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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 3, 2011**

**THE GEO GROUP, INC.**

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(Exact Name of Registrant as Specified in 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 3, 2011, GEO issued a press release (the “Press Release”) announcing its financial results for the fiscal quarter ended July 3, 2011, revising its financial guidance for full year 2011 and announcing its third and fourth quarter 2011 financial guidance, a copy of which is furnished hereto as Exhibit 99.1. GEO also held a conference call on August 3, 2011 to discuss its financial results for the quarter, its revised financial guidance for full year 2011 and its financial guidance for third and fourth quarters of 2011, a transcript of which is furnished hereto as Exhibit 99.2.

In the Press Release, GEO provided Pro Forma Net Income, Adjusted EBITDA and Adjusted Funds from Operations for the fiscal quarter ended July 3, 2011 and the comparable prior-year periods that were not calculated in accordance with Generally Accepted Accounting Principles (the “Non-GAAP Information”) and are presented as supplemental disclosures. Generally, for purposes of Regulation G under the Securities Exchange Act of 1934, Non-GAAP Information is any numerical measure of a company’s performance, financial position, or cash flows that either excludes or includes amounts that are not normally excluded or included in the most directly comparable measure calculated and presented in accordance with GAAP. The Press Release presents the financial measure calculated and presented in accordance with GAAP, which is the most directly comparable to the Non-GAAP Information, with a prominence equal to or greater than its presentation of the Non-GAAP Information. The Press Release also contains a reconciliation of the Non-GAAP Information to the financial measure calculated and presented in accordance with GAAP which is the most directly comparable to the Non-GAAP Information.

Pro Forma Net Income is defined as net income adjusted for net (income) loss attributable to non-controlling interests, start-up/transition expenses, net of tax, international bid and proposal expenses, net of tax, and M&A related expenses, net of tax as set forth in Table 1 of the Press Release. GEO believes that Pro Forma Net Income is useful to investors as it provides information about the performance of GEO’s overall business because such measure eliminates the effects of certain unusual or non-recurring charges that are not directly attributable to GEO’s underlying operating performance, it provides disclosure on the same basis as that used by GEO’s management and it provides consistency in GEO’s financial reporting and therefore continuity to investors for comparability purposes. GEO’s management uses Pro Forma Net Income 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 EBITDA is defined as net income before net interest expense, income tax provision, depreciation and amortization, and tax provision on equity in earnings of affiliate, adjusted for (income) loss attributable to non-controlling interests, stock-based compensation, start-up/transition expenses, international bid and proposal expenses, and M&A related expenses as set forth in Table 3 of the Press Release. GEO believes that Adjusted EBITDA is useful to investors as it provides information about the performance of GEO’s overall business because such measure eliminates the effects of certain unusual or non-recurring charges that are not directly attributable to GEO’s underlying operating performance, it provides disclosure on the same basis as that used by GEO’s management and it provides consistency in GEO’s financial reporting and therefore continuity to investors for comparability purposes. GEO’s management uses Adjusted EBITDA 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 Funds From Operations is defined as net income excluding depreciation and amortization, income tax provision, income taxes paid, stock-based compensation, maintenance capital expenditures, net equity in earnings of affiliates and amortization of debt costs and other non-cash interest, net (income) loss attributable to non-controlling interests, start-up/ transition related expenses, international bid and proposal expenses, and M&A related expenses, net of tax as set forth in Table 4 of the Press Release. GEO believes that Adjusted Funds From Operations is useful to investors as it provides information 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, it provides disclosure on the same basis as that used by GEO’s management and it provides consistency in GEO’s financial reporting and therefore continuity to investors for comparability purposes. GEO’s management uses Adjusted Funds From Operations 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.

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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 set forth in Item 2.02 in this Form 8-K is being furnished and shall not be deemed "filed" for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, or otherwise subject to the liabilities of that Section. The information set forth in Item 2.02 in this Form 8-K shall not be incorporated by reference into any registration statement or other document pursuant to the Securities Act of 1933, as amended.

### **Safe-Harbor Statement**

This Form 8-K 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, costs, and cost synergies, GEO's ability to maintain growth and strengthen contract relationships, and GEO's ability to meet the increasing demand for correctional, detention, and residential treatment services, and long-term growth prospects in its industry. Factors that could cause actual results to vary from current expectations and forward-looking statements contained in this Form 8-K include, but are not limited to those factors contained in GEO's Securities and Exchange Commission filings, including the Form 10-K, 10-Q and 8-K reports.

### **Section 9 — Financial Statements and Exhibits**

#### **Item 9.01 Financial Statements and Exhibits.**

##### (d) Exhibits

<u>Exhibit No.</u>	<u>Description</u>
99.1	Press Release, dated August 3, 2011, announcing GEO's financial results for the fiscal quarter ended July 3, 2011.
99.2	Transcript of Conference Call discussing GEO's financial results for the fiscal quarter ended July 3, 2011.

**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 9, 2011

Date

By: /s/ Brian R. Evans  
Brian R. Evans  
Senior Vice President and Chief Financial Officer  
(Principal Financial Officer)

**EXHIBIT INDEX**

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CR-11-18

NEWS RELEASE

### THE GEO GROUP REPORTS SECOND QUARTER 2011 RESULTS

- **2Q11 Net Income of \$21.2 Million — \$0.33 Earnings Per Share**
- **2Q11 Pro Forma Net Income increased to \$25.7 Million — \$0.40 Pro Forma Earnings Per Share**
- **Issued Pro Forma EPS Guidance for 3Q11 of \$0.39 to \$0.41 and 4Q11 of \$0.40 to \$0.42**
- **3Q & 4Q Guidance Includes \$1.0 million to \$1.5 million Per Quarter in Investments in Business Development and Professional Capabilities In Relation to New Florida Regional Procurement**

**Boca Raton, Fla. — August 3, 2011 — The GEO Group, Inc. (NYSE: GEO) (“GEO”)** today reported second quarter and first half of 2011 financial results. GEO reported total revenues for the second quarter 2011 of \$407.8 million compared to total revenues of \$280.1 million for the second quarter 2010. GEO reported net income for the second quarter 2011 of \$21.2 million, or \$0.33 per diluted share, compared to net income of \$17.0 million, or \$0.35 per diluted share for the second quarter of 2010. GEO’s second quarter 2011 net income includes \$3.3 million, after-tax, in start-up/transition expenses; \$0.4 million, after-tax, in international bid and proposal expenses, a \$0.4 million after-tax income effect related to the loss attributable to non-controlling interests; and \$0.4 million, after-tax, in one-time M&A transaction related expenses, which are reported in GEO’s general and administrative expenses.

Excluding these items, GEO reported Pro Forma net income of \$25.7 million, or \$0.40 per diluted share, for the second quarter of 2011 compared to Pro Forma net income of \$18.3 million, or \$0.37 per diluted share for the second quarter of 2010.

For the first half of 2011, GEO reported total revenues of \$799.6 million compared to total revenues of \$567.6 million for the first half of 2010. Net income for the first half of 2011 increased to \$37.5 million, or \$0.58 per diluted share, from \$34.7 million, or \$0.69 per diluted share, for the first half of 2010. Pro forma net income for the first half of 2011 increased to \$48.5 million, or \$0.75 per diluted share, from pro forma net income of \$36.0 million, or \$0.71 per diluted share for the first half of 2010.

George C. Zoley, Chairman and Chief Executive Officer of GEO, said: “We are pleased with our strong second quarter earnings results which reflect sound operational performance from our diversified business units of U.S. Detention & Corrections, GEO Care, and International Services. We continue to be very optimistic about the demand for our diversified services. We are currently pursuing new business development opportunities in the U.S. and internationally, which total approximately 50,000 beds. At the state level alone, Arizona, Ohio, and Florida have pending procurements which total approximately 28,000 beds.”

— More —

**Contact:** Pablo E. Paez  
Vice President, Corporate Relations

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“The State of Florida recently issued a request for proposal which entails the privatization of more than 16,000 beds in all correctional facilities, reception centers, work camps, and work release centers in a broad geographic region in South Florida, known as Region IV. This is an unprecedented opportunity in our industry, and we have taken steps to invest in additional business development and professional capabilities. While these investments will represent a near-term expense over the next two quarters, we believe that GEO will be uniquely positioned to compete for larger opportunities and to provide comprehensive, turnkey solutions across a continuum of care for correctional, detention, and treatment services worldwide,” Mr. Zoley added.

Pro forma net income excludes M&A related expenses, net of tax, net (income) loss attributable to non-controlling interests, start-up/transition expenses, net of tax, and international bid and proposal expenses, net of tax, as set forth in the table below, which presents a reconciliation of pro forma net income to net income for the second quarter and the first half of 2011 and 2010. 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 net income.

