



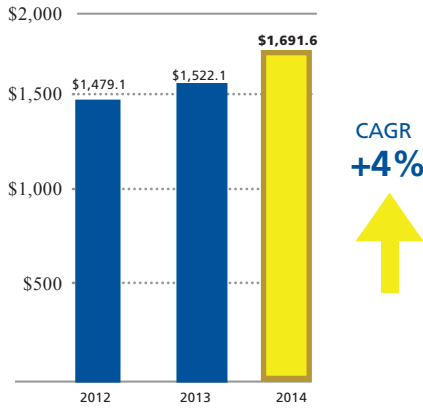
The GEO Group, Inc.

2014 ANNUAL REPORT

FINANCIAL HIGHLIGHTS

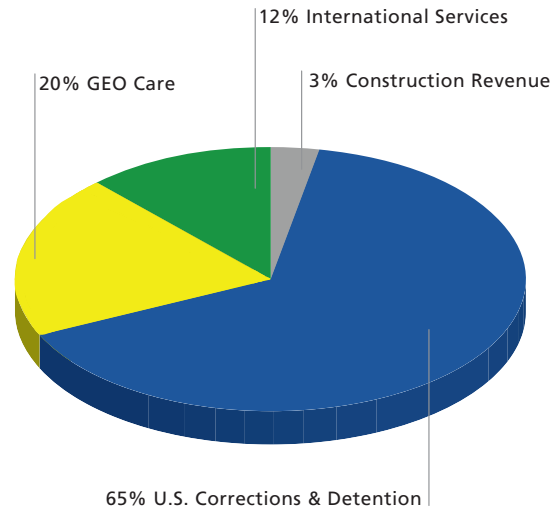
TOTAL REVENUES

\$ In Millions



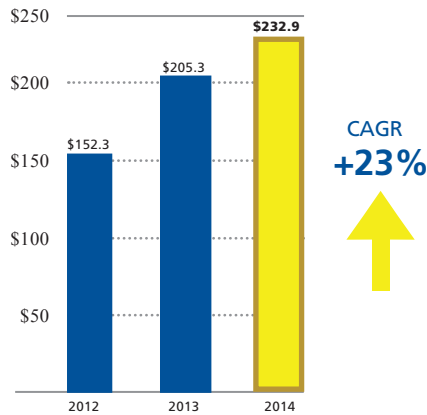
BUSINESS UNIT

% of Revenues



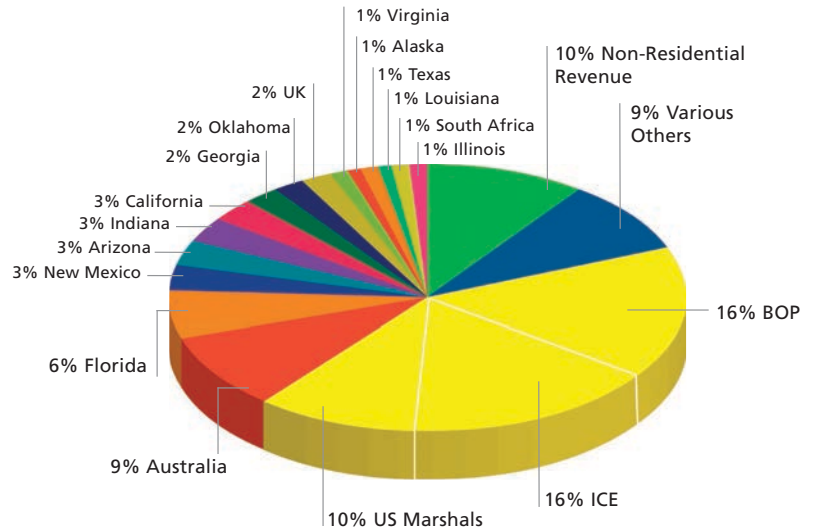
ADJUSTED FUNDS FROM OPERATIONS (AFFO)*

\$ In Millions

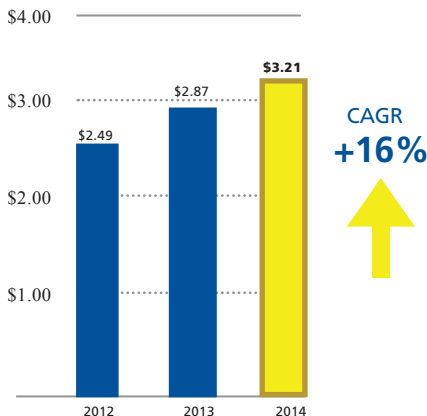


CUSTOMER

% of Revenues



AFFO PER SHARE*



CAGR = compound annual growth rate

*This annual report contains certain Non-GAAP measures. Please refer to GEO's Fourth Quarter 2014 Earnings Announcement and Supplemental Disclosure issued on February 18, 2015 for a description of such Non-GAAP measures and a reconciliation of such Non-GAAP measures to their most comparable GAAP measure.

LETTER TO THE SHAREHOLDERS



George C. Zoley,
*Chairman of the Board,
 Chief Executive Officer & Founder*

During 2014, our company's financial performance reached new highs driven by strong operational results from our diversified business units in the United States and internationally as well as by the activation of several important projects.

These important milestones have positioned GEO as the world's largest provider of diversified correctional, detention, community reentry, location monitoring, and offender rehabilitation services with a growing portfolio of company-owned assets, approximately 85,500 beds and a worldwide workforce of more than 19,000 employees.

Continued Organic Growth

During the year, we continued to add to our leading portfolio of diversified correctional, detention, and community reentry facilities and services. Our GEO Corrections & Detention division activated six new or expanded facilities totaling approximately 5,000 beds for both state and federal agencies in Florida, California, Texas and Louisiana, representing approximately \$80 million in annualized revenues.

These important project activations included the assumption of management at the Graceville, Moore Haven, and

Bay Correctional Facilities in Florida, totaling 3,854 beds; a contract capacity expansion at our company-owned Rio Grande Detention Center in Texas from 1,500 to 1,900 beds; the reactivation of our company-owned, 300-bed McFarland Community Reentry Facility in California; and the opening of a new company-owned immigration transfer center in Alexandria, Louisiana, totaling 400 beds.

Our GEO Care division added more than 200 new reentry beds to our real estate portfolio and opened a dozen new day reporting centers in states like Pennsylvania, California, Virginia and others, which represents over a 20 percent increase in the number of day reporting centers we operate across the country. Additionally, our BI Electronic & Location Monitoring subsidiary expanded its electronic monitoring and community supervision services during the year, driving a 20 percent increase in segment revenues.

We expect this positive momentum to continue in 2015 with the scheduled reactivation of our company-owned, 400-bed Mesa Verde Detention Facility and 1,940-bed Great Plains Correctional Facility during the second quarter of 2015 as well as the expected completion of two company-owned expansions of 640 and

626 beds at our Adelanto Detention Facility and Karnes Residential Center respectively during the second half of 2015.

In addition to the projects slated for activation in 2015, we have begun work on our announced project in Australia for the financing, development, and operation of a new 1,300-bed Prison in Ravenhall near Melbourne. This large-scale project involves an unprecedented level of in-prison rehabilitation and community reentry services aimed at reducing reoffending rates and helping offenders reintegrate into society under the 'GEO Continuum of Care.'

The Ravenhall Prison will be financed and developed under a Public-Private Partnership structure with an equity investment from GEO of approximately AUD115 million. Once the project is completed in late-2017, we expect to generate approximately AUD100 million in annualized revenues under a 25-year management contract.

All of these important milestones are representative of the continued demand for beds across our diversified real estate portfolio and validate our growth and investment strategy. Over the last five years, GEO has developed and acquired

OVER THE LAST FIVE YEARS, GEO HAS DEVELOPED AND ACQUIRED MORE CORRECTIONAL, DETENTION, AND COMMUNITY REENTRY FACILITIES THAN ANY OTHER CORRECTIONAL ORGANIZATION IN THE WORLD, WITH APPROXIMATELY 30,000 BUILT OR ACQUIRED BEDS IN THAT TIME PERIOD.

more correctional, detention, and community reentry facilities than any other correctional organization in the world, with approximately 30,000 built or acquired beds in that time period. This significant level of new development and asset purchases has driven consistent growth in earnings and cash flows for our company.

Acquisition of LCS Assets

As we continue to position the company to meet the ongoing demand for cost effective correctional and detention beds, in early 2015, we announced and closed on the acquisition of eight correctional and detention facilities, totaling more than 6,500 beds, from LCS Corrections Services, Inc. for approximately \$310 million at closing, or approximately \$47,000 per bed, in an all-cash transaction.

This important transaction represents a compelling strategic fit for our company, which has further positioned GEO to meet the demand for correctional and detention bed space in the United States. These valuable assets have existing contracts primarily with federal correctional and detention agencies; however they have been historically underutilized. GEO has a three decade long partnership with the Federal government and a successful track record

of integrating acquired correctional and detention facilities, and we expect to achieve substantial improvements in the utilization of these important assets to drive revenue and earnings growth and create value for our shareholders.

With the acquisition of the LCS assets, we have increased our residential bed capacity from 79,000 to 85,500 beds, and now have more than 17 million square feet in 106 owned and/or managed facilities, including projects under development.

Financial Performance and Shareholder Value Creation

All the important milestones achieved during 2014 have continued to drive strong operational and financial performance for our company and have given us additional flexibility to return value to our shareholders.

Our 2014 total revenues increased to \$1.69 billion from \$1.52 billion a year ago. Our Normalized Funds From Operations increased 18% to \$197.6 million, and our Adjusted Funds From Operations increased 13% to \$232.9 million. Our adjusted EBITDA and our net earnings increased to \$349.1 million and \$143.9 million respectively. The continued robust operational and financial performance

of our diversified business units allowed us to increase our quarterly dividend payment by nine percent to \$0.62 per share during the fourth quarter of 2014.

Expanding Leadership Position in Offender Rehabilitation Services

As we continue to build on the significant milestones our company achieved during 2014, we are furthering our commitment to be the world's leading provider of offender rehabilitation and community reentry programs. Beginning in 2015, we are making an additional annual investment of \$5 million to expand our 'GEO Continuum of Care' platform and will roll out 'GEO Continuum of Care' programs at select state correctional facilities around the country. These programs will integrate in-prison rehabilitation with post-release services for inmates completing evidence-based programming in GEO facilities.

We believe our industry-leading diversified services position GEO to pursue additional opportunities in the delivery of evidence-based rehabilitation and reentry services, which is in-line with worldwide efforts to focus resources on offender rehabilitation and community transition programs, and we expect these opportunities to drive new growth and continue to create value for our shareholders.

BOARD OF DIRECTORS



BACK ROW: LEFT TO RIGHT:

Christopher C. Wheeler

Former Member and Partner
Proskauer Rose LLP

Clarence E. Anthony

Executive Director
National League of Cities

Norman A. Carlson

Director Emeritus
Former Director
Federal Bureau of Prisons

Julie M. Wood

Chief Executive Officer
Guidepost Solutions

FRONT ROW: LEFT TO RIGHT:

Richard H. Glanton

Chief Executive Officer
and Managing Member
ElectedFace LLC

George C. Zoley

Chairman of the Board, Chief
Executive Officer and Founder
The GEO Group, Inc.

Anne N. Foreman

Former Under Secretary
United States Air Force



World Headquarters
Boca Raton, FL

SENIOR OFFICERS



George C. Zoley
Chairman of the Board,
Chief Executive Officer
and Founder



Brian R. Evans
Senior Vice President and
Chief Financial Officer



John M. Hurley
President, GEO Corrections
& Detention



John J. Bulfin
Senior Vice President,
General Counsel and Secretary



Thomas M. Wierdsma
Senior Vice President,
Project Development



Stephen V. Fuller
Senior Vice President,
Human Resources



David J. Venturella
Senior Vice President,
Business Development



Ann Schlarb
Senior Vice President,
GEO Care

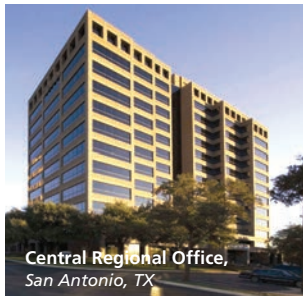
GEO CORRECTIONS & DETENTION



73,473
Beds

66

U.S. Correctional & Detention
Facilities



Established in 1984, GEO Corrections & Detention provides secure corrections and detention management services as well as secure offender transportation services to government clients in the United States and internationally. Worldwide, GEO Corrections & Detention oversees the operation and management of approximately 81,000 beds in 73 correctional and detention facilities, including projects under development.

U.S. Corrections and Detention

GEO's U.S. Corrections and Detention division oversees the operation and management of approximately 73,000 beds in 66 correctional and detention facilities, which represents the sixth largest correctional system in the United States.

GEO's U.S. Corrections & Detention division provides services on behalf of the Federal Bureau of Prisons, U.S. Marshals Service, U.S. Immigration and Customs Enforcement as well as 10 state correctional clients and various county and city jurisdictions.

During 2014, GEO's U.S. Corrections & Detention division activated several important projects totaling approximately 5,000 beds. These project activations included the assumption of management functions at the 1,884-bed Graceville Correctional Facility, the 985-bed Moore Haven Correctional Facility, and the 985-bed Bay Correctional Facility in Florida; a contract capacity expansion

at the company-owned Rio Grande Detention Center in Texas from 1,500 to 1,900 beds; the reactivation of the company-owned, 300-bed McFarland Female Community Reentry Facility in California; and the opening of the new 400-bed Alexandria Transfer Center in Louisiana.

The daily oversight of GEO's U.S. Corrections & Detention facilities is coordinated from three regional offices located in Charlotte, North Carolina; San Antonio, Texas; and Los Angeles, California. Each regional operating structure is headed by a Regional Vice President who oversees approximately two dozen experts in security, medical, financial, contract compliance, human resources and other support services. This regional operating structure enables GEO to implement superior quality controls, develop personalized professional relationships, and ensure the delivery of a full complement of high quality services, including:

- Secure custody services
- Correctional health and mental health care
- Food services
- Academic and vocational programming
- Rehabilitation treatment
- Facility maintenance
- Human Resources



Adelanto Detention Facility & Desert View MCCF
Adelanto, CA

ESTABLISHED IN 1984, GEO CORRECTIONS & DETENTION PROVIDES SECURE CORRECTIONS AND DETENTION MANAGEMENT SERVICES AS WELL AS SECURE OFFENDER TRANSPORTATION SERVICES TO GOVERNMENT CLIENTS IN THE UNITED STATES AND INTERNATIONALLY.



Karnes County Residential Center,
Karnes County, TX



McFarland Female Community
Reentry Facility,
McFarland, CA



Moshannon Valley Correctional Center,
Phillipsburg, PA

INTERNATIONAL SERVICES



7,861
Beds

7

International Correctional & Detention Facilities



The GEO Group Australia,
Sydney, Australia



South African
Custodial Management,
Johannesburg, South Africa



The GEO Group UK,
London, England

GEO's International Services division provides correctional and detention services for government customers in the United Kingdom, Australia, and South Africa managing seven correctional and detention facilities encompassing approximately 8,000 beds, including projects under development. Through wholly-owned subsidiary and joint-venture companies, GEO's international Services division provides correctional solutions that are fully customizable and tailored to each government client's requirements and standards.

The GEO Group Australia, headquartered in Sydney, Australia, plays a key role in helping meet the need for correctional bed space in Australia. The GEO Group Australia provides management services at four correctional and remand centers with approximately 3,300 beds in the states of New South Wales, Queensland, and Victoria.

During 2014, GEO Australia was awarded and signed a contract with the Department of Justice in the State of Victoria for the development and operation of a new 1,300-bed prison in Ravenhall, a locality near Melbourne. This large-scale project is expected to be completed in late-2017 and will provide an unprecedented level of in-prison and post-release rehabilitation programs. The Ravenhall Facility will have a unified commitment to providing innovative approaches to reducing reoffending including:

- The establishment of the world's first fully integrated 'Good Lives Model' delivered through the "GEO Continuum of Care."

- Collaborative partnerships with community based organizations, which will allow offenders released from custody to continue rehabilitation programs;
- Progressive accommodation units which will enable the delivery of group and individual evidence-based programs; and
- Intensive evidence-based programs, including the innovative use of in-cell IT-delivered programming; among other industry leading rehabilitation practices.

South African Custodial Management, headquartered in Johannesburg, South Africa, provides secure correctional management services for the Department of Correctional Services and has played an integral role in helping the South African government meet its correctional needs. South African Custodial Management operates the 3,024-bed Kutama Sinthumule Correctional Centre.

The GEO Group UK, headquartered in London, England, provides detention management, prisoner transportation, and court custody and escort services for government customers in the United Kingdom. GEO UK manages the 217-bed Dungavel House Immigration Removal Centre in England. Additionally, GEO's U.K. joint venture, GEOAmey PECS Ltd., contracts with the Ministry of Justice for the provision of prison escort and custody services in England and Wales with oversight for close to 500 secure transportation vehicles and approximately 2,600 daily offender movements.



Ravenhall Prison Rendering
Melbourne, Australia

GEO TRANSPORT (GTI)



265

Special Secure USDOT
Compliant Vehicles

*GPS Satellite Tracking
on all vehicles*

1,066

Detainees Transported
Daily Incident Free

GEO's in-house transportation division, GEO Transport, Inc. (GTI) provides armed, secure transportation to federal, state and local government clients in the United States and internationally. With the flexibility and resources to provide both ground and air transfer services, GTI helps government clients meet their increasing need for secure offender and detainee transportation. GTI operates a fleet of customized secure transport vehicles and provides unmatched support services, including:

- Special secure USDOT compliant vehicles
- Licensed and armed transportation officers
- Strategically located transportation centers nationwide
- Proprietary GPS satellite tracking software (GEOTrack)
- Two-way communications, in-vehicle recording, and continuous vehicle monitoring
- Constant communication link with all service vehicles
- Ground support to book and re-route vehicles in real time



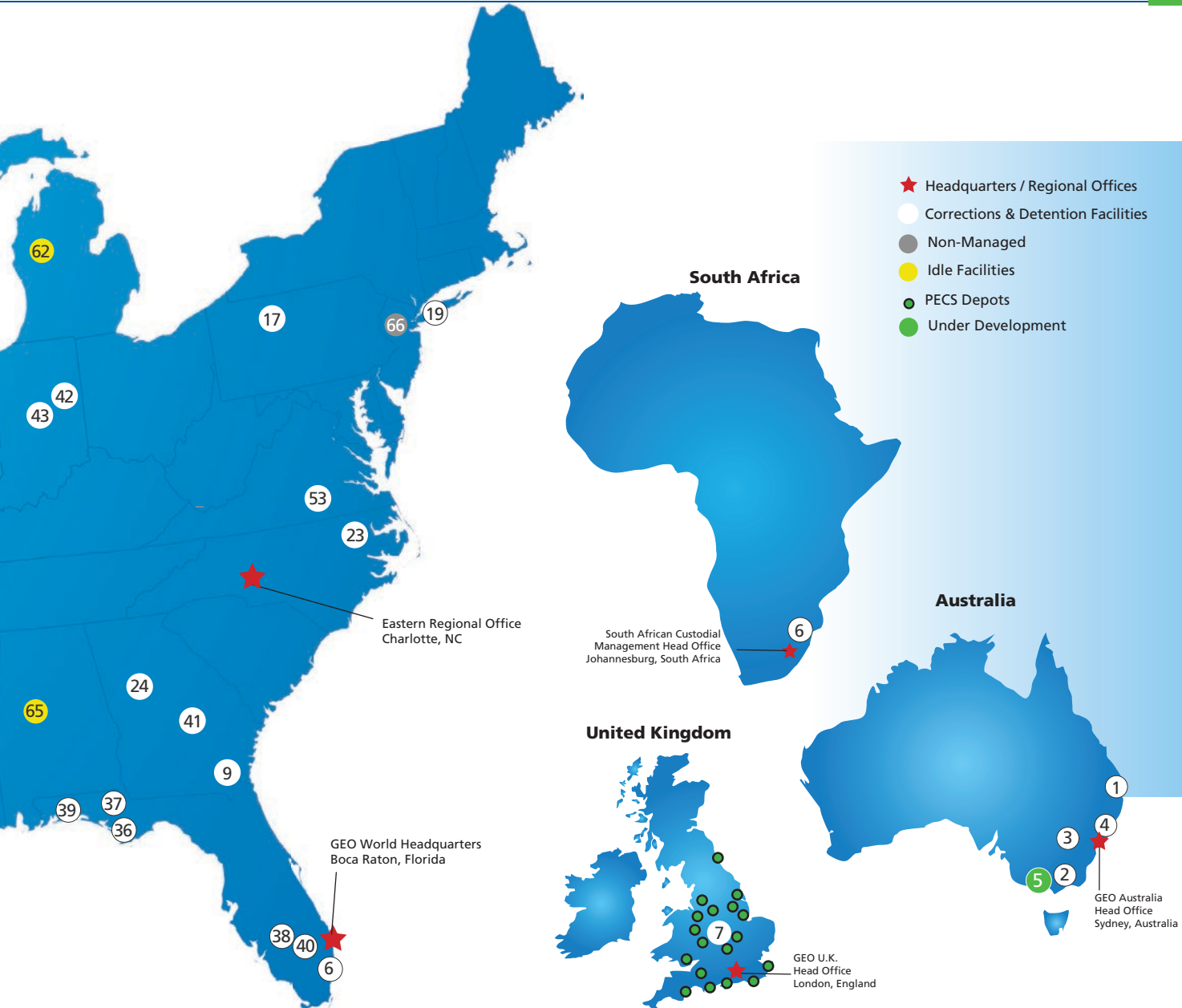
Small Transporter, Van, Large Transporter, MCI Bus and Airlift Services



MCI Buses



Large Transporter



FLORIDA

| | |
|--|-------|
| 36. Bay Correctional Facility | 985 |
| 37. Graceville Correctional Facility | 1,884 |
| 38. Moore Haven Correctional Center | 985 |
| 39. Blackwater River Correctional Facility | 2,000 |
| 40. South Bay Correctional Facility | 1,948 |

GEORGIA

| | |
|-------------------------------------|-------|
| 41. Riverbend Correctional Facility | 1,500 |
|-------------------------------------|-------|

INDIANA

| | |
|--|-------|
| 42. New Castle Correctional Facility | 3,196 |
| 43. Heritage Trail Correctional Facility | 1,066 |

LOUISIANA

| | |
|--------------------------------------|-------|
| 44. Allen Correctional Center | 1,576 |
| 45. Caldwell Parish Detention Center | 232 |
| 46. Pine Prairie Correctional Center | 690 |

NEW MEXICO

| | |
|---|-------|
| 47. Northeast New Mexico Detention Facility | 625 |
| 48. Guadalupe County Correctional Facility | 600 |
| 49. Lea County Correctional Facility | 1,200 |

OKLAHOMA

| | |
|----------------------------------|-------|
| 50. Lawton Correctional Facility | 2,526 |
|----------------------------------|-------|

TEXAS

| | |
|---|-------|
| 51. Cleveland Correctional Center | 520 |
| 52. Lockhart Secure Work Program Facilities | 1,000 |

VIRGINIA

| | |
|---------------------------------------|-------|
| 53. Lawrenceville Correctional Center | 1,536 |
|---------------------------------------|-------|

CITY

| | |
|--|----|
| 54. Alhambra, CA: Alhambra City Jail | 67 |
| 55. Baldwin Park, CA: Baldwin Park City Jail | 32 |
| 56. Downey, CA: Downey City Jail | 30 |
| 57. Fontana, CA: Fontana City Jail | 39 |
| 58. Garden Grove, CA: Garden Grove City Jail | 16 |
| 59. Montebello, CA: Montebello City Jail | 25 |
| 60. Ontario, CA: Ontario City Jail | 40 |

IDLE FACILITIES

| | |
|--|-------|
| 61. J.B. Evans Correctional Center (LA) | 388 |
| 62. North Lake Correctional Facility (MI) | 1,740 |
| 63. Hudson Correctional Facility (CO) | 1,250 |
| 64. Leo Chesney Community Correctional Facility (CA) | 318 |
| 65. Perry County Correctional Center (AL) | 690 |

NON-MANAGED FACILITIES

| | |
|-----------------------|-------|
| 66. Delaney Hall (NJ) | 1,200 |
|-----------------------|-------|

INTERNATIONAL SERVICES

AUSTRALIA

| | |
|--|-------|
| 1. Arthur Gorrie Correctional Centre | 890 |
| 2. Fulham Correctional Centre | 785 |
| 3. Junee Correctional Centre | 790 |
| 4. Parklea Correctional Centre | 823 |
| 5. Ravenhall Facility (<i>Under Development</i>) | 1,300 |

REPUBLIC OF SOUTH AFRICA

| | |
|--|-------|
| 6. Kutama-Sinthumule Correctional Centre | 3,024 |
|--|-------|

UNITED KINGDOM

| | |
|--|-----|
| 7. Dungavel House Immigration Removal Centre | 249 |
| GEOAmey PECS | N/A |

GEO CARE

GEO Care®

4,270

Beds

33

Facilities

65

Day Reporting Centers

115,000+

Supervised Individuals



BI Incorporated Headquarters
Boulder, CO



BI TAD®



SOBERLINK® SL2

GEO Care oversees the operation of GEO's community reentry facilities, day reporting centers, and youth services facilities along with the provision of electronic and location monitoring services to governmental agencies across the United States. Through the delivery of high-quality, innovative, and effective programs, GEO Care has established itself as the premier provider of diversified community corrections and treatment services.

GEO Care's diversified business divisions have leading market positions in the operation of community-based reentry programs; rehabilitation services for youthful offenders; and supervision services for offenders in the community through cutting-edge electronic monitoring technologies.

During 2014, GEO Care activated a new company-leased, 240-bed Residential Reentry Center in Newark, New Jersey and opened a dozen new day reporting centers in states like Pennsylvania, California, Virginia and others, which represents over a 20 percent increase in the number of day reporting centers GEO Care operates across the United States. Additionally, GEO's BI Electronic and Location Monitoring subsidiary continued to grow its market share of the electronic monitoring and community supervision market in the United States, increasing segment revenues by 20 percent year-over-year.

GEO Continuum of Care

GEO Care oversees the delivery of rehabilitation services at all GEO correctional facilities. GEO Care also oversees the integration of in-prison rehabilitation programs with the provision of post-release and community reentry services through the 'GEO Continuum of Care' which focuses on delivering industry-leading rehabilitation treatment to help break the cycles of criminal behavior through individual counseling and group classes, including:

- Substance Abuse Treatment & Education
- Anger Management
- Parenting & Life Skills
- Academic Programing
- Moral Reconation Therapy® (MRT) Cognitive Skills Rehabilitation
- Community Connections, where participants are linked to local resources as needed
- Employment Readiness and Job Search

'GEO Continuum of Care' programs are rooted in consistent delivery of programming and evidence-based principles driven to change criminal behavior. Beginning in 2015, GEO will make an additional annual investment of \$5 million to expand its 'GEO Continuum of Care' platform and expects to roll out 'GEO Continuum of Care' programs at select state correctional facilities around the country. These programs will integrate in-prison rehabilitation with post-release services for inmates completing evidence-based programming in GEO facilities.

Reentry Services

GEO Care's Reentry Services division provides offenders, nearing the end of their sentence, with the resources necessary to productively transition back into society. Through 21 residential reentry centers, GEO Care provides approximately 3,000 federal and state parolees and probationers with temporary housing, employment assistance, rehabilitation and substance abuse counseling, and vocational and education programs.

GEO Care is also able to offer additional reentry and supervision services through full service evidence-based cognitive behavioral treatment programs at 65 day reporting centers nationwide which serve more than 4,000 parolees and probationers daily on behalf of state and local correctional agencies. Through these services, parolees are provided behavioral assessments, treatment, supervision, and education.



Abraxas Academy
Morgantown, PA



Location & Electronic Monitoring

Through its wholly-owned subsidiary, BI Incorporated (Founded in 1978), GEO Care is the leading provider of community supervision and electronic monitoring services to federal, state, and local government agencies in every state in the country.

BI acquired Protocol Government Solutions in March 2014. Protocol provides call center and case management services for community corrections agencies that use electronic monitoring as a part of community supervision.

BI tracks approximately 75,000 offenders on location and electronic monitoring in addition to tracking more than 40,000 offenders through case management services. Additionally, through the Intensive Supervision and Appearance Program, a core component to the Department of Homeland Security's Alternatives to Detention program, BI is the sole provider of community supervision and monitoring services for U.S. Immigration and Customs Enforcement.

BI offers government clients a combination of leading proprietary electronic monitoring products and superior customer service including:

- **Leading radio-frequency tracking technology**
- **Cutting-edge Global Positioning Satellite (GPS) tracking devices**
- **Innovative alcohol monitoring devices**
- **Voice verification systems**
- **Customer Call Center in Anderson, IN**
- **Proprietary offender tracking software**



Northstar Center,
Fairbanks AK



Youth Services

For more than four decades, GEO Care's Youth Services division has provided residential, shelter care, and alternative education programs specifically designed to address the needs of individuals within the juvenile justice system with programs tailored to youthful offenders in need of mental, behavioral health, and drug and alcohol treatment.

GEO Care oversees more than 1,200 youth services beds spanning a dozen residential facilities and additional non-residential programs, which serve a diverse base of state and local government agencies that rely on this network of facilities to treat the youthful offenders in their care.



Abraxas Ohio
Shelby, OH



- ★ Headquarters
- Community Based
- Day Reporting
- Youth Residential
- Youth Service Center
- Idle Facilities



7 Abraxas I, Marienville, PA



31 Rifle EM, Rifle, CO

Facility Name

Capacity

REENTRY SERVICES

FEDERAL

- 1. Bronx Residential Reentry Center (NY) 110
- 2. El Monte Center (CA) 70
- 3. Grossman Center (KS) 150
- 4. Las Vegas Community Correctional Center (NV) 124
- 5. Leidel Comprehensive Sanction Center (TX) 190
- 6. Marvin Gardens Center (CA) 60
- 7. McCabe Center (TX) 113
- 8. Mid Valley House (TX) 100
- 9. Oakland Center (CA) 69
- 10. Reality House (TX) 94
- 11. Salt Lake City Center (UT) 115
- 12. Taylor Street Center (CA) 210

STATE

ALASKA

- 13. Cordova Center 262

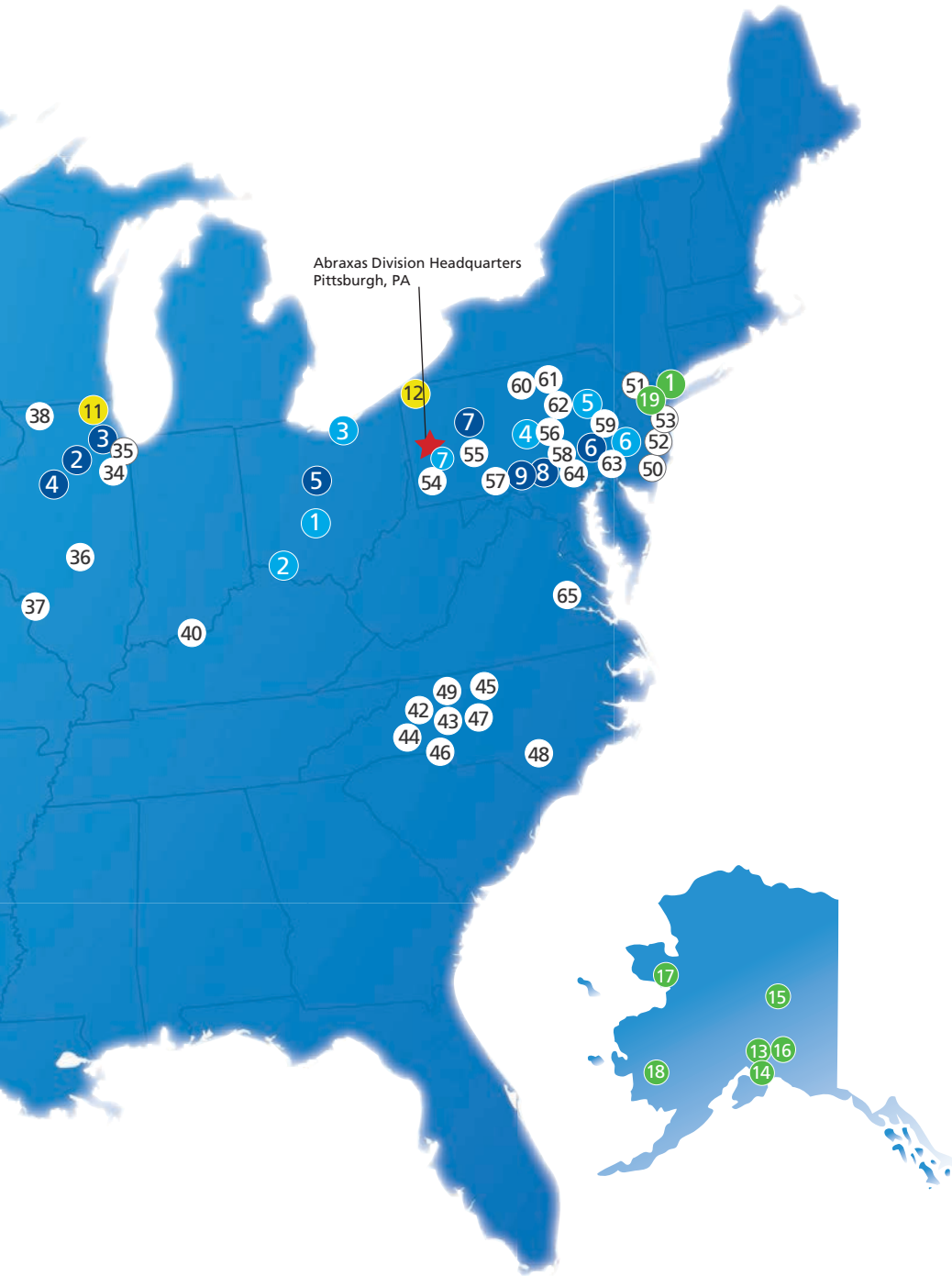
- 14. Midtown Center 32
- 15. Northstar Center 143
- 16. Parkview Center 112
- 17. Seaside Center 50
- 18. Tundra Center 85

NEW JERSEY

- 19. Newark Center 240

TEXAS

- 20. Beaumont Transitional Treatment Center 180
- 21. Southeast Texas Transitional Center 500



Abraxas Division Headquarters
Pittsburgh, PA

| | |
|---|-----|
| 6. Philadelphia Community-Based Programs (PA) | 35 |
| 7. Workbridge (PA) | 725 |

DAY REPORTING CENTERS

| | |
|--|----------|
| 1. Antelope County Los Angeles DRC (CA) | 80 |
| 2. Calaveras DRC (CA) | 50 |
| 3. California Correctional Institute (CA) | |
| 4. Fresno County DRC (CA) | 50 |
| 5. Imperial County DRC (CA) | 75 |
| 6. Kern County DRC (CA) | 200 |
| 7. Kern County Satellite Office (CA) | |
| 8. Merced DRC: Los Banos Satellite Office (CA) | 20 |
| 9. Merced Jail Reentry Program (CA) | 50 |
| 10. Madera DRC (CA) | 50 |
| 11. Madera Juvenile (CA) | EM |
| 12. Madera Probation Adult (CA) | EM |
| 13. Mendocino DRC (CA) | 50 |
| 14. Merced DRC (CA) | 65 |
| 15. Monterey DRC (CA) | 100 |
| 16. Napa CCSC (CA) | 110 |
| 17. Orange DRC (CA) | 140 |
| 18. Pomona DRC (CA) | 100 |
| 19. San Diego DRC (CA) | 83 |
| 20. Santa Ana DRC (CA) | 100 |
| 21. Shasta County DRC (CA) | 100 |
| 22. Stockton DRC (CA) | 67 |
| 23. Tulare County EM (CA) | EM |
| 24. Tuolumne County DRC (CA) | 75 |
| 25. Aurora DRC (CO) | 20 |
| 26. Denver DRC (CO) | 45 |
| 27. Eagle EM (CO) | Multiple |
| 28. Frisco DRC (CO) | 4 |
| 29. Glenwood Springs EM (CO) | Multiple |
| 30. Greely DRC (CO) | 15 |
| 31. Lakewood DRC (CO) | 20 |
| 32. Northglenn DRC (CO) | 30 |
| 33. Rifle EM (CO) | Multiple |
| 34. Chicago Heights SRC (IL) | 85 |
| 35. Chicago West Grand SRC (IL) | 152 |
| 36. Decatur SRC (IL) | 85 |
| 37. East St. Louis SRC (IL) | 85 |
| 38. Rockford SRC (IL) | 85 |
| 39. Sedgwick DRC (KS) | 75 |
| 40. Louisville DRC (KY) | 40 |
| 41. Bossier City DRC (LA) | 50 |
| 42. Burke CRV (In-Custody) (NC) | |
| 43. Cabarrus Co. TECS (NC) | 41 |
| 44. Gaston Co. TECS (NC) | 61 |
| 45. Guilford Co. TECS (NC) | 115 |
| 46. Mecklenburg Co. TECS (NC) | 77 |
| 47. Randolph Co. TECS (NC) | 73 |
| 48. Robeson CRV (In-Custody) (NC) | |
| 49. Rowan Co. TECS (NC) | 83 |
| 50. Atlantic City CRC (NJ) | 75 |
| 51. Elizabeth CRC (NJ) | 75 |
| 52. Neptune CRC (NJ) | 50 |
| 53. Perth Amboy CRC (NJ) | 50 |
| 54. Alleghany County DRC (PA) | 135 |
| 55. Cambria DRC (PA) | 150 |
| 56. Dauphin County DRC (PA) | 67 |
| 57. Franklin County DRC (PA) | 120 |
| 58. Lancaster County DRC (PA) | 67 |
| 59. Lehigh County DRC (PA) | 67 |
| 60. Luzerne DRC (PA) | 120 |
| 61. Luzerne EM (PA) | EM |
| 62. Lycoming County (PA) | 100 |
| 63. South Philadelphia County DRC (PA) | 135 |
| 64. York County DRC (PA) | 67 |
| 65. Richmond, VA DRC (VA) | 150 |

YOUTH SERVICES

**RESIDENTIAL
COLORADO**

| | |
|---|-----|
| 1. Southern Peaks Regional Treatment Center | 136 |
| 2. DuPage Interventions | 36 |
| 3. Southwood Interventions | 80 |
| 4. Woodridge Interventions | 90 |

OHIO

| | |
|-----------------|-----|
| 5. Abraxas Ohio | 100 |
|-----------------|-----|

PENNSYLVANIA

| | |
|--------------------|-----|
| 6. Abraxas Academy | 214 |
| 7. Abraxas I | 204 |

| | |
|-----------------------------------|-----|
| 8. Abraxas Youth Center | 72 |
| 9. Leadership Development Program | 128 |

TEXAS

| | |
|-------------------------|-----|
| 10. Hector Garza Center | 139 |
|-------------------------|-----|

IDLE FACILITIES

| | |
|------------------------------------|----|
| 11. Contact Interventions (IL) | 32 |
| 12. Erie Residential Programs (PA) | 30 |

NON-RESIDENTIAL

| | |
|--|-----|
| 1. Abraxas Counseling Center (OH) | 150 |
| 2. Cincinnati Counseling Center (OH) | 75 |
| 3. Cleveland Counseling Center (OH) | 30 |
| 4. Harrisburg Community Programs (PA) | 71 |
| 5. Lehigh Valley Community-Based Programs (PA) | 30 |

FINANCIAL OVERVIEW

TOTAL REVENUES INCREASED



2014 ADJUSTED FUNDS FROM OPERATIONS INCREASED

13%

to \$232.9 million,
or \$3.21 per diluted share.

2014 ADJUSTED EBITDA OF

\$349.1 Million

2014 NET INCOME ATTRIBUTABLE TO GEO

\$143.9 Million

or \$1.98 per diluted share

2014 NORMALIZED FUNDS FROM OPERATIONS INCREASED

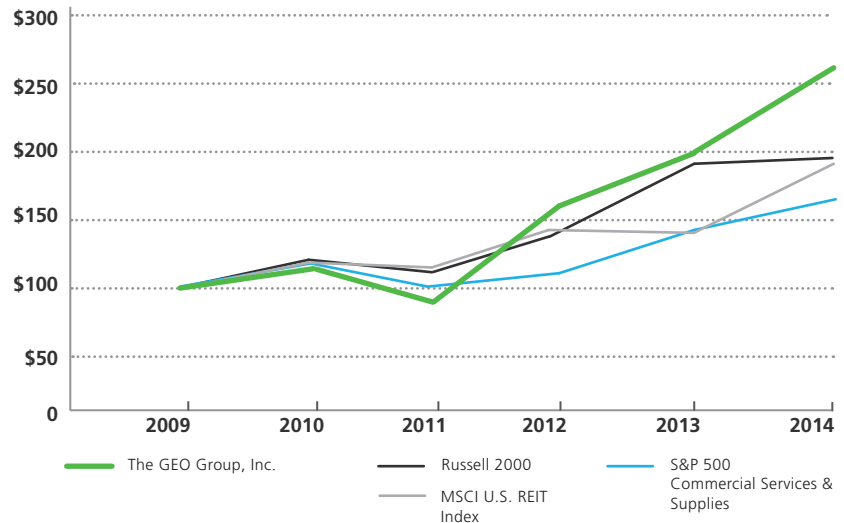
18%

to \$197.6 million,
or \$2.72 per diluted share

COMPARISON OF FIVE-YEAR CUMULATIVE TOTAL RETURN

Comparison of Five-Year Cumulative Total Return* The GEO Group, Inc., the Russell 2000, the S&P 500 Commercial Services and Supplies, and the MSCI U.S. REIT Indexes*. (Performance through December 31, 2014)

*Total return assumes reinvestment of dividends.



| Date | The GEO Group, Inc. | Russell 2000 | S&P 500 | MSCI U.S. REIT Index |
|-----------|---------------------|--------------|----------|----------------------|
| Dec-31-09 | \$100.00 | \$100.00 | \$100.00 | \$100.00 |
| Dec-31-10 | \$112.72 | \$125.31 | \$108.76 | \$123.53 |
| Dec-31-11 | \$76.55 | \$118.47 | \$101.64 | \$129.34 |
| Dec-31-12 | \$159.04 | \$135.81 | \$111.74 | \$146.88 |
| Dec-31-13 | \$192.91 | \$186.07 | \$144.17 | \$144.84 |
| Dec-31-14 | \$257.89 | \$192.63 | \$160.89 | \$181.46 |

Assumes \$100 invested on December 31, 2009, in The GEO Group, Inc. common stock and the Index companies.

| (In thousands, except per share data) | 2014 | 2013 | 2012 |
|--|-------------|-------------|-------------|
| Total Revenues | \$1,691,620 | \$1,522,074 | \$1,479,062 |
| Net Operating Income | \$471,679 | \$421,592 | \$413,777 |
| Net Income Attributable to The GEO Group | \$143,930 | \$115,135 | \$134,750 |
| Net Income Attributable To GEO per Diluted Share | \$1.98 | \$1.61 | \$2.20 |
| Adjusted Funds From Operations per Diluted Share | \$3.21 | \$2.87 | \$2.49 |
| Total Assets | \$3,002,208 | \$2,889,364 | \$2,839,194 |
| Shareholders' Equity | \$1,045,993 | \$1,023,976 | \$1,047,304 |
| Diluted Weighted Average Common Shares Outstanding | 72,547 | 71,605 | 61,265 |

*This annual report contains certain Non-GAAP measures. Please refer to GEO's Fourth Quarter 2014 Earnings Announcement and Supplemental Disclosure issued on February 18, 2015 for a description of such Non-GAAP measures and a reconciliation of such Non-GAAP measures to their most comparable GAAP measure.

2014 FINANCIALS

PART II

Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

Our common stock trades on the New York Stock Exchange under the symbol "GEO." The following table shows the high and low prices for our common stock, as reported by the New York Stock Exchange, for each of the four quarters of fiscal years 2014 and 2013. The prices shown have been rounded to the nearest \$1/100. The approximate number of shareholders of record as of February 23, 2015 is 637.

| Quarter | 2014 | | 2013 | |
|--------------|----------|----------|----------|----------|
| | High | Low | High | Low |
| First | \$ 34.14 | \$ 30.85 | \$ 36.63 | \$ 31.54 |
| Second | 35.82 | 31.53 | 35.96 | 30.11 |
| Third | 38.41 | 34.20 | 39.35 | 32.84 |
| Fourth | 41.66 | 36.01 | 37.72 | 28.51 |

Equity Compensation Plan Information

The following table sets forth information about our common stock that may be issued upon the exercise of options, warrants and rights under all of our equity compensation plans as of December 31, 2014 including our 2006 Stock Incentive Plan and our 2014 Stock Incentive Plan. Our shareholders have approved all of these plans.

| Plan Category | (a) Number of Securities to be Issued Upon Exercise of Outstanding Options, Warrants and Rights | (b) Weighted-Average Exercise Price of Outstanding Options, Warrants and Rights | (c) Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plans (Excluding Securities Reflected in Column (a)) |
|--|--|--|--|
| Equity compensation plans approved by security holders | 663,918 | \$ 23.89 | 3,747,271 |
| Equity compensation plans not approved by security holders | — | — | — |
| Total | 663,918 | \$ 23.89 | 3,747,271 |

Distributions

As a REIT, the Company is required to distribute annually at least 90% of its REIT taxable income (determined without regard to the dividends paid deduction and by excluding net capital gain). The amount, timing and frequency of future distributions will be at the sole discretion of the Company's Board of Directors and will be declared based upon various factors, many of which are beyond the Company's control, including, the Company's financial condition and operating cash flows, the amount required to maintain REIT status and reduce any income taxes that the Company otherwise would be required to pay, limitations on distributions in the Company's existing and future debt instruments, limitations on the Company's ability to fund distributions using cash generated through our TRS and other factors that the Company's Board of Directors may deem relevant.

During the years ended December 31, 2014 and 2013 we declared and paid the following regular cash distributions to our shareholders which were treated as qualified and non-qualified ordinary income dividends for federal income tax purposes as stated below:

| Declaration Date | Payment Date | Record Date | Distribution per share | Ordinary Dividends | | | Capital Gains | | | Aggregate Payment Amount (in millions) | |
|------------------------|-------------------|-------------------|------------------------|--------------------|--------------------|---------------------|---------------|---------------------------|------------|--|-------------------------------|
| | | | | Total | Qualified(1) | Non-Qualified | Total | Unrecaptured Section 1250 | Long Term | | Non Dividend Distributions(2) |
| January 17, 2013..... | March 1, 2013 | February 15, 2013 | 0.50 | 0.50 | 0.1551057 | 0.3448943 | | | | 35.7 | |
| May 7, 2013 .. | June 3, 2013 | May 20, 2013 | 0.50 | 0.50 | 0.1551057 | 0.3448943 | | | | 35.8 | |
| July 30, 2013. | August 29, 2013 | August 19, 2013 | 0.50 | 0.50 | 0.1551057 | 0.3448943 | | | | 36.1 | |
| November 1, 2013..... | November 26, 2013 | November 14, 2013 | 0.55 | 0.55 | 0.1706163 | 0.3793837 | | | | 39.6 | |
| Totals..... | | | \$ 2.05 | \$ 2.05 | \$0.6359334 | \$ 1.4140666 | \$— | \$ — | \$— | \$0.4486565 | \$147.2 |
| Percentage..... | | | 100.0% | 100.0% | 31.0% | 69.0% | 0.0% | 0.0% | 0.0% | 19.3% | |
| February 18, 2014..... | March 14, 2014 | March 3, 2014 | 0.57 | 0.4602428 | 0.0448272 | 0.4154156 | — | — | — | 0.1097572 | 41.1 |
| April 28, 2014..... | May 27, 2014 | May 15, 2014 | 0.57 | 0.4602428 | 0.0448272 | 0.4154156 | — | — | — | 0.1097572 | 41.5 |
| August 5, 2014..... | August 29, 2014 | August 18, 2014 | 0.57 | 0.4602428 | 0.0448272 | 0.4154156 | | | | 0.1097572 | 41.4 |
| November 5, 2014..... | November 26, 2014 | November 17, 2014 | 0.62 | 0.5006150 | 0.0487594 | 0.4518556 | | | | 0.119385 | 46 |
| Totals..... | | | \$ 2.33 | \$1.8813434 | \$0.1832410 | \$ 1.6981024 | \$— | \$ — | \$— | \$0.4486565 | \$ 170 |
| Percentage..... | | | 100.0% | 80.7% | 7.9% | 72.8% | 0.0% | 0.0% | 0.0% | 19.3% | |

- (1) The amount constitutes a “Qualified Dividend”, as defined by the Internal Revenue Service.
- (2) The amount constitutes a “Return of Capital”, as defined by the Internal Revenue Service.

We intend to continue paying regular quarterly cash dividends consistent with our stated expectation to pay at least 75% of our adjusted funds from operations (“AFFO”) in dividends with a goal to increase our dividend payout ratio over time. The amount, timing and frequency of our future dividends will be at the sole discretion of the Board of Directors based upon the factors mentioned above.

In addition to these factors, the indentures governing our 6.625% Senior Notes, 5.125% Senior Notes, 5⁷/₈ % Senior Notes, 5.875% Senior Notes and our Senior Credit Facility also place material restrictions on our ability to pay dividends. See the Liquidity and Capital Resources section in “Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations” and Note 14 — Debt in “Item 8 — Financial Statements and Supplementary Data”, for further description of these restrictions. We believe we have the ability to continue to fund our working capital, our debt service requirements, and our maintenance and growth capital expenditure requirements, while maintaining sufficient liquidity for other corporate purposes.

Performance Graph

The following performance graph compares the performance of our common stock to the Russell 2000, the S&P 500 Commercial Services and Supplies Index, and the MSCI U.S. REIT Index and is provided in accordance with Item 201(e) of Regulation S-K.

Comparison of Five-Year Cumulative Total Return* The GEO Group, Inc., Russell 2000, S&P 500 Commercial Services and Supplies Index and MSCI U.S. REIT Index (Performance through December 31, 2014)



| Date | The GEO Group, Inc. | Russell 2000 | S&P 500 Commercial Services and Supplies | MSCI U.S. REIT Index |
|-------------------|---------------------|--------------|--|----------------------|
| December 31, 2009 | \$ 100.00 | \$ 100.00 | \$ 100.00 | \$ 100.00 |
| December 31, 2010 | \$ 112.72 | \$ 125.31 | \$ 108.76 | \$ 123.53 |
| December 31, 2011 | \$ 76.55 | \$ 118.47 | \$ 101.64 | \$ 129.34 |
| December 31, 2012 | \$ 159.04 | \$ 135.81 | \$ 111.74 | \$ 146.88 |
| December 31, 2013 | \$ 192.91 | \$ 186.07 | \$ 144.17 | \$ 144.84 |
| December 31, 2014 | \$ 257.89 | \$ 192.63 | \$ 160.89 | \$ 181.46 |

Assumes \$100 invested on December 31, 2009 in our common stock and the Index companies.

