In thousands, except per share data)  
**(UNAUDITED)**

	Thirteen Weeks Ended		Twenty-six Weeks Ended	
	July 1, 2007	July 2, 2006	July 1, 2007	July 2, 2006
Revenues	\$ 258,183	\$ 208,688	\$ 495,186	\$ 394,569
Operating expenses	207,373	172,415	401,477	326,161
Depreciation and amortization	8,471	6,024	15,752	11,688
General and administrative expenses	15,741	14,292	30,795	28,301
Operating income	26,598	15,957	47,162	28,419
Interest income	1,000	2,807	4,240	5,023
Interest expense	(8,633)	(7,829)	(19,698)	(15,408)
Write off of deferred financing fees from extinguishment of debt	—	(1,295)	(4,794)	(1,295)
Income before income taxes, minority interest, equity in earnings of affiliate and discontinued operations	18,965	9,640	26,910	16,739
Provision for income taxes	7,004	3,595	10,145	6,288
Minority interest	(100)	35	(191)	26
Equity in earnings of affiliate, net of income tax expense of \$223, \$22, \$433 and \$40	506	351	889	628
Income from continuing operations	12,367	6,431	17,463	11,105
Income (loss) from discontinued operations, net of tax expense (benefit) of \$-, \$(61), \$109 and \$(126)	—	(113)	167	(231)
Net income	<u>\$ 12,367</u>	<u>\$ 6,318</u>	<u>\$ 17,630</u>	<u>\$ 10,874</u>
Weighted-average common shares outstanding:				
Basic	<u>50,091</u>	<u>31,326</u>	<u>45,115</u>	<u>30,213</u>
Diluted	<u>51,592</u>	<u>32,772</u>	<u>46,577</u>	<u>31,338</u>
Income per common share:				
Basic:				
Income from continuing operations	\$ 0.25	\$ 0.21	\$ 0.39	\$ 0.37
Income (loss) from discontinued operations	—	(0.01)	—	(0.01)
Net income per share-basic	<u>\$ 0.25</u>	<u>\$ 0.20</u>	<u>\$ 0.39</u>	<u>\$ 0.36</u>
Diluted:				
Income from continuing operations	\$ 0.24	\$ 0.20	\$ 0.38	\$ 0.35
Income (loss) from discontinued operations	—	(0.01)	—	—
Net income per share-diluted	<u>\$ 0.24</u>	<u>\$ 0.19</u>	<u>\$ 0.38</u>	<u>\$ 0.35</u>

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**The GEO Group, Inc.**  
**Operating Data**

	13 Weeks Ended <u>July 1, 2007</u>	13 Weeks Ended <u>July 2, 2006</u>	26 Weeks Ended <u>July 1, 2007</u>	26 Weeks Ended <u>July 2, 2006</u>
*Revenue-producing beds	49,775	45,789	49,775	45,789
*Compensated man-days	4,348,798	3,852,051	8,635,166	7,623,623
*Average occupancy <sup>1</sup>	96.5%	96.7%	97.1%	96.4%

\*Includes International Services and GEO Care

<sup>1</sup> Does not include GEO's idle facilities.

**THE GEO GROUP, INC.**  
**CONSOLIDATED BALANCE SHEETS**  
**JULY 1, 2007 AND DECEMBER 31, 2006**  
**(In thousands)**

	<u>July 1, 2007</u> (Unaudited)	<u>December 31, 2006</u>
<b>ASSETS</b>		
Current Assets		
Cash and cash equivalents	\$ 76,849	\$ 111,520
Restricted cash	13,168	13,953
Accounts receivable, less allowance for doubtful accounts of \$806 and \$902	171,062	162,867
Deferred income tax asset	16,152	19,492
Other current assets	22,976	14,922
Total current assets	<u>300,207</u>	<u>322,754</u>
Restricted Cash	21,233	19,698
Property and Equipment, Net	719,256	287,374
Assets Held for Sale	1,412	1,610
Direct Finance Lease Receivable	43,362	39,271
Deferred income tax assets, net	2,897	4,941
Goodwill and Other Intangible Assets, Net	40,790	41,554
Other Non Current Assets	34,355	26,251
	<u>\$ 1,163,512</u>	<u>\$ 743,453</u>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
Current Liabilities		
Accounts payable	\$ 64,929	\$ 48,890
Accrued payroll and related taxes	34,882	31,320
Accrued expenses	66,549	77,675
Current portion of deferred revenue	—	1,830
Current portion of capital lease obligations, long-term debt and non-recourse debt	21,896	12,685
Current liabilities of discontinued operations	—	1,303
Total current liabilities	<u>188,256</u>	<u>173,703</u>
Deferred Revenue	—	1,755
Minority Interest	1,792	1,297
Other Non Current Liabilities	25,830	24,816
Capital Lease Obligations	16,205	16,621
Long-Term Debt	304,887	144,971
Non-Recourse Debt	130,568	131,680
Total shareholders' equity	495,974	248,610
	<u>\$ 1,163,512</u>	<u>\$ 743,453</u>

- End -

**CORPORATE PARTICIPANTS****Pablo Paez***The Geo Group — Director, Corporate Relations***George Zoley***The Geo Group — Chairman & CEO***Jerry O'Rourke***The GEO Group — CFO***Brian Evans***The GEO Group — VP Finance, Treasurer & Chief Accounting Officer***CONFERENCE CALL PARTICIPANTS****Todd Van Fleet***First Analysis — Analyst***Jeff Kessler***Lehman Brothers — Analyst***T.C. Robillard***Banc of America Securities — Analyst***Kevin Campbell***Avondale Partners — Analyst***Ben Joseph***[Bryce Folkare] — Analyst***PRESENTATION****Operator**

Good day, ladies and gentlemen, and welcome to the second-quarter 2007 GEO Group earnings conference call. My name is Michelle, and I will be your coordinator for today. (OPERATOR INSTRUCTIONS). As a reminder, this conference is being recorded for replay purposes.

I would now like to turn the presentation over to your host for today's call, Mr. Pablo Paez, Director of Corporate Relations. Please proceed, sir.