**Table 1. Reconciliation of Pro Forma Net Income to Net Income**

(In thousands except per share data)	13 Weeks Ended	13 Weeks Ended	26 Weeks Ended	26 Weeks Ended
	3-Jul-11	4-Jul-10	3-Jul-11	4-Jul-10
<b>Net Income</b>	\$ 21,163	\$ 17,025	\$ 37,543	\$ 34,733
Start-up/transition expenses, net of tax	3,348	—	5,537	—
International bid and proposal expenses, net of tax	416	—	416	—
Net (income) loss attributable to non-controlling interests	415	(8)	825	(44)
M&A Related Expenses, net of tax	394	1,313	4,129	1,313
<b>Pro forma net income</b>	<u>\$ 25,736</u>	<u>\$ 18,330</u>	<u>\$ 48,450</u>	<u>\$ 36,002</u>
<b>Diluted earnings per share</b>	\$ 0.33	\$ 0.35	\$ 0.58	\$ 0.69
Start-up/transition expenses, net of tax	0.05	—	0.09	—
International bid and proposal expenses, net of tax	0.01	—	0.01	—
Net (income) loss attributable to non-controlling interests	0.01	—	0.01	—
M&A Related Expenses	—	0.02	0.06	0.02
<b>Diluted pro forma earnings per share</b>	<u>\$ 0.40</u>	<u>\$ 0.37</u>	<u>\$ 0.75</u>	<u>\$ 0.71</u>
<b>Weighted average common shares outstanding-diluted</b>	64,858	49,314	64,787	50,480

— More —

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**Business Segment Results**

The following table presents a summary of GEO's segment results for the second quarter and the first half of 2011 and 2010.

**Table 2. Business Segment Results**

(In thousands except Compensated Mandays and Revenue Producing Beds)

	13 Weeks Ended 3-Jul-11	13 Weeks Ended 4-Jul-10	26 Weeks Ended 3-Jul-11	26 Weeks Ended 4-Jul-10
<b>Revenues</b>				
U.S. Detention & Corrections	\$ 241,676	\$ 192,081	\$ 483,305	\$ 381,788
International Services	55,284	44,708	108,413	90,590
GEO Care	110,857	36,973	207,746	74,475
Construction	—	6,333	119	20,784
	<u>\$ 407,817</u>	<u>\$ 280,095</u>	<u>\$ 799,583</u>	<u>\$ 567,637</u>
<b>Operating Expenses</b>				
U.S. Detention & Corrections	\$ 173,979	\$ 138,376	\$ 346,903	\$ 275,237
International Services	52,413	40,881	101,062	84,485
GEO Care	82,229	31,523	159,926	63,887
Construction	23	6,136	39	19,639
	<u>\$ 308,644</u>	<u>\$ 216,916</u>	<u>\$ 607,930</u>	<u>\$ 443,248</u>
<b>Depreciation &amp; Amortization Expense</b>				
U.S. Detention & Corrections	\$ 13,326	\$ 8,177	\$ 26,254	\$ 16,083
International Services	548	420	1,077	855
GEO Care	7,182	877	12,527	1,774
Construction	—	—	—	—
	<u>\$ 21,056</u>	<u>\$ 9,474</u>	<u>\$ 39,858</u>	<u>\$ 18,712</u>
<b>Compensated Mandays</b>				
U.S. Detention & Corrections	4,328,053	3,525,400	8,635,697	6,981,799
International Services	641,958	617,617	1,292,335	1,240,795
GEO Care	491,257	188,404	974,030	377,811
	<u>5,461,268</u>	<u>4,331,421</u>	<u>10,902,062</u>	<u>8,600,405</u>
<b>Revenue Producing Beds</b>				
U.S. Detention & Corrections	50,419	40,685	50,419	40,685
International Services	6,932	6,787	6,932	6,787
GEO Care	6,180	2,157	6,180	2,157
	<u>63,531</u>	<u>49,629</u>	<u>63,531</u>	<u>49,629</u>
<b>Average Occupancy</b>				
U.S. Detention & Corrections	95.1%	95.3%	94.2%	94.3%
International Services	100.0%	100.0%	100.0%	100.0%
GEO Care	87.5%	96.0%	87.0%	96.2%
	94.9%	96.0%	94.1%	95.2%

— More —

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*U.S. Detention & Corrections*

For the second quarter of 2011, U.S. Detention & Corrections revenue increased by approximately \$49.6 million year-over-year. This revenue increase was driven primarily by GEO's acquisition of Cornell Companies, Inc. ("Cornell") in August 2010; the fourth quarter 2010 opening of the Blackwater Correctional Facility in Florida; and the activation of a new contract with the Federal Bureau of Prisons at the D. Ray James Correctional Facility in Georgia in October 2010. These factors were offset by the transition of managed-only contracts for the Graceville Correctional Facility and the Moore Haven Correctional Facility in Florida, and the Bridgeport Correctional Center, North Texas Intermediate Sanction Facility and South Texas Intermediate Sanction Facility in Texas.

*GEO Care*

For the second quarter of 2011, GEO Care revenue increased by approximately \$73.9 million year-over-year. This revenue increase was driven primarily by GEO's acquisitions of Cornell in August 2010 and BI Incorporated ("BI") in February 2011 as well as the activation of the 100-bed Montgomery County Mental Health Treatment Facility in Texas in March 2011.

*International Services*

For the second quarter of 2011, International Services revenue increased by approximately \$10.6 million year-over-year driven primarily by the opening of a 360-bed expansion at the Harmondsworth Immigration Removal Centre in the United Kingdom in July 2010 and positive foreign exchange rate fluctuations.

**Adjusted EBITDA**

Second quarter 2011 Adjusted EBITDA increased to \$81.7 million from \$47.4 million in the second quarter of 2010. For the first half of 2011, Adjusted EBITDA increased to \$154.8 million from \$93.7 million for the first half of 2010.

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 net income for the second quarter and the first half of 2011 and 2010.

— More —

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**Table 3. Reconciliation from Adjusted EBITDA to Net Income**

(In thousands)	13 Weeks Ended 3-Jul-11	13 Weeks Ended 4-Jul-10	26 Weeks Ended 3-Jul-11	26 Weeks Ended 4-Jul-10
<b>Net Income</b>	\$ 21,163	\$ 17,025	\$ 37,543	\$ 34,733
Interest expense, net	17,783	6,961	33,175	13,546
Income tax provision	12,879	10,192	22,659	21,013
Depreciation and amortization	21,056	9,474	39,858	18,712
Tax provision on equity in earnings of affiliate	563	437	1,587	1,223
<b>EBITDA</b>	\$ 73,444	\$ 44,089	\$ 134,822	\$ 89,227
<b>Adjustments, pre-tax</b>				
(Income) loss attributable to non-controlling interests	\$ 415	\$ (8)	\$ 825	\$ (44)
Stock Based Compensation	1,537	1,174	3,598	2,366
Start-up/transition expenses	4,996	—	8,563	—
International bid and proposal expenses	645	—	645	—
M&A Related Expenses	651	2,144	6,308	2,144
<b>Adjusted EBITDA</b>	\$ 81,688	\$ 47,399	\$ 154,761	\$ 93,693

**Adjusted Funds from Operations**

Adjusted Funds from Operations for the second quarter of 2011 increased to \$47.7 million compared to \$18.5 million for the second quarter of 2010. For the first half of 2011, Adjusted Funds from Operations increased to \$94.6 million from \$54.1 million for the first half of 2010.

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 Funds from Operations. The following table presents a reconciliation from Adjusted Funds from Operations to net income for the second quarter and the first half of 2011 and 2010.

**Table 4. Reconciliation of Adjusted Funds from Operations to Net Income**

(In thousands)	13 Weeks Ended 3-Jul-11	13 Weeks Ended 4-Jul-10	26 Weeks Ended 3-Jul-11	26 Weeks Ended 4-Jul-10
<b>Net Income</b>	\$ 21,163	\$ 17,025	\$ 37,543	\$ 34,733
Net (Income) loss attributable to non-controlling interests	415	(8)	825	(44)
Depreciation and Amortization	21,056	9,474	39,858	18,712
Income Tax Provision	12,879	10,192	22,659	21,013
Income Taxes Paid	(7,794)	(18,335)	(8,734)	(19,328)
Stock Based Compensation	1,537	1,174	3,598	2,366
Maintenance Capital Expenditures	(6,875)	(3,331)	(15,194)	(6,290)
Equity in Earnings of Affiliates, Net of Income Tax	(1,418)	(1,128)	(2,080)	(1,718)
Amortization of Debt Costs and Other Non-Cash Interest	415	1,270	641	2,542
Start-up/transition expenses	4,996	—	8,563	—
M&A Related Expenses	651	2,144	6,308	2,144
International bid and proposal expenses	645	—	645	—
<b>Adjusted Funds from Operations</b>	\$ 47,670	\$ 18,477	\$ 94,632	\$ 54,130

— More —

Contact: Pablo E. Paez  
Vice President, Corporate Relations

(866) 301 4436

**2011 Financial Guidance**

GEO issued revised financial guidance for 2011. GEO expects 2011 total revenues to be in the range of \$1.62 billion to \$1.63 billion. GEO expects 2011 pro forma earnings to be in a range of \$1.54 to \$1.58 per share, excluding acquisition-related expenses, start-up/transition expenses, and international bid and proposal costs.