* Total return assumes reinvestment of dividends.

Item 6. Selected Financial Data

The following table sets forth historical financial data as of and for each of the five years in the period ended December 31, 2014. The selected consolidated financial data should be read in conjunction with our “Management Discussion and Analysis of Financial Condition and Results of Operations” and our consolidated financial statements and the notes to the consolidated financial statements (in thousands, except per share and operational data).

| Year Ended: | 2014 | 2013 | 2012 | 2011 | 2010 |
|--|--------------|--------------|--------------|--------------|--------------|
| Results of Continuing Operations: | | | | | |
| Revenues..... | \$ 1,691,620 | \$ 1,522,074 | \$ 1,479,062 | \$ 1,407,172 | \$ 1,084,592 |
| Operating income from continuing operations..... | 234,731 | 185,484 | 184,353 | 179,599 | 126,902 |
| Income from continuing operations..... | \$ 143,840 | \$ 117,462 | \$ 144,558 | \$ 69,644 | \$ 54,371 |

| Year Ended: | 2014 | 2013 | 2012 | 2011 | 2010 |
|---|--------------|--------------|--------------|--------------|--------------|
| Income from continuing operations per common share attributable to The GEO Group, Inc.: | | | | | |
| Basic: | \$ 1.99 | \$ 1.65 | \$ 2.39 | \$ 1.12 | \$ 0.99 |
| Diluted: | \$ 1.98 | \$ 1.64 | \$ 2.37 | \$ 1.11 | \$ 0.98 |
| Weighted Average Shares Outstanding: | | | | | |
| Basic | 72,270 | 71,116 | 60,934 | 63,425 | 55,379 |
| Diluted | 72,547 | 71,605 | 61,265 | 63,740 | 55,989 |
| Cash and Stock Dividends per Common Share: | | | | | |
| Quarterly Cash Dividends..... | \$ 2.33 | \$ 2.05 | 0.4 | — | — |
| Special Dividend-Cash and Stock(3)..... | — | — | 5.68 | — | — |
| Financial Condition: | | | | | |
| Current assets | \$ 377,406 | \$ 384,345 | \$ 337,183 | \$ 459,329 | \$ 422,084 |
| Current liabilities | 254,075 | 223,125 | 259,871 | 288,818 | 267,287 |
| Total assets..... | 3,002,208 | 2,889,364 | 2,839,194 | 3,049,923 | 2,412,373 |
| Long-term debt, including current portion (excluding non-recourse debt and capital leases)..... | 1,465,921 | 1,488,721 | 1,351,697 | 1,338,384 | 807,836 |
| Total Shareholders' equity..... | \$ 1,045,993 | \$ 1,023,976 | \$ 1,047,304 | \$ 1,038,521 | \$ 1,039,490 |
| Operational Data: | | | | | |
| Facilities in operation(2)..... | 92 | 86 | 87 | 90 | 98 |
| Operational capacity of contracts(2)..... | 75,302 | 66,130 | 65,949 | 65,787 | 70,552 |
| Compensated mandays(1)..... | 22,390,904 | 20,867,016 | 20,530,885 | 19,884,802 | 17,203,880 |

- (1) Compensated mandays are calculated as follows: (a) for per diem rate facilities — the number of beds occupied by residents on a daily basis during the fiscal year; and (b) for fixed rate facilities — the capacity of the facility multiplied by the number of days the facility was in operation during the fiscal year.
- (2) Represents the number of beds primarily from correction and detention facilities and excludes idle facilities.
- (3) Special Dividend paid on December 31, 2012 — Refer to Note 3 — Shareholders' Equity included in the notes to our audited consolidated financial statements included in Part II, Item 8 of this annual report on Form 10-K.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

Introduction

The following discussion and analysis provides information which management believes is relevant to an assessment and understanding of our consolidated results of operations and financial condition. This discussion contains forward-looking statements that involve risks and uncertainties. Our actual results may differ materially from those anticipated in these forward-looking statements as a result of numerous factors including, but not limited to, those described above under "Item 1A. Risk Factors," and "Forward-Looking Statements — Safe Harbor" below. The discussion should be read in conjunction with the consolidated financial statements and notes thereto. We are a real estate investment trust specializing in the ownership, leasing and management of correctional, detention and re-entry facilities and the provision of community-based services and youth services in the United States, Australia, South Africa, and the United Kingdom. We own, lease and operate a broad range of correctional and detention facilities including maximum, medium and minimum security prisons, immigration detention centers, minimum security detention centers, and community based re-entry facilities. We offer counseling, education and/or treatment to inmates with alcohol and drug abuse problems at most of the domestic facilities we manage. We are also a provider of innovative compliance technologies, industry-leading monitoring services, and evidence-based supervision and treatment programs for community-based parolees, probationers and pretrial defendants. Additionally, we have an exclusive contract with ICE to provide supervision and reporting services designed to improve the participation of non-detained aliens in the immigration court system. We develop new facilities based on contract awards, using our

project development expertise and experience to design, construct and finance what we believe are state-of-the-art facilities that maximize security and efficiency. We also provide secure transportation services for offender and detainee populations as contracted domestically and in the United Kingdom through our joint venture GEOAmev.

As of December 31, 2014, our worldwide operations included the management and/or ownership of approximately 79,000 beds at 98 correctional, detention and re-entry facilities, including idle facilities and projects under development and also included the provision of monitoring of more than 70,000 offenders in a community-based environment on behalf of approximately 900 federal, state and local correctional agencies located in all 50 states.

For the years ended December 31, 2014, 2013 and 2012 we had consolidated revenues of \$1.7 billion, \$1.5 billion and \$1.5 billion, respectively, and we maintained an average company wide facility occupancy rate of 95.7% including 75,302 active beds and excluding 3,708 idle beds for the year ended December 31, 2014, and 94.8% including 66,130 active beds and excluding 6,016 idle beds for the year ended December 31, 2013.

REIT Conversion

We have been a leading owner, lessor and operator of correctional, detention and re-entry facilities and provider of community-based services and youth services in the industry since 1984 and began operating as a REIT for federal income tax purposes effective January 1, 2013. As a result of the REIT conversion, we reorganized our operations and moved non-real estate components into TRSs. Through the TRS structure, the portion of our businesses which are non-real estate related, such as our managed-only contracts, international operations, electronic monitoring services, and other non-residential and community based facilities, are part of wholly-owned taxable subsidiaries of the REIT. Most of our business segments, which are real estate related and involve company-owned and company-leased facilities, are part of the REIT. The TRS structure allows us to maintain the strategic alignment of almost all of our diversified business segments under one entity. The TRS assets and operations will continue to be subject to federal and state corporate income taxes and to foreign taxes as applicable in the jurisdictions in which those assets and operations are located.

As a REIT, we are required to distribute annually at least 90% of our REIT taxable income (determined without regard to the dividends paid deduction and by excluding net capital gain) and we began paying regular distributions in 2013. We declared and paid the following regular REIT distributions to our shareholders which were treated for federal income taxes as follows:

| Declaration Date | Payment Date | Record Date | Distribution Per Share | Ordinary Dividends | | | Aggregate Payment Amount (millions) |
|-------------------------|-------------------|-------------------|------------------------|--------------------|---------------|------------------------------|-------------------------------------|
| | | | | Qualified(1) | Non-Qualified | Nondividend Distributions(2) | |
| August 7, 2012 | September 7, 2012 | August 21, 2012 | \$ 0.20 | N/A | N/A | N/A | \$ 12.3 |
| October 31, 2012 | November 30, 2012 | November 16, 2012 | \$ 0.20 | N/A | N/A | N/A | \$ 12.3 |
| January 17, 2013 | March 1, 2013 | February 15, 2013 | \$ 0.50 | \$ 0.1551057 | \$ 0.3448943 | — | \$ 35.7 |
| May 7, 2013 | June 3, 2013 | May 20, 2013 | \$ 0.50 | \$ 0.1551057 | \$ 0.3448943 | — | \$ 35.8 |
| July 30, 2013 | August 29, 2013 | August 19, 2013 | \$ 0.50 | \$ 0.1551057 | \$ 0.3448943 | — | \$ 36.1 |
| November 1, 2013 | November 26, 2013 | November 14, 2013 | \$ 0.55 | \$ 0.1706163 | \$ 0.3793837 | — | \$ 39.6 |
| February 18, 2014 | March 14, 2014 | March 3, 2014 | \$ 0.57 | \$ 0.0448272 | \$ 0.4154156 | \$ 0.1097572 | \$ 41.1 |
| April 28, 2014 | May 27, 2014 | May 15, 2014 | \$ 0.57 | \$ 0.0448272 | \$ 0.4154156 | \$ 0.1097572 | \$ 41.5 |
| August 5, 2014 | August 29, 2014 | August 18, 2014 | \$ 0.57 | \$ 0.0448272 | \$ 0.4154156 | \$ 0.1097572 | \$ 41.4 |
| November 5, 2014 | November 26, 2014 | November 17, 2014 | \$ 0.62 | \$ 0.0487594 | \$ 0.4518556 | \$ 0.1097572 | \$ 46.0 |

(1) The amount constitutes a “Qualified Dividend”, as defined by the Internal Revenue Service.

(2) The amount constitutes a “Return of Capital”, as defined by the Internal Revenue Service.

Divestiture of RTS

Applicable REIT rules substantially restrict the ability of REITs to operate health care facilities. As a result, in order to achieve and preserve our REIT status, on December 31, 2012, we completed the divestiture of all of our Residential Treatment Services. The operating results of RTS have been retroactively reclassified to discontinued operations for all periods presented in the Form 10-K. Refer to Note 2 — Discontinued Operations included in the notes to our audited consolidated financial statements included in Part II, Item 8 of this annual report on Form 10-K.

Change in Fiscal Year

In connection with our conversion to a REIT, on December 31, 2012, we changed our fiscal year to a calendar year and changed our fiscal quarters to coincide with each calendar quarter. The year 2012 means the 52 week period from January 2, 2012 through December 31, 2012.

Critical Accounting Policies

We believe that the accounting policies described below are critical to understanding our business, results of operations and financial condition because they involve the more significant judgments and estimates used in the preparation of our consolidated financial statements. We have discussed the development, selection and application of our critical accounting policies with the audit committee of our Board of Directors, and our audit committee has reviewed our disclosure relating to our critical accounting policies in this “Management’s Discussion and Analysis of Financial Condition and Results of Operations.”

Our consolidated financial statements are prepared in conformity with accounting principles generally accepted in the United States. As such, we are required to make certain estimates, judgments and assumptions that we believe are reasonable based upon the information available. These estimates and assumptions affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. We routinely evaluate our estimates based on historical experience and on various other assumptions that our management believes are reasonable under the circumstances. Actual results may differ from these estimates under different assumptions or conditions. If actual results significantly differ from our estimates, our financial condition and results of operations could be materially impacted. Other significant accounting policies, primarily those with lower levels of uncertainty than those discussed below, are also critical to understanding our consolidated financial statements. The notes to our consolidated financial statements contain additional information related to our accounting policies and should be read in conjunction with this discussion.

Revenue Recognition

Facility management revenues are recognized as services are provided under facility management contracts with approved government appropriations based on a net rate per day per inmate or on a fixed monthly rate, as applicable. A limited number of our contracts have provisions upon which a small portion of the revenue for the contract is based on the performance of certain targets. Revenue based on the performance of certain targets is less than 1% of our consolidated annual revenues. These performance targets are based on specific criteria to be met over specific periods of time. Such criteria includes our ability to achieve certain contractual benchmarks relative to the quality of service we provide, non-occurrence of certain disruptive events, effectiveness of our quality control programs and our responsiveness to customer requirements and concerns. For the limited number of contracts where revenue is based on the performance of certain targets, revenue is either (i) recorded pro rata when revenue is fixed and determinable or (ii) recorded when the specified time period lapses. In many instances, we are a party to more than one contract with a single entity. In these instances, each contract is accounted for separately. We have not recorded any revenue that is at risk due to future performance contingencies. Construction revenues are recognized from our contracts with certain customers to perform construction and design services (“project development services”) for various facilities. In these instances, we act as the primary developer and subcontract with bonded National and/or Regional Design Build Contractors. These construction revenues are recognized as earned on a percentage of completion basis measured by the percentage of costs incurred to date as compared to the estimated total cost for each contract. Provisions for estimated losses on uncompleted contracts and changes to cost estimates are made in the period in which we determine that such losses and changes are probable. Typically, we enter into fixed price contracts and do not perform additional work unless approved change orders are in place. Costs attributable to unapproved change orders are expensed in the period in which the costs are incurred if we believe that it is not probable that the costs will be recovered through a change in the contract price. If we believe that it is probable that the costs will be recovered through a change in the contract price, costs related to unapproved change orders are expensed in the period in which they are incurred, and contract revenue is recognized to the extent of the costs incurred. Revenue in excess of the costs attributable to unapproved change orders is not recognized until the change order is approved. Changes in job performance, job conditions, and estimated profitability, including those arising from contract penalty provisions, and final contract settlements, may result in revisions to estimated costs and income, and are recognized in the period in which the revisions are determined. For the years ended December 31, 2014, 2013 and 2012, there have been no changes in job performance, job conditions and estimated profitability that would require a revision to the estimated costs and income related to project development services. As the primary contractor, we are exposed to the various risks associated with construction, including the risk of cost overruns. Accordingly, we record our construction revenue on a gross basis and include the related cost of construction activities in Operating Expenses.

When evaluating multiple element arrangements for certain contracts where we provide project development services to our clients in addition to standard management services, we follow revenue recognition guidance for multiple element arrangements under ASC 605-25 “Multiple Element Arrangements”. This revenue recognition guidance related to multiple deliverables in an arrangement provides guidance on determining if separate contracts should be evaluated as a single arrangement and if an arrangement involves a single unit of accounting or separate units of accounting and if the arrangement is determined to have separate units, how to allocate amounts received in the arrangement for revenue recognition purposes. In instances where we provide these project development services and subsequent management services, generally, the arrangement results in no delivered elements at the onset of the agreement. The elements are delivered, and revenue is recognized, over the contract period as the project development and management services are performed. Project development services are generally not provided separately to a customer without a management contract. We have determined that the significant deliverables in such an arrangement during the project development phase and services performed under the management contract qualify as separate units of accounting. With respect to the deliverables during the management services period, we regularly negotiate such contracts and provide management services to our customers outside of any arrangement for construction. We establish per diem rates for all of our management contracts based on, amongst other factors, expected and guaranteed occupancy, costs of providing the services and desired margins. As such, the fair value of the consideration to each deliverable was determined using our estimated selling price for the project development deliverable and vendor specific objective evidence for the facility management services deliverable.

Reserves for Insurance Losses

The nature of our business exposes us to various types of third-party legal claims, including, but not limited to, civil rights claims relating to conditions of confinement and/or mistreatment, sexual misconduct claims brought by prisoners or detainees, product liability claims, intellectual property infringement claims, claims relating to employment matters (including, but not limited to, employment discrimination claims, union grievances and wage and hour claims), property loss claims, environmental claims, automobile liability claims, contractual claims and claims for personal injury or other damages resulting from contact with our facilities, programs, electronic monitoring products, personnel or prisoners, including damages arising from a prisoner’s escape or from a disturbance or riot at a facility. In addition, our management contracts generally require us to indemnify the governmental agency against any damages to which the governmental agency may be subject in connection with such claims or litigation. We maintain a broad program of insurance coverage for these general types of claims, except for claims relating to employment matters, for which we carry no insurance. There can be no assurance that our insurance coverage will be adequate to cover all claims to which we may be exposed. It is our general practice to bring merged or acquired companies into our corporate master policies in order to take advantage of certain economies of scale. We currently maintain a general liability policy and excess liability policies with total limits of \$67.0 million per occurrence and in the aggregate covering the operations of U.S. Corrections & Detention, GEO Care’s community based services, GEO Care’s youth services and BI. We have a claims-made liability insurance program with a specific loss limit of \$35.0 million per occurrence and in the aggregate related to medical professional liability claims arising out of correctional healthcare services. We are uninsured for any claims in excess of these limits. We also maintain insurance to cover property and other casualty risks including, workers’ compensation, environmental liability and automobile liability. For most casualty insurance policies, we carry substantial deductibles or self-insured retentions of \$3.0 million per occurrence for general liability and medical professional liability, \$2.0 million per occurrence for workers’ compensation and \$1.0 million per occurrence for automobile liability. In addition, certain of our facilities located in Florida and other high-risk hurricane areas carry substantial windstorm deductibles. Since hurricanes are considered unpredictable future events, no reserves have been established to pre-fund for potential windstorm damage. Limited commercial availability of certain types of insurance relating to windstorm exposure in coastal areas and earthquake exposure mainly in California and the Pacific Northwest may prevent the Company from insuring some of its facilities to full replacement value. With respect to operations in South Africa, the United Kingdom and Australia, we utilize a combination of locally-procured insurance and global policies to meet contractual insurance requirements and protect us. In addition to these policies, our Australian subsidiary carries tail insurance on a general liability policy related to a discontinued contract. Of the reserves discussed above, our most significant insurance reserves relate to workers’ compensation, general liability and auto claims. These reserves are undiscounted and were \$49.5 million and \$47.6 million as of December 31, 2014 and 2013, respectively and are included in accrued expenses in the accompanying balance sheets. We use statistical and actuarial methods to estimate amounts for claims that have been reported but not paid and claims incurred but not reported. In applying these methods and assessing their results, we consider such factors as historical frequency and severity of claims at each of our facilities, claim development, payment patterns and changes in the nature of our business, among other factors. Such factors are analyzed for each of our business segments. Our estimates may be impacted by such factors as increases in the market price for medical services and unpredictability of the size of jury awards.

We also may experience variability between our estimates and the actual settlement due to limitations inherent in the estimation process, including our ability to estimate costs of processing and settling claims in a timely manner as well as our ability to accurately estimate our exposure at the onset of a claim. Because we have high deductible insurance policies, the amount of our insurance expense is dependent on our ability to control our claims experience. If actual losses related to insurance claims significantly differ from our estimates, our financial condition, results of operations and cash flows could be materially adversely impacted.

Income Taxes

The consolidated financial statements reflect provisions for federal, state, local and foreign income taxes. We recognize deferred tax assets and liabilities for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax basis, as well as operating loss and tax credit carryforwards. We measure deferred tax assets and liabilities using enacted tax rates expected to apply to taxable income in the years in which those temporary differences and carryforwards are expected to be recovered or settled. The effect on deferred tax assets and liabilities as a result of a change in tax rates is recognized as income in the period that includes the enactment date. At December 31, 2012, we reversed certain deferred tax assets and liabilities related to our REIT activities. Refer to Note 17- Income Taxes in the notes to the consolidated financial statements included in Part II, Item 8 of this annual report on Form 10-K. Effective January 1, 2013, as a REIT that plans to distribute 100% of its taxable income to shareholders, we do not expect to pay federal income taxes at the REIT level (including our qualified REIT subsidiaries), as the resulting dividends paid deduction will generally offset our taxable income. Since we do not expect to pay taxes on our REIT taxable income, we do not expect to be able to recognize such deferred tax assets and liabilities. Deferred income taxes are determined based on the estimated future tax effects of differences between the financial statement and tax basis of assets and liabilities given the provisions of enacted tax laws. Significant judgments are required to determine the consolidated provision for income taxes. Deferred income tax provisions and benefits are based on changes to the assets or liabilities from year to year. Realization of our deferred tax assets is dependent upon many factors such as tax regulations applicable to the jurisdictions in which we operate, estimates of future taxable income and the character of such taxable income. Additionally, we must use significant judgment in addressing uncertainties in the application of complex tax laws and regulations. If actual circumstances differ from our assumptions, adjustments to the carrying value of deferred tax assets or liabilities may be required, which may result in an adverse impact on the results of our operations and our effective tax rate. Valuation allowances are recorded related to deferred tax assets based on the “more likely than not” criteria. We have not made any significant changes to the way we account for our deferred tax assets and liabilities in any year presented in the consolidated financial statements, with the exception of the reversal of certain deferred tax assets and liabilities related to our REIT activities. Based on our estimate of future earnings and our favorable earnings history, we currently expect full realization of the deferred tax assets net of any recorded valuation allowances. Furthermore, tax positions taken by us may not be fully sustained upon examination by the taxing authorities. In determining the adequacy of our provision (benefit) for income taxes, potential settlement outcomes resulting from income tax examinations are regularly assessed. As such, the final outcome of tax examinations, including the total amount payable or the timing of any such payments upon resolution of these issues, cannot be estimated with certainty.

Property and Equipment

Property and equipment are stated at cost, less accumulated depreciation. Depreciation is computed using the straight-line method over the estimated useful lives of the related assets. Buildings and improvements are depreciated over 2 to 50 years. Equipment and furniture and fixtures are depreciated over 3 to 10 years. Accelerated methods of depreciation are generally used for income tax purposes. Leasehold improvements are amortized on a straight-line basis over the shorter of the useful life of the improvement or the term of the lease. We perform ongoing evaluations of the estimated useful lives of the property and equipment for depreciation purposes. The estimated useful lives are determined and continually evaluated based on the period over which services are expected to be rendered by the asset. If the assessment indicates that assets will be used for a longer or shorter period than previously anticipated, the useful lives of the assets are revised, resulting in a change in estimate. We have not made any changes in estimates during the years ended December 31, 2014, 2013 and 2012. Maintenance and repairs are expensed as incurred. Interest is capitalized in connection with the construction of company-owned correctional and detention facilities. Cost for self-constructed correctional and detention facilities includes direct materials and labor, capitalized interest and certain other indirect costs associated with construction of the facility, such as property taxes, other indirect labor and related benefits and payroll taxes. The Company begins the capitalization of costs during the pre-construction phase, which is the period during which costs are incurred to evaluate the site, and continues until the facility is substantially complete and ready for occupancy. Labor costs capitalized for the years ended December 31, 2014, 2013 and 2012 were not significant. Capitalized interest is recorded as part of the asset to which it relates and is amortized over the asset’s estimated useful life.

Asset Impairments

The Company had property and equipment of \$1.8 billion and 1.7 billion as of December 31, 2014 and 2013, respectively, including approximately 3,700 vacant beds at four idle facilities with a carrying value of \$114.9 million which are being marketed to potential customers as of December 31, 2014, excluding equipment and other assets that can be easily transferred for use at other facilities. We review long-lived assets to be held and used for impairment whenever events or changes in circumstances indicate that the carrying amount of such assets may not be fully recoverable. Events that would trigger an impairment assessment include deterioration of profits for a business segment that has long-lived assets, or when other changes occur that might impair recovery of long-lived assets such as the termination of a management contract or a significant decrease in inmate population. If impairment indicators are present, we perform a recoverability test to determine whether or not an impairment loss should be measured.

We test idle facilities for impairment upon notification that the facilities will no longer be utilized by the customer. If a long-lived asset is part of a group that includes other assets, the unit of accounting for the long-lived asset is its group. Generally, we group assets by facility for the purpose of considering whether any impairment exists. The estimates of recoverability are based on projected undiscounted cash flows associated with actual marketing efforts where available or, in other instances, projected undiscounted cash flows that are comparable to historical cash flows from management contracts at similar facilities and sensitivity analyses that consider reductions to such cash flows. Our sensitivity analyses include adjustments to projected cash flows compared to the historical cash flows due to current business conditions which impact per diem rates as well as labor and other operating costs, changes related to facility mission due to changes in prospective clients, and changes in projected capacity and occupancy rates. We also factor in prolonged periods of vacancies as well as the time and costs required to ramp up facility population once a contract is obtained. We perform the impairment analyses on an annual basis for each of the idle facilities and update each quarter for market developments for the potential utilization of each of the facilities in order to identify events that may cause us to reconsider the most recent assumptions. Such events could include negotiations with a prospective customer for the utilization of an idle facility at terms significantly less favorable than used in our most recent impairment analysis, or changes in legislation surrounding a particular facility that could impact our ability to house certain types of inmates at such facility. Further, a substantial increase in the number of available beds at other facilities that we own, or in the marketplace, could lead to deterioration in market conditions and projected cash flows. Although they are not frequently received, an unsolicited offer to purchase any of our idle facilities, at amounts that are less than their carrying value could also cause us to reconsider the assumptions used in the most recent impairment analysis. We have identified marketing prospects to utilize each of the remaining currently idled facilities and do not see any catalysts that would result in a current impairment. However, we can provide no assurance that we will be able to secure management contracts to utilize our idle facilities, or that we will not incur impairment charges in the future. In all cases, the projected undiscounted cash flows in our analysis as of December 31, 2014 substantially exceeded the carrying amounts of each facility. Our evaluations also take into consideration historical experience in securing new management contracts to utilize facilities that had been previously idled for periods comparable to or in excess of the periods our currently idle facilities have been idle. Such previously idle facilities are currently being operated under contracts that generate cash flows resulting in the recoverability of the net book value of the previously idled facilities by substantial amounts. Due to a variety of factors, the lead time to negotiate contracts with federal and state agencies to utilize idle bed capacity is generally lengthy which has historically resulted in periods of idleness similar to the ones we are currently experiencing. As a result of our analyses, we determined each of these assets to have recoverable values substantially in excess of the corresponding carrying values.

By their nature, these estimates contain uncertainties with respect to the extent and timing of the respective cash flows due to potential delays or material changes to forecasted terms and conditions in contracts with prospective customers that could impact the estimate of projected cash flows. Notwithstanding the effects the current economy has had on our customers' demand for prison beds in the short term which has led to our decision to idle certain facilities, we believe the long-term trends favor an increase in the utilization of our idle correctional facilities. This belief is also based on our experience in working with governmental agencies faced with significant budgetary challenges which is a primary contributing factor to the lack of appropriated funding to build new bed capacity by federal and state agencies.

Discontinued Operations

We report the results of operations of a component of an entity that either has been disposed of or is classified as held for sale or where the management contracts with that component have terminated either by expiration or otherwise in discontinued operations. We present such events as discontinued operations so long as the financial results can be clearly identified, the future operations and cash flows are completely eliminated from ongoing operations, and so long as we do not have any significant continuing involvement in the operations of the component after the disposal or termination transaction.

When a component of an entity has been disposed of or classified as held for sale or a management contract is terminated, we look at our overall relationship with the customer. If the operations or cash flows of the component have been (or will be) eliminated from the ongoing operations of the entity as a result of the transaction and the entity will not have significant continuing involvement in the operations of the component after the transaction, the results of operations of the component of an entity are reported in discontinued operations. If we will continue to maintain a relationship generating significant cash flows and having continuing involvement with the customer, the disposal, the asset held for sale classification or the loss of the management contract(s) is not treated as discontinued operations. If the disposal, the asset held for sale classification or the loss of the management contract(s) results in a loss in the overall customer relationship as no future significant cash flows will be generated and we will have no continuing involvement with the customer, the results are classified in discontinued operations.

Recent Accounting Pronouncements

The following accounting standards have an implementation date subsequent to the year ended December 31, 2014 and as such, have not yet been adopted by us:

In January 2015, the FASB issued ASU No. 2015-01 “Simplifying Income Statement Presentation by Eliminating the Concept of Extraordinary Items,” which eliminates the concept of extraordinary items altogether from U.S. GAAP. By removing the concept of extraordinary items from U.S. GAAP, this ASU removes the uncertainty and disparity in practice involved in identifying, presenting, and disclosing extraordinary items, as well as more closely aligns U.S. GAAP with IFRS. As with all of the FASB’s simplification initiatives, the new guidance is also expected to reduce the costs and complexity of financial statement preparation. The amendments resulting from ASU 2015-01 are effective for all entities for fiscal years, and for interim periods within those fiscal years, beginning after December 15, 2015, with earlier adoption permitted provided that the guidance is applied from the beginning of the fiscal year of adoption. The implementation of this standard is not expected to have a material impact on the Company’s financial position, results of operations or cash flows. In June 2014, the FASB issued ASU No. 2014-12, “Accounting for Share-Based Payments When the Terms of an Award Provide That a Performance Target Could Be Achieved after the Requisite Service Period,” which resolves the diverse accounting treatment of share-based payments on an award where the terms provide that the performance target could be achieved after an employee completes the requisite service period. The amendments require that a performance target that affects vesting and that could be achieved after the requisite service period be treated as a performance condition. The amendments in this update apply to all reporting entities that grant their employees share-based payments in which the terms of the award provide that a performance target that affects vesting could be achieved after the requisite service period. This standard will become effective for annual periods and interim periods within those annual periods beginning on or after December 15, 2015. The implementation of this standard is not expected to have a material impact on the Company’s financial position, results of operations or cash flows.

In May 2014, the FASB issued ASU No. 2014-09, “Revenue from Contracts with Customers,” which initiates a joint project between FASB and the International Accounting Standards Board (“IASB”) to clarify the principles for recognizing revenue and develop a common revenue standard for U.S. GAAP and International Financial Reporting Standards (“IFRS”). The core principle of the guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for goods or services. The guidance in this update affects any entity that either enters into contracts with customers to transfer goods or services or enters into contracts for the transfer of nonfinancial assets unless those contracts are within the scope of other standards. This standard will become effective for annual periods, beginning after December 15, 2016, including those interim periods within that reporting period. Early adoption is not permitted. An entity may apply the amendment in this update retrospectively to each reporting period presented, or retrospectively with the cumulative effect of initially applying this update recognized at the date of initial application. The Company is in the process of evaluating whether this standard would have a material impact on the Company’s financial position, results of operations or cash flows. In April 2014, the FASB issued ASU No. 2014-08, “Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity,” which changes the requirements for reporting discontinued operations. A discontinued operation may include a component of an entity or group of components of an entity, or a business or nonprofit activity. Under the ASU, only those disposals of components of an entity that represent a strategic shift that has (or will have) a major effect on an entity’s operations and financial results will be reported as discontinued operations in the financial statements. This standard will become effective for disposals or activities classified as held for sale that occur within annual periods beginning on or after December 15, 2014. The implementation of this standard is not expected to have a material impact on the Company’s financial position, results of operations or cash flows.

In January 2014, the FASB issued ASU No. 2014-05, “*Service Concession Arrangements*,” which specifies that an operating entity should not account for a service concession arrangement that falls within the scope of this update as a lease in accordance with Topic 840. An operating entity should refer to other Topics as applicable to account for various aspects of a service concession arrangement. The amendments also specify that the infrastructure used in a service concession arrangement should not be recognized as property, plant and equipment of the operating entity. A service concession arrangement is defined as an arrangement between a public-sector entity and an operating entity for which the terms provide that the operating entity will operate the public-sector entity’s infrastructure (for example, airports, roads, bridges, tunnels, prisons and hospitals) for a specified period of time. This standard will become effective for annual periods, and interim periods within those annual periods, beginning after December 31, 2014. The implementation of this standard is not expected to have a material impact on the Company’s financial position, results of operations or cash flows. Other recent accounting pronouncements issued by the FASB (including its Emerging Issues Task Force), the American Institute of Certified Public Accountants and the SEC did not, or are not expected to, have a material effect on the Company’s results of operations or financial position.

Results of Operations

The following discussion should be read in conjunction with our consolidated financial statements and the notes to the consolidated financial statements accompanying this report. This discussion contains forward-looking statements that involve risks and uncertainties. Our actual results may differ materially from those anticipated in the forward-looking statements as a result of certain factors, including, but not limited to, those described under “Item 1A. Risk Factors” and those included in other portions of this report. The discussion of our results of operations below excludes the results of discontinued operations reported in 2014, 2013 and 2012. Refer to Note 2 — Discontinued Operations included in the notes to our audited consolidated financial statements included in Part II, Item 8 of this annual report on Form 10-K for further information. In connection with our conversion to a REIT, on December 31, 2012 we changed our fiscal year to a calendar year and changed our fiscal quarters to coincide with each calendar quarter. For the purposes of the discussion below, “2012” means the period from January 2, 2012 to December 31, 2012.

Effective January 1, 2015, GEO regained ownership of the GEO Care service mark and domain name and has renamed the Community Services segment to GEO Care for all periods presented. Refer to Note 2 — Discontinued Operations included in Part II, Item 8 of this annual report on Form 10-K for further information.

2014 versus 2013

Revenues

| | 2014 | % of Revenue | 2013 | % of Revenue | \$ Change | % Change |
|---|------------------------|---------------|---------------------|---------------|-------------------|--------------|
| | (Dollars in thousands) | | | | | |
| U.S. Corrections & Detention | \$ 1,108,397 | 65.5% | \$ 1,011,818 | 66.5% | \$ 96,579 | 9.5% |
| GEO Care | 329,253 | 19.5% | 302,094 | 19.8% | 27,159 | 9.0% |
| International Services | 197,992 | 11.7% | \$ 208,162 | 13.7% | \$ (10,170) | (4.9)% |
| Facility Construction & Design | 55,978 | 3.3% | \$ — | — % | \$ — | 100.0% |
| Total | <u>\$ 1,691,620</u> | <u>100.0%</u> | <u>\$ 1,522,074</u> | <u>100.0%</u> | <u>\$ 169,546</u> | <u>11.1%</u> |

U.S. Corrections & Detention

Revenues increased in 2014 compared to 2013 primarily due to aggregate increases of \$82.3 million resulting from: (i) the activation and intake of inmates at the Central Valley, Desert View and McFarland correctional facilities, as well as our 100-bed expansion of the Company-owned Golden State correctional facility, in the fourth quarter of 2013; (ii) our assumption of the management of the Moore Haven, Bay and Graceville correctional facilities in the first quarter of 2014; and (iii) our 400-bed expansion of the Rio Grande correctional facility in the first quarter of 2014 and 640-bed expansion of the Adelanto correctional facility in the second quarter of 2014. We also experienced aggregate increases in revenues of \$30.9 million at certain of our facilities primarily due to net increases in population, transportation services and/or rates, including the increased revenues due to our purchase of the previously managed-only 1,287-bed Joe Corley Detention Center in June 2013. These increases were partially offset by an aggregate decrease of \$16.7 million primarily due to contract terminations.

The number of compensated mandays in U.S. Corrections & Detention facilities was 18.7 million in 2014 as compared to 17.1 million in 2013. We experienced an aggregate net increase of approximately 1.6 million mandays as a result of our new contracts discussed above and also as a result of population increases at certain facilities. These increases were partially offset by decreases resulting from contract terminations. We look at the average occupancy in our facilities to determine how we are managing our available beds. The average occupancy is calculated by taking compensated mandays as a percentage of capacity. The average occupancy in our U.S. Detention & Corrections facilities was 96.3% and 95.4% of capacity in 2014 and 2013, respectively, excluding idle facilities.

GEO Care

The increase in revenues for GEO Care in 2014 compared to 2013 is primarily attributable to net increases of \$26.8 million due to increased counts in our electronic monitoring contracts and ISAP program at BI and BI's acquisition of Protocol in the first quarter of 2014. Protocol accounted for \$10.1 million of the \$26.8 million increase. In addition, we experienced a net increase of \$7.0 million primarily due to new programs and program growth at our community based and re-entry centers. These increases were partially offset by decreases in revenues of \$6.6 million related to contract terminations and census declines at certain facilities.

International Services

The decrease in revenues for International Services in 2014 compared to 2013 is primarily due to the result of foreign exchange rate fluctuations of \$(12.0) million. Revenues also decreased by \$7.3 million in our United Kingdom subsidiary due to the discontinuation of our Harmondworth management contract. These decreases were partially offset by an aggregate net increase of \$9.1 million primarily attributable to our Australian subsidiary related to population increases, contractual increases linked to the inflationary index and the provision of additional services under certain contracts.

Facility Construction & Design

The increase in revenues for our Facility Construction & Design services is due to the commencement of design and construction activity for our new Ravenhall Prison Contract executed in September 2014 with the Department of Justice in the State of Victoria, Australia. Refer to Note 7 — Contract Receivable of the notes to our audited consolidated financial statements included in Part II, Item 8 of this annual report on Form 10-K.

Operating Expenses

| | 2014 | % of Segment Revenues | 2013 | % of Segment Revenues | \$ Change | % Change |
|---|---------------------|--------------------------|---------------------|--------------------------|-------------------|----------|
| (Dollars in thousands) | | | | | | |
| U.S. Corrections & Detention | \$ 781,680 | 70.5% | \$ 731,788 | 72.3% | \$ 49,892 | 6.8% |
| GEO Care | 219,335 | 66.6% | 200,826 | 66.5% | 18,509 | 9.2% |
| International Services | 189,147 | 95.5% | 192,251 | 92.4% | (3,104) | (1.6)% |
| Facility Design & Construction | 55,538 | 99.2% | — | — % | 55,538 | 100.0% |
| Total | <u>\$ 1,245,700</u> | 73.6% | <u>\$ 1,124,865</u> | 73.9% | <u>\$ 120,835</u> | 10.7% |

Operating expenses consist of those expenses incurred in the operation and management of our correctional, detention and GEO Care facilities and expenses incurred in our Facility Construction & Design segment, except that there were no significant expenses incurred in such segment for 2013.

U.S. Corrections & Detention

Operating expenses increased in 2014 compared to 2013 primarily due to aggregate increases of \$61.3 million resulting from: (i) the activation and intake of inmates at the Central Valley, Desert View and McFarland correctional facilities, as well as our 100-bed expansion of the Company-owned Golden State correctional facility, in the fourth quarter of 2013; (ii) our assumption of the management of the Moore Haven, Bay and Graceville correctional facilities in the first quarter of 2014; and (iii) our 400-bed expansion of the Rio Grande correctional facility in the first quarter of 2014 and 640-bed expansion of the Adelanto correctional facility in the second quarter of 2014. We also experienced aggregate increases in expenses of \$12.0 million at certain of our facilities primarily due to net increases in population, transportation services and/or rates. These increases were partially offset by an aggregate decrease of \$17.3 million

primarily due to contract terminations. Additionally, in 2013, in connection with our annual actuarial analysis we recorded an additional \$6.1 million to our insurance reserves which is why we experienced a decrease in our operating expenses as a percentage of revenues in 2014. In 2014, additional charges to our insurance reserves were not as significant based on the same annual actuarial analysis.

GEO Care

Operating expenses for GEO Care increased by approximately \$18.5 million during 2014 from 2013 primarily due to increases of approximately \$25.4 million due to the following: (i) variable costs associated with increases in counts in our electronic monitoring contracts and ISAP program at BI; (ii) new programs and program growth at our community based and re-entry centers; and (iii) BI's acquisition of Protocol in the first quarter of 2014. These increases were partially offset by decreases that resulted from contract terminations and census declines of approximately \$6.8 million.

International Services

Operating expenses for our International Services segment during 2014 decreased \$3.1 million over 2013 which was primarily attributable to the impact of foreign currency exchange rate fluctuations of \$(10.9) million. In addition, there was a net decrease of \$6.2 million related to the discontinuation of our Harmondsworth contract at our subsidiary in the United Kingdom in September 2014. These decreases were partially offset by an increase of \$2.2 million related to bid costs incurred at our subsidiary in the United Kingdom. Both the termination of our Harmondsworth contract and the bid costs incurred in the United Kingdom resulted in an increase in operating expenses as a percentage of revenues. These decreases were also partially offset by a net increase of \$11.8 million primarily attributable to our Australian subsidiary due to population increases, contractual increases in labor and additional services provided under new contracts at those facilities.

Facility Construction & Design

The increase in operating expenses for our Facility Construction & Design services is due to the commencement of design and construction activity for our new Ravenhall Prison Contract executed in September 2014 with the Department of Justice in the State of Victoria, Australia. Refer to Note 7 — Contract Receivable of the notes to our audited consolidated financial statements included in Part II, Item 8 of this annual report on Form 10-K.

Depreciation and Amortization

| | 2014 | % of Segment Revenue | 2013 | % of Segment Revenue | \$ Change | % Change |
|---|------------------|----------------------|------------------|----------------------|-----------------|----------|
| (Dollars in thousands) | | | | | | |
| U.S. Corrections & Detention | \$ 63,690 | 5.7% | \$ 62,112 | 6.1% | \$ 1,578 | 2.5% |
| GEO Care | 29,766 | 9.0% | 29,989 | 9.9% | (223) | (0.7)% |
| International Services | 2,715 | 1.4% | 2,563 | 1.2% | 152 | 5.9% |
| Total | <u>\$ 96,171</u> | 5.7% | <u>\$ 94,664</u> | 6.2% | <u>\$ 1,507</u> | 1.6% |

U.S. Corrections & Detention

U.S. Corrections & Detention depreciation and amortization expense increased by \$1.6 million in 2014 compared to 2013 primarily due to renovations made at several of our facilities and also our purchase of the 1,287-bed Joe Corley Detention Center in June 2013.

GEO Care

GEO Care depreciation and amortization decreased slightly in 2014 compared to 2013. The decrease is primarily due to certain assets becoming fully depreciated in 2014.

International Services

Depreciation and amortization expense increased slightly in 2014 compared to 2013 primarily due to increases in capital expenditures at our Australian subsidiary. This increase was partially offset by exchange rate fluctuations.

Expenses

| | 2014 | % of Revenue | 2013 | % of Revenue | \$ Change | % Change |
|--|------------|--------------|------------|--------------|------------|----------|
| (Dollars in thousands) | | | | | | |
| General and Administrative Expenses | \$ 115,018 | 6.8% | \$ 117,061 | 7.7% | \$ (2,043) | (1.7)% |

General and administrative expenses comprise substantially all of our other unallocated operating expenses primarily including corporate management salaries and benefits, professional fees and other administrative expenses. The decrease in general and administrative expenses in 2014 compared to 2013 was primarily attributable to nonrecurring professional fees incurred in 2013 associated with our conversion to a REIT. The decrease in general and administrative expenses as a percentage of revenue is primary due to new contracts added or expanded in 2014 which did not have a corresponding direct increase in overhead costs.

Non Operating Income and Expense

Interest Income and Interest Expense

| | 2014 | % of Revenue | 2013 | % of Revenue | \$ Change | % Change |
|-------------------------------|-----------|--------------|-----------|--------------|-----------|----------|
| (Dollars in thousands) | | | | | | |
| Interest Income | \$ 4,747 | 0.3% | \$ 3,324 | 0.2% | \$ 1,423 | 42.8% |
| Interest Expense | \$ 87,368 | 5.2% | \$ 83,004 | 5.5% | \$ 4,364 | 5.3% |

The majority of our interest income generated in 2014 and 2013 is from the cash balances at our foreign subsidiaries. Interest income increased in 2014 primarily due to interest earned on our long-term contract receivable in connection with the Ravenhall prison project. Refer to Note 7 — Contract Receivable of the notes to our audited consolidated financial statements included in Part II, Item 8 of this annual report on Form 10-K for further information. Interest expense increased in 2014 compared to 2013 primarily due to \$5.6 million of additional bond interest as a result of our \$250 million offering of our 5.875% Senior Notes in September 2014. Interest expense also increased by \$1.4 million in connection with our non-recourse debt related to our Ravenhall prison project. These increases were partially offset by a decrease in term loan interest under our Senior Credit Facility as a portion of the proceeds from our \$300 million offering of our 5.125% Senior Notes in 2013 was used to pay outstanding term loans under the facility. Refer to Note 14 — Debt of the notes to our audited consolidated financial statements included in Part II, Item 8 of this annual report on Form 10-K.

Loss on Extinguishment of Debt

| | 2014 | % of Revenue | 2013 | % of Revenue | \$ Change | % Change |
|---|------|--------------|-----------|--------------|-------------|----------|
| (Dollars in thousands) | | | | | | |
| Loss on Extinguishment of Debt | \$ — | — % | \$ 20,657 | 1.4% | \$ (20,657) | (100.0)% |

The loss on extinguishment of debt in 2013 is the result of the following: (i) in the second quarter 2013, we refinanced our Prior Senior Credit Facility and entered into a new Credit Agreement, as a result of which we wrote off \$4.4 million of unamortized deferred financing costs and unamortized debt discount pertaining to the Prior Senior Credit Facility and expensed \$1.1 million in fees related to the new Credit Agreement; (ii) our defeasance of the non-recourse bonds related to South Texas Local Development Corporation (“STLDC”) on September 30, 2013, as a result of which we incurred a \$1.5 million loss on extinguishment of debt which represented the excess of the reacquisition price over the carrying value of the bonds and other defeasance related fees and expenses; and (iii) in the fourth quarter 2013, we completed a tender offer and redemption of our 7³/₄% Senior Notes which resulted in a loss of \$17.7 million related to the tender premium and deferred costs associated with the 7³/₄% Senior Notes. This loss was partially offset by proceeds of \$4.0 million received for the settlement of the interest rate swaps related to the 7³/₄% Senior Notes. Refer to Note 14 — Debt of the notes to our audited consolidated financial statements included in Part II, Item 8 of this annual report on Form 10-K.

Provision (Benefit) for Income Taxes

| | 2014 | Effective Rate | 2013 | Effective Rate |
|---|------------------------|----------------|-------------|----------------|
| | (Dollars in thousands) | | | |
| Provision (Benefit) for Income Taxes | \$ 14,093 | 9.3% | \$ (26,050) | (30.6)% |

The provision for income taxes during 2014 increased by \$40.1 million compared to 2013 and the effective tax rate increased from (30.6)% to 9.3%. The increase is primarily attributable to certain one-time discrete items in 2013 which did not recur in 2014. As a REIT, we are required to distribute at least 90% of our taxable income to shareholders and in turn are allowed a deduction for the distribution at the REIT level. The Company's wholly-owned taxable REIT subsidiaries continue to be fully subject to federal, state and foreign income taxes, as applicable. We estimate our annual effective tax rate to be approximately 10% exclusive of any non-recurring items. As a result of incremental business profitability in our taxable REIT subsidiaries, or TRS, our composition of taxable income changed resulting in an increase in our estimated effective tax rate for the year.

Equity in Earnings of Affiliates

| | 2014 | % of Revenue | 2013 | % of Revenue | \$ Change | % Change |
|---|------------------------|--------------|----------|--------------|-----------|----------|
| | (Dollars in thousands) | | | | | |
| Equity in Earnings of Affiliates | \$ 5,823 | 0.3% | \$ 6,265 | 0.4% | \$ (442) | (7.1)% |

Equity in earnings of affiliates, presented net of income taxes, represents the earnings of SACS and GEOAmeY, respectively. Overall, we experienced a slight decrease in equity in earnings of affiliates during 2014 compared to 2013, which is primarily due to less favorable performance from the operations of GEOAmeY during 2014 compared to 2013 along with foreign currency exchange rate fluctuations.

2013 versus 2012

Revenues

| | 2013 | % of Revenue | 2012 | % of Revenue | \$ Change | % Change |
|---|------------------------|--------------|--------------|--------------|-----------|----------|
| | (Dollars in thousands) | | | | | |
| U.S. Corrections & Detention | \$ 1,011,818 | 66.5% | \$ 974,780 | 65.9% | \$ 37,038 | 3.8% |
| GEO Care | 302,094 | 19.8% | 291,891 | 19.7% | 10,203 | 3.5% |
| International Services | 208,162 | 13.7% | 212,391 | 14.4% | (4,229) | (2.0)% |
| Total | \$ 1,522,074 | 100.0% | \$ 1,479,062 | 100.0% | \$ 43,012 | 2.9% |

U.S. Corrections & Detention

Revenues increased in 2013 as compared to 2012 primarily due to aggregate increases of \$24.3 million due to the activation and intake of inmates at Adelanto East in August 2012, Central Valley and Desert View in fourth quarter 2013 and the commencement of services under our contract, signed in October 2012, with the United States Marshals Service for the housing of up to 320 federal detainees at our Aurora Detention Facility. We also experienced aggregate increases in revenues of \$28.9 million at certain of our facilities primarily due to net increases in population, transportation services and/or rates, including the expansion of New Castle in the first quarter of 2012. These increases were partially offset by an aggregate decrease of \$16.1 million due to contract terminations. The number of compensated mandays in U.S. Corrections & Detention facilities was 17.1 million in 2013 as compared to 16.7 million in 2012. We experienced an aggregate net increase of approximately 400,000 mandays as a result of our new contracts discussed above and also as a result of population increases at certain facilities. These increases were partially offset by decreases resulting from contract terminations. We look at the average occupancy in our facilities to determine how we are managing our available beds. The average occupancy is calculated by taking compensated mandays as a percentage of capacity. The average occupancy in our U.S. Detention & Corrections facilities was 95.4% and 96.3% of capacity in 2013 and 2012, respectively, excluding idle facilities.

GEO Care

The increase in revenues for GEO Care in 2013 compared to 2012 is primarily attributable to increases of \$8.7 million due to new electronic monitoring equipment and an increase in ISAP counts at BI. In addition, we experienced a net increase of \$5.5 million due to population increases at certain youth facilities and new programs and growth at our community based and re-entry centers. These increases were partially offset by decreases in revenues of \$4.1 million related to contract terminations and census declines at certain facilities.

International Services

The decrease in revenues in 2013 compared to 2012 is primarily due to the result of foreign exchange rate fluctuations of \$(14.6) million caused by the weakening of the U.S. dollar against certain foreign currencies. This decrease was partially offset by an aggregate net increase of \$10.4 million primarily attributable to our Australian subsidiary related to population increases, contractual increases linked to the inflationary index, and the provision of additional services under certain contracts.

Operating Expenses

| | 2013 | % of Segment Revenues | 2012 | % of Segment Revenues | \$ Change | % Change |
|---|---------------------|--------------------------|---------------------|--------------------------|------------------|----------|
| (Dollars in thousands) | | | | | | |
| U.S. Corrections & Detention | \$ 731,788 | 72.3% | \$ 689,226 | 70.7% | \$ 42,562 | 6.2% |
| GEO Care | 200,826 | 66.5% | 199,752 | 68.4% | 1,074 | 0.5% |
| International Services | 192,251 | 92.4% | 200,254 | 94.3% | (8,003) | (4.0)% |
| Total | <u>\$ 1,124,865</u> | 73.9% | <u>\$ 1,089,232</u> | 73.6% | <u>\$ 35,633</u> | 3.3% |

Operating expenses consist of those expenses incurred in the operation and management of our correctional, detention and GEO Care facilities and expenses incurred in our Facility Construction and Design segment, except that there were no significant expenses incurred in such segment for 2013 or 2012.