**Pablo Paez - The GEO Group — Director, Corporate Relations**

Thank you, operator. Good morning, everyone, and thank you for joining us today for a discussion of The GEO Group's second-quarter 2007 earnings results. With us today is George Zoley, Chairman and Chief Executive Officer; Wayne Calabrese, Vice Chairman, President and Chief Operating Officer; Jerry O'Rourke, Chief Financial Officer, and Brian Evans, Vice President of Finance, Treasurer and Chief Accounting Officer.

This morning we will discuss our second-quarter performance, current business development activities and conclude the call with a question-and-answer session. This conference is also being webcast live on our website at [www.thegeogroupinc.com](http://www.thegeogroupinc.com). A replay of the audio webcast will be available on the website for one year. A telephone replay will also be available through September 8 at 1-888-286-8010. The passcode for the telephone replay is 85324576.

During the call we will discuss non-GAAP basis information. The reconciliation for non-GAAP basis information to GAAP basis results may be found on the conference call section of our Investor Relations web page.

Before I turn the call over to George, please let me remind you that much of the information we will discuss today, including the answers we give in response to your questions, may include forward-looking statements regarding our beliefs and our current expectations with respect to various matters. These forward-looking statements are intended to fall within the Safe Harbor provisions of the securities laws. Our actual results may



differ materially from those in the forward-looking statements as a result of various factors contained in our Securities and Exchange Commission filings, including the Forms 10-K, 10-Q and 8-K reports.

With that, please allow me to turn this call over to George Zoley. George.

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**George Zoley - The GEO Group — Chairman & CEO**

Thank you, Pablo, and welcome, everyone. We're very pleased with our second-quarter performance, which we believe validates the continued success of our Company's diversified growth platform. Our financial results are driven primarily by the strong performance at a number of our correctional and residential treatment facilities both at the state and federal levels and several recent contract wins by our three business units — US Corrections, GEO Care and International Services.

Our second pro forma earnings increased to \$13.5 million or \$0.26 per share based on 51.6 million from \$7.6 million or \$0.23 per share based on 32.8 million shares for the same period 2006.

For the first six months of the year, pro forma earnings increased to \$22.5 million or \$0.48 per share based on 46.6 million shares from \$12.5 million or \$0.40 per share based on 31.3 million for the first half of 2006. Our pro forma earnings for the second quarter exclude after-tax startup expenses. Our year-to-date pro forma results exclude after-tax startup expenses, as well as the write-off of deferred financing fees associated with the paydown of \$200 million in term loan borrowings during the first quarter.

On a GAAP basis, our second quarter 2007 income from continuing operations was \$12.4 million or \$0.24 per share based on 51.6 million shares compared to \$6.4 million or \$0.20 per share from based on 32.8 million shares during the same period in 2006.

For this first six months, our GAAP income from continuing operations was \$7.5 million or \$0.38 per share based on 46.6 million shares compared to \$11.1 million or \$0.35 per share based on 31.3 million shares for the first six months of 2006. All of our financial results reflect the effect of our June 1st two for one split and our prior three for two stock split in October 2006.

Our revenue during the second quarter increased to \$258.2 million from \$208.7 million for the same period in 2006. Quarterly revenues reflect approximately \$26.3 million in pass-through construction revenues.

For the first six months of the year, our revenues increased to \$495.2 million from \$394.6 million during the first half of 2006. Year-to-date revenues reflect \$47.9 million in pass-through construction revenue. Our topline growth has been driven by the factors I mentioned at the beginning of the call, strong performance by a number of our state and federal facilities and recent contract wins by our three business units.

Our average per diem rate for the second quarter was \$53.32 compared to \$49.68 for the same period in 2006. Our Company-wide paid level of occupancy was approximately 97%, excluding our idle facility in Jena, Louisiana and Baldwin, Michigan. Our adjusted EBITDA increased to \$37.4 million for the second quarter of 2007 from \$23 million for the same period in 2006.

For the first six months of the year, we reported adjusted EBITDA of \$67 million compared to \$41.7 million during the first half of 2006. Our adjusted free cash flow for the second quarter of 2007 increased to \$19.5 million from \$12 million for the same period a year ago.

For the first six months of the year, our adjusted free cash flow increased to \$34.1 million from \$23.5 million for the first half of 2006. Our cash at the end of the second quarter was approximately \$77 million, excluding approximately \$34 million of restricted cash. Our balance sheet reflects approximately \$315 million in senior debt and approximately \$140 million of nonrecourse debt.

In addition, we have a \$150 million revolving credit facility bearing interest at LIBOR plus 1.5.

This concludes my overview of our financial performance during the second quarter and now moving onto our guidance for the remainder of 2007.

Due to our second-quarter results, we have increased our 2007 earnings guidance to a pro forma range of \$1.05 to \$1.09 per share exclusive of \$0.08 per share in startup expenses and \$0.07 per share as a result of the write-off of deferred financing fees during the first quarter of the year. We expect our 2007 operating revenue to be within \$895 million to \$905 million exclusive of pass-through construction revenues.

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We are maintaining our third-quarter earnings guidance in a pro forma range of \$0.27 to \$0.29 per share exclusive of \$0.04 per share in startup expenses and third-quarter revenue guidance in a range of 223 to \$228 million exclusive of construction revenues. For the fourth quarter, we are maintaining our pro forma earnings guidance in a range of \$0.30 to \$0.32 per share and our revenue guidance in the range of 225 to \$230 million exclusive of construction revenues.

We remain optimistic about the current trends in our industry and believe that our available beds, which we are marketing to a number of clients and our ability to expand existing facilities in a strong business development pipeline for each of our three business units, represents additional potential opportunities to bolster our financial performance even further.

Now I would like to give you an update on the recent project activations and projects under development. On July 1 we completed and opened a 235-bed expansion at our Moore Haven facility in Florida. The expansion is expected to generate approximately \$3 million in additional annualized revenues. It carries a 90% occupancy guarantee.

We were also awarded a three-year contract with successive two-year renewals by the state of Florida for this facility and its continued management, which it now has a capacity of 985 beds. We currently have a number of projects under development, which are expected to be completed during the third quarter and opened during the fourth quarter of this year. In Florida we will open a new 1500-bed nonrecourse bond finance prison in Graceville, Florida, which will generate \$21 million in annualized revenues exclusive of debt service.

In Texas we're expanding our Val Verde facility by 576 beds, using our free cash flow. Once completed, again in the third quarter and opened in the fourth quarter, this expansion is expected to generate \$11 million in additional annual operating revenues.

