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): February 22, 2010

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

Florida
(State or Other Jurisdiction of Incorporation)

1-14260	**65-0043078**
(Commission File Number)	(IRS Employer Identification No.)
621 NW 53rd Street, Suite 700, Boca Raton, Florida	**33487**
(Address of Principal Executive Offices)	(Zip Code)

(561) 893-0101
(Registrant's Telephone Number, Including Area Code)

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):

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

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

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

o 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 February 22, 2010, The GEO Group, Inc. (“GEO”) issued a press release (the “Press Release”) announcing its financial results for the quarter and fiscal year ended January 3, 2010, a copy of which is incorporated herein by reference and attached hereto as Exhibit 99.1. GEO also held a conference call on February 22, 2010 to discuss its financial results for the quarter and fiscal year, a transcript of which is incorporated herein by reference and attached hereto as Exhibit 99.2.

In the Press Release, GEO provided certain pro forma financial information for the quarter and fiscal year ended January 3, 2010 that was not calculated in accordance with Generally Accepted Accounting Principles (the “Non-GAAP Information”). Generally, for purposes of Regulation G under the Securities Exchange Act of 1934, Non-GAAP Information is any numerical measure of a company’s performance, financial position, or cash flows that either excludes or includes amounts that are not normally excluded or included in the most directly comparable measure calculated and presented in accordance with GAAP. The Press Release presents the financial measure calculated and presented in accordance with GAAP which is most directly comparable to the Non-GAAP Information with a prominence equal to or greater than its presentation of the Non-GAAP Information. The Press Release also contains a reconciliation of the Non-GAAP Information to the financial measure calculated and presented in accordance with GAAP which is most directly comparable to the Non-GAAP Information.

The Press Release includes three non-GAAP measures, Pro Forma Income from Continuing Operations, Adjusted EBITDA and Adjusted Free Cash Flow, that are presented as supplemental disclosures. Pro Forma Income from Continuing Operations is defined as income from continuing operations excluding start-up/ transition expenses, international tax benefit, and loss on extinguishment of debt. Adjusted EBITDA is defined as net income before net interest expense, income tax and depreciation and amortization, excluding discontinued operations, start-up/ transition expenses and loss on extinguishment of debt. In calculating these adjusted financial measures, GEO excludes certain expenses which it believes are unusual or non-recurring in nature in order to facilitate an understanding of GEO’s operating performance. GEO’s management uses these adjusted financial measures in conjunction with GAAP financial measures to monitor and evaluate its operating performance and to facilitate internal and external comparisons of the historical operating performance of GEO and its business units. Adjusted Free Cash Flow is defined as income from continuing operations excluding depreciation and amortization, income taxes, loss on extinguishment of debt and the other items referenced in Table 4 of the Press Release. GEO’s management believes that the Adjusted Free Cash Flow measure provides useful information to GEO’s management and investors regarding cash that GEO’s operating business generates before taking into account certain cash and non-cash items that are non-operational or infrequent in nature.

GEO’s management believes that these adjusted financial measures are useful to investors to provide them with disclosures of GEO’s operating results on the same basis as that used by GEO’s management. Additionally, GEO’s management believes that these adjusted financial measures provide useful information to investors about the performance of GEO’s overall business because such financial measures eliminate the effects of unusual or non-recurring charges that are not directly attributable to GEO’s underlying operating performance. GEO’s management believes that because it has historically provided similar non-GAAP Financial Information in its earnings releases, continuing to do so provides consistency in its financial reporting and continuity to investors for comparability purposes.

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

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 and costs and our ability to maintain growth and strengthen contract relationships. Factors that could cause actual results to vary from current expectations and forward-looking statements contained in this press release include, but are not limited to those factors contained in GEO's Securities and Exchange Commission filings, including the forms 10-K, 10-Q and 8-K reports.

Section 8 — Other Events

Item 8.01 Other Events.

On February 22, 2010, GEO announced that its Board of Directors has approved a stock repurchase program of up to $80.0 million of GEO's common stock effective through March 31, 2011. The stock repurchase program will be funded primarily with cash on hand, borrowings under GEO's revolving credit facility, and free cash flow. GEO believes it has the ability to fund the stock repurchase program, its working capital, its debt service requirements, and its maintenance and growth capital expenditure requirements, while maintaining sufficient liquidity for other corporate purposes.

The stock repurchase is intended to be implemented through purchases made from time to time in the open market or in privately negotiated transactions, in accordance with applicable Securities and Exchange requirements. The program may also include repurchases from time to time from executive officers or directors of vested restricted stock and/or vested stock options. The stock repurchase program does not obligate GEO to purchase any specific amount of its common stock and may be suspended or extended at any time at the company's discretion. a copy of the press release announcing the repurchase is attached hereto as Exhibit 99.3.

Section 9 — Financial Statements and Exhibits

Item 9.01 Financial Statements and Exhibits.

c) Exhibits

99.1 Press Release, dated February 22, 2010, announcing GEO's financial results for the quarter and fiscal year ended January 3, 2010

99.2 Transcript of Conference Call discussing GEO's financial results for the quarter and fiscal year ended January 3, 2010

99.3 Press Release, dated February 22, 2010, announcing GEO's $80.0 million stock repurchase program

SIGNATURES

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

THE GEO GROUP, INC.

Date: February 26, 2010

/s/ Brian R. Evans
Brian R. Evans
Senior Vice President & Chief Financial Officer
(principal financial officer)

Exhibit 99.1

The GEO Group, Inc.

NEWS RELEASE

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

CR-10-03

THE GEO GROUP REPORTS FOURTH QUARTER 2009 RESULTS AND ANNOUNCES $80.0 MILLION STOCK REPURCHASE PROGRAM

- **4Q GAAP Reported Earnings from Continuing Operations of $15.5 Million — $0.30 EPS**
- **4Q Pro-Forma Earnings Increased 10% to $21.0 Million — $0.40 EPS**
- **Board of Directors Approves $80.0 Million Stock Repurchase Program**
- **Full-Year 2010 Pro Forma EPS Guidance of $1.36 to $1.46 and 2010 Adjusted Free Cash Flow per Share of $2.13 to $2.23**

Boca Raton, Fla. — February 22, 2010 — The GEO Group (NYSE: GEO) ("GEO") today reported fourth quarter and full-year 2009 financial results. GEO reported fourth quarter 2009 GAAP income from continuing operations of $15.5 million, or $0.30 per diluted share, which includes a one-time, after-tax expense of $4.2 million, or $0.08 per share, related to the early extinguishment of debt. These results compare to $20.2 million, or $0.39 per diluted share, in the fourth quarter of 2008, which included a one-time international tax benefit of $1.9 million, or $0.04 per share. Adjusted for these items as well as after-tax start-up/transition expenses, GEO's fourth quarter 2009 pro forma income from continuing operations increased to $21.0 million, or $0.40 per diluted share, from pro forma income from continuing operations of $19.2 million, or $0.37 per diluted share, in the fourth quarter of 2008.

For the full-year 2009, GEO reported GAAP income from continuing operations of $66.3 million, or $1.28 per diluted share, compared to $61.5 million, or $1.19 per diluted share, for the full-year 2008. Pro forma income from continuing operations for the full-year 2009 increased to $73.5 million, or $1.42 per diluted share, from pro forma income from continuing operations of $64.6 million, or $1.25 per diluted share, for the full-year 2008.

George C. Zoley, Chairman and Chief Executive Officer of GEO, said: "We are pleased with our strong fourth quarter and year-end earnings results, which continue to be driven by sound operational and financial results from our diversified business units. Our initial projections for 2010 take into account additional expenses related to our recent refinancing transactions as well as the carrying costs of our capital expansion projects.