U.S. Corrections & Detention

The increase in operating expenses for U.S. Corrections & Detention reflects the following: (i) the activation and intake of inmates at Adelanto East in August 2012, Central Valley and Desert View during fourth quarter 2013 and the commencement of services under our contract, signed in October 2012, with the United States Marshals Service at our Aurora Detention Facility which contributed an aggregate increase to operating expenses of \$15.2 million; (ii) increases of \$22.4 million at certain of our facilities primarily related to net population increases, higher levels of required staffing, additional medical costs and other variable costs; (iii) in 2012 we received approximately \$10.0 million in net operating tax refunds, not related to income taxes, for certain previously disputed claims in various jurisdictions that did not recur in 2013; and (iv) in connection with our annual actuarial analysis we recorded an additional \$6.1 million to our insurance reserves in 2013. Additionally, in 2012, we recorded a \$0.8 million decrease to our reserve based on the same actuarial analysis. These increases were partially offset by aggregate decreases in operating expenses of \$8.7 million due to contract terminations. We also donated one of our facilities during fourth quarter 2012 which resulted in a decrease over 2013 of \$2.8 million. The additional charge to our insurance reserve in 2013 as compared to the net operating tax refunds received in 2012 resulted in an increase in our operating expenses as a percentage of revenues.

GEO Care

Operating expenses for GEO Care increased by \$1.1 million during 2013 from 2012 primarily due to net increases of \$4.5 million due to the following: (i) variable costs associated with increases in electronic monitoring contracts and ISAP services at BI; (ii) population increases at certain youth facilities and the related variable costs; and (iii) new programs and program growth at our community based and re-entry centers. In addition, in connection with our annual actuarial analysis, we recorded an additional \$2.1 million to our insurance reserves during 2013. In 2012, we recorded an additional \$1.3 million to our insurance reserves based on this same analysis. These increases were partially offset by decreases that resulted from contract terminations and census declines of \$4.2 million. The decrease in operating expenses as a percentage of revenue is primarily due to a shift in our product mix to BI products that have higher profit margins.

International Services

Operating expenses for our International Services segment during 2013 decreased \$8.0 million over 2012 which was primarily attributable to the impact of foreign currency exchange rate fluctuations of \$(13.4) million caused by the weakening of the U.S. dollar against certain foreign currencies. In addition, there was a net decrease of \$4.2 million primarily related to cost cutting measures implemented to reduce overhead costs in the United Kingdom. These decreases were partially offset by a net increase of \$9.6 million primarily attributable to our Australian subsidiary due to population increases, contractual increases in labor and additional services provided under new contracts at those facilities.

Depreciation and Amortization

| | 2013 | % of Segment Revenue | 2012 | % of Segment Revenue | \$ Change | % Change |
|---|------------------|-------------------------|------------------|-------------------------|-----------------|----------|
| (Dollars in thousands) | | | | | | |
| U.S. Corrections & Detention | \$ 62,112 | 6.1% | \$ 62,578 | 6.4% | \$ (466) | (0.7)% |
| GEO Care | 29,989 | 9.9% | 26,738 | 9.2% | 3,251 | 12.2% |
| International Services | 2,563 | 1.2% | 2,369 | 1.1% | 194 | 8.2% |
| Total | <u>\$ 94,664</u> | 6.2% | <u>\$ 91,685</u> | 6.2% | <u>\$ 2,979</u> | 3.2% |

U.S. Corrections & Detention

U.S. Corrections & Detention depreciation and amortization expense decreased slightly in 2013 compared to 2012 primarily due to certain intangible assets which became fully amortized towards the end of 2012.

GEO Care

GEO Care depreciation and amortization increased by \$3.3 million in 2013 compared to 2012. The increase is primarily due to an increase in monitoring and other equipment at BI in 2013 related to certain contract wins.

International Services

Depreciation and amortization expense increased slightly in 2013 compared to 2012 primarily due to increases in capital expenditures at our Australian subsidiary. This increase was partially offset by exchange rate fluctuations caused by the weakening of the U.S. dollar against certain foreign currencies.

Other Unallocated Operating Expenses

| | 2013 | % of Revenue | 2012 | % of Revenue | \$ Change | % Change |
|--|------------|--------------|------------|--------------|-----------|----------|
| (Dollars in thousands) | | | | | | |
| General and Administrative Expenses | \$ 117,061 | 7.7% | \$ 113,792 | 7.7% | \$ 3,269 | 2.9% |

General and administrative expenses comprise substantially all of our other unallocated operating expenses including primarily corporate management salaries and benefits, professional fees and other administrative expenses. The increase in general and administrative expenses in 2013 compared to 2012 was primarily due to professional fees incurred in connection with our various debt refinancing activities and related registration statements in 2013. Refer to Note 14 — Debt of the notes to our audited consolidated financial statements included in Part II, Item 8 of this annual report on Form 10-K.

Non Operating Income and Expense

Interest Income and Interest Expense

| | 2013 | % of Revenue | 2012 | % of Revenue | \$ Change | % Change |
|------------------------|------------------------|--------------|-----------|--------------|------------|----------|
| | (Dollars in thousands) | | | | | |
| Interest Income | \$ 3,324 | 0.2% | \$ 6,716 | 0.5% | \$ (3,392) | (50.5)% |
| Interest Expense | \$ 83,004 | 5.5% | \$ 82,189 | 5.6% | \$ 815 | 1.0% |

The majority of our interest income generated in 2013 and 2012 is from the cash balances at our foreign subsidiaries. Interest income decreased in 2013 primarily due to lower cash balances at our foreign subsidiaries along with declining interest rates in 2013. Interest expense increased slightly in 2013 compared to 2012 due to the following: (i) interest expense increased by \$12.5 million in connection with the completion of our \$300 million 5.125% Senior Notes offering in March 2013; (ii) an increase of \$1.2 million caused by the capitalization of interest in 2012; and (iii) interest expense increased by \$3.7 million in connection with the completion of our \$250 million 5⁷/₈% Senior Notes offering during the fourth quarter 2013. These increases were partially offset by decreases due to the following (i) interest expense on the Municipal Corrections Finance (“MCF”) 8.47% Taxable Revenue Bonds, Series 2001, due August 1, 2016 issued by MCF (the “MCF Bonds”) was \$3.3 million (the MCF bonds were redeemed in August 2012); (ii) interest expense decreased in 2013 by \$6.6 million as a result of our refinancing the prior Senior Credit Facility in the second quarter 2013; (iii) a decrease of \$4.1 million in connection with our tender offer and redemption of the 7³/₄% Senior Notes during the fourth quarter 2013; (iv) a decrease of \$0.5 million related to the defeasance of the STLDC bonds in the third quarter 2013; and (v) other less significant decreases of \$2.1 million. Refer to Note 14 — Debt of the notes to our audited consolidated financial statements included in Part II, Item 8 of this annual report on Form 10-K.

Loss on Extinguishment of Debt

| | 2013 | % of Revenue | 2012 | % of Revenue | \$ Change | % Change |
|--------------------------------------|------------------------|--------------|----------|--------------|-----------|----------|
| | (Dollars in thousands) | | | | | |
| Loss on Extinguishment of Debt | \$ 20,657 | 1.4% | \$ 8,462 | 0.6% | \$ 12,195 | 144.1% |

The loss on extinguishment of debt in 2013 is the result of the following: (i) in the second quarter 2013, we refinanced our Prior Senior Credit Facility and entered into a new Credit Agreement, as a result of which we wrote off \$4.4 million of unamortized deferred financing costs and unamortized debt discount pertaining to the Prior Senior Credit Facility and expensed \$1.1 million in fees related to the new Credit Agreement; (ii) our defeasance of the non-recourse bonds related to STLDC on September 30, 2013, as a result of which we incurred a \$1.5 million loss on extinguishment of debt which represented the excess of the reacquisition price over the carrying value of the bonds and other defeasance related fees and expenses; and (iii) in the fourth quarter 2013, we completed a tender offer and redemption of our 7³/₄% Senior Notes which resulted in a loss of \$17.7 million related to the tender premium and deferred costs associated with the 7³/₄% Senior Notes. This loss was partially offset by proceeds of \$4.0 million received for the settlement of the interest rate swaps related to the 7³/₄% Senior Notes. The loss on extinguishment of debt in 2012 was the result of our early redemption of the MCF Bonds. Refer to Note 14 — Debt of the notes to our audited consolidated financial statements included in Part II, Item 8 of this annual report on Form 10-K.

Provision (Benefit) for Income Taxes

| | 2013 | Effective Rate | 2012 | Effective Rate |
|--|------------------------|----------------|-------------|----------------|
| | (Dollars in thousands) | | | |
| Provision (Benefit) for Income Taxes | \$ (26,050) | (30.6)% | \$ (40,562) | (40.4)% |

The income tax benefit was \$26.1 million in 2013 compared to \$40.6 million in 2012 and the effective tax rate increased from (40.4)% to (30.6%). The benefit in both years is primarily attributable to our REIT conversion which became effective January 1, 2013. As a REIT, we are required to distribute at least 90% of our taxable income to shareholders and in turn are allowed a deduction for the distribution at the REIT level. The Company’s wholly-owned taxable REIT subsidiaries continue to be fully subject to federal, state and foreign income taxes, as applicable. In 2013, GEO had a net tax benefit relating to its REIT conversion, IRS settlement and miscellaneous nonrecurring items of \$21.9 million. Together these items had a favorable impact to the effective tax rate. In 2012, GEO had a net tax benefit relating to the REIT conversion of \$79.0 million which was primarily related to the reversal of certain deferred tax assets and liabilities upon conversion.

Equity in Earnings of Affiliates

| | 2013 | % of Revenue | 2012 | % of Revenue | \$ Change | % Change |
|---|----------|--------------|----------|--------------|-----------|----------|
| (Dollars in thousands) | | | | | | |
| Equity in Earnings of Affiliates | \$ 6,265 | 0.4% | \$ 3,578 | 0.2% | \$ 2,687 | 75.1% |

Equity in earnings of affiliates, presented net of income taxes, represents the earnings of SACS and GEOAmeY, respectively. Overall, we experienced an increase in equity in earnings of affiliates during 2013 compared to 2012, which is primarily due to increased performance from the operations of GEOAmeY in 2013 compared to 2012.

Financial Condition

Capital Requirements

Our current cash requirements consist of amounts needed for working capital, distributions of our REIT taxable income in order to maintain our REIT qualification under the Code, debt service, supply purchases, investments in joint ventures, and capital expenditures related to either the development of new correctional, detention and re-entry facilities, or the maintenance of existing facilities. In addition, some of our management contracts require us to make substantial initial expenditures of cash in connection with opening or renovating a facility. Generally, these initial expenditures are subsequently fully or partially recoverable as pass-through costs or are billable as a component of the per diem rates or monthly fixed fees to the contracting agency over the original term of the contract. Additional capital needs may also arise in the future with respect to possible acquisitions, other corporate transactions or other corporate purposes. In connection with GEOAmeY, our joint venture in the United Kingdom, we and our joint venture partner have each provided a line of credit of £12 million, or \$18.6 million, based on exchange rates as of December 31, 2014, for GEOAmeY's operations. As of December 31, 2014, we were developing a number of projects that we estimate will cost approximately \$235.2 million, of which \$61.6 million was spent through December 31, 2014. We estimate our remaining capital requirements to be approximately \$173.6 million, which we anticipate will be spent in fiscal years 2015 through 2017. Included in these commitments is a contractual commitment to provide a capital contribution towards the design and construction of a prison project in Ravenhall, a locality near Melbourne, Australia, in the amount of AUD 115 million, or \$93.8 million, based on exchange rates at December 31, 2014. This capital contribution is expected to be made in January 2017.

Liquidity and Capital Resources Credit Agreement

On August 27, 2014, we executed a second amended and restated credit agreement by and among us and GEO Corrections Holdings, Inc., as Borrowers, BNP Paribas, as Administrative Agent, and the lenders who are, or may from time to time become, a party thereto (the "Credit Agreement"). The Credit Agreement evidences a credit facility (the "Credit Facility") consisting of a \$296.3 million term loan (the "Term Loan") bearing interest at LIBOR plus 2.50% (with a LIBOR floor of .75%), and a \$700 million revolving credit facility (the "Revolver") initially bearing interest at LIBOR plus 2.25% (with no LIBOR floor) together with AUD 225 million available solely for the issuance of financial letters of credit and performance letters of credit, in each case denominated in Australian Dollars (the "Australian LC Facility"). The interest rate is subject to a pricing grid based upon our total leverage ratio. At December 31, 2014, we had approximately AUD 214 million in letters of credit outstanding under the Australian LC Facility in connection with certain performance guarantees related to the Ravenhall Prison Project. Refer to Note 14-Debt in the notes to our audited consolidated financial Statements included in Part II, Item 8 of this annual report on Form 10-K for further discussion. Amounts to be borrowed by us under the Credit Agreement are subject to the satisfaction of customary conditions to borrowing. The Revolver component is scheduled to mature on August 27, 2019 and the Term Loan component is scheduled to mature on April 3, 2020. The Credit Agreement contains certain customary representations and warranties, and certain customary covenants that restrict our ability to, among other things (i) create, incur or assume any indebtedness, (ii) create, incur, assume or permit liens, (iii) make loans and investments, (iv) engage in mergers, acquisitions and asset sales, (v) make certain restricted payments, (vi) issue, sell or otherwise dispose of capital stock, (vii) engage in transactions with affiliates, (viii) allow the total leverage ratio to exceed 5.75 to 1.00, allow the senior secured leverage ratio to exceed 3.50 to 1.00 or allow the interest coverage ratio to be less than 3.00 to 1.00, (ix) cancel, forgive, make any voluntary or optional payment or prepayment on, or redeem or acquire for value any senior notes, except as permitted, (x) alter the business we conduct, and (xi) materially impair our lenders' security interests in the collateral for its loans. The restricted payments covenant remains consistent with our election to be

treated as a real estate investment trust under the Internal Revenue Code of 1986, effective as of January 1, 2013. Events of default under the Credit Agreement include, but are not limited to, (i) our failure to pay principal or interest when due, (ii) our material breach of any representation or warranty, (iii) covenant defaults, (iv) liquidation, reorganization or other relief relating to bankruptcy or insolvency, (v) cross default under certain other material indebtedness, (vi) unsatisfied final judgments over a specified threshold, (vii) certain material environmental liability claims which have been asserted against us, and (viii) a change in control. We were in compliance with all of the covenants of the Credit Agreement as of December 31, 2014. As of December 31, 2014, we had \$295.5 million in aggregate borrowings outstanding, net of discount, under the Term Loan and \$70.0 million in borrowings under the Revolver, and approximately \$62.0 million in letters of credit which left \$568.0 million in additional borrowing capacity under the Revolver. In addition, we have the ability to increase the Senior Credit Facility by an additional \$350.0 million, subject to lender demand and prevailing market conditions and satisfying the relevant borrowing conditions thereunder. Refer to Note 14 — Debt in the notes to our audited consolidated financial statements included in Part II, Item 8 of this annual report on Form 10-K.

5.875% Senior Notes

On September 25, 2014, we completed an offering of \$250.0 million aggregate principal amount of senior unsecured notes. The notes will mature on October 15, 2024 and have a coupon rate and yield to maturity of 5.875%. Interest is payable semi-annually in cash in arrears on April 15 and October 15, beginning April 15, 2015. The 5.875% Senior Notes are guaranteed on a senior unsecured basis by all our restricted subsidiaries that guarantee obligations. The 5.875% Senior Notes rank equally in right of payment with any unsecured, unsubordinated indebtedness of the Company and the guarantors, including our 6.625% senior notes due 2021, the 5⁷/₈% senior notes due 2022, the 5.125% senior notes due 2023, and the guarantors' guarantees thereof, senior in right of payment to any future indebtedness of ours and the guarantors that is expressly subordinated to the 5.875% Senior Notes and the guarantees, effectively junior to any secured indebtedness of ours and the guarantors, including indebtedness under our senior credit facility, to the extent of the value of the assets securing such indebtedness, and structurally junior to all obligations of our subsidiaries that are not guarantors. The sale of the 5.875% Senior Notes was registered under our automatic shelf registration statement on Form S-3 filed on September 12, 2014. Refer to Note 14 — Debt in the notes to our audited consolidated financial statements included in Part II, Item 8 of this annual report on Form 10-K.

5⁷/₈% Senior Notes

On October 3, 2013, we completed an offering of \$250.0 million aggregate principal amount of 5⁷/₈% Senior Notes. The 5⁷/₈% Senior Notes will mature on January 15, 2022 and have a coupon rate and yield to maturity of 5⁷/₈%. Interest is payable semi-annually on January 15 and July 15 each year, which commenced on January 15, 2014. The proceeds received from the 5⁷/₈% Senior Notes were used, together with cash on hand, to fund the repurchase, redemption or other discharge of our 7³/₄% Senior Notes and to pay related transaction fees and expenses. Refer to Note 14 — Debt in the notes to our audited consolidated financial statements included in Part II, Item 8 of this annual report on Form 10-K.

5.125% Senior Notes

On March 19, 2013, we completed an offering of \$300.0 million aggregate principal amount of 5.125% Senior Notes. The 5.125% Senior Notes will mature on April 1, 2023 and have a coupon rate and yield to maturity of 5.125%. Interest is payable semi-annually on April 1 and October 1 each year, which commenced on October 1, 2013. A portion of the proceeds received from the 5.125% Senior Notes were used on the date of the financing to repay the prior revolver credit draws outstanding under the prior senior credit facility. Refer to Note 14 — Debt in the notes to our audited consolidated financial statements included in Part II, Item 8 of this annual report on Form 10-K.

6.625% Senior Notes

In February 2011, we completed an offering of \$300.0 million in aggregate principal amount of our 6.625% Senior Notes. The 6.625% Senior Notes will mature on February 15, 2021 and have a coupon rate and yield to maturity of 6.625%. Interest is payable semi-annually in arrears on February 15 and August 15, which commenced on August 15, 2011. Refer to Note 14 — Debt in the notes to our audited consolidated financial statements included in Part II, Item 8 of this annual report on Form 10-K. In addition to the debt outstanding under the Senior Credit Facility, the 6.625% Senior Notes, the 5.125% Senior Notes, the 5⁷/₈% Senior Notes and the 5.875% Senior Notes, we also have significant debt obligations which, although these obligations are non-recourse to us, require cash expenditures for debt service.

Our significant debt obligations could have material consequences. See “Risk Factors — Risks Related to Our High Level of Indebtedness” in Item 1A of this annual report on Form 10-K. We are exposed to various commitments and contingencies which may have a material adverse effect on our liquidity. We also have guaranteed certain obligations for our South African joint venture and other of our international subsidiaries. These non-recourse obligations, commitments and contingencies and guarantees are further discussed in Notes 1, 14 and 18 in the notes to our consolidated financial statements included in Part II, Item 8 of this annual report on Form 10-K. We are also considering opportunities for future business and/or asset acquisitions. If we are successful in our pursuit of these new projects, our cash on hand, cash flows from operations and borrowings under the existing Senior Credit Facility may not provide sufficient liquidity to meet our capital needs through 2014 and we could be forced to seek additional financing or refinance our existing indebtedness. There can be no assurance that any such financing or refinancing would be available to us on terms equal to or more favorable than our current financing terms, or at all. In the future, our access to capital and ability to compete for future capital-intensive projects will also be dependent upon, among other things, our ability to meet certain financial covenants in the indentures governing the 6.625% Senior Notes, the 5.125% Senior Notes, the 5 7/8% Senior Notes, the 5.875% Senior Notes and our Senior Credit Facility. A substantial decline in our financial performance could limit our access to capital pursuant to these covenants and have a material adverse affect on our liquidity and capital resources and, as a result, on our financial condition and results of operations. In addition to these foregoing potential constraints on our capital, a number of state government agencies have been suffering from budget deficits and liquidity issues. While we expect to be in compliance with our debt covenants, if these constraints were to intensify, our liquidity could be materially adversely impacted as could our ability to remain in compliance with these debt covenants.

Prospectus Supplement

On May 8, 2013, we filed with the Securities and Exchange Commission a prospectus supplement related to the offer and sale from time to time of our common stock at an aggregate offering price of up to \$100 million through sales agents. Sales of shares of our common stock under the prospectus supplement and the equity distribution agreements entered into with the sales agents, if any, may be made in negotiated transactions or transactions that are deemed to be “at the market” offerings as defined in Rule 415 under the Securities Act of 1933. On July 18, 2014, we filed with the Securities and Exchange Commission a post-effective amendment to our shelf registration statement on Form S-3 (pursuant to which the prospectus supplement had been filed) as a result of our merger into GEO REIT effective June 27, 2014. During the year ended December 31, 2014, there were approximately 1.5 million shares of common stock sold under the prospectus supplement for net proceeds of \$54.7 million. There were no shares of our common stock sold under the prospectus supplement during the year ended December 31, 2013. In September 2014, we filed with the Securities and Exchange Commission a new shelf registration statement on Form S-3. On November 10, 2014, in connection with the new shelf registration, we filed with the Securities and Exchange Commission a new prospectus supplement related to the offer and sale from time to time of our common stock at an aggregate offering price of up to \$150 million through sales agents. Sales of shares of our common stock under the prospectus supplement and the equity distribution agreements entered into with the sales agents, if any, may be made in negotiated transactions or transactions that are deemed to be “at the market” offerings as defined in Rule 415 under the Securities Act of 1933. There were no shares of our common stock issued under this prospectus supplement during the year ended December 31, 2014.

REIT Distributions

As a REIT, we are subject to a number of organizational and operational requirements, including a requirement that we annually distribute to our shareholders an amount equal to at least 90% of our REIT taxable income (determined before the deduction for dividends paid and by excluding any net capital gain). Generally, we expect to distribute all or substantially all of our REIT taxable income so as not to be subject to the income or excise tax on undistributed REIT taxable income. The amount, timing and frequency of distributions will be at the sole discretion of our Board of Directors and will be based upon various factors. We plan to fund all of our capital needs, including distributions of our REIT taxable income in order to maintain our REIT qualification, and capital expenditures, from cash on hand, cash from operations, borrowings under our Senior Credit Facility and any other financings which our management and Board of Directors, in their discretion, may consummate. Currently, our primary source of liquidity to meet these requirements is cash flow from operations and borrowings under the \$700.0 million Revolver. Our management believes that cash on hand, cash flows from operations and availability under our Senior Credit Facility will be adequate to support our capital requirements for 2014 and 2015 as disclosed under “Capital Requirements” above.

Non-Recourse Debt

South Texas Detention Complex

We had a debt service requirement related to the development of the South Texas Detention Complex, a 1,904-bed detention complex in Frio County, Texas. These bonds were to mature in February 2016 and had fixed coupon rates between 4.63% and 5.07%. On September 30, 2013, we completed a legal defeasance of the \$49.5 million taxable revenue bonds. Refer to Note 14-Debt in the notes to our consolidated financial statements included in Part II, Item 8 of this annual report on Form 10-K for further information.

Northwest Detention Center

On June 30, 2003, CSC arranged financing for the construction of a detention center in Tacoma, Washington, referred to as the Northwest Detention Center, which was completed and opened for operation in April 2004. We began to operate this facility following our acquisition of CSC in November 2005 (this facility was expanded by us in 2009 to 1,575 beds from the original 1,030 beds). In connection with the original financing, CSC of Tacoma, LLC, a wholly owned subsidiary of CSC, issued a \$57.0 million note payable to the Washington Economic Development Finance Authority (“WEDFA”), an instrumentality of the State of Washington, which issued revenue bonds (“2003 Revenue Bonds”). The bonds were non-recourse to us and matured and were fully paid in October 2014. Additionally, on December 9, 2011, WEDFA issued \$54.4 million of its Washington Economic Development Finance Authority Taxable Economic Development Revenue Bonds, series 2011 (“2011 Revenue Bonds”). The payment of principal and interest on the bonds is non-recourse to us. None of the bonds nor CSC’s obligations under the loan are our obligations nor are they guaranteed by us. As of December 31, 2014, the remaining balance of the debt service requirement related to the 2003 Revenue Bonds and 2011 Revenue Bonds is \$49.4 million, of which \$6.3 million is classified as current in the accompanying balance sheet. As of December 31, 2014, included in restricted cash and investments is \$4.3 million (all current) of funds held in trust with respect to the Northwest Detention Center for debt service and other reserves which had not been released to us as of December 31, 2014. Refer to Note 14-Debt in the notes to our consolidated financial statements included in Part II, Item 8 of this annual report on Form 10-K for further information.

MCF

MCF was obligated for the outstanding balance of the MCF Bonds. The bonds bore interest at a rate of 8.47% per annum and were payable in semi-annual installments of interest and annual installments of principal. All unpaid principal and accrued interest on the bonds was due on the earlier of August 1, 2016 (maturity) or as noted under the bond documents. The bonds were limited, non-recourse obligations of MCF and were collateralized by the property and equipment, bond reserves, assignment of subleases and substantially all assets related to the eleven facilities owned by MCF. The bonds were not guaranteed by us or our subsidiaries. On August 31, 2012, we purchased 100% of the partnership interests of MCF from the third party holders of these interests for a total net consideration of \$35.2 million. Subsequent to the acquisition, the indenture relating to the MCF bonds was discharged and the remaining principal balance as of August 31, 2012 of \$77.9 million was redeemed, with an effective date of September 4, 2012. We financed the acquisition of the partnership interests in MCF and the redemption of the MCF bonds with the proceeds from a term loan under our prior senior credit facility.

In 2012, in connection with the transaction, we incurred a loss on extinguishment of debt in connection with the early redemption of the MCF bonds of \$8.5 million which consisted of a make-whole premium of \$14.9 million which includes \$0.1 million of bond redemption costs, offset by the effect of the then unamortized bond premium of \$6.4 million. Refer to Note 14-Debt in the notes to our consolidated financial statements included in Part II, Item 8 of this annual report on Form 10-K for further information.

Australia — Fulham

Our wholly-owned Australian subsidiary financed the development of a facility and subsequent expansion in 2003 with long-term debt obligations. These obligations are non-recourse to us and total \$16.4 million (AUD 20.1 million) and \$23.9 million (AUD 26.9 million) at December 31, 2014 and December 31, 2013, respectively, based on exchange rates in effect as of December 31, 2014. The term of the non-recourse debt is through 2017 and it bears interest at a variable rate quoted by certain Australian banks plus 140 basis points. Any obligations or liabilities of the subsidiary are matched by a similar or corresponding commitment from the government of the State of Victoria. As a condition of the loan, we are required to maintain a restricted cash balance of AUD 5.0 million along with interest earned on the account, which, at December 31, 2014, was \$4.1 million (including interest) based on exchange rates in effect as of

December 31, 2014. This amount is included in non-current restricted cash and the annual maturities of the future debt obligation are included in Non-Recourse Debt.

Australia — Ravenhall

In connection with a new design and build prison project agreement with the State of Victoria, we entered into a Construction Facility with National Australia Bank Limited to provide debt financing for construction of the project. Refer to Note 7 — Contract Receivable in the notes to our audited consolidated financial statements included in Part II, Item 8 of this annual report on Form 10-K. The Construction Facility provides for non-recourse funding up to AUD 791.0 million, or \$645.3 million, based on exchange rates as of December 31, 2014. Construction draws will be funded throughout the project according to a fixed utilization schedule as defined in the syndicated facility agreement. The term of the Construction Facility is through October 2019 and bears interest at a variable rate quoted by certain Australian banks plus 200 basis points. After October 2019, the Construction Facility will be converted to a term loan with payments due quarterly beginning in 2018 through 2041. In accordance with the terms of the Construction Facility, upon completion and commercial acceptance of the prison, in accordance with prison contract, the State will make a lump sum payment of AUD 310 million, or \$252.9 million, based on exchange rates as of December 31, 2014, which will be used to pay a portion of the outstanding principal. The remaining outstanding principal balance will be repaid over the term of the operating agreement. As of December 31, 2014, \$79.4 million was outstanding under the Construction Facility. We also entered into interest rate swap and interest rate cap agreements related to our non-recourse debt in connection with the project. Refer to Note 9 — Derivative Financial Instruments in the notes to our consolidated financial statements included in Part II, Item 8 of this annual report on Form 10-K.

Guarantees

The Company has entered into certain guarantees in connection with the design, financing and construction of certain facilities as well as loan, working capital and other obligation guarantees for our subsidiaries in Australia, South Africa, Canada and our joint ventures. Refer to Note 14-Debt in the notes to our consolidated financial statements included in Part II, Item 8 of this annual report on Form 10-K.

Executive Retirement Agreements

We have a non-qualified deferred compensation agreement with our Chief Executive Officer, which we refer to as our CEO. The current agreement, as amended, provides for a lump sum payment upon retirement, no sooner than age 55. As of December 31, 2014, our CEO had reached age 55 and was eligible to receive the payment upon retirement. If our CEO had retired as of December 31, 2014, we would have had to pay him \$7.1 million. Based on our current capitalization, we do not believe that making this payment would materially adversely impact our liquidity.

Off-Balance Sheet Arrangements

Except as discussed above, and in the notes to our consolidated financial statements included in Part II, Item 8 of this annual report on Form 10-K, we do not have any off balance sheet arrangements. We are also exposed to various commitments and contingencies which may have a material adverse effect on our liquidity. See Note 18 — Commitments and Contingencies in the notes to our consolidated financial statements included in Part II, Item 8 of this annual report on Form 10-K.

Derivatives

One of our Australian subsidiaries is a party to an interest rate swap agreement to fix the interest rate on the variable rate non-recourse debt to 9.7%. We have determined the swap, which has a notional amount of \$50.9 million, payment and expiration dates, and call provisions that coincide with the terms of the non-recourse debt, to be an effective cash flow hedge. Accordingly, we record the change in the value of the interest rate swap in accumulated other comprehensive income, net of applicable income taxes, respectively, and is recorded as a component of other liabilities in the accompanying consolidated balance sheets. There was no material ineffectiveness of this interest rate swap for the periods presented. We do not expect to enter into any transactions during the next twelve months which would result in the reclassification into earnings or losses associated with this swap currently reported in accumulated other comprehensive income (loss). Refer to Note 9-Derivative Instruments in the notes to our audited consolidated financial statements included in Part II, Item 8 of this annual report on Form 10-K for further information.

In September 2014, one of our Australian subsidiaries entered into interest rate swap agreements to fix the interest rate on its variable rate non-recourse debt related to a prison project in Ravenhall, a locality near Melbourne, Australia to 3.3% during the design and construction phase and 4.2% during the project's operating phase. Refer to Note 7-Contract Receivable and Note 9-Derivative Instruments in the notes to our audited consolidated financial statements included in Part II, Item 8 of this annual report on Form 10-K for further information. The swaps' notional amounts coincide with construction draw fixed commitments throughout the project. At December 31, 2014, the swaps had a notional value of approximately AUD 97.4 million, or \$79.4 million, based on exchange rates at December 31, 2014, related to the outstanding draws for the design and construction phase and approximately AUD 466.3 million, or \$380.4 million, based on exchange rates at December 31, 2014, related to future construction draws. We have determined that the swaps have payment, expiration dates and provisions that coincide with the terms of the non-recourse debt and the critical terms of the swap agreements and construction draw fixed commitments are the same and are therefore considered to be effective cash flow hedges. Accordingly, we will record the change in the fair value of the interest rate swaps in accumulated other comprehensive income, net of applicable income taxes.

Additionally, upon completion and commercial acceptance of the prison project, the Department of Justice in the State in accordance with the prison contract, will make a lump sum payment of AUD 310 million, or \$252.9 million, based on exchange rates at December 31, 2014, towards a portion of the outstanding balance which will be used to pay down the principal of the non-recourse debt. The Company's Australian subsidiary also entered into interest rate cap agreements in September 2014 giving the Company the option to cap the interest rate on its variable non-recourse debt related to the project in the event that the completion of the prison project is delayed which could delay the State's payment. These instruments do not meet the requirements for hedge accounting, and therefore, changes in fair value of the interest rate caps are recorded in earnings. Refer to Note 9-Derivative Instruments in the notes to our audited consolidated financial statements included in Part II, Item 8 of this annual report on Form 10-K for further information.

Contractual Obligations

The following is a table of certain of our contractual obligations, as of December 31, 2014, which requires us to make payments over the periods presented.

| Contractual Obligations | Payments Due by Period | | | | |
|---|------------------------|---------------------|-------------------|-------------------|----------------------|
| | Total | Less Than 1 Year | 1-3 Years | 3-5 Years | More Than 5 Years |
| | (In thousands) | | | | |
| Long-Term Debt | \$ 1,100,421 | \$ 102 | \$ 165 | \$ 154 | \$ 1,100,000 |
| Term Loan | 295,500 | 3,000 | 6,000 | 6,000 | 280,500 |
| Revolver | 70,000 | — | — | 70,000 | — |
| Capital Lease Obligations (includes imputed interest) | 14,775 | 1,932 | 3,869 | 3,870 | 5,104 |
| Operating Lease Obligations | 172,472 | 35,679 | 59,388 | 44,324 | 33,081 |
| Non-Recourse Debt (including future construction draws) | 711,133 | 12,753 | 276,000 | 14,250 | 408,130 |
| Estimated interest payments on debt(a) | 1,055,130 | 98,399 | 240,084 | 217,482 | 499,165 |
| Estimated funding of pension and other post retirement benefits | 25,826 | 7,568 | 1,101 | 1,267 | 15,890 |
| Estimated construction commitments | 173,600 | 79,800 | 93,800 | — | — |
| Estimated tax payments for uncertain tax positions(b) | 2,076 | — | 2,076 | — | — |
| Total | \$ 3,620,933 | \$ 239,233 | \$ 682,483 | \$ 357,347 | \$ 2,341,870 |

- (a) Due to the uncertainties of future LIBOR rates, the variable interest payments on our Senior Credit Facility and swap agreements were calculated using an average LIBOR rate of 1.72% based on projected interest rates through fiscal 2020.
- (b) State income tax payments are reflected net of the federal income tax benefit.

Cash Flow

Cash and cash equivalents as of December 31, 2014 was \$41.3 million, compared to \$52.1 million as of December 31, 2013 and was impacted by the following:

Cash provided by operating activities of continuing operations in 2014, 2013 and 2012 was \$202.5 million, \$192.2 million, \$255.2 million, respectively. Cash provided by operating activities of continuing operations in 2014 was positively impacted by increases in net income attributable to GEO, non-cash expenses such as depreciation and amortization, amortization of debt issuance costs, stock-based compensation expense and dividends received from our unconsolidated joint venture. Increases in equity in earnings of affiliates negatively impacted cash. Changes in accounts receivable, prepaid expenses and other assets decreased in total by a net of \$23.8 million, representing a positive impact on cash. The decrease was primarily driven by approximately \$22.4 million of federal and state tax over payments that were included in other current assets at December 31, 2013 which were applied in 2014. The remaining change is due to the timing of billings and collections. Changes in accounts payable, accrued expenses and other liabilities increased by \$9.0 million which positively impacted cash. The increase was primarily due to a prepayment from the RTS divestiture of \$6.5 million in connection with the termination of the services and license agreement as well as the timing of payments. Additionally, cash provided by operating activities from continuing operations in 2014 was negatively impacted by an increase in contract receivable of \$73.3 million. This increase relates to costs incurred and estimated earnings in excess of billings related to the Ravenhall Project. Refer to Note 7 — Contract Receivable included in the notes to our audited consolidated financial statements included in Part II, Item 8 of this annual report on Form 10-K. The Contract Receivable is expected to grow as construction services are performed and will continue to have a negative impact on cash from operating activities until the balance is ultimately settled with the State. In accordance with the contract, the project will not be billed out until completion and commercial acceptance of the Facility. Cash provided by operating activities of continuing operations in 2013 was positively impacted by non-cash expenses such as depreciation and amortization, loss on extinguishment of debt, stock-based compensation expense and dividends received from our unconsolidated joint venture. These positive impacts were offset by changes in our working capital components which were primarily driven by increases in accounts receivable, prepaid expenses and other assets along with decreases in accounts payable, accrued expenses and other liabilities. Accounts receivable, prepaid expenses and other current assets increased by \$27.2 million, representing a negative impact on cash. The increase was primarily driven by federal and state income tax overpayments of \$22.4 million included in prepaid expenses and other current assets at December 31, 2013 and the timing of billings and collections. Increases in equity in earnings of affiliates, net of tax, the tax benefit related to equity compensation and a release of reserves for uncertain tax positions also negatively impacted cash. Accounts payable, accrued expenses and other liabilities decreased by \$10.0 million which negatively impacted cash. The decrease was primarily caused by general liability insurance settlements in 2013, a release of reserves for uncertain tax positions and the timing of payments on accounts payable and accrued payroll and related taxes.

Cash provided by operating activities of continuing operations in 2012 was positively impacted by increases in net income attributable to GEO, non-cash expenses such as depreciation and amortization and stock based compensation expense. These positive impacts were offset by the deferred income tax benefit and changes in our working capital components which were primarily driven by decreases in accounts receivable, prepaid expenses and other assets along with increases in accounts payable, accrued expenses and other liabilities. Accounts receivable, prepaid expenses and other assets decreased by \$44.7 million and represented a source of cash. The decrease was primarily caused by increased operations at several new facilities which opened during 2011 and 2012. Accounts payable, accrued expenses and other liabilities increased by \$27.4 million, net of acquisitions, and represented a use of cash. The increase was primarily caused by the timing of payments and a \$15 million customer prepayment in 2012. Cash used in investing activities by continuing operations of \$121.2 million in 2014 was primarily the result of capital expenditures of \$114.2 million, offset by changes in restricted cash of \$5.4 million. Cash used in investing activities by continuing operations of \$99.0 million in 2013 was primarily the result of capital expenditures of \$117.6 million, offset by changes in restricted cash of \$17.4 million. Cash used in investing activities by continuing operations of \$52.6 million in 2012 was primarily the result of capital expenditures of \$107.5 million and the acquisition of the ownership interests in MCF of \$35.2 million, offset by a decrease in restricted cash of \$51.2 million and the proceeds from the RTS divestiture of \$33.3 million. Cash used in financing activities by continuing operations in 2014 reflects payments of \$696.0 million on long term debt and non-recourse debt offset by \$741.2 million of proceeds from long term debt and non-recourse debt, including \$404.0 million of borrowings under our Revolver. We also paid cash dividends of \$170.2 million, deferred debt issuance costs of \$26.4 million offset by an increase of \$54.7 million for issuance of common stock under our prospectus supplement. Cash used in financing activities by continuing operations in 2013 reflects payments of \$1,134.5 million on indebtedness offset by \$1,238.0 million of proceeds from long term debt, including \$300.0 million from the 5.125% Senior Notes, \$250.0 million from the 5 7/8% Senior Notes as well as \$688.0 million of borrowings under our

Revolver. We also paid cash dividends of \$147.2 million, deferred debt issuance costs of \$23.8 million and debt issuance fees of \$13.4 million. Cash used in financing activities by continuing operations in 2012 reflects payments of \$456.5 million on indebtedness offset by \$358.0 million of borrowings under our Senior Credit Facility which includes proceeds of \$100.0 million from our prior Term Loan A-3. We also made a cash distribution of \$5.8 million to the partners of MCF, paid a \$102.4 million dividend to our shareholders and paid \$14.9 million in fees, including a make-whole provision, related to the early extinguishment of debt in connection with the redemption of the MCF bonds.

Inflation

We believe that inflation, in general, did not have a material effect on our results of operations during 2014, 2013 and 2012. While some of our contracts include provisions for inflationary indexing, inflation could have a substantial adverse effect on our results of operations in the future to the extent that wages and salaries, which represent our largest expense, increase at a faster rate than the per diem or fixed rates received by us for our management services.

Funds from Operations

Funds from Operations (“FFO”) is a widely accepted supplemental non-GAAP measure utilized to evaluate the operating performance of real estate companies. It is defined in accordance with the standards established by the National Association of Real Estate Investment Trusts, or NAREIT, which defines FFO as net income (loss) attributable to common shareholders (computed in accordance with Generally Accepted Accounting Principles), excluding real estate related depreciation and amortization, excluding gains and losses from the cumulative effects of accounting changes, extraordinary items and sales of properties, and including adjustments for unconsolidated partnerships and joint ventures. We also present Normalized Funds From Operations, or Normalized FFO, and Adjusted Funds from Operations, or AFFO, supplemental non-GAAP financial measures of real estate companies’ operating performances. Normalized FFO is defined as FFO adjusted for certain items which by their nature are not comparable from period to period or that tend to obscure the Company’s actual operating performance, including for the periods presented REIT conversion related expenses, net of tax, tax benefit related to IRS settlement and REIT conversion, M&A related expenses, net of tax and loss on extinguishment of debt, net of tax. AFFO is defined as Normalized FFO adjusted by adding non-cash expenses such as non-real estate related depreciation and amortization, stock based compensation, the amortization of debt costs and other non-cash interest, and non-cash mark-to-market adjustments for derivative instruments and by subtracting recurring consolidated maintenance capital expenditures. Because of the unique design, structure and use of our correctional facilities, we believe that assessing the performance of our correctional facilities without the impact of depreciation or amortization is useful and meaningful to investors. Although NAREIT has published its definition of FFO, companies often modify this definition as they seek to provide financial measures that meaningfully reflect their distinctive operations. We have modified FFO to derive Normalized FFO and AFFO that meaningfully reflect our operations. Our assessment of our operations is focused on long-term sustainability. The adjustments we make to derive the non-GAAP measures of Normalized FFO and AFFO exclude items which may cause short-term fluctuations in 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. 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.

Our reconciliation of net income to FFO, Normalized FFO and AFFO for the years ended December 31, 2014 and 2013, respectively, is as follows (in thousands):

| | December 31, 2014 | December 31, 2013 |
|--|-------------------|-------------------|
| Funds From Operations | | |
| Net income attributable to The GEO Group, Inc. | \$ 143,930 | \$ 115,135 |
| Depreciation-real estate assets..... | 52,960 | 51,680 |
| Loss from Disc Ops, net of income tax provision (benefit) | — | (2,265) |
| NAREIT Defined FFO | 196,890 | 169,080 |
| Expenses associated with REIT conversion, net of taxes..... | — | 5,440 |
| Tax benefit associated with IRS settlement & REIT conversion | — | (21,103) |
| Loss on extinguishment of debt, net of taxes | — | 14,240 |
| M&A related expenses, net of tax | \$ 681 | \$ — |
| Normalized Funds from Operations | \$ 197,571 | \$ 167,657 |
| Depreciation-non-real estate assets | 43,211 | 42,984 |
| Consolidated maintenance capital expenditures..... | (23,277) | (19,159) |
| Stock-based compensation expenses | 8,909 | 7,889 |
| Amortization of debt costs and other non-cash interest | 5,332 | 5,916 |
| Non-Cash Mark-to-Market Adjustment — Derivative Instruments | 1,121 | — |
| Adjusted Funds from Operations | \$ 232,867 | \$ 205,287 |

Outlook

The following discussion of our future performance contains statements that are not historical statements and, therefore, constitute forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Our forward-looking statements are subject to risks and uncertainties that could cause actual results to differ materially from those stated or implied in the forward-looking statement. Please refer to “Item 1A. Risk Factors” in this Annual Report on Form 10-K, the “Forward-Looking Statements — Safe Harbor,” as well as the other disclosures contained in this Annual Report on Form 10-K, for further discussion on forward-looking statements and the risks and other factors that could prevent us from achieving our goals and cause the assumptions underlying the forward-looking statements and the actual results to differ materially from those expressed in or implied by those forward-looking statements.

Revenue

Domestically, we continue to pursue a number of opportunities for corrections and detention facilities. Continued need for corrections facilities in various states and the need for bed space at federal prisons and detention facilities are two of the factors that have contributed to these opportunities. At the state level, we reactivated the Company-owned, 300-bed McFarland Community Reentry Facility during the third quarter of 2014 under a contract with the California Department of Corrections and Rehabilitation. The facility houses female inmates and provides enhanced rehabilitation and recidivism reduction programs. Under the contract, the facility can be expanded by 300 beds at the department’s option within 12 months. Additionally during the fourth quarter of 2013, we reactivated the Company-owned, 700-bed Central Valley Modified Community Correctional Facility and the Company-owned, 700-bed Desert View Modified Community Correctional Facility. We also executed a new contract for the continued housing of California inmates at the Company-owned Golden State Modified Community Correctional Facility, which increased the facility’s contract capacity from 600 to 700 beds. In Florida, we assumed management of 3,854 contract prison beds at three facilities during the first quarter of 2014 which were previously managed by a different private operator. These facilities included the 1,884-bed Graceville Correctional Facility and the 985-bed Moore Haven Correctional Facility, which were developed and had been previously operated by us, as well as the 985-bed Bay Correctional Facility. At the federal level, we expanded the contract capacity at the Company-owned Rio Grande Detention Center from 1,500 to 1,900 beds

during the first quarter of 2014 for use by the U.S. Marshals and ICE. We also recently completed the development of a new, Company-owned, 400-bed immigration transfer center in Alexandria, Louisiana, which we will manage under an amendment we entered into under our contract for the LaSalle Detention Facility also in Louisiana. Additionally, we announced a 640-bed expansion to the Company-owned, 1,300-bed Adelanto Detention Facility in California under an amendment to the existing contract with the City of Adelanto which in turn contracts with ICE for the housing of immigration detainees at the facility. We will finance, develop, and manage the \$45 million expansion, which will increase the facility's total capacity to 1,940 beds and is expected to generate approximately \$21 million in additional annualized revenues. We expect to complete the 640-bed expansion and begin intake by July 2015. During the fourth quarter of 2014, we announced the development of a 626-bed expansion to the company-owned, 532-bed Karnes County Residential Center in Texas under an amendment to our existing contract with Karnes County, Texas and the existing intergovernmental service agreement between Karnes County and U.S. Immigration and Customs Enforcement. We will finance, develop, and manage the \$36 million expansion, which will increase the Facility's total capacity to 1,158 beds. The expansion is expected to generate approximately \$20 million in additional annualized revenues and returns on investment consistent with our company-owned facilities. GEO expects to complete the 626-bed expansion and begin intake in the fourth quarter of 2015. Additionally, during the fourth quarter of 2014, we announced the signing of contracts with the Federal Bureau of Prisons for the continuation of management at the Moshannon Valley Correctional Center in Pennsylvania and for the reactivation of the Great Plains Correctional Facility in Oklahoma. Under the new ten-year contracts, inclusive of renewal options, the Facilities will house up to a combined 3,818 federal inmates and are expected to generate approximately \$76.0 million in combined annualized revenues. The Great Plains Correctional Facility is expected to begin the intake process in the second quarter of 2015. The contract for the continued management of the Moshannon Valley Correctional Center will commence in the second quarter of 2016, following the expiration of the current contract.

We continue to be encouraged by opportunities as discussed above; however any positive trends may, to some extent, be adversely impacted by government budgetary constraints in the future. While the outlook for state budgets is stable, revenue performance is positive, and expenditure overruns are relatively modest, state lawmakers continue to face numerous budget challenges and state officials are concerned about sluggish revenue growth, rebuilding budget reserves and long-term spending trends, according to a survey conducted in the Spring of 2014 by the National Conference of State Legislatures. As a result of budgetary pressures, state correctional agencies may pursue a number of cost savings initiatives which may include reductions in per diem rates and/or the scope of services provided by private operators. These potential cost savings initiatives could have a material adverse impact on our current operations and/or our ability to pursue new business opportunities. Additionally, if state budgetary constraints, as discussed above, persist or intensify, our state customers' ability to pay us may be impaired and/or we may be forced to renegotiate our management contracts on less favorable terms and our financial condition, results of operations or cash flows could be materially adversely impacted. We plan to actively bid on any new projects that fit our target profile for profitability and operational risk. Although we are pleased with the overall industry outlook, positive trends in the industry may be offset by several factors, including budgetary constraints, unanticipated contract terminations, contract non-renewals, and/or contract re-bids. Although we have historically had a relatively high contract renewal rate, there can be no assurance that we will be able to renew our expiring management contracts on favorable terms, or at all. Also, while we are pleased with our track record in re-bid situations, we cannot assure that we will prevail in any such future situations. Internationally, we are exploring a number of opportunities in our current markets and will continue to actively bid on any opportunities that fit our target profile for profitability and operational risk. In September 2014, we announced that a consortium led by us and comprised of The GEO Group Australia Pty. Ltd., John Holland Construction and Honeywell won a contract with the Department of Justice in the State of Victoria for the development and operation of a 1,300-bed capacity prison in Ravenhall, Australia. The Ravenhall facility will be developed under a public-private partnership financing structure with a capital contribution from us of approximately AUD 115 million and we anticipate returns on investment consistent with our company-owned facilities. With respect to our re-entry services, electronic monitoring services, and youth services business conducted through our GEO Care business segment, we are currently pursuing a number of business development opportunities. Relative to opportunities for community-based re-entry centers, we expect to compete for several formal solicitations from the BOP for re-entry centers across the country and are also working with our existing local and state correctional clients to leverage new opportunities for both residential facilities as well as non-residential day reporting centers. We continue to expend resources on informing state and local governments about the benefits of public-private partnerships, and we anticipate that there will be new opportunities in the future as those efforts begin to yield results. We believe we are well positioned to capitalize on any suitable opportunities that become available in this area.

Operating Expenses

Operating expenses consist of those expenses incurred in the operation and management of our contracts to provide services to our governmental clients. Labor and related cost represented 55.1% of our operating expenses in 2014. Additional significant operating expenses include food, utilities and inmate medical costs. In 2014, operating expenses totaled 73.6% of our consolidated revenues. Our operating expenses as a percentage of revenue in 2015 will be impacted by the opening of any new or existing facilities as a result of the cost of transitioning and/or start-up operations related to a facility opening. During 2015, we will incur carrying costs for facilities that are currently vacant in 2014. The carrying costs associated with the approximately 3,300 beds we are currently marketing with the re-activation of the company-owned 400-bed Mesa Verde Detention Facility in January 2015, are expected to be \$16.0 million in 2015, including depreciation of \$2.6 million. As of December 31, 2014, our worldwide operations include the management and/or ownership of approximately 79,000 beds at 98 correctional, detention and community services facilities, including idle facilities and projects under development, and also included the provision of monitoring of approximately 70,000 offenders in a community-based environment on behalf of approximately 900 federal, state and local correctional agencies located in all 50 states.

General and Administrative Expenses

General and administrative expenses consist primarily of corporate management salaries and benefits, professional fees and other administrative expenses. In 2014, general and administrative expenses totaled 6.8% of our consolidated revenues. We expect general and administrative expenses as a percentage of revenue in 2015 to remain consistent or decrease as a result of cost savings initiatives and decreases in nonrecurring costs related to our REIT conversion. We expect business development costs to remain consistent as we pursue additional business development opportunities in all of our business lines. We also plan to continue expending resources from time to time on the evaluation of potential acquisition targets.