Also, in Texas we're expanding the Reeves County detention complex by 320 beds, using nonrecourse revenue bond financing. In addition, we recently announced an agreement between the LaSalle Economic Development District in the US immigration customs enforcement for the housing of up to 1160 immigration detainees at our company-owned LaSalle Detention Facility located in Jena, Louisiana. We will house and manage the immigration detainee population at the facility under an agreement with the LaSalle Economic Development District. We will commence the intake of 416 prisoners during the fourth quarter of 2007. We expect the facility to ramp up to 416 by the end of the year.

We are also expanding the facility by 744 beds. We expect the expansion will cost approximately \$30 million and to be completed by the end of the second quarter of next year. We expect to ramp up the facility to full occupancy of 1160 beds by the end of the third quarter of 2008. The agreement is expected to generate approximately \$23.5 million in annualized operating revenues for GEO at full capacity.

The expansion of our Jena facility marks the first significant expansion of one of our former CPT facilities. We're now exploring expansion opportunities at several other facilities, particularly those housing federal detainees.

Further, we have a number of projects under development which will open in 2008 and will contribute meaningfully to our performance in 2009.

In Georgia we are renovating the 576 beds Robert A. Deyton facility which we lease from Clayton County. We expect the facility will be used by the federal detention agencies and will generate \$14 million in annual operating revenues when fully renovated at the first quarter of 2008. The facility can be readily expanded by an additional 192 beds.

In New Mexico we're constructing the 625-bed Northeast New Mexico facility using tax-exempt nonrecourse revenue bonds to house the New Mexico prisoners under an IGA between the state and the town of Clayton who in turn contracts with GEO. The facility is expected to generate \$11 million in annual operating revenues exclusive of debt service when completed in the third quarter of 2008.

In Texas we are awaiting the completion of a 1100-bed nonrecourse bond finance GEO-designed facility in Montgomery County, which we expect to be used by other state or federal agencies. When completed in the third quarter of 2008, we expect this facility to generate \$14 million in annual operating revenues.

Also in Texas we're constructing a 1500-bed Rio Grande detention center in Laredo for the US Marshalls Service. We're constructing this facility with Company financing. We expect this contract to generate \$36 million in annual revenues when the facility opens in the fourth quarter of 2008.

In Mississippi a nonrecourse bond finance 500-bed GEO designed expansion to our East Mississippi Correctional Facility is scheduled to begin shortly. The expansion will generate between \$5 and \$7 million in annual revenues when completed by the end of 2008.

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More recently, we have signed a three-year contract subject to successive two-year renewal options with Maverick County Texas for the development and operation of a 654-bed detention facility. We will develop and operate the facility which is being financed through the issuance of Maverick County Public Facilities Corporation nonrecourse project revenue bonds. We anticipate that the projects construction will be completed in the fourth quarter of 2008. We expect the facility would be used by the county and other state and federal detention agencies. At full occupancy the facility will generate approximately \$10 million in annual operating revenues exclusive of debt service.

All of these projects, along with the projects we activated in the first half of the year, totaled more than 11,000 beds, which we are expected to generate over \$198 million in combined annualized operating revenues when fully normalized. We believe this represents the largest and most diversified organic growth pipeline with signed contracts in our industry.

Following the activation of our Jena, Louisiana facility, we have approximately 500 empty beds available at our Northlake Correctional Facility in Baldwin, Michigan. This facility is being aggressively marketed to interested agencies. The Michigan facility also has substantial acreage to expand by several hundred beds.

As I have stated earlier, we're exploring a number of additional expansion opportunities to meet the needs of our state and federal clients. We're currently developing and renovating a number of projects using Company financing. We estimate that the existing capital projects will cost approximately \$162 million through the end of 2008.

We estimate our development CapEx requirements for 2007 to be approximately \$113 million. This breaks down to approximately \$8 million for the first quarter, \$18 million for the second quarter, \$36 million for the third quarter and \$51 million for the fourth quarter. We currently have approximately \$77 million in cash on hand to fund these projects, and we are generating approximately \$5 million per month or \$60 million annually in free cash flow during 2007.

In addition, we have \$80 million available after letters of credit on our revolving credit facility, which bears interest at LIBOR plus 1.5%. We have enough financial flexibility to carry out our current program and pursue additional development projects and new facilities, as well as expansions of existing sites.

Moving onto our pending proposals and new business development opportunities, at the federal level we are responding to solicitation issue by the Office of the Federal Detention Trustee for the development and management of a 1000-bed detention facility for the US Marshalls to be located in Las Vegas, Nevada. Proposals are due August 15, and we expect award to be issued by year-end.

Additionally the U.S. Senate has recently amended its appropriations bill for the department of Homeland Security, providing for additional \$3 billion in funding to increase ICE's detention resources, including additional border patrols agency and additional detention beds. The amendment calls for ICE to increase its capacity by approximately 17,500 beds nationwide, up from its current capacity of approximately 27,500 beds.

We believe that this increase in bed funding will result in additional opportunities for the private sector over the next couple of years. We will continue to monitor the appropriations process in both the Senate and the House of Representatives.

At the state level, the Arizona State Legislature recently approved a procurement of 2000 new in-state private beds. We expect the RFPs for this procurement will be issued later in the year with an anticipated award date of early 2008.

In Georgia we have responded to a request for information for a 2000-bed mental health prison. We expect an RFP to be issued in the third or fourth quarter of this year with a contract award in early 2008. We expect to submit a joint proposal by GEO and GEO Care.

In Florida we have just received an invitation to negotiate for a 384-bed expansion of the 1500-bed Graceville facility, which we currently have under construction and expect to open in the fourth quarter. Responses to this ITN are due on August 17 with an award for this expansion scheduled for the week of — the first week of September with a contract start date of October 1.

In addition to these proposals, we're currently working on a number of negotiated projects, which may involve the expansion of existing GEO facilities to meet the needs of our existing state and federal clients.

Now I would like to spend some time on the current situation in California, which we are monitoring closely. A couple of weeks ago the federal courts decided to in-panel three federal judges to examine California's current overcrowding problem and determine whether the courts should set a maximum cap on the inmate population housed within California's existing facilities. The Governor has filed an appeal on this decision. California legislature and the administration have already started to take steps to alleviate the overcrowded conditions within California prisons.

