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

FORM 8-K

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

Date of Report (Date of earliest event reported): November 6, 2013

THE GEO GROUP, INC.
(Exact Name of Registrant as Specified in its Charter)

Florida	**1-14260**	**65-0043078**
(State or Other Jurisdiction of Incorporation)	**(Commission File Number)**	**(IRS Employer Identification No.)**

621 NW 53rd Street, Suite 700, Boca Raton, Florida	**33487**
(Address of Principal Executive Offices)	**(Zip Code)**

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

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

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

☐ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

☐ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

☐ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

☐ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Section 2 - Financial Information

Item 2.02. Results of Operations and Financial Condition.

On November 6, 2013, The GEO Group, Inc. (“GEO”) issued a press release (the “Earnings Press Release”) announcing its financial results for the third quarter and nine months ended September 30, 2013, and updating its financial guidance for the fourth quarter 2013 and the full-year 2013. A copy of the Earnings Press Release is furnished hereto as Exhibit 99.1. GEO also held a conference call on November 6, 2013 to discuss these matters, a transcript of which is furnished hereto as Exhibit 99.2.

In the Earnings Press Release, GEO provided Net Operating Income, EBITDA, Adjusted EBITDA, Funds From Operations, Normalized Funds From Operations and Adjusted Funds From Operations for the third quarter and nine months ended September 30, 2013 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 Earnings Press Release presents the financial measure calculated and presented in accordance with GAAP, which is the most directly comparable to the Non-GAAP Information, with a prominence equal to or greater than its presentation of the Non-GAAP Information. The Earnings Press Release also contains a reconciliation of the Non-GAAP Information to the financial measure calculated and presented in accordance with GAAP which is the most directly comparable to the Non-GAAP Information.

Net Operating Income, or gross profit, is defined as revenues less operating expenses, excluding depreciation and amortization expense and general and administrative expenses.

EBITDA is defined as income from continuing operations before net interest expense, income tax provision/benefit, depreciation and amortization, and tax provision on equity in earnings of affiliates. Adjusted EBITDA is defined as EBITDA adjusted for net income/loss attributable to non-controlling interests, non-cash stock-based compensation expenses, and certain other adjustments as defined from time to time. Given the nature of GEO’s business as a real estate owner and operator, GEO believes that EBITDA and Adjusted EBITDA are helpful to investors as measures of GEO’s operational performance because they provide an indication of GEO’s ability to incur and service debt, to satisfy general operating expenses, to make capital expenditures and to fund other cash needs or reinvest cash into GEO’s business. GEO believes that by removing the impact of its asset base (primarily depreciation and amortization) and excluding certain non-cash charges, amounts spent on interest and taxes, and certain other charges that are highly variable from year to year, EBITDA and Adjusted EBITDA provide GEO’s investors with performance measures that reflect the impact to operations from trends in occupancy rates, per diem rates and operating costs, providing a perspective not immediately apparent from income from continuing operations. The adjustments GEO makes to derive the non-GAAP measures of EBITDA and Adjusted EBITDA exclude items which may cause short-term fluctuations in income from continuing operations and which GEO does not consider to be the fundamental attributes or primary drivers of its business plan and they do not affect its overall long-term operating performance. EBITDA and Adjusted EBITDA provide disclosure on the same basis as that used by GEO’s management and provide consistency in its financial reporting, facilitate internal and external comparisons of GEO’s historical operating performance and its business units and provide continuity to investors for comparability purposes.

Funds From Operations, or FFO, is defined in accordance with standards established by the National Association of Real Estate Investment Trusts, or NAREIT, which defines FFO as net income/loss attributable to common shareholders (computed in accordance with United States Generally Accepted Accounting Principles), excluding real estate related depreciation and amortization, excluding gains and losses from the cumulative effects of accounting changes, extraordinary items and sales of properties, and including adjustments for unconsolidated partnerships and joint ventures. Normalized Funds From Operations, or Normalized FFO, is defined as FFO adjusted for certain items which by their nature are not comparable from period to period or that tend to obscure GEO's actual operating performance.

Adjusted Funds From Operations, or AFFO, is defined as Normalized FFO adjusted by adding non-cash expenses such as non-real estate related depreciation and amortization, stock based compensation and the amortization of debt costs and other non-cash interest and by subtracting recurring real estate expenditures that are capitalized and then amortized, but which are required to maintain REIT properties and their revenue stream.

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

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

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

GEO has presented in the Earnings Press Release certain forward-looking statements about GEO's future financial performance that include non-GAAP financial measures, including, Net Operating Income, EBITDA, Adjusted EBITDA, FFO, Normalized FFO, and AFFO. The determination of the amounts that are excluded from these non-GAAP financial measures is a matter of management judgment and depends upon, among other factors, the nature of the underlying expense or income amounts recognized in a given period. While GEO has provided in the Earnings Press Release a high level reconciliation for the guidance ranges for full year 2013, GEO is unable to present a more detailed quantitative reconciliation of the forward-looking non-GAAP financial measures to their most directly comparable forward-looking GAAP financial measures because management cannot reliably predict all of the necessary components of such GAAP measures. The quantitative reconciliation of the forward-looking GAAP financial measures will be provided for completed annual and quarterly periods, as applicable, calculated in a consistent manner with the quantitative reconciliation of non-GAAP financial measures previously reported for completed annual and quarterly periods.

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

Section 9 - Financial Statements and Exhibits

Item 9.01. Financial Statements and Exhibits.

(d) *Exhibits*

Exhibit No.	Description
99.1	Press Release, dated November 6, 2013, announcing GEO's financial results for the third quarter and nine months ended September 30, 2013.
99.2	Transcript of Conference Call discussing GEO's financial results for the third quarter and nine months ended September 30, 2013.

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.
November 13, 2013	By: /s/ Brian R. Evans
Date	Brian R. Evans Senior Vice President and Chief Financial Officer (Principal Financial Officer)

EXHIBIT INDEX

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The GEO Group, Inc.

NEWS RELEASE

One Park Place, Suite 700 n 621 Northwest 53rd Street n Boca Raton, Florida 33487 n www.geogroup.com

CR-13-32

THE GEO GROUP REPORTS THIRD QUARTER 2013 RESULTS

- **3Q13 Income from Continuing Operations per Share up 80%**
- **3Q13 Normalized FFO up 24.6%; 3Q13 AFFO up 32.3%**
- **2013 AFFO Guidance of $204-$207 million or $2.85 to $2.88 per Diluted Share**
- **Quarterly Dividend Increased 10% to $0.55 per Share**

Boca Raton, Fla. – November 6, 2013 — The GEO Group, Inc. (NYSE: GEO) ("GEO"), the world's leading provider of diversified correctional, detention, and community reentry services, reported today its financial results for the third quarter 2013.