Idle Facilities

We are currently marketing approximately 3,300 vacant beds at three of our idle facilities to potential customers. The annual carrying cost of idle facilities in 2015 is estimated to be \$16.0 million, including depreciation expense of \$2.6 million. As of December 31, 2014, these facilities had a net book value of \$90.5 million. We currently do not have any firm commitment or agreement in place to activate these facilities. Historically, some facilities have been idle for multiple years before they received a new contract award. Currently, our North Lake Correctional Facility located in Baldwin, Michigan has been idle the longest of our idle facility inventory since October of 2010. In December 2014, we signed a contract with the BOP for the reactivation of the Great Plains Correctional Facility in Hinton, Oklahoma. Prior to signing this contract, it had also been idle since October of 2010. In January 2015, we signed a contract for the re-activation of the company-owned, 400-bed Mesa Verde Detention Facility in California. These idle facilities are included in the U.S. Corrections & Detention segment. The per diem rates that we charge our clients often vary by contract across our portfolio. However, if all of these idle facilities were to be activated using our U.S. Corrections & Detention average per diem rate in 2014, (calculated as the U.S. Corrections & Detention revenue divided by the number of U.S. Corrections & Detention mandays) and based on the average occupancy rate in our U.S. Corrections & Detention facilities for 2014, we would expect to receive incremental revenue of approximately \$80 million and an increase in earnings per share of approximately \$.20 to \$.25 per share based on our average U.S. Corrections and Detention operating margin.

Forward-Looking Statements — Safe Harbor

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

factors that could cause actual results to differ materially from those expressed or implied by the forward-looking statements, or “cautionary statements,” include, but are not limited to:

- our ability to timely build and/or open facilities as planned, profitably manage such facilities and successfully integrate such facilities into our operations without substantial additional costs;
- our ability to remain qualified for taxation as a REIT;
- our ability to fulfill our debt service obligations and its impact on our liquidity;
- the instability of foreign exchange rates, exposing us to currency risks in Australia, the United Kingdom, and South Africa, or other countries in which we may choose to conduct our business;
- our ability to activate the inactive beds at our idle facilities;
- our ability to maintain or increase occupancy rates at our facilities;
- an increase in unreimbursed labor rates;
- our ability to expand, diversify and grow our correctional, detention, mental health, residential treatment, re-entry, community-based services, youth services, monitoring services, evidence-based supervision and treatment programs and secure transportation services businesses;
- our ability to win management contracts for which we have submitted proposals, retain existing management contracts and meet any performance standards required by such management contracts;
- our ability to control operating costs associated with contract start-ups;
- our ability to raise new project development capital given the often short-term nature of the customers’ commitment to use newly developed facilities;
- our ability to estimate the government’s level of dependency on privatized correctional services;
- our ability to accurately project the size and growth of the U.S. and international privatized corrections industry;
- our ability to successfully respond to delays encountered by states privatizing correctional services and cost savings initiatives implemented by a number of states;
- our ability to develop long-term earnings visibility;
- our ability to identify suitable acquisitions and to successfully complete and integrate such acquisitions on satisfactory terms, and estimate the synergies to be achieved as a result of such acquisitions;
- our exposure to the impairment of goodwill and other intangible assets as a result of our acquisitions;
- our ability to successfully conduct our operations through joint ventures and consortiums;
- our ability to obtain future financing on satisfactory terms or at all, including our ability to secure the funding we need to complete ongoing capital projects;
- our exposure to political and economic instability and other risks impacting our international operations;
- our exposure to risks impacting our information systems, including those that may cause an interruption, delay or failure in the provision of our services;
- our exposure to rising general insurance costs;
- our exposure to state and federal income tax law changes internationally and domestically and our exposure as a result of federal and international examinations of our tax returns or tax positions;
- our exposure to claims for which we are uninsured;
- our exposure to rising employee and inmate medical costs;
- our ability to manage costs and expenses relating to ongoing litigation arising from our operations;
- our ability to accurately estimate on an annual basis, loss reserves related to general liability, workers’ compensation and automobile liability claims;
- the ability of our government customers to secure budgetary appropriations to fund their payment obligations to us and to continue to operate under our existing agreements and/or renew our existing agreements;
- our ability to pay quarterly dividends consistent with our expectations;
- our ability to comply with government regulations and applicable contractual requirements;
- our ability to acquire, protect or maintain our intellectual property; and
- other factors contained in our filings with the Securities and Exchange Commission, or the SEC, including, but not limited to, those detailed in this Annual Report on Form 10-K, our Quarterly Reports on Form 10-Q and our Current Reports on Form 8-K filed with the SEC.

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

Item 7A. Quantitative and Qualitative Disclosures About Market Risk

Interest Rate Risk

We are exposed to market risks related to changes in interest rates with respect to our Senior Credit Facility. Payments under the Senior Credit Facility are indexed to a variable interest rate. Based on borrowings outstanding as of December 31, 2014 under the Senior Credit Facility of \$365.5 million, for every one percent increase in the interest rate applicable to the Senior Credit Facility, our total annual interest expense would increase by \$4.0 million. We have entered into certain interest rate swap arrangements for hedging purposes, fixing the interest rate on our Australian non-recourse debt. The difference between the floating rate and the swap rate on these instruments is recognized in interest expense within the respective entity. Because the interest rates with respect to these instruments are fixed, a hypothetical 100 basis point change in the current interest rate would not have a material impact on our financial condition or results of operations. Additionally, we invest our cash in a variety of short-term financial instruments to provide a return. These instruments generally consist of highly liquid investments with original maturities at the date of purchase of three months or less. While these instruments are subject to interest rate risk, a hypothetical 100 basis point increase or decrease in market interest rates would not have a material impact on our financial condition or results of operations.

Foreign Currency Exchange Rate Risk

We are exposed to market risks related to fluctuations in foreign currency exchange rates between the U.S. Dollar, the Australian Dollar, the South African Rand and the British Pound currency exchange rates. Based upon our foreign currency exchange rate exposure as of December 31, 2014 with respect to our international operations, every 10 percent change in historical currency rates would have a \$3.1 million effect on our financial position and a \$0.8 million impact on our results of operations over the next fiscal year.

Item 8. Financial Statements and Supplementary Data

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

To the Shareholders of The GEO Group, Inc.:

The accompanying consolidated financial statements have been prepared in conformity with accounting principles generally accepted in the United States. They include amounts based on judgments and estimates. Representation in the consolidated financial statements and the fairness and integrity of such statements are the responsibility of management. In order to meet management's responsibility, the Company maintains a system of internal controls and procedures and a program of internal audits designed to provide reasonable assurance that our assets are controlled and safeguarded, that transactions are executed in accordance with management's authorization and properly recorded, and that accounting records may be relied upon in the preparation of financial statements. The consolidated financial statements have been audited by Grant Thornton LLP, independent registered public accountants, whose appointment by our Audit Committee was ratified by our shareholders. Their report, which is included in this Form 10-K expresses an opinion as to whether management's consolidated financial statements present fairly in all material respects, the Company's financial position, results of operations and cash flows for each of the three years in the period ended December 31, 2014 in conformity with accounting principles generally accepted in the United States of America. The effectiveness of our internal control over financial reporting as of December 31, 2014 has also been audited by Grant Thornton LLP, independent registered public accountants, as stated in their report which is included in this Form 10-K. Their audits were conducted in accordance with the standards of the Public Company Accounting Oversight Board (United States). The Audit Committee of the Board of Directors meets periodically with representatives of management, the independent registered public accountants and our internal auditors to review matters relating to financial reporting, internal accounting controls and auditing. Both the internal auditors and the independent registered certified public accountants have unrestricted access to the Audit Committee to discuss the results of their reviews.

George C. Zoley

Chairman and Chief Executive Officer

Brian R. Evans

Senior Vice President and Chief Financial Officer

MANAGEMENT'S ANNUAL REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

Our management is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rules 13a-15(f) and 15d-15(f) under the Securities Exchange Act of 1934. The Company's internal control over financial reporting is a process designed under the supervision of the Company's Chief Executive Officer and Chief Financial Officer that: (i) pertains to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the Company's assets; (ii) provides reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements for external reporting in accordance with accounting principles generally accepted in the United States, and that receipts and expenditures are being made only in accordance with authorization of the Company's management and directors; and (iii) provides reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate. Management has assessed the effectiveness of the Company's internal control over financial reporting as of December 31, 2014. In making its assessment of internal control over financial reporting, management used the criteria set forth in the Internal Control — Integrated Framework issued by the 2013 Committee of Sponsoring Organizations of the Treadway Commission ("COSO") (the "2013 Internal Control — Integrated Framework").

The Company evaluated, with the participation of its Chief Executive Officer and Chief Financial Officer, its internal control over financial reporting as of December 31, 2014, based on the 2013 Internal Control — Integrated Framework. Based on this evaluation, the Company's management concluded that as of December 31, 2014, its internal control over financial reporting is effective in providing reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles.

Grant Thornton LLP, the independent registered public accounting firm that audited the financial statements included in this Annual Report on Form 10-K, has issued an attestation report on our internal control over financial reporting as of December 31, 2014.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Board of Directors and Shareholders of
The GEO Group, Inc.

We have audited the internal control over financial reporting of The GEO Group, Inc. and subsidiaries (the “Company”) as of December 31, 2014, based on criteria established in the 2013 *Internal Control-Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company’s management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management’s Annual Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the Company’s internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company’s internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company’s internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company’s assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2014, based on criteria established in the 2013 *Internal Control-Integrated Framework* issued by COSO.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated financial statements of the Company as of and for the year ended December 31, 2014, and our report dated February 25, 2015 expressed an unqualified opinion on those financial statements.

/s/ GRANT THORNTON LLP

Miami, Florida
February 25, 2015

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Board of Directors and Shareholders of
The GEO Group, Inc.

We have audited the accompanying consolidated balance sheets of The GEO Group, Inc. and subsidiaries (the “Company”) as of December 31, 2014 and 2013, and the related consolidated statements of operations, comprehensive income (loss), shareholders’ equity, and cash flows for each of the three years in the period ended December 31, 2014. Our audits of the basic consolidated financial statements included the financial statement schedules listed in the index appearing under Item 15. These financial statements and financial statement schedules are the responsibility of the Company’s management. Our responsibility is to express an opinion on these financial statements and financial statement schedules based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of The GEO Group, Inc. and subsidiaries as of December 31, 2014 and 2013, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2014 in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, the related financial statement schedules, when considered in relation to the basic consolidated financial statements taken as a whole, present fairly, in all material respects, the information set forth therein.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the Company’s internal control over financial reporting as of December 31, 2014, based on criteria established in the 2013 *Internal Control-Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), and our report dated February 25, 2015 expressed an unqualified opinion thereon.

/s/ GRANT THORNTON LLP

Miami, Florida
February 25, 2015

THE GEO GROUP, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
Years Ended December 31, 2014, 2013 and 2012

| | 2014 | 2013 | 2012 |
|--|--------------|--------------|--------------|
| (In thousands, except per share data) | | | |
| Revenues | \$ 1,691,620 | \$ 1,522,074 | \$ 1,479,062 |
| Operating Expenses (excluding depreciation and amortization) | 1,245,700 | 1,124,865 | 1,089,232 |
| Depreciation and Amortization | 96,171 | 94,664 | 91,685 |
| General and Administrative Expenses | 115,018 | 117,061 | 113,792 |
| Operating Income | 234,731 | 185,484 | 184,353 |
| Interest Income | 4,747 | 3,324 | 6,716 |
| Interest Expense | (87,368) | (83,004) | (82,189) |
| Loss on Extinguishment of Debt | — | (20,657) | (8,462) |
| Income Before Income Taxes, Equity in Earnings of Affiliates and Discontinued Operations | 152,110 | 85,147 | 100,418 |
| Provision (Benefit) for Income Taxes | 14,093 | (26,050) | (40,562) |
| Equity in Earnings of Affiliates, net of income tax provision of \$2,302, \$2,389 and \$1,660 | 5,823 | 6,265 | 3,578 |
| Income from Continuing Operations | 143,840 | 117,462 | 144,558 |
| Loss from Discontinued Operations, net of income tax provision (benefit) of \$0, \$0, and \$(7,805) | — | (2,265) | (10,660) |
| Net Income | 143,840 | 115,197 | 133,898 |
| Less: (Income) loss Attributable to Noncontrolling Interests | 90 | (62) | 852 |
| Net Income Attributable to The GEO Group, Inc. | \$ 143,930 | \$ 115,135 | \$ 134,750 |
| Weighted Average Common Shares Outstanding: | | | |
| Basic..... | 72,270 | 71,116 | 60,934 |
| Diluted..... | 72,547 | 71,605 | 61,265 |
| Income per Common Share Attributable to The GEO Group, Inc. (1): | | | |
| Basic: | | | |
| Income from continuing operations..... | \$ 1.99 | \$ 1.65 | \$ 2.39 |
| Loss from discontinued operations..... | — | (0.03) | (0.17) |
| Net income per share — basic..... | \$ 1.99 | \$ 1.62 | \$ 2.21 |
| Diluted: | | | |
| Income from continuing operations..... | \$ 1.98 | \$ 1.64 | \$ 2.37 |
| Loss from discontinued operations..... | — | (0.03) | (0.17) |
| Net income per share — diluted..... | \$ 1.98 | \$ 1.61 | \$ 2.20 |

(1) Note that earnings per share tables may contain summation differences due to rounding.

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

THE GEO GROUP, INC.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
Years Ended December 31, 2014, 2013 and 2012

| | 2014 | 2013 | 2012 |
|--|-------------------|-------------------|-------------------|
| | (In thousands) | | |
| Net Income | \$ 143,840 | \$ 115,197 | \$ 133,898 |
| Foreign currency translation adjustments, net of income tax benefit (provision) of \$0, \$0 and \$1,784, respectively | (4,512) | (8,296) | 1,561 |
| Pension liability adjustment, net of income tax (provision) benefit of \$1,621, \$(576) and \$291, respectively | (2,522) | 914 | (461) |
| Change in fair value of derivative instrument classified as cash flow hedge, net of income tax (provision) benefit of \$2,926, \$(134) and \$261, respectively | (16,048) | 183 | (476) |
| Total other comprehensive income (loss), net of tax | (23,082) | (7,199) | 624 |
| Total comprehensive income | 120,758 | 107,998 | 134,522 |
| Comprehensive loss attributable to noncontrolling interests | 140 | 38 | 968 |
| Comprehensive income attributable to The GEO Group, Inc. | <u>\$ 120,898</u> | <u>\$ 108,036</u> | <u>\$ 135,490</u> |

THE GEO GROUP, INC.
CONSOLIDATED BALANCE SHEETS
December 31, 2014 and December 31, 2013

| | 2014 | 2013 |
|--|-----------------------------------|--------------|
| | (In thousands, except share data) | |
| ASSETS | | |
| Current Assets | | |
| Cash and cash equivalents | \$ 41,337 | \$ 52,125 |
| Restricted cash and investments | 4,341 | 11,518 |
| Accounts receivable, less allowance for doubtful accounts of \$3,315 and \$2,549, respectively | 269,038 | 250,530 |
| Current deferred income tax assets | 25,884 | 20,936 |
| Prepaid expenses and other current assets | 36,806 | 49,236 |
| Total current assets | 377,406 | 384,345 |
| Restricted Cash and Investments | 19,578 | 18,349 |
| Property and Equipment, Net | 1,772,166 | 1,727,798 |
| Contract Receivable | 66,229 | — |
| Direct Finance Lease Receivable | 9,256 | 16,944 |
| Non-Current Deferred Income Tax Assets | 5,873 | 4,821 |
| Goodwill | 493,890 | 490,196 |
| Intangible Assets, Net | 155,275 | 163,400 |
| Other Non-Current Assets | 102,535 | 83,511 |
| Total Assets | \$ 3,002,208 | \$ 2,889,364 |
| LIABILITIES AND SHAREHOLDERS' EQUITY | | |
| Current Liabilities | | |
| Accounts payable | \$ 58,155 | \$ 47,286 |
| Accrued payroll and related taxes | 38,556 | 38,726 |
| Accrued expenses and other current liabilities | 140,612 | 114,950 |
| Current portion of capital lease obligations, long-term debt and non-recourse debt | 16,752 | 22,163 |
| Total current liabilities | 254,075 | 223,125 |
| Non-Current Deferred Income Tax Liabilities | 10,068 | 14,689 |
| Other Non-Current Liabilities | 87,429 | 64,961 |
| Capital Lease Obligations | 9,856 | 10,924 |
| Long-Term Debt | 1,462,819 | 1,485,536 |
| Non-Recourse Debt | 131,968 | 66,153 |
| Commitments and Contingencies (Note 18) | | |
| Shareholders' Equity | | |
| Preferred stock, \$0.01 par value, 30,000,000 shares authorized, none issued or outstanding | — | — |
| Common stock, \$0.01 par value, 125,000,000 and 90,000,000 shares authorized, 74,190,688 and 86,662,676 issued and 74,190,688 and 72,082,071 outstanding, respectively | 742 | 866 |
| Additional paid-in capital | 866,056 | 848,018 |
| Earnings in excess of distributions | 206,342 | 232,646 |
| Accumulated other comprehensive loss | (27,461) | (4,429) |
| Treasury stock, 0 and 14,580,605 shares, at cost, respectively | — | (53,579) |
| Total shareholders' equity attributable to The GEO Group, Inc. | 1,045,679 | 1,023,522 |
| Noncontrolling interests | 314 | 454 |
| Total shareholders' equity | 1,045,993 | 1,023,976 |
| Total Liabilities and Shareholders' Equity | \$ 3,002,208 | \$ 2,889,364 |

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

THE GEO GROUP, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
Year Ended December 31, 2014, 2013 and 2012

| | 2014 | 2013 | 2012 |
|---|----------------|-------------|------------|
| | (In thousands) | | |
| Cash Flow from Operating Activities: | | | |
| Net Income | \$ 143,840 | \$ 115,197 | \$ 133,898 |
| Net (income) loss attributable to noncontrolling interests | 90 | (62) | 852 |
| Net income attributable to The GEO Group, Inc. | 143,930 | 115,135 | 134,750 |
| Adjustments to reconcile net income attributable to The GEO Group, Inc. to net cash provided by operating activities: | | | |
| Depreciation and amortization expense | 96,171 | 94,664 | 91,685 |
| Deferred tax provision (benefit) | (10,355) | (5,948) | (87,710) |
| Amortization of debt issuance costs, discount and/or premium | 5,332 | 5,916 | 3,864 |
| Stock-based compensation | 8,909 | 7,889 | 6,543 |
| Loss on extinguishment of debt | — | 20,657 | 8,462 |
| Loss on derivative instrument | 1,121 | — | — |
| Provision for doubtful accounts | 985 | 1,136 | 760 |
| Loss on divestiture of RTS-non-cash | — | — | 22,566 |
| Equity in earnings of affiliates, net of tax | (5,823) | (6,265) | (3,578) |
| Tax benefit related to equity compensation | (2,035) | (2,197) | (621) |
| Release of reserve for uncertain tax positions | — | (5,701) | — |
| Loss on sale/disposal of property and equipment and assets held for sale | 490 | 959 | 6,319 |
| Dividends received from unconsolidated joint venture | 4,274 | 3,153 | — |
| Changes in assets and liabilities, net of acquisition: | | | |
| Changes in accounts receivable, prepaid expenses and other assets | 23,809 | (27,239) | 44,737 |
| Changes in contract receivable | (73,289) | — | — |
| Changes in accounts payable, accrued expenses and other liabilities | 9,022 | (9,970) | 27,410 |
| Cash provided by operating activities — continuing operations | 202,541 | 192,189 | 255,187 |
| Cash provided by operating activities — discontinued operations | — | — | 9,053 |
| Net cash provided by operating activities | 202,541 | 192,189 | 264,240 |
| Cash Flow from Investing Activities: | | | |
| Acquisition of Protocol, cash consideration, net of cash acquired | (13,025) | — | — |
| Acquisition of ownership interests in MCF | — | — | (35,154) |
| Proceeds from RTS divestiture | — | — | 33,253 |
| Proceeds from sale of property and equipment | 699 | 205 | 65 |
| Proceeds from sale of assets held for sale | — | 1,969 | 5,641 |
| Net working capital adjustment from RTS divestiture | — | (996) | — |
| Change in restricted cash and investments | 5,380 | 17,412 | 51,189 |
| Capital expenditures | (114,224) | (117,566) | (107,549) |
| Cash used in investing activities — continuing operations | (121,170) | (98,976) | (52,555) |
| Cash used in investing activities — discontinued operations | — | — | (2,761) |
| Net cash used in investing activities | (121,170) | (98,976) | (55,316) |
| Cash Flow from Financing Activities: | | | |
| Payments on long-term debt | (678,099) | (1,134,544) | (456,485) |
| Proceeds from long term debt | 654,000 | 1,238,000 | 358,000 |
| Payments on non-recourse debt | (18,627) | — | — |
| Proceeds from non-recourse debt | 87,896 | — | — |
| Taxes paid related to net share settlements of equity awards | (1,844) | — | — |
| Termination of interest rate swap agreements | — | 3,974 | — |
| Distribution to noncontrolling interests | — | — | (5,758) |
| Debt issuance costs — deferred | (26,420) | (23,834) | (1,398) |
| Debt issuance fees | — | (13,421) | (14,861) |
| Payments for purchase of treasury shares | — | — | (8,666) |
| Proceeds from stock options exercised | 7,281 | 5,425 | 9,276 |
| Tax benefit related to equity compensation | 2,035 | 2,197 | 621 |
| Proceeds from reissuance of treasury stock in connection with ESPP | 387 | 319 | 460 |
| Issuance of common stock under prospectus supplement | 54,725 | — | — |
| Payment for retirement of common stock | — | — | (1,036) |
| Cash dividends paid | (170,234) | (147,156) | (102,435) |
| Net cash (used in) provided by financing activities | (88,900) | (69,040) | (222,282) |
| Effect of Exchange Rate Changes on Cash and Cash Equivalents | (3,259) | (3,803) | 1,735 |
| Net (Decrease) Increase in Cash and Cash Equivalents | (10,788) | 20,370 | (11,623) |
| Cash and Cash Equivalents, beginning of period | 52,125 | 31,755 | 43,378 |

| GEO Group Inc. Shareholders | | | | | | | | | |
|---|------------------|---------------|----------------------------|-------------------------------------|---|------------------|--------------------|-------------------------|----------------------------|
| | Common Stock | | Additional Paid-In Capital | Earnings in Excess of Distributions | Accumulated Other Comprehensive Income (Loss) | Treasury Stock | | Noncontrolling Interest | Total Shareholders' Equity |
| | Number of Shares | Amount | | | | Number of Shares | Amount | | |
| (In thousands) | | | | | | | | | |
| options exercised | | | | | | | | | |
| Tax benefit related to equity compensation | — | — | 2,197 | — | — | — | — | — | 2,197 |
| Stock based compensation expense | — | — | 1,307 | — | — | — | — | — | 1,307 |
| Restricted stock granted. | 345 | 3 | (3) | — | — | — | — | — | — |
| Restricted stock canceled | (8) | — | — | — | — | — | — | — | — |
| Amortization of restricted stock | — | — | 6,582 | — | — | — | — | — | 6,582 |
| Dividends Paid | — | — | — | (147,156) | — | — | — | — | (147,156) |
| Purchase of treasury shares | — | — | — | — | — | — | — | — | — |
| Re-issuance of treasury shares (ESPP) | 10 | — | 283 | — | — | (10) | 36 | — | 319 |
| Net income | — | — | — | 115,135 | — | — | — | 62 | 115,197 |
| Other comprehensive income | — | — | — | — | (7,099) | — | — | (100) | (7,199) |
| Balance, December 31, 2013 | 72,082 | \$ 866 | \$ 848,018 | \$ 232,646 | \$ (4,429) | 14,580 | \$ (53,579) | \$ 454 | \$ 1,023,976 |
| Proceeds from stock options exercised | 386 | 4 | 7,277 | — | — | — | — | — | 7,281 |
| Tax benefit related to equity compensation | — | — | 2,035 | — | — | — | — | — | 2,035 |
| Stock based compensation expense | — | — | 1,161 | — | — | — | — | — | 1,161 |
| Shares withheld for net settlements of share-based awards | (54) | — | (428) | — | — | 43 | (1,416) | — | (1,844) |
| Restricted stock granted. | 306 | 3 | (3) | — | — | — | — | — | — |
| Retirement of treasury shares | — | (146) | (54,826) | — | — | (14,618) | 54,972 | — | — |
| Restricted stock canceled | (23) | — | — | — | — | — | — | — | — |
| Amortization of restricted stock | — | — | 7,748 | — | — | — | — | — | 7,748 |
| Dividends Paid | — | — | — | (170,234) | — | — | — | — | (170,234) |
| Issuance of common stock (ATM) | 1,483 | 15 | 54,710 | — | — | — | — | — | 54,725 |
| Issuance of common stock (ESPP) | 11 | — | 364 | — | — | (5) | 23 | — | 387 |
| Net income (loss) | — | — | — | 143,930 | — | — | — | (90) | 143,840 |
| Other comprehensive loss | — | — | — | — | (23,032) | — | — | (50) | (23,082) |
| Balance, December 31, 2014 | 74,191 | \$ 742 | \$ 866,056 | \$ 206,342 | \$ (27,461) | — | \$ — | \$ 314 | \$ 1,045,993 |

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

THE GEO GROUP, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Years Ended December 31, 2014, 2013 and 2012

1. Summary of Business Organization, Operations and Significant Accounting Policies

The GEO Group, Inc., a Florida corporation, and subsidiaries (the “Company” or “GEO”) is a fully-integrated real estate investment trust (“REIT”) specializing in the ownership, leasing and management of correctional, detention and

re-entry facilities and the provision of community-based services and youth services in the United States, Australia, South Africa and the United Kingdom. The Company owns, leases and operates a broad range of correctional and detention facilities including maximum, medium and minimum security prisons, immigration detention centers, minimum security detention centers, as well as community based re-entry facilities. The Company develops new facilities based on contract awards, using its project development expertise and experience to design, construct and finance what it believes are state-of-the-art facilities that maximize security and efficiency. The Company provides innovative compliance technologies, industry-leading monitoring services, and evidence-based supervision and treatment programs for community-based parolees, probationers and pretrial defendants. The Company also provides secure transportation services for offender and detainee populations as contracted domestically and in the United Kingdom through its joint venture GEO Amey PECS Ltd. (“GEOAmey”). As of December 31, 2014, GEO’s worldwide operations included the ownership and/or management of approximately 79,000 beds at 98 correctional, detention and community services facilities, including idle facilities and projects under development, and also included the provision of monitoring of approximately 70,000 offenders in a community-based environment on behalf of approximately 900 federal, state and local correctional agencies located in all 50 states. GEO, which has been in operation since 1984, began operating as a REIT for federal income tax purposes effective January 1, 2013. As a result of the REIT conversion, GEO reorganized its operations and moved non-real estate components into taxable REIT subsidiaries (“TRSs”). Through the TRS structure, the portion of GEO’s businesses which are non-real estate related, such as its managed-only contracts, international operations, electronic monitoring services, and other non-residential and community based facilities, are part of wholly-owned taxable subsidiaries of the REIT. Most of GEO’s business segments, which are real estate related and involve company-owned and company-leased facilities, are part of the REIT. The TRS structure allows the Company to maintain the strategic alignment of almost all of its diversified business segments under one entity. The TRS assets and operations will continue to be subject to federal and state corporate income taxes and to foreign taxes as applicable in the jurisdictions in which those assets and operations are located. As a part of the Company’s conversion to a REIT, the Company merged into The GEO Group REIT, Inc. (“GEO REIT”), a newly formed wholly-owned subsidiary of GEO. The merger became effective June 27, 2014 and was approved by the Company’s shareholders on May 2, 2014. The purpose of the merger was to ensure the effective adoption of charter provisions that implement standard REIT share ownership and transfer restrictions. In the merger, shares of GEO’s common stock were converted into the same number of GEO REIT shares of common stock. In addition, each share of the Company’s common stock held in treasury at June 27, 2014 was retired, and a corresponding adjustment was recorded to common stock and additional paid-in capital. Effective at the time of the merger, GEO REIT was renamed The GEO Group, Inc. Also, in connection with the merger, the Company’s authorized common stock was increased from 90 million shares to 125 million shares. The consolidated financial statements have been prepared in conformity with accounting principles generally accepted in the United States. The significant accounting policies of the Company are described below.

Fiscal Year

In connection with the REIT conversion discussed above, effective December 31, 2012, the Company changed to a calendar year from a fiscal year that ended on the Sunday closest to the calendar year end and changed its fiscal quarters to coincide with each calendar quarter. For fiscal year 2012, the period began on January 2, 2012 and ended on December 31, 2012.

Consolidation

The accompanying consolidated financial statements include the accounts of the Company, its wholly-owned subsidiaries, and the Company’s activities relating to the financing of operating facilities (the Company’s variable interest entities (“VIE”) are discussed further below under *Variable Interest Entities*). The equity method of accounting is used for investments in non-controlled affiliates in which the Company’s ownership ranges from 20 to 50 percent, or in instances in which the Company is able to exercise significant influence but not control. The Company reports SACS and its 50% owned joint venture in the United Kingdom, GEOAmey, under the equity method of accounting. Noncontrolling interests in consolidated entities represent equity that other investors have contributed to SACM and, prior to its acquisition by the Company during 2012, Municipal Corrections Finance, L.P (“MCF”). Non-controlling interests are adjusted for income and losses allocable to the other shareholders in these entities. As further discussed under the *Variable Interest Entities* policy below, the Company acquired a 100% interest in MCF effective August 31, 2012 and the non-controlling interest related to MCF was reclassified to shareholders’ equity attributable to GEO. In addition, on September 30, 2013, the Company completed a defeasance of the bonds related to South Texas Local Development Corporation (“STLDC”). Subsequent to September 30, 2013, the Company no longer includes the financial position and results of operations of any VIE’s in its consolidated financial statements. All significant intercompany balances and transactions have been eliminated.

Divestiture of Residential Treatment Services

The operating results of Residential Treatment Services (“RTS”), which was divested on December 31, 2012 in connection with the Company’s conversion to a REIT, have been retroactively reclassified to discontinued operations for the fiscal year ended December 31, 2012. Refer to Note 2- Discontinued Operations.

Discontinued Operations

The Company reports the results of operations of a component of an entity that either has been disposed of or is classified as held for sale or where the management contracts with that component have terminated either by expiration or otherwise in discontinued operations. The Company presents such events as discontinued operations so long as the financial results can be clearly identified, the future operations and cash flows are completely eliminated from ongoing operations, and so long as the Company does not have any significant continuing involvement in the operations of the component after the disposal or termination transaction. When a component of an entity has been disposed of or classified as held for sale or a management contract is terminated, the Company looks at its overall relationship with the customer. If the operations or cash flows of the component have been (or will be) eliminated from the ongoing operations of the entity as a result of the transaction and the entity will not have significant continuing involvement in the operations of the component after the transaction, the results of operations of the component of the entity are reported in discontinued operations. If the Company will continue to maintain a relationship generating significant cash flows and having continuing involvement with the customer, the disposal, the asset held for sale classification or the loss of the management contract(s) is not treated as discontinued operations. If the disposal, the asset held for sale classification or the loss of the management contract(s) results in a loss in the overall customer relationship as no future significant cash flows will be generated and the Company will have no continuing involvement with the customer, the results are classified in discontinued operations.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. The Company’s significant estimates include reserves for self-insured retention related to general liability insurance, workers’ compensation insurance, auto liability insurance, medical malpractice insurance, employer group health insurance, projected undiscounted cash flows used to evaluate asset impairment, pension assumptions, percentage of completion and estimated cost to complete for construction projects and recoverability of notes receivable, estimated useful lives of property and equipment and intangible assets, stock based compensation and allowance for doubtful accounts. These estimates and assumptions affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. While the Company believes that such estimates are reasonable when considered in conjunction with the consolidated financial statements taken as a whole, the actual amounts of such estimates, when known, will vary from these estimates. If actual results significantly differ from the Company’s estimates, the Company’s financial condition and results of operations could be materially impacted.

Dividends

As a REIT, the Company is required to distribute annually at least 90% of its REIT taxable income (determined without regard to the dividends paid deduction and by excluding net capital gain). The amount, timing and frequency of future distributions, however, will be at the sole discretion of the Company’s Board of Directors and will be declared based upon various factors, many of which are beyond the Company’s control, including, the Company’s financial condition and operating cash flows, the amount required to maintain REIT status and reduce any income and excise taxes that the Company otherwise would be required to pay, limitations on distributions in the Company’s existing and future debt instruments, limitations on the Company’s ability to fund distributions using cash generated through our TRSs and other factors that the Company’s Board of Directors may deem relevant. The Company began paying regular REIT distributions in 2013. Refer to Note 3 — Shareholders’ Equity. A REIT is not permitted to retain earnings and profits accumulated during the years it was taxed as a C corporation or earnings and profits accumulated by its subsidiaries that have been converted to qualified REIT subsidiaries, and must make one or more distributions to shareholders that equal or exceed these accumulated amounts by the end of the first REIT year. On December 31, 2012, the Company paid a one-time Pre-REIT distribution to its shareholders. Earnings and profits, which determine the taxability of distributions to shareholders, will differ from net income reported for financial reporting purposes due to the differences in the treatment of gains and losses, revenue and expenses, and depreciation for financial reporting relative to federal income tax purposes.

Cash and Cash Equivalents

Cash and cash equivalents include all interest-bearing deposits or investments with original maturities of three months or less when purchased. The Company maintains cash and cash equivalents with various financial institutions. These financial institutions are located throughout the United States, Australia, South Africa and the United Kingdom. As of December 31, 2014 and December 31, 2013, the Company had \$22.1 million and \$20.4 million in cash and cash equivalents held by its international subsidiaries, respectively.

Concentration of Credit Risk

The Company maintains deposits of cash in excess of federally insured limits with certain financial institutions and accordingly the Company is subject to credit risk. Other than cash, financial instruments that potentially subject the Company to concentrations of credit risk consist principally of trade accounts receivable, contract receivable, a direct finance lease receivable, long-term debt and financial instruments used in hedging activities. The Company's cash management and investment policies restrict investments to low-risk, highly liquid securities, and the Company performs periodic evaluations of the credit standing of the financial institutions with which it deals.

Accounts Receivable

Accounts receivable consists primarily of trade accounts receivable due from federal, state, and local government agencies for operating and managing correctional facilities, providing youth and community based services, providing electronic monitoring and supervision services, providing construction and design services and providing inmate residential and prisoner transportation services. The Company generates receivables with its governmental clients and with other parties in the normal course of business as a result of billing and receiving payment. The Company regularly reviews outstanding receivables, and provides for estimated losses through an allowance for doubtful accounts. In evaluating the level of established loss reserves, the Company makes judgments regarding its customers' ability to make required payments, economic events and other factors. As the financial condition of these parties change, circumstances develop or additional information becomes available, adjustments to the allowance for doubtful accounts may be required. The Company also performs ongoing credit evaluations for some of its customers' financial conditions and generally does not require collateral. Generally, the Company receives payment for these services thirty to sixty days in arrears. However, certain of the Company's accounts receivable are paid by customers after the completion of their program year and therefore can be aged in excess of one year. The Company maintains reserves for potential credit losses, and such losses traditionally have been within its expectations. Actual write-offs are charged against the allowance when collection efforts have been unsuccessful. As of December 31, 2014 and December 31, 2013, \$0.5 million and \$0.8 million, respectively, of the Company's trade receivables were considered to be long-term and are classified as Other Non-Current Assets in the accompanying Consolidated Balance Sheets.

Notes Receivable

The Company has notes receivable from its former joint venture partner in the United Kingdom related to a subordinated loan extended to the joint venture partner while an active member of the partnership. The notes bear interest at a rate of 13%, and have semi-annual payments due June 15 and December 15 through June 2018. The Company recognizes interest income on its Notes Receivable as it is earned. The balance outstanding as of December 31, 2014 and December 31, 2013 was \$1.3 million and \$2.0 million, respectively. These notes receivable are included in Other Non-Current Assets in the accompanying Consolidated Balance Sheets.

Note Receivable from Joint Venture

In May 2011, the GEO Group UK Limited, the Company's subsidiary in the United Kingdom ("GEO UK"), extended a non-revolving line of credit facility to GEOAmeY for the purpose of funding mobilization costs and on-going start up and operations in the principal amount of £12 million or \$18.6 million, based on the applicable exchange rate at December 31, 2014. Amounts under the line of credit were drawn down in multiple advances up to the principal amount and accrued interest at LIBOR plus 3%. The Company recognized interest income on its notes receivable as it was earned. Principal repayments by GEOAmeY under the line of credit were due in March and September, beginning September 2013, with the final payment due no later than March 30, 2018. On October 3, 2013, the Company and its joint venture partner entered into a modified line of credit agreement with GEOAmeY. Under the modified agreement, the terms of the line of credit were amended such that (i) the balance of accrued interest at September 30, 2013, in the amount of £0.9 million or \$1.5 million, based on the applicable exchange rate at September 30, 2013, was forgiven;

(ii) the principal amount was revised to be due on demand rather than in accordance with the previous repayment schedule; interest payments began accruing on January 1, 2014 and are being paid monthly; and (iii) the interest rate was reset to the base rate of the Bank of England plus 0.5%. In December 2014, GEOAmeY made a principal payment to the Company in the amount of £1.5 million, or \$2.3 million, based on exchange rates at December 31, 2014. As of December 31, 2014, the Company was owed £10.5 million, or \$16.3 million, based on exchange rates as of December 31, 2014, under the line of credit. As of December 31, 2013, the Company was owed £12 million, or \$19.8 million. These balances are included within Other Non-Current Assets in the accompanying Consolidated Balance Sheets. Refer to Note 16 — Business Segments and Geographic Information regarding the Company's investment in GEOAmeY.

Contract Receivable

The Company's Australian subsidiary has recorded a contract receivable in connection with the construction of a 1,000-bed detention facility in Ravenhall, Australia for the State of Victoria. The contract receivable represents costs incurred and estimated earnings in excess of billings and is recorded at net present value based on the timing of expected future settlement.

Restricted Cash and Investments

The Company's restricted cash and investments at December 31, 2014 are attributable to certain cash restriction requirements at the Company's wholly owned Australian subsidiary related to the non-recourse debt, other guarantees and restricted investments related to The GEO Group Inc. Non-qualified Deferred Compensation Plan as well as dividends held for unvested restricted stock awards. The current portion of restricted cash and investments primarily represents the amount expected to be paid within the next twelve months for debt service related to the Company's non-recourse debt.

Prepaid expenses and Other Current Assets

Prepaid expenses and other current assets include assets that are expected to be realized within the next fiscal year. Included in the balance at December 31, 2014 and December 31, 2013 is \$7.9 million and \$22.4 million, respectively, of federal and state overpayments that will be or were applied against tax payments due in 2015 and 2014.

Direct Finance Leases

The Company accounts for the portion of its contracts with certain governmental agencies that represent capitalized lease payments on buildings and equipment as investments in direct finance leases. Accordingly, the minimum lease payments to be received over the term of the leases less unearned income are capitalized as the Company's investments in the leases. Unearned income is recognized as income over the term of the leases using the effective interest method.

Property and Equipment

Property and equipment are stated at cost, less accumulated amortization and depreciation. Depreciation is computed using the straight-line method over the estimated useful lives of the related assets. Buildings and improvements are depreciated over 2 to 50 years. Equipment and furniture and fixtures are depreciated over 3 to 10 years. Accelerated methods of depreciation are generally used for income tax purposes. Leasehold improvements are amortized on a straight-line basis over the shorter of the useful life of the improvement or the term of the lease. The Company performs ongoing evaluations of the estimated useful lives of the property and equipment for depreciation purposes. The estimated useful lives are determined and continually evaluated based on the period over which services are expected to be rendered by the asset. If the assessment indicates that assets will be used for a longer or shorter period than previously anticipated, the useful lives of the assets are revised, resulting in a change in estimate. The Company has not made any such changes in estimates during the years ended December 31, 2014, 2013 and 2012, respectively. Maintenance and repairs are expensed as incurred. Interest is capitalized in connection with the construction of company-owned correctional and detention facilities. Cost for self-constructed correctional and detention facilities includes direct materials and labor, capitalized interest and certain other indirect costs associated with construction of the facility, such as property taxes, other indirect labor and related benefits and payroll taxes. The Company begins the capitalization of costs during the pre-construction phase, which is the period during which costs are incurred to evaluate the site, and continues until the facility is substantially complete and ready for occupancy. Labor costs capitalized for the years ended December 31, 2014, 2013 and 2012 were not significant. Capitalized interest is recorded as part of the asset to which it relates and is amortized over the asset's estimated useful life. Refer to Note 6 — Property and Equipment.

Asset Impairments

The Company had property and equipment of \$1.8 billion and \$1.7 billion as of December 31, 2014 and 2013, respectively, including approximately 3,700 vacant beds at four idle facilities with a carrying value of \$114.9 million which are being marketed to potential customers as of December 31, 2014, excluding equipment and other assets that can be easily transferred for use at other facilities.

The Company reviews long-lived assets to be held and used for impairment whenever events or changes in circumstances indicate that the carrying amount of such assets may not be fully recoverable. Events that would trigger an impairment assessment include deterioration of profits for a business segment that has long-lived assets, or when other changes occur that might impair recovery of long-lived assets such as the termination of a management contract or a prolonged decrease in inmate population. If impairment indicators are present, the Company performs a recoverability test to determine whether or not an impairment loss should be measured. The Company tests idle facilities for impairment upon notification that the facilities will no longer be utilized by the customer. If a long-lived asset is part of a group that includes other assets, the unit of accounting for the long-lived asset is its group. Generally, the Company groups assets by facility for the purpose of considering whether any impairment exists. The estimates of recoverability are based on projected undiscounted cash flows associated with actual marketing efforts where available or, in other instances, projected undiscounted cash flows that are comparable to historical cash flows from management contracts at similar facilities and sensitivity analyses that consider reductions to such cash flows. The Company's sensitivity analyses include adjustments to projected cash flows compared to the historical cash flows due to current business conditions which impact per diem rates as well as labor and other operating costs, changes related to facility mission due to changes in prospective clients, and changes in projected capacity and occupancy rates. The Company also factors in prolonged periods of vacancies as well as the time and costs required to ramp up facility population once a contract is obtained. The Company performs the impairment analyses on an annual basis for each of the idle facilities and takes into consideration updates each quarter for market developments affecting the potential utilization of each of the facilities in order to identify events that may cause the Company to reconsider the most recent assumptions. Such events could include negotiations with a prospective customer for the utilization of an idle facility at terms significantly less favorable than the terms used in the Company's most recent impairment analysis, or changes in legislation surrounding a particular facility that could impact the Company's ability to house certain types of inmates at such facility. Further, a substantial increase in the number of available beds at other facilities the Company owns, or in the marketplace, could lead to deterioration in market conditions and projected cash flows. Although they are not frequently received, an unsolicited offer to purchase any of the Company's idle facilities, at amounts that are less than their carrying value could also cause the Company to reconsider the assumptions used in the most recent impairment analysis. The Company has identified marketing prospects to utilize each of the remaining currently idled facilities and does not see any catalysts that would result in a current impairment. However, the Company can provide no assurance that it will be able to secure management contracts to utilize its idle facilities, or that it will not incur impairment charges in the future. In all cases, the projected undiscounted cash flows in our analysis as of December 31, 2014 substantially exceeded the carrying amounts of each facility. The Company's evaluations also take into consideration historical experience in securing new management contracts to utilize facilities that had been previously idled for periods comparable to or in excess of the periods the Company's currently idle facilities have been idle. Such previously idle facilities are currently being operated under contracts that generate cash flows resulting in the recoverability of the net book value of the previously idled facilities by substantial amounts. Due to a variety of factors, the lead time to negotiate contracts with federal and state agencies to utilize idle bed capacity is generally lengthy which has historically resulted in periods of idleness similar to the ones the Company is currently experiencing. As a result of its analyses, the Company determined each of these assets to have recoverable values substantially in excess of the corresponding carrying values. By their nature, these estimates contain uncertainties with respect to the extent and timing of the respective cash flows due to potential delays or material changes to forecasted terms and conditions in contracts with prospective customers that could impact the estimate of projected cash flows. Notwithstanding the effects the current economy has had on the Company's customers' demand for prison beds in the short term which has led to its decision to idle certain facilities, the Company believes the long-term trends favor an increase in the utilization of its idle correctional facilities. This belief is also based on the Company's experience in working with governmental agencies faced with significant budgetary challenges which is a primary contributing factor to the lack of appropriated funding to build new bed capacity by federal and state agencies.

Assets Held under Capital Leases

Assets held under capital leases are recorded at the lower of the net present value of the minimum lease payments or the fair value of the leased asset at the inception of the lease. Amortization expense is recognized using the straight-line method over the shorter of the estimated useful life of the asset or the term of the related lease and is included in depreciation expense.

Goodwill and Other Intangible Assets

Goodwill

The Company has recorded goodwill as a result of its business combinations. Goodwill is recorded as the difference, if any, between the aggregate consideration paid for an acquisition and the fair value of the net tangible assets and other intangible assets acquired. The Company's goodwill is not amortized and is tested for impairment annually on the first day of the fourth fiscal quarter, and whenever events or circumstances arise that indicate impairment may have occurred. Impairment testing is performed for all reporting units that contain goodwill. The reporting units are the same as the reporting segment for U.S. Corrections & Detention and are at the operating segment level for GEO Care. On the measurement date of October 1, 2014, the Company's management elected to qualitatively assess the Company's goodwill for impairment for certain of its reporting units, pursuant to the provisions of Financial Accounting Standards Board ("FASB") Accounting Standards Update ("ASU") 2011-08. For one of its other reporting units, the Company elected to quantitatively assess the Company's goodwill for impairment as discussed further below. Under provisions of the qualitative analysis, when testing goodwill for impairment, the Company first assesses qualitative factors to determine whether the existence of events or circumstances leads to a determination that it is more likely than not that the fair value of a reporting unit is less than its carrying amount. If, after assessing the totality of events or circumstances, the Company determines it is more likely than not that the fair value of a reporting unit is less than its carrying amount, the Company performs the first step of the two-step impairment test by calculating the fair value of the reporting unit, using a discounted cash flow method, and comparing the fair value with the carrying amount of the reporting unit. If the carrying amount of a reporting unit exceeds its fair value, the Company performs the second step of the goodwill impairment test to measure the amount of the impairment loss, if any. The qualitative factors used by the Company's management to determine the likelihood that the fair value of the reporting unit is less than the carrying amount include, among other things, a review of overall economic conditions and their current and future impact on the Company's existing business, the Company's financial performance, industry outlook and market competition. For the reporting unit that the Company elected to quantitatively assess the goodwill for impairment, the Company used a third party valuation firm to determine the estimated fair value of the reporting unit using a discounted cash flow and other valuation models. Growth rates for sales and profits are determined using inputs from the Company's long term planning process. The Company also makes estimates for discount rates and other factors based on market conditions, historical experience and other economic factors. Changes in these factors could significantly impact the fair value of the reporting unit. During the year, the Company's management monitors the actual performance of the business relative to the fair value assumptions used during the prior year annual impairment test and updates its annual impairment test, if needed, to determine the likelihood that the goodwill has been impaired. With respect to the reporting units that were assessed qualitatively, management determined that it was more likely than not that the fair values of the reporting units exceeded their carrying values. With respect to the reporting unit that was assessed quantitatively, management concluded that the estimated fair value exceeded its carrying value.

Other Intangible Assets

The Company has also recorded other finite and indefinite lived intangible assets as a result of previously completed business combinations. Other acquired finite and indefinite lived intangible assets are recognized separately if the benefit of the intangible asset is obtained through contractual or other legal rights, or if the intangible asset can be sold, transferred, licensed, rented or exchanged, regardless of the Company's intent to do so. The Company's intangible assets include facility management contracts, the BI and Protocol (BI's recently acquired subsidiary) trade names and technology. The facility management contracts represent customer relationships in the form of management contracts acquired at the time of each business combination; the value of BI's and Protocol's trade names represent, among other intangible benefits, name recognition to its customers and intellectual property rights; and the acquired technology represents BI's innovation with respect to its GPS tracking monitoring, radio frequency monitoring, voice verification monitoring and alcohol compliance systems and Protocol's innovation with respect to its customer relationship management software. When establishing useful lives, the Company considers the period and the pattern in which the economic benefits of the intangible asset are consumed or otherwise used up; or, if that pattern cannot be reliably determined, using a straight-line amortization method over a period that may be shorter than the ultimate life of such intangible asset. The Company currently amortizes its acquired facility management contracts over periods ranging from three to eighteen years and its acquired technology over seven years. There is no residual value associated with the Company's finite-lived intangible assets. The Company reviews its finite lived intangible assets for impairment whenever events or changes in circumstances indicate that the carrying amount of such assets may not be fully recoverable. The Company does not amortize its indefinite lived intangible assets. The Company reviews its indefinite

lived intangible assets annually or more frequently if events or changes in circumstances indicate that the asset might be impaired. These reviews resulted in no impairment to the carrying value of the indefinite lived intangible assets for all periods presented. The Company records the costs associated with renewal and extension of facility management contracts as expenses in the period they are incurred.

Debt Issuance Costs

Debt issuance costs, net of accumulated amortization of \$21.5 million and \$19.5 million, totaling \$53.9 million and \$33.1 million at December 31, 2014 and 2013, respectively, are included in Other Non-Current Assets in the accompanying Consolidated Balance Sheets and are amortized to interest expense using the effective interest method over the term of the related debt. When evaluating the accounting for debt transactions and the related costs, in instances when there is a significant decrease in a creditor's individual principal balance, the Company expenses the associated unamortized debt issuance costs.