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The Prison Expansion Bill, which was signed by the Governor several months ago, calls for the construction of 53,000 new prison beds at an approximate cost of \$7.3 billion. The state is taking steps to transfer several thousand prisoners to out-of-state facilities.

We have remained in contact with the Department of Corrections and rehabilitation in California and have indicated our interest to provide them with additional capacity. We believe we are well-positioned to help the state with its immediate term and long-term needs. As I mentioned earlier, we have 500 immediately available beds at our Michigan facility, which can be expanded by several hundred beds. Further, we currently own and manage four facilities totaling over 2000 beds in the state of California. We stand ready to help the state its long-term in-state bed needs though through expansions of these facilities and the development of new facilities within the state.

Although we continue to believe the California in-state and out-of-state bed requirements will result in real opportunities for our industry and our Company sometime in the future, I want to stress that we have not based any of our projected growth, our current guidance on any new contracts with California for additional beds in or out of state at this time.

Turning to the international sector, internationally in England the Ministry of Justice has just issued RFPs for two new 600 bed projects that will be privatized. The Ministry of Justice has also announced plans to increase prison capacity by 9500 additional new beds by 2012. We believe many, if not all of these beds, will be procured for private development and management given the UK's stated policy to privatize all new prisons.

On the immigration front, we are submitting a proposal for the 460-bed [Brook House] Immigration and Removal Center near Gatwick. We will continue to monitor the UK market and believe that we're well-positioned with the work GEO UK subsidiary to take advantage of those future opportunities.

In South Africa the government has finally decided to move forward with plans to privatize and develop an operation of five new 3000 bed prisons. We expect the first invitation to tender for a new 3000-bed facility to be issued later this year with the remaining four RFPs sometime next year. Based upon the successful development and operation of our South African 3000-bed prison, which we have been operating for several years, we believe we're well-positioned to capitalize on new growth opportunities in South Africa.

In Australia they are currently two privately operated facilities being competitively bid. The 890-bed Arthur Gorrie Correctional Facility which is managed by our Australian subsidiary, GEO Australia, is being rebid by the state of Queensland. We have submitted a proposal for the continued management of that facility. In addition, the 492-bed Borallon Correctional Center, which is managed by one of our competitors, is also being competitively rebid. We have submitted a proposal for the management of the Borallon facility. We expect contract awards for both of these projects to be issued in the future.

Turning to GEO Care, with regards to mental health and residential treatment opportunities, we remain very excited about GEO Care's prospects. Our GEO Care team has been marketing to several states around the country. We expect to compete for several new projects in the near-term.

We're extremely pleased with the strong financial performance of all three of our business units during the second quarter of the year. We remain optimistic about our business development efforts. We have begun our efforts to expand the facilities we acquired from CentraCore Properties Trust with the expansion of our Jena, Louisiana facility, and we are expecting to be pursuing additional expansion opportunities to meet the needs of our existing clients. We have what we believe is the largest organic pipeline in our industry with over 11,000 beds under development this year and next and with \$198 million in annualized revenues.

Additionally we have approximately 500 beds available at our Michigan facility with the ability to expand by several hundred beds.

That concludes my presentation. I would now like to open the call to any questions.

## QUESTION AND ANSWER

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### Operator

(OPERATOR INSTRUCTIONS). Todd Van Fleet, First Analysis.

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**Todd Van Fleet - First Analysis — Analyst**

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George, a lot of discussion obviously happening with the federal government in particular, immigration and customs enforcement. What is it that needs to happen for decisions to start getting made regarding action plans surrounding possibly constructing new facilities? You had talked about the \$3 billion funding that is being I guess deliberated in the legislature at this point. But are we still — can you help us kind of understand, are we three or six months away perhaps from some decisions being made on utilization of perhaps the private sector for new bed needs in ICE, or is it a year? Can you kind of help us understand where we are at in the process and also in the context of your comments regarding the \$3 billion funding?

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**George Zoley - The GEO Group — Chairman & CEO**

Obviously I can only speculate, and based on past experience, all of these things unfold fairly slowly. But there is two trends going on. I am not sure I adequately covered both of them.

The first trend you are addressing is the expansion of the detention capacity, and I said that expansion could take place by several thousand of beds, maybe 15,000 beds. But that will probably take place over the course of a couple of years. It will not be done in a few months. I think part of that is probably our Jena facility. I think that is expanding their capacity, although it may be doing the second thing as well.

The second trend that I did not address in the call and I always address with our investor presentations, is consolidation of contracts where the government per se does not need more money. In fact, it will save money it believes by taking among the many contracts — and there may be hundreds of these IGAs, intergovernmental agreements. That is agreements between the federal government and various counties and cities where they may have 50 beds here, 75 there, 100 there. And they have concluded that they are better off economically and operationally to consolidate into one in effect proprietary facility that they control.

Well, how do you do that? You do that through the private sector. You do that through a private vendor like we're doing for them for the most part with the Jena, Louisiana project. And I think there will be other projects like this throughout the Sunbelt states in particular where they have needed temporary detention beds. But they have done this historically on an incremental basis involving dozens if not hundreds of local communities, and now they have a national strategy in place that has now been going on a couple of years and where they are discontinuing these smaller contracts and they are approaching private companies and sometimes in coordination with local communities again through an IGA but for a much larger facility, 1000-bed facility or larger, that will be developed either independently by the private company or in coordination with the local community either with private companies' own financing or by sponsorship of the local community through government bonds.

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**Todd Van Fleet - First Analysis — Analyst**

A couple of follow-on's I guess to that. Is there any way to quantify the opportunity in terms of beds? So if 17,500 is for kind of expansion of the overall system which will happen over a multi-year period, can you get your arms around maybe a bed count that becomes available as opportunity for GEO Group because of the second kind of growth mechanism I guess that you're looking at, whereby they are consolidating into facilities outside of perhaps urban areas? So that is the first part of the question.

The second part would be, as ICE withdraws from some of these local county facilities that might be publicly owned, does that create any opportunities for GEO or the private sector in general to help those public-run facilities find new customers?

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**George Zoley - The GEO Group — Chairman & CEO**

Well, I think the answer to your first question, if I can remember it all — well, first of all —

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**Todd Van Fleet - First Analysis — Analyst**

I'm quantifying the bed count on that opportunity for the consolidation.