Third Quarter 2013 Highlights

- **Income from Continuing Operations of $0.45 per Diluted Share**
- **Net Operating Income of $95.9 million**
- **Normalized FFO of $0.59 per Diluted Share**
- **AFFO of $0.72 per Diluted Share**

For the third quarter 2013, GEO reported Normalized Funds From Operations ("Normalized FFO") of $42.1 million, or $0.59 per diluted share, an increase of 24.6% from $33.8 million, or $0.55 per diluted share, for the third quarter 2012. GEO reported third quarter 2013 Adjusted Funds From Operations ("AFFO") of $51.8 million, or $0.72 per diluted share, an increase of 32.3% from $39.1 million, or $0.64 per diluted share, for the third quarter 2012.

GEO reported net operating income for the third quarter 2013 of $95.9 million compared to $101.0 million for the third quarter of 2012. Net operating income, or gross profit, is defined as revenues less operating expenses, excluding depreciation and amortization expense and general and administrative expenses.

George C. Zoley, Chairman and Chief Executive Officer of GEO, said: "We are pleased with our third quarter results, which continue to reflect strong operational and financial performance from our diversified business units. During the third quarter, we achieved several important milestones including several new contract awards totaling more than 5,700 beds which are expected to generate approximately $98 million of annualized revenue. We have also increased our quarterly dividend by 10% to $0.55 per share. We continue to be optimistic regarding the growth opportunities in our industry which we expect will continue to create value for our shareholders."

GEO reported total revenues for the third quarter 2013 of $379.8 million compared to total revenues of $369.1 million for the third quarter 2012. GEO reported third quarter 2013 income from continuing operations of $0.45 per diluted share, compared to $0.25 per diluted share for the third quarter 2012.

—More—

Contact: Pablo E. Paez (866) 301 4436
Vice President, Corporate Relations

GEO's third quarter 2013 earnings reflect offsetting non-ordinary charges and benefits including a net tax benefit of $4.6 million offset by $1.5 million, after-tax, related to the write-off of deferred financing fees in connection with GEO's recently completed defeasance of non-recourse bonds associated with the South Texas Detention Complex. GEO's operating expenses also reflect $6.2 million in accrual adjustments to GEO's insurance reserves.

First Nine Months 2013 Highlights

- **Income from Continuing Operations of $1.25 per Diluted Share**
- **Net Operating Income of $294.6 million**
- **Normalized FFO of $1.76 per Diluted Share**
- **AFFO of $2.15 per Diluted Share**

For the first nine months of 2013, GEO reported Normalized FFO of $125.7 million, or $1.76 per diluted share, an increase of 34.4% from $93.5 million, or $1.53 per diluted share, for the first nine months of 2012. GEO reported AFFO of $153.7 million, or $2.15 per diluted share, for the first nine months of 2013, an increase of 38.6% from $110.9 million, or $1.82 per diluted share, for the first nine months of 2012.

Net operating income for the first nine months of 2013 increased to $294.6 million from $292.3 million for the first nine months of 2012. Net operating income, or gross profit, is defined as revenues less operating expenses, excluding depreciation and amortization expense and general and administrative expenses.

For the first nine months of 2013, GEO reported total revenues of $1.14 billion compared to total revenues of $1.10 billion for the first nine months of 2012. GEO reported income from continuing operations of $1.25 per diluted share for the first nine months of 2013, compared to $0.82 per diluted share for the first nine months of 2012.

GEO's earnings for the first nine months of 2013 reflect offsetting non-ordinary charges and benefits including net tax benefits of $13.0 million offset by $4.7 million, after-tax, in one-time expenses associated with GEO's REIT conversion and by $5.8 million, after-tax, related to the write-off of deferred financing fees. GEO's operating expenses also reflect $6.2 million in accrual adjustments to GEO's insurance reserves.

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

—More—

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Vice President, Corporate Relations

2013 Financial Guidance

GEO confirmed and updated its financial guidance for the fourth quarter 2013 and full-year 2013 to reflect its recent refinancing transaction and the reactivation of its Central Valley and Desert View Modified Community Correctional Facilities in California. GEO confirmed its fourth quarter 2013 revenue guidance in a range of $378 million to $383 million. GEO confirmed its AFFO guidance for the fourth quarter 2013 in a range of $0.70 to $0.73 per diluted share, or $50 million to $53 million.

On a GAAP basis, GEO updated its fourth quarter 2013 income from continuing operations guidance to reflect approximately $1.0 million, or $0.01 per diluted share, in after-tax start-up expenses associated with the reactivation of GEO's Central Valley and Desert View Modified Community Correctional Facilities in California as well as $8.0 million, after-tax, or $0.12 per diluted share, related to the write-off of deferred financing fees in connection with GEO's recent $250 million, $5^7/_8$% senior notes offering and its tender offer and redemption of $250 million in GEO's $7^3/_4$% senior notes due 2017. Incorporating these items, GEO expects fourth quarter 2013 GAAP income from continuing operations to be in a range of $0.29 to $0.31 per diluted share.

GEO expects its full year 2013 AFFO guidance to be in a range of $2.85 to $2.88 per diluted share, or $204 million to $207 million. On a GAAP basis, GEO expects its income from continuing operations for the full year 2013 to be in a range of $1.54 to $1.56 per diluted share, including approximately $14.0 million, after-tax, or $0.20 per diluted share, related to the write-off of deferred financing fees and $4.7 million, after-tax, or $0.07 per diluted share, in one-time expenses associated with GEO's REIT conversion offset by net tax benefits of $13.0 million, or $0.18 per diluted share.

Dividend Update

On November 4, 2013, GEO announced that on November 1, 2013, its Board of Directors declared a quarterly cash dividend of $0.55 per share which will be paid on November 26, 2013 to shareholders of record as of the close of business on November 14, 2013. GEO's quarterly cash dividend of $0.55 per share, or $2.20 per share annually, represents a 10% increase from GEO's previous regular quarterly cash dividend. The declaration of future quarterly cash dividends is subject to approval by GEO's Board of Directors and to meeting the requirements of all applicable laws and regulations. GEO's Board of Directors retains the power to modify its dividend policy as it may deem necessary or appropriate in the future.

Reconciliation Tables and Supplemental Disclosure

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

—More—

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GEO's 2012 financial results are presented throughout as retrospectively revised for discontinued operations resulting from the discontinuation of three managed-only contracts with the State of Mississippi during the third quarter of 2012 and the divestiture of the healthcare facility business previously held by GEO's former wholly-owned subsidiary, GEO Care, Inc., which was completed on December 31, 2012.

Conference Call Information

GEO has scheduled a conference call and simultaneous webcast for today at 11:00 AM (Eastern Time) to discuss GEO's third quarter 2013 financial results as well as its progress and outlook. The call-in number for the U.S. is 1-888-680-0865 and the international call-in number is 1-617-213-4853. The conference call participant passcode is 72717785. In addition, a live audio webcast of the conference call may be accessed on the Conference Calls/Webcasts section of GEO's investor relations webpage at www.geogroup.com. A replay of the audio webcast will be available on the website for one year. A telephonic replay of the conference call will be available until December 6, 2013 at 1-888-286-8010 (U.S.) and 1-617-801-6888 (International). The conference call participant passcode for the telephonic replay is 59839118.