We continue to be optimistic about the long term growth prospects for our company, and with our strengthened balance sheet, we now have the flexibility to pursue long term growth opportunities, while enhancing our shareholders' returns with the implementation of a stock repurchase program that has been approved by our Board of Directors," Mr. Zoley added.

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Pro forma income from continuing operations excludes start-up/transition expenses, and other items as set forth in the table below, which presents a reconciliation of pro forma income from continuing operations to GAAP income from continuing operations for the fourth quarter and full-year 2009. Please see the section of this press release below entitled "Important Information on GEO's Non-GAAP Financial Measures" for information on how GEO defines pro forma income from continuing operations.

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

(In thousands except per share data)	14 Weeks Ended 3-Jan-10	13 Weeks Ended 28-Dec-08	53 Weeks Ended 3-Jan-10	52 Weeks Ended 28-Dec-08
Income from continuing operations	$ 15,480	$ 20,216	$ 66,300	$ 61,453
Start-up/transition expenses, net of tax	1,300	839	3,008	5,062
Loss on extinguishment of debt, net of tax	4,232	—	4,232	—
International tax benefit, net of tax	—	(1,875)	—	(1,875)
Pro forma income from continuing operations	$ 21,012	$ 19,180	$ 73,540	$ 64,640
Diluted earnings per share				
Income from Continuing Operations	$ 0.30	$ 0.39	$ 1.28	$ 1.19
Start-up/transition expenses, net of tax	0.02	0.02	0.06	0.10
Loss on extinguishment of debt, net of tax	0.08	—	0.08	—
International tax benefit, net of tax	—	(0.04)	—	(0.04)
Diluted pro forma earnings per share	$ 0.40	$ 0.37	$ 1.42	$ 1.25
Weighted average common shares outstanding-diluted	52,164	51,731	51,922	51,830

Business Segment Results

The following table presents a summary of GEO's segment financial results for the fourth quarter and full-year 2009.

Table 2. Business Segment Results

	14 Weeks Ended 3-Jan-10	13 Weeks Ended 28-Dec-08	53 Weeks Ended 3-Jan-10	52 Weeks Ended 28-Dec-08
Revenues				
U.S. Corrections	$ 207,426	$ 191,009	$ 784,066	$ 711,038
International Services	44,954	25,745	137,171	128,672
GEO Care	37,633	28,336	121,818	117,399
Construction	20,772	11,363	98,035	85,897
	$ 310,785	$ 256,453	$ 1,141,090	$ 1,043,006
Operating Expenses				
U.S. Corrections	$ 146,430	$ 135,099	$ 565,291	$ 516,963
International Services	42,425	23,176	127,964	116,985
GEO Care	32,343	24,761	106,447	103,140
Construction	20,566	11,349	97,654	85,571
	$ 241,764	$ 194,385	$ 897,356	$ 822,659
Depreciation & Amortization Expense				
U.S. Corrections	$ 8,998	$ 9,093	$ 35,955	$ 34,010
International Services	411	355	1,448	1,556
GEO Care	835	435	1,903	1,840
Construction	—	—	—	—
	$ 10,244	$ 9,883	$ 39,306	$ 37,406

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Table 2. Business Segment Results (Continued)

	14 Weeks Ended 3-Jan-10	13 Weeks Ended 28-Dec-08	53 Weeks Ended 3-Jan-10	52 Weeks Ended 28-Dec-08
Compensated Mandays				
U.S. Corrections	3,804,163	3,508,703	14,512,307	13,303,440
International Services	641,241	525,161	2,240,384	2,100,643
GEO Care	179,973	133,980	580,005	542,849
	4,625,377	4,167,844	17,332,696	15,946,932
Revenue Producing Beds				
U.S. Corrections	40,972	42,162	40,972	42,162
International Services	6,854	5,771	6,854	5,771
GEO Care	1,890	1,476	1,890	1,476
	49,716	49,409	49,716	49,409
Average Occupancy				
U.S. Corrections	93.2%	95.1%	93.7%	95.7%
International Services	100.0%	100.0%	100.0%	100.0%
GEO Care	97.2%	100.0%	96.8%	100.0%
	94.2%	95.9%	94.6%	96.4%

Adjusted EBITDA

Fourth quarter 2009 Adjusted EBITDA increased to $52.9 million from $49.4 million in the fourth quarter of 2008. For the full-year 2009, Adjusted EBITDA increased to $183.1 million from $163.8 million for the full-year 2008. Please see the section of this press release below entitled “Important Information on GEO’s Non-GAAP Financial Measures” for information on how GEO defines Adjusted EBITDA. The following table presents a reconciliation from Adjusted EBITDA to GAAP Net income for the fourth quarter and full-year 2009.

Table 3. Reconciliation from Adjusted EBITDA to GAAP Net Income

(In thousands)	14 Weeks Ended 3-Jan-10	13 Weeks Ended 28-Dec-08	53 Weeks Ended 3-Jan-10	52 Weeks Ended 28-Dec-08
Net income	$ 15,480	$ 16,437	$ 65,954	$ 58,902
Interest expense, net	6,597	7,070	23,575	23,157
Income tax provision	11,667	10,187	41,991	33,803
Depreciation and amortization	10,244	9,883	39,306	37,406
EBITDA	$ 43,988	$ 43,577	$ 170,826	$ 153,268
Adjustments, pre-tax				
Discontinued operations, (income) loss	—	4,418	562	2,315
Start-up/transition expenses	2,100	1,358	4,885	8,186
Loss on extinguishment of debt	6,839	—	6,839	—
Adjusted EBITDA	$ 52,927	$ 49,353	$ 183,112	$ 163,769

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Adjusted Free Cash Flow

Adjusted Free Cash Flow for the fourth quarter of 2009 was $33.4 million compared to $33.9 million for the fourth quarter of 2008. For the full-year 2009, Adjusted Free Cash Flow increased to $117.4 million, or $2.26 per share, from $93.9 million, or $1.81 per share, for the full-year 2008. Please see the section of this press release below entitled “Important Information on GEO’s Non-GAAP Financial Measures” for information on how GEO defines Adjusted Free Cash Flow. The following table presents a reconciliation from Adjusted Free Cash Flow to GAAP income from continuing operations for the fourth quarter and full-year 2009.

Table 4. Reconciliation of Adjusted Free Cash Flow to GAAP Income from Continuing Operations

(In thousands)	14 Weeks Ended 3-Jan-10	13 Weeks Ended 28-Dec-08	53 Weeks Ended 3-Jan-10	52 Weeks Ended 28-Dec-08
Income from Continuing Operations	$ 15,480	$ 20,216	$ 66,300	$ 61,453
Depreciation and Amortization	10,244	9,883	39,306	37,406
Income Tax Provision	11,667	10,187	41,991	33,803
Income Taxes Paid	(10,222)	(3,839)	(34,185)	(29,895)
Stock Based Compensation	1,964	1,563	5,321	4,469
Maintenance Capital Expenditures	(4,812)	(2,476)	(11,491)	(11,749)
Equity in Earnings of Affiliates, Net of Income Tax	(1,110)	(2,614)	(3,517)	(4,623)
Amortization of Debt Costs and Other Non-Cash	3,393	985	6,864	3,040
Interest Loss on extinguishment of debt	6,839	—	6,839	—
Adjusted Free Cash Flow	$ 33,443	$ 33,905	$ 117,428	$ 93,904

Stock Repurchase Program

GEO’s Board of Directors has approved a stock repurchase program of up to $80.0 million of GEO’s common stock effective through March 31, 2011. The stock repurchase program will be funded primarily with cash on hand, borrowings under GEO’s revolving credit facility, and free cash flow. GEO believes it has the ability to fund the stock repurchase program, its working capital, its debt service requirements, and its maintenance and growth capital expenditure requirements, while maintaining sufficient liquidity for other corporate purposes.