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**George Zoley - The GEO Group — Chairman & CEO**

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Okay. Opportunities for consolidation I think are going to be several thousands of beds because of the scale that they are preceding on. I think the typical facility will be about 1000 beds. As we look at our own system today, we are concluding a 500-bed facility is just too small anyway. It is small with regard to the basic economics of spreading your debt service and your labor costs, and there is a hassle factor for the federal agencies now in dealing with something that small given their increased responsibilities. They want typically 1000-beds facilities and up.

So I think there will be a number of these projects. I would just guess that there may be in the next 12 months six of these projects industrywide. But we think, we know this is a trend. It has been articulated to us. We have seen it take place, and this is an important trend. And it is added to the expansion of the capacity through this additional funding. The consolidation does not require additional funding.

So we are very excited about it. And some of the projects we are involved with that I have mentioned particularly those located in Texas where we are involved with a community, probably will in effect involve consolidation of contracts and by two primary agencies. This is by the US Marshalls Service, and it is by ICE.

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**Todd Van Fleet - First Analysis — Analyst**

And then the second part, George, are the vacancies that are created by ICE in those county-owned facilities perhaps, does that create any opportunities for you to assist them in a management basis and perhaps sourcing other customers?

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**George Zoley - The GEO Group — Chairman & CEO**

I don't really think so. Because, as I said before, I think they are going to be the leaving pockets of 50 beds, maybe 75 beds, and it is questionable how long those beds would even remain vacant. It is possible that the local needs may backfill those beds.

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**Operator**

Jeff Kessler, Lehman Brothers.

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**Jeff Kessler - Lehman Brothers — Analyst**

Good quarter, guys. The bid that you mentioned we will say for the criminal/mental facility, is that a first in terms of the type of facility that the private sector is being asked to bid on? In the past you have separated out the two. If, in fact, this does become successful, is this a template for other states, or are you still convinced that a number of other states are going to go just for mental facilities?

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**George Zoley - The GEO Group — Chairman & CEO**

Well, it is not the first. We presently operate a 1000-bed mental health prison in East Mississippi. So it is not the first. We have been operating this for several years. It is interesting that Georgia is going to a 2000-bed facility. It is a little surprising. It is a larger scale obviously with a fairly demanding population. These people need a lot of treatment and care. And we are seeing states as they expand their systems that they are starting to give a special mission to their facilities. This is part of their specialization of institutions. And one of the areas we have always known that they would have to provide for would be this type of institution which is a mental health institution. The others we have talked about are geriatric facilities. I think that is a point as well.

So we think we are uniquely prepared and qualified to offer our clients their new emerging needs in the mental health area.

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**Jeff Kessler - Lehman Brothers — Analyst**

Okay. At the moment despite the 100 — let's just say despite the much higher per diems that you're getting for mental health, the margins are lower basically because of scale issues and the like. Is there a revenue level at which the per diem margin begins to become similar to the correctional margin? In other words, how much volume do you need to get the margins to be similar?

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**George Zoley - The GEO Group — Chairman & CEO**

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I think you're right. I think that would occur — you know, as you get past 300 beds, you get to 400, 500, 600, whether they be civil beds or forensic beds. So you probably need to increase 40% before — what would I say then — another 100 — well, that is at least 30%. So 30 to 40%. But those facilities exist out there, and they exist presently at that capacity, and they will be planned for in the future as a result of consolidation of institutions.

A lot of states are in the position where they have, let's say, six to 10 institutions, and they are of a smallish nature, and it makes more sense to consolidate those beds into instead of a 250-bed facility, a 500-bed facility. So I think that is coming as well.

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**Jeff Kessler - Lehman Brothers — Analyst**

Okay. A lot has been made about the reset on the three California — three of the four California facilities that you have. But I think a bigger question is in the middle of all this turmoil and decision-making that is being done in California, the fact is, is these facilities are inside California. They are not outside of California, and it may give them an advantage.

The question is, given, let's say, some of the problems that you have had in expanding these facilities in the past due to possible pressures from the unions, if California goes to a — comes to a decision to do something, are these facilities in a position yet to expand materially given that clearly the state would like to — would prefer to keep ultimately clients in-state as opposed to out-of-state?

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**George Zoley - The GEO Group — Chairman & CEO**

Are they prepared to expand? Yes. We did not have a problem in expansion the last time. These facilities were built I think in nine to 12 months. They are built very fast. And the only problem that occurred I think it was last year is the procurement was pulled, and I think the procurement was pulled, and I guess we did not have a problem with that because some of the terms in the procurement were onerous and were just not workable. Whatever beds the private sector can develop in the state of California will be very cost competitive from any state beds.

Remember I think we have said and other people have said that it will take the state five to seven years once they start planning to build a new facility before they open their doors. So I don't think the state is going to wait five years to deal with their current situation. I think sooner or later there is going to be a break that will come either through the courts or with additional assistance by the Legislature to provide whatever additional legal authority the administration needs to move forward in all directions. To move forward in sending people out-of-state, to move forward with developing new beds in-state. In-state through the system, as well as new beds in-state through the private sector.

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**Jeff Kessler - Lehman Brothers — Analyst**

Okay. One final question and that is given the ebbs and flows of your negotiations with both state and federal officials, on Company-owned or controlled facilities, particularly on the Company-owned facilities, what do you believe is a reasonable target per diem margin? You can talk about it in absolute dollars or in percentages I don't care which way that you can get to in the next two years given that obviously you can only take it up so far against in a bid situation or against on a renewal situation. And obviously you want to — but at the same time, you want to try to push as you're pushing your capacity up on expanded facilities, that incremental margin per prisoner is going to go up. Can you get the incremental margins in the '30s or the per diem margin into the '30s?

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**George Zoley - The GEO Group — Chairman & CEO**

Well, I've said from my view there is three classes. The first-class is the managed only class, and I have said that the margins there by percentage — that is the way we look at it — is 10 to 15%. The second-class is the leased facilities, and I think the margins there are 15 to 20%. And the third class is the owned facilities, and that is 25 to 35%. And 80% of our business is these two latter classes which we call controlled facilities. 80% of our EBITDA comes from that latter group which has long-term agreements. And although I am looking at our pipeline, we have a mix of everything. And I told people we like the mix. We have a number of facilities that are managed only and they are being financed through government bond financing, which is fine with us, and we're the managers. But then our per diem does not reflect the payment of a debt service. So it will be lower than a company average per diem. And that is okay with us because the return on investment, the investment being next to nothing, is excellent.