About The GEO Group

The GEO Group, Inc. (NYSE: GEO) is the first fully integrated equity real estate investment trust specializing in the design, financing, development, and operation of correctional, detention, and community reentry facilities around the globe. GEO is the world's leading provider of diversified correctional, detention, and community reentry services to government agencies worldwide with operations in the United States, Australia, South Africa, and the United Kingdom. GEO's worldwide operations include the ownership and/or management of 96 facilities totaling approximately 73,000 beds with a growing workforce of approximately 18,000 professionals.

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

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

GEO has presented herein certain forward-looking statements about GEO's future financial performance that include non-GAAP financial measures, including, Net Operating Income, EBITDA, Adjusted EBITDA, FFO, Normalized FFO, and AFFO. The determination of the amounts that are excluded from these non-GAAP financial measures is a matter of management judgment and depends upon, among other factors, the nature of the underlying expense or income amounts recognized in a given period. While we have provided a high level reconciliation for the guidance ranges for full year 2013, we are unable to present a more detailed quantitative reconciliation of the forward-looking non-GAAP financial measures to their most directly comparable forward-looking GAAP financial measures because management cannot reliably predict all of the necessary components of such GAAP measures. The quantitative reconciliation of the forward-looking GAAP financial measures will be provided for completed annual and quarterly periods, as applicable, calculated in a consistent manner with the quantitative reconciliation of non-GAAP financial measures previously reported for completed annual and quarterly periods.

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Adjusted Funds from Operations, or AFFO, is defined as Normalized FFO adjusted by adding non-cash expenses such as non-real estate related depreciation and amortization, stock based compensation and the amortization of debt costs and other non-cash interest and by subtracting recurring real estate expenditures that are capitalized and then amortized, but which are required to maintain REIT properties and their revenue stream.

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

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

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 fourth quarter 2013 and full year 2013 and estimates of annualized revenue from new contract awards. 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 2013 given the various risks to which its business is exposed; (2) GEO's ability to declare future quarterly cash dividends and the timing and amount of such future cash dividends; (3) GEO's ability to successfully pursue further growth and continue to create shareholder value; (4) risks associated with GEO's ability to control operating costs associated with contract start-ups; (5) GEO's ability to timely open facilities as planned, profitably manage such facilities and successfully integrate such facilities into GEO's operations without substantial costs; (6) GEO's ability to win management contracts for which it has submitted proposals and to retain existing management contracts; (7) GEO's ability to obtain future financing on acceptable terms; (8) GEO's ability to sustain company-wide occupancy rates at its facilities; (9) GEO's ability to access the capital markets in the future on satisfactory terms or at all; (10) GEO's ability to remain qualified as a REIT; (11) the incurrence of REIT related expenses; and (12) other factors contained in GEO's Securities and Exchange Commission periodic filings, including its form 10-K, 10-Q and 8-K reports.

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Vice President, Corporate Relations

NEWS RELEASE

Third quarter and first nine months 2013 financial tables to follow:

Condensed Consolidated Statements of Income

(In thousands except per share data)
(Unaudited)

		Three Months Ended 30-Sep-13	Three Months Ended 30-Sep-12	Nine Months Ended 30-Sep-13	Nine Months Ended 30-Sep-12
Revenues		$ 379,842	$ 369,116	$1,138,526	$1,100,331
Operating expenses		283,903	268,142	843,946	808,003
Depreciation and amortization		23,888	22,944	70,480	68,145
General and administrative expenses		27,222	26,428	86,625	79,143
Operating income		44,829	51,602	137,475	145,040
Interest income		1,084	1,651	3,433	5,219
Interest expense		(21,569)	(20,605)	(62,013)	(62,029)
Loss on extinguishment of debt		(1,451)	(8,462)	(6,978)	(8,462)
Income before income taxes, equity in earnings of affiliates and discontinued operations		22,893	24,186	71,917	79,768
Income tax (benefit) provision		(7,755)	10,125	(14,142)	32,275
Equity in earnings of affiliates, net of income tax provision		1,526	474	3,772	1,652
Income from continuing operations		32,174	14,535	89,831	49,145
Income (loss) from discontinued operations, net of income tax provision		(2,265)	192	(2,265)	3,117
Net income		29,909	14,727	87,566	52,262
Net (income) loss attributable to non-controlling interests		(12)	890	(42)	881
Net income attributable to The GEO Group, Inc.		$ 29,897	$ 15,617	$ 87,524	$ 53,143
Weighted average shares outstanding					
	Basic	71,201	60,906	71,046	60,838
	Diluted	71,655	61,302	71,557	61,083
Income per share from continuing operations attributable to The GEO Group, Inc.					
	Basic	$ 0.45	$ 0.25	$ 1.26	$ 0.82
	Diluted	$ 0.45	$ 0.25	$ 1.25	$ 0.82
Income per share attributable to The GEO Group, Inc.					
	Basic	$ 0.42	$ 0.26	$ 1.23	$ 0.87
	Diluted	$ 0.42	$ 0.25	$ 1.22	$ 0.87

—More—

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Vice President, Corporate Relations

Condensed Consolidated Balance Sheets

(In thousands)

	(Unaudited) 30-Sep-13	31-Dec-12
ASSETS		
Current Assets		
Cash and cash equivalents	$ 53,161	$ 31,755
Restricted cash and investments	9,337	15,654
Accounts receivable, less allowance for doubtful accounts	244,558	246,635
Current deferred income tax assets	18,290	18,290
Prepaid expenses and other current assets	48,481	24,849
Total current assets	373,827	337,183
Restricted Cash and Investments	24,303	32,756
Property and Equipment, Net	1,729,407	1,687,159
Assets Held for Sale	1,200	3,243
Direct Finance Lease Receivable	19,310	26,757
Non-Current Deferred Income Tax Assets	2,532	2,532
Goodwill	490,230	490,308
Intangible Assets, Net	167,085	178,318
Other Non-Current Assets	87,511	80,938
Total Assets	$2,895,405	$2,839,194
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current Liabilities		
Accounts payable	46,057	50,110
Accrued payroll and related taxes	46,437	39,322
Accrued expenses	119,268	116,557
Current portion of capital lease obligations, long-term debt, and non-recourse debt	17,120	53,882
Current liabilities of discontinued operations	2,265	—
Total current liabilities	231,147	259,871
Non-Current Deferred Income Tax Liabilities	15,703	15,703
Other Non-Current Liabilities	74,224	82,025
Capital Lease Obligations	11,177	11,926
Long-Term Debt	1,448,233	1,317,529
Non-Recourse Debt	80,548	104,836
Total Shareholders' Equity	1,034,373	1,047,304
Total Liabilities and Shareholders' Equity	$2,895,405	$2,839,194