The stock repurchase is intended to be implemented through purchases made from time to time in the open market or in privately negotiated transactions, in accordance with applicable Securities and Exchange requirements. The program may also include repurchases from time to time from executive officers or directors of vested restricted stock and/or vested stock options. The stock repurchase program does not obligate GEO to purchase any specific amount of its common stock and may be suspended or extended at any time at the company’s discretion. As of February 16, 2010, GEO had approximately 51.6 million shares outstanding.

2010 Financial Guidance

GEO issued its initial financial guidance for 2010. GEO expects 2010 total revenues to be in the range of $1.11 billion to $1.13 billion, including $20.0 million in construction revenues. GEO expects 2010 earnings to be in the pro forma range of $1.36 to $1.46 per share, exclusive of $0.01 per share in after-tax start-up/transition expenses. GEO expects GAAP earnings to be in a range of $1.35 to $1.45 per share. GEO has also provided initial 2010 guidance for Adjusted Free Cash Flow in a range of $2.13 to $2.23 per share.

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GEO's 2010 guidance is impacted by higher interest expense and higher depreciation and amortization expense as a result of GEO's recent refinancing transactions in late-October 2009 and the completion of several of GEO's capital expansion projects in late 2009 and early 2010.

GEO's initial guidance for 2010 does not include any revenue contribution from the potential activation of GEO's expanded, 1,755-bed North Lake Correctional Facility in Michigan or the company-owned 1,100-bed expansion of the 432-bed Aurora Processing Center in Colorado. GEO's guidance does include the carrying costs related to the completion of these two company-owned expansion projects.

Additionally, the State of Florida continues to experience budgetary pressures and is evaluating when to open the new 2,000-bed Blackwater River Correctional Facility. GEO has not included any revenue contribution for this managed-only project in its initial guidance for 2010.

For the first quarter 2010, GEO expects total revenues to be in the range of $286.0 million to $291.0 million, including $15.0 million in construction revenues. GEO expects first quarter earnings to be in a GAAP and pro forma range of $0.32 to $0.34 per share.

Compared to the fourth quarter 2009, GEO's first quarter 2010 guidance reflects one less week of operations estimated to have an earnings contribution of $0.02 to $0.03 per share. Additionally, GEO's first quarter 2010 guidance also reflects higher payroll tax costs estimated to be $0.02 to $0.03 per share, and is impacted by higher interest expense and higher depreciation and amortization expense as discussed above and by normal seasonal population declines.

GEO expects 2010 Adjusted EBITDA to be in the range of $180.0 million to $190.0 million and 2010 Adjusted Free Cash Flow to be in the range of $112.0 million to $117.0 million, or $2.13 to $2.23 per share.

GEO's guidance is based on a number of assumptions related to GEO's business including the continued operation of GEO's current contracts at projected occupancy levels.

Conference Call Information

GEO has scheduled a conference call and simultaneous webcast at 11:00 AM (Eastern Time) today to discuss GEO's fourth quarter and full-year 2009 financial results as well as its progress and outlook. The call-in number for the U.S. is 1-866-804-6925 and the international call-in number is 1-857-350-1671. The participant pass-code for the conference call is 63374177. 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. 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 March 22, 2010 at 1-888-286-8010 (U.S.) and 1-617-801-6888 (International). The pass-code for the telephonic replay is 31936615.

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About The GEO Group, Inc.
The GEO Group, Inc. ("GEO") is a world leader in the delivery of correctional, detention, and residential treatment services to federal, state, and local government agencies around the globe. GEO offers a turnkey approach that includes design, construction, financing, and operations. GEO represents government clients in the United States, Australia, South Africa, and the United Kingdom. GEO's worldwide operations include the management and/or ownership of 62 correctional and residential treatment facilities with a total design capacity of approximately 60,000 beds, including projects under development.

Important Information on GEO's Non-GAAP Financial Measures
Pro forma income from continuing operations, Adjusted EBITDA, and Adjusted Free Cash Flow are non-GAAP financial measures. Pro forma income from continuing operations is defined as income from continuing operations excluding start-up/transition expenses and other items as set forth in Table 1 above. Adjusted EBITDA is defined as EBITDA excluding start-up/transition expenses and other items as set forth in Table 3 above. Adjusted Free Cash Flow is defined as income from continuing operations after giving effect to the items set forth in Table 4 above. A reconciliation of these non-GAAP measures to the most directly comparable GAAP measurements of these items is included above in Tables 1, 3, and 4, respectively. GEO believes that these financial measures are important operating measures that supplement discussion and analysis of GEO's financial results derived in accordance with GAAP. These non-GAAP financial measures should be read in conjunction with GEO's consolidated financial statements and related notes included in GEO's filings with the Securities and Exchange Commission.

Safe-Harbor Statement
This press release contains forward-looking statements regarding future events and future performance of GEO that involve risks and uncertainties that could materially affect actual results, including statements regarding estimated earnings, revenues and costs and our ability to maintain growth and strengthen contract relationships. Factors that could cause actual results to vary from current expectations and forward-looking statements contained in this press release include, but are not limited to: (1) GEO's ability to meet its financial guidance for 2010 given the various risks to which its business is exposed; (2) GEO's ability to successfully pursue further growth and continue to enhance shareholder value; (3) GEO's ability to access the capital markets in the future on satisfactory terms or at all; (4) risks associated with GEO's ability to control operating costs associated with contract start-ups; (5) GEO's ability to timely open facilities as planned, profitably manage such facilities and successfully integrate such facilities into GEO's operations without substantial costs; (6) GEO's ability to win management contracts for which it has submitted proposals and to retain existing management contracts; (7) GEO's ability to obtain future financing on acceptable terms; (8) GEO's ability to sustain company-wide occupancy rates at its facilities; and (9) other factors contained in GEO's Securities and Exchange Commission filings, including the forms 10-K, 10-Q and 8-K reports.

Fourth quarter and full year 2009 financial tables to follow:

THE GEO GROUP, INC.
CONSOLIDATED STATEMENTS OF INCOME
FOR THE FISCAL QUARTER AND FISCAL YEAR ENDED
JANUARY 3, 2010 AND DECEMBER 28, 2008
(In thousands, except per share data)
(UNAUDITED)

	14 Weeks Ended January 3, 2010	13 Weeks Ended December 28, 2008	53 Weeks Ended January 3, 2010	52 Weeks Ended December 28, 2008
Revenues	$ 310,785	$ 256,453	$ 1,141,090	$ 1,043,006
Operating expenses	241,764	194,385	897,356	822,659
Depreciation and amortization	10,244	9,883	39,306	37,406
General and administrative expenses	19,304	17,326	69,240	69,151
Operating income	39,473	34,859	135,188	113,790
Interest income	1,423	1,465	4,943	7,045
Interest expense	(8,020)	(8,535)	(28,518)	(30,202)
Loss on extinguishment of debt	(6,839)	—	(6,839)	—
Income before income taxes, equity in earnings of affiliate and discontinued operations	26,037	27,789	104,774	90,633
Provision for income taxes	11,667	10,187	41,991	33,803
Equity in earnings of affiliate, net of income tax provision (benefit) of $432, $250, $1,368 and $(805)	1,110	2,614	3,517	4,623
Income from continuing operations	15,480	20,216	66,300	61,453
Income (loss) from discontinued operations, net of tax provision (benefit) of $0, $(639), $(216) and $236	—	(3,779)	(346)	(2,551)
Net income	$ 15,480	$ 16,437	$ 65,954	$ 58,902
Weighted-average common shares outstanding:				
Basic	51,110	50,669	50,879	50,539
Diluted	52,164	51,731	51,922	51,830
Income per common share:				
Basic:				
Income from continuing operations	$ 0.30	$ 0.40	$ 1.30	$ 1.22
Loss from discontinued operations	—	(0.08)	—	(0.05)
Net income per share-basic	$ 0.30	$ 0.32	$ 1.30	$ 1.17
Diluted:				
Income from continuing operations	$ 0.30	$ 0.39	$ 1.28	$ 1.19
Loss from discontinued operations	—	(0.07)	(0.01)	(0.05)
Net income per share-diluted	$ 0.30	$ 0.32	$ 1.27	$ 1.14