Variable Interest Entities

The Company evaluates its joint ventures and other entities in which it has a variable interest (a "VIE"), generally in the form of investments, loans, guarantees, or equity in order to determine if it has a controlling financial interest and is required to consolidate the entity as a result. The reporting entity with a variable interest that provides the entity with a controlling financial interest in the VIE will have both of the following characteristics: (i) the power to direct the activities of a VIE that most significantly impact the VIE's economic performance and (ii) the obligation to absorb the losses of the VIE that could potentially be significant to the VIE or the right to receive benefits from the VIE that could potentially be significant to the VIE. The Company consolidated STLDC, a VIE, until September 30, 2013. STLDC was created to finance construction for the development of a 1,904-bed facility in Frio County, Texas. STLDC, the owner of the complex, issued \$49.5 million in taxable revenue bonds and had an operating agreement with the Company, which provided the Company with the sole and exclusive right to operate and manage the detention center. The operating agreement and bond indenture required the revenue from the contract to be used to fund the periodic debt service requirements as they became due. The net revenues, if any, after various expenses such as trustee fees, property taxes and insurance premiums were distributed to the Company to cover operating expenses and management fees. The Company was responsible for the entire operations of the facility including the payment of all operating expenses whether or not there were sufficient revenues. The bonds had a 10-year term and were non-recourse to the Company. At the end of the 10-year term of the bonds, or if the bonds were redeemed, canceled or defeased, title and ownership of the facility would transfer from STLDC to the Company. On September 30, 2013, the Company completed a defeasance of the bonds and the title to the facility was transferred to the Company. In connection with the defeasance, the Company incurred a \$1.5 million loss on extinguishment of debt which represented the excess of the reacquisition price of the defeasance over the net carrying value of the bonds and other defeasance related fees and expenses. Upon the closing of the transaction, the operating agreement was terminated and STLDC is no longer a VIE and is no longer consolidated by the Company. MCF was created in August 2001 as a special limited partnership for the purpose of acquiring, owning, leasing and operating low to medium security adult and juvenile correction and treatment facilities. At its inception, MCF purchased assets representing eleven facilities from certain wholly owned subsidiaries of Cornell Companies, Inc. ("Cornell"), a wholly owned GEO subsidiary, and leased those assets back to Cornell under a Master Lease Agreement (the "Lease"). These assets were purchased from Cornell using proceeds from the 8.47% Revenue Bonds due 2016 (the "MCF bonds"). Under the terms of the Lease, the Company would lease the assets for the remainder of the 20-year base term, which was scheduled to end in 2021, and had options at its sole discretion to renew the Lease for up to approximately 25 additional years. Prior to the transaction discussed below, MCF's sole source of revenue was from the Company and as such the Company had the power to direct the activities of the VIE that most significantly impacted its performance. The Company's risk was generally limited to the rental obligations under the operating leases. This entity was included in the accompanying consolidated financial statements as a VIE through August 31, 2012. The non-controlling interests were also included in the accompanying consolidated financial statements through August 31, 2012. Upon the purchase of the ownership interests in MCF as discussed below, MCF is no longer a VIE but is still included in the accompanying consolidated financial statements and all intercompany transactions are eliminated in consolidation. On August 31, 2012, the Company purchased 100% of the partnership interests of MCF from the third party holders of these interests for a total net consideration of \$35.2 million. After the purchase, the Company redeemed the MCF bonds. As the transaction increased GEO's ownership interest in MCF, from 0% to 100%, and GEO retained its controlling interest in MCF, the purchase of the partnership interests has been accounted for as an equity transaction with additional paid-in capital adjusted for the difference between the August 31,

2012 balance of the non-controlling interest in MCF of \$8.1 million and the \$35.2 million consideration paid, net of MCF deferred tax assets of \$10.0 million, with no gain or loss recorded in consolidated net income or comprehensive income. Refer to Note 3 — Shareholders' Equity. The Company incurred costs related to the purchase of the ownership interests of MCF of \$1.6 million for the fiscal year ended December 31, 2012. These costs were expensed as incurred and included in general and administrative expenses in the accompanying Consolidated Statements of Operations.

The Company does not consolidate its 50% owned South African joint venture interest in South African Custodial Services Pty. Limited ("SACS"), a VIE. SACS joint venture investors are GEO and Kensani Corrections, Pty. Ltd (an independent third party); each partner owns a 50% share. The Company has determined it is not the primary beneficiary of SACS since it does not have the power to direct the activities of SACS that most significantly impact its performance. As such, the Company's investment in this entity is accounted for under the equity method of accounting. SACS was established and subsequently, in 2001, was awarded a 25-year contract to design, finance and build the Kutama Sinthumule Correctional Centre in Louis Trichardt, South Africa. To fund the construction of the prison, SACS obtained long-term financing from its equity partners and lenders, the repayment of which is fully guaranteed by the South African government, except in the event of default, in which case the government guarantee is reduced to 80%. The Company's maximum exposure for loss under this contract is limited to its investment in the joint venture of \$8.0 million at December 31, 2014 and its guarantees related to SACS are discussed in Note 14 — Debt. The Company does not consolidate its 50% owned joint venture in the United Kingdom. In February 2011, The GEO Group Limited, the Company's wholly-owned subsidiary in the United Kingdom ("GEO UK"), executed a Shareholders Agreement (the "Shareholders Agreement") with Amey Community Limited ("Amey") and Amey UK PLC ("Amey Guarantor") to form GEO Amey PECS Limited ("GEOAmey"), a private company limited by shares incorporated in England and Wales. GEOAmey was formed by GEO UK and Amey (an independent third party) for the purpose of performing prisoner escort and related custody services in England and Wales. In order to form this private company, GEOAmey issued share capital of £100 divided into 100 shares of £1 each and allocated the shares 50/50 to GEO UK and Amey. GEO UK and Amey each have three directors appointed to the Board of Directors and neither party has the power to direct the activities that most significantly impact the performance of GEOAmey. As such, the Company's investment in this entity is accounted for under the equity method of accounting. Both parties provide lines of credit of £12.0 million, or \$18.6 million, based on exchange rates in effect as of December 31, 2014, to ensure that GEOAmey can comply with future contractual commitments related to the performance of its operations. As of December 31, 2014, \$16.3 million was owed to the Company by GEOAmey under the line of credit. GEOAmey commenced operations on August 29, 2011.

Fair Value Measurements

The Company defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date ("exit price"). The Company carries certain of its assets and liabilities at fair value, measured on a recurring basis, in the accompanying Consolidated Balance Sheets. The Company also has certain assets and liabilities which are not carried at fair value in its accompanying Consolidated Balance Sheets and discloses the fair value measurements compared to the carrying values as of each balance sheet date. The Company's fair value measurements are disclosed in Note 11 — Financial Instruments and Note 12 — Fair Value of Assets and Liabilities. The Company establishes fair value of its assets and liabilities using a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value into three broad levels which distinguish between assumptions based on market data (observable inputs) and the Company's assumptions (unobservable inputs). The level in the fair value hierarchy within which the respective fair value measurement falls is determined based on the lowest level input that is significant to the measurement in its entirety. Level 1 inputs are quoted market prices in active markets for identical assets or liabilities, Level 2 inputs are other than quotable market prices included in Level 1 that are observable for the asset or liability either directly or indirectly through corroboration with observable market data. Level 3 inputs are unobservable inputs for the assets or liabilities that reflect management's own assumptions about the assumptions market participants would use in pricing the asset or liability. The Company recognizes transfers between Levels 1, 2 and 3 as of the actual date of the event or change in circumstances that cause the transfer.

Revenue Recognition

Facility management revenues are recognized as services are provided under facility management contracts with approved government appropriations based on a net rate per day per inmate or on a fixed monthly rate, as applicable. A limited number of the Company's contracts have provisions upon which a small portion of the revenue for the contract is based on the performance of certain targets. Revenue based on the performance of certain targets is less than 1% of the Company's consolidated annual revenues. These performance targets are based on specific criteria to be met over

specific periods of time. Such criteria includes the Company's ability to achieve certain contractual benchmarks relative to the quality of service it provides, non-occurrence of certain disruptive events, effectiveness of its quality control programs and its responsiveness to customer requirements and concerns. For the limited number of contracts where revenue is based on the performance of certain targets, revenue is either (i) recorded pro rata when revenue is fixed and determinable or (ii) recorded when the specified time period lapses. In many instances, the Company is a party to more than one contract with a single entity. In these instances, each contract is accounted for separately. The Company has not recorded any revenue that is at risk due to future performance contingencies.

Construction revenues are recognized from the Company's contracts with certain customers to perform construction and design services ("project development services") for various facilities. In these instances, the Company acts as the primary developer and subcontracts with bonded National and/or Regional Design Build Contractors. These construction revenues are recognized as earned on a percentage of completion basis measured by the percentage of costs incurred to date as compared to the estimated total cost for each contract. Provisions for estimated losses on uncompleted contracts and changes to cost estimates are made in the period in which the Company determines that such losses and changes are probable. Typically, the Company enters into fixed price contracts and does not perform additional work unless approved change orders are in place. Costs attributable to unapproved change orders are expensed in the period in which the costs are incurred if the Company believes that it is not probable that the costs will be recovered through a change in the contract price. If the Company believes that it is probable that the costs will be recovered through a change in the contract price, costs related to unapproved change orders are expensed in the period in which they are incurred, and contract revenue is recognized to the extent of the costs incurred. Revenue in excess of the costs attributable to unapproved change orders is not recognized until the change order is approved. Changes in job performance, job conditions, and estimated profitability, including those arising from contract penalty provisions, and final contract settlements, may result in revisions to estimated costs and income, and are recognized in the period in which the revisions are determined. For the years ended December 31, 2014, 2013 and 2012, there have been no changes in job performance, job conditions and estimated profitability that would require a revision to the estimated costs and income related to project development services. As the primary contractor, the Company is exposed to the various risks associated with construction, including the risk of cost overruns. Accordingly, the Company records its construction revenue on a gross basis and includes the related cost of construction activities in Operating Expenses. When evaluating multiple element arrangements for certain contracts where the Company provides project development services to its clients in addition to standard management services, the Company follows revenue recognition guidance for multiple element arrangements under ASC 605-25 "Multiple Element Arrangements". This revenue recognition guidance related to multiple deliverables in an arrangement provides guidance on determining if separate contracts should be evaluated as a single arrangement and if an arrangement involves a single unit of accounting or separate units of accounting and if the arrangement is determined to have separate units, how to allocate amounts received in the arrangement for revenue recognition purposes. In instances where the Company provides these project development services and subsequent management services, generally, the arrangement results in no delivered elements at the onset of the agreement. The elements are delivered, and revenue is recognized, over the contract period as the project development and management services are performed. Project development services are generally not provided separately to a customer without a management contract. The Company has determined that the significant deliverables in such an arrangement during the project development phase and services performed under the management contract qualify as separate units of accounting. With respect to the deliverables during the management services period, the Company regularly negotiates such contracts and provides management services to its customers outside of any arrangement for construction. The Company establishes per diem rates for all of its management contracts based on, amongst other factors, expected and guaranteed occupancy, costs of providing the services and desired margins. As such, the fair value of the consideration to each deliverable was determined using the Company's estimated selling price for the project development deliverable and vendor specific objective evidence for the facility management services deliverable.

Lease Revenue

The Company leases two of its owned facilities to unrelated parties. One lease has a term of ten years and expires in January 2018 with an option to extend for up to three additional five-year terms. The carrying value of this leased facility as of December 31, 2014 and 2013 was \$32.5 million and \$33.4 million, respectively, net of accumulated depreciation of \$6.7 million and \$5.8 million, respectively. The other facility lease is effective January 2014 with a one-year term and options to extend for up to three additional one-year terms. The carrying value of this leased facility as of December 31, 2014 and 2013 was \$1.1 million and \$1.2 million, respectively, net of accumulated depreciation of \$0.4 million and \$0.2 million, respectively. Rental income, included in Revenues, received on these leases were \$4.6 million,

\$4.5 million and \$4.5 million for the years ended December 31, 2014 and 2013 and 2012, respectively. As of December 31, 2014, future minimum rentals to be received on these leases are as follows:

| Year | Annual Rental (In thousands) |
|------------|---------------------------------|
| 2015 | \$ 5,030 |
| 2016 | 5,054 |
| 2017 | 5,206 |
| 2018 | 351 |
| | \$ 15,641 |

Income Taxes

The consolidated financial statements reflect provisions for federal, state, local and foreign income taxes. The Company recognizes deferred tax assets and liabilities for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax basis, as well as operating loss and tax credit carryforwards. The Company measures deferred tax assets and liabilities using enacted tax rates expected to apply to taxable income in the years in which those temporary differences and carryforwards are expected to be recovered or settled. The effect on deferred tax assets and liabilities as a result of a change in tax rates is recognized as income in the period that includes the enactment date. At December 31, 2012, the Company had revalued certain deferred tax assets and liabilities related to its REIT activities. Refer to Note 17-Income Taxes in the notes to the consolidated financial statements included in Part II, Item 8 of this annual report on Form 10-K. Effective January 1, 2013, as a REIT that plans to distribute 100% of its taxable income to shareholders, the Company does not expect to pay federal income taxes at the REIT level (including its qualified REIT subsidiaries), as the resulting dividends paid deduction will generally offset its taxable income. Since the Company does not expect to pay taxes on its REIT taxable income, it does not expect to be able to recognize such deferred tax assets and liabilities. Deferred income taxes related to the TRS structure are determined based on the estimated future tax effects of differences between the financial statement and tax basis of assets and liabilities given the provisions of enacted tax laws. Significant judgments are required to determine the consolidated provision for income taxes. Deferred income tax provisions and benefits are based on changes to the assets or liabilities from year to year. Realization of the Company's deferred tax assets is dependent upon many factors such as tax regulations applicable to the jurisdictions in which the Company operates, estimates of future taxable income and the character of such taxable income. Additionally, the Company must use significant judgment in addressing uncertainties in the application of complex tax laws and regulations. If actual circumstances differ from the Company's assumptions, adjustments to the carrying value of deferred tax assets or liabilities may be required, which may result in an adverse impact on the results of its operations and its effective tax rate. Valuation allowances are recorded related to deferred tax assets based on the "more likely than not" criteria. The Company has not made any significant changes to the way it accounts for its deferred tax assets and liabilities in any year presented in the consolidated financial statements, with the exception of the December 31, 2012 revaluation of certain deferred tax assets and liabilities related to its REIT activities. Based on its estimate of future earnings and its favorable earnings history, the Company currently expects full realization of the deferred tax assets net of any recorded valuation allowances. Furthermore, tax positions taken by the Company may not be fully sustained upon examination by the taxing authorities. In determining the adequacy of our provision (benefit) for income taxes, potential settlement outcomes resulting from income tax examinations are regularly assessed. As such, the final outcome of tax examinations, including the total amount payable or the timing of any such payments upon resolution of these issues, cannot be estimated with certainty.

Reserves for Insurance Losses

The nature of the Company's business exposes it to various types of third-party legal claims, including, but not limited to, civil rights claims relating to conditions of confinement and/or mistreatment, sexual misconduct claims brought by prisoners or detainees, medical malpractice claims, product liability claims, intellectual property infringement claims, claims relating to employment matters (including, but not limited to, employment discrimination claims, union grievances and wage and hour claims), property loss claims, environmental claims, automobile liability claims, contractual claims and claims for personal injury or other damages resulting from contact with our facilities, programs, electronic monitoring products, personnel or prisoners, including damages arising from a prisoner's escape or from a

disturbance or riot at a facility. In addition, the Company's management contracts generally require it to indemnify the governmental agency against any damages to which the governmental agency may be subject in connection with such claims or litigation. The Company maintains a broad program of insurance coverage for these general types of claims, except for claims relating to employment matters, for which the Company carries no insurance. There can be no assurance that the Company's insurance coverage will be adequate to cover all claims to which it may be exposed. It is the Company's general practice to bring merged or acquired companies into its corporate master policies in order to take advantage of certain economies of scale. The Company currently maintains a general liability policy and excess liability policies with total limits of \$67.0 million per occurrence and in the aggregate covering the operations of U.S. Corrections & Detention, GEO Care's community based services, GEO Care's youth services and BI. The Company has a claims-made liability insurance program with a specific loss limit of \$35.0 million per occurrence and in the aggregate related to medical professional liability claims arising out of correctional healthcare services. The Company is uninsured for any claims in excess of these limits. We also maintain insurance to cover property and other casualty risks including, workers' compensation, environmental liability and automobile liability. For most casualty insurance policies, the Company carries substantial deductibles or self-insured retentions of \$3.0 million per occurrence for general liability and medical professional liability, \$2.0 million per occurrence for workers' compensation and \$1.0 million per occurrence for automobile liability. In addition, certain of the Company's facilities located in Florida and other high-risk hurricane areas carry substantial windstorm deductibles. Since hurricanes are considered unpredictable future events, no reserves have been established to pre-fund for potential windstorm damage. Limited commercial availability of certain types of insurance relating to windstorm exposure in coastal areas and earthquake exposure mainly in California and the Pacific Northwest may prevent the Company from insuring some of its facilities to full replacement value. With respect to operations in South Africa, the United Kingdom and Australia, the Company utilizes a combination of locally-procured insurance and global policies to meet contractual insurance requirements and protect the Company. In addition to these policies, the Company's Australian subsidiary carries tail insurance on a general liability policy related to a discontinued contract. Of the reserves discussed above, the Company's most significant insurance reserves relate to workers' compensation, general liability and auto claims. These reserves are undiscounted and were \$49.5 million and \$47.6 million as of December 31, 2014 and 2013, respectively, and are included in Accrued Expenses in the accompanying Consolidated Balance Sheets. The Company uses statistical and actuarial methods to estimate amounts for claims that have been reported but not paid and claims incurred but not reported. In applying these methods and assessing their results, the Company considers such factors as historical frequency and severity of claims at each of its facilities, claim development, payment patterns and changes in the nature of its business, among other factors. Such factors are analyzed for each of the Company's business segments. The Company estimates may be impacted by such factors as increases in the market price for medical services and unpredictability of the size of jury awards. The Company also may experience variability between its estimates and the actual settlement due to limitations inherent in the estimation process, including its ability to estimate costs of processing and settling claims in a timely manner as well as its ability to accurately estimate the Company's exposure at the onset of a claim. Because the Company has high deductible insurance policies, the amount of its insurance expense is dependent on its ability to control its claims experience. If actual losses related to insurance claims significantly differ from the Company's estimates, its financial condition, results of operations and cash flows could be materially adversely impacted.

Comprehensive Income (Loss)

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

| | Foreign currency translation adjustments, net of tax attributable to The GEO Group, Inc.[1] | Unrealized loss on derivatives, net of tax | Pension adjustments, net of tax | Total |
|---|---|--|------------------------------------|-------------|
| Balance, December 31, 2013..... | \$ (2,441) | \$ (274) | \$ (1,714) | \$ (4,429) |
| Current-period other comprehensive loss ... | (4,462) | (16,048) | (2,522) | (23,032) |
| Balance, December 31, 2014..... | \$ (6,903) | \$ (16,322) | \$ (4,236) | \$ (27,461) |

- [1] The foreign currency translation adjustment, net of tax, related to noncontrolling interests was not significant for the year ended December 31, 2014 or December 31, 2013.

There were no reclassifications out of other comprehensive income (loss) during the year.

Foreign Currency Translation

The Company's foreign operations use their local currencies as their functional currencies. Assets and liabilities of the operations are translated at the exchange rates in effect on the balance sheet date and shareholders' equity is translated at historical rates. Income statement items are translated at the average exchange rates for the year. Any adjustment resulting from translating the financial statements of the foreign subsidiary is reflected as other comprehensive income, net of related tax. Gains and losses on foreign currency transactions are included in the statement of operations.

Derivatives

The Company's primary objective in holding derivatives is to reduce the volatility of earnings and cash flows associated with changes in interest rates. The Company measures its derivative financial instruments at fair value and records derivatives as either assets or liabilities on the balance sheet. For derivatives that are designed as and qualify as effective cash flow hedges, the portion of gain or loss on the derivative instrument effective at offsetting changes in the hedged item is reported as a component of accumulated other comprehensive income and reclassified into earnings when the hedged transaction affects earnings. For derivative instruments that are designated as and qualify as effective fair value hedges, the gain or loss on the derivative instruments as well as the offsetting gain or loss on the hedged items attributable to the hedged risk is recognized in current earnings as interest income (expense) during the period of the change in fair values. For derivative instruments that do not meet the requirements for hedge accounting, changes in fair value are recorded in earnings.

The Company formally documents all relationships between hedging instruments and hedge items, as well as its risk-management objective and strategy for undertaking various hedge transactions. This process includes attributing all derivatives that are designated as cash flow hedges to floating rate liabilities and attributing all derivatives that are designated as fair value hedges to fixed rate liabilities. The Company also assesses whether each derivative is highly effective in offsetting changes in the cash flows of the hedged item. Fluctuations in the value of the derivative instruments are generally offset by changes in the hedged item; however, if it is determined that a derivative is not highly effective as a hedge or if a derivative ceases to be a highly effective hedge, the Company will discontinue hedge accounting prospectively for the affected derivative.

Stock-Based Compensation Expense

The Company recognizes the cost of stock-based compensation awards based upon the grant date fair value of those awards. The Company uses a Black-Scholes option valuation model to estimate the fair value of options awarded. The impact of forfeitures that may occur prior to vesting is also estimated and considered in the amount recognized. Stock-based compensation expense is recognized ratably over the requisite service period, which is typically the vesting period.

The fair value of stock-based option awards was estimated using the Black-Scholes option-pricing model with the following weighted average assumptions for options awarded during years 2014 and 2012 (there were no options awarded during 2013):

| | 2014 | 2012 |
|--------------------------------|-----------|-----------|
| Risk free interest rates | 0.62% | 0.78% |
| Expected term | 4-5 years | 4-5 years |
| Expected volatility | 27% | 40% |
| Expected dividend rate | 7.00% | 3.00% |

The Company uses historical data to estimate award exercises and employee terminations within the valuation model. The expected term of the awards represents the period of time that awards granted are expected to be outstanding and is based on historical data and expected holding periods. During 2012, the Company began declaring quarterly dividends. The expected dividend rate for awards granted in 2012 was based on the Company's expected future dividend yield prior to the REIT conversion and the effect of the 2012 Special Dividend. In connection with the 2012 divestiture of RTS (refer to Note 2 — Discontinued Operations) and the stock component of the Special Dividend, the Company modified certain of its share-based payment awards as more fully discussed in Note 4 — Equity Incentive Plans.

For restricted stock share-based awards that contain a performance condition, the achievement of the targets must be probable before any share-based compensation is recorded. If subsequent to initial measurement there is a change in the estimate of the probability of meeting the performance condition, the effect of the change in the estimated quantity of awards expected to vest is recognized by cumulatively adjusting compensation expense. If ultimately the performance targets are not met, for any awards where vesting was previously deemed probable, previously recognized compensation expense will be reversed in the period in which vesting is no longer deemed probable.

For restricted stock share-based awards that contain a market condition, the probability of satisfying the market condition is considered in the estimate of grant-date fair value and previously recorded compensation expense is not reversed if the market condition is never met. The fair value of restricted stock awards granted in 2014 with market-based performance conditions was determined based on a Monte Carlo simulation, which calculates a range of possible outcomes and the probabilities that they will occur, using the following key assumptions: (i) volatility of 25.6%; (ii) beta of 0.74; and (iii) risk free rate of 0.62%. The fair value of restricted stock awards granted in 2013 with market-based performance conditions was also determined based on a Monte Carlo simulation using the following key assumptions: (i) volatility of 26.6%; (ii) beta of 0.681; and (iii) risk free rate of 0.42%. Refer to Note 4 — Equity Incentive Plans.

Treasury Stock

The Company accounts for repurchases of common stock using the cost method with common stock held in treasury classified as a reduction of shareholders' equity in its Consolidated Balance Sheets. Shares re-issued out of treasury are recorded based on a last-in first-out method. In 2014, the Company retired each share of common stock held in treasury in connection with its merger into GEO REIT.

Earnings Per Share

Basic earnings per share is computed by dividing the income from continuing operations attributable to GEO, and income (loss) from discontinued operations and net income attributable to GEO, by the weighted average number of outstanding shares of common stock. The calculation of diluted earnings per share is similar to that of basic earnings per share, except that the denominator includes the dilutive effect, if any, of common stock equivalents such as stock options and shares of restricted stock.

Recent Accounting Pronouncements

In January 2015, the FASB issued ASU No. 2015-01 "*Simplifying Income Statement Presentation by Eliminating the Concept of Extraordinary Items*," which eliminates the concept of extraordinary items altogether from U.S. GAAP. By removing the concept of extraordinary items from U.S. GAAP, this ASU removes the uncertainty and disparity in practice involved in identifying, presenting, and disclosing extraordinary items, as well as more closely aligns U.S. GAAP with IFRS. As with all of the FASB's simplification initiatives, the new guidance is also expected to reduce the costs and complexity of financial statement preparation. The amendments resulting from ASU 2015-01 are effective for all entities for fiscal years, and for interim periods within those fiscal years, beginning after December 15, 2015, with earlier adoption permitted provided that the guidance is applied from the beginning of the fiscal year of adoption. The implementation of this standard is not expected to have a material impact on the Company's financial position, results of operations or cash flows.

In June 2014, the FASB issued ASU No. 2014-12, "*Accounting for Share-Based Payments When the Terms of an Award Provide That a Performance Target Could Be Achieved after the Requisite Service Period*," which resolves the diverse accounting treatment of share-based payments on an award where the terms provide that the performance target could be achieved after an employee completes the requisite service period. The amendments require that a performance target that affects vesting and that could be achieved after the requisite service period be treated as a performance condition. The amendments in this update apply to all reporting entities that grant their employees share-based payments in which the terms of the award provide that a performance target that affects vesting could be achieved after the requisite service period. This standard will become effective for annual periods and interim periods within those annual periods beginning on or after December 15, 2015. The implementation of this standard is not expected to have a material impact on the Company's financial position, results of operations or cash flows.

In May 2014, the FASB issued ASU No. 2014-09, "*Revenue from Contracts with Customers*," which initiates a joint project between FASB and the International Accounting Standards Board ("IASB") to clarify the principles for recognizing revenue and develop a common revenue standard for U.S. GAAP and IFRS. The core principle of the

guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for goods or services. The guidance in this update affects any entity that either enters into contracts with customers to transfer goods or services or enters into contracts for the transfer of nonfinancial assets unless those contracts are within the scope of other standards. This standard will become effective for annual periods, beginning after December 15, 2016, including those interim periods within that reporting period. Early adoption is not permitted. An entity may apply the amendment in this update retrospectively to each reporting period presented, or retrospectively with the cumulative effect of initially applying this update recognized at the date of initial application. The Company is in the process of evaluating whether this standard would have a material impact on the Company's financial position, results of operations or cash flows. In April 2014, the FASB issued ASU No. 2014-08, "*Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity*," which changes the requirements for reporting discontinued operations. A discontinued operation may include a component of an entity or group of components of an entity, or a business or nonprofit activity. Under the ASU, only those disposals of components of an entity that represent a strategic shift that has (or will have) a major effect on an entity's operations and financial results will be reported as discontinued operations in the financial statements. This standard will become effective for disposals or activities classified as held for sale that occur within annual periods beginning on or after December 15, 2014. The implementation of this standard is not expected to have a material impact on the Company's financial position, results of operations or cash flows.

In January 2014, the FASB issued ASU No. 2014-05, "*Service Concession Arrangements*," which specifies that an operating entity should not account for a service concession arrangement that falls within the scope of this update as a lease in accordance with Topic 840. An operating entity should refer to other Topics as applicable to account for various aspects of a service concession arrangement. The amendments also specify that the infrastructure used in a service concession arrangement should not be recognized as property, plant and equipment of the operating entity. A service concession arrangement is defined as an arrangement between a public-sector entity and an operating entity for which the terms provide that the operating entity will operate the public-sector entity's infrastructure (for example, airports, roads, bridges, tunnels, prisons and hospitals) for a specified period of time. This standard will become effective for annual periods, and interim periods within those annual periods, beginning after December 31, 2014. The implementation of this standard is not expected to have a material impact on the Company's financial position, results of operations or cash flows. Other recent accounting pronouncements issued by the FASB (including its Emerging Issues Task Force), the American Institute of Certified Public Accountants and the SEC did not, or are not expected to, have a material effect on the Company's results of operations or financial position.

2. Discontinued Operations

Divestiture of RTS

On December 31, 2012, as part of the Company's restructuring steps allowing it to begin operating as a REIT beginning January 1, 2013, the Company completed the divestiture of its RTS operating component, which was purchased by GEO Care LLC, an entity owned by certain current and former members of GEO's management team (the "MBO Group"). Cash proceeds from the divestiture amounted to \$33.3 million. Certain members of the MBO group sold 295,959 shares of common stock back to the Company for a total price of \$8.6 million which was used to fund a portion of the purchase price. All provisional purchase price adjustments that had a one year period from the transaction date have expired as of December 31, 2014.

In connection with the RTS divestiture, the Company and GEO Care LLC entered into a services agreement pursuant to which the Company provides accounting support, information systems services, legal support services, risk management services, property management and design services and office space for a five-year term in return for an annual fee (the "Services Agreement"). The Company and GEO Care LLC also executed a license agreement pursuant to which the Company granted to GEO Care LLC an exclusive license for a five-year term to use the GEO Care service mark and domain name in connection with the RTS business in return for an annual fee (the "License Agreement"). The Services Agreement and License Agreement could be terminated by GEO Care LLC at any time by paying a lump sum amount in cash equal to all remaining payments that would be required to be made to the Company under the agreements during the five-year term, discounted to present value using a discount rate of 10%. On February 28, 2014, GEO Care LLC, the Company's formerly wholly owned subsidiary exercised its right to terminate the Services Agreement and License Agreement with GEO. As a result, GEO Care LLC made a lump sum payment to the Company in the amount of \$6.5 million which represented all remaining payments that would have been required to be made to GEO under the agreements, discounted to present value using a discount rate of 10%. Pursuant to the termination, the

terms under the Service Agreement will remain in effect until June 30, 2015 and the License Agreement remained in effect until January 1, 2015. Effective January 1, 2015, GEO regained ownership of the GEO Care service mark and domain name. The amount of the termination payment, which is recorded as deferred revenue and included in other current and non-current liabilities in the accompanying consolidated balance sheet, will be amortized through the remaining terms of the termination agreements.

During the years ended December 31, 2014 and 2013, the Company earned fees under the above noted Services Agreement and License Agreement amounting to an aggregate of \$4.6 million and \$2.0 million, respectively, which has been recorded as an offset to operating expenses in the accompanying Consolidated Statements of Operations. The disposal of RTS resulted in a loss in the overall customer relationship as no future significant cash flows will be generated for the Company by RTS and the Company will have no continuing involvement with RTS. The operating results of RTS and the loss on disposal have been classified in discontinued operations. Revenues related to the discontinued operations of RTS through its respective disposition date were \$167.2 million for the fiscal year ended December 31, 2012.

U.S. Corrections & Detention

On April 19, 2012, the Company announced its discontinuation of its managed-only contract with the State of Mississippi Department of Corrections (“MDOC”) for the 1,500-bed East Mississippi Correctional Facility (“East Mississippi”) effective July 19, 2012. In connection with the discontinuation of East Mississippi, the Company has also discontinued all other management contracts with the MDOC, including its managed-only contracts for the 1,000-bed Marshall County Correctional Facility effective August 13, 2012, and the 1,450-bed Walnut Grove Youth Correctional Facility effective July 1, 2012. Revenues related to the discontinued operations of MDOC through their respective disposition dates were \$24.5 million and \$44.9 million for the fiscal year ended December 31, 2012. The loss of all management contracts with MDOC resulted in a loss in the overall customer relationship with MDOC as no future significant cash flows will be generated and the Company will have no continuing involvement with MDOC. As such, the results are classified in discontinued operations in accordance with our critical accounting policy on discontinued operations.

Summarized financial information for discontinued operations included in the accompanying Consolidated Statements of Operations is as follows:

| | Year Ended | | |
|---|----------------|------------|-------------|
| | (in thousands) | | |
| | 2014 | 2013 | 2012 |
| Discontinued Operations: | | | |
| Income from discontinued operations — RTS..... | \$ — | \$ — | \$ 10,117 |
| Loss from discontinued operations — Mississippi | — | (2,265) | (3,881) |
| Loss on disposition of RTS | — | — | (24,701) |
| Income tax benefit..... | — | — | (7,805) |
| Net loss from discontinued operations, net of taxes | \$ — | \$ (2,265) | \$ (10,660) |

Loss from discontinued operations during the year ended December 31, 2013 represents a charge of \$2.3 million of insurance liability claims which are directly related to MDOC.

All losses from the above noted discontinued operations included in the Consolidated Statements of Operations is attributable to GEO.

3. Shareholders' Equity

Common Stock

Each holder of the Company's common stock is entitled to one vote per share on all matters to be voted upon by the Company's shareholders. Upon any liquidation, dissolution or winding up of the Company, the holders of common stock are entitled to share equally in all assets available for distribution after payment of all liabilities, subject to the liquidation preference of shares of preferred stock, if any, then outstanding.

Distributions

As a REIT, GEO is required to distribute annually at least 90% of its REIT taxable income (determined without regard to the dividends paid deduction and by excluding net capital gain) and began paying regular quarterly REIT dividends in 2013. The amount, timing and frequency of future dividends, however, will be at the sole discretion of GEO's Board of Directors (the "Board") and will be declared based upon various factors, many of which are beyond GEO's control, including, GEO's financial condition and operating cash flows, the amount required to maintain REIT status and reduce any income taxes that GEO otherwise would be required to pay, limitations on distributions in GEO's existing and future debt instruments, limitations on GEO's ability to fund distributions using cash generated through GEO's TRSs and other factors that GEO's Board may deem relevant. On December 6, 2012, the Company announced the declaration by the Board of a special dividend of accumulated earnings and profits to shareholders of record as of December 12, 2012, with each shareholder having the right to elect cash or shares of common stock, except that the amount of cash payable was limited to the amount of cash paid pursuant to a lottery procedure plus 20% of the total dividend amount remaining after the lottery. The special dividend, amounting to \$352.2 million, or \$5.68 per share of common stock, was paid on December 31, 2012. Pursuant to the special dividend, GEO issued 9,688,568 shares of common stock and paid cash of \$77.8 million. During the years ended December 31, 2014, 2013 and 2012, GEO declared and paid the following regular cash distributions to its stockholders which were treated for federal income taxes as follows:

| Declaration Date | Payment Date | Record Date | Distribution Per Share | Ordinary Dividends | | | Nondividend Distributions(2) | Aggregate Payment Amount (millions) |
|-------------------|-------------------|-------------------|------------------------|--------------------|---------------|-------------|------------------------------|-------------------------------------|
| | | | | Qualified(1) | Non-Qualified | | | |
| August 7, 2012 | September 7, 2012 | August 21, 2012 | \$ 0.20 | N/A | N/A | N/A | \$ 12.3 | |
| October 31, 2012 | November 30, 2012 | November 16, 2012 | \$ 0.20 | N/A | N/A | N/A | \$ 12.3 | |
| January 17, 2013 | March 1, 2013 | February 15, 2013 | \$ 0.50 | \$ 0.1551057 | \$ 0.3448943 | — | \$ 35.7 | |
| May 7, 2013 | June 3, 2013 | May 20, 2013 | \$ 0.50 | \$ 0.1551057 | \$ 0.3448943 | — | \$ 35.8 | |
| July 30, 2013 | August 29, 2013 | August 19, 2013 | \$ 0.50 | \$ 0.1551057 | \$ 0.3448943 | — | \$ 36.1 | |
| November 1, 2013 | November 26, 2013 | November 14, 2013 | \$ 0.55 | \$ 0.1706163 | \$ 0.3793837 | — | \$ 39.6 | |
| February 18, 2014 | March 14, 2014 | March 3, 2014 | \$ 0.57 | \$ 0.0448272 | \$ 0.4154156 | \$0.1097572 | \$ 41.1 | |
| April 28, 2014 | May 27, 2014 | May 15, 2014 | \$ 0.57 | \$ 0.0448272 | \$ 0.4154156 | \$0.1097572 | \$ 41.5 | |
| August 5, 2014 | August 29, 2014 | August 18, 2014 | \$ 0.57 | \$ 0.0448272 | \$ 0.4154156 | \$0.1097572 | \$ 41.4 | |
| November 5, 2014 | November 26, 2014 | November 17, 2014 | \$ 0.62 | \$ 0.0487594 | \$ 0.4518556 | \$0.1097572 | \$ 46.0 | |

(1) The amount constitutes a "Qualified Dividend", as defined by the Internal Revenue Service.

(2) The amount constitutes a "Return of Capital", as defined by the Internal Revenue Service.

Prospectus Supplement

On May 8, 2013, the Company filed with the Securities and Exchange Commission a prospectus supplement related to the offer and sale from time to time of the Company's common stock at an aggregate offering price of up to \$100 million through sales agents. Sales of shares of the Company's common stock under the prospectus supplement and the equity distribution agreements entered into with the sales agents, if any, may be made in negotiated transactions or transactions that are deemed to be "at the market" ("ATM") offerings as defined in Rule 415 under the Securities Act of 1933. On July 18, 2014, the Company filed with the Securities and Exchange Commission a post-effective amendment to its shelf registration statement on Form S-3 (pursuant to which the prospectus supplement had been filed) as a result of the merger of the Company into GEO REIT effective June 27, 2014. During the year ended December 31, 2014, there were approximately 1.5 million shares of common stock sold under the prospectus supplement for net proceeds of \$54.7 million. There were no shares of the Company's common stock sold under the prospectus supplement during the year ended December 31, 2013. In September 2014, the Company filed with the Securities and Exchange Commission a new shelf registration statement on Form S-3. On

November 10, 2014, in connection with the new shelf registration, the Company filed with the Securities and Exchange Commission a new prospectus supplement related to the offer and sale from time to time of the Company's common stock at an aggregate offering price of up to \$150 million through sales agents. Sales of shares of the Company's common stock under the prospectus supplement and the equity distribution agreements entered into with the sales agents, if any, may be made in negotiated transactions or transactions that are deemed to be "at the market" offerings as defined in Rule 415 under the Securities Act of 1933. There were no shares of the Company's stock issued under this prospectus supplement during the year ended December 31, 2014.

Preferred Stock

In April 1994, the Company's Board authorized 30 million shares of "blank check" preferred stock. The Board is authorized to determine the rights and privileges of any future issuance of preferred stock such as voting and dividend rights, liquidation privileges, redemption rights and conversion privileges. As of December 31, 2014, there were no shares of preferred stock outstanding.

Noncontrolling Interests

Upon the acquisition of Cornell in August 2010, the Company assumed MCF as a variable interest entity and allocated a portion of the purchase price to the noncontrolling interest based on the estimated fair value of MCF. The noncontrolling interest in MCF represented 100% of the equity in MCF which was contributed by its partners at inception in 2001. The Company recorded the results of operations and financial position of MCF as noncontrolling interest in its consolidated financial statements through August 31, 2012. As further discussed in Note 1 — Summary of Business Organization, Operations and Significant Accounting Policies under *Variable Interest Entities*, effective August 31, 2012, the Company purchased 100% of the partnership interests of MCF. In connection with the transaction, the noncontrolling interest was reclassified to additional paid-in-capital. During the year ended December 31, 2012, \$5.8 million in cash distributions were made to the then existing partners of MCF.

The Company includes the results of operations and financial position of South African Custodial Management Pty. Limited ("SACM" or the "joint venture"), its majority-owned subsidiary, in its consolidated financial statements. SACM was established in 2001 to operate correctional centers in South Africa. The joint venture currently provides security and other management services for the Kutama Sinthumule Correctional Centre in the Republic of South Africa under a 25-year management contract which commenced in February 2002. The Company's and the second joint venture partner's shares in the profits of the joint venture are 88.75% and 11.25%, respectively. There were no changes in the Company's ownership percentage of the consolidated subsidiary during the years ended December 31, 2014, 2013 and 2012.

4. Equity Incentive Plans

The Company previously had awards outstanding under The GEO Group, Inc. 2006 Stock Incentive Plan (the "2006 Plan"). On February 4, 2013, the Compensation Committee resolved to increase the number of shares of common stock subject to awards under the 2006 Plan from 4,400,000 to 5,087,385 shares of common stock pursuant to Section 5(f) of the 2006 Plan as a result of the adjustment necessary because of the stock portion of the special dividend paid on December 31, 2012.

In 2014, the Board of Directors adopted The GEO Group, Inc. 2014 Stock Incentive Plan (the "2014 Plan"), which was approved by the Company's shareholders on May 2, 2014. The 2014 Plan replaces the 2006 Plan. The 2014 Plan provides for a reserve of 3,083,353 shares, which consists of 2,000,000 new shares of common stock available for issuance and 1,083,353 shares of common stock that were available for issuance under the 2006 Plan prior to the 2014 Plan replacing it. At December 31, 2014, there were 3,083,353 shares of common stock reserved for issuance in connection with awards under the 2014 Plan and outstanding options exercisable for 663,918 shares of common stock under the 2006 Plan.

Under the terms of the 2014 Plan, the vesting period and, in the case of stock options, the exercise price per share, are determined by the terms of each plan. All stock options that have been granted under the Company plans are exercisable at the fair market value of the common stock at the date of the grant. Generally, the stock options vest and become exercisable ratably over a four-year period, beginning immediately on the date of the grant. However, the Board of Directors has exercised its discretion to grant stock options that vest 100% immediately for the Chief Executive Officer. All stock options awarded under the 2014 Plan expire no later than ten years after the date of the grant. When options are exercised, the Company issues shares related to exercised options out of common stock.

Award Modifications

In connection with the 2012 divestiture of RTS (Refer to Note 2 — Discontinued Operations), all employees of RTS terminated their employment with GEO effective December 31, 2012. Nineteen of these employees had 24,100 unvested options and 8,375 unvested shares of restricted stock from previously granted GEO share-based awards. The Compensation Committee of the Board of Directors resolved on December 11, 2012 to accelerate the vesting of these awards and the Company recorded a compensation charge of approximately \$0.3 million during the fourth quarter and fiscal year ended December 31, 2012.

In connection with mandatory anti-dilution provisions of GEO's equity incentive plans, as it pertained to the Special Dividend, an adjustment was made to all options outstanding on December 31, 2012 to (i) increase the number of shares subject to an option by multiplying the number of shares by 1.156 (the "Adjustment Factor") and (ii) reduce the exercise price per share of common stock subject to the options by dividing the initial exercise price by the Adjustment Factor. The Adjustment Factor was determined by the percentage increase in the Company's common stock in connection with the stock portion of the Special Dividend. The adjustment affected all GEO employees who had outstanding option grants on December 31, 2012 (313 employees) and resulted in approximately 0.2 million of incremental options awarded. As the adjustment was designed to equalize the fair value of the option award for the stock portion of the Special Dividend and the Company plans included an anti-dilution provision, there was no incremental compensation cost resulting from the incremental options awarded.

The Company recognized compensation expense related to the Company plans for the years ended December 31, 2014, 2013 and 2012 as follows (in thousands):

| | 2014 | 2013 | 2012 |
|---------------------------------|----------|----------|----------|
| Stock option plan expense | \$ 1,161 | \$ 1,307 | \$ 2,539 |
| Restricted stock expense..... | \$ 7,748 | \$ 6,582 | \$ 4,449 |

Stock Options

A summary of the activity of the Company's stock options plans is presented below:

| | Shares | Wtd. Avg. Exercise Price | Wtd. Avg. Remaining Contractual Term (years) | Aggregate Intrinsic Value |
|---|----------------|--------------------------------|---|---------------------------------|
| | (In thousands) | | | (In thousands) |
| Options outstanding at December 31, 2013 | 849 | \$ 19.67 | 6.39 | \$ 10,654 |
| Granted..... | 227 | 32.41 | | |
| Exercised..... | (386) | 19.33 | | |
| Forfeited/Canceled..... | (26) | 27.00 | | |
| Options outstanding at December 31, 2014..... | 664 | \$ 23.89 | 6.77 | \$ 10,935 |
| Options vested and expected to vest at December 31, 2014 | 638 | \$ 23.65 | 6.69 | \$ 10,661 |
| Options exercisable at December 31, 2014 | 363 | \$ 20.82 | 5.74 | \$ 7,095 |

The aggregate intrinsic value in the table above represents the total pretax intrinsic value (i.e., the difference between the Company's closing stock price on the last trading day of fiscal year 2014 and the exercise price, times the number of shares that are "in the money") that would have been received by the option holders had all option holders exercised their options on December 31, 2014. This amount changes based on the fair value of the Company's stock.

The following table summarizes information relative to stock option activity during the years ended December 31, 2014, 2013 and 2012 (in thousands):

| | 2014 | 2013 | 2012 |
|--|----------|----------|----------|
| Intrinsic value of options exercised | \$ 5,736 | \$ 5,564 | \$ 7,051 |
| Fair value of shares vested | \$ 1,095 | \$ 1,679 | \$ 2,062 |

The following table summarizes information about the exercise prices and related information of stock options outstanding under the Company plans at December 31, 2014:

| Exercise Prices | Options Outstanding | | | Options Exercisable | | |
|---------------------|---------------------|--------------------------------------|--------------------------|---------------------|--------------------------------------|--------------------------|
| | Number Outstanding | Wtd. Avg. Remaining Contractual Life | Wtd. Avg. Exercise Price | Number Exercisable | Wtd. Avg. Remaining Contractual Life | Wtd. Avg. Exercise Price |
| | (In thousands) | | | | | |
| 13.72 – 18.23 | 111 | 4.64 | \$ 17.38 | 111 | 4.64 | \$ 17.38 |
| 18.65 – 22.26 | 285 | 5.77 | \$ 21.13 | 188 | 5.56 | \$ 21.00 |
| 22.30 – 32.41 | 268 | 8.70 | \$ 29.55 | 64 | 8.18 | \$ 26.25 |
| Total | 664 | 6.77 | \$ 23.89 | 363 | 5.74 | \$ 20.82 |

The weighted average grant date fair value of options granted during the year ended December 31, 2014 was \$2.92 per share. There were 0.2 million options granted during the year ended December 31, 2014. There were no options granted during the year ended December 31, 2013.

The following table summarizes the status of non-vested stock options as of December 31, 2014 and 2013, and changes during the year ending December 31, 2014:

| | Number of Shares | Wtd. Avg. Grant Date Fair Value |
|---|------------------|---------------------------------|
| | (In thousands) | |
| Options non-vested at December 31, 2013 | 266 | \$ 10.36 |
| Granted | 227 | 2.92 |
| Vested | (166) | 6.60 |
| Forfeited | (26) | 4.81 |
| Options non-vested at December 31, 2014 | 301 | \$ 7.30 |

As of December 31, 2014, the Company had \$0.7 million of unrecognized compensation costs related to non-vested stock option awards that are expected to be recognized over a weighted average period of 2.2 years.

Restricted Stock

During the fiscal year ended December 31, 2014, the Company granted 306,150 shares of restricted stock to certain employees and executive officers. Of these awards, 90,000 are performance-based awards which will be forfeited if the Company does not achieve certain annual metrics during 2014, 2015 and 2016. The fair value of restricted stock awards, which do not contain a market-based performance condition, is determined using the closing price of the Company’s common stock on the date of the grant and compensation expense is recognized over the vesting period. Generally, the restricted stock awards vest in equal increments over either a three or four year period. The vesting of the performance-based restricted stock grants awarded in 2014 are subject to the achievement by GEO of two annual performance metrics as follows: (i) up to 75% of the shares of restricted stock (“TSR Target Award”) can vest at the end of a three-year performance period if GEO meets certain total shareholder return (“TSR”) performance targets, as compared to the total shareholder return of a peer group of companies, during 2014, 2015 and 2016; and (ii) up to 25% of the shares of restricted stock (“ROCE Target Award”) can vest at the end of a three-year performance period if GEO meets certain return on capital employed (“ROCE”) performance targets in 2014, 2015 and 2016. These performance awards can vest at between 0% and 200% of the target awards for both metrics. The number of shares shown for the performance-based awards is based on the target awards for both metrics. Both of the TSR and ROCE performance metrics were met during 2014.

During the fiscal year ended December 31, 2013, the Company granted 345,060 shares of restricted stock to its executive officers and to certain senior employees. Of these awards, 92,810 are performance-based awards which will be forfeited if the Company does not achieve certain annual metrics during 2013, 2014 and 2015. The vesting of the performance-based restricted stock grants awarded in 2013 are subject to the achievement by GEO of two annual performance metrics as follows: (i) up to 75% of the TSR Target Award can vest at the end of a three-year performance period if GEO meets certain TSR performance targets, as compared to the total shareholder return of a peer group of

companies, during 2013, 2014 and 2015; and (ii) up to 25% of the ROCE Target Award can vest at the end of a three-year period if GEO meets certain ROCE performance targets in 2013, 2014 and 2015. These performance awards can vest at the end of the three year performance period at between 0% and 200% of the target awards for both metrics. The number of shares shown for the performance-based awards is based on the target awards for both metrics. Both of the TSR and ROCE performance metrics were met during 2013 and 2014.

The metric related to TSR is considered to be a market condition. For share-based awards that contain a market condition, the probability of satisfying the market condition must be considered in the estimate of grant-date fair value. Compensation expense is recognized over the vesting period and previously recorded compensation expense is not reversed if the market condition is never met. Refer to Note 1— Summary of Business Organization, Operations and Significant Accounting Policies, *Stock-Based Compensation Expense*, for the assumptions and method used to value these awards.

The metric related to ROCE is considered to be a performance condition. For share-based awards that contain a performance condition, the achievement of the targets must be probable before any share-based compensation expense is recorded. The Company reviews the likelihood of which target in the range will be achieved and if deemed probable, compensation expense is recorded at that time. If subsequent to initial measurement there is a change in the estimate of the probability of meeting the performance condition, the effect of the change in the estimated quantity of awards expected to vest is recognized by cumulatively adjusting compensation expense. If ultimately the performance targets are not met, for any awards where vesting was previously deemed probable, previously recognized compensation expense will be reversed in the period in which vesting is no longer deemed probable. During 2013 and 2014, the Company deemed the achievement of the target award to be probable and there were no changes in the estimated quantity of awards expected to vest. The fair value of these awards was determined based on the closing price of the Company's common stock on the date of grant. During the year ended December 31, 2012, the Company granted 315,000 shares of restricted stock to its executive officers and to certain senior employees. Of these awards, 205,000 are performance based awards which will be forfeited if the Company does not achieve certain annual metrics during 2014. The vesting of these grants are subject to the achievement by GEO of two annual performance metrics as follows: (i) up to 75% of the shares of restricted stock in each award can vest annually or cumulatively if GEO meets certain earnings per share performance targets during 2014; and (ii) up to 25% of the shares of restricted stock in each award can vest annually if GEO meets certain return on capital performance targets in 2014. The Company achieved the earnings per share and return on capital annual performance metrics in 2014.

The following table summarizes the status of restricted stock awards as of December 31, 2014 and 2013, and changes during the year ended December 31, 2014:

| | Shares | Wtd. Avg. Grant date Fair value |
|---|----------------|---------------------------------------|
| | (In thousands) | |
| Restricted stock outstanding at December 31, 2013 | 734 | \$ 26.87 |
| Granted | 306 | 32.24 |
| Vested | (293) | 22.08 |
| Forfeited/Canceled | (23) | 32.66 |
| Restricted stock outstanding at December 31, 2014 | 724 | \$ 30.97 |

As of December 31, 2014, the Company had \$14.9 million of unrecognized compensation cost that is expected to be recognized over a weighted average period of 2.5 years.

Employee Stock Purchase Plan

The Company previously adopted The GEO Group Inc. 2011 Employee Stock Purchase Plan (the "Plan"), which was approved by the Company's shareholders. The purpose of the Plan, which is qualified under Section 423 of the Internal Revenue Service Code of 1986, as amended, is to encourage stock ownership through payroll deductions by the employees of GEO and designated subsidiaries of GEO in order to increase their identification with the Company's goals and secure a proprietary interest in the Company's success. These deductions are used to purchase shares of the Company's Common Stock at a 5% discount from the then current market price. The Company has made available up to 500,000 shares of its common stock, which were registered with the Securities and Exchange Commission on May 4, 2012, as amended on July 18, 2014, for sale to eligible employees.