—More—

Contact: Pablo E. Paez (866) 301 4436
Vice President, Corporate Relations

Reconciliation of Income from Continuing Operations to Funds from Operations, Normalized FFO, and Adjusted Funds from Operations

(In thousands)
(Unaudited)

	Three Months Ended 30-Sep-13	Three Months Ended 30-Sep-12	Nine Months Ended 30-Sep-13	Nine Months Ended 30-Sep-12
Income from Continuing Operations	$ 32,174	$ 14,535	$ 89,831	$ 49,145
Net (Income) Loss Attributable to Non-controlling Interests	(12)	890	(42)	881
Real Estate Related Depreciation and Amortization	13,123	12,796	38,374	37,915
Funds from Operations	$ 45,285	$ 28,221	$ 128,163	$ 87,941
Funds from Operations	$ 45,285	$ 28,221	$ 128,163	$ 87,941
REIT Conversion Related Expenses, net of tax	—	605	4,697	605
Tax Benefit Related to IRS Settlement & REIT Conversion	(4,622)	—	(13,038)	—
Loss on Extinguishment of Debt, net of tax	1,451	4,977	5,847	4,977
Normalized Funds from Operations	$ 42,114	$ 33,803	$ 125,669	$ 93,523
Normalized Funds from Operations	$ 42,114	$ 33,803	$ 125,669	$ 93,523
Non-Real Estate Related Depreciation & Amortization	10,765	10,148	32,106	30,230
Consolidated Maintenance Capital Expenditures	(5,140)	(7,388)	(14,436)	(20,188)
Stock Based Compensation Expenses	2,423	1,579	5,768	5,012
Amortization of Debt Costs and Other Non-Cash Interest	1,594	972	4,609	2,341
Adjusted Funds from Operations (AFFO)	$ 51,756	$ 39,114	$ 153,716	$ 110,918
Normalized FFO Per Diluted Share	$ 0.59	$ 0.55	$ 1.76	$ 1.53
AFFO Per Diluted Share	$ 0.72	$ 0.64	$ 2.15	$ 1.82
Weighted Average Common Shares Outstanding-Diluted	71,655	61,302	71,557	61,083

Reconciliation of Operating Income to Net Operating Income

(In thousands)
(Unaudited)

	Three Months Ended 30-Sep-13	Three Months Ended 30-Sep-12	Nine Months Ended 30-Sep-13	Nine Months Ended 30-Sep-12
Operating Income	$ 44,829	$ 51,602	$ 137,475	$ 145,040
Depreciation and amortization	23,888	22,944	70,480	68,145
General and administrative expenses	27,222	26,428	86,625	79,143
Net Operating Income	$ 95,939	$ 100,974	$ 294,580	$ 292,328

—More—

Contact: Pablo E. Paez (866) 301 4436
Vice President, Corporate Relations

Reconciliation of Income from Continuing Operations to Adjusted EBITDA

(In thousands)
(Unaudited)

	Three Months Ended 30-Sep-13	Three Months Ended 30-Sep-12	Nine Months Ended 30-Sep-13	Nine Months Ended 30-Sep-12
Income from continuing operations	$ 32,174	$ 14,535	$ 89,831	$ 49,145
Interest expense, net	20,485	18,954	58,580	56,810
Income tax (benefit) provision	(7,755)	10,125	(14,142)	32,275
Depreciation and amortization	23,888	22,944	70,480	68,145
Tax provision on equity in earnings of affiliates	578	234	1,472	858
EBITDA	$ 69,370	$ 66,792	$ 206,221	$ 207,233
Adjustments				
Net (income) loss attributable to non-controlling interests	(12)	890	(42)	881
Stock based compensation expenses, pre-tax	2,423	1,579	5,768	5,012
REIT conversion related expenses, pre-tax	—	1,000	7,438	1,000
Loss on extinguishment of debt, pre-tax	1,451	8,462	6,978	8,462
Adjusted EBITDA	$ 73,232	$ 78,723	$ 226,363	$ 222,588

2013 Outlook/Reconciliation

(Unaudited)
(In thousands except per share data)

	Full Year 2013		
Net Income	$110,000	to	$112,000
Real Estate Related Depreciation and Amortization	52,000		52,000
Funds from Operations (FFO)	$162,000	to	$164,000
REIT Conversion Related Expenses & Write-Off of Deferred Financing Fees	19,000		19,000
Tax Benefit	(13,000)		(13,000)
Normalized Funds from Operations	$168,000	to	$170,000
Non-Real Estate Related Depreciation and Amortization	43,000		43,000
Consolidated Maintenance Capex	(21,000)		(23,000)
Non-Cash Stock Based Compensation and Non-Cash Interest Expense	14,000		17,000
Adjusted Funds From Operations (AFFO)	$204,000	to	$207,000
Net Cash Interest Expense	80,000		80,000
Consolidated Maintenance Capex	21,000		23,000
Income Taxes	—		5,000
Adjusted EBITDA	$305,000	to	$315,000
G&A Expenses	105,000		106,000
Non-Cash Stock Based Compensation	(7,000)		(8,000)
Net Operating Income	$403,000	to	$413,000
FFO Per Share	$ 2.26	to	$ 2.28
AFFO Per Share	$ 2.85	to	$ 2.88
Weighted Average Common Shares Outstanding-Diluted	71,700		71,800

- End -

Contact: Pablo E. Paez (866) 301 4436
Vice President, Corporate Relations

CORPORATE PARTICIPANTS

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

George Zoley *The GEO Group, Inc. - Chairman, CEO*

Brian Evans *The GEO Group, Inc. - CFO, SVP*

John Hurley *The GEO Group, Inc. - SVP Operations, President GEO Corrections & Detention*

Jorge Dominicis *The GEO Group, Inc. - SVP Community Services*

CONFERENCE CALL PARTICIPANTS

Kevin Campbell *Avondale Partners - Analyst*

Kevin McVeigh *Macquarie Research - Analyst*

Tobey Sommer *SunTrust Robinson Humphrey - Analyst*

PRESENTATION

Operator

Good day, ladies and gentlemen. Welcome to the quarter 3 2013 GEO Group Earnings Conference Call. My name is Matthew, and I will be your operator for today. At this time all participants are in a listen-only mode. We will conduct a question-and-answer session toward the end of this conference. (Operator Instructions). As a reminder this call is being recorded for replay purposes. Now, I would like turn the call over to Mr. Pablo Paez, Vice-President, Corporate Relations. Please proceed, sir.

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

Thank you, operator. Good morning, everyone, and thank you for joining us for today's discussion of The GEO Group's third quarter 2013 earnings results. With us is George Zoley, Chairman and Chief Executive Officer; Brian Evans, Chief Financial Officer; John Hurley, President of GEO Corrections and Detention and George Dominicis, Senior Vice-President of GEO Community Services.