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THE GEO GROUP, INC.
CONSOLIDATED BALANCE SHEETS
January 3, 2010 and December 28, 2008
(In thousands, except share data)

	2009	2008
ASSETS		
Current Assets		
Cash and cash equivalents	$ 33,856	$ 31,655
Restricted cash	13,313	13,318
Accounts receivable, less allowance for doubtful accounts of $429 and $625	200,756	199,665
Deferred income tax asset, net	17,020	17,340
Other current assets	14,689	12,911
Current assets of discontinued operations	—	7,031
Total current assets	279,634	281,920
Restricted Cash	20,755	19,379
Property and Equipment, Net	998,560	878,616
Assets Held for Sale	4,348	4,348
Direct Finance Lease Receivable	37,162	31,195
Deferred Income Tax Assets, Net	—	4,417
Goodwill	40,090	22,202
Intangible Assets, Net	17,579	12,393
Other Non-Current Assets	49,690	33,942
Non-Current Assets of Discontinued Operations	—	209
	$ 1,447,818	$ 1,288,621
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current Liabilities		
Accounts payable	$ 51,856	$ 56,143
Accrued payroll and related taxes	25,209	27,957
Accrued expenses	80,759	82,442
Current portion of capital lease obligations, long-term debt and non-recourse debt	19,624	17,925
Current liabilities of discontinued operations	—	1,459
Total current liabilities	177,448	185,926
Deferred Income Tax Liability	7,060	14
Other Non-Current Liabilities	33,142	28,876
Capital Lease Obligations	14,419	15,126
Long-Term Debt	453,860	378,448
Non-Recourse Debt	96,791	100,634
Total Shareholders' Equity	665,098	579,597
	$ 1,447,818	$ 1,288,621

- End -

GEO 4Q09 Earnings Call Transcript — February 22, 2010

CORPORATE PARTICIPANTS

Pablo Paez
The GEO Group — Director of Corporate Relations

George Zoley
The GEO Group — Chairman, CEO

Brian Evans
The GEO Group — SVP, CFO

Wayne Calabrese
The GEO Group — President & COO

CONFERENCE CALL PARTICIPANTS

Kevin Campbell
Avondale Partners — Analyst

T.C. Robillard
Signal Hill Group — Analyst

Manav Patnaik
Barclays Capital — Analyst

Todd Van Fleet
First Analysis — Analyst

Emily Shanks
Barclays Capital — Analyst

Jamie Sullivan
RBC Capital Markets — Analyst

Greg Williams
Sidoti & Company — Analyst

PRESENTATION

Operator

Good day, ladies and gentlemen and welcome to the fourth-quarter 2009 The GEO Group earnings conference call. At this time all participants are in listen-only mode. Later we will conduct a question-and-answer session. (Operator instructions). As a reminder, this conference call is being recorded for replay purposes.

I would now like to turn the conference over to your host for today, Mr. Pablo Paez, Director of Investor Relations. Please proceed, sir.

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

Thank you, operator. Good morning, everyone, and thank you for joining us for today's discussion of The GEO Group's fourth-quarter 2009 earnings results. With us today is George Zoley, Chairman and Chief Executive Officer; Wayne Calabrese Vice Chairman and President; and Brian Evans, Chief Financial Officer. This morning we will discuss our fourth-quarter performance and current business development activities and 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 may be found in the press release we issued this morning.

Before I turn the call over to George, please let me remind you that much of the information we will discuss today, including the answers we give in response to your questions, may include forward-looking statements regarding our beliefs and 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 8K reports.

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

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

Thanks, Pablo, and good morning to everyone. Thank you for joining us. Today we reported strong fourth-quarter and full-year results, driven by continued solid performance from our core operations in U.S. Corrections, GEO Care and International Services. Our financial performance in 2009 was the most successful in our Company's history, achieving new highs in revenue and earning results. Our quarterly pro forma EPS increased 8% to $0.40 from $0.37 a year ago, and our reported GAAP EPS was $0.30, which includes an $0.08 onetime refinancing charge.

For the full year we reported pro forma EPS from continuing operations of $1.42 and GAAP EPS of $1.28, representing increases of 14% and 8%, respectively. Our total quarterly revenues were $311 million, including $21 million in construction revenues. Our total revenues for the year exceeded $1.14 billion including $86 million in construction revenues. Our quarterly and full-year adjusted EBITDA grew to $53 million and $183 million, respectively, representing respective increases of 7% and 12%.

And we reported strong adjusted free cash flow for the quarter of $33 million or $0.64 per share. Our adjusted free cash flow for the year was $117 million or $2.26 per share. Our year-over-year growth in revenues and earnings was driven by the normalized contributions from eight facilities with a total of 5900 new beds activated in 2008, four projects totaling more than 900 beds activated in the first three quarters of 2009 and the fourth-quarter 2009 activations of a 354-bed Columbia Regional Care Center through our acquisition of Just Care, the 823-bed Parklea Correctional Centre in New South Wales, Australia by our Australian subsidiary; and the new contract for our expanded 1575-bed Northwest Detention Center in Tacoma, Washington.

I'd like now to address our initial guidance for 2010, which was included in our press release this morning. Our full-year revenues are expected to be in a range of $1.11 billion to $1.13 billion, which includes approximately $20 million in construction revenues. Our full-year earnings are expected to be in a pro forma range of $1.36 to $1.46 per share excluding $0.01 in after-tax startup expenses.

Our full-year GAAP EPS is expected to be in the range of $1.35 to $1.45 per share.

Our first quarter revenues are expected to be in the range of $286 million to $291 million including approximately $15 million in construction revenues, and our pro forma and GAAP first-quarter earnings are expected to be in a range of $0.32 to $0.34 per share.

We are also providing guidance on our full-year adjusted free cash flow per share, which we expect to be in a range of $2.13 to $2.23. Let me now address the different components and assumptions in our guidance as well as the bridge from our fourth-quarter 2009 results to our first quarter 2010 guidance. First let me reiterate what was stated in our press release. Our guidance does not assume the activation of expansions at our company-owned North Lake facility in Michigan and Aurora processing center in Colorado. We currently do not have contracts for either of these expansions, and we have therefore decided not to include any potential revenue contribution from these projects in our initial guidance.

We have, however, included the carrying costs for these still to be occupied expansions in our guidance. I will address both of these projects in more detail when I discuss our pipeline projects.

Additionally, as stated in our press release, we have also decided not to include any revenue contribution in our initial guidance for the Blackwater River project in Florida. We are in the process of finalizing construction on this state-finance and state-owned project, which is scheduled for completion by July 1 of this year. Given the state of Florida's current budgetary shortfall, we have decided to hold off on including this project in our guidance until such time as the state confirms the new prisons' opening day.

And finally, our guidance does assume continued operation of our current contracts at projected occupancy levels the retention of existing contracts currently under rebid and the activation of the 360-bed expansion of our Harmondsworth Immigration Centre in the UK, which is scheduled for July 2010.

Now I would like to discuss the bridge between our reported fourth-quarter 2009 results and our projected first-quarter 2010 earnings. Compared to our fourth-quarter 2009 pro forma earnings per share of $0.40, our projected first-quarter 2010 earnings estimate range is lower by $$0.06 to 0.08, which reflects the following factors. Our fourth-quarter 2009 results reflect an extra week of earnings contribution at the same level as all other weeks in the quarter, adding approximately $0.02 to $0.03 to our fourth-quarter 2009 results.