GEO updated its 2011 guidance for Adjusted EBITDA to a range of \$320 million to \$325 million and its Adjusted Funds from Operations to a range of \$175 million to \$180 million, or \$2.70 to \$2.77 per share.

GEO's revised guidance assumes that the North Lake Correctional Facility continues to operate in a delayed start-up mode with the current population of 270 California inmates based on the recently approved budget for the California Department of Corrections and Rehabilitation.

GEO's revised guidance also assumes between \$1.0 million to \$1.5 million per quarter in additional business development and professional fees in the third and fourth quarters as GEO competes for a number of new business development opportunities, including a procurement issued by the State of Florida which entails the privatization of more than 16,000 beds in all correctional facilities, reception centers, work camps, and work release centers in a broad geographic region in South Florida, known as Region IV.

These two assumptions along with additional start-up/transition expenses related to the activation of GEO's Adelanto ICE Processing Center in California and GEO's Riverbend Correctional Facility in Georgia, which are now scheduled for September 2011 and December 2011 respectively, are the primary drivers of GEO's updated financial guidance.

GEO also issued financial guidance for the third and fourth quarters in 2011. GEO expects third quarter 2011 total revenues to be in the range of \$407 million to \$412 million. GEO expects third quarter 2011 pro forma earnings to be in a range of \$0.39 to \$0.41 per share, excluding \$0.06 to \$0.07 in after-tax start-up/transition expenses and international bid and proposal costs. GEO expects fourth quarter 2011 total revenues to be in the range of \$413 million to \$418 million. GEO expects fourth quarter 2011 pro forma earnings to be in a range of \$0.40 to \$0.42 per share, excluding \$0.06 to \$0.07 in after-tax start-up/transition expenses and international bid and proposal costs. GEO's third quarter and fourth quarter 2011 guidance assumes between \$1.0 million to \$1.5 million per quarter in additional business development and professional fees as discussed above.

**Conference Call Information**

GEO has scheduled a conference call and simultaneous webcast at 2:00 PM (Eastern Time) today to discuss GEO's second quarter 2011 financial results as well as its progress and outlook. The call-in number for the U.S. is 1-866-713-8564 and the international call-in number is 1-617-597-5312. The participant pass-code for the conference call is 43800366.

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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.geogroup.com](http://www.geogroup.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 3, 2011 at 1-888-286-8010 (U.S.) and 1-617-801-6888 (International). The pass-code for the telephonic replay is 54094773.

**About The GEO Group, Inc.**

The GEO Group, Inc. 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 the management and/or ownership of approximately 80,000 beds at 116 correctional, detention and residential treatment facilities, including projects under development.

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

Pro Forma Net Income, Adjusted EBITDA and Adjusted Funds From Operations are non-GAAP financial measures that are presented as supplemental disclosures.

Pro Forma Net Income is defined as net income adjusted for net (income) loss attributable to non-controlling interests, start-up/transition expenses, net of tax, international bid and proposal expenses, net of tax, and M&A-related expenses, net of tax. GEO believes that Pro Forma Net Income is useful to investors as it provides information about the performance of GEO's overall business because such measure eliminates the effects of certain unusual or non-recurring charges that are not directly attributable to GEO's underlying operating performance, it provides disclosure on the same basis as that used by GEO's management and it provides consistency in GEO's financial reporting and therefore continuity to investors for comparability purposes. GEO's management uses Pro Forma Net Income 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 EBITDA is defined as net income before net interest expense, income tax provision, depreciation and amortization, and tax provision on equity in earnings of affiliate, adjusted for (income) loss attributable to non-controlling interests, stock-based compensation, start-up/transition expenses, international bid and proposal expenses, and M&A-related expenses. GEO believes that Adjusted EBITDA is useful to investors as it provides information about the performance of GEO's overall business because such measure eliminates the effects of certain unusual or non-recurring charges that are not directly attributable to GEO's underlying operating performance, it provides disclosure on the same basis as that used by GEO's management and it provides consistency in GEO's financial reporting and therefore continuity to investors for comparability purposes. GEO's management uses Adjusted EBITDA 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.

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A reconciliation of these non-GAAP measures to the most directly comparable GAAP measurements of these items is included in Tables 1, 3 and 4, respectively.

#### Safe-Harbor Statement

*This press release contains forward-looking statements regarding future events and future performance of GEO that involve risks and uncertainties that could materially affect actual results, including statements regarding financial guidance for the third quarter 2011, fourth quarter 2011 and full year 2011, business development opportunities and expected fees and expenses related to these business development opportunities, our ability to maintain growth and strengthen contract relationships, our ability to meet the increasing demand for correctional, detention, and residential treatment services, and long-term growth prospects in our industry. 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 2011 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) the risk that the BI business will not be integrated successfully or that such integration may be more difficult, time-consuming or costly than expected; (4) the risk that the expected increased revenues resulting from the acquisition of Cornell and BI may not be fully realized or may take longer to realize than expected; (5) the risk that the cost synergies from the Cornell and BI transactions may not be fully realized or may take longer to realize than expected; (6) any difficulties encountered in maintaining relationships with customers, employees or suppliers as a result of the transactions with Cornell and BI; (7) GEO's ability to access the capital markets in the future on satisfactory terms or at all; (8) risks associated with GEO's ability to control operating costs associated with contract start-ups; (9) 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; (10) GEO's ability to win management contracts for which it has submitted proposals and to retain existing management contracts; (11) GEO's ability to obtain future financing on acceptable terms; (12) GEO's ability to sustain company-wide occupancy rates at its facilities; and (13) other factors contained in GEO's Securities and Exchange Commission filings, including the Form 10-K, 10-Q and 8-K reports.*

— More —

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Second quarter and first six months of 2011 financial tables to follow:

**THE GEO GROUP, INC.**  
**CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME**  
**FOR THE THIRTEEN AND TWENTY-SIX WEEKS ENDED**  
**JULY 3, 2011 AND JULY 4, 2010**  
(In thousands, except per share data)  
(UNAUDITED)

	Thirteen Weeks Ended		Twenty-six Weeks Ended	
	July 3, 2011	July 4, 2010	July 3, 2011	July 4, 2010
Revenues	\$ 407,817	\$ 280,095	\$ 799,583	\$ 567,637
Operating expenses	308,644	216,916	607,930	443,248
Depreciation and amortization	21,056	9,474	39,858	18,712
General and administrative expenses	27,710	20,655	60,498	38,103
Operating income	50,407	33,050	91,297	67,574
Interest income	1,629	1,486	3,198	2,715
Interest expense	(19,412)	(8,447)	(36,373)	(16,261)
Income before income taxes and equity in earnings of affiliate	32,624	26,089	58,122	54,028
Provision for income taxes	12,879	10,192	22,659	21,013
Equity in earnings of affiliate, net of income tax provision of \$563, \$437, \$1,587 and \$1,223	1,418	1,128	2,080	1,718
Net income	21,163	17,025	37,543	34,733
Net (income) loss attributable to noncontrolling interests	415	(8)	825	(44)
Net income attributable to The GEO Group, Inc.	<u>\$ 21,578</u>	<u>\$ 17,017</u>	<u>\$ 38,368</u>	<u>\$ 34,689</u>
Weighted-average common shares outstanding:				
Basic	64,455	48,776	64,373	49,743
Diluted	64,858	49,314	64,787	50,480
Income per Common Share Attributable to The GEO Group, Inc. — Basic	<u>\$ 0.33</u>	<u>\$ 0.35</u>	<u>\$ 0.60</u>	<u>\$ 0.70</u>
Income per Common Share Attributable to The GEO Group, Inc. — Diluted	<u>\$ 0.33</u>	<u>\$ 0.35</u>	<u>\$ 0.59</u>	<u>\$ 0.69</u>
Comprehensive income:				
Net income	\$ 21,163	\$ 17,025	\$ 37,543	\$ 34,733
Total other comprehensive income (loss), net of tax	497	(3,084)	802	(2,900)
Total comprehensive income	21,660	13,941	38,345	31,833
Comprehensive (income) loss attributable to noncontrolling interests	418	27	835	(28)
Comprehensive income attributable to The GEO Group, Inc.	<u>\$ 22,078</u>	<u>\$ 13,968</u>	<u>\$ 39,180</u>	<u>\$ 31,805</u>