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

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

George Zoley - ***The GEO Group, Inc.*** - ***Chairman, CEO***

Thanks, Pablo. Good morning to everyone. Thanks for joining us as we review our third quarter results, and provide an update of our efforts to pursue quality growth opportunities and return value to our shareholders.

Our strong quarterly earnings results continue to be driven by sound operational financial performance from our diversified business units in the US and internationally. During the third quarter, and the early part of the fourth quarter, we achieved a number of important milestones. Over the last two months we have signed new contracts or have been awarded contracts for more than 5700 new correctional and detention beds, which are expected to generate approximately $98 million in annualized revenues.

In early September we signed a contracts (inaudible) with the US Immigration Customs Enforcement for the development of a 400-bed immigration transfer center at the England Air Park in Alexandria, Louisiana. The new transfer center is being developed as an annex to our La Salle Detention Facility in Jena, Louisiana under our existing contract with ICE. The development of the new center is expected to be completed during the fourth quarter of 2014, and is expected to generate approximately $8.5 million in additional annual revenues.

Also in September we announced the signing of two five-year contracts with the California Department of Corrections and Rehabilitation for the reactivation of two of our company-owned instate facilities totaling 1400 beds. Their reactivation of our Central Valley and our Desert View facilities is expected to generate approximately $31 million in annualized revenues following the ramp-up period, which we expect to complete during the first quarter of 2014. Additionally, we signed a new long-term agreement for our Golden State Facility in California, which expanded the facility's contract capacity by 100 beds to 700, effective this month.

This contract capacity expansion is expected to generate more than $2 million in additional annual revenues. In Florida the State Department of Management Services recently awarded GEO three contracts for management 3,854 beds at the Graceville, Moore Haven and Bay correctional facilities effective this coming February. These managed-only agreements are expected to generate more than $56 million in annualized revenues. In addition to these important contract awards, we have taken additional steps to strengthen our balance sheet.

In October we completed a $250 million offering of senior notes at a rate of 5 7/8, and a tender offer and redemption of our existing notes due 2017, which had a coupon rate of 7 3/4. Additionally, we completed the defeasance of non-recourse bonds associated with our company-owned South Texas Detention Complex, which is expected to save us $5.5 million in annual principal debt repayments. All of these important steps have given us more flexibility as we continue to pursue accretive growth opportunities and look for return increasingly for more value to our shareholders.

As we announced a couple days ago, we have increased our quarterly dividend to $0.55 per share, which represents a 10% increase in the payout of AFFO of approximately 75%. As we expressed to you in the past, our board and our management team remain focused on the careful evaluation of our allocation of capital to enhance shareholder value. With respect to our outlook , we continue to be optimistic regarding several new opportunities we are currently pursuing.

Our most immediate potential catalysts are the prospective reactivation of our current inventory of idle facilities with approximately 6,000 beds. We estimate the reactivation of our 6,000 idle beds would add approximately $0.65 to $0.70 in annualized AFFO. There are several publicly known opportunities we are currently pursuing which total approximately 17,000 beds. Further, we are exploring a number of non public opportunities that relate to both new project development, as well as potential asset purchases.

We believe our Company is well positioned to benefit from these important opportunities. We also believe that our Company has attractive investment characteristics, which are underpinned by our robust real estate portfolio of company-owned and leased facilities. Our total real estate portfolio encompasses approximately 13 million square feet in owned, leased and managed facilities, and we own more than 4,000 acres of land across the United States.

We currently own or lease approximately 70% of our facilities, and 60% of our beds, worldwide, and approximately 70% of our net operating income is generated by our company-owned and company lease facilities. We have stable and sustainable income through increasingly longer term contract arrangements. We have a diversified base of investment-grade government customers, with multiple individual contract arrangements with no single customer contract representing more than 5% of our revenues.

We have historically enjoyed solid occupancy rates in the mid to high 90s and the strong customer retention in excess of 90%. Our long-term assets have physical useful life of 75 years plus, and require relatively low-levels of maintenance CapEx, estimated at approximately 6% of our 2013 net operating income. Now, I would like to turn over the call to Brian Evans for a review of our financial performance and outlook.

Brian Evans - ***The GEO Group, Inc.*** - ***CFO, SVP***

Thank you, George. Good morning, everyone. We are pleased with our third quarter results as well as our outlook for the remainder of 2013. As disclosed in our press release today, our adjusted funds from operations from the third quarter increased to $0.72 per share from $0.64 per share last year.

On a GAAP basis, we reported third quarter 2013 income from continuing operations, of $0.45 per share compared to $0.25 a year ago. Our total revenues for the third quarter of 2013 increased to approximately $380 million from $369 million a year ago. Approximately 60% of our revenues are generated by our company-owned and company-leased properties. For the third quarter 2013 we reported net operating income of approximately $96 million compared to $100 million a year ago.

Approximately 70% of our NOI is generated by our company-owned and company-leased properties. Our third quarter 2013 results reflect the normalization of our Adelanto Detention Facility expansion, which was activated in the second half of 2012, as well as the normalization of new contract wins by our community reentry and electronic monitoring services divisions during 2012. Our third quarter results also reflect offsetting, non ordinary charges and benefits including a net tax benefit of $4.6 million offset by $1.5 million after tax related to the write off of deferred financing fees in connection with the recently completed defeasance of non-recourse bonds for our South Texas Detention Complex.

Additionally, our third quarter operating expenses reflect $6.2 million and non-cash adjustments to our insurance reserves. This adjustment reduced our NOI and adjusted EBITDA for the quarter. Moving to our outlook for the remainder of 2013. We expect fourth quarter 2013 revenues to be in a range of $378 million to $383 million, and our fourth quarter 2013 AFFO per share to be in a range of $0.70 to $.073.

On a GAAP basis we expect income from continuing operations from fourth quarter 2013 to be in a range of $ .29 to $0.31 per share, which includes $0.12 per share related to the write-off of deferred financing fees associated with our recent senior notes offering. Our fourth quarter guidance also reflects $1 million in after tax start up costs associated with the reactivation of our Central Valley and Desert View facilities in the fourth quarter. We expect full year AFFO per share to be in a range of $2.85 to $2.88, or $204 to $207 million.

On a GAAP basis we expect our income from continuing operations for the year to be between $1.54 and a $1.56 per share, which includes $0.20 cents per share in deferred financing fees, and $0.07 per share in one-time reconversion expenses, offset by $0.18 per share in net tax benefits. Our 2013 net operating income is expected to be in the range of $403 million to $413 million, including approximately $34 million in operating lease expenses.

As George mentioned, in early October we completed the offering of $250 million in senior notes at a yield of 5 7/8, and we used the proceeds from this offer to repurchase and redeem our senior notes due 2017, which had a coupon rate of 7 3/4. Additionally, we completed the defeasance of non-recourse bonds associated with our S. Texas Detention Complex for approximately $2.5 million net of cash reserves.