The Plan is considered to be non-compensatory. As such, there is no compensation expense required to be recognized. Share purchases under the Plan are made on the last day of each month. During the years ended December 31, 2014, 2013 and 2012, 11,196, 9,794 and 22,760 and shares of common stock, respectively, were issued in connection with the Plan.

5. Earnings Per Share

Basic and diluted earnings per share (“EPS”) from continuing operations were calculated for the years ended December 31, 2014, 2013, and 2012 respectively, as follows:

| Fiscal Year | 2014 | 2013 | 2012 |
|--|---------------------------------------|------------|------------|
| | (In thousands, except per share data) | | |
| Income from continuing operations | \$ 143,840 | \$ 117,462 | \$ 144,558 |
| (Income) loss attributable to noncontrolling interests..... | 90 | (62) | 852 |
| Income from continuing operations attributable to The GEO Group, Inc. | \$ 143,930 | \$ 117,400 | \$ 145,410 |
| Basic earnings per share attributable to The GEO Group, Inc.: | | | |
| Weighted average shares outstanding | 72,270 | 71,116 | 60,934 |
| Per share amount from continuing operations..... | \$ 1.99 | \$ 1.65 | \$ 2.39 |
| Diluted earnings per share attributable to The GEO Group, Inc.: | | | |
| Weighted average shares outstanding | 72,270 | 71,116 | 60,934 |
| Dilutive effect of equity incentive plans | 277 | 489 | 331 |
| Weighted average shares assuming dilution | 72,547 | 71,605 | 61,265 |
| Per share amount from continuing operations..... | \$ 1.98 | \$ 1.64 | \$ 2.37 |

As discussed in Note 3 — Shareholders’ Equity, on December 31, 2012, GEO paid a Special Dividend in connection with its conversion to a REIT. The shareholders were allowed to elect to receive their entire payment of the special dividend in either cash or in shares of common stock, except that GEO placed a limit on the aggregate amount of cash payable to the shareholders. Under ASC 505, *Equity* and ASU 2010-01, *Accounting for Distributions to Shareholders with Components of Stock and Cash, a consensus of the FASB Emerging Issues Task Force*, a distribution that allows shareholders to elect to receive cash or stock with a potential limitation on the total amount of cash that all shareholders can elect to receive in the aggregate is considered a share issuance that is reflected in earnings per share prospectively. As such, the stock portion of the Special Dividend is presented prospectively in basic and diluted earnings per share as presented above and was not presented retroactively for all periods presented. For the fiscal year ended December 31, 2014, 65,168 weighted average shares of common stock underlying options were excluded from the computation of diluted EPS because the effect would be anti-dilutive. No common stock equivalents from restricted shares were anti-dilutive. For the fiscal year ended December 31, 2013, 60,011 weighted average shares of common stock underlying options were excluded from the computation of diluted EPS because the effect would be anti-dilutive. No common stock equivalents from restricted shares were anti-dilutive. For the fiscal year ended December 31, 2012, 62,769 weighted average shares of common stock underlying options were excluded from the computation of diluted EPS because the effect would be anti-dilutive. No common stock equivalents from restricted shares were anti-dilutive.

6. Property and Equipment

Property and equipment consist of the following at fiscal year end:

| | Useful Life (Years) | 2014 | 2013 |
|---|---------------------------|----------------|------------|
| | | (In thousands) | |
| Land..... | — | \$ 102,349 | \$ 100,862 |
| Buildings and improvements..... | 2 to 50 | 1,603,081 | 1,567,836 |
| Leasehold improvements..... | 1 to 29 | 262,224 | 256,055 |
| Equipment..... | 3 to 10 | 153,965 | 137,952 |
| Furnitures, fixtures and computer software..... | 1 to 7 | 40,108 | 33,388 |
| Facility construction in progress | | 59,218 | 10,804 |

| | Useful Life | 2014 | 2013 |
|--|----------------|----------------|--------------|
| | (Years) | (In thousands) | |
| Total | | \$ 2,220,945 | \$ 2,106,897 |
| Less accumulated depreciation and amortization | | (448,779) | (379,099) |
| Property and equipment, net | | \$ 1,772,166 | \$ 1,727,798 |

The Company depreciates its leasehold improvements over the shorter of their estimated useful lives or the terms of the leases including renewal periods that are reasonably assured. The Company's construction in progress primarily consists of expansions to facilities that are owned by the Company. Interest capitalized in property and equipment for the years ended December 31, 2014 and December 31, 2013 was not significant.

Depreciation expense was \$79.8 million, \$78.8 million and \$72.2 million, respectively, for the years ended December 31, 2014, 2013 and 2012, respectively. At December 31, 2014 and 2013, the Company had \$17.1 million and \$17.7 million of assets recorded under capital leases including \$17.1 million related to land, buildings and improvements. Capital leases are recorded net of accumulated amortization of \$9.1 million and \$8.4 million, at December 31, 2014 and 2013, respectively. Depreciation expense related to assets recorded under capital leases for the years ended December 31, 2014, 2013 and 2012 was \$1.3 million, \$1.0 million and \$1.0 million, respectively, and is included in Depreciation and Amortization in the accompanying consolidated statements of operations.

7. Contract Receivable

On September 16, 2014, GEO's newly formed wholly-owned subsidiary, GEO Ravenhall Pty. Ltd., in its capacity as trustee of another newly formed wholly-owned subsidiary, GEO Ravenhall Trust ("Project Co"), signed the Ravenhall Prison Project Agreement ("Ravenhall Contract") with the State of Victoria (the "State") for the development and operation of a new 1,000-bed Facility in Ravenhall, a locality near Melbourne, Australia under a Public-Private Partnership financing structure. The Facility will also have the capacity to house 1,300 inmates should the State have the need for additional beds in the future. The design and construction phase ("D&C Phase") of the agreement began in September 2014 with completion expected towards the end of 2017. Project Co is the primary developer during the D&C Phase and has subcontracted with a bonded international design and build contractor to design and construct the Facility. Once constructed and commercially accepted, GEO's wholly-owned subsidiary, the GEO Group Australasia Pty. Ltd. ("GEO Australia") will operate the Facility under a 25-year management contract ("Operating Phase"). During the D&C Phase, GEO Australia will also provide construction management and consultant services to the State. The cost of the project during the D&C Phase will be funded by debt financing along with a capital contribution by GEO in the amount of AUD 115 million, or \$93.8 million, based on exchange rates at December 31, 2014, which is expected to be contributed in January 2017. Another wholly-owned subsidiary of GEO, Ravenhall Finance Co Pty. Limited ("Finance Co"), has entered into a syndicated facility agreement with National Australia Bank Limited to provide the debt financing for the project. Refer to Note 14 — Debt. In order to fix the interest rate on this variable non-recourse debt, Finance Co has entered into interest rate swap agreements. Refer to Note 9 — Derivative Financial Instruments. Upon completion and commercial acceptance of the Facility, in accordance with the Ravenhall Contract, the State will make a lump sum payment of AUD 310 million, or \$252.9 million, based on exchange rates as of December 31, 2014, towards a portion of the outstanding balance.

During the D&C Phase, the Company recognizes revenue as earned on a percentage of completion basis measured by the percentage of costs incurred to date as compared to the estimated total costs for the design and construction of the Facility. Costs incurred and estimated earnings in excess of billings is classified as Contract Receivable in the accompanying consolidated balance sheets. The balance of the Contract Receivable at December 31, 2014 is \$66.2 million which is recorded at net present value based on the timing of expected future settlement. As the primary contractor, Project Co is exposed to the various risks associated with the D&C Phase. Accordingly, the Company will record construction revenue on a gross basis and include the related costs of construction activities in operating expenses within the Facility Design & Construction segment. Reimbursable pass through costs are excluded from revenues and expenses.

8. Investment in Direct Finance Leases

The Company's investment in direct finance leases relates to the financing and management of one Australian facility. The Company's wholly-owned Australian subsidiary financed the facility's development with long-term debt obligations, which are non-recourse to the Company.

The future minimum rentals to be received are as follows:

| Fiscal Year | Annual Repayment |
|--|---------------------|
| | (In thousands) |
| 2015..... | \$ 7,630 |
| 2016..... | 7,903 |
| 2017..... | 2,147 |
| Total minimum obligation | \$ 17,680 |
| Less unearned interest income | (2,093) |
| Less current portion of direct finance lease (included in Prepaid expenses and other current assets) | (6,331) |
| Long term portion of investment in direct finance lease..... | \$ 9,256 |

9. Derivative Financial Instruments

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

Australia — Fullham

The Company's Australian subsidiary is a party to an interest rate swap agreement to fix the interest rate on the variable rate non-recourse debt to 9.7%. The Company has determined the swap, which has a notional amount of \$50.9 million, payment and expiration dates, and call provisions that coincide with the terms of the non-recourse debt, to be an effective cash flow hedge. Accordingly, the Company records the change in the value of the interest rate swap in accumulated other comprehensive income, net of applicable income taxes. Total net unrealized gain (loss) recognized in the periods and recorded in accumulated other comprehensive income (loss), net of tax, related to this cash flow hedge was not significant for the years ended December 31, 2014 and 2013, respectively. The net unrealized gain (loss) for the years ended December 31, 2014 and 2013 was also not significant. The total value of the swap liability as of December 31, 2014 and 2013 was \$0.2 million and \$0.4 million, respectively, and is recorded as a component of other liabilities in the accompanying consolidated balance sheets. There was no material ineffectiveness of this interest rate swap for the periods presented. The Company does not expect to enter into any transactions during the next twelve months which would result in the reclassification into earnings or losses associated with this swap currently reported in accumulated other comprehensive income (loss).

Australia — Ravenhall

In September 2014, the Company's Australian subsidiary entered into interest rate swap agreements to fix the interest rate on its variable rate non-recourse debt related to a prison project in Ravenhall, a locality near Melbourne, Australia to 3.3% during the design and construction phase and 4.2% during the project's operating phase. Refer to Note 7 — Contract Receivable. The swaps' notional amounts coincide with construction draw fixed commitments throughout the project. At December 31, 2014, the swaps had a notional value of approximately AUD 97.4 million, or \$79.4 million, based on exchange rates at December 31, 2014, related to the outstanding draws for the design and construction phase and approximately AUD 466.3 million, or \$380.4 million, based on exchange rates at December 31, 2014, related to future construction draws. The Company has determined that the swaps have payment, expiration dates and provisions that coincide with the terms of the non-recourse debt and the critical terms of the swap agreements and construction draw fixed commitments are the same and are therefore considered to be effective cash flow hedges. Accordingly, the Company records the change in the fair value of the interest rate swaps in accumulated other comprehensive income, net of applicable income taxes. Total unrealized losses recorded in other comprehensive income, net of tax, related to this cash flow hedge were approximately \$16.1 million during the year ended December 31, 2014. The total fair value of the swap liability as of December 31, 2014 was \$19.0 million and is recorded as a component of Other Non-Current liabilities within the accompanying consolidated balance sheet. There was no material ineffectiveness for the periods

presented. The Company does not expect to enter into any transactions during the next twelve months which would result in the reclassification into earnings or losses associated with these swaps currently reported in accumulated other comprehensive income (loss). Additionally, upon completion and commercial acceptance of the prison project, the State, in accordance with the prison contract, will make a lump sum payment of AUD 310 million, or \$252.9 million, based on exchange rates at December 31, 2014, towards a portion of the outstanding balance which will be used to pay down the principal of the non-recourse debt. The Company's Australian subsidiary also entered into interest rate cap agreements in September 2014 giving the Company the option to cap the interest rate on its variable non-recourse debt related to the project in the event that the completion of the prison project is delayed which could delay the State's payment. The Company paid \$1.7 million for the interest rate cap agreements. These instruments do not meet the requirements for hedge accounting, and therefore, changes in fair value of the interest rate caps are recorded in earnings. During the year ended December 31, 2014, the Company recorded a loss of \$1.2 million related to a decline in the fair value of the interest rate cap assets. As of December 31, 2014, the interest rate cap assets had a fair value of \$0.6 million which is included in Other Non-Current Assets in the accompanying consolidated balance sheet.

10. Goodwill and Other Intangible Assets, Net

Changes in the Company's goodwill balances recognized during the years ended December 31, 2014 and 2013 were as follows (in thousands):

| | December 31, 2013 | Protocol Acquisition | Foreign currency translation | December 31, 2014 |
|-----------------------------------|-------------------|----------------------|------------------------------|-------------------|
| U.S. Corrections & Detention..... | \$ 170,376 | \$ — | \$ — | \$ 170,376 |
| GEO Care | 319,159 | 3,888 | — | 323,047 |
| International Services | 661 | — | (194) | 467 |
| Total Goodwill..... | <u>\$ 490,196</u> | <u>\$ 3,888</u> | <u>\$ (194)</u> | <u>\$ 493,890</u> |

| | December 31, 2012 | Foreign currency translation | December 31, 2013 |
|-----------------------------------|-------------------|------------------------------|-------------------|
| U.S. Corrections & Detention..... | \$ 170,376 | \$ — | \$ 170,376 |
| GEO Care | 319,159 | — | 319,159 |
| International Services | 773 | (112) | 661 |
| Total Goodwill..... | <u>\$ 490,308</u> | <u>\$ (112)</u> | <u>\$ 490,196</u> |

Intangible assets consisted of the following as of December 31, 2014 and December 31, 2013 (in thousands):

| | December 31, 2014 | | | | December 31, 2013 | | | |
|--|--------------------------------------|-----------------------|--------------------------|---------------------|-----------------------|--------------------------|---------------------|--|
| | Weighted Average Useful Life (years) | Gross Carrying Amount | Accumulated Amortization | Net Carrying Amount | Gross Carrying Amount | Accumulated Amortization | Net Carrying Amount | |
| Facility management contracts | 13.4 | \$ 154,591 | \$ (56,396) | \$ 98,195 | \$ 151,604 | \$ (44,646) | \$ 106,958 | |
| Technology | 7 | 24,000 | (12,120) | 11,880 | 21,200 | (8,758) | 12,442 | |
| Trade names..... | Indefinite | 45,200 | — | 45,200 | 44,000 | — | 44,000 | |
| Total acquired intangible assets | | <u>\$ 223,791</u> | <u>\$ (68,516)</u> | <u>\$ 155,275</u> | <u>\$ 216,804</u> | <u>\$ (53,404)</u> | <u>\$ 163,400</u> | |

The accounting for recognized intangible assets is based on the useful lives to the reporting entity. Intangible assets with finite useful lives are amortized over their useful lives and intangible assets with indefinite useful lives are not amortized. The Company estimates the useful lives of its intangible assets taking into consideration (i) the expected use of the asset by the Company, (ii) the expected useful lives of other related assets or groups of assets, (iii) legal or contractual limitations, (iv) the Company's historical experience in renewing or extending similar arrangements, (v) the effects of

obsolescence, demand, competition and other economic factors and (vi) the level of maintenance expenditures required to obtain the expected cash flows from the asset.

Amortization expense was \$15.2 million, \$14.6 million and \$18.1 million for the years ended December 31, 2014, 2013 and 2012, respectively, and primarily related to the U.S. Corrections & Detention and GEO Care segments' amortization of intangible assets for acquired management contracts. The Company relies on its historical experience in determining the useful life of facility management contracts. The Company makes assumptions related to acquired facility management contracts based on the competitive environment for individual contracts, our historical success rates in retaining contracts, the supply of available beds in the market, changes in legislation, the projected profitability of the facilities and other market conditions. As of December 31, 2014, the weighted average period before the next contract renewal or extension for the facility management contracts was approximately 1.9 years. Although the facility management contracts acquired have renewal and extension terms in the near term, the Company has historically maintained these relationships beyond the contractual periods.

Estimated amortization expense related to the Company's finite-lived intangible assets for 2015 through 2019 and thereafter is as follows (in thousands):

| Fiscal Year | Total Amortization Expense |
|-----------------|----------------------------|
| 2015..... | \$ 15,226 |
| 2016..... | 15,226 |
| 2017..... | 15,194 |
| 2018..... | 12,335 |
| 2019..... | 12,007 |
| Thereafter..... | 40,087 |
| | \$ 110,075 |

On February 25, 2014, Protocol Criminal Justice, Inc. ("Protocol"), a recently created subsidiary of the Company's B.I. Incorporated ("BI") subsidiary, entered into an Asset Purchase Agreement (the "Agreement") with an unrelated entity, APAC Customer Services, Inc., to acquire certain tangible and intangible assets for cash consideration of \$13.0 million. The final purchase price allocation, which was completed during the second quarter of 2014, resulted in the recognition of intangible assets of \$7.0 million related to acquired facility management contracts, acquired technology and trade name, and goodwill of \$3.9 million. In addition, the Company acquired accounts receivable, equipment and assumed certain liabilities, none of which were significant. During the measurement period, the Company made \$0.1 million in aggregate retrospective adjustments to provisional amounts recognized at the acquisition date to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the measurement of the amounts recognized at that date. These adjustments related primarily to the Company's valuation of intangible assets which resulted in a reduction of intangible assets of \$0.3 million and an increase in goodwill of \$0.2 million from the amounts previously reported in the Company's unaudited consolidated financial statements as of March 31, 2014. Protocol's activities are included in the GEO Care operating segment.

11. Financial Instruments

The following table provides a summary of the Company's significant financial assets and liabilities carried at fair value and measured on a recurring basis (in thousands):

| | Carrying Value at December 31, 2014 | Fair Value Measurements at December 31, 2014 | | |
|------------------------------------|--|---|---|---|
| | | Quoted Prices in Active Markets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) |
| Assets: | | | | |
| Restricted investments: | | | | |
| Rabbi Trust..... | \$ 11,281 | \$ — | \$ 11,281 | \$ — |
| Fixed income securities..... | \$ 1,966 | \$ — | \$ 1,966 | \$ — |
| Interest rate cap derivatives..... | \$ 570 | \$ — | \$ 570 | |

| | Carrying Value at December 31, 2014 | Fair Value Measurements at December 31, 2014 | | |
|---|--|---|---|---|
| | | Quoted Prices in Active Markets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) |
| Liabilities: | | | | |
| Interest rate swap derivatives | \$ 19,248 | \$ — | \$ 19,248 | \$ — |
| Fair Value Measurements at December 31, 2013 | | | | |
| | Carrying Value at December 31, 2013 | Quoted Prices in Active Markets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) |
| Assets: | | | | |
| Restricted investments: | | | | |
| Guaranteed Investment Contract | \$ 5,742 | \$ — | \$ 5,742 | \$ — |
| Rabbi Trust | \$ 9,534 | \$ — | \$ 9,534 | \$ — |
| Fixed income securities | \$ 1,993 | \$ — | \$ 1,993 | \$ — |
| Liabilities: | | | | |
| Interest rate swap derivatives | \$ 390 | \$ — | \$ 390 | \$ — |

The Company's level 2 financial instruments included in the tables above as of December 31, 2014 and 2013 consist of the Company's rabbi trust established for GEO employee and employer contributions to The GEO Group, Inc. Non-qualified Deferred Compensation Plan, interest rate swaps and interest rate caps held by our Australian subsidiaries and an investment in Canadian dollar denominated fixed income securities. The Company's restricted investment in the Rabbi Trust is invested in Company owned life insurance policies which are recorded at their cash surrender values. These investments are valued based on the underlying investments held in the policies' separate account. The Australian subsidiaries' interest rate swaps and interest rate caps are valued using a discounted cash flow model based on projected Australian borrowing rates. The Canadian dollar denominated securities, not actively traded, are valued using quoted rates for these and similar securities. At December 31, 2013, the Company's Level 2 financial instruments included a guaranteed investment contract which was a restricted investment related to CSC of Tacoma LLC ("CSC"). During 2014, the balance in the guaranteed investment contract was liquidated as it was no longer required because it related to a portion of the CSC bonds which matured in October 2014. Refer to Note 14 — Debt.

12. Fair Value of Assets and Liabilities

The Company's Consolidated Balance Sheets reflect certain financial instruments at carrying value. The following table presents the carrying values of those instruments and the corresponding fair values (in thousands):

| | Carrying Value as of December 31, 2014 | Estimated Fair Value Measurements at December 31, 2014 | | | |
|--|---|--|-----------|------------|---------|
| | | Total Fair Value | Level 1 | Level 2 | Level 3 |
| Assets: | | | | | |
| Cash and cash equivalents | \$ 41,337 | \$ 41,337 | \$ 41,337 | \$ — | \$ — |
| Restricted cash and investments | 12,638 | 12,638 | 3,889 | 8,749 | — |
| Liabilities: | | | | | |
| Borrowings under Senior Credit Facility | | | | | |
| 5.875% Senior Notes | \$ 365,500 | \$ 364,411 | \$ — | \$ 364,411 | \$ — |
| 5.125% Senior Notes | 250,000 | 256,720 | — | 256,720 | — |
| 5 7/8% Senior Notes | 300,000 | 296,814 | — | 296,814 | — |
| 6.625% Senior Notes | 250,000 | 256,720 | — | 256,720 | — |
| 300,000 | 315,750 | — | 315,750 | — | |
| Non-recourse debt, Australian subsidiary | 95,714 | 95,871 | — | 95,871 | — |
| Other non-recourse debt, including current portion | 48,836 | 52,016 | — | 52,016 | — |

Estimated Fair Value Measurements at December 31, 2013

| | Carrying Value as of December 31, 2013 | Total Fair Value | Level 1 | Level 2 | Level 3 |
|--|---|------------------|-----------|------------|---------|
| Assets: | | | | | |
| Cash and cash equivalents | \$ 52,125 | \$ 52,125 | \$ 52,125 | \$ — | \$ — |
| Restricted cash | 14,592 | 14,592 | 1,838 | 12,754 | — |
| Liabilities: | | | | | |
| Borrowings under Senior Credit Facility | | | | | |
| 5.125% Senior Notes | \$ 300,000 | \$ 279,000 | — | \$ 279,000 | — |
| 5 7/8% Senior Notes | 250,000 | 265,938 | — | 265,938 | — |
| 6.625% Senior Notes | 300,000 | 317,064 | — | 317,064 | — |
| Non-recourse debt, Australian subsidiary | 23,896 | 24,439 | — | 24,439 | — |
| Other non-recourse debt, including current portion | 60,235 | 62,319 | — | 62,319 | — |

The fair values of the Company’s cash and cash equivalents, and restricted cash approximates the carrying values of these assets at December 31, 2014 and 2013. Restricted cash consists of money market funds, commercial paper and time deposits used for payments on the Company’s non-recourse debt and asset replacement funds contractually required to be maintained at the Company’s Australian subsidiary. The fair value of the money market funds is based on quoted market prices (level 1) and the fair value of commercial paper and time deposits is based on market prices for similar instruments (level 2). The fair values of the Company’s 6.625% senior unsecured notes due 2021 (the “6.625% Senior Notes”), 5.125% Senior Notes due 2023 (the “5.125% Senior Notes”), 5 7/8% Senior Notes due 2022 (the “5 7/8% Senior Notes”) and the 5.875% Senior Notes due 2024 (the “5.875% Senior Notes”), although not actively traded, are based on published financial data for these instruments. The fair value of the Company’s non-recourse debt related to Washington Economic Development Finance Authority (“WEDFA”) is based on market prices for similar instruments. The fair value of the non-recourse debt related to the Company’s Australian subsidiary is estimated using a discounted cash flow model based on current Australian borrowing rates for similar instruments. The fair value of borrowings under the Senior Credit Facility is based on an estimate of trading value considering the Company’s borrowing rate, the undrawn spread and similar instruments.

13. Accrued Expenses and other current liabilities

Accrued expenses consisted of the following (in thousands):

| | 2014 | 2013 |
|--|-------------------|-------------------|
| Accrued interest | \$ 26,373 | \$ 19,408 |
| Accrued bonus | 12,049 | 11,108 |
| Accrued insurance | 50,470 | 49,170 |
| Accrued property and other taxes | 15,980 | 11,788 |
| Construction retainage | 3,412 | 267 |
| Other | 32,328 | 23,209 |
| Total | \$ 140,612 | \$ 114,950 |

14. Debt

Debt consisted of the following (in thousands):

| | 2014 | 2012 |
|---|-------------------|-------------------|
| Senior Credit Facility: | | |
| Term loan | \$ 295,500 | \$ 298,500 |
| Revolver | 70,000 | 340,000 |
| Total Senior Credit Facility | \$ 365,500 | \$ 638,500 |
| 5.875% Senior Notes | | |

| | 2014 | 2012 |
|--|---------------------|---------------------|
| Notes Due in 2024..... | \$ 250,000 | — |
| 5.125% Senior Notes: | | |
| Notes Due in 2023..... | \$ 300,000 | \$ 300,000 |
| 5 7/8% Senior Notes | | |
| Notes Due in 2022..... | \$ 250,000 | \$ 250,000 |
| 6.625% Senior Notes: | | |
| Notes Due in 2021..... | \$ 300,000 | \$ 300,000 |
| Non-Recourse Debt: | | |
| Non-Recourse Debt..... | \$ 145,262 | \$ 85,091 |
| Discount on Non-Recourse Debt..... | (712) | (960) |
| Total Non-Recourse Debt..... | \$ 144,550 | \$ 84,131 |
| Capital Lease Obligations | 10,924 | 11,924 |
| Other debt..... | 421 | 221 |
| Total debt..... | <u>\$ 1,621,395</u> | <u>\$ 1,584,776</u> |
| Current portion of capital lease obligations, long-term debt and non-recourse debt | (16,752) | (22,163) |
| Capital Lease Obligations, long-term portion | (9,856) | (10,924) |
| Non-Recourse Debt, long-term portion..... | (131,968) | (66,153) |
| Long-Term Debt..... | <u>\$ 1,462,819</u> | <u>\$ 1,485,536</u> |

Credit Agreement

On August 27, 2014, the Company executed a second amended and restated credit agreement by and among the Company and GEO Corrections Holdings, Inc., as Borrowers, BNP Paribas, as Administrative Agent, and the lenders who are, or may from time to time become, a party thereto (the “Credit Agreement”).

The Credit Agreement evidences a credit facility (the “Credit Facility”) consisting of a \$296.3 million term loan (the “Term Loan”) bearing interest at LIBOR plus 2.50% (with a LIBOR floor of .75%), and a \$700.0 million revolving credit facility (the “Revolver”) initially bearing interest at LIBOR plus 2.25% (with no LIBOR floor) together with AUD 225.0 million available solely for the issuance of financial letters of credit and performance letters of credit, in each case denominated in Australian Dollars (the “Australian LC Facility”). The interest rate is subject to a pricing grid based upon the Company’s total leverage ratio. Amounts to be borrowed by the Company under the Credit Agreement are subject to the satisfaction of customary conditions to borrowing. The Revolver component is scheduled to mature on August 27, 2019 and the Term Loan component is scheduled to mature on April 3, 2020. In connection with the amendment, the Company wrote off approximately \$0.4 million of deferred financing costs pertaining to the former credit facility in 2014, which is included in interest expense. The Company capitalized \$4.6 million of deferred finance costs in connection with the new Credit Facility.

The Credit Agreement contains certain customary representations and warranties, and certain customary covenants that restrict the Company’s ability to, among other things (i) create, incur or assume any indebtedness, (ii) create, incur, assume or permit liens, (iii) make loans and investments, (iv) engage in mergers, acquisitions and asset sales, (v) make certain restricted payments, (vi) issue, sell or otherwise dispose of capital stock, (vii) engage in transactions with affiliates, (viii) allow the total leverage ratio to exceed 5.75 to 1.00, allow the senior secured leverage ratio to exceed 3.50 to 1.00 or allow the interest coverage ratio to be less than 3.00 to 1.00, (ix) cancel, forgive, make any voluntary or optional payment or prepayment on, or redeem or acquire for value any senior notes, except as permitted, (x) alter the business the Company conducts, and (xi) materially impair the Company’s lenders’ security interests in the collateral for its loans. Events of default under the Credit Agreement include, but are not limited to, (i) the Company’s failure to pay principal or interest when due, (ii) the Company’s material breach of any representation or warranty, (iii) covenant defaults, (iv) liquidation, reorganization or other relief relating to bankruptcy or insolvency, (v) cross default under certain other material indebtedness, (vi) unsatisfied final judgments over a specified threshold, (vii) certain material environmental liability claims which have been asserted against the Company, and (viii) a change in control. The Company was in compliance with all of the covenants of the Credit Agreement as of December 31, 2014. All of the obligations under the Credit Agreement are unconditionally guaranteed by certain domestic subsidiaries of the Company and the Credit Agreement and the related guarantees are secured by a perfected first-priority pledge of substantially all of the Company’s present and future tangible and intangible domestic assets and all present and future tangible and intangible domestic assets of each guarantor, including but not limited to a first-priority pledge

of all of the outstanding capital stock owned by the Company and each guarantor in their domestic subsidiaries. As of December 31, 2014, the Company had \$295.5 million in aggregate borrowings outstanding under the Term Loan, \$70.0 million in borrowings under the Revolver, and approximately \$62.0 million in letters of credit which left \$568.0 million in additional borrowing capacity under the Revolver. In addition, the Company has the ability to increase the Senior Credit Facility by an additional \$350.0 million, subject to lender demand and prevailing market conditions and satisfying the relevant borrowing conditions thereunder. The weighted average interest rate on outstanding borrowings under the Credit Agreement as of December 31, 2014 was 3.2%. At December 31, 2014, the Company had approximately AUD 214.0 million in letters of credit outstanding under the Australian LC Facility in connection with certain performance and financing guarantees related to the Ravenhall Prison Project. The Company had also entered into an amended and restated credit agreement in 2013 which resulted in a loss on extinguishment of debt of \$5.5 million in 2013.

5.875% Senior Notes

On September 25, 2014, the Company completed an offering of \$250.0 million aggregate principal amount of senior unsecured notes (the “5.875% Senior Notes”). The notes will mature on October 15, 2024 and have a coupon rate and yield to maturity of 5.875%. Interest is payable semi-annually in cash in arrears on April 15 and October 15, beginning April 15, 2015. The 5.875% Senior Notes are guaranteed on a senior unsecured basis by all the Company’s restricted subsidiaries that guarantee obligations. The 5.875% Senior Notes rank equally in right of payment with any unsecured, unsubordinated indebtedness of the Company and the guarantors, including the Company’s 6.625% senior notes due 2021, the 5 7/8% senior notes due 2022, the 5.125% senior notes due 2023, and the guarantors’ guarantees thereof, senior in right of payment to any future indebtedness of the Company and the guarantors that is expressly subordinated to the 5.875% Senior Notes and the guarantees, effectively junior to any secured indebtedness of the Company and the guarantors, including indebtedness under the Company’s senior credit facility, to the extent of the value of the assets securing such indebtedness, and structurally junior to all obligations of the Company’s subsidiaries that are not guarantors. The sale of the 5.875% Senior Notes was registered under the Company’s automatic shelf registration statement on Form S-3 filed on September 12, 2014, as supplemented by the Preliminary Prospectus Supplement filed on September 22, 2014 and the Prospectus Supplement filed on September 24, 2014. The Company capitalized \$4.6 million of deferred financing costs in connection with the offering. At any time on or prior to October 15, 2017, the Company may on any one or more occasions redeem up to 35% of the aggregate principal amount of outstanding 5.875% Senior Notes issued under the indenture governing the 5.875% Senior Notes (including any additional notes) at a redemption price of 105.875% of their principal amount, plus accrued and unpaid interest, if any, to the redemption date. In addition, the Company may, at its option, redeem the 5.875% Senior Notes in whole or in part before October 15, 2019 at a redemption price equal to 100% of the principal amount of the 5.875% Senior Notes being redeemed plus a “make-whole” premium, together with accrued and unpaid interest, if any, to the redemption date. Lastly, the Company may, at its option, redeem the 5.875% Senior Notes in whole or in part on or after October 15, 2019 through 2024 and thereafter as indicated below:

| Year | Percentage |
|---------------------------|------------|
| 2019 | 102.938% |
| 2020 | 101.958% |
| 2021 | 100.979% |
| 2022 and thereafter | 100.000% |

The indenture contains covenants which, among other things, limit the ability of the Company and its restricted subsidiaries to incur additional indebtedness or issue preferred stock, make dividend payments or other restricted payments (other than the payment of dividends or other distributions, or any other actions necessary to maintain the Company’s status as a real estate investment trust), create liens, sell assets, engage in sale and lease back transactions, create or permit restrictions on the ability of the restricted subsidiaries to pay dividends or make other distributions to the Company, enter into transactions with affiliates, and enter into mergers, consolidations or sales of all or substantially all of their assets. These covenants are subject to a number of limitations and exceptions as set forth in the indenture.

The indenture also contains events of default with respect to, among other things, the following: failure by the Company to pay interest on the 5.875% Senior Notes when due, which failure continues for 30 days; failure by the Company to pay the principal of, or premium, if any, on, the 5.875% Senior Notes when due; failure by the Company or any of its restricted subsidiaries to comply with their obligations to offer to repurchase the 5.875% Senior Notes at the option of the holders of the 5.875% Senior Notes upon a change of control, to offer to redeem the 5.875% Senior Notes under certain circumstances in connection with asset sales with excess proceeds in excess of \$25.0 million or to observe certain restrictions on mergers,

consolidations and sales of substantially all of their assets; the failure by the Company or any guarantor to comply with any of the other agreements in the indenture, which failure continues for 60 days after notice; and certain events of bankruptcy or insolvency of GEO or a restricted subsidiary that is a significant subsidiary or any group of restricted subsidiaries that together would constitute a significant subsidiary. The Company was in compliance with all of the covenants of the indenture governing the 5.875% Senior Notes as of December 31, 2014.

5.125% Senior Notes

On March 19, 2013, the Company completed an offering of \$300.0 million aggregate principal amount of senior unsecured notes in a private offering under the Indenture dated as of March 19, 2013 among GEO, certain of its domestic subsidiaries, as guarantors, and Wells Fargo Bank, National Association, as trustee. The 5.125% Senior Notes were offered and sold to “qualified institutional buyers” in accordance with Rule 144A under the Securities Act of 1933, as amended (the “Securities Act”), and outside the United States to non-U.S. persons in accordance with Regulation S under the Securities Act. The notes will mature on April 1, 2023 and have a coupon rate and yield to maturity of 5.125%. Interest is payable semi-annually on April 1 and October 1 each year, beginning October 1, 2013. The 5.125% Senior Notes are guaranteed on a senior unsecured basis by all of the Company’s restricted subsidiaries that guarantee obligations under the Senior Credit Facility, the Company’s 6.625% Senior Notes, the Company’s 5 7/8% senior notes due 2022 and the 5.875% Senior Notes. The 5.125% Senior Notes and the guarantees are the Company’s general unsecured senior obligations and rank equally in right of payment with all of the Company’s and the guarantors’ existing and future unsecured senior debt, including the Company’s 6.625% Senior Notes, the 5 7/8% Senior Notes and the 5.875% Senior Notes. The 5.125% Senior Notes and the guarantees are effectively subordinated to any of the Company’s and the guarantors’ existing and future secured debt to the extent of the value of the assets securing such debt, including all anticipated borrowings under the Senior Credit Facility. The 5.125% Senior Notes are structurally subordinated to all existing and future liabilities (including trade payables) of the Company’s subsidiaries that do not guarantee the 5.125% Senior Notes.

At any time on or prior to April 1, 2016, the Company may on any one or more occasions redeem up to 35% of the aggregate principal amount of outstanding 5.125% Senior Notes issued under the indenture governing the 5.125% Senior Notes (including any additional notes) at a redemption price of 105.125% of their principal amount plus accrued and unpaid interest and Liquidated Damages (as defined in the indenture), if any, to the redemption date, with the net cash proceeds of one or more equity offerings (as defined in the indenture); provided, that: (1) at least 65% of the aggregate principal amount of notes issued under the indenture (including any additional notes) remains outstanding immediately after the occurrence of such redemption (excluding notes held by us and our Subsidiaries); and (2) the redemption occurs within 90 days of the date of the closing of such equity offering.

At any time prior to April 1, 2018, the Company may, at its option, redeem all or a part of the 5.125% Senior Notes upon not less than 30 days nor more than 60 days prior notice at a redemption price equal to the sum of (i) 100% of the principal amount thereof, plus (ii) the Applicable Premium (as defined in the indenture) as of the date of redemption, plus (iii) accrued and unpaid interest and Liquidated Damages, if any, to the date of redemption. On or after April 1, 2018, the Company may, at its option, redeem all or a part of the 5.125% Senior Notes upon not less than 30 days nor more than 60 days notice at the redemption prices (expressed as percentages of principal amount) set forth below, plus accrued and unpaid interest and Liquidated Damages, if any, on the 5.125% Senior Notes redeemed, to the applicable redemption date, if redeemed during the 12 months period beginning on April 1 of the years indicated below:

| Year | Percentage |
|---------------------------|------------|
| 2018..... | 102.563% |
| 2019..... | 101.708% |
| 2020..... | 100.854% |
| 2021 and thereafter | 100.000% |

On April 3, 2013, the Company’s Prior Senior Credit Facility was refinanced and a portion of the proceeds of the 5.125% Senior Notes were used to pay the outstanding Prior Term Loans under the Senior Credit Facility. Loan costs of \$6.8 million were incurred and capitalized in connection with the issuance of the 5.125% Senior Notes.

The Company incurred a \$4.4 million loss on extinguishment of debt related to unamortized deferred financing costs and unamortized debt discount pertaining to the Prior Senior Credit Facility and \$1.1 million in fees related to the new Credit Agreement If there is a “change of control” (as defined in the Indenture), holders of the 5.125% Senior Notes

will have the right to cause GEO to repurchase their 5.125% Senior Notes at a price equal to 101% of the principal amount of the 5.125% Senior Notes repurchased plus accrued and unpaid interest and Liquidated Damages, if any, to the purchase date. The indenture governing the 5.125% Senior Notes contains certain covenants, including limitations and restrictions on the Company and its restricted subsidiaries' ability to: incur additional indebtedness or issue preferred stock; make dividend payments or other restricted payments; create liens; sell assets; enter into transactions with affiliates; and enter into mergers, consolidations or sales of all or substantially all of the Company's assets. As of the date of the indenture, all of the Company's subsidiaries, other than certain dormant domestic and other subsidiaries and all foreign subsidiaries in existence on the date of the indenture, were restricted subsidiaries. The Company's failure to comply with certain of the covenants under the indenture governing the 5.125% Senior Notes could cause an event of default of any indebtedness and result in an acceleration of such indebtedness. In addition, there is a cross-default provision which becomes enforceable upon failure of payment of indebtedness at final maturity. The Company's unrestricted subsidiaries will not be subject to any of the restrictive covenants in the indenture. The Company believes it was in compliance with all of the covenants of the indenture governing the 5.125% Senior Notes as of December 31, 2014. The indenture also contains events of default with respect to, among other things, the following: failure by the Company to pay interest and Liquidated Damages, if any, on the 5.125% Senior Notes when due, which failure continues for 30 days; failure by the Company to pay the principal of, or premium, if any, on, the 5.125% Senior Notes when due; failure by the Company or any of its restricted subsidiaries to comply with their obligations to offer to repurchase the 5.125% Senior Notes at the option of the holders of the 5.125% Senior Notes upon a change of control, to offer to redeem notes under certain circumstances in connection with asset sales with "excess proceeds" (as defined in the indenture) in excess of \$25.0 million or to observe certain restrictions on mergers, consolidations and sales of substantially all of their assets; the failure by the Company or any guarantor to comply with any of the other agreements in the indenture, which failure continues for 60 days after notice; and certain events of bankruptcy or insolvency of the Company or a restricted subsidiary that is a significant subsidiary or any group of restricted subsidiaries that together would constitute a significant subsidiary. Under the terms of a registration rights agreement dated as of March 19, 2013, among GEO, the guarantors and Merrill Lynch, Pierce, Fenner & Smith Incorporated, as the representative of the initial purchasers of the 5.125% Senior Notes, GEO agreed to register under the Securities Act notes having terms identical in all material respects to the 5.125% Senior Notes (the "5.125% Exchange Notes") and to make an offer to exchange the 5.125% Exchange Notes for the 5.125% Senior Notes. GEO filed the registration statement on May 30, 2013 which was declared effective on September 12, 2013. GEO launched the exchange offer on September 13, 2013 and the exchange offer expired on October 11, 2013.

5 7/8% Senior Notes

On October 3, 2013, the Company completed an offering of 250.0 million aggregate principal amount of 5⁷/₈% senior notes due 2022 (the "5⁷/₈% Senior Notes") in a private offering under the Indenture dated as of October 3, 2013 among GEO, certain of its domestic subsidiaries, as guarantors, and Wells Fargo Bank, National Association, as trustee. The 5⁷/₈% Senior Notes were offered and sold to "qualified institutional buyers" in accordance with Rule 144A under the Securities Act, and outside the United States to non-U.S. persons in accordance with Regulations S under the Securities Act. The 5⁷/₈% Senior Notes were issued at a coupon rate and yield to maturity of 5⁷/₈% . Interest on the 5⁷/₈% Senior Notes will be payable semi-annually in cash in arrears on January 15 and July 15, commencing on January 15, 2014. The 5⁷/₈% Senior Notes mature on January 15, 2022. The 5⁷/₈% Senior Notes and the guarantees are the Company's general unsecured senior obligations and rank equally in right of payment with all of the Company's and the guarantors' existing and future unsecured senior debt, including the Company's 6.625% Senior Notes, the 5.125% Senior Notes and the 5.875% Senior Notes. The 5⁷/₈% Senior Notes and the guarantees are effectively subordinated to any of the Company's and the guarantors' existing and future secured debt to the extent of the value of the assets securing such debt, including all anticipated borrowings under the Senior Credit Facility. The 5⁷/₈% Senior Notes are structurally subordinated to all existing and future liabilities (including trade payables) of the Company's subsidiaries that do not guarantee the 5⁷/₈% Senior Notes. Up to 35% of the aggregate principal amount of the 5⁷/₈% Senior Notes may be redeemed on or prior to January 15, 2016, with the net cash proceeds from certain equity offerings at a redemption price equal to 105.875% of their principal amount, plus accrued and unpaid interest and Liquidated Damages (as defined in the indenture), if any, to the redemption date. In addition, GEO may, at its option, redeem the 5⁷/₈% Senior Notes in whole or in part before January 15, 2017 at a redemption price equal to 100% of the principal amount of the 5⁷/₈% Senior Notes being redeemed plus a "make-whole" premium, together with accrued and unpaid interest and Liquidated Damages, if any, to the redemption date. On or after January 15, 2017, GEO may, at its option, redeem all or part of the 5⁷/₈% Senior Notes upon not less than 30 days nor more than 60 days' notice, at the redemption prices (expressed as percentages of principal amount) set forth below, plus accrued and unpaid interest and including Liquidated Damages, if any, on the 5⁷/₈% Senior Notes redeemed, to the applicable redemption date, if redeemed during the 12-month period beginning on January 15 of the years indicated below:

| Year | Percentage |
|---------------------------|------------|
| 2017 | 104.406% |
| 2018 | 102.938% |
| 2019 | 101.469% |
| 2020 and thereafter | 100.000% |

If there is a “change of control” (as defined in the Indenture), holders of the 5⁷/₈% Senior Notes will have the right to cause GEO to repurchase their 5⁷/₈% Senior Notes at a price equal to 101% of the principal amount of the 5⁷/₈% Senior Notes repurchased plus accrued and unpaid interest and Liquidated Damages, if any, to the purchase date.

The indenture governing the notes contains certain covenants, including limitations and restrictions on the Company and its restricted subsidiaries’ ability to: incur additional indebtedness or issue preferred stock; make dividend payments or other restricted payments; create liens; sell assets; enter into transactions with affiliates; and enter into mergers, consolidations or sales of all or substantially all of the Company’s assets. As of the date of the indenture, all of the Company’s subsidiaries, other than certain dormant domestic and other subsidiaries and all foreign subsidiaries in existence on the date of the indenture, were restricted subsidiaries. The Company’s failure to comply with certain of the covenants under the indenture governing the 5⁷/₈% Senior Notes could cause an event of default of any indebtedness and result in an acceleration of such indebtedness. In addition, there is a cross-default provision which becomes enforceable upon failure of payment of indebtedness at final maturity. The Company’s unrestricted subsidiaries will not be subject to any of the restrictive covenants in the indenture. The Company believes it was in compliance with all of the covenants of the indenture governing the 5⁷/₈% Senior Notes as of December 31, 2014. The Indenture also contains events of default with respect to, among other things, the following: failure by GEO to pay interest and Liquidated Damages, if any, on the 5⁷/₈% Senior Notes when due, which failure continues for 30 days; failure by GEO to pay the principal of, or premium, if any, on, the 5⁷/₈% Senior Notes when due; failure by GEO or any of its restricted subsidiaries to comply with their obligations to offer to repurchase the 5⁷/₈% Senior Notes at the option of the holders of the 5⁷/₈% Senior Notes upon a change of control, to offer to redeem notes under certain circumstances in connection with asset sales with “excess proceeds” (as defined in the Indenture) in excess of \$25.0 million or to observe certain restrictions on mergers, consolidations and sales of substantially all of their assets; the failure by GEO or any Guarantor to comply with any of the other agreements in the Indenture, which failure continues for 60 days after notice; and certain events of bankruptcy or insolvency of GEO or a restricted subsidiary that is a significant subsidiary or any group of restricted subsidiaries that together would constitute a significant subsidiary. GEO used the net proceeds from the offering, together with cash on hand, to fund the repurchase, redemption or other discharge of its 7³/₄% Senior Notes and to pay related transaction fees and expenses. Loan costs of \$5.9 million were incurred and capitalized in connection with the offering and the Company incurred a loss on extinguishment of debt of \$17.7 million related to the tender premium and deferred costs associated with the 7³/₄% Senior Notes. This loss was partially offset by proceeds of \$4.0 million received for the settlement of the interest rate swaps related to the 7³/₄% Senior Notes. Under the terms of the Registration Rights Agreement, dated as of October 3, 2013, among GEO, the Guarantors and Wells Fargo Securities, LLC, as the representative of the initial purchasers of the 5⁷/₈% Senior Notes (the “Registration Rights Agreement”), GEO agreed to register under the Securities Act notes having terms identical in all material respects to the 5⁷/₈% Senior Notes (the “5⁷/₈% Exchange Notes”) and to make an offer to exchange the 5⁷/₈% Exchange Notes for the 5⁷/₈% Senior Notes. GEO filed the registration statement on October 2, 2013 which was declared effective on January 6, 2014. GEO launched the exchange offer on January 6, 2014 and the exchange offer expired on February 4, 2014.

6.625% Senior Notes

On February 10, 2011, the Company completed an offering of \$300.0 million aggregate principal amount of 6.625% Senior Notes in a private offering under the indenture dated as of February 10, 2011 among the Company, certain of its domestic subsidiaries, as guarantors, and Wells Fargo Bank, National Association, as trustee. The 6.625% Senior Notes were offered and sold to “qualified institutional buyers” in accordance with Rule 144A under the Securities Act, and outside the United States to non-U.S. persons in accordance with Regulation S under the Securities Act. The 6.625% Senior Notes were issued at a coupon rate and yield to maturity of 6.625%. Interest on the 6.625% Senior Notes is payable semi-annually in cash in arrears on February 15 and August 15 each year. The 6.625% Senior Notes mature on February 15, 2021. The 6.625% Senior Notes and the guarantees are the Company’s general unsecured senior obligations and rank equally in right of payment with all of the Company’s and the guarantors’ existing and future unsecured senior debt, including the Company’s 5.125% Senior Notes, the 5⁷/₈% Senior Notes and the 5.875% Senior Notes. The 6.625% Senior Notes and the guarantees are effectively subordinated to any of the Company’s and the guarantors’ existing and future secured debt to the

extent of the value of the assets securing such debt, including all anticipated borrowings under the Senior Credit Facility. The 6.625% Senior Notes are structurally subordinated to all existing and future liabilities (including trade payables) of the Company's subsidiaries that do not guarantee the 6.625% Senior Notes. The Company may, at its option, redeem all or part of the 6.625% Senior Notes prior to February 15, 2016, at a redemption price equal to 100% of the principal amount of each note to be redeemed plus a "make whole" premium, together with accrued and unpaid interest and Liquidated Damages, if any, to the date of redemption.

On or after February 15, 2016, the Company may, at its option, redeem all or part of the 6.625% Senior Notes upon not less than 30 nor more than 60 days' notice, at the redemption prices (expressed as percentages of principal amount) set forth below, plus accrued and unpaid interest and liquidated damages, if any, on the 6.625% Senior Notes redeemed, to the applicable redemption date, if redeemed during the 12-month period beginning on February 15 of the years indicated below:

| Year | Percentage |
|---------------------------|------------|
| 2016 | 103.3125% |
| 2017 | 102.2083% |
| 2018 | 101.1042% |
| 2019 and thereafter | 100.0000% |

If there is a "change of control" (as defined in the indenture), holders of the 6.625% Senior Notes will have the right to cause the Company to repurchase their 6.625% Senior Notes at a price equal to 101% of the principal amount of the 6.625% Senior Notes repurchased plus accrued and unpaid interest and Liquidated Damages, if any, to the purchase date. The indenture governing the notes contains certain covenants, including limitations and restrictions on the Company and its restricted subsidiaries' ability to: incur additional indebtedness or issue preferred stock; make dividend payments or other restricted payments; create liens; sell assets; enter into transactions with affiliates; and enter into mergers, consolidations or sales of all or substantially all of the Company's assets. As of the date of the indenture, all of the Company's subsidiaries, other than certain dormant domestic and other subsidiaries and all foreign subsidiaries in existence on the date of the indenture, were restricted subsidiaries. The Company's failure to comply with certain of the covenants under the indenture governing the 6.625% Senior Notes could cause an event of default of any indebtedness and result in an acceleration of such indebtedness. In addition, there is a cross-default provision which becomes enforceable upon failure of payment of indebtedness at final maturity. The Company's unrestricted subsidiaries will not be subject to any of the restrictive covenants in the indenture. The Company was in compliance with all of the covenants of the indenture governing the 6.625% Senior Notes as of December 31, 2014. The indenture also contains events of default with respect to, among other things, the following: failure by the Company to pay interest and Liquidated Damages, if any, on the 6.625% Senior Notes when due, which failure continues for 30 days; failure by the Company to pay the principal of, or premium, if any, on, the 6.625% Senior Notes when due; failure by the Company or any of its restricted subsidiaries to comply with their obligations to offer to repurchase the 6.625% Senior Notes at the option of the holders of the 6.625% Senior Notes upon a change of control, to offer to redeem notes under certain circumstances in connection with asset sales with "excess proceeds" (as defined in the indenture) in excess of \$25.0 million or to observe certain restrictions on mergers, consolidations and sales of substantially all of their assets; the failure by the Company or any guarantor to comply with any of the other agreements in the indenture, which failure continues for 60 days after notice; and certain events of bankruptcy or insolvency of the Company or a restricted subsidiary that is a significant subsidiary or any group of restricted subsidiaries that together would constitute a significant subsidiary.