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Then we have some facilities that we own like Val Verde through its expansion. That is a fully owned facility. That will return a much higher return. The Laredo facility will be owned facility. That will be a much higher return. But our business, our Company's business right now is nice healthy dynamic mix of three business units — GEO Care, International and GEO Corrections — and even within those business units, there is a different kind of mix. And we don't as a Company need to view that we want to own everything available. And as I have told people in my presentations, normally the client makes the decision as to ownership. In many of these opportunities I have discussed where it is managed only, the client decided they were going to finance, and that is often the case locally. And it is also often the case on a state basis. The state of Florida where we are building the Graceville facility, there was no opportunity for us to own Graceville. The state of Florida insists that it wants to ultimately own it upon the repayment of the bonds. So I hope people don't have the misconception that the vendor can unilaterally decide as to who is going to own the facility. That is not the case generally.

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**Operator**

[T.C. Robillard], Banc of America Securities.

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**T.C. Robillard - Banc of America Securities — Analyst**

Let me add my congratulations to you guys as well. Excellent quarter. George, could you expand a little bit on the South Africa opportunity, particularly around the RFPs? I'm looking for some details around whether or not there is new construction that is needed? Are the margins that these RFPs are looking to come up with, are those going to be comparable to the margins you're currently getting there? Also, if you can just put into context for us the competitive environment within South Africa and who already operates there?

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**George Zoley - The GEO Group — Chairman & CEO**

Operator. Hello? (multiple speakers) I think we can hear you talking.

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**Operator**

I'm sorry, sir.

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**George Zoley - The GEO Group — Chairman & CEO**

You're asking about South Africa the competitive environment and the kind of margins?

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**T.C. Robillard - Banc of America Securities — Analyst**

Yes, I guess to start with, will these — are these going to be required for kind of new construction, these facilities, or you will you be just taking over —?

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**George Zoley - The GEO Group — Chairman & CEO**

These are all new build, so we will be competing for those opportunities with our existing joint venture in South Africa. We have an empowerment group that is part of our joint venture. There is one other provider that is also operating a 3000-bed facility. They are UK-based. We think we are well positioned based on our many years there to compete for these five new opportunities. They will be designed, built, financed and operated. And this has been a very good market for us. They are, in fact, our fastest player. They pay us within the same week we send them an invoice.

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**T.C. Robillard - Banc of America Securities — Analyst**

That is always a good cash cycle there. And what about the margin structure? Would you expect the margins on these facilities to be similar, better, worse than where you guys are right now in South Africa?

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**George Zoley - The GEO Group — Chairman & CEO**

I would expect it to be similar because all of the fundamentals will be similar. It will take as many people to operate. Actually the construction cost is going to be higher, and there will be a margin there as well in developing. This will be along the lines of at least a leased facility. It won't be a managed only kind of margin.

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**T.C. Robillard - Banc of America Securities — Analyst**

Okay. That is great color. Thank you. And then, George, can you give us any additional color in terms of the pipeline with respect to GEO Care? Obviously we're starting to see the benefits of all the groundwork that you guys have laid over the last couple of years in terms of the revenue acceleration. Can you just elaborate as much as you can without giving away any competitive edge with respect to your pipeline?

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**George Zoley - The GEO Group — Chairman & CEO**

Sure. Just to give you a little history, last year GEO Care did \$70 million, doubling its prior year of \$35 million. This year it will do \$100 million. And just based on its current contracts, it will generate approximately \$135 million next year.

Now we have had a very good year for the first half. In the first quarter of this year, we won two new forensic facilities which had an annualized value of about \$46 million. That was a remarkable accomplishment to start up what were in effect empty former juvenile facilities and convert them into mental health institutions in two separate locations, both in 90 days. So that was a remarkable accomplishment by GEO Care and its staff.

But I don't think it missed a beat. It is continuing to market in a number of states. In fact, we have kind of huddled and decided that we want to even broaden our marketing efforts, and we have authorized the GEO's marketing budget to expand once again. So we are optimistic we are marketing in a number of states, but we are not in a position to specify where because we believe it is proprietary information. So we believe GEO Care's growth is as fast if not faster than our corrections growth in general.

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**T.C. Robillard - Banc of America Securities — Analyst**

Great. Thanks for the additional color.

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**Operator**

Kevin Campbell, Avondale Partners.

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**Kevin Campbell - Avondale Partners — Analyst**

I just wanted to ask you a couple of quick questions. First, with regards to your guidance, does that include any incremental inmates coming in for new New Castle, and can you give us what your current thoughts are with that situation and when you might expect Arizona to start sending inmates to that facility?

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**George Zoley - The GEO Group — Chairman & CEO**

It does include incremental inmates for New Castle, and the New Castle population today is approximately 1830, which is about 130 more than prior to the incident that occurred in April. So we are beginning to ramp up, and we expect it to continue.

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**Kevin Campbell - Avondale Partners — Analyst**

Are those Arizona inmates, or are they from Indiana?

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**George Zoley - The GEO Group — Chairman & CEO**

The additional inmates are coming from Indiana, because Indiana has indicated that it has other needs that it needs to meet, and I think they may be closing one of their facilities, which is also putting pressure on the need for available beds.

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**Kevin Campbell - Avondale Partners — Analyst**

Okay. So you expect to fill those beds then whether they come from Indiana or Arizona?

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**George Zoley - The GEO Group — Chairman & CEO**

Obviously it does not matter much to us. That is between Indiana and Arizona as to how they allocate the beds. But we do — I would expect that by — in the next month or two that we will be over 2000 beds, and that by next year we will be at full capacity.

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**Kevin Campbell - Avondale Partners — Analyst**

Okay. Could you comment, too, on the status of the repricing negotiations in California, just sort of where we stand? I know that — I believe those contracts are set to expire at the end of this year. You would hope to have new contracts in place prior to that, so could you talk a little bit about that?