Our projected results for the first quarter 2010 reflect higher front-loaded payroll taxes expenses, which are estimated to reduce earnings for the quarter by $0.02 to $0.03 per share. We are experiencing normal seasonal fluctuation declines in the first quarter of this year, which represent a further projected reduction of $0.01 to $0.02 per share for the quarter, and higher interest expense related to our late October 2009 refinancing transactions represent $0.01 of lower projected earnings for the first quarter of 2010.

Now I would like to discuss our current pipeline projects and upcoming contract rebids. We have two company-owned expansion projects that will be completed this year. In Michigan, our 530-bed North Lake facility is being expanded by 1225 beds. As you may be aware, we have submitted this expanded facility in response to the Bureau of Prisons' CAR 9 procurement. CAR 9 was expected to result in an award of approximately 1700 to 2000 beds between late 2009 and early 2010, following the completion of the environmental reviews of our Michigan site and our Florida site proposed by another company.

While the BOP continues to have a need for these beds, a decision on CAR 9 has been delayed primarily due to funding concerns related to the agency's future year budgets. As a result of this delay, we have decided not to assume any revenue contribution from our Michigan facility in our guidance at this time. We continue to market the facility to other potential clients as well, and we hope to be able to activate this facility later in the year.

In Colorado our 432-bed Aurora immigration detention facility is being expanded by more than 1000 beds. We believe that our federal clients, primarily ICE and the US Marshals, will continue to need beds as they consolidate the existing populations into larger facilities such as our expanded Aurora facility. However, we currently don't have a contract for the use of expanded beds and therefore have decided not to include any revenue contribution from these beds in our initial guidance for the year.

As I discussed previously, we are also scheduled to complete construction of the new 2000-bed managed (inaudible) Blackwater River facility in Florida by July 1 of this year. Again, we've decided not to include any revenue contribution from this facility in our 2010 guidance until the state of Florida notifies us regarding the facility's opening date.

In the UK we expect to activate a 360-bed expansion of the 260-bed managed-only Harmondsworth Immigration facility, which is expected to generate an additional $5 million in annual revenues. With regard to existing contract rebids, the BOP is rebidding the contract for our company-owned 1380-bed Rivers Correctional Institution in Winton, North Carolina, which reaches the end of its 10-year contract term next year. Proposals were submitted in May and are currently under evaluation, while our contract continues through March 2011. An award under this procurement is expected in March of this year.

The BOP is also rebidding our company-leased Brooklyn Residential Reentry Center in New York, for which our contract was extended through July of this year. Proposals have been submitted, and we expect an award will be made under this procurement in the second or third quarter of the year.

At the state level we have three managed-only contracts currently under rebid. In Florida, the state-owned managed-only 985-bed Moore Haven and 1884-bed Graceville facilities are currently being rebid. We expect a decision on these rebids by the middle of the year. And in Texas, the state-owned managed-only 520-bed Bridgeport facilities is currently being rebid with a contract decision expected by the third quarter.

Now turning to our capital availability as well as our capital deployment strategy, with our fourth quarter refinancing transactions, our Company is well funded to continue to pursue future growth opportunities. We currently have approximately $60 million in outstanding borrowings along with $45 million set aside for the letters of credit under the revolver, leaving approximately $225 million in available borrowing capacity. Additionally, we expect to generate approximately $115 million in adjusted free cash flow in 2010.

Our current committed development CapEx in 2010 is approximately $40 million. Based on our capital availability, we could fund the development of approximately 6000 new beds over the next two years. While we continue to believe that the best use of our company capital remains with new growth opportunities, we also recognize that we may be able to enhance our shareholders' value with the repurchase of our shares at times when our stock is attractively priced 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 $80 million, effective through March 31, 2011, as announced in our press release this morning. 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. We have not included the benefit from any share repurchases in our initial guidance for 2010.

I would now like to address our market segments, beginning with the three federal government agencies we serve. The main driver for new beds at the federal level continues to be the detention and incarceration of criminal aliens as well as the consolidation of existing detainee populations from small facilities that often fail to meet agency standards into larger compliant facilities. The US Marshals and the BOP house criminal aliens facing criminal charges or serving time as a result of a conviction, while the ICE population includes both undocumented aliens and criminal aliens who have completed their federal or state sentences and are awaiting deportation.

While the administration announced a freeze on discretionary spending beginning next year, the President's proposed budget for 2011 continues to fund initiatives related to the detention and removal of criminal aliens. With regard to specific opportunities, we expect ICE to issue a formal RFP in the next month or two for a new 2200-bed facility to be developed and managed in the Southern California area. We expect to see an award of this large-scale new opportunity by the end of 2010.

In addition, the BOP issued a request for information earlier this year for 3000 beds in South Texas to house short-term sentenced offenders. This is another large-scale opportunity. Finally, the Office of Federal Detention Trustee, which procures beds nationwide for the US Marshal service, recently issued a request for information from an existing 650-bed facility within 75 miles of Adelanto, California. We expect a formal solicitation to be issued shortly for these beds.

Turning to the state market, we are all aware that states continue to face budgetary constraints, which can create pressure on our per diem rates but can also create more interest to privatize new prison projects. As with our prior year's guidance, we have assumed mostly flat per diem rates from our state clients. We continue to believe that the opportunities at the state level outweigh the potential near-term challenges. Our 10 state clients continue to require additional correctional beds and inmate populations will likely continue to increase. 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. Specifically, in Arizona, the state has issued a request for information related to concession agreements to privately operate two state facilities, prison complexes and Douglas and Safford, which totaled more than 4000 beds.

The state's goal is to generate at least $100 million in up-front payments for the right to operate these prison complexes under long-term concession agreements. Responses to the state's RFI are due this week.

Additionally, the Arizona legislature has approved legislation related to the procurement of 5000 new in-state private beds. We believe that an RFP for this procurement will be issued shortly.

The state of California continues to look for ways to increase prison capacity. The federal three-judge panel recently approved the state's prisoner population reduction plan, which includes a number of initiatives, among which is the increased use of both in-state and out-of-state private beds. While the state of California has continued and indicated it will appeal the three-judge panel's final ruling, we continue to believe the state will nonetheless take additional steps to add capacity and the use of additional private beds will continue to be part of the state's overall plan to reduce its inmate population. The state has already issued an invitation to bid for female beds, and we expect to propose our recently discontinued 224-bed McFarland facility for this procurement.

In Georgia the Department of Corrections issued an RFP for 1000 in-state beds. Approximately two weeks ago the state issued a notice of intent to award a contract to our company for the development and operation of the new 1000-bed facility, which is expandable to 2500 beds. Under the terms of the intended award, GEO would finance, build and operate the new $60 million facility on a state-owned site under a long-term ground lease. The award is subject to obtain approval of the proposed ground lease from the General Assembly. We expect the new 1000-bed facility to generate approximately $19.2 million in annualized operating revenues, once completed.

Other states have continued to discuss the possibility of expanding the use of private beds to lower costs and replace older beds. We believe that the combined demands for California, Arizona and other states represents at least 15,000 new bids.

Now I would like to update you on our international business development efforts. In South Africa the Department of Corrections is reviewing proposals that were submitted in response to their procurement for four 3000-bed prisons. It is possible for one company to be awarded contracts for two of the four prison projects, and we expect contract awards to be made sometime this year.

In the UK the government is moving forward with plans to develop five new 1500-bed prisons to be financed, built and managed by the private sector. We are going through the pre-qualification process and hope to be invited to compete on these opportunities. Additionally, the UK is soliciting proposals for the management of five existing prisons totaling 5800 beds.

Finally, in New Zealand, the government has announced plans to pursue one or more prison privatization projects. We expect a formal solicitation to be issued in the first half of this year with contract awards by year-end.