Under the terms of the registration rights agreement, dated as of February 10, 2011, among the Company, the guarantors and the initial purchasers of the 6.625% Senior Notes, the Company agreed to register under the Securities Act notes having terms identical in all material respects to the 6.625% Senior Notes (the "6.625% Exchange Notes") and to make an offer to exchange the 6.625% Exchange Notes for the 6.625% Senior Notes. The Company filed the registration statement on April 12, 2011 which was declared effective on July 22, 2011. The Company launched the exchange offer on July 25, 2011 and the exchange offer expired on August 22, 2011.

Non-Recourse Debt

South Texas Detention Complex

The Company had a debt service requirement related to the development of the South Texas Detention Complex, a 1,904-bed detention complex in Frio County, Texas acquired in November 2005 from Correctional Services Corporation (“CSC”). CSC was awarded the contract in February 2004 by the Department of Homeland Security, U.S. Immigration and Customs Enforcement (“ICE”) for development and operation of the detention center. In order to finance the construction of the complex, STLDC was created and issued \$49.5 million in taxable revenue bonds. These bonds were to mature in February 2016 and had fixed coupon rates between 4.63% and 5.07%. Additionally, the Company was owed \$5.0 million in the form of subordinated notes by STLDC which represented the principal amount of financing provided to STLDC by CSC for initial development. On September 30, 2013, the Company completed a legal defeasance of the \$49.5 million taxable revenue bonds with an outstanding balance of \$17.2 million which were to mature in February 2016. Refer to Note 1— *Variable Interest Entities*. Upon closing of the transaction, the Company received \$17.3 million of funds held in trust with respect to STLDC which was held for future debt service and other reserves. These funds were previously included in the Company’s current and non-current restricted cash and investments. In connection with the defeasance, the Company incurred a \$1.5 million loss on extinguishment of debt which represented the excess of the reacquisition price of the defeasance over the net carrying value of the bonds and other defeasance related fees and expenses.

Northwest Detention Center

On June 30, 2003, CSC arranged financing for the construction of a detention center in Tacoma, Washington, referred to as the Northwest Detention Center, which was completed and opened for operation in April 2004. The Company began to operate this facility following its acquisition of CSC in November 2005 (this facility was expanded by GEO in 2009 to 1,575 beds from the original 1,030 beds).

In connection with the original financing, CSC of Tacoma, LLC, a wholly owned subsidiary of CSC, issued a \$57.0 million note payable to the Washington Economic Development Finance Authority (“WEDFA”), an instrumentality of the State of Washington, which issued revenue bonds (“2003 Revenue Bonds”) and subsequently loaned the proceeds of the bond issuance back to CSC for the purposes of constructing the Northwest Detention Center. The proceeds of the loan were disbursed into escrow accounts held in trust to be used to pay the issuance costs for the revenue bonds, to construct the Northwest Detention Center and to establish debt service and other reserves. The bonds are non-recourse to the Company and the loan from WEDFA to CSC is non-recourse to the Company. These bonds matured and were fully paid in October 2014.

Additionally, on December 9, 2011, WEDFA issued \$54.4 million of its Washington Economic Development Finance Authority Taxable Economic Development Revenue Bonds, series 2011 (“2011 Revenue Bonds”). The bonds were rated AA- by Standard & Poor’s Ratings Services and the scheduled payment of principal and interest is guaranteed by municipal bond insurance issued by Assured Guaranty Municipal Corp. The 2011 Revenue Bonds have an average all-in cost of approximately 6.4%, including debt issuance costs and the bond discount, and maturity dates ranging through October 1, 2021. The 2011 Revenue Bonds were issued to provide funds to make a loan to CSC of Tacoma, LLC for purposes of reimbursing GEO for costs incurred by GEO for the 2009 expansion of the Northwest Detention Facility and paying the costs of issuing the 2011 Revenue Bonds. The payment of principal and interest on the bonds is non-recourse to GEO. None of the bonds nor CSC’s obligations under the loan are obligations of GEO nor are they guaranteed by GEO. As of December 31, 2014, the remaining balance of the debt service requirement related to the 2011 Revenue Bonds is \$49.4 million, of which \$6.3 million is classified as current in the accompanying balance sheet. As of December 31, 2014, included in restricted cash and investments is \$4.3 million (all current) of funds held in trust with respect to the Northwest Detention Center for debt service and other reserves which had not been released to the Company as of December 31, 2014.

MCF

MCF was obligated for the outstanding balance of the MCF Bonds. The bonds bore interest at a rate of 8.47% per annum and were payable in semi-annual installments of interest and annual installments of principal. All unpaid principal and accrued interest on the bonds was due on the earlier of August 1, 2016 (maturity) or as noted under the bond documents. The bonds were limited, non-recourse obligations of MCF and were collateralized by the property and equipment, bond reserves, assignment of subleases and substantially all assets related to the eleven facilities owned by MCF. The bonds were not guaranteed by the Company or its subsidiaries. On August 31, 2012, the Company purchased 100% of the

partnership interests of MCF from the third party holders of these interests for a total net consideration of \$35.2 million. Subsequent to the acquisition, the indenture relating to the MCF bonds was discharged and the remaining principal balance as of August 31, 2012 of \$77.9 million was redeemed, with an effective date of September 4, 2012. GEO financed the acquisition of the partnership interests in MCF and the redemption of the MCF bonds with the proceeds from a term loan under the prior senior credit facility discussed above.

In 2012, in connection with the transaction, the Company incurred a loss on extinguishment of debt in connection with the early redemption of the MCF bonds of \$8.5 million which consisted of a make-whole premium of \$14.9 million which includes \$0.1 million of bond redemption costs, offset by the effect of the then unamortized bond premium of \$6.4 million.

Australia — Fulham

The Company's wholly-owned Australian subsidiary financed the development of a facility and subsequent expansion in 2003 with long-term debt obligations. These obligations are non-recourse to the Company and total \$16.4 million (AUD 20.1 million) and \$23.9 million (AUD 26.9 million) at December 31, 2014 and 2013, respectively, based on exchange rates in effect as of December 31, 2014. The term of the non-recourse debt is through 2017 and it bears interest at a variable rate quoted by certain Australian banks plus 140 basis points. Any obligations or liabilities of the subsidiary are matched by a similar or corresponding commitment from the government of the State of Victoria. As a condition of the loan, the Company is required to maintain a restricted cash balance of AUD 5.0 million (along with interest earned on the account) which, at December 31, 2014, was \$4.1 million (including interest) based on exchange rates in effect as of December 31, 2014. This amount is included in non-current restricted cash and the annual maturities of the future debt obligation are included in Non-Recourse Debt.

Australia — Ravenhall

In connection with a new design and build prison project agreement with the State, the Company entered into a syndicated facility agreement (the "Construction Facility") with National Australia Bank Limited to provide debt financing for construction of the project. Refer to Note 7 — Contract Receivable. The Construction Facility provides for non-recourse funding up to AUD 791 million, or \$645.3 million, based on exchange rates as of December 31, 2014. Construction draws will be funded throughout the project according to a fixed utilization schedule as defined in the syndicated facility agreement. The term of the Construction Facility is through October 2019 and bears interest at a variable rate quoted by certain Australian banks plus 200 basis points. After October 2019, the Construction Facility will be converted to a term loan with payments due quarterly beginning in 2018 through 2041. In accordance with the terms of the Construction Facility, upon completion and commercial acceptance of the prison, in accordance with the prison contract, the State will make a lump sum payment of AUD 310 million, or \$252.9 million, based on exchange rates as of December 31, 2014, which will be used to pay down a portion of the outstanding principal balance. The remaining outstanding principal balance will be repaid over the term of the operating agreement. As of December 31, 2014, \$79.4 million was outstanding under the Construction Facility and the Company capitalized \$17.2 million of deferred financing costs in connection with the transaction. The Company also entered into interest rate swap and interest rate cap agreements related to its non-recourse debt in connection with the project. Refer to Note 9 — Derivative Financial Instruments.

Debt Repayment

Debt repayment schedules under Capital Lease Obligations, Long-Term Debt, Non-Recourse Debt and the Senior Credit Facility are as follows:

| Fiscal Year | Capital Leases | Long-Term Debt | Non-Recourse Debt | Revolver | Term Loans | Total Annual Repayment |
|------------------|----------------|----------------|-------------------|----------|------------|------------------------|
| (In thousands) | | | | | | |
| 2015 | \$ 1,932 | \$ 102 | \$ 12,753 | \$ — | \$ 3,000 | \$ 17,787 |
| 2016 | 1,935 | 87 | 13,420 | — | 3,000 | 18,442 |
| 2017 | 1,934 | 78 | 9,680 | — | 3,000 | 14,692 |
| 2018 | 1,936 | 80 | 6,970 | — | 3,000 | 11,986 |
| 2019 | 1,934 | 74 | 7,280 | 70,000 | 3,000 | 82,288 |
| 2020 | 1,934 | — | 7,665 | — | 280,500 | 290,099 |
| Thereafter | 3,170 | 1,100,000 | 87,494 | — | — | 1,190,664 |

| Fiscal Year | Capital Leases | Long-Term Debt | Non-Recourse Debt | Revolver | Term Loans | Total Annual Repayment |
|--------------------------------------|----------------|----------------|-------------------|-----------|------------|------------------------|
| | | | (In thousands) | | | |
| | 14,775 | 1,100,421 | 145,262 | 70,000 | 295,500 | 1,625,958 |
| Interest imputed on Capital Leases . | (3,851) | — | — | — | — | (3,851) |
| Original issuer's discount..... | — | — | (712) | — | — | (712) |
| Current portion..... | (1,068) | (102) | (12,582) | — | (3,000) | (16,752) |
| Non-current portion..... | \$ 9,856 | \$ 1,100,319 | \$ 131,968 | \$ 70,000 | \$ 292,500 | \$ 1,604,643 |

Guarantees

The Company has entered into certain guarantees in connection with the financing and construction performance of a facility in Australia (Refer to Note 7-Contract Receivable). The obligations amounted to approximately AUD 214 million, or \$174.6 million, based on exchange rates as of December 31, 2014. These guarantees are secured by outstanding letters of credit under the Company's Revolver as of December 31, 2014.

At December 31, 2014, the Company also had nine letters of guarantee outstanding under separate international facilities relating to performance guarantees of its Australian subsidiary totaling \$12.4 million. In addition to the above, in connection with the creation of SACS, the Company entered into certain guarantees related to the financing, construction and operation of the prison. The Company guaranteed certain obligations of SACS under its debt agreements to SACS' senior lenders through the issuance of letters of credit for 60.0 million South African Rand. During the fiscal year ended January 1, 2012, the Company was notified by SACS' lenders that these guarantees were reduced from 60.0 million South African Rand to 26.7 million South African Rand, or \$2.3 million based on exchange rates as of December 31, 2014. Additionally, SACS was required to fund a Rectification Account for the repayment of certain costs in the event of contract termination. As such, the Company had guaranteed the payment of 60% of amounts which may have been payable by SACS into the Rectification Account by providing a standby letter of credit of 8.4 million South African Rand as security for this guarantee. During the fiscal year ended December 31, 2013, SACS met its obligation for the funding of the Rectification Account and the letter of credit for 8.4 million South African Rand relative to this guarantee was not renewed. In the event SACS is unable to maintain the required funding in the Rectification Account, the guarantee for the shortfall will need to be re-instated. No amounts have been drawn against these letters of credit. The remaining guarantee of 26.7 million South African Rand is included as part of the value of the Company's outstanding letters of credit under its Revolver as of December 31, 2014.

The Company has also agreed to provide a loan, of up to 20.0 million South African Rand, or \$1.7 million based on exchange rates as of December 31, 2014, referred to as the Shareholder's Loan, to SACS for the purpose of financing SACS' obligations under its contract with the South African government. No amounts have been funded under the Shareholder's Loan, and the Company does not currently anticipate that such funding will be required by SACS in the future. The Company's obligations under the Shareholder's Loan expire upon the earlier of full funding or SACS's release from its obligations under its debt agreements. The lenders' ability to draw on the Shareholder's Loan is limited to certain circumstances, including termination of the contract. The Company has also guaranteed certain obligations of SACS to the security trustee for SACS' lenders. The Company secured its guarantee to the security trustee by ceding its rights to claims against SACS in respect of any loans or other finance agreements, and by pledging the Company's shares in SACS. The Company's liability under the guarantee is limited to the cession and pledge of shares. The guarantee expires upon expiration of the cession and pledge agreements.

In connection with a design, build, finance and maintenance contract for a facility in Canada, the Company guaranteed certain potential tax obligations of a trust. The potential estimated exposure of these obligations is Canadian Dollar ("CAD") \$2.5 million, or \$2.2 million based on exchange rates as of December 31, 2014, commencing in 2017. The Company has a liability of \$2.0 million and \$2.0 million related to this exposure included in Other Non-Current Liabilities as of December 31, 2014 and 2013, respectively. To secure this guarantee, the Company purchased Canadian dollar denominated securities with maturities matched to the estimated tax obligations in 2017 to 2021. The Company has recorded an asset equal to the current fair value of those securities included in Other Non-Current Assets as of December 31, 2014 and 2013, respectively, on its consolidated balance sheets. The Company does not currently operate or manage this facility. In connection with the creation of GEOAmeY, the Company and its joint venture partner guarantee the availability of working capital in equal proportion to ensure that GEOAmeY can comply with current and future contractual commitments related to the performance of its operations. The Company and the 50% joint venture partner have each extended a £12 million line of credit of which

£10.5 million, or \$16.3 million based on exchange rates as of December 31, 2014, was outstanding as of December 31, 2014. The Company's maximum exposure relative to the joint venture is its note receivable of \$16.3 million and future financial support necessary to guarantee performance under the contract.

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

15. Benefit Plans

The Company's employees participate in an Employee Retirement Savings Plan (the "Retirement Plan") under Section 401(k) of the Internal Revenue Code that covers substantially all U.S. based salaried employees. Employees may contribute a percentage of eligible compensation to the plan, subject to certain limits under the Internal Revenue Code. For the years ended December 31, 2014, 2013 and 2012, the Company provided matching contributions of \$3.2 million, \$3.4 million and \$4.1 million, respectively.

The Company has two non-contributory defined benefit pension plans covering certain of the Company's executives. Retirement benefits are based on years of service, employees' average compensation for the last five years prior to retirement and social security benefits. Currently, the plans are not funded. The Company purchased and is the beneficiary of life insurance policies for certain participants enrolled in the plans. There were no significant transactions between the employer or related parties and the plans during 2014, 2013 or 2012. As of December 31, 2014, the Company had a non-qualified deferred compensation agreement with its Chief Executive Officer ("CEO"). In August 2012, the CEO's agreement was amended to eliminate the tax gross-up provision which was previously applicable to his lump sum retirement payment and in exchange for the elimination of the tax gross-up provision, the amount of the lump sum retirement payment which Mr. Zoley is entitled to receive has been proportionately increased so that he would receive substantially the same net benefit as he would have otherwise received had the tax gross-up remained in the plan. The current agreement provides for a lump sum payment upon retirement, no sooner than age 55. As of December 31, 2014, the CEO had reached age 55 and was eligible to receive the payment upon retirement. If the Company's CEO had retired as of December 31, 2014, the Company would have had to pay him \$7.1 million. The long-term portion of the pension liability related to the defined benefit plans and the deferred compensation agreement with the CEO as of December 31, 2014 and 2013 was \$24.9 million and \$19.8 million, respectively, and is included in Other Non-Current liabilities in the accompanying consolidated balance sheets. The following table summarizes key information related to the Company's pension plans and retirement agreements. The table illustrates the reconciliation of the beginning and ending balances of the benefit obligation showing the effects during the periods presented attributable to service cost, interest cost, plan amendments, termination benefits, actuarial gains and losses. The assumptions used in the Company's calculation of accrued pension costs are based on market information and the Company's historical rates for employment compensation and discount rates.

| | 2014 | 2013 |
|---|-------------|-------------|
| Accumulated Benefit Obligation, End of Year | \$ 19,280 | \$ 15,439 |
| Change in Projected Benefit Obligation | | |
| Projected Benefit Obligation, Beginning of Year | \$ 20,032 | \$ 19,761 |
| Service Cost | 821 | 925 |
| Interest Cost | 935 | 829 |
| Actuarial Loss (Gain) | 4,324 | (1,229) |
| Benefits Paid | (286) | (254) |
| Projected Benefit Obligation, End of Year | \$ 25,826 | \$ 20,032 |
| Change in Plan Assets | | |
| Plan Assets at Fair Value, Beginning of Year | \$ — | \$ — |
| Company Contributions | 286 | 254 |
| Benefits Paid | (286) | (254) |
| Plan Assets at Fair Value, End of Year | \$ — | \$ — |
| Unfunded Status of the Plan | \$ (25,826) | \$ (20,032) |
| Amounts Recognized in Accumulated Other Comprehensive Income | | |
| Prior Service Cost | — | — |
| Net Loss | 6,988 | 2,791 |

| | | |
|--------------------------|-------------|-------------|
| | <u>2014</u> | <u>2013</u> |
| Total Pension Cost | \$ 6,988 | \$ 2,791 |

| | | |
|--|-----------------|-----------------|
| | <u>2014</u> | <u>2013</u> |
| Components of Net Periodic Benefit Cost | | |
| Service Cost | \$ 821 | \$ 925 |
| Interest Cost | 935 | 829 |
| Amortization of: | | |
| Net Loss | 127 | 263 |
| Net Periodic Pension Cost | <u>\$ 1,883</u> | <u>\$ 2,017</u> |

| | | |
|---|-------|-------|
| Weighted Average Assumptions for Expense | | |
| Discount Rate | 4.35% | 5.15% |
| Expected Return on Plan Assets | N/A | N/A |
| Rate of Compensation Increase | 4.34% | 4.38% |

The amount included in other accumulated comprehensive income as of December 31, 2014 that has not yet been recognized as a component of net periodic benefit cost in fiscal year 2014 is \$4.2 million. The amount included in other accumulated comprehensive income as of December 31, 2014 that is expected to be recognized as a component of net periodic benefit cost in fiscal year 2015 is \$0.4 million. The benefit payments reflected in the table below represent the Company's obligations to employees that are eligible for retirement or have already retired and are receiving deferred compensation benefits:

| Fiscal Year | Pension Benefits |
|------------------|---------------------|
| | (In thousands) |
| 2015 | \$ 7,568 |
| 2016 | 528 |
| 2017 | 573 |
| 2018 | 569 |
| 2019 | 698 |
| Thereafter | 15,890 |
| | <u>\$ 25,826</u> |

The Company also maintains The GEO Group Inc. Deferred Compensation Plan ("Deferred Compensation Plan"), a non-qualified deferred compensation plan for employees who are ineligible to participate in its qualified 401(k) plan. Eligible employees may defer a fixed percentage of their salary and the Company matches employee contributions up to a certain amount based on the employee's years of service. Payments will be made at retirement age of 65, at termination of employment or earlier depending on the employees' elections. The Company established a rabbi trust; the purpose of which is to segregate the assets of the Deferred Compensation Plan from the Company's cash balances. The funds in the rabbi trust are included in Restricted Cash and Investments in the accompanying Consolidated Balance Sheets. These funds are not available to the Company for any purpose other than to fund the Deferred Compensation Plan; however, these funds may be available to the Company's creditors in the event the Company becomes insolvent. All employee and employer contributions relative to the Deferred Compensation Plan are made directly to the rabbi trust. The Company recognized expense related to its contributions of \$0.3 million, \$0.2 million and \$0.4 million for the years ended December 31, 2014, 2013 and 2012 respectively. The total liability for this plan at December 31, 2014 and 2013 was \$11.0 million and \$9.8 million, respectively and is included in Other Non-Current Liabilities in the accompanying Consolidated Balance Sheets. The current portion of the liability was \$0.9 million and \$0.3 million as of December 31, 2014 and 2013, respectively.

16. Business Segments and Geographic Information

Operating and Reporting Segments

The Company conducts its business through four reportable business segments: the U.S. Corrections & Detention segment; the International Services segment; the GEO Care segment; and Facility Construction & Design segment. The

Company has identified these four reportable segments to reflect the current view that the Company operates four distinct business lines, each of which constitutes a material part of its overall business. The U.S. Corrections & Detention segment primarily encompasses U.S.-based privatized corrections and detention business. The International Services segment primarily consists of privatized corrections and detention operations in South Africa, Australia and the United Kingdom. The Company's community-based services, youth services and BI are operating segments aggregated under the GEO Care reporting segment. The GEO Care segment, which conducts its services in the United States, represents services provided to adult offenders and juveniles for non-residential treatment, educational and community based programs, pre-release and half-way house programs, compliance technologies, monitoring services and evidence-based supervision and treatment programs for community-based parolees, probationers, and pretrial defendants. Effective January 1, 2015, the Company regained ownership of its GEO Care trade name and as a result renamed its GEO Community Services Segment "GEO Care" in connection with the termination of the license agreement related to the sale of RTS. Refer to Note 2-Discontinued Operations. The Facility Construction & Design segment primarily contracts with various state, local and federal agencies for the design and construction of facilities for which the Company has management contracts. Generally, the assets and revenues from the Facility Construction & Design segment are offset by a similar amount of liabilities and expenses. There was no activity in the Facility Construction & Design segment during 2013 or 2012. Segment disclosures below (in thousands) reflect the results of continuing operations. All transactions between segments are eliminated.

| Fiscal Year | 2014 | 2013 | 2012 |
|--|---------------------|---------------------|---------------------|
| Revenues: | | | |
| U.S. Corrections & Detention | \$ 1,108,397 | \$ 1,011,818 | \$ 974,780 |
| GEO Care | 329,253 | 302,094 | 291,891 |
| International Services | 197,992 | 208,162 | 212,391 |
| Facility Construction and Design[1] | 55,978 | — | — |
| Total revenues..... | \$ 1,691,620 | \$ 1,522,074 | \$ 1,479,062 |
| Depreciation and amortization: | | | |
| U.S. Corrections & Detention | \$ 63,690 | \$ 62,112 | \$ 62,578 |
| GEO Care | 29,766 | 29,989 | 26,738 |
| International Services | 2,715 | 2,563 | 2,369 |
| Total depreciation and amortization | \$ 96,171 | \$ 94,664 | \$ 91,685 |
| Operating Income: | | | |
| U.S. Corrections & Detention | \$ 263,027 | \$ 217,918 | \$ 222,976 |
| GEO Care | 80,152 | 71,279 | 65,401 |
| International Services[2] | 6,130 | 13,348 | 9,768 |
| Facility Construction & Design[1] | 440 | — | — |
| Operating income from segments..... | \$ 349,749 | \$ 302,545 | \$ 298,145 |
| General and Administrative Expenses | (115,018) | (117,061) | (113,792) |
| Total operating income | \$ 234,731 | \$ 185,484 | \$ 184,353 |

[1] The Company began the design and construction of a new prison located in Ravenhall, a locality near Melbourne, Australia in 2014. There was no depreciation or amortization associated with this segment in 2014. Refer to Note 7-Contract Receivable.

[2] Operating income in the International Services segment decreased primarily due to bid costs incurred in the third quarter of 2014 at GEO's subsidiary in the United Kingdom as well as the termination of the Harmondsworth facility contract in early 2014 at GEO's subsidiary in the United Kingdom.

Pre-Tax Income Reconciliation of Segments

The following is a reconciliation of the Company's total operating income from its reportable segments to the Company's income before income taxes, equity in earnings of affiliates and discontinued operations, in each case, during the years ended December 31, 2014, 2013 and 2012, respectively.

| Fiscal Year Ended | 2014 | 2013 | 2012 |
|---|-------------------|------------------|-------------------|
| | (In thousands) | | |
| Operating income from segments..... | \$ 349,749 | \$ 302,545 | \$ 298,145 |
| Unallocated amounts: | | | |
| General and administrative expense | (115,018) | (117,061) | (113,792) |
| Net interest expense | (82,621) | (79,680) | (75,473) |
| Loss on early extinguishment of debt | — | (20,657) | (8,462) |
| Income before income taxes, equity in earnings of affiliates and discontinued operations..... | <u>\$ 152,110</u> | <u>\$ 85,147</u> | <u>\$ 100,418</u> |

| | 2014 | 2013 |
|-------------------------------------|---------------------|---------------------|
| | (In thousands) | |
| Segment assets: | | |
| U.S. Corrections & Detention..... | \$ 2,075,216 | \$ 2,048,882 |
| GEO Care | 675,166 | 654,352 |
| International Services | 71,788 | 78,381 |
| Facility Construction & Design..... | 83,024 | — |
| Total segment assets..... | <u>\$ 2,905,194</u> | <u>\$ 2,781,615</u> |

Asset Reconciliation

The following is a reconciliation of the Company's reportable segment assets to the Company's total assets as of December 31, 2014 and 2013, respectively.

| | 2014 | 2013 |
|---|---------------------|---------------------|
| | (In thousands) | |
| Reportable segment assets | \$ 2,905,194 | \$ 2,781,615 |
| Cash | 41,337 | 52,125 |
| Deferred income tax assets | 31,758 | 25,757 |
| Restricted cash and investments, current and non-current..... | 23,919 | 29,867 |
| Total assets..... | <u>\$ 3,002,208</u> | <u>\$ 2,889,364</u> |

Geographic Information

During each of the fiscal years ended December 31, 2014, December 31, 2013 and December 31, 2012, the Company's international operations were conducted through (i) the Company's wholly owned Australian subsidiary, The GEO Group Australia Pty. Ltd., through which the Company has management contracts for four correctional facilities, (ii) the Company's wholly owned subsidiaries, GEO Ravenhall Finance Holdings Pty. Ltd. and GEO Ravenhall Holdings Pty. Ltd. which, together, have a design and construction contract for a new prison in Ravenhall, Australia, (iii) the Company's consolidated joint venture in South Africa, SACM, through which the Company manages one correctional facility, and (iv) the Company's wholly-owned subsidiary in the United Kingdom, The GEO Group UK Ltd., through which the Company manages the Dungavel House Immigration Removal Centre.

| Fiscal Year | 2014 | 2013 | 2012 |
|---------------------------------|----------------|--------------|--------------|
| | (In thousands) | | |
| Revenues: | | | |
| U.S. operations | \$ 1,438,144 | \$ 1,314,425 | \$ 1,267,335 |
| Australia operations..... | 210,577 | 158,028 | 159,444 |
| South African operations..... | 16,831 | 17,992 | 20,029 |
| United Kingdom operations | 26,068 | 31,629 | 32,254 |
| Total revenues | \$ 1,691,620 | \$ 1,522,074 | \$ 1,479,062 |
| Long-lived assets: | | | |
| U.S. operations | \$ 1,765,391 | \$ 1,721,761 | \$ 1,680,038 |
| Australia operations..... | 5,923 | 4,828 | 5,634 |
| South African operations..... | 127 | 158 | 234 |
| United Kingdom operations | 725 | 1,051 | 1,253 |
| Total long-lived assets | \$ 1,772,166 | \$ 1,727,798 | \$ 1,687,159 |

Sources of Revenue

The Company derives most of its revenue from the management of privatized correction and detention facilities. The Company also derives revenue from the provision of community based and youth services, monitoring and evidence-based supervision and treatment programs in the United States, and expansion of new and existing correction, detention facilities. All of the Company's revenue is generated from external customers.

| Fiscal Year | 2014 | 2013 | 2012 |
|---------------------------------------|----------------|--------------|--------------|
| | (In thousands) | | |
| Revenues: | | | |
| Corrections & Detention..... | \$ 1,306,389 | \$ 1,219,980 | \$ 1,187,171 |
| GEO Care..... | 329,253 | 302,094 | 291,891 |
| Facility Construction and Design..... | 55,978 | — | — |
| Total revenues | \$ 1,691,620 | \$ 1,522,074 | \$ 1,479,062 |

Equity in Earnings of Affiliates

Equity in earnings of affiliates for 2014, 2013 and 2012 includes the operating results of the Company's joint ventures in SACS and GEOAmeY. These joint ventures are accounted for under the equity method and the Company's investments in SACS and GEOAmeY are presented as a component of other non-current assets in the accompanying Consolidated Balance Sheets. The Company has recorded \$5.1 million, \$5.1 million and \$5.3 million in earnings, net of tax impact, for SACS operations during the years ended December 31, 2014, 2013 and 2012, respectively, which are included in equity in earnings of affiliates, net of income tax provision in the accompanying Consolidated Statements of Operations. As of December 31, 2014 and 2013, the Company's investment in SACS was \$8.0 million and \$8.1 million, respectively. The investment is included in other non-current assets in the accompanying Consolidated Balance Sheets. The Company received dividend distributions of \$4.3 million and \$3.2 million, in 2014 and 2013, respectively from this unconsolidated joint venture.

The Company has recorded \$0.7 million, \$1.1 million and \$(1.7) million in earnings (losses), net of tax impact, for GEOAmeY's operations during the years ended December 31, 2014, 2013 and 2012, respectively, which are included in equity in earnings of affiliates, net of income tax provision, in the accompanying Consolidated Statements of Operations. As of December 31, 2014 and 2013, the Company's investment in GEOAmeY was \$(2.2) million and \$(3.0) million, respectively, and represents its share of cumulative reported losses. Losses in excess of the Company's investment have been recognized as the Company has provided certain loans and guarantees to provide financial support to GEOAmeY (Refer to Note 14-Debt and Note 1 — Summary of Business Organization, Operations and Significant Account Policies — *Note Receivable from Joint Venture*).

Business Concentration

Except for the major customer noted in the following table, no other single customer made up greater than 10% of the Company's consolidated revenues for the following fiscal years.

| Customer | 2014 | 2013 | 2012 |
|---|------|------|------|
| Various agencies of the U.S Federal Government: | 42% | 45% | 47% |

Credit risk related to accounts receivable is reflective of the related revenues.

17. Income Taxes

The United States and foreign components of income before income taxes, equity in earnings in affiliates, and discontinued operations are as follows:

| | 2014 | 2013 | 2012 |
|--|-------------------|------------------|------------------|
| | (In thousands) | | |
| Income before income taxes, equity in earnings in affiliates, and discontinued operations | | | |
| United States | \$ 145,656 | \$ 71,667 | \$ 91,048 |
| Foreign | 6,454 | 13,480 | 9,370 |
| | <u>152,110</u> | <u>85,147</u> | <u>100,418</u> |
| Discontinued operations: | | | |
| Loss from operation of discontinued business | — | (2,265) | (18,465) |
| Income before income taxes, equity in earnings in affiliates and discontinued operations | <u>\$ 152,110</u> | <u>\$ 82,882</u> | <u>\$ 81,953</u> |

The provision (benefit) for income taxes consists of the following components:

| | 2014 | 2013 | 2012 |
|--|----------------|-----------------|-----------------|
| | (In thousands) | | |
| Continuing Operations: | | | |
| Federal income taxes: | | | |
| Current | \$ 12,393 | \$ (26,841) | \$ 36,631 |
| Deferred | (5,393) | (4,449) | (78,275) |
| | <u>7,000</u> | <u>(31,290)</u> | <u>(41,644)</u> |
| State income taxes: | | | |
| Current | 4,302 | 2,294 | 5,020 |
| Deferred | (1,422) | (1,221) | (8,770) |
| | <u>2,880</u> | <u>1,073</u> | <u>(3,750)</u> |
| Foreign income taxes: | | | |
| Current | 7,753 | 4,445 | 5,497 |
| Deferred | (3,540) | (278) | (665) |
| | <u>4,213</u> | <u>4,167</u> | <u>4,832</u> |
| Total U.S. and foreign provision (benefit) for income taxes from | <u>14,093</u> | <u>(26,050)</u> | <u>(40,562)</u> |

| | 2014 | 2013 | 2012 |
|--|----------------|-------------|-------------|
| | (In thousands) | | |
| continuing operations | | | |
| Discontinued operations: | | | |
| Tax (benefit) provision allocated to discontinued operations | — | — | (7,805) |
| Total U.S. and foreign provision (benefit) for income taxes | \$ 14,093 | \$ (26,050) | \$ (48,367) |

A reconciliation of the statutory U.S. federal tax rate of 35.00% and the effective income tax rate is as follows:

| | 2014 | 2013 | 2012 |
|---|----------------|-------------|-------------|
| | (In thousands) | | |
| Continuing operations: | | | |
| Provisions using statutory federal income tax rate | \$ 53,239 | \$ 29,801 | \$ 35,147 |
| State income taxes, net of federal tax benefit | 2,510 | 1,104 | 4,291 |
| REIT Benefit | (44,538) | (34,454) | — |
| Impact of REIT election | — | (14,946) | (79,033) |
| Change in contingent tax liabilities | (576) | (5,701) | — |
| Reenactment of Federal Tax Credits | — | (1,084) | — |
| Other, net | 3,458 | (770) | (967) |
| Total provision (benefit) for income taxes from continuing operations | 14,093 | (26,050) | (40,562) |
| Discontinued operations: | | | |
| Tax benefit from operations of discontinued business | — | — | (7,805) |
| Total provision (benefit) for income taxes | \$ 14,093 | \$ (26,050) | \$ (48,367) |

The Company's effective tax rate, beginning in 2013, differs from the U.S. statutory rate of 35.0% primarily due to a zero tax rate on earnings generated by the Company's REIT operations. In 2013 and 2012, the Company had a tax benefit related to the REIT conversion of \$14.9 million and \$79.0 million, respectively, which was primarily related to the revaluation of certain deferred tax assets and liabilities upon conversion to the effective tax rate of the REIT at a zero tax rate. In addition, the Company had a tax benefit in 2013 of \$5.7 million primarily related to settlements of uncertain tax positions with the IRS for the tax years 2010 and 2011.

The following table presents the breakdown between current and non-current net deferred tax assets as of December 31, 2014 and 2013:

| | 2014 | 2013 |
|--|----------------|-----------|
| | (In thousands) | |
| Deferred tax assets — current | \$ 25,884 | \$ 20,936 |
| Deferred tax liabilities — current(1) | (12) | — |
| Deferred tax assets — non current | 5,873 | 4,821 |
| Deferred tax liabilities — non current | (10,068) | (14,689) |
| Total net deferred tax assets | \$ 21,677 | \$ 11,068 |

(1) Deferred tax liabilities — current is included in Accrued Expenses and Other Current Liabilities in the accompanying consolidated balance sheet.

The significant components of the Company's deferred tax assets and liabilities consisted of the following as of December 31, 2014 and 2013:

| | 2014 | 2013 |
|---|--------------------|--------------------|
| | (In thousands) | |
| Deferred tax assets: | | |
| Net operating losses | \$ 22,402 | \$ 22,461 |
| Accrued liabilities | 23,720 | 18,879 |
| Deferred compensation | 11,531 | 8,604 |
| Accrued compensation | 5,554 | 5,736 |
| Deferred revenue | 5,861 | 5,523 |
| Deferred rent | 4,313 | 5,264 |
| Tax credits | 3,414 | 4,326 |
| Equity awards | 3,559 | 3,822 |
| Other, net | — | 309 |
| Valuation allowance | (13,368) | (12,704) |
| Total deferred tax assets | \$ 66,986 | \$ 62,220 |
| Deferred tax liabilities: | | |
| Intangible assets | \$ (41,242) | \$ (43,699) |
| Depreciation | (3,389) | (7,453) |
| Other | (678) | — |
| Total deferred tax liabilities | \$ (45,309) | \$ (51,152) |
| Total net deferred tax assets | \$ 21,677 | \$ 11,068 |

Deferred income taxes should be reduced by a valuation allowance if it is not more likely than not that some portion or all of the deferred tax assets will be realized. On a periodic basis, management evaluates and determines the amount of the valuation allowance required and adjusts such valuation allowance accordingly. At year end 2014 and 2013, the Company has a valuation allowance of \$13.4 million and \$12.7 million, respectively related to deferred tax assets for foreign net operating losses, state net operating losses and state tax credits. The valuation allowance increased by \$0.7 million during the fiscal year ended December 31, 2014. The Company provides income taxes on the undistributed earnings of non-U.S. subsidiaries except to the extent that such earnings are indefinitely invested outside the United States. At December 31, 2014, \$8.0 million of accumulated undistributed earnings of non-U.S. subsidiaries were indefinitely invested. At the existing U.S. federal income and applicable foreign withholding tax rates, additional taxes (net of foreign tax credits) of \$0.4 million would have to be provided if such earnings were remitted currently. As of the fiscal year ended December 31, 2014, the Company had \$16.9 million of Federal net operating loss carryforwards which begin to expire in 2023 and \$142.2 million of combined net operating loss carryforwards in various states which began to expire in 2014. The Company has recorded a partial valuation allowance against the deferred tax assets related to the state operating losses.

Also as of the fiscal year ended December 31, 2014, the Company had \$27 million of foreign operating losses which carry forward indefinitely and \$1.8 million of state tax credits which carry forward indefinitely. The Company has recorded a partial valuation allowance against the deferred tax assets related to the foreign operating losses and state tax credits. The Company recognizes the cost of employee services received in exchange for awards of equity instruments based upon the grant date fair value of those awards. The exercise of non-qualified stock options and vesting of restricted stock awards which have been granted under the Company's equity award plans give rise to compensation income which is includable in the taxable income of the applicable employees and deducted by the Company for federal and state income tax purposes. In the case of non-qualified stock options, the compensation income results from increases in the fair market value of the Company's common stock subsequent to the date of grant. At fiscal year end 2014, the deferred tax asset net of a valuation allowance related to unexercised stock options and restricted stock grants for which the Company has recorded a book expense was \$3.6 million.

The Company recognizes the financial statement benefit of a tax position only after determining that the relevant tax authority would more likely than not sustain the position following an audit. For tax positions meeting the more-likely-than-not threshold, the amount recognized in the financial statements is the largest benefit that has a greater than 50 percent likelihood of being realized upon ultimate settlement with the relevant tax authority.

A reconciliation of the beginning and ending amount of unrecognized tax benefits is as follows:

| | 2014 | 2013 | 2012 |
|---|-----------------|-----------------|------------------|
| | (In thousands) | | |
| Balance at Beginning of Period..... | \$ 2,766 | \$ 18,499 | \$ 6,528 |
| Additions based on tax positions related to the current year..... | — | — | 2,437 |
| Additions for tax positions of prior years..... | — | 1,543 | 13,356 |
| Reductions as a result of a lapse of applicable statutes of limitations.... | (690) | (1,298) | (592) |
| Settlements | — | (15,978) | (3,230) |
| Balance at End of Period..... | <u>\$ 2,076</u> | <u>\$ 2,766</u> | <u>\$ 18,499</u> |

All amounts in the reconciliation are reported on a gross basis and do not reflect a federal tax benefit on state income taxes. The Company has accrued \$2 million of accrued uncertain tax benefits as of December 31, 2014 which is inclusive of the federal tax benefit on state income taxes. The Company anticipates a decrease in the unrecognized tax benefits within twelve months of the reporting date of approximately \$0.4 million due to lapse of statute of limitation. Settlements reported in the reconciliation for 2012 and 2013 include amounts related to federal audit adjustments for the years 2010 and 2011 under the IRS CAP Program. The accrued uncertain tax balance at December 31, 2014 includes \$2.0 million of unrecognized tax benefits which, if ultimately recognized, will reduce the Company’s annual effective tax rate.

The Company is subject to income taxes in the U.S. federal jurisdiction, and various states and foreign jurisdictions. Tax regulations within each jurisdiction are subject to the interpretation of the related tax laws and regulations and require significant judgment to apply. With few exceptions, the Company is no longer subject to U.S. federal, state and local, or non-U.S. income tax examinations by tax authorities for the years before 2010. The Company participated in the voluntary IRS real-time tax audit Compliance Assurance Process (“CAP”) for the 2011 and 2012 tax year. The 2009 and 2010 years were under audit as transition years as provided under the IRS CAP program. The federal income tax audits for 2009 through 2012 were concluded in 2013.

The calculation of the Company’s provision (benefit) for income taxes requires the use of significant judgment and involves dealing with uncertainties in the application of complex tax laws and regulations. In determining the adequacy of the Company’s provision (benefit) for income taxes, potential settlement outcomes resulting from income tax examinations are regularly assessed. As such, the final outcome of tax examinations, including the total amount payable or the timing of any such payments upon resolution of these issues, cannot be estimated with certainty.

During the years ended December 31, 2014, 2013 and 2012, the Company recognized \$0.4 million, \$0.7 million and \$0.0 million in interest and penalties, respectively. The Company had accrued \$0.6 million and \$0.4 million for the payment of interest and penalties at December 31, 2014 and 2013, respectively. The Company classifies interest and penalties as interest expense and other expense, respectively.

18. Commitments and Contingencies

Operating Leases

The Company leases correctional facilities, office space, computers and transportation equipment under non-cancelable operating leases expiring between 2015 and 2096. The future minimum commitments under these leases are as follows:

| Fiscal Year | Annual Rental |
|-----------------|-------------------|
| | (In thousands) |
| 2015 | \$ 35,679 |
| 2016 | 32,929 |
| 2017 | 26,459 |
| 2018 | 22,799 |
| 2019 | 21,525 |
| Thereafter..... | 33,081 |
| | <u>\$ 172,472</u> |

The Company leases its corporate offices, which are located in Boca Raton, Florida, under a lease agreement which was amended in April 2013. The current lease expires in March 2020 and has two 5-year renewal options, which if exercised will result in a maximum term ending in March 2030. In addition, the Company leases office space for its regional offices in Charlotte, North Carolina; San Antonio, Texas; and Los Angeles, California. The Company is also currently leasing office space in Pittsburgh, Pennsylvania, Philadelphia, Pennsylvania, Boulder, Colorado and Aurora, Colorado. The Company also leases office space in Sydney, Australia, Sandton, South Africa, and Berkshire, England through its overseas affiliates to support its Australian, South African, and UK operations, respectively. The Company also leases 47 ISAP service centers and 83 nonresidential re-entry centers related to BI. These rental commitments are included in the table above. Certain of these leases contain leasehold improvement incentives, rent holidays, and scheduled rent increases which are included in the Company's rent expense recognized on a straight-line basis. Minimum rent expense associated with the Company's leases having initial or remaining non-cancelable lease terms in excess of one year was \$34.8 million, \$35.9 million and \$34.4 million for fiscal years 2014, 2013 and 2012, respectively.

Collective Bargaining Agreements

The Company had approximately 24% of its workforce covered by collective bargaining agreements at December 31, 2014. Collective bargaining agreements with 14% of employees are set to expire in less than one year.

Employment Agreement

On April 29, 2013, GEO and Mr. George C. Zoley, the Company's Chief Executive Officer, entered into the First Amendment to Third Amended and Restated Executive Employment Agreement (the "First Amendment"). The First Amendment modifies Mr. Zoley's employment agreement by eliminating the automatic cost of living increase applicable to his annual base salary and instead provides that his annual base salary may be increased in the sole discretion of the Board of Directors for cost of living increases to be determined by the Board of Directors. Additionally, the First Amendment modifies the termination payment Mr. Zoley would receive in the event of a termination of employment other than a termination by GEO for cause (as defined in the Third Amended and Restated Executive Employment Agreement) or a termination by Mr. Zoley without good reason (as defined in the Third Amended and Restated Executive Employment Agreement) from three times the amount of Mr. Zoley's base salary plus annual bonus to two times the amount of Mr. Zoley's base salary plus annual bonus. On May 29, 2013, the Company and the Chief Executive Officer entered into the Second Amendment to Third Amended and Restated Executive Employment Agreement (the "Second Amendment"). The Second Amendment modifies the Chief Executive Officer's employment agreement by decreasing the maximum target annual performance award he may receive from 150% of his annual base salary to 100% of his annual base salary.

Contract Awards and Terminations

On February 3, 2014, GEO announced that it assumed management of the 985-bed Moore Haven Correctional Facility, the 985-bed Bay Correctional Facility, and the 1,884-bed Graceville Correctional Facility under contracts with the Florida Department of Management Services effective February 1, 2014. On February 3, 2014, GEO announced that it had increased the contracted capacity at the Company-owned Rio Grande Detention Center in Laredo, Texas from 1,500 to 1,900 beds under a contract with the U.S. Marshals Service.

On April 1, 2014, GEO announced the signing of a contract with the California Department of Corrections and Rehabilitation for the reactivation of the company-owned 260-bed McFarland Female Community Reentry Facility located in McFarland, California. On April 30, 2014, GEO announced a 640-bed expansion to the company-owned, 1,300-bed Adelanto Detention Facility in California under an amendment to the existing contract with the City of Adelanto.

On September 10, 2014, GEO announced that the Company's wholly-owned subsidiary, BI has been awarded a contract by U.S. Immigration and Customs Enforcement ("ICE") for the continued provision of case management and supervision services under the Intensive Supervision and Appearance Program ("ISAP"). The contract has a term of five years, inclusive of option periods, effective September 8, 2014. On September 16, 2014, GEO announced that GEO was awarded a contract with the Department of Justice in the State of Victoria for the development and operation of a new 1,300-bed capacity prison (the "Facility") in Ravenhall, a locality near Melbourne, Australia. Refer to Note 7 — Contract Receivable.

On December 19, 2014, GEO announced a 626-bed expansion to the company-owned, 532-bed Karnes County Residential Center in Texas under an amendment to the Company's existing contract with Karnes County, Texas. On December 30, 2014, GEO announced the Company had signed contracts with the Federal Bureau of Prisons ("BOP") for the

continuation of management at the Moshannon Valley Correctional Center in Pennsylvania and for the reactivation of the Great Plains Correction Facility in Oklahoma. The Great Plains Correction Facility was previously included in the Company's idle facilities. The contract has a term of ten years, inclusive of renewal options.

Commitments

The Company is currently developing a number of projects using existing Company financing facilities. The Company's management estimates that these existing capital projects will cost approximately \$235.2 million, of which \$61.6 million was spent through the end of 2014. The Company estimates the remaining capital requirements related to these capital projects to be approximately \$173.6 million. Domestic projects included in these amounts are expected to be completed in 2015. Included in these commitments is a contractual commitment to provide a capital contribution towards the design and construction of a prison project in Ravenhall, a locality near Melbourne, Australia, in the amount of AUD 115 million, or \$93.8 million, based on exchange rates at December 31, 2014. Refer to Note 7-Contract Receivable. This capital contribution is expected to be made in January 2017. Additionally, in connection with the prison project in Ravenhall, Australia, the Company has a contractual commitment for construction of the facility and has entered into a syndicated facility agreement with National Australia Bank Limited to provide funding for the project up to AUD 791 million, or \$645.3 million, based on exchange rates at December 31, 2014.

In addition to these current estimated capital requirements the Company is currently in the process of bidding on, or evaluating potential bids for the design, construction and management of a number of new projects. In the event that the Company wins bids for these projects and decides to self-finance their construction, its capital requirements could materially increase.

Litigation, Claims and Assessments

The nature of the Company's business exposes it to various types of third-party legal claims or litigation against the Company, including, but not limited to, civil rights claims relating to conditions of confinement and/or mistreatment, sexual misconduct claims brought by prisoners or detainees, medical malpractice claims, product liability claims, intellectual property infringement claims, claims relating to employment matters (including, but not limited to, employment discrimination claims, union grievances and wage and hour claims), property loss claims, environmental claims, automobile liability claims, indemnification claims by its customers and other third parties, contractual claims and claims for personal injury or other damages resulting from contact with the Company's facilities, programs, electronic monitoring products, personnel or prisoners, including damages arising from a prisoner's escape or from a disturbance or riot at a facility. The Company accrues for legal costs associated with loss contingencies when those costs are reasonable possible and estimable. The Company does not expect the outcome of any pending claims or legal proceedings to have a material adverse effect on its financial condition, results of operations or cash flows.

19. Selected Quarterly Financial Data (Unaudited)

The Company's selected quarterly financial data is as follows (in thousands, except per share data attributable to GEO):

| | First Quarter | Second Quarter | Third Quarter | Fourth Quarter |
|--|------------------|-------------------|------------------|-------------------|
| 2014 | | | | |
| Revenues..... | \$ 393,137 | \$ 412,843 | \$ 457,900 | \$ 427,740 |
| Operating income*..... | 48,570 | 60,889 | 63,318 | 61,954 |
| Income from continuing operations*..... | 27,996 | 38,898 | 38,965 | 37,981 |
| Net Income*..... | 27,996 | 38,898 | 38,965 | 37,981 |
| Net Income Attributable to The GEO Group, Inc.*..... | 27,990 | 38,898 | 38,991 | 38,051 |
| Basic earnings per share | | | | |
| Income from continuing operations..... | \$ 0.39 | \$ 0.54 | \$ 0.54 | \$ 0.52 |
| Net income per share*..... | \$ 0.39 | \$ 0.54 | \$ 0.54 | \$ 0.52 |
| Diluted earnings per share | | | | |
| Income from continuing operations*..... | \$ 0.39 | \$ 0.54 | \$ 0.54 | \$ 0.52 |
| Net income per share*..... | \$ 0.39 | \$ 0.54 | \$ 0.54 | \$ 0.52 |

Note that earnings per share tables may contain slight summation differences due to rounding.

| | First Quarter | Second Quarter | Third Quarter | Fourth Quarter |
|---|------------------|-------------------|------------------|-------------------|
| 2013 | | | | |
| Revenues | \$ 377,031 | \$ 381,653 | \$ 379,842 | \$ 383,548 |
| Operating income* | 41,259 | 51,387 | 44,829 | 48,009 |
| Income from continuing operations* | 23,438 | 34,219 | 32,174 | 27,631 |
| Loss from discontinued operation, net of tax | — | — | (2,265) | — |
| Net Income* | 23,438 | 34,219 | 29,909 | 27,631 |
| Net Income Attributable to The GEO Group, Inc.* | 23,420 | 34,207 | 29,897 | 27,611 |
| Basic earnings per share | | | | |
| Income from continuing operations* | \$ 0.33 | \$ 0.48 | \$ 0.45 | \$ 0.39 |
| Loss from discontinued operations | \$ — | \$ — | \$ (0.03) | \$ — |
| Net income per share* | \$ 0.33 | \$ 0.48 | \$ 0.42 | \$ 0.39 |
| Diluted earnings per share | | | | |
| Income from continuing operations* | \$ 0.33 | \$ 0.48 | \$ 0.45 | \$ 0.38 |
| Loss from discontinued operations | \$ — | \$ — | \$ (0.03) | \$ — |
| Net income per share* | \$ 0.33 | \$ 0.48 | \$ 0.42 | \$ 0.38 |

* First quarter operating income, net income and related income per share amounts are typically lower than the remaining quarters in the year due to the resetting of certain payroll tax limits which occurs in January of each year and results in higher payroll tax costs in the first quarter.