The defeasance is expected to result in annual principal debt payment savings of approximately $5.5 million. With respect to our liquidity position, as of the end of the quarter we had $53 million in cash on hand, and $342 million in available capacity under our revolving credit facility, exclusive of $300 million in outstanding borrowings and $58 million set aside for letters of credit.

With respect to our uses of cash, we expect our project growth CapEx to be $25 million to $30 million in 2013, of which $22 million was spent in the first three quarters of this year. With that I will turn the call to John Hurley for a review of our corrections and detention market. John?

John Hurley - ***The GEO Group, Inc. - SVP Operations, President GEO Corrections & Detention***

Thanks, Brian. Good morning, everyone. I would like to address select, publicly-owned, business development opportunities in our key segments starting with the federal market and the three federal government agencies we serve.

We have longstanding partnerships with the Federal Bureau of Prisons, United States Marshall Service and US Immigration and Customs Enforcement, or ICE, and we provide cost-effective solutions for them at a number of facilities across the country. We continue to see meaningful opportunities for us to partner with all three of these federal agencies. The Federal Bureau of Prisons continues to face capacity constraints, coupled with a growing offender population, and ICE and the US Marshals continue to consolidate existing populations into larger, more modern facilities, which has driven the need for additional private beds.

With respect to recent contract awards, we have signed a contract with ICE for the development and operation of a new $20 million, 400-bed immigration transfer center in Alexandria, Louisiana as an annex to our La Salle Detention Facility. The new company-owned center will be completed in the fourth quarter of 2014, and will generate an additional $8.5 million in annual revenues.

With regard to pending procurements, the Bureau of Prisons has issued a solicitation with two requirements. Each requirement is to house approximately 1,565 to 2,000 low security adult males. One facility must be located in one of the following states, Ohio, Michigan, Pennsylvania, New Jersey or New York. The other proposed facility may be located anywhere in the continental United States.

This procurement will include the re-bid of our company-owned facility in Pennsylvania whose contract expires in April 2016 , and the re-bid of another BOP privately operated facility in Ohio whose contract expires in May of 2015. Proposals for this procurement were submitted in August with awards expected in mid 2014. Additionally, ICE has issued requests for information for three company-owned and operated detention facilities ranging from 800 to 2,000 beds in the Chicago, Atlanta and Houston areas.

Turning to our state market segment, as states across the country continue to face budgetary pressures, their ability to achieve cost-savings becomes an even more important priority, which leads to increased interest in privatization projects. Several states across the country continue to face capacity constraints and inmate population growth. Many of our state clients require additional beds as populations continue to increase, and aging, inefficient prisons need to be replaced with new, more cost efficient facilities.

For instance, in the states where we currently operate the average age of the state prisons ranges from approximately 30 years to 60 years. With respect to recent contract awards, we recently signed two contracts in California for 1,400 community correctional facility beds at our company-owned, Central Valley and Desert View facilities. The intake at facilities began in late October, and we expect to be completed by the end of the year.

The facilities are expected to generate approximately $31 million in annualized revenues. Additionally, we recently signed a new long-term agreement with California for Golden State Facility, which expanded the facility's contract capacity by 100 beds, effective November 1st, and is expected to generate an additional $2.2 million in annual revenues. As has been reported in the media, California continues to have a significant need for medium and high security beds.

It is estimated that the state will need more than 8,000 beds to meet the court mandated population cap by next February. The governor and the legislature have approved a plan to increase California's prison capacity by contracting for both in-state and out of state beds, and the state has already taken steps to contract for additional in-state capacity. In the interim, the three federal judge panel has ordered a mediation period through November 18th, and has temporarily halted additional contracts per out of state beds.

We understand that the state has appealed this temporary restriction to the three-judge panel and to the United States Supreme Court. The new deadline for the state to comply with the court mandated inmate population has been extended to February 24, 2014. In Florida, the Department of Management Services has awarded GEO three contracts for the management of 3,854 beds at the Graceville, Moore Haven and Bay correctional facilities effective February 2014.

These managed-only agreements are expected to generate approximately $56 million in annualized revenues. These important awards strengthen our long-standing partnership with the state of Florida, which has generated significant savings for Florida's taxpayers, and has provided significant inmate rehabilitation and treatment programs since the 1990s.

Finally, in our International markets we have been short listed by the state of Victoria in Australia for the development and management of a new 1,000-bed prison. An award under this procurement is expected to be made in the second half of 2014. At this time I will turn the call over to Jorge Dominicis for a review of our GEO community services.

Jorge Dominicis - ***The GEO Group, Inc. - SVP Community Services***

Thank you, John. Good morning, everyone. Turning to our GEO community services segment. Each of our community services divisions continues to pursue several new growth opportunities.

Our re-entry services division is competing for a number of formal solicitations from the Federal Bureau of Prisons for residential community-based re-entry 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 re-entry services in both residential facilities, as well as non-residential day reporting centers.

In the last year our re-entry services division added more than $11 million in annual revenue through the expanded use of one of our Alaska facilities, and with the activation of several new day reporting centers in California , North Carolina and Pennsylvania. Specifically, a California Department of Corrections and Rehabilitation procurement for day reporting centers resulted in contract awards for our re-entry services division for four of nine available sites.

In Pennsylvania we were recently awarded a contract for six new day reporting centers, which are expected to generate more than $5 million in annualized revenues. We also expect to compete for several other new opportunities to activate residential and non residential community re-entry facilities around the country. Our Youth Services division continues to work towards maximizing the utilization of our existing asset base.

We recently successfully undertook a number of marketing and consolidation initiatives to increase the overall utilization of our existing youth services facilities in states like Pennsylvania, Ohio, Illinois, Texas and Colorado, and we expect to continue to pursue similar initiatives. Our BI subsidiary continues to market its supervision and electronic monitoring services to local, state and federal correctional agencies, nationwide.

In the last year, BI added more than $5 million in annual revenues, and we expect to compete on additional opportunities as correctional agencies across the US increase their use of electronic monitoring technologies to track offenders who have been placed under community supervision. At this time I will turn the call back to George for his closing remarks.

George Zoley - ***The GEO Group, Inc. - Chairman, CEO***

Thanks, Jorge. In closing we are very pleased with our third quarter results and outlook, which continue to be driven by solid operational and financial performance from our core operations in the US and internationally. Our Company remains focused on effectively allocating capital to enhance value for its shareholders.

In the last quarter we achieved a number of important milestones, and have been awarded contracts for more than 5700 new beds that are expected to add approximately $98 million in annual revenues. We have also continued to take important steps to strengthen our balance sheet and attain flexibility to return higher portion of our funds available for distribution to our shareholders over time.

In line with these important steps, we have increased our quarterly dividend to $0.55 per share, which represents a 10% increase, and the payout of AFFO of approximately 75%. We remain focused on the reactivation of our 6000 idle beds in inventory, which we estimate would add $0.65 to $0.70 per share to our AFFO. We are actively participating in a number of publicly known opportunities totaling approximately 17,000 beds, and we are exploring a number of other growth opportunities for the development of new projects and potential purchase of assets.