Moving to our mental health and residential treatment opportunities, we have successfully completed the integration of our fourth-quarter acquisition of Just Care and the activation of the 354-bed Columbia Regional Care Center. The center, which currently serves the states of Georgia and South Carolina as well as ICE and the US Marshals, has additional bed space which we are marketing to other potential clients. GEO Care has also been selected by Montgomery County, Texas, for the operation of a new forensic hospital with an approximate capacity of 100 beds which is expected to open in March 2011 pursuant to an agreement between Montgomery County and the state of Texas for the development and operation of the new facility. Additionally, GEO Care continues to market its services to multiple states around the country.

In closing, we are very pleased with our year-end results, which continue to show strong performance from our three business units. We have issued our initial guidance for 2010. Compared to 2009 results, this guidance reflects higher interest and depreciation expense as a result of our recent refinancing transactions and the completion of several facility expansions. We continue to be optimistic about the overall demand in our industry, notwithstanding today's difficult economic environment, and believe that our recent refinancing transactions have positioned our Company to take advantage of significant future growth opportunities.

This concludes my presentation. I would now like to open the call to your questions.

QUESTION AND ANSWER

Operator

(Operator instructions) Kevin Campbell, Avondale Partners.

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

I was hoping you could talk a little bit more about some of these opportunities, particularly CAR 9 and Aurora in South Africa. Just give us some sense on the potential timing. I know that's very difficult, in light of the environment. But do you think CAR 9 is potentially a first half of 2010, or is it (multiple speakers) into the latter half of the year? And some general comments as well about Aurora or South Africa, along those lines?

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

Well, Kevin, we've speculated about timing in the past. And, as has been often the case, we have been wrong. When you are trying to calibrate the actions of governmental agencies, it's very hazardous. So I would just be happy if those events occurred by the end of the year. I would leave it at that.

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

Specifically on Florida, have you heard anything specific from the state that gives you reason to think that it might not happen this year? Or, is it more a matter of let's just wait until we see the budget and that it's definitively in there again? Or is there something more specific you've heard from the state that leads you to believe that it might not happen this year?

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

It's more like the latter. It's subject to, as all projects are, legislative funding. And they are going through their legislative session right now and budgeting process, so it becomes a budget matter. And we just have to wait for the final budget allocations for a decision on an opening day.

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

And if I recall, did you experience something similar last year with Graceville, where —

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

Yes. There was uncertainty about Graceville, and we thought it would get delayed. But by the end of the legislative session, it was decided to open on time.

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

I was hoping you could comment about the international margins there. They continue to be a little bit lower than perhaps we would think. The operating margins (multiple speakers) [were] about 5% for the second quarter in a row. Perhaps that's start-up related to Parklea, but just give us some color there and maybe where you see them going and over what time frame.

Brian Evans - ***The GEO Group — SVP, CFO***

You're right; the margins in the fourth quarter have been impacted. All the start-up was associated with the Parklea facility, which came online during Q4. We would see in 2010 we expect those margins to return to the 9%, 10%, 11% range.

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

Or higher — what skews our margins in the international sector is really the UK, which is still in kind of a start-up operation. If you go to South Africa and Australia, the margins are more analogous to leased facilities. They're more in the mid teens. If you lump in the UK into it, then you get down to the low teens.

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

And so off the startup expense from this most recent quarter, which was $1.3 million, was attributable to Parklea?

Brian Evans - ***The GEO Group — SVP, CFO***

That's right.

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

Could you give some general comments on the Just Care integration? Anything not happening as you expected or that is it perhaps ramping up better than you thought? Where do you stand in terms of occupancy, and how quickly do you think you can get that up towards 95% plus (technical difficulty)?

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

From my perspective it was a seamless transition. I've personally visited the facility — excellent staff; we just went through a reaccreditation with no problems. And we are exactly where we thought we would be on a census standpoint. But, as I said in the conference call, we still have some excess available capacity, and we are out there marketing that capacity.

Operator

T.C. Robillard, Signal Hill Group.

T.C. Robillard - ***Signal Hill Group — Analyst***

I just wanted to — actually, on the international margin side, just to follow on, from my viewpoint it looked like you guys — when you look at it on a pro forma basis, you back out the start-up costs, but you guys actually had really good sequential improvement in those margins. And I was wondering if you could, George or Brian, if you could give us a sense as to what drove that sequential improvement. I'm assuming, because you are in the ramp-up side, it wasn't necessarily Parklea. Was that coming out of the ramp up in the UK? I'm just trying to get a sense as to what drove some of that good sequential improvement in those margins.

Brian Evans - ***The GEO Group — SVP, CFO***

Like George said, the UK has lower margins. It's a start-up operation. But we did bring on the Harmondsworth project in the third quarter, which was not normalized. So you have an improvement in the performance of the UK now with two projects in the fourth quarter. It still doesn't have margins comparable to international and South Africa, but they did improve. So —

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

And that improvement is going to continue in the second half of the year with the second phase opening of the Harmondsworth facility.

Brian Evans - ***The GEO Group — SVP, CFO***

The Harmondsworth project expansion.

T.C. Robillard - ***Signal Hill Group — Analyst***

Along the lines of on the international side, if I just did a quick calculation on a revenue per man day, you continue to show good improvement there. How much of that is due to Parklea coming on, Harmondsworth coming on, versus FX?

Brian Evans - ***The GEO Group — SVP, CFO***

The bulk of the increase in the revenues in the quarter is going to be the Parklea facility and Harmondsworth, and then there's a modest impact in the quarter, especially compared to fourth quarter of last year, due to FX. You will recall last year that FX rates — we took a hit starting in third quarter. But those rates obviously — the dollar weakened, and so that resulted in a favorable improvement in the revenues.

T.C. Robillard - ***Signal Hill Group — Analyst***

Brian, just on the G&A costs, look to be a little high when I look at it in terms of just on a percent of revenue. And I guess I'm looking at that sequentially. Was there just an anomaly in the third quarter, being a little bit lower than expected? I'm just trying to get us a little bit more color around the G&A line.

Brian Evans - ***The GEO Group — SVP, CFO***

If you will recall, in the third quarter we did comment that we had some favorable items occur that we did not expect to occur in the fourth quarter. And then, obviously, the fourth quarter we have about an extra $1.5 million just due to the extra week. So normal accounting accrual, there's extra expense. We also had some additional professional fees associated with the acquisition and integration of Just Care and some other miscellaneous legal fees in the quarter.

So going into 2010, we expect normalized G&A to be in the $17 million to $18 million range.

T.C. Robillard - ***Signal Hill Group — Analyst***

That's very helpful, thank you. Just lastly and I'll jump off, the start-up expense that you have for 2010, the $0.01 — where is that? I'm trying to get a sense as to what [project] — is that for the Harmondsworth expansion?

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

Yes, in the second quarter. And then the project opens in the third quarter, beginning in the third quarter.

Operator

Manav Patnaik, Barclays Capital.

Manav Patnaik - ***Barclays Capital — Analyst***

I just wanted to get a little more color in terms of the industry pipeline with respect to some of the new states that you are targeting, if you could help us try and quantify maybe what [option] that presents, besides what's already out there. And also, on the GEO care side, obviously Just Care was a good acquisition; you said it seamlessly integrated. What is your outlook in terms of more opportunities along the same lines?

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

Well, we mentioned a number of growth opportunities at the federal and the state levels. So again, our 10 state clients continue to the beds, most notably the states of California and Arizona. And then at the federal level, the BOP, ICE and Marshall still need more growth opportunities, and we are pursuing them. GEO Care is out marketing at the state level to a number of states, primarily in the southern belt states, primarily to existing clients where we are well-known because of our prison operations.

Manav Patnaik - ***Barclays Capital — Analyst***

I was referring more to what demand you see out there from customers that are already — that are not your customers currently, basically. Like what sort of efforts and opportunity do you see there?

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

In all honesty, we are concentrating on our existing clients who are actively issuing procurements rather than trying to missionary market to new clients at this time because we are spending our time where the opportunities are most imminent.