Note that earnings per share tables contain slight summation differences due to rounding.

20. Condensed Consolidating Financial Information

The notes discussed below are fully and unconditionally guaranteed on a joint and several senior unsecured basis by the Company and certain of its wholly-owned domestic subsidiaries (the “Subsidiary Guarantors”). On September 25, 2014, the Company completed an offering of \$250.0 million aggregate principal amount of senior unsecured notes. The notes will mature on October 15, 2024 and have a coupon rate and yield to maturity of 5.875%. Interest is payable semi-annually in cash in arrears on April 15 and October 15, beginning April 15, 2015. The 5.875% Senior Notes are guaranteed on a senior unsecured basis by all the Company’s restricted subsidiaries that guarantee obligations. The 5.875% Senior Notes rank equally in right of payment with any unsecured, unsubordinated indebtedness of the Company and the guarantors, including the Company’s 6.625% senior notes due 2021, the 5 7/8% senior notes due 2022, the 5.125% senior notes due 2023, and the guarantors’ guarantees thereof, senior in right of payment to any future indebtedness of the Company and the guarantors that is expressly subordinated to the 5.875% Senior Notes and the guarantees, effectively junior to any secured indebtedness of the Company and the guarantors, including indebtedness under the Company’s senior credit facility, to the extent of the value of the assets securing such indebtedness, and structurally junior to all obligations of the Company’s subsidiaries that are not guarantors. The sale of the 5.875% Senior Notes was registered under the Company’s automatic shelf registration statement on Form S-3 filed on September 12, 2014, as supplemented by the Preliminary Prospectus Supplement filed on September 24, 2014.

During 2013 the Company completed two private placement offerings as follows: (i) on March 19, 2013, the Company completed an offering of \$300.0 million aggregate principal amount of 5.125% Senior Notes due 2023, and (ii) on October 3, 2013, the Company completed an offering of \$250.0 million aggregate principal amount of 5 7/8% Senior Notes due 2022. The 5.125% Senior Notes due 2023, the 5 7/8% Senior Notes due 2022, and the Company’s previously existing 6.625% Senior Notes due 2021 are collectively referred to as the “Notes”. On February 10, 2011, the 6.625% Senior Notes were sold to qualified institutional buyers in accordance with Rule 144A under the Securities Act of 1933, as amended (the “Securities Act”), and outside the United States only to non-U.S. persons in accordance with Regulation S promulgated under the Securities Act. In connection with the sale of the 6.625% Senior Notes, the Company entered into a Registration Rights Agreement with the initial purchasers of the 6.625% Senior Notes party thereto, pursuant to which the Company and its Subsidiary Guarantors (as defined below) agreed to file a registration statement with respect to an offer to exchange the 6.625% Senior Notes for a new issue of substantially identical notes registered under the Securities Act. The Company filed a registration statement with respect to this offer to exchange the 6.625% Senior Notes which became effective on July 22, 2011. The Company launched the exchange offer on July 25, 2011 and the exchange offer expired August 22, 2011.

On March 13, 2013, the 5.125% Senior Notes were sold to qualified institutional buyers in accordance with Rule 144A under the Securities Act, and outside the United States only to non-U.S. persons in accordance with Regulation S promulgated under the Securities Act. In connection with the sale of the 5.125% Senior Notes, the Company entered into a Registration Rights Agreement with the initial purchasers of the 5.125% Senior Notes party thereto, pursuant to which the Company and its Subsidiary Guarantors (as defined below) agreed to file a registration statement with respect to an offer to exchange the 5.125% Senior Notes for a new issue of substantially identical notes registered under the Securities Act. The Company filed a registration statement with respect to this offer to exchange the 5.125% Senior Notes which became effective on September 12, 2013. GEO launched the exchange offer on September 13, 2013 and the exchange offer expired on October 11, 2013.

On October 3, 2013, the 5^{7/8}% Senior Notes were sold to qualified institutional buyers in accordance with Rule 144A under the Securities Act, and outside the United States only to non-U.S. persons in accordance with Regulation S promulgated under the Securities Act. In connection with the sale of the 5^{7/8}% Senior Notes, the Company entered into a Registration Rights Agreement with the initial purchasers of the 5^{7/8}% Senior Notes party thereto, pursuant to which the Company and its Subsidiary Guarantors (as defined below) agreed to file a registration statement with respect to an offer to exchange the 5^{7/8}% Senior Notes for a new issue of substantially identical notes registered under the Securities Act. The Company filed a registration statement with respect to this offer to exchange the 5^{7/8}% Senior Notes which became effective on January 6, 2014. GEO launched the exchange offer on January 6, 2014 and the exchange offer expired on February 4, 2014.

As a result of the REIT conversion, effective January 1, 2013, GEO reorganized its operations and moved non-real estate components into taxable REIT subsidiaries. Refer to Note 1 — Summary of Business Organization, Operations and Significant Accounting Policies. In addition, the 2014 and 2013 presentation includes REIT/TRS activity between Parent and Guarantors which was not present during 2012. As a result of the restructuring, certain balances reflected in the 2014 and 2013 condensed consolidating financial information may not be comparable to the 2012 condensed consolidating financial information.

The following condensed consolidating financial information, which has been prepared in accordance with the requirements for presentation of Rule 3-10(d) of Regulation S-X promulgated under the Securities Act, presents the condensed consolidating financial information separately for:

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

CONDENSED CONSOLIDATING STATEMENT OF COMPREHENSIVE INCOME

For the Year Ended December 31, 2014

| | The GEO Group, Inc. | Combined Subsidiary Guarantors | Combined Non-Guarantor Subsidiaries | Eliminations | Consolidated |
|--|------------------------|--------------------------------------|---|--------------|--------------|
| Revenues | \$ 558,764 | \$ 1,315,024 | \$ 264,216 | \$ (446,384) | \$ 1,691,620 |
| Operating expenses | 449,805 | 1,014,713 | 227,566 | (446,384) | 1,245,700 |
| Depreciation and amortization | 25,605 | 66,077 | 4,489 | — | 96,171 |
| General and administrative expenses | 36,437 | 61,351 | 17,230 | — | 115,018 |
| Operating income | 46,917 | 172,883 | 14,931 | — | 234,731 |
| Interest income | 22,327 | 3,103 | 4,416 | (25,099) | 4,747 |
| Interest expense | (47,622) | (56,195) | (8,650) | 25,099 | (87,368) |
| Income before income taxes and equity in earnings of affiliates | 21,622 | 119,791 | 10,697 | — | 152,110 |
| Provision for income taxes | 729 | 9,152 | 4,212 | — | 14,093 |
| Equity in earnings of affiliates, net of income tax provision | — | — | 5,823 | — | 5,823 |
| Income from operations before equity in income of consolidated subsidiaries | 20,893 | 110,639 | 12,308 | — | 143,840 |
| Income from consolidated subsidiaries, net of income tax provision | 122,947 | — | — | (122,947) | — |
| Net income | 143,840 | 110,639 | 12,308 | (122,947) | 143,840 |
| Less: income attributable to noncontrolling interests... | — | — | 90 | — | 90 |
| Net income attributable to The GEO Group, Inc. | \$ 143,840 | \$ 110,639 | \$ 12,398 | \$ (122,947) | \$ 143,930 |
| Net income | \$ 143,840 | \$ 110,639 | \$ 12,308 | \$ (122,947) | \$ 143,840 |
| Other comprehensive loss, net of tax | — | (2,522) | (20,560) | — | (23,082) |
| Total comprehensive income (loss) | \$ 143,840 | \$ 108,117 | \$ (8,252) | \$ (122,947) | \$ 120,758 |
| Comprehensive loss attributable to noncontrolling interests | — | — | 140 | — | 140 |
| Comprehensive income (loss) attributable to The GEO Group, Inc. | \$ 143,840 | \$ 108,117 | \$ (8,112) | \$ (122,947) | \$ 120,898 |

CONDENSED CONSOLIDATING STATEMENTS OF COMPREHENSIVE INCOME

For the Year Ended December 31, 2013

| | The GEO Group, Inc. | Combined Subsidiary Guarantors | Combined Non-Guarantor Subsidiaries | Eliminations | Consolidated |
|--|---------------------|--------------------------------|-------------------------------------|--------------|--------------|
| Revenues | \$ 494,631 | \$ 1,218,835 | \$ 219,871 | \$ (411,263) | \$ 1,522,074 |
| Operating expenses | 410,270 | 950,605 | 175,253 | (411,263) | 1,124,865 |
| Depreciation and amortization | 24,355 | 65,524 | 4,785 | — | 94,664 |
| General and administrative expenses | 36,336 | 64,573 | 16,152 | — | 117,061 |
| Operating income | 23,670 | 138,133 | 23,681 | — | 185,484 |
| Interest income | 25,275 | 1,960 | 2,566 | (26,477) | 3,324 |
| Interest expense | (41,121) | (59,518) | (8,842) | 26,477 | (83,004) |
| Loss on extinguishment of debt | (2,601) | (18,056) | — | — | (20,657) |
| Income before income taxes, equity in earnings of affiliates and discontinued operations | 5,223 | 62,519 | 17,405 | — | 85,147 |
| Provision (benefit) for income taxes | (34,835) | 4,454 | 4,331 | — | (26,050) |
| Equity in earnings of affiliates, net of income tax provision | — | — | 6,265 | — | 6,265 |
| Income from continuing operations before equity in income of consolidated subsidiaries | 40,058 | 58,065 | 19,339 | — | 117,462 |
| Income from consolidated subsidiaries, net of income tax provision | 77,404 | — | — | (77,404) | — |
| Income from continuing operations | 117,462 | 58,065 | 19,339 | (77,404) | 117,462 |
| Net loss from discontinued operations | (2,265) | — | — | — | (2,265) |
| Net income | 115,197 | 58,065 | 19,339 | (77,404) | 115,197 |
| Less: loss attributable to noncontrolling interests | \$ — | \$ — | \$ (62) | \$ — | \$ (62) |
| Net income attributable to The GEO Group, Inc. | \$ 115,197 | \$ 58,065 | \$ 19,277 | \$ (77,404) | \$ 115,135 |
| Net income | \$ 115,197 | \$ 58,065 | \$ 19,339 | \$ (77,404) | \$ 115,197 |
| Other comprehensive income (loss), net of tax | — | 914 | (8,113) | — | (7,199) |
| Total comprehensive income | \$ 115,197 | \$ 58,979 | \$ 11,226 | \$ (77,404) | \$ 107,998 |
| Comprehensive income attributable to noncontrolling interests | — | — | 38 | — | 38 |
| Comprehensive income attributable to The GEO Group, Inc. | \$ 115,197 | \$ 58,979 | \$ 11,264 | \$ (77,404) | \$ 108,036 |

CONDENSED CONSOLIDATING STATEMENTS OF COMPREHENSIVE INCOME

For the Fiscal Year ended December 31, 2012

| | The GEO Group, Inc. | Combined Subsidiary Guarantors | Combined Non-Guarantor Subsidiaries | Eliminations | Consolidated |
|---|------------------------|--------------------------------------|---|--------------|--------------|
| Revenues | \$ 605,091 | \$ 721,949 | \$ 230,261 | \$ (78,239) | \$ 1,479,062 |
| Operating expenses..... | 529,318 | 451,564 | 186,589 | (78,239) | 1,089,232 |
| Depreciation and amortization | 29,521 | 54,719 | 7,445 | — | 91,685 |
| General and administrative expenses | 44,214 | 52,753 | 16,825 | — | 113,792 |
| Operating income | 2,038 | 162,913 | 19,402 | — | 184,353 |
| Interest income | 32,580 | 1,713 | 6,122 | (33,699) | 6,716 |
| Interest expense | (68,737) | (33,204) | (13,947) | 33,699 | (82,189) |
| Loss on early extinguishment of debt..... | — | (8,462) | — | — | (8,462) |
| Income (loss) before income taxes, equity in earnings of affiliates and discontinued operations | (34,119) | 122,960 | 11,577 | — | 100,418 |
| Provision (benefit) for income taxes | (11,303) | (31,352) | 2,093 | — | (40,562) |
| Equity in earnings of affiliates, net of income tax provision | — | — | 3,578 | — | 3,578 |
| Income (loss) from continuing operations before equity in income of consolidated subsidiaries.... | (22,816) | 154,312 | 13,062 | — | 144,558 |
| Income from consolidated subsidiaries, net of income tax provision | 167,374 | — | — | (167,374) | — |
| Income from continuing operations | 144,558 | 154,312 | 13,062 | (167,374) | 144,558 |
| Net income (loss) from discontinued operations..... | (10,660) | (5,942) | 447 | 5,495 | (10,660) |
| Net income | 133,898 | 148,370 | 13,509 | (161,879) | 133,898 |
| Less: loss attributable to noncontrolling interests ... | \$ — | \$ — | \$ 852 | \$ — | \$ 852 |
| Net income attributable to The GEO Group, Inc. ... | \$ 133,898 | \$ 148,370 | \$ 14,361 | \$ (161,879) | \$ 134,750 |
| Net income | \$ 133,898 | \$ 148,370 | \$ 13,509 | \$ (161,879) | \$ 133,898 |
| Other comprehensive income (loss), net of tax | (461) | — | 1,085 | — | 624 |
| Total comprehensive income..... | \$ 133,437 | \$ 148,370 | \$ 14,594 | \$ (161,879) | \$ 134,522 |
| Comprehensive loss attributable to noncontrolling interests..... | — | — | 968 | — | 968 |
| Comprehensive income attributable to The GEO Group, Inc. | \$ 133,437 | \$ 148,370 | \$ 15,562 | \$ (161,879) | \$ 135,490 |

CONDENSED CONSOLIDATING BALANCE SHEET

As of December 31, 2014

| | The GEO Group, Inc. | Combined Subsidiary Guarantors | Combined Non-Guarantor Subsidiaries | Eliminations | Consolidated |
|--|------------------------|--------------------------------------|---|-----------------------|---------------------|
| (Dollars in thousands) | | | | | |
| ASSETS | | | | | |
| Cash and cash equivalents..... | \$ 18,492 | \$ 782 | \$ 22,063 | \$ — | \$ 41,337 |
| Restricted cash and investments | — | — | 4,341 | — | 4,341 |
| Accounts receivable, less allowance for doubtful accounts..... | 92,456 | 159,505 | 17,077 | — | 269,038 |
| Current deferred income tax assets, net | — | 21,657 | 4,227 | — | 25,884 |
| Prepaid expenses and other current assets | 7,022 | 19,593 | 11,345 | (1,154) | 36,806 |
| Total current assets | 117,970 | 201,537 | 59,053 | (1,154) | 377,406 |
| Restricted Cash and Investments | 228 | 13,729 | 5,621 | — | 19,578 |
| Property and Equipment, Net..... | 726,238 | 961,896 | 84,032 | — | 1,772,166 |
| Direct Finance Lease Receivable | — | — | 9,256 | — | 9,256 |
| Contract Receivable | — | — | 66,229 | — | 66,229 |
| Intercompany Receivable..... | 962,314 | 119,414 | — | (1,081,728) | — |
| Non-Current Deferred Income Tax Assets | — | — | 5,873 | — | 5,873 |
| Goodwill..... | 34 | 493,389 | 467 | — | 493,890 |
| Intangible Assets, Net | — | 154,237 | 1,038 | — | 155,275 |
| Investment in Subsidiaries | 855,870 | 438,243 | — | (1,294,113) | — |
| Other Non-Current Assets..... | 25,635 | 110,105 | 46,838 | (80,043) | 102,535 |
| Total Assets | \$ 2,688,289 | \$ 2,492,550 | \$ 278,407 | \$ (2,457,038) | \$ 3,002,208 |
| LIABILITIES AND SHAREHOLDERS' EQUITY | | | | | |
| Accounts payable | \$ 7,549 | \$ 47,130 | \$ 3,476 | \$ — | \$ 58,155 |
| Accrued payroll and related taxes | — | 24,184 | 14,372 | — | 38,556 |
| Accrued expenses and other current liabilities | 47,637 | 75,574 | 18,555 | (1,154) | 140,612 |
| Current portion of capital lease obligations, long- term debt and non-recourse debt | 3,001 | 1,170 | 12,581 | — | 16,752 |
| Total current liabilities | 58,187 | 148,058 | 48,984 | (1,154) | 254,075 |
| Non-Current Deferred Income Tax Liabilities..... | (4,095) | 14,170 | (7) | — | 10,068 |
| Intercompany Payable..... | 121,327 | 942,071 | 18,330 | (1,081,728) | — |
| Other Non-Current Liabilities | 4,372 | 143,584 | 19,507 | (80,034) | 87,429 |
| Capital Lease Obligations | — | 9,856 | — | — | 9,856 |
| Long-Term Debt | 1,462,819 | — | — | — | 1,462,819 |
| Non-Recourse Debt..... | — | — | 131,968 | — | 131,968 |
| Commitments & Contingencies | | | | | |
| Shareholders' Equity: | | | | | |
| Total shareholders' equity attributable to The GEO Group, Inc. | 1,045,679 | 1,234,811 | 59,311 | (1,294,122) | 1,045,679 |
| Noncontrolling Interests..... | — | — | 314 | — | 314 |
| Total Shareholders' Equity | 1,045,679 | 1,234,811 | 59,625 | (1,294,122) | 1,045,993 |
| Total Liabilities and Shareholders' Equity | \$ 2,688,289 | \$ 2,492,550 | \$ 278,407 | \$ (2,457,038) | \$ 3,002,208 |

CONDENSED CONSOLIDATING BALANCE SHEET

As of December 31, 2013

| | The GEO Group, Inc. | Combined Subsidiary Guarantors | Combined Non-Guarantor Subsidiaries | Eliminations | Consolidated |
|--|---------------------|--------------------------------|-------------------------------------|-----------------------|---------------------|
| (Dollars in thousands) | | | | | |
| ASSETS | | | | | |
| Cash and cash equivalents | \$ 30,730 | \$ 985 | \$ 20,410 | \$ — | \$ 52,125 |
| Restricted cash and investments | — | — | 11,518 | — | 11,518 |
| Accounts receivable, less allowance for doubtful accounts | 84,087 | 149,239 | 17,204 | — | 250,530 |
| Current deferred income tax assets, net | — | 19,236 | 1,700 | — | 20,936 |
| Prepaid expenses and other current assets | 17,834 | 21,032 | 11,524 | (1,154) | 49,236 |
| Total current assets | 132,651 | 190,492 | 62,356 | (1,154) | 384,345 |
| Restricted Cash and Investments | 167 | 11,158 | 7,024 | — | 18,349 |
| Property and Equipment, Net | 686,005 | 956,724 | 85,069 | — | 1,727,798 |
| Direct Finance Lease Receivable | — | — | 16,944 | — | 16,944 |
| Intercompany Receivable | 947,916 | 123,237 | — | (1,071,153) | — |
| Non-Current Deferred Income Tax Assets | — | — | 4,821 | — | 4,821 |
| Goodwill | 34 | 489,501 | 661 | — | 490,196 |
| Intangible Assets, Net | — | 162,160 | 1,240 | — | 163,400 |
| Investment in Subsidiaries | 898,333 | 421,218 | — | (1,319,551) | — |
| Other Non-Current Assets | 23,346 | 104,241 | 35,615 | (79,691) | 83,511 |
| Total Assets | \$ 2,688,452 | \$ 2,458,731 | \$ 213,730 | \$ (2,471,549) | \$ 2,889,364 |
| LIABILITIES AND SHAREHOLDERS' EQUITY | | | | | |
| Accounts payable | \$ 29,866 | \$ 13,895 | \$ 3,525 | \$ — | \$ 47,286 |
| Accrued payroll and related taxes | 207 | 23,470 | 15,049 | — | 38,726 |
| Accrued expenses and other current liabilities | 26,963 | 74,645 | 14,496 | (1,154) | 114,950 |
| Current portion of capital lease obligations, long-term debt and non-recourse debt | 3,000 | 1,185 | 17,978 | — | 22,163 |
| Total current liabilities | 60,036 | 113,195 | 51,048 | (1,154) | 223,125 |
| Non-Current Deferred Income Tax Liabilities | (120) | 14,792 | 17 | — | 14,689 |
| Intercompany Payable | 114,208 | 942,666 | 14,279 | (1,071,153) | — |
| Other Non-Current Liabilities | 5,270 | 138,743 | 639 | (79,691) | 64,961 |
| Capital Lease Obligations | — | 10,924 | — | — | 10,924 |
| Long-Term Debt | 1,485,536 | — | — | — | 1,485,536 |
| Non-Recourse Debt | — | — | 66,153 | — | 66,153 |
| Commitments & Contingencies | | | | | |
| Shareholders' Equity: | | | | | |
| Total shareholders' equity attributable to The GEO Group, Inc. | 1,023,522 | 1,238,411 | 81,140 | (1,319,551) | 1,023,522 |
| Noncontrolling Interests | — | — | 454 | — | 454 |
| Total Shareholders' Equity | 1,023,522 | 1,238,411 | 81,594 | (1,319,551) | 1,023,976 |
| Total Liabilities and Shareholders' Equity | \$ 2,688,452 | \$ 2,458,731 | \$ 213,730 | \$ (2,471,549) | \$ 2,889,364 |

CONDENSED CONSOLIDATING STATEMENTS OF CASH FLOWS

| | For the Year Ended December 31, 2014 | | | |
|--|--------------------------------------|--------------------------------|-------------------------------------|--------------|
| | The GEO Group, Inc. | Combined Subsidiary Guarantors | Combined Non-Guarantor Subsidiaries | Consolidated |
| Cash Flow from Operating Activities: | | | | |
| Net cash provided by operating activities..... | \$ 185,721 | \$ 63,154 | \$ (46,334) | \$ 202,541 |
| Cash Flow from Investing Activities: | | | | |
| Acquisition of Protocol, cash consideration, net of cash acquired | — | (13,025) | — | (13,025) |
| Proceeds from sale of property and equipment..... | — | 746 | (47) | 699 |
| Change in restricted cash and investments..... | 61 | 2,571 | 2,748 | 5,380 |
| Capital expenditures..... | (58,188) | (52,550) | (3,486) | (114,224) |
| Net cash used in investing activities..... | (58,127) | (62,258) | (785) | (121,170) |
| Cash Flow from Financing Activities: | | | | |
| Payments on long-term debt..... | (677,000) | (1,099) | — | (678,099) |
| Proceeds from long-term debt..... | 654,000 | — | — | 654,000 |
| Payments on non-recourse debt..... | — | — | (18,627) | (18,627) |
| Proceeds from non-recourse debt..... | — | — | 87,896 | 87,896 |
| Taxes paid related to net share settlements of equity awards..... | (1,844) | — | — | (1,844) |
| Tax benefit related to equity compensation | 2,035 | — | — | 2,035 |
| Debt issuance costs..... | (9,182) | — | (17,238) | (26,420) |
| Proceeds from stock options exercised | 7,281 | — | — | 7,281 |
| Cash dividends paid | (170,234) | — | — | (170,234) |
| Proceeds from reissuance of treasury stock in connection with ESPP | 387 | — | — | 387 |
| Issuance of common stock under prospectus supplement | 54,725 | — | — | 54,725 |
| Net cash provided by (used in) financing activities | (139,832) | (1,099) | 52,031 | (88,900) |
| Effect of Exchange Rate Changes on Cash and Cash Equivalents..... | — | — | (3,259) | (3,259) |
| Net Increase (Decrease) in Cash and Cash Equivalents | (12,238) | (203) | 1,653 | (10,788) |
| Cash and Cash Equivalents, beginning of period | 30,730 | 985 | 20,410 | 52,125 |
| Cash and Cash Equivalents, end of period | \$ 18,492 | \$ 782 | \$ 22,063 | \$ 41,337 |

CONDENSED CONSOLIDATING STATEMENTS OF CASH FLOWS

| | For the Year Ended December 31, 2013 | | | |
|--|--------------------------------------|--------------------------------------|---|--------------|
| | The GEO Group Inc. | Combined Subsidiary Guarantors | Combined Non-Guarantor Subsidiaries | Consolidated |
| | (Dollars in thousands) | | | |
| Cash Flow from Operating Activities: | | | | |
| Net cash provided by operating activities..... | \$ 142,923 | \$ 34,067 | \$ 15,199 | \$ 192,189 |
| Cash Flow from Investing Activities: | | | | |
| Net working capital adjustment from RTS divestiture | (996) | — | — | (996) |
| Proceeds from sale of property and equipment | — | 205 | — | 205 |
| Proceeds from sale of assets held for sale | — | 1,969 | — | 1,969 |
| Change in restricted cash and investments..... | (167) | (3,205) | 20,784 | 17,412 |
| Capital expenditures | (79,150) | (36,815) | (1,601) | (117,566) |
| Net cash provided by (used in) investing activities. | (80,313) | (37,846) | 19,183 | (98,976) |
| Cash Flow from Financing Activities: | | | | |
| Proceeds from long-term debt | 1,238,000 | — | — | 1,238,000 |
| Payments on long-term debt..... | (1,098,174) | (1,127) | (35,243) | (1,134,544) |
| Income tax benefit of equity compensation | 2,197 | — | — | 2,197 |
| Debt issuance costs — deferred | (23,834) | — | — | (23,834) |
| Debt issuance fees | (13,421) | — | — | (13,421) |
| Proceeds from stock options exercised | 5,425 | — | — | 5,425 |
| Cash dividends paid | (147,156) | — | — | (147,156) |
| Proceeds from reissuance of treasury stock in connection with ESPP | 319 | — | — | 319 |
| Termination of interest rate swap agreement | — | 3,974 | — | 3,974 |
| Net cash provided by (used in) financing activities | (36,644) | 2,847 | (35,243) | (69,040) |
| Effect of Exchange Rate Changes on Cash and Cash Equivalents..... | | | | |
| | — | — | (3,803) | (3,803) |
| Net Increase (Decrease) in Cash and Cash Equivalents ... | 25,966 | (932) | (4,664) | 20,370 |
| Cash and Cash Equivalents, beginning of period | 4,764 | 1,917 | 25,074 | 31,755 |
| Cash and Cash Equivalents, end of period | \$ 30,730 | \$ 985 | \$ 20,410 | \$ 52,125 |

CONDENSED CONSOLIDATING STATEMENTS OF CASH FLOWS

| | For the Fiscal Year Ended December 31, 2012 | | | |
|---|---|--------------------------------------|---|--------------|
| | The GEO Group Inc. | Combined Subsidiary Guarantors | Combined Non-Guarantor Subsidiaries | Consolidated |
| | (Dollars in thousands) | | | |
| Cash Flow from Operating Activities: | | | | |
| Cash provided by operating activities — continuing operations..... | \$ 105,402 | \$ 84,896 | \$ 64,889 | \$ 255,187 |
| Cash (used in) provided by operating activities — discontinued operations | 5,810 | 3,864 | (621) | 9,053 |
| Net cash provided by operating activities..... | 111,212 | 88,760 | 64,268 | 264,240 |
| Cash Flow from Investing Activities: | | | | |
| Acquisition of ownership interests in MCF | — | (35,154) | — | (35,154) |
| Proceeds from RTS divestiture | 29,653 | — | 3,600 | 33,253 |
| Proceeds from sale of property and equipment | — | 65 | — | 65 |
| Proceeds from sale of assets held for sale | — | 5,641 | — | 5,641 |
| Change in restricted cash and investments | — | — | 51,189 | 51,189 |
| Capital expenditures | (61,426) | (42,406) | (3,717) | (107,549) |
| Cash (used in) provided by investing activities — continuing operations | (31,773) | (71,854) | 51,072 | (52,555) |
| Cash used in investing activities — discontinued operations | (634) | (1,820) | (307) | (2,761) |
| Net cash (used in) provided by investing activities | (32,407) | (73,674) | 50,765 | (55,316) |
| Cash Flow from Financing Activities: | | | | |
| Proceeds from long-term debt | 358,000 | — | — | 358,000 |
| Tax benefit related to equity compensation | 621 | — | — | 621 |
| Debt issuance fees..... | — | (14,861) | — | (14,861) |
| Distribution to noncontrolling interests | — | — | (5,758) | (5,758) |
| Payment for purchase of treasury shares | (8,666) | — | — | (8,666) |
| Debt issuance costs — deferred..... | (1,360) | — | (38) | (1,398) |
| Payments on long-term debt | (343,987) | (1,400) | (111,098) | (456,485) |
| Proceeds from stock options exercised..... | 9,276 | — | — | 9,276 |
| Dividends paid | (102,435) | — | — | (102,435) |
| Proceeds from reissuance of treasury stock in connection with ESPP..... | 460 | — | — | 460 |
| Payment for retirement of treasury stock..... | (1,036) | — | — | (1,036) |
| Net cash used in financing activities | (89,127) | (16,261) | (116,894) | (222,282) |
| Effect of Exchange Rate Changes on Cash and Cash Equivalents | — | — | 1,735 | 1,735 |
| Net Decrease in Cash and Cash Equivalents | (10,322) | (1,175) | (126) | (11,623) |
| Cash and Cash Equivalents, beginning of period..... | 15,086 | 3,092 | 25,200 | 43,378 |
| Cash and Cash Equivalents, end of period | \$ 4,764 | \$ 1,917 | \$ 25,074 | \$ 31,755 |

21. Subsequent Events
Asset Acquisition

On February 17, 2015, the Company acquired eight correctional and detention facilities (the “LCS Facilities”) totaling more than 6,500 beds from LCS Corrections Services, Inc., a privately-held owner and operator of correctional and detention facilities in the United States, and its affiliates (collectively, “LCS”). Pursuant to the terms of the definitive asset purchase agreement signed on January 26, 2015, the Company acquired the LCS Facilities for approximately \$310 million in an all cash transaction, excluding transaction related expenses. The Company also acquired certain tangible

and intangible assets pursuant to the asset purchase agreement. Additionally, LCS has the opportunity to receive an additional payment if the LCS Facilities exceed certain performance targets after the closing over a period of 18 months (the “Earnout Payment”). The aggregate amount of the purchase price paid at closing and the Earnout Payment, if achieved, will not exceed \$350 million. Approximately \$298 million of outstanding debt related to the facilities was repaid at closing using the cash consideration paid by the Company. The Company did not assume any debt as the result of the transaction. The Company financed the acquisition of the LCS Facilities with borrowings under its revolving credit facility. The Company is in process of completing its preliminary purchase price allocation.

Options and Restricted Stock Awards

On February 6, 2015, the Compensation Committee of the Board of Directors resolved to grant approximately 255,000 options and 395,000 shares of restricted stock to certain employees of the Company effective March 2, 2015. Of the total shares of restricted stock granted, approximately 124,000 are performance-based awards which vest subject to the achievement of certain total shareholder return and return on capital employed metrics over a three year period.

Dividend

On February 6, 2015, the Board of Directors declared a quarterly cash dividend of \$0.62 per share of common stock, which is to be paid on February 27, 2015 to shareholders of record as of the close of business on February 17, 2015.

Contract Awards

On January 28, 2015, the Company announced that it had signed a contract for the re-activation of the company-owned, 400-bed Mesa Verde Detention Facility in California. The facility will house immigration detainees under an intergovernmental service agreement between the City of McFarland and ICE. The Company completed a \$10 million renovation of the facility at the end of 2014 and expects to begin the intake of detainees at the Facility during the second quarter of 2015. The facility was previously included in the Company’s idle facilities.

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

None.

Item 9A. Controls and Procedures Disclosure Controls and Procedures

Our management, with the participation of our Chief Executive Officer and our Chief Financial Officer, has evaluated the effectiveness of our disclosure controls and procedures (as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended, referred to as the Exchange Act), as of the end of the period covered by this report. On the basis of this review, our management, including our Chief Executive Officer and our Chief Financial Officer, has concluded that as of the end of the period covered by this report, our disclosure controls and procedures were effective to give reasonable assurance that the information required to be disclosed in our reports filed with the Securities and Exchange Commission, or the SEC, under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the rules and forms of the SEC, and to ensure that the information required to be disclosed in the reports filed or submitted under the Exchange Act is accumulated and communicated to our management, including our Chief Executive Officer and our Chief Financial Officer, in a manner that allows timely decisions regarding required disclosure. It should be noted that the effectiveness of our system of disclosure controls and procedures is subject to certain limitations inherent in any system of disclosure controls and procedures, including the exercise of judgment in designing, implementing and evaluating the controls and procedures, the assumptions used in identifying the likelihood of future events, and the inability to eliminate misconduct completely. Accordingly, there can be no assurance that our disclosure controls and procedures will detect all errors or fraud. As a result, by its nature, our system of disclosure controls and procedures can provide only reasonable assurance regarding management’s control objectives.

Internal Control Over Financial Reporting

(a) Management’s Annual Report on Internal Control Over Financial Reporting

See “Item 8. — Financial Statements and Supplementary Data — Management’s Annual Report on Internal Control over Financial Reporting” for management’s report on the effectiveness of our internal control over financial reporting as of December 31, 2014.

(b) Attestation Report of the Registered Public Accounting Firm

See “Item 8. — Financial Statements and Supplementary Data — Report of Independent Registered Public Accounting Firm” for the report of our independent registered public accounting firm on the effectiveness of our internal control over financial reporting as of December 31, 2014.

(c) Changes in Internal Control over Financial Reporting

Our management is responsible for reporting any changes in our internal control over financial reporting (as such terms are defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) during the period to which this report relates that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting. Management believes that there have not been any changes in our internal control over financial reporting (as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) during the period to which this report relates that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Item 9B. Other Information

Not applicable.

PART III

ITEM 10. Directors, Executive Officers and Corporate Governance

We have adopted a code of business conduct and ethics applicable to all of our directors, officers, employees, agents and representatives, including our consultants. The code strives to deter wrongdoing and promote honest and ethical conduct, the avoidance of conflicts of interest, full, fair, accurate, timely and transparent disclosure, compliance with the applicable government and self-regulatory organization laws, rules and regulations, prompt internal reporting of violations of the code, and accountability for compliance with the code. In addition, we have adopted a code of ethics for the CEO, our senior financial officers and all other employees. The codes can be found on our website at <http://www.geogroup.com> by clicking on the link “About Us” on our homepage and then clicking on the link “Corporate Governance.” In addition, the codes are available in print to any shareholder who request them by contacting our Vice President of Corporate Relations at 561-999-7306. In the event that we amend or waive any of the provisions of the code of business conduct and ethics and the code of ethics for the CEO, our senior financial officers and employees that relate to any element of the code of ethics definition enumerated in Item 406(b) of Regulation S-K, we intend to disclose the same on our Investor Relations website. The other information required by this item will be contained in, and is incorporated by reference from, the proxy statement for our 2015 annual meeting of shareholders, which will be filed with the SEC pursuant to Regulation 14A within 120 days after the end of the year covered by this report.

ITEM 11. Executive Compensation

The information required by this item will be contained in, and is incorporated by reference from, the proxy statement for our 2015 annual meeting of shareholders, which will be filed with the SEC pursuant to Regulation 14A within 120 days after the end of the fiscal year covered by this report.

ITEM 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

The information required by this item will be contained in, and is incorporated by reference from, the proxy statement for our 2015 annual meeting of shareholders, which will be filed with the SEC pursuant to Regulation 14A within 120 days after the end of the fiscal year covered by this report.

ITEM 13. Certain Relationships and Related Transactions, and Director Independence

The information required by this item will be contained in, and is incorporated by reference from, the proxy statement for our 2015 annual meeting of shareholders, which will be filed with the SEC pursuant to Regulation 14A within 120 days after the end of the fiscal year covered by this report.

ITEM 14. Principal Accounting Fees and Services

The information required by this item will be contained in, and is incorporated by reference from, the proxy statement for our 2015 annual meeting of shareholders, which will be filed with the SEC pursuant to Regulation 14A within 120 days after the end of the fiscal year covered by this report.

PART IV**Item 15. Exhibits and Financial Statement Schedules****(a)(1) Financial Statements.**

The consolidated financial statements of GEO are filed under Item 8 of Part II of this report.

(2) Financial Statement Schedules.

Schedule II — Valuation and Qualifying Accounts — Page 172

Schedule III — Real Estate and Accumulated Depreciation — Page 173

All other schedules specified in the accounting regulations of the Securities and Exchange Commission have been omitted because they are either inapplicable or not required.

(3) Exhibits Required by Item 601 of Regulation S-K. The following exhibits are filed as part of this Annual Report:**Exhibit
Number****Description**

| Exhibit Number | Description |
|----------------|--|
| 1.1 | — Form of Equity Distribution Agreement, dated May 8, 2013, by and among The GEO Group, Inc. and each of SunTrust Robinson Humphrey, Inc., Wells Fargo Securities, LLC, J.P. Morgan Securities LLC and Avondale Partners, LLC. (incorporated by reference to Exhibit 1.1 to the Company's report on Form 8-K, filed on May 8, 2013). |
| 1.2 | — Form of Equity Distribution Agreement, dated November 10, 2014, by and among The GEO Group, Inc. and each of SunTrust Robinson Humphrey, Inc., Wells Fargo Securities, LLC, J.P. Morgan Securities LLC, Avondale Partners, LLC, Merrill Lynch, Pierce, Fenner & Smith Incorporated, Barclays Capital Inc. and MLV & Co. LLC. (incorporated by reference to Exhibit 1.1 to the Company's report on Form 8-K, filed on November 10, 2014). |
| 3.1 | — Amended and Restated Articles of Incorporation (incorporated by reference to Exhibit 3.1 to the Company's report on Form 8-K, filed on June 30, 2014). |
| 3.2 | — Articles of Merger, effective as of June 27, 2014 (incorporated by reference to Exhibit 3.2 to the Company's report on Form 8-K, filed on June 30, 2014). |
| 3.3 | — Amended and Restated Bylaws (incorporated by reference to Exhibit 3.3 to the Company's report on Form 8-K, filed on June 30, 2014). |
| 3.4 | — Amendment to the Amended and Restated Bylaws of The GEO Group, Inc., effective July 2, 2014 (incorporated by reference to Exhibit 3.1 to the Company's report on Form 8-K, filed on July 9, 2014). |
| 4.1 | — Indenture, dated as of February 10, 2011, by and among the Company, the Guarantors party thereto, and Wells Fargo Bank, National Association as Trustee relating to the 6 5/8% Senior Notes due 2021 (incorporated by reference to Exhibit 4.1 to the Company's report on Form 8-K, filed on February 16, 2011). |
| 4.2 | — Form of 6 5/8% Senior Note due 2021 (included in Exhibit 4.1). |
| 4.3 | — Indenture, dated as of March 19, 2013, by and among the Company, the Guarantors party thereto, and Wells Fargo Bank, National Association as Trustee relating to the 5.125% Senior Notes due 2023 (incorporated by reference to Exhibit 4.1 to the Company's report on Form 8-K, filed on March 25, 2013). |
| 4.4 | — Form of 5.125% Senior Note due 2023 (included in Exhibit 4.3). |
| 4.5 | — Indenture, dated as of October 3, 2013, by and among the Company, the Guarantors party thereto, and Wells Fargo Bank, National Association as Trustee relating to the 5 7/8% Senior Notes due 2022 (incorporated by reference to Exhibit 4.1 to the Company's report on Form 8-K, filed on October 9, 2013). |
| 4.6 | — Form of 5 7/8% Senior Note due 2022 (included in Exhibit 4.5). |
| 4.7 | — Supplemental Indenture dated as of June 27, 2014, to Indenture dated as of February 10, 2011, with respect to the Predecessor Registrant's 6.625% Senior Notes, between the Company and Wells Fargo Bank, National Association, as Trustee (incorporated by reference to Exhibit 4.3 to the Company's report on Form 8-K, filed on June 30, 2014). |
| 4.8 | — Supplemental Indenture dated as of June 27, 2014, to Indenture dated as of March 19, 2013, with respect to the Predecessor Registrant's 5.125% Senior Notes, between the Company and Wells Fargo Bank, National Association, as Trustee (incorporated by reference to Exhibit 4.4 to the Company's report on Form 8-K, filed on June 30, 2014). |
| 4.9 | — Supplemental Indenture dated as of June 27, 2014, to Indenture dated as of October 3, 2013, with respect to the Predecessor Registrant's 5 7/8% Senior Notes, between the Company and Wells Fargo Bank, National Association, as Trustee (incorporated by reference to Exhibit 4.5 to the Company's report on Form 8-K, filed on June 30, 2014). |

| Exhibit Number | Description |
|----------------|--|
| 4.10 | — Indenture, dated as of September 25, 2014, by and between GEO and Wells Fargo Bank, National Association, as Trustee (incorporated by reference to Exhibit 4.1 to the Company's report on Form 8-K, filed on October 1, 2014). |
| 4.11 | — First Supplemental Indenture, dated as of September 25, 2014, by and among GEO, certain subsidiary guarantors and Wells Fargo Bank, National Association, as Trustee (incorporated by reference to Exhibit 4.2 to the Company's report on Form 8-K, filed on October 1, 2014). |
| 4.12 | — Form of 5.875% Senior Note due 2024 (included in Exhibit 4.11). |
| 10.1 | — 1994 Stock Option Plan (incorporated herein by reference to Exhibit 10.2 to the Company's registration statement on Form S-1, filed on May 24, 1994)† |
| 10.2 | — Form of Indemnification Agreement between the Company and its Officers and Directors (incorporated herein by reference to Exhibit 10.3 to the Company's registration statement on Form S-1, filed on May 24, 1994)† |
| 10.3 | — 1999 Stock Option Plan (incorporated herein by reference to Exhibit 10.12 to the Company's report on Form 10-K, filed on March 30, 2000)† |
| 10.4 | — Amended Executive Retirement Agreement, dated January 17, 2003, by and between the Company and Wayne H. Calabrese (incorporated herein by reference to Exhibit 10.19 to the Company's report on Form 10-K, filed on March 20, 2003)† |
| 10.5 | — Senior Officer Employment Agreement, dated March 23, 2005, by and between the Company and John M. Hurley (incorporated herein by reference to Exhibit 10.24 to the Company's report on Form 10-K, filed on March 23, 2005)† |
| 10.6 | — Office Lease, dated September 12, 2002, by and between the Company and Canpro Investments Ltd. (incorporated herein by reference to Exhibit 10.22 to the Company's report on Form 10-K, filed on March 20, 2003) |
| 10.7 | — The GEO Group, Inc. Senior Management Performance Award Plan (incorporated by reference to Exhibit 10.13 to the Company's report on Form 10-K, filed on March 2, 2011).† |
| 10.8 | — Amended and Restated Senior Officer Employment Agreement, effective December 31, 2008, by and between The GEO Group, Inc. and John J. Bulfin (incorporated by reference to Exhibit 10.4 to the Company's report on Form 8-K January 7, 2009)† |
| 10.9 | — Amended and Restated The GEO Group, Inc. Senior Officer Retirement Plan, effective December 31, 2008 (incorporated by reference to Exhibit 10.8 to the Company's report on Form 8-K January 7, 2009)† |
| 10.10 | — Senior Officer Employment Agreement, dated August 3, 2009, by and between the Company and Brian Evans (incorporated by reference to Exhibit 10.1 to the Company's report on Form 10-Q, filed on August 3, 2009)† |
| 10.11 | — Amended and Restated The GEO Group, Inc. 2006 Stock Incentive Plan (incorporated by reference to Exhibit 10.45 to the Company's Registration Statement on Form S-8, filed on September 3, 2010 (File No. 333-169198))† |
| 10.12 | — Amendment No. 1 to the Amended and Restated The GEO Group, Inc. 2006 Stock Incentive Plan (incorporated by reference to Exhibit 10.23 to the Company's report on Form 10-K, filed on March 2, 2011)† |
| 10.13 | — Cornell Companies, Inc. Amended and Restated 2006 Incentive Plan (incorporated by reference to Exhibit 10.46 to the Company's Registration Statement on Form S-8 (File No. 333-169199), filed on September 3, 2010)† |
| 10.14 | — First Amendment to Senior Officer Employment Agreement, effective March 1, 2011, by and between the Company and Brian R. Evans (incorporated by reference to Exhibit 10.28 to the Company's report on Form 10-K, filed on March 2, 2011)† |
| 10.15 | — First Amendment to Senior Officer Employment Agreement, effective March 1, 2011, by and between the Company and John M. Hurley (incorporated by reference to Exhibit 10.29 to the Company's report on Form 10-K, filed on March 2, 2011)† |
| 10.16 | — First Amendment to Amended and Restated Senior Officer Employment Agreement, effective March 1, 2011, by and between the Company and John J. Bulfin (incorporated by reference to Exhibit 10.30 to the Company's report on Form 10-K, filed on March 2, 2011)† |
| 10.17 | — Amended and Restated Senior Officer Employment Agreement, effective December 17, 2008, by and between the GEO Group, Inc. and Jorge A. Dominicus (incorporated by reference to Exhibit 10.31 to the Company's report on Form 10-Q, filed on May 10, 2011)† |
| 10.18 | — First Amendment to Amended and Restated Senior Officer Employment Agreement, effective March 1, 2011, by and between the GEO Group, Inc. and Jorge A. Dominicus (incorporated by reference to Exhibit 10.32 to the Company's report on Form 10-Q, filed on May 10, 2011) † |
| 10.19 | — Amended and Restated The GEO Group, Inc. Executive Retirement Plan (effective January 1, 2008) (incorporated by reference to Exhibit 10.36 to the Company's report on Form 10-K, filed on March 1, 2012)† |
| 10.20 | — Amendment to The GEO Group, Inc. Executive Retirement Plan (incorporated by reference to Exhibit 10.37 to the Company's report on Form 10-K, filed on March 1, 2012)† |
| 10.21 | — The GEO Group, Inc. Deferred Compensation Plan (as amended and restated effective January 1, 2008)(incorporated by reference to Exhibit 10.38 to the Company's report on Form 10-K, filed on March 1, 2012)† |
| 10.22 | — Amendment to The GEO Group, Inc. Deferred Compensation Plan (incorporated by reference to Exhibit 10.39 to the Company's report on Form 10-K, filed on March 1, 2012)† |
| 10.23 | — Amendment to The GEO Group, Inc. Deferred Compensation Plan (incorporated by reference to Exhibit 10.40 to the Company's report on Form 10-K, filed on March 1, 2012)† |
| 10.24 | — The GEO Group, Inc. 2011 Employee Stock Purchase Plan (incorporated by reference to Exhibit 10.41 to the Company's Registration Statement on Form S-8, filed on May 4, 2012 (File No. 333-181175))† |
| 10.25 | — Third Amended and Restated Executive Employment Agreement, dated August 22, 2012, by and between The GEO Group, Inc. and George C. |

Exhibit
Number

Description

| Exhibit Number | Description |
|----------------|---|
| | Zoley (incorporated by reference to Exhibit 10.42 to the Company's report on Form 8-K, filed on August 28, 2012)† |
| 10.26 | — Amended and Restated Executive Retirement Agreement, dated August 22, 2012, by and between The GEO Group, Inc. and George C. Zoley (incorporated by reference to Exhibit 10.43 to the Company's report on Form 8-K, filed on August 28, 2012)† |
| 10.27 | — Registration Rights Agreement, dated as of March 19, 2013, by and among the Company, the Guarantors party thereto, and Merrill Lynch, Pierce, Fenner & Smith Incorporated, as representative of the several initial purchasers relating to the 5.125% Senior Notes due 2023 (incorporated by reference to Exhibit 10.1 to the Company's report on Form 8-K, filed on March 25, 2013). |
| 10.28 | — Amended and Restated Credit Agreement, dated as of April 3, 2013, by and among The GEO Group, Inc. and GEO Corrections Holdings, Inc., as Borrowers, BNP Paribas, as Administrative Agent, and the lenders who are, or may from time to time become, a party thereto (incorporated by reference to Exhibit 10.1 to the Company's report on Form 8-K, filed on April 9, 2013. Portions of this exhibit were omitted and filed separately with the Securities and Exchange Commission pursuant to a request for confidential treatment.) |
| 10.29 | — First Amendment to Third Amended and Restated Executive Employment Agreement, dated April 29, 2013, by and between The GEO Group, Inc. and George C. Zoley (incorporated by reference to Exhibit 10.1 to the Company's report on Form 8-K, filed on April 30, 2013) †. |
| 10.30 | — Second Amendment to Third Amended and Restated Executive Employment Agreement, dated May 29, 2013, by and between The GEO Group, Inc. and George C. Zoley (incorporated by reference to Exhibit 10.1 to the Company's report on Form 8-K, filed on June 4, 2013) †. |
| 10.31 | — Registration Rights Agreement, dated as of October 3, 2013, by and among the Company, the Guarantors party thereto, and Wells Fargo Securities, LLC, as representative of the several initial purchasers relating to the 5 ⁷ / ₈ % Senior Notes due 2022 (incorporated by reference to Exhibit 10.1 to the Company's report on Form 8-K, filed on October 9, 2013). |
| 10.32 | — First Amendment to Second Amended and Restated Senior Officer Employment Agreement, dated February 28, 2014 by and between The GEO Group, Inc. and Jorge A. Dominicis (incorporated by reference to Exhibit 10.1 to the Company's report on Form 8-K, filed on March 6, 2014) †. |
| 10.33 | — The GEO Group, Inc. 2014 Stock Incentive Plan (incorporated by reference to Exhibit 10.1 to the Company's report on Form 8-K, filed on May 5, 2014). † |
| 10.34 | — Confirmation and Reaffirmation Agreement, dated as of June 27, 2014, among the Company, the Predecessor Registrant, GEO Corrections Holdings, Inc., certain of the Predecessor Registrant's domestic subsidiaries, as guarantors, and BNP Paribas, relating to the Amended and Restated Credit Agreement, dated as of April 3, 2013, as amended, among The GEO Group, Inc. and GEO Corrections Holdings, Inc., as Borrowers, BNP Paribas, as Administrative Agent, and the lenders who are, or may from time to time become, a party thereto (incorporated by reference to Exhibit 10.1 to the Company's report on Form 8-K, filed on June 30, 2014). |
| 10.35 | — Second Amended and Restated Credit Agreement, dated as of August 27, 2014, by and among The GEO Group, Inc. and GEO Corrections Holdings, Inc., as Borrowers, BNP Paribas, as Administrative Agent, and the lenders who are, or may from time to time become, a party thereto (incorporated by reference to Exhibit 10.1 to the Company's report on Form 8-K, filed on September 3, 2014).*** |
| 21.1 | — Subsidiaries of the Company* |
| 23.1 | — Consent of Grant Thornton LLP, Independent Registered Public Accounting Firm* |
| 31.1 | — Rule 13a-14(a) Certification in accordance with Section 302 of the Sarbanes-Oxley Act of 2002* |
| 31.2 | — Rule 13a-14(a) Certification