— More —

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**THE GEO GROUP, INC.**  
**CONSOLIDATED BALANCE SHEETS**  
**JULY 3, 2011 AND JANUARY 2, 2011**  
(In thousands, except share data)

	<u>July 3, 2011</u> (Unaudited)	<u>January 2, 2011</u>
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 57,453	\$ 39,664
Restricted cash and investments (including VIEs <sup>1</sup> of \$31,749 and \$34,049, respectively)	38,734	41,150
Accounts receivable, less allowance for doubtful accounts of \$2,463 and \$1,308	283,702	275,778
Deferred income tax assets, net	47,983	32,126
Prepaid expenses and other current assets	24,272	36,377
Total current assets	<u>452,144</u>	<u>425,095</u>
<b>Restricted Cash and Investments</b> (including VIEs of \$41,465 and \$33,266, respectively)	63,819	49,492
<b>Property and Equipment, Net</b> (including VIEs of \$164,937 and \$167,209, respectively)	1,617,504	1,511,292
<b>Assets Held for Sale</b>	3,631	9,970
<b>Direct Finance Lease Receivable</b>	36,711	37,544
<b>Deferred Income Tax Assets, Net</b>	936	936
<b>Goodwill</b>	526,964	244,009
<b>Intangible Assets, Net</b>	204,973	87,813
<b>Other Non-Current Assets</b>	75,611	56,648
Total Assets	<u>\$2,982,293</u>	<u>\$ 2,422,799</u>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
<b>Current Liabilities</b>		
Accounts payable	\$ 81,457	\$ 73,880
Accrued payroll and related taxes	38,579	33,361
Accrued expenses	129,051	120,670
Current portion of capital lease obligations, long-term debt and non-recourse debt (including VIEs of \$19,570 and \$19,365, respectively)	50,563	41,574
Total current liabilities	<u>299,650</u>	<u>269,485</u>
<b>Deferred Income Tax Liabilities</b>	107,370	63,546
<b>Other Non-Current Liabilities</b>	63,405	46,862
<b>Capital Lease Obligations</b>	13,644	13,686
<b>Long-Term Debt</b>	1,234,193	798,336
<b>Non-Recourse Debt</b> (including VIEs of \$125,509 and \$132,078, respectively)	184,009	191,394
<b>Total shareholders' equity</b>	<u>1,080,022</u>	<u>1,039,490</u>
Total Liabilities and Shareholders' Equity	<u>\$2,982,293</u>	<u>\$ 2,422,799</u>

<sup>1</sup> Variable interest entities or "VIEs"

-End-

**Contact:** Pablo E. Paez  
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**CORPORATE PARTICIPANTS****Pablo Paez***Geo Group Inc — VP of Corporate Relations***George Zoley***Geo Group Inc — Chairman, CEO***Brian Evans***Geo Group Inc — SVP, CFO***John Hurley***Geo Group Inc — SVP North American Operations***Jorge Dominicis***Geo Group Inc — President of GEO Care***CONFERENCE CALL PARTICIPANTS****Kevin Campbell***Avondale Partners — Analyst***Jamie Sullivan***RBC Capital Markets — Analyst***Todd Van Fleet***First Analysis Securities — Analyst***Unidentified Participant***SunTrust Robinson Humphrey — Analyst***Clinton Fendley***Davenport & Company — Analyst***Chuck Ruff***Insight Investments — Analyst***Greg Weis***Unknown Company — Analyst***PRESENTATION****Operator**

Good day, ladies and gentlemen. Welcome to the second quarter 2011 GEO Group Inc earnings conference call. My name is Erika and I will be your Coordinator for today. At this time all participants are in a listen-only mode. We will be facilitating a question and answer session toward the end of this conference. (Operator Instructions)

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

**Pablo Paez — Geo Group Inc — VP of Corporate Relations**

Thank you, Operator. Good afternoon, everyone, and thank you for joining us for today's discussion of the GEO Group's second quarter 2011 earnings results. With us today is George Zoley, Chairman and Chief Executive Officer; Brian Evans, Chief Financial Officer; John Hurley, President of GEO Detention and Corrections; and Jorge Dominicis, President of GEO Care. This afternoon we will discuss our second-quarter performance and current business development activities. We will conclude the call with a question-and-answer session. This conference call is also being webcast live on our website at [www.geogroup.com](http://www.geogroup.com).

Today we will discuss non-GAAP basis information. A reconciliation from non-GAAP basis information to GAAP basis results is included in the press release we issued this morning. Additionally, much of the information we will discuss today, including the answers we give in response to your questions, may include forward-looking statements regarding our beliefs and current expectations with respect to various matters. These forward-looking statements are intended to fall within the Safe Harbor provisions of the securities laws. Our actual results may differ materially from those in the forward-looking statements as a result of various factors contained in our securities and exchange commission filings, including the Forms 10-K, 10-Q, and 8 K reports.

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

**George Zoley — Geo Group Inc — Chairman, CEO**

Thanks Pablo, and good afternoon to everyone. Thank you for joining us as we review our second-quarter results and provide an update of our business development efforts. We reported strong second-quarter results driven by the continued solid performance of our core operations in our 3 business units of US detentions and corrections, GEO Care, and international services. We have also updated our outlook and guidance for 2011 and provided our guidance for the third and fourth quarters.

Our updated outlook reflects additional business development and professional fees in the second half of the year in preparation for state of Florida's procurement for more than 16,000 beds, which it was issued last week and is expected to be awarded in the fourth quarter. This is the largest single contract procurement in the history of our industry, and we've taken what we believe are important steps to put our Company in a competitive position to pursue this unprecedented opportunity. Following my initial remarks, Brian will address our financial results and guidance in more detail.

During the quarter, we announced the signing of a 1300 bed contract for the housing of federal immigration detainees at are at Adelanto ICE Processing Center in California, which will be activated in two phases; 650 beds by September of this year, and another 650 beds in August of 2012. Additionally, we continue to work towards the activation of two new projects in the United Kingdom. Our wholly owned subsidiary GEO UK was awarded a contract by the border agency for the management of the Dungavel Immigration Center in Scotland, and our newly formed joint venture, GEO Amey PECS, was awarded contracts by the Ministry of Justice for the provision of prisoner escort and custody services in England and Wales.

These important contracts mark a significant milestone for GEO as we expand our presence in the US Federal market as well as the UK market where we have now been appointed a crown representative further enhancing our ability to market our services in the UK. Now I would like to turn the call over to Brian for our financial review. Thank you.

**Brian Evans — Geo Group Inc — SVP, CFO**

Thank you, George. Good afternoon, everyone. As George stated, we reported strong quarterly pro forma EPS at \$0.40, ahead of the \$0.37 per share we reported in the second quarter a year ago. Our second-quarter pro forma EPS excludes \$0.06 per share in after-tax startup and transition expenses and international bid and proposal cost, and \$0.01 per share in M&A related expenses. Our second-quarter G&A expense reflects corporate expenses related to the transition and activation of new prisoner escort contracts in the UK during August of this year. Our total revenues for the quarter increased to \$408 million from \$280 million a year ago.

Breaking down each of our reporting segments, our US detention and corrections second order revenues increased to \$242 million from \$192 million one year ago. In comparison to second-quarter 2010, our second-quarter 2011 revenues do not include the managed only contracts for the Grace Fillmore Haven facilities in Florida, and the Bridgeport North Texas and South Texas intermediate sanction facilities in Texas, which were discontinued in the third quarter 2010. These facility discontinuations were offset by the activation of our new contract with the Bureau of Prisons at our D. Ray James facility in Georgia and the activation of the managed only Blackwater River facility in Florida, both of which began in the fourth quarter of 2010.

GEO Care second-quarter revenues increased to \$111 million from \$37 million for last year's second quarter. Our GEO Care's 2011 second-quarter revenues reflect the activation of the new 100 bed Montgomery, Texas facility in March of this year. Our international services revenues for the quarter increased at \$55 million from \$45 million one year ago. This revenue increase was primarily driven by the expansions of the Harmondsworth facility in the UK in July of 2010 as well as favorable foreign exchange rates.

Finally, we did not have any construction revenues during the quarter. Company-wide, our adjusted EBITDA for the first quarter grew to approximately \$82 million from \$47 million last year. Additionally, we reported adjusted funds from operations of approximately \$48 million compared to approximately \$18 million for the same period last year.