We expect that all of these efforts will continue to drive growth for our Company and create value for our shareholders. We also believe that our diversified growth and investment strategies have positioned GEO as the leading provider of corrections, detention and community re-entry services through a GEO continuum of care that can deliver performance based outcomes and significant cost savings for our clients, worldwide.

As I have expressed to you in the past, we view all these different initiatives to enhance shareholder values as complementary and none are pursued to the detriment of the others. This concludes our presentation.

QUESTION AND ANSWER

Operator

(Operator and Instructions). Please stand by for your first question. Your first question comes from the line of Kevin Campbell of Avondale Partners. Please, proceed.

Kevin Campbell - ***Avondale Partners*** - ***Analyst***

Thank you. Just wanted to start with a question on the fourth quarter guidance. Brian, does that have any — are you guys incurring any costs there in anticipation, potentially, of some out of state California business?

Brian Evans - ***The GEO Group, Inc.*** - ***CFO, SVP***

A modest amount, Kevin.

Kevin Campbell - ***Avondale Partners*** - ***Analyst***

Okay. Not enough to call out?

Brian Evans - ***The GEO Group, Inc.*** - ***CFO, SVP***

No.

Kevin Campbell - ***Avondale Partners*** - ***Analyst***

And maybe you can talk a little bit more about the tax benefit and the insurance reserves ? What, you know, when is it — that’s your second quarter in a row where have you had a tax benefit. When do you think it will normalize, and what sort of tax rate should we think about on a normalized basis? And then secondly, the insurance reserves, I don’t think I heard you say exactly what they were for, and maybe what the after tax impact of that is. You gave a pre tax, but what is the after tax impact?

Brian Evans - ***The GEO Group, Inc.*** - ***CFO, SVP***

Sure. I mean let’s start with the taxes. On the tax reserves, as you know, we’ve converted to a REIT at the beginning of the year, and there has been a number of items associated with that relative to taxes. I think most of those items have been settled out. This specifically related to embedded operating losses in one of our subsidiaries, so we are working through these things with the IRS. And as we clear them we are adjusting our reserves as appropriate for those items. There is probably another up to, you know, anywhere from 0 to $3 million or $4 million that we need to settle out.

There is nothing that would be a negative adjustment, but there is the potential for additional positive adjustments. I think that could occur in the fourth quarter, or maybe the first quarter of next year. On the insurance reserves it is specifically related to prior period adjustments, or adjustments for prior period cases in Workers Compensation and general liability. There was some adverse development, and on an annual basis we go through a process with an actuary to look at our historical reserves, as well as give us an estimate for the future that is related to some historical cases and adjustments related to those. It is a non cash adjustment and we don't expect anything of that nature going forward, but that's what it is specifically related to.

Kevin Campbell - *Avondale Partners - Analyst*

And how should we think about the tax rate on a normalized basis?

Brian Evans - *The GEO Group, Inc. - CFO, SVP*

On a normalized basis when these items are resolved I would say somewhere in the 7% to 10% range. So on a — in our TRS business we will continue to be a full taxpayer, but I think on a consolidated basis that will look like 7% to 10%.

Kevin Campbell - *Avondale Partners - Analyst*

Okay. As we look at things like these insurance reserves are they taxed at the TRS level, call it 38 %, 39 % level, or is that 7% to 10%?

Brian Evans - *The GEO Group, Inc. - CFO, SVP*

No. That — if there is a specific adjustment like that it would be benefited to the degree that it is in the TRS, and most of this was relatively in the TRS would be at the 40% rate.

Kevin Campbell - *Avondale Partners - Analyst*

Okay. Great. And so the margins, I wanted to talk about that both on the US corrections segment and the GEO community services. Margins were down, sequentially, a couple hundred basis points, I am assuming on the US corrections side, and that's because of this adjustment, the insurance reserve adjustment, but maybe you can confirm that. And then secondly, what caused the community service margins to decline sequentially?

Brian Evans - *The GEO Group, Inc. - CFO, SVP*

The insurance reserve impacted. About two-thirds was in US corrections, so $4 million of the pretax amount, and about $2 million was in the community services division. That's the biggest single item affecting that. And then you had in the US corrections division, obviously, we had exited the Hudson facility during the quarter, so you had that, and then you had some preparation in the quarter as we were getting ready to start at the California facility. So that affected the US corrections margins, as well. And again, we are going to continue in the third — fourth quarter to normalize those operations in California, and we would expect those facilities to complete the normalization process in the first quarter of next year with the second quarter of next year being the first fully normalized quarter for those facilities.

Kevin Campbell - *Avondale Partners - Analyst*

Okay. And then with all the changes you made on the balance sheet, maybe you can give us say normalized quarterly interest expense or annual interest expense for next year.

Brian Evans - *The GEO Group, Inc. - CFO, SVP*

Interest expense I think will continue to be around $18 million to $20 million mark, so right around $70 million — $78 million to $80 million on an annualized basis, $75 to $80 million. Remember during the year we do get the benefit from redoing the bonds this quarter, but part of those were swapped out so the effective interest rate was slightly lower. But those swaps would have been called this quarter, so there is some transition related to that, as well.

Kevin Campbell - ***Avondale Partners - Analyst***

Okay. Great. Thank you very much.

Operator

Thank you. Your next question comes from the line of Kevin McVeigh of Macquarie. Please proceed.

Kevin McVeigh - ***Macquarie Research - Analyst***

Great, thanks. I just want to make sure, as we think of California and the opportunity coming, the 8,000 beds, is that in addition to what the state has already done? And then as we think about the 8,000, George, relative to the 17,000 out there, is 8,000 embedded in the 17,000, or in addition to kind of the 8000 in California and there's another 17,000 on top of that?

George Zoley - ***The GEO Group, Inc. - Chairman, CEO***

The 8,000 is embedded in the 17,000. The 8,000 would be approximately in addition to what has already been done.

Kevin McVeigh - ***Macquarie Research - Analyst***

So as you think about from a pricing perspective, as those beds get put into the market, I mean you take — since there is a lot of excess capacity out of the system, how should we think about the pricing once those beds have kind of been, you know, awarded assuming that, obviously, you are successful in some aspect of that?

George Zoley - ***The GEO Group, Inc. - Chairman, CEO***

I think pricing would tighten, you know, with the — if all 18,000 beds were taken, I think it would remove half of the capacity in the country that's available presently, and pricing would tighten, I would think.

Kevin McVeigh - ***Macquarie Research - Analyst***

Okay. And then any impact from the shutdown of sequester? Obviously, the quarter looked good, but just relative anything in the numbers from that?

George Zoley - ***The GEO Group, Inc. - Chairman, CEO***

All of our services are considered essential government services, so there may have been a very minor blip or reduction and census, but, overall, there was no material impact.