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**George Zoley - The GEO Group — Chairman & CEO**

Those contracts actually are going to expire in mid-December as we have now recalibrated, and I think our negotiations are pretty much concluded. We are waiting for the processing of the final outcome, which has to go through multiple agencies, and as you would expect in government, these things take time. But the current per diem rates are less than \$40. I have stated that publicly, and we believe the market is about \$60. So we are hopeful that we can get close to that market rate when the final contracts come in.

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**Kevin Campbell - Avondale Partners — Analyst**

Okay. And some portion of that will obviously go to help increased compensation costs with your correctional officers in California. But approximately what percent do you think would sort of — of the increase in per diems, if you jumped up \$20, would it be about 15 that would flow through to the bottom line before taxes, or what is sort of — how should we look at that in terms of how much will flow through to the bottom line versus how much will be used for other costs?

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**George Zoley - The GEO Group — Chairman & CEO**

Well, the cost buildup is based on the value of the buildings, a proration of what we, in effect, paid CPT to acquire those facilities. So part of it is a repayment to us for what we are paying for, which is kind of embedded in our (technical difficulty)—. But the majority of the additive per diem will be able to flow to the bottom line. But a lot of it is because it is in effect a repayment to what we have paid CPT to acquire the ownership of the building.

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**Kevin Campbell - Avondale Partners — Analyst**

Okay. Great. That is helpful. And could you comment on the Maverick County agreement that you had? Were there any other competitors talking to the county as well?

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**George Zoley - The GEO Group — Chairman & CEO**

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Yes. In all these local opportunities, there is always a couple of more competitors. The normal people we see. (multiple speakers)

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**Kevin Campbell - Avondale Partners — Analyst**

And is there a reason why you believe perhaps you guys won over others? Was it the fact that you were perhaps more flexible in this situation with the ownership?

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**George Zoley - The GEO Group — Chairman & CEO**

That, in effect, has worked well for us in Maverick as well as in Georgia. I think our — in Clayton County Georgia — where we say if you want somebody to buy the facility, we will buy it. If you want to just lease this facility, we will lease it to you. And we point out the pluses and minuses of (technical difficulty) —.

One of the downfalls of a county or a community selling the facility is, they don't get to keep that money and apply it to general revenue purposes. They have to put it in a capital fund, which is more restrictive. Whereas if you just lease a facility to a company, that income stream can go into your general fund, and most people have seen that as being more beneficial.

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**Kevin Campbell - Avondale Partners — Analyst**

Okay. And then real quick, a modeling question on the tax rate. It looks like it came in a little bit lower than we expected. What sort of numbers should we be looking for for the full year?

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**George Zoley - The GEO Group — Chairman & CEO**

38% for the full year.

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**Operator**

(OPERATOR INSTRUCTIONS). Todd Van Fleet, First Analysis.

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**Todd Van Fleet - First Analysis — Analyst**

George, could either you or Jerry kind of help us understand how you're thinking about the facility margin, just kind of as a general course? As you think about the facility margin for the business throughout the course of the calendar year, what are generally your expectations surrounding facility margin as you progress through the year? When I say facility margin, I am removing, of course, any construction revenue and related expense and any other startup costs that might impact you on kind of a one-off basis. Can you help us understand how you guys think about it so we understand how you're building up the year?

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**George Zoley - The GEO Group — Chairman & CEO**

Are you talking about the Company composite facility margin or individual new project margins?

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**Todd Van Fleet - First Analysis — Analyst**

Company composite.

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**George Zoley - The GEO Group — Chairman & CEO**

Company composite.

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**Jerry O'Rourke - The GEO Group — CFO**

I think what we are seeing is ops margin expansion if you take a look at the trending from last year to this year. When you discount out the impact of the neutralization of the impact of the construction revenue, the first quarter where it's 17.2% of contribution margin and that is expanding to 19% in the second quarter, and we believe that that kind of expansion will continue as we go into the third and fourth quarters.

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**George Zoley - The GEO Group — Chairman & CEO**

And that expansion is being driven by two things — clients and ownership of facilities. Last year our federal customers represented 25% of our revenue base. This year they are 33%. They are a third. But they represent one-half of our EBITDA. And then our EBITDA is comprised of 80% of controlled facilities. So we have taken a big swing as to who our customers are. They are more prominently now the federal agencies who pay the best, and also we have taken a big swing as to the number of facilities we own or control, and those are the most profitable two out of three categories obviously.

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**Todd Van Fleet - First Analysis — Analyst**

Right. And so as you guys think about your strategic planning and your longer-term planning in three to five-year kind of horizon, is it your view the Company will shift a little bit further over time toward awaiting as a greater emphasis on the managed or the kind of facility where you control the facility through the leasing arrangements? Is that your general thinking?

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**George Zoley - The GEO Group — Chairman & CEO**

No, I think my thinking is that of an opportunist. The managed facilities are kind of bread and butter opportunities that we're going to go after just as vigorously as any other opportunities. And they are nice to have because there is no investment, and they have a steady return for several years.

But we have also — we have noted the other opportunities in the federal area, which is growing probably faster. They are adopting privatization faster than any other governmental sector, and I'm talking particularly about ICE and Marshalls. And there are a number of opportunities there, some of which will be managed only and others will have ownership opportunities. So I don't have a particular target. I'm just going to go after all the available opportunities as they present themselves, and sometimes we help to orchestrate and develop opportunities ourselves. But our model is a mix model. We go after all these categories — managed only, leased and owned — and we think that is the strongest and best approach.

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**Todd Van Fleet - First Analysis — Analyst**

And if I could ask you one more on the expense level for G&A during the quarter, you seem to be running higher and higher these days. Is there a hurdle or a benchmark that you guys are using to try to manage SG&A too as a percentage of revenue at this stage?

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**George Zoley - The GEO Group — Chairman & CEO**

I think we are going to try to keep it at \$15 million the next two quarters, each quarter. \$15 million per quarter.

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**Operator**

Kevin Campbell, Avondale Partners.

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**Kevin Campbell - Avondale Partners — Analyst**

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I wanted to ask a couple of more questions. First on your per diems, the growth there seemed to be pretty strong both sequentially and year-over-year. Was there any impact in those numbers due to the CentraCore acquisition? Would that have any — those numbers not being in Q2 '06 versus now being included for a full quarter of Q2 '07, would that have any impact there?