Moving to our financial guidance for 2011. As disclosed in our press release, we have updated our guidance for 2011 to tighten our previously issued ranges and have provided our guidance for the third and fourth quarters. We have revised our 2011 pro forma earnings to a range of \$1.54 to \$1.58 per share excluding startup and transition expenses, international bid and proposal costs, and transaction expenses for the BI and Cornell acquisitions. Our revenues for 2011 are now expected to be in the range of \$1.62 billion to \$1.63 billion.

We have updated our 2011 adjusted EBITDA guidance to a range of \$320 million to \$325 million, and our 2011 adjusted funds from operations guidance to a range of \$175 million to \$180 million, or \$2.70 to \$2.77 per share. As George mentioned, our revised guidance assumes additional business development and professional fees in the second half of this year in preparation for the state of Florida's procurement for more than 16,000 beds which was issued last week and is expected to be awarded in the fourth quarter. This is an unprecedented opportunity in our industry, and we now expect to incur between \$1 million and \$1.5 million per quarter in the second half of this year for additional business development and professional fees.

Additionally, we have assumed that our contract with the California Department of Corrections and Rehabilitation at our North Lake Michigan facility continues to operate in the delayed start up mode with its current population of 270 inmates based on the funding provided in the recently approved budget for CDCR. These two assumptions, along with additional startup expenses for our Adelanto, California ICE Processing Center and our new 1500 bed River Bend Correctional Facility in Georgia, both of which are not expected to be activated in September and December 2011 respectively, are the primary drivers for our updated financial guidance.

We have also issued our guidance for the third and fourth quarters. We expect pro forma earnings for the third quarter to be in a range of \$0.39 to \$0.41 per share excluding \$0.06 to \$0.07 in your startup and transition expenses and international bid costs. Our total revenues for the third quarter are expected to be a range of \$407 million to \$412 million. We expect pro forma earnings for the fourth quarter to be in the range of \$0.40 to \$0.42 per share, excluding \$0.06 to \$0.07 in startup and transition expenses in international bid costs. Our total revenues for the fourth quarter are expected to be in a range of \$413 million to \$418 million. As I previously stated, our third and fourth quarter guidance reflects between \$1 million and \$1.5 million per quarter in additional business development and professional fees related to the new opportunity in Florida.

Turning to our capital availability, Capital Expenditures, and our recently announced stock buyback program. We currently have approximately \$210 million in outstanding borrowings, plus approximately \$70 million set aside for letters of credit under our \$500 million revolver, leaving approximately \$220 million in available capacity. With our available capacity, our \$57 million in cash on hand, and strong free cash flows, we believe we are well positioned to continue to pursue future growth opportunities. We expect to have liquidity of more than \$500 million over a 2-year period.

With regards to our current capital projects, we presently have 4 projects under development totaling more than 3900 beds that will require approximately \$155 million in capital expenditures between the third quarter 2011 and early 2012 to be completed. While we continue to believe that the best use of our company capital remains in new organic growth opportunities, we also recognize that we may be able to enhance our shareholder's value with the repurchase of our common shares, at times when we believe our stock is undervalued in the market and the expected returns of the stock buyback program meet or exceed our targeted returns on invested capital. To that end, our Board has authorized a stock buyback program of up to \$100 million effective through the end of 2012. We expect to implement this program with an opportunistic strategy that maximizes the expected returns for our shareholders and does not impede our Company's continued growth prospects.

With that, I will turn the call to John Hurley for an update on GEO Detention and Corrections. John?

**John Hurley — Geo Group Inc — SVP North American Operations**

Thank you, Brian, and good afternoon, everyone. I'd like to address our business developed efforts for the GEO Detention and Correction's. I will start with the federal market segment and the three federal government agencies that we serve, the Federal Bureau of Prisons, the United States Marshal Service, and Immigration Customs Enforcement, or ICE.

The continued growth in the criminal alien population as well as the consolidation of existing detaining populations from small facilities that often fail to meet agency standards, and to the larger compliant facilities will continue to drive the need for federal beds based across the country. With regards to our current projects under development at the federal level, we are undertaking the construction of a new 600 bed civil detention

center in Karnes County, Texas, procured under an intergovernmental agreement between Karnes County and ICE. This \$32 million Company owned facility is expected to be completed during the first quarter of 2012 and is expected to generate approximately \$15 million in annualized revenues for GEO.

As George mentioned, in California, we were recently awarded a 1300 bed contract for the housing of immigration detainees at our Adelanto ICE processing center. We have completed a \$22 million renovation at our 650 bed Adelanto Processing Center East which we had acquired from the city of Adelanto in 2010 or approximately \$28 million. We are also investing approximately \$70 million to develop a 650 bed expansion to be located on land immediately adjacent to the existing center, bringing the total capacity of the center to 1300 beds. The initial intake at the existing center is expected to begin by September 1, 2011, and the new 650 bed expansion is expected to be completed by August of 2012. At the full occupancy level of 1300 beds, the center is expected to generate approximately \$42 million in annualized revenues.

With regard to existing federal contract rebids, ICE has issued a rebid notice for our Company owned 1904 beds South Texas Detention Complex in Pearsall, Texas. The solicitation calls for an existing facility with a minimum capacity to house 1800 detainees and which has to be located within 30 miles of interstate 35 between San Antonio and Laredo. We expect an award decision later this year. ICE has also issued a solicitation for the rebid of our Aurora, Colorado facility increasing the capacity to 525 beds from 432, and this would be under a new ten-year contract inclusive of all renewal option periods. We expect an award to be announced in the second half of this year.

As we have previously noted, our federal contracts have increasingly longer terms of 5, 10, and even 20 years when accounting for all renewal option periods. As a result of this trend, most of our major owned or leased facilities housing federal populations, will not be up for rebid for several years, which limit our exposure to contract rebids in any given year.

Turning to other federal procurement, the Bureau of Prisons has requested proposals under its CAR-12 procurement for 1750 beds, which is a rebid of an existing private facility. Under this procurement, facilities can be located anywhere in the United States with an award expected in the third quarter of this year.

Now I would like to turn to the state market segment. While states continue to face budgetary constraints we believe that state opportunities outweigh any potential near-term challenges. Many of our 12 state clients require additional beds as inmate populations continue to increase, and aging inefficient prisons need to be replaced with new more cost effective — efficient facilities. As states across the country face budgetary pressures, their ability to achieve cost savings becomes an even more important priority, which leads to increased interest in prison privatization projects.

With regard to our current projects under development at the state level, we are currently constructing a 512 bed expansion at the New Castle Correctional Facility under an agreement with the Indiana Department of Corrections. We are funding this \$21 million expansion, which is expected to open the second quarter of 2012. This expansion is expected to achieve an additional \$8 million in operating revenues with profit margins consistent with other GEO owned facilities.

In Georgia, we are currently developing the new 1500 bed River Bend Correctional Facility under a contract with the Georgia Department of Corrections. Under the terms of our contract with the Georgia DOC, GEO will finance, build, and operate the new \$80 million prison on a state owned site under a 40-year ground lease. We expect the 1500 bed facility to generate approximately \$28 million in annualized operating revenues once it is completed in December of this year.

Before I discuss our new business development opportunities at the state level, I'd like to address a recent announcement regarding the state of California. As we announced in early July, the state of California has decided to implement its criminal justice realignment plan, which is expected to delegate tens of thousands of low-level state offenders to local county jurisdictions in California effective October 1, 2011. The state has therefore decided to discontinue contracts with community correctional facilities which currently house low-level state offenders. Per our previous announcement, CDCR will discontinue three GEO facilities. The Company leased 305 bed Leo Chesney Community Correctional Facility by September 30, 2011. And the Company owned 643 bed Desert View Modified Community Correctional Facility and 625 beds Central Valley Modified Correctional Community Facility by November 30, 2011.

As we have previously disclosed, we are in the process of actively marketing these facilities to local county agencies in California. Given that most local county jurisdictions in California are presently operating at or above their correctional capacity, we are hopeful that we will be able to market these facilities through local county agencies for the housing of low-level offenders who will not be their responsibility. Additionally, as Brian discussed, at the present time we expect our contract at the North Lake Michigan Facility to continue to operate in a delayed startup mode with its current population of 270 inmates, based on the funding provided in the recently approved a budget for CDCR.

Turning now to new state solicitations, we are very excited about the new growth opportunities we are currently pursuing. States of Arizona, Ohio, and Florida have pending procurements which total approximately 28,000 beds. These procurements are unprecedented in our industry and will be decided between late August and mid November of this year. The state of Arizona has a pending RFP for 5000 in-state beds. Our proposal, involving 2 state owned sites, has been short-listed in the state has scheduled our two public hearings for August 10, 2011 and August 16, 2011 with contract award expected by the end of the third quarter.