Manav Patnaik - ***Barclays Capital — Analyst***

On California, I guess one question I had was, obviously, you guys don't have any out-of-state exposure. To the extent that they have more opportunities for out-of-state that's there, what is your viewpoint on how you are going to approach those potential opportunities?

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

Carefully. As I think we've commented in the past, we think that the general out-of-state prisoner business has a lot of risk to it over the long-term. It has definitely short-term positive aspects, but over the long term, many if not most clients who would be sending prisoners out of state would eventually return their prisoners to their home state. But we recognize there could be some and will be some notable exceptions to that general rule. We think Alaska is probably one of those, Hawaii is one of those and California may end up being one of those exceptions.

But if we were fortunate enough to win an award with the state of California, we would be very careful in our negotiations to explore the upside and downside risks.

Manav Patnaik - ***Barclays Capital — Analyst***

Could you just give us the numbers for the construction CapEx this quarter and for the full year?

Brian Evans - ***The GEO Group — SVP, CFO***

For the year it's about $150 million, and for the quarter was $36 million.

Operator

Todd Van Fleet, First Analysis.

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

If you think about where the industry is today, beginning of 2010 versus maybe a year ago, thinking about the types of conversations that maybe you and others in the industry are having with your state customers, I guess, thinking in particular. Obviously they are going to be experiencing some pain this year, potentially leading into fiscal 2012 even, potentially. But I'm wondering if even the conversations that you're having, the types of conversations that you are having, are for furthering — are they furthering the privatization movement, just generally speaking, I guess? So you say you are focusing on the states that have been privatizing, I guess, where the opportunities are greatest.

Do you get the sense — and I don't want to put words in your mouth, but I'm just trying to get a sense for — at some point to the pain is going to be sufficient and the time frame is going to be long enough such that the states will have had plenty of time to digest what the longer-term solutions are going to be for themselves. And I'm just wondering if you're getting the sense from state customers that they are furthering that kind of understanding, I guess.

Wayne Calabrese - ***The GEO Group — President & COO***

I guess I would address it maybe a little obliquely because I'm not entirely sure about the point of that question, but I would say this about the states, say mid- and long-term. The states really have two primary reasons to continue to consider privatization as a key solution. They've obviously got their budget constraints, and whether it's good times or bad, those budget constraints are going to continue to be real and they are going to look for ways to save money, particularly in areas like education and corrections. State prisons are usually number two or three on the budget list for all of the states, and they need to find ways to save money. So privatizing is a good way, particularly for the states that have already included privatization as part of their system.

The second thing to remember is not only are they having some growth in their numbers but they've got aging infrastructure that more and more states are finding to be very inefficient in terms of cost. And so the replacement of aging infrastructure — we are seeing more and more states looking to that area as a place to find new reasons to go for private prisons. It makes sense for a state to close an old, inefficient prison, particularly if they replace it with a new one in the same geographic area where laid-off employees or employees who aren't otherwise absorbed into the state system can be employed in the private sector facility that grows up in the same shadows.

So I think those are the two keys for the states. The federal agencies George spoke about in his conference call earlier. And so I think those are probably — that's where the industry is going to be in the next couple of years.

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

So do you get a sense, then, Wayne, that there's better thinking at the state level surrounding longer-term planning, certainly vis-a-vis perhaps a year ago that it was more kind of hunker down mode, oh, we didn't expect this terrible surprise? States have had a while now to digest things, and I'm wondering if their thinking — if you are getting a sense that their thinking has evolved kind of collectively? Has the thinking evolved such that

— are they going to wait for another slap in the face, if you will, economically, so that they have another knee-jerk reaction? Or, is the collective thinking amongst the states — are they becoming better planners for the longer-term?

Wayne Calabrese - ***The GEO Group — President & COO***

I think, clearly, the second. George and I have met with a couple of commissioners, secretaries, etc., recently, and been very impressed with the level of their thoughtfulness about what they need to do to control their population growth and how to deal with private prisons as part of their arsenal. And we think their planning is more and more accurate. We think they are doing things with respect to recidivism, with respect to dealing with the population coming back into the system. A lot of efforts are being made. And, you know, there are 50 of these corrections leaders around the country who have an association, they share good ideas, things that have worked. And where private prisons have been a successful part of their efforts, they share that success. And so we are encouraged by what we are seeing.

Operator

Tobey Sommer, SunTrust Robinson Humphrey.

Unidentified Participant

This is Frank in for Tobey. Two quick numbers questions to start out. I guess you mentioned the first quarter higher tax rate relative to the payroll taxes. Any thoughts on the tax rate for the remainder of the year were what you have baked in guidance at this point?

Brian Evans - ***The GEO Group — SVP, CFO***

Well, when the payroll taxes expense hits the operating expense line, obviously, part of the labor-related cost. And for income taxes we would expect 38.5% to 39%.

Unidentified Participant

And the share count that's built in guidance?

Brian Evans - ***The GEO Group — SVP, CFO***

52 million to 52.5 million shares.

Unidentified Participant

And you mentioned the construction of 15 in the first quarter, kind of 20 for the year. Any thoughts, or can you talk about how your visibility is of that going out and maybe into 2011, what you expect to see on the construction side?

Brian Evans - ***The GEO Group — SVP, CFO***

Well, the construction revenue is project dependent. So when we have a contract award where we are building a managed-only facility, then there would be additional construction revenue. This construction revenue all relates to the Blackwater River Correctional Facility.

Wayne Calabrese - ***The GEO Group — President & COO***

So any future projects would have to be bond financed to require accounting for construction revenues. And I personally don't see any such projects at this time.

Unidentified Participant

All right, great, thank you very much.

Brian Evans - ***The GEO Group — SVP, CFO***

And remember, the construction revenue is basically a pass-through. There's no margin on that revenue, or very little.

Operator

Emily Shanks, Barclays Capital.

Emily Shanks - ***Barclays Capital — Analyst***

You had mentioned that you're going to look at a target ROIC as you evaluate share repurchases versus CapEx. What is that target return on capital that you are seeking?

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

Well, I don't know that we want to get that specific about it. We look at our stock price relative to our growth opportunities, and if we conclude that we are underpriced we're likely to make an investment in our Company.

Emily Shanks - ***Barclays Capital — Analyst***

Okay. Can you comment at all about what return on capital you target with growth CapEx?

Brian Evans - ***The GEO Group — SVP, CFO***

Yes. The range that we target on our growth CapEx is typically 13% to 15% (technical difficulty).

Emily Shanks - ***Barclays Capital — Analyst***

Okay, that's helpful, thank you. And then, in terms of the leverage on the Company as it relates to this $80 million share repurchase program, what level of leverage are you comfortable operating the business as we look out over the near-term?

Brian Evans - ***The GEO Group — SVP, CFO***

Well, when we look out over the near-term, we don't see the leverage levels changing much, so we're very comfortable with where we are right now. If we do the share repurchase, as we execute it, we will either use free cash flow, if we have it available. If it becomes a substantial amount in a short period of time, we may supplement that with the revolver. But with free cash flow of approximately $10 million a month, we would expect to repay those proceeds fairly quickly.

Operator

(Operator instructions) Jamie Sullivan, RBC Capital Markets.

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

Wayne, I thought your commentary on the replacement of older prisons was interesting. I wonder if you guys could, maybe within your customer base, talk about how many beds out there are at the end of their life over the next three to five years, that you see?

Wayne Calabrese - ***The GEO Group — President & COO***

You mean among all the states?

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

Yes, whether it's within your target customer base or in aggregate.