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**George Zoley - The GEO Group — Chairman & CEO**

It is more a federal business and more federal business in particular. The GEO Care per diems are obviously higher, but that is offset by — we did a lot of incremental beds last year. If you recall, I think we did almost 2000 beds last year. And those would have been at a below than average composite per diem.

So when you think about per diems, it gets very complicated because all per diems are not created equal. You have to start off by saying, well, is there a debt service in that per diem? Many of our per diems did not have a debt service. They are just pure operating costs. Some do. Some we need a high debt service to return cost of capital. So it is a treacherous enterprise to begin just looking at a per diem and extrapolating from it. Because we don't. In our business we look at the facility, the project level detail to extrapolate from that because we know the details. Unfortunately you don't. I guess you're almost reduced to looking at composite per diems.

But within that composite, there is a lot of things going on. Some of them are incremental beds and maybe \$10, \$20s. Some are extraordinary numbers that are triple digit because they are either at a federal facility or a GEO Care facility. But when you blend them altogether, that is what you get.

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**Kevin Campbell - Avondale Partners — Analyst**

Okay. Could you comment, too, on ICE and perhaps any changes in attitudes you might have seen from them? Obviously we saw one of your competitors announce this week that ICE had pulled some inmates from one of their facilities. Have you seen any changes from ICE in terms of their attitude towards the service that is being provided just short of generically in general, or do you think that is more of just sort of a one-off situation?

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**George Zoley - The GEO Group — Chairman & CEO**

I think I have.

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**Kevin Campbell - Avondale Partners — Analyst**

How so? How have those attitudes changed?

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**George Zoley - The GEO Group — Chairman & CEO**

I think they think that they are paying a lot of money for their service now. Because we have all been saying that. The federal agencies pay higher than anybody else, and now what we've also been saying that they are operating large-scale facilities. So they are paying large numbers in volume, and they know that those large dollar volumes result in larger operating margins. And in return for that, I think they have ratchet up their expectations. We have seen it at our facilities, and I am sure other providers have as well. So there has been a ratcheting up of expectations, and I think they may be under greater scrutiny now than in the past. And that may be behind some of their increased expectations.

So it is as though — even though it is tedious at times to deal with the multitude of demand requests to provide the service, they are paying a lot of money, and they deserve to get everything they are paying for. So it is required that we step up our service, but I think our Company is uniquely positioned by its three regional offices, which is each staffed by a regional VP and a dozen or more experts in security, finance, HR, health care, etc. This is the best way that we can deliver day to day services to our clients. Because we have a regional office in close proximity to all their facilities. So we are up to the challenge, and we believe we are meeting them.

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**Kevin Campbell - Avondale Partners — Analyst**

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Great. And just one last quick question. Do you guys have any thoughts on the acquisition environment, and are you guys continuing to look at that? Is it more domestically or any international expansion thoughts or acquisition thoughts there?

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**George Zoley - *The GEO Group* — *Chairman & CEO***

You know, we still have an interest in the acquisition area, but it is the same old problem I have discussed in the past. It is trying to find an opportunity that aligns the pricing requests with the earnings performance. So sometimes it takes time for that to work out, and we are willing to wait.

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**Operator**

Todd Van Fleet, First Analysis.

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**Todd Van Fleet - *First Analysis* — *Analyst***

I just quickly noticed that the international revenue was up pretty meaningfully on a sequential basis. I was wondering what was driving that in particular?

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**Brian Evans - *The GEO Group* — *VP Finance, Treasurer & Chief Accounting Officer***

You're looking at '06 versus '07. Most of that is going to be driven by, or a lot of that is going to be driven by FX rates and then also the opening of the Campsfield House last year. I guess that was — I am not sure exactly when it opens, but end of last year. So you have got the full impact of that this quarter versus no impact in the prior year.

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**Todd Van Fleet - *First Analysis* — *Analyst***

Right, Brian. I was actually thinking about it more on a sequential basis.

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**Brian Evans - *The GEO Group* — *VP Finance, Treasurer & Chief Accounting Officer***

Well, even then it is still going to be exchange rates.

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**Todd Van Fleet - *First Analysis* — *Analyst***

Pretty meaningful jump I guess in one quarter. Does that — I can follow-up off-line. It is no big deal. I just thought I would —

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**George Zoley - *The GEO Group* — *Chairman & CEO***

Well, we have not opened any new facilities in the quarter, so it has to be just sort of exchange rate.

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**Jerry O'Rourke - *The GEO Group* — *CFO***

We will clarify that in the expanded answer in the Q.

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**Operator**

[Ben Joseph], [Bryce Folkare].

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**Ben Joseph - [Bryce Folkare] — Analyst**

Really quick, I just wanted you to clarify on the Val Verde facility when is that expected to be contributing revenues?

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**George Zoley - The GEO Group — Chairman & CEO**

It is the 576-bed expansion. We believe it will be completed by the end of the quarter and start taking additional individuals in the fourth quarter.

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**Ben Joseph - [Bryce Folkare] — Analyst**

Okay. So that has actually moved up. I believe the last time it was first quarter of '08 when it was expected to be completed?

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**George Zoley - The GEO Group — Chairman & CEO**

Yes, I think we have accelerated that.

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**Ben Joseph - [Bryce Folkare] — Analyst**

Okay. And then I also have a follow-up question related to the South African facilities. How are those facilities expected to be financed? I think I may have missed that.

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**George Zoley - The GEO Group — Chairman & CEO**

It is governmental guarantees. That is the typical international financing where the government will provide essentially the financing guarantee. That will make it nonrecourse to the operator, hopefully us in that case, in return for an equity contribution of between 5% and 10%.

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**Ben Joseph - [Bryce Folkare] — Analyst**

Okay.

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**George Zoley - The GEO Group — Chairman & CEO**

It will probably be 10%, and we have a joint venture, and we will probably have to come up with the 5%.

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**Operator**

This now closes the question and answer session. I will turn it back to management for closing remarks.

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**George Zoley - The GEO Group — Chairman & CEO**

Well, we thank everyone for joining us today. We're very proud of our Company's performance this quarter, and we look forward to addressing you in our next quarterly conference call. Thank you.

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**Operator**

Ladies and gentlemen, thank you for your participation in today's conference. This concludes the presentation. You may now disconnect. Have a good day.