Kevin McVeigh - ***Macquarie Research - Analyst***

Okay. Great. Thank you.

Operator

Thank you for your question. (Operator Instructions). Your next question comes from Tobey Sommer of SunTrust. Please proceed.

Tobey Sommer - ***SunTrust Robinson Humphrey - Analyst***

Thank you. If some of the — a good portion of the existing available capacity in the marketplace is absorbed and you said pricing would probably tighten , improve, in that kind of context in market, historically, what kind of price increases have been experienced?

George Zoley - ***The GEO Group, Inc.*** - ***Chairman, CEO***

I'm not sure how to answer that question. The kind of housing that California is seeking, for instance, is of a higher security housing . So, throughout the country there may be dormitory facilities and some [cell facilities, but the higher security facilities are what California is interested in, and that would leave, I guess, by definition, lower-level security facilities available around the country. So there would be a particular [scarcity, I think, of higher security level. When I say higher security, I mean medium security and up.

Tobey Sommer - ***SunTrust Robinson Humphrey*** - ***Analyst***

Right. So, historically, when there hasn't really been available capacity, what kind of price increases have you experienced at the firm? Just trying to get a context for maybe where we could be sitting in a year or two? Thanks.

George Zoley - ***The GEO Group, Inc.*** - ***Chairman, CEO***

I'm sorry. I really can't answer that question in any specificity. I just can't recall. I can only respond generically that it would — pricing would increase.

Tobey Sommer - ***SunTrust Robinson Humphrey*** - ***Analyst***

That's fair. And what kind of incremental margin may be achieved by increases in the rate of per diem?

George Zoley - ***The GEO Group, Inc.*** - ***Chairman, CEO***

It would be a higher margin than the base per diem margin would generate.

Tobey Sommer - ***SunTrust Robinson Humphrey*** - ***Analyst***

Okay. But nothing — you can't offer anything more specific than just greater than?

George Zoley - ***The GEO Group, Inc.*** - ***Chairman, CEO***

No, I really can't. I'm sorry.

Tobey Sommer - ***SunTrust Robinson Humphrey*** - ***Analyst***

Okay. And then relative to California, and what's been ongoing in terms of the month by month delays, is it your expectation the delays could continue, and we are talking more broadly about, perhaps, a resolution in the first half, as opposed to something that would give us visibility here in the fourth quarter for how that may proceed?

George Zoley - ***The GEO Group, Inc.*** - ***Chairman, CEO***

Well, the next milestone is the mediator's report that is due by the end of next week, and I would think the court would respond fairly quickly as it did last time. So, we could very well know something by the end of the month.

Tobey Sommer - ***SunTrust Robinson Humphrey*** - ***Analyst***

Okay. And then my last question has to do with the dividend payout. I think you are at around 75% now . What are your thoughts on how high that could go? Or said another way would future increases likely need to be driven by AffO growth? Thanks.

George Zoley - ***The GEO Group, Inc.*** - ***Chairman, CEO***

Well, I think we are committing ourselves to pay out at least 75% on a go forward basis. And we have as a tentative goal to achieve 80%, eventually.

Tobey Sommer - ***SunTrust Robinson Humphrey*** - ***Analyst***

Perfect. Thank you for your help.

QUESTION AND ANSWER

Operator

Thank you for your question. (Operator Instructions). The next question comes from the line of Kevin Campbell of Avondale Partners. Please proceed.

Kevin Campbell - ***Avondale Partners*** - ***Analyst***

Thanks. I just wanted to talk about some of the other states that we have talked about in the past, but didn’t hear much of an update on today. Michigan, obviously, decided not to move forward with their RP. I would love to get your thoughts on that, and any view on whether or not they will reconsider.

George Zoley - ***The GEO Group, Inc.*** - ***Chairman, CEO***

I guess I — specifically, I don’t know . I think there is some interest in the legislature as to what happened and why . Just as there was in the food service contract, which was initially rejected, and, subsequently, reactivated and successfully implemented. So, that’s a possibility, but we don’t know what is going to happen at this point.

Kevin Campbell - ***Avondale Partners*** - ***Analyst***

Okay. And then maybe a little more on Florida. I am curious. I was reading this week that the state is seeing some strong growth in their prison population and is considering reopening some of the facilities that they idled in prior years. So, I am curious if there is any thought as to whether or not if and when those are reopened if that’s going to be an opportunity for the private sector to manage those?

George Zoley - ***The GEO Group, Inc.*** - ***Chairman, CEO***

I don’t know. In order to do so I believe they would have to have legislative authorization, and the legislature does not convene until, I think, February or March.

Kevin Campbell - ***Avondale Partners*** - ***Analyst***

Okay. And then two quick questions for you, Brian. The discontinued ops, what was moved to discontinued ops?

Brian Evans - ***The GEO Group, Inc.*** - ***CFO, SVP***

Discontinued ops had a piece of insurance adjustment that went through it. So, that was related to some facilities that we discontinued in Mississippi and some other facility. (Inaudible).

Kevin Campbell - ***Avondale Partners*** - ***Analyst***

And then last question, you know, traditionally going from Q4 to Q1 you have a negative impact from payroll taxes, but now that you have converted to a REIT, I'm not sure if you have the same level of impact or not. So, I just wanted to get your thoughts on that . Should we expect in Q1 of next year, you know, a similar type of sequential headwind in margins and earnings, or will it be less than normal?

Brian Evans - ***The GEO Group, Inc.*** - ***CFO, SVP***

I think, you know, it will be the same as it is historically . That those expenses will be incurred in the TRS. They are still related to all of our employees, and those taxes are generally increasing given the state of the economy and unemployment benefits and so forth, so, we will experience that kind of stuff down the first quarterAs you know it is historically a lower quarter because of those issues, as well as some cyclicality in population, so we will see some of that step down in the first quarter. Like I mentioned, we also have the — we will still be normalizing the operations of our California facility that just came online, and then we will see that fairly significant step up going in the second quarter with the full — with our expectation that those California beds will be fully operational, and then we will also have relieved the overhang of that extra payroll tax.

Kevin Campbell - ***Avondale Partners*** - ***Analyst***

Okay. And can you remind, us if you know off the top of your head, what that payroll tax was this year for instance, in terms of earnings or dollar amount for the — ?

Brian Evans - ***The GEO Group, Inc.*** - ***CFO, SVP***

You know, $0.04 to $0.06. Call it $0.05.

Kevin Campbell - ***Avondale Partners*** - ***Analyst***

Okay. That's all I have. Thank you very much.

Operator

Thank you for your questions. I would now like to turn the call over to George Zoley for closing remarks.

George Zoley - ***The GEO Group, Inc.*** - ***Chairman, CEO***

Thank you very much, and we look forward to addressing you in the next conference call.

Operator

Thank you for joining today's conference, ladies and gentlemen. This concludes the presentation. You may now disconnect. Have a very good day.