In Ohio, the Department of administrative services has issued an RFP for the purchase and operation of 5 facilities totaling approximately 6500 bed. The RFP has been structured in three packages which group facilities by geographical location. Bidders could submit proposals for one, two, or all three of the packages. Proposals under this procurement were submitted in late June, and we expect upwards to be announced in late August 2011.

As George and Brian mentioned, the state of Florida issued an RFP last week for the management and operation of all correctional facilities in a broad geographic region known as region 4, which encompasses 29 facilities totaling more than 16,000 beds. This significant project is indicative of Florida's desire to bundle services for better value and improve the quality of services across the entire corrections spectrum. The procurement will be awarded under a single contract which envisions improved delivery of rehabilitation programs aimed at reducing recidivism with the contract start date of January 1, 2012.

This is truly an unprecedented opportunity in our industry. For the first time, a significant portion of correctional services in a broad geographic region will be privatized through a continuum of care, which is expected to deliver performance-based outcomes while maximizing cost savings for taxpayers. Under the RFP, the successful bidder will be responsible for managing all correctional facilities, reception centers, work camps, and community-based work release centers in South Florida. The contractor's performance will be in part measured by the successful implementation of inmate rehabilitation and reintegration programs which reduce offender recidivism overtime.

Given our existing diversified platform of correctional, mental health, and treatment services, we believe GEO is uniquely positioned for this Florida initiative. Let me reiterate. This is a very important milestone for our industry, and we are hopeful that additional opportunities such as this will develop at the state level over the coming years as states across the country look for ways to maximize savings and improve offender rehabilitation.

Next, I'd like to update you on our international business development efforts. We are currently in the process of activating our new contracts with the Ministry of Justice in the United Kingdom for the provision of prisoner escort and custody services in all of Wales and England, except London and the East of England, under our new joint venture, GEO Amey PECS. Our new GEO Amey joint venture will employ approximately 3000 professionals responsible for over 460 vehicles and more than 2600 daily offender movements. These contracts are expected to have an annual revenue value of approximately \$150 million. Additionally, our GEO UK subsidiary is preparing to assume management of the 217 bed Dungavel House Immigration Facility effectively late September of this year. This new contract is expected to have an annual revenue value of approximately \$8 million.

As a result of these important contract awards, GEO has been assigned a crown representative from the UK government, marking a significant milestone in our efforts to grow our business presence in the UK market, which we believe will present additional growth opportunities in the near future. Specifically, the Ministry of Justice has announced a new privatization plan in telling 9 existing facilities, which total approximately 6000 beds. We expect an RFP to be issued in the near future with a contract awards sometimes next year.

In South Africa, you may recall, that the Department of Correctional Services, or DCS, is moving forward with this plan to privatize the development and operation of 4 new 3000 bed prisons. We expect a decision in the fourth quarter of this year. In New Zealand, the government has issued a procurement for the design, financing, construction, and management of a new 960 bed prison. We were previously short-listed to proceed to the next round under this procurement and have now submitted our response. We expect the contract award to be announced by mid February next year.

As you can see, we are actively pursuing several meaningful opportunities in each of our core markets, and we remain optimistic about our industry and are enthusiastic about our position within that industry. At this time, I will turn the call over to Jorge Dominicus for a review of GEO Care.

**Jorge Dominicus — Geo Group Inc — President of GEO Care**

Thanks, John. Good afternoon to everyone. Each of our GEO Care divisions is pursuing several new growth opportunities. As you may remember, our Residential Treatment Services Division achieved a significant milestone with the activation of the 100 bed Montgomery county [mental] treatment facility in Texas, which is expected to generate approximately \$12.5 million in annualized revenues. The opening of this facility marks our entry into the mental health market in Texas, which we believe may provide additional growth opportunities. In fact, the recently approved budget directs the state to privatize another Texas state hospital, which could represent between 200 beds and 300 beds.

In addition to Texas, several states, including Georgia, Louisiana, South Carolina, North Carolina, Pennsylvania, Virginia, and others have indicated the desire to privatize one or more of their state psychiatric hospitals. In North Carolina, the state has issued an RFP for a 90 bed forensic hospital, which is expected to be awarded in the fourth quarter. In Virginia, we recently submitted an unsolicited proposal for the management of the state's Sexually Violent Predator Facility, involving around 250 beds. We expect the state to make a final decision on this proposal later in the year. As you can see, we have a number of new opportunities in the residential treatment services market.

Our community-based services division is also pursuing a number of new business development opportunities. Federal Bureau of Prisons is expected to issue several formal solicitations for community-based reentry centers across the country. Additionally, we are working with our existing local and state correctional clients to leverage new opportunities in the provision of community-based reentry services in both residential facilities as well as nonresidential Day Reporting Center's.

Our Youth Services division continues to work toward maximizing the utilization of our existing asset base. We have a number of initiatives underway to increase the utilization of some of our largest youth service facilities working with our clients in states like Pennsylvania, Ohio, Illinois, Texas, and Colorado. We are very optimistic that these efforts will maximize the utilization of our Youth Service facilities, thus, improving our overall financial performance.

Finally, our BI subsidiary continues to successfully market its supervision and electronic monitoring services to local state and federal correctional agencies nationwide. BI is the world's largest electronic monitoring service provider with approximately 60,000 individuals under supervision. We expect a number of correctional agencies across the US to increase the use of electronic monitoring technologies to supervise offenders who have been placed under community supervision.

Before I turn the call back to George, let me briefly reiterate that we are very excited about the RFP that was recently issued by Florida. This opportunity represents a groundbreaking approach, which will bring together under one contract the provision of all correctional services including adult and juvenile correctional management as well as community-based facilities and reentry services.

At this time I'd like to turn the call back to George for closing remarks. George?

**George Zoley — Geo Group Inc — Chairman, CEO**

Thanks, Jorge. We are very pleased with our strong second-quarter results as well as our continued efforts to grow our Company in each of our business segments. Because of our recent acquisitions of Cornell and BI, we are currently pursuing opportunities in all 50 states in the US and internationally, which represent approximately 50,000 new correctional beds as well as other growth opportunities in community-based reentry and supervision services. This is the most active business development market we've ever seen.

As you've heard today, the GEO group continues to execute on multiple growth initiatives which we believe will increase shareholder value from the continued aggressive pursuit of these organic growth opportunities to strategic diversification efforts as well as the implementation of a \$100 million stock buyback program which will, we believe, enhance shareholder value. As I've expressed to you in the past, we view all of these initiatives as complementary and none pursuant to the detriment of the other.

And as we've discussed today, we are currently developing close to 4000 new beds for activation in 2012, which we believe represents more beds under development than any other correctional operator, public or private. All of these new beds are being built for known customers under signed management agreements that will bring our total on beds to approximately 40,000 with an asset book value of approximately \$1.7 billion.

I'm also pleased to see that we are increasingly pursuing larger opportunities from the \$150 million prisoner escort and custody services contract in the UK, to the privatization of all correctional services in a broad geographic region in Florida, totaling more than 16,000 beds. Florida's privatization effort represents a ground breaking approach which combines not only the traditional correctional management services, but for the

first time, performance-based benchmarks that will be achieved through a continuum of correctional care. We believe that our diversified growth and investment strategy has positioned GEO as a leading provider of corrections, detentions, and treatment services through a continuum of care that can deliver performance-based outcomes at significant cost savings for our clients worldwide.

As we discussed today, we've taken additional steps to invest in business development and professional service capabilities. While these investments will result in near-term expense in the next two quarters, we believe they will better position GEO to compete for opportunities such as the procurement of Florida. We are hopeful that additional large opportunities involving the provision of all correctional services and broad geographic regions will develop in additional states and countries over the coming years. These opportunities will likely entail assuming the management of existing public facilities with revenues and earnings being generated from day one and without the development of significant levels of invested capital.

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

## **QUESTION AND ANSWER**

### **Operator**

(Operator Instructions) Our first question comes from the line of Kevin Campbell with Avondale partners. Please proceed.

### **Kevin Campbell — Avondale Partners — Analyst**

Good afternoon. Thanks for taking my question. I just wanted to start with these business development expenses, and maybe you could comment about, you know, what would happen if Florida were awarded to a competitor, what would happen with those expenses? Do you — would you anticipate to continue those infrastructure expenses because they would help you with future bids? Or would you expect them to go away if you're not successful in Florida?

### **George Zoley — Geo Group Inc — Chairman, CEO**

Well, I think some portion, maybe half the portion, are one-time expenses, the other portion are our expenses in development of infrastructure that we believe would be applicable to other procurements. Very possibly existing services with existing clients.

### **Kevin Campbell — Avondale Partners — Analyst**

Okay, great. And as we think about — sorry, I'm going to jump around a little bit. The community correctional facilities in California, can you give us a sense of the conversations you are having with the counties at this point? Are they expressing an interest? Are they going to wait and see how realignment plays out and see if there is actually this influx of inmates? Can you give some color around that at this point?