Wayne Calabrese - ***The GEO Group — President & COO***

I don't honestly have a good estimation of that, Jamie. I would guess, if I had to, that there's probably a 10%, maybe higher, of older, cost-inefficient facilities that are both energy inefficient. The new one we build for Florida, for example, is the first green facility, lead certified facility that we've built; maybe one of the first, if not the first, lead certified green prison, private prisons, in the United States. And that's the sort of thinking we are getting. As I mentioned earlier, when we meet with some of these commissioners, secretaries and directors, they are looking for new facilities that are obviously very safe and secure and meet their requirements, but also are more efficient from a cost perspective.

That includes not only staffing, as it always did, but also things like energy efficiency. Transportation — where is it located? Is it on a line that they typically move prisoners back and forth? Can we help them with transport? There's, again, a lot of good thinking going on about transport, about replacing old facilities and coming up with ways to save them money both on the margins and in the big picture.

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

Moving into the guidance, it sounds like you are assuming population and per diem risk is pretty minimal this year. Is that partially because your customers have cut where they could, there's not really much deeper that they could go? Or is it more from the fact that they are pretty firm in their policies with regard to corrections?

Wayne Calabrese - ***The GEO Group — President & COO***

I think it's the former. I think this year it reflects pretty much the same as what we saw last year as far as population levels, per diem rates. I think this year is more of the same of what we saw last year.

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

And then, if you could just comment, I guess, on the Arizona RFI and the concession agreement there, was there anything that looked attractive or unattractive, or does that look like a reasonable opportunity for the market?

Wayne Calabrese - ***The GEO Group — President & COO***

Yes, we think it's a great opportunity. We're certainly interested in it. We've submitted our response to their request for information, just answering and addressing the questions and issues they've raised. I guess, as is true in any new, large-scale effort, the devil is in the details. And we're anxious to see what the states' response to the RFI's respondents will be and how they'll proceed with it. Obviously, the big issues will be the terms of the contract, the concession agreements and the terms for repayment of the upfront payment, so to speak, if the contracts are terminated for any reason over time.

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

What are the carrying costs for idle facilities or beds, typically, for your business?

Brian Evans - ***The GEO Group — SVP, CFO***

In looking at the Aurora and the North Lake facility, we are looking at $1 million to $1.5 million; approximately $0.02 each per quarter. We've assumed that those carrying costs for the Aurora facility will start beginning in Q2, and for the Michigan facility beginning in Q3.

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

Okay, and then, if those contracts are awarded, there would obviously be some start-up associated with those; right?

Brian Evans - ***The GEO Group — SVP, CFO***

Right. There would be a wrap-up period and a startup period once the projects are awarded.

Operator

Greg Williams, Sidoti & Company.

Greg Williams - ***Sidoti & Company — Analyst***

Just how many beds, vacant beds, exactly are there from the Just Care business?

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

It's tens of beds, it's 20 or 30.

Greg Williams - ***Sidoti & Company — Analyst***

Okay. And I assume those would be GEO Care, higher per diems, than your typical —?

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

Yes.

Greg Williams - ***Sidoti & Company — Analyst***

Okay. And just other question is, regarding Tacoma, with the ramp-up in October I just assumed that's completed, or is there any bleeding into the first quarter here?

Brian Evans - ***The GEO Group — SVP, CFO***

It's completed.

Operator

Kevin Campbell, Avondale Partners.

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

George, I think you mentioned that California had formally issued an invitation to bid for the female facility?

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

[Yes].

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

I heard that correct? What's the number of beds? And describe what the difference is between an invitation to bid versus maybe what we are normally hearing; an RFI, RFP. So what is that more comparable to?

Wayne Calabrese - ***The GEO Group — President & COO***

The number of beds that were solicited, I think, are just over 1120, somewhere around 1120 total beds for females. Probably it will depend a little bit on the exact pricing they get and if they proceed.

In terms of the difference between an ITB and an RFP or an RFI, the RFI, of course, the RFI, of course, is just a solicitation of interest to see whether the market either has something available or is willing to put something together in response to a need of a client. It typically isn't required that you respond to it in order to participate in a subsequent procurement. But it's usually a good idea, we've found, to get our points across and respond to their information request.

An RFP is typically a type of solicitation that has a fairly broad level of discretion for the client to make a decision in the award. And so it allows the client to receive proposals, often alternative proposals, and to look at everything from experience, qualifications and pricing, to score them, if they wish, and, again, have pretty broad discretion in how they make a selection of, quote, best value to government.

The invitation to bid is a little more restrictive, and it typically means that the government is going to do a first pass to see whether or not you are qualified by virtue of their standards and qualifications. If you are deemed qualified, then it may proceed in some instances to simply best price. So there's two passes on the thing. First pass, are these bidders qualified? And then, take all the qualified bidders and determine the awardee by best price, lowest price.

Operator

At this time there are no further questions in the queue, and I would like to turn the call back over to management.

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

Well, thanks to everyone for this session, and we hope to talk to you soon.

Operator

Thank you for your participation in today's conference. This concludes the presentation. You may now disconnect; have a good day.

The GEO Group, Inc.

NEWS RELEASE

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

CR-10-04

THE GEO GROUP ANNOUNCES $80.0 MILLION STOCK REPURCHASE PROGRAM

Boca Raton, Fla. — February 22, 2010 — The GEO Group (NYSE:GEO) ("GEO") announced today that its Board of Directors has approved a stock repurchase program of up to $80.0 million of GEO's common stock effective through March 31, 2011. The stock repurchase program will be funded primarily with cash on hand, borrowings under GEO's revolving credit facility, and free cash flow. GEO believes it has the ability to fund the stock repurchase program, its working capital, its debt service requirements, and its maintenance and growth capital expenditure requirements, while maintaining sufficient liquidity for other corporate purposes.

The stock repurchase is intended to be implemented through purchases made from time to time in the open market or in privately negotiated transactions, in accordance with applicable Securities and Exchange requirements. The program may also include repurchases from time to time from executive officers or directors of vested restricted stock and/or vested stock options. The stock repurchase program does not obligate GEO to purchase any specific amount of its common stock and may be suspended or extended at any time at the company's discretion. As of February 16, 2010, GEO had approximately 51.6 million shares outstanding.

George C. Zoley, Chairman of the Board and Chief Executive Officer of GEO said: "We continue to be optimistic about the long term growth prospects for our company, and with our strengthened balance sheet, we now have the flexibility to pursue long term growth opportunities, while enhancing our shareholders' returns with the implementation of a stock repurchase program. Given current market conditions, we believe it is appropriate to allocate part of our capital resources to opportunistically repurchase shares of common stock at prices which would meet or exceed our targeted returns on invested capital."

The GEO Group, Inc. ("GEO") is a world leader in the delivery of correctional, detention, and residential treatment services to federal, state, and local government agencies around the globe. GEO offers a turnkey approach that includes design, construction, financing, and operations. GEO represents government clients in the United States, Australia, South Africa, and the United Kingdom. GEO's worldwide operations include the management and/or ownership of 62 correctional and residential treatment facilities with a total design capacity of approximately 60,000 beds, including projects under development.

This press release contains forward-looking statements regarding future events and future performance of GEO that involve risks and uncertainties that could materially affect actual results, including statements regarding estimated earnings, revenues and costs and our ability to maintain growth and strengthen contract relationships. Factors that could cause actual results to vary from current expectations and forward-looking statements contained in this press release include, but are not limited to: (1) GEO's ability to successfully pursue further growth and continue to enhance shareholder value; (2) GEO's ability to access the capital markets in the future on satisfactory terms or at all; (3) risks associated with GEO's ability to control operating costs associated with contract start-ups; (4) 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; (5) GEO's ability to win management contracts for which it has submitted proposals and to retain existing management contracts; (6) GEO's ability to obtain future financing on acceptable terms; (7) GEO's ability to sustain company-wide occupancy rates at its facilities; and (8) other factors contained in GEO's Securities and Exchange Commission filings, including the forms 10-K, 10-Q and 8-K reports.

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