### **George Zoley — Geo Group Inc — Chairman, CEO**

Yes. We've begun our marketing to not only local counties but also to federal agencies. It is still in the early stages. We only received a notice very recently in the past couple of weeks, so we had to take a practical decision on how to model the financial performance in the third and fourth quarters, the earnings guidance, and we took the conservative position and assume that the closure of those facilities. You know, in a two-week period, it's not really been possible to, you know, sign up replacement clients, but there is definitely an interest by both the federal agencies and neighboring communities where our facilities are located in the state of California. You know, it is a state that — in which the state of California needs tens of thousands of beds, and it's also a state where the federal agencies have needed beds as well. So we think we are well-positioned by virtue of location, location, location that eventually these facilities will be contract with successor clients, but we can't say as we sit here today two weeks after the termination as to who those clients are going to be.

**Kevin Campbell — Avondale Partners — Analyst**

Sure. Okay. That's helpful. Maybe, Jorge, could talk about the pipeline for GEO Care. You might have mentioned this, but I, and maybe I just missed it but I didn't hear you talk about South Carolina or Pennsylvania. Are those still opportunities?

**Jorge Dominicus — Geo Group Inc — President of GEO Care**

Just, they are, as a matter of fact. In South Carolina, there was an RFP that was issued and it was canceled. We expect that it will be reissued in some form. And in Pennsylvania the governor's budget actually contained language to privatize both of their forensic facilities. That did not happen during this session, but I understand that there is a commission that's going to be established to study globally privatization, and this is going to be one of the items that that commission is going to review. And I think that there is a general consensus that started to form that this is one of those areas that definitely the private sector should partner with the government in delivering that service.

**Kevin Campbell — Avondale Partners — Analyst**

Okay. And in your prepared remarks, I heard Texas, North Carolina, Virginia. Was that right?

**Jorge Dominicus — Geo Group Inc — President of GEO Care**

Yes.

**Kevin Campbell — Avondale Partners — Analyst**

Okay. Great. A couple of quick modeling question. Start up expenses as we look into next year, are any of the Georgia expenses going to bleed into the first quarter? Or is it really just going to be sot of Adelanto and Karnes and New Castle for next year?

**Brian Evans — Geo Group Inc — SVP, CFO**

For the most part, it would be the three that you mention. There might be a tiny bit of bleeding into the first quarter, but we think most of those will be incurred in the fourth quarter. The staff would be brought on and the facility will open up in December. There will be a little bit of ramp up time, but I think most of it will be in the fourth quarter this year.

**Jamie Sullivan — RBC Capital Markets — Analyst**

Okay. And then the capitalized interest in the quarter?

**Brian Evans — Geo Group Inc — SVP, CFO**

Was about \$600,000. In Q2.

**Kevin Campbell — Avondale Partners — Analyst**

Okay. And then last question and I will jump off. The equity and earnings of affiliate, \$1.4 million, I think in the quarter. Is that sort of the run rate we should use? It was up from the first quarter, but I know it's been at that level before in the past. So I'm just trying to get a handle on maybe what that number should be and especially in light of the GEO Amey contract starting to ramp. Should that grow? Or should it be flat this year because you have start up expenses, et cetera?



**Brian Evans — Geo Group Inc — SVP, CFO**

I think it will be flat this year. There will probably be some reduction in the third quarter as we start up the joint venture operation, and then going into fourth quarter it should stabilize out some. So it's really going to be moving around a little bit, I think, during this year. But the South Africa contribution to it should be like \$1.25 million to \$1.5 million per quarter. \$1.25 million to \$1.5 million per quarter.

**Kevin Campbell — Avondale Partners — Analyst**

Okay, great. Thank you very much.

**Operator**

Your next question comes from the line of Todd Van Fleet the First Analysis. Please proceed.

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

Good afternoon. I just was hoping maybe somebody could remind me what the different moving pieces are that are impacting the September quarter in terms of contracts starting and stopping, that sort of thing?

**Brian Evans — Geo Group Inc — SVP, CFO**

Well, the two main contracts that are starting in the September quarter are the PECS contract in the UK and the Karnes — no, Adelanto facility in California. Those are the two start ups. And then the facility — there are no facility terminations in the third quarter, although the Leo Chesney facility in California, that contract expires at the end of the third quarter, so it will be a fourth-quarter impact primarily.

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

Right. So the — what was the revenue attached to both the UK and the Adelanto initially, Brian?

**Brian Evans — Geo Group Inc — SVP, CFO**

The revenue associated with the project in the UK, remember, will go through the equity earnings line. It won't be any revenue. We'll just report that our 50% share, the net earnings, but the revenue associated with that project is about \$150 million US. And then the Adelanto facility, I believe, is around \$20 million to \$22 million.

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

Right. Right. Okay. So I guess that's, so you're looking at \$408 million in the June quarter, and then really the one moving piece which is Adelanto, revenue wise in the September quarter. I guess I'm just wondering why the revenue performance isn't stronger in —?

**Brian Evans — Geo Group Inc — SVP, CFO**

No, I mean, when you look at the fourth quarter, there's a number of factors affecting revenue in fourth quarter. There's the full quarterly impact of the Leo Chesney facility being canceled.

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

Right. Right. I guess I'm thinking more to Q3.

**Brian Evans — Geo Group Inc — SVP, CFO**

Okay.

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

So if it is \$408 million in the June quarter, you've got revenue coming on in September. I believe the guidance is, what, \$405 million to \$410 million in Q3 for revenue?

**George Zoley — Geo Group Inc — Chairman, CEO**

The revenue — I think that's a 90 day startup.

**John Hurley — Geo Group Inc — SVP North American Operations**

90 day starter.

**George Zoley — Geo Group Inc — Chairman, CEO**

Yes.

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

I had like two months, two months or three months included in the model. But I guess regardless is there — I guess I'm just trying to understand what would cause the revenue to decline sequentially, or at least stay relatively flat if Adelanto is call it even \$2 million or \$3 million.

**Brian Evans — Geo Group Inc — SVP, CFO**

Todd, the other piece is as we look at California contracts, we expect that those facilities, which were nearly fully utilized, that the customer will move them more to the minimum guarantee level so there is a reflection of that in the third quarter. That process has already started, and then the Adelanto facility, as George mentioned, is only going to be open for one month in the third quarter, and it's ramping up during that month. So I think the two net out.

And in the Baldwin, Michigan facility, also, we expected to ramp up during the quarter. And that staying flat at 270 beds. So when you net the moving pieces related to the changes in the California contracts, plus adding in Adelanto, that's, those are the primary drivers during the quarter on the revenue.

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

Yes, okay. All right. Maybe I will follow-up with you off-line, Brian. The, on the, what is it, the equity income line in the UK contract, you said we could see a step down in that related to the start up of that deal? Right, because that project starts up during third quarter. Right, right. Okay. Let me ask you just about the general cost pressures you might be seeing operationally; wages and so forth. It's — I'm just wondering how do you feel about the balance between pricing increases that you are getting at state and federal levels on a blended basis versus the cost pressures that you might be seeing overall across the system for the various issues that would impact the cost; utilities, healthcare, you know, wages, and so forth?

**Brian Evans — Geo Group Inc — SVP, CFO**

I don't think that's been a material issue this year in our financial performance.

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

It's not something you are expecting to have a bit of, a bit more difficulty with moving forward, or —?

**Brian Evans — *Geo Group Inc — SVP, CFO***

No, the primary impact in past years has been turnover, because of a very strong previous economy which we are no longer in. You know, we keep looking at our turnover numbers going down considerably, and — which saves on training costs. And those are big numbers, which we don't really talk about very often, but they are numbers that impact overtime, and training costs, and recruitment costs. You know, that has been a very substantially reduced because of the depressed economy.

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

And on the health care front, though, if healthcare is — maybe you can share what percentage of the talk of operating base is healthcare. But are you seeing the high single-digit increases they are?

**Jorge Dominicus — *Geo Group Inc — President of GEO Care***

No. Health care isn't experiencing those kind of increases, and I think, you know, all companies are becoming more adept at dealing with those issues. We have I think better systems today than we have ever had to manage the care that we deliver in our facilities.

**Brian Evans — *Geo Group Inc — SVP, CFO***

Yes, I think on the employee healthcare side as well, our average cost per employee for healthcare and the average total cost is well below the national average. We have a younger, typically younger workforce, and we've been able to implement a number of different programs that have helped to keep the rate of increase, or rate of growth, very modest for our Company.

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

Okay. Very good. Thank you.

**Operator**

Your next question comes from the line of Tobey Sommer with SunTrust. Please proceed.

**Frank Atkins — *SunTrust Robinson Humphrey — Analyst***

Hi, this is Frank in for Tobey. I wanted to ask you a little bit about pricing, just going a little deeper in terms. Anything changing on the federal level? We've heard from peers that there are some changes there, and then I guess you've touched a little bit about the state level, but any other color would be great.

**Brian Evans — *Geo Group Inc — SVP, CFO***

I guess our federal clients are a bit different. I don't think there's been any changes amongst the Marshal services. The services that we are asked to provide have remain essentially the same, and our praise consistent, as in prior years. I think the same goes for the BOP.

ICE is probably the most different in the sense that in some locations they are asking for an upgrade to the most recent design in operating standards which requires more space in physical plant, more staffing, and to provide those services that they want. So I would say in general the pricing for ICE projects in certain locations has gone up because of the desire to upgrade to the new national standards.

**Frank Atkins — SunTrust Robinson Humphrey — Analyst**

Okay, great. And then construction revenue for the back half of the year. Forecast there?

**Brian Evans — Geo Group Inc — SVP, CFO**

None.

**Frank Atkins — SunTrust Robinson Humphrey — Analyst**

All right, great. Thank you very much.

**Operator**

(Operator Instructions) Our next question comes from the line of Clint Fendley with Davenport. Please proceed.

**Clinton Fendley — Davenport & Company — Analyst**

Thank you. Good afternoon, gentlemen. I wondered how we should think about the ramp up of the North Lake Facility in 2012. I believe the expectation was that we would have about 1000 inmates by the middle of next year. Should we still plan on that currently?

**George Zoley — Geo Group Inc — Chairman, CEO**

Well, I don't think they've given such a forecast for 2012. You know, we are looking at the current situation. We are exploring all options. You know, are we comfortable staying at 270? No. And we are looking at different options to get us beyond that.

**Clinton Fendley — Davenport & Company — Analyst**

Okay. Thank you. And I guess on the Florida, obviously, this is a very big move by the state here aimed at reducing the recidivism. I'm just wondering, assuming that the private sector is successful with the state, what is the prospect here that other regions could be privatized next year as well?

**George Zoley — Geo Group Inc — Chairman, CEO**

I think that's a very likely prospect in other states around the country as well as other countries, like the UK, Australia, who have an interest not only in reducing costs but also in proving the effectiveness of rehabilitation toward reducing recidivism.

**Clinton Fendley — Davenport & Company — Analyst**

Do you think it's possible for further privatization even within Florida as well?

**George Zoley — Geo Group Inc — Chairman, CEO**

Yes. I think maybe it will take another year before this legislature feels adequately comfortable in that the current privatization is working properly, effectively, but I think there is still interest in Florida for increased privatization if this one region is effectively demonstrated. You know, the next opportunities for other states will be in the next legislative cycle which may not be until the beginning of next year.

**Clinton Fendley — Davenport & Company — Analyst**

Right. Absolutely. Thank you.

**Operator**

Our next question comes from the line of Chuck Ruff with Insight Investments. Please proceed.

**Chuck Ruff — Insight Investments — Analyst**

Can you talk a little bit about the preparational of challenge of a contract like the Florida procurement? It would seem to be a very difficult thing to ramp up to handle 29 facilities that quickly.

**George Zoley — Geo Group Inc — Chairman, CEO**

Actually, we had very close prior experience to that when we took over the Cornell companies. So maybe we are in a unique position in that respect, but we took over, I think approximately 60 facilities in total on the same day, and we had a very extensive recruitment effort to meet with the staff, understand the operations, the physical plant issues, the client contracts, client relationships. We did it very successfully.

**Chuck Ruff — Insight Investments — Analyst**

Okay. I would think this would be quite a bit different in that Cornell was already a for-profit corporation where coming in to do this with Florida is clearly not a for-profit operation. Is it that much different, or not?

**George Zoley — Geo Group Inc — Chairman, CEO**

I don't think that really has much of a bearing on it all. You know, one favorable attribute is the location of facilities. They are all in our home state versus spread around the country as Cornell was. And it's really a matter of understanding the physical plant, the operating structure, the offender profile, and the number of staff, and the responsibilities in mission of that particular facility.

**Chuck Ruff — Insight Investments — Analyst**

Okay. Interesting. And a different subject, can you give us a feel for how much CapEx you expect to fall into 2011 and how much will fall into 2012?

**Brian Evans — Geo Group Inc — SVP, CFO**

Right now, I think there's about \$150 million or so left. The bulk of it will happen in 2011 and maybe another \$20 million to \$30 million in 2012.

**Chuck Ruff — Insight Investments — Analyst**

And that's just growth CapEx, not maintenance — maintenance CapEx is on top of that?

**Brian Evans — Geo Group Inc — SVP, CFO**

Maintenance CapEx is on top of that. That's right.

**Chuck Ruff — *Insight Investments — Analyst***

Okay. So the \$150 million left, you are saying \$120 million to \$130 million of that is in the second half for growth CapEx?

**Brian Evans — *Geo Group Inc — SVP, CFO***

That's correct.

**Chuck Ruff — *Insight Investments — Analyst***

Okay. I got it. Thank you.

**Operator**

Our next question comes from the line of Greg Weis with (inaudible). Please proceed.

**Greg Weis — *Unknown Company — Analyst***

Hi, guys. You guys recently announced, as you mentioned, the buyback. I'm just wondering, you know the stock having sold off so much, and you highlighted, you know, the bus pipeline of RFPs, et cetera. Can you, have you, I mean, a little more color of how you expect to act with the buyback here? Or have you start buying back stock?

**Brian Evans — *Geo Group Inc — SVP, CFO***

Well, we are in a blackout right now, so we announced the program during a blackout, so we can't implement the program. I think what we have said is we are going to look at it until —

**George Zoley — *Geo Group Inc — Chairman, CEO***

Two days after our earnings.

**Brian Evans — *Geo Group Inc — SVP, CFO***

Right, before we can implement it and start. And we are going to look at it opportunistically as I indicated based on the stock price and our capital need. But, given our current capital requirements and stuff, we feel that the amount of the buy back that we announced over through the period of 2012 is a prudent and executable amount.

**Greg Weis — *Unknown Company — Analyst***

Got it. And give us — you obviously have the California news, which you press released two weeks ago. Is there any other — what other bad stuff can happen in this back half of the year? Or are we mostly through the bad stuff? In terms of, is there any other things like that you'd expect to happen? Or on the radar screen?

**Brian Evans — *Geo Group Inc — SVP, CFO***

Well, you know, the bad stuff is normally an issue of a rebid of contracts. I don't think we have much exposure in that area.

**Greg Weis — *Unknown Company — Analyst***

Got it. All right. Thank you very much.

**Operator**

Our next question is a follow-up question from the line of Kevin Campbell with Avondale partners. Please proceed.

**Kevin Campbell — Avondale Partners — Analyst**

Thanks. Just two more questions. I wanted to ask about the Florida RFP, the requirement that you have I guess a performance bond. What sort of impact will that have on your liquidity? Will that — will you have to issue a line of credit? How exactly does that work? Or a letter of credit for that?

**Brian Evans — Geo Group Inc — SVP, CFO**

You know, I think there's a number of different ways that companies can approach that and deliver that service. I'd rather — I think there's a little bit of a competitive advantage there, and I'd rather not disclose or discuss how we are going to do that. But I don't think it necessarily affects our liquidity.

**Kevin Campbell — Avondale Partners — Analyst**

Okay. Lastly, Leo Chesney, I think you said, was that the leased facility? I know one of the TCF was, so what are your plans for the leased facility? Can you put that back to the lessor? Or do you plan on continuing to pay that rent every month? Or what are your thoughts there?

**George Zoley — Geo Group Inc — Chairman, CEO**

Well, I think we are marketing that facility as well. And as you know, we have the option to discontinuing that project because it is a leased facility.

**Kevin Campbell — Avondale Partners — Analyst**

So if one of these counties or federal agencies doesn't express an interest after several months sort of marking the facility, then perhaps you would look to go that option? What is the monthly rent there, or quarterly rent, or annual?

**Brian Evans — Geo Group Inc — SVP, CFO**

It's, the total care and cost for that facility including the rent and property taxes is less than a \$0.01 per year, I think, or less than \$1 million.

**Kevin Campbell — Avondale Partners — Analyst**

Okay, great. Thank you.

**Operator**

We have no further questions at this time. I will now turn the call over to George Zoley for any closing remarks.

**George Zoley — Geo Group Inc — Chairman, CEO**

Thanks to everyone for joining us today. We look forward to addressing you in the next call.

**Operator**

Thank you for your participation in today's conference. This concludes the presentation. Everyone may now disconnect. Have a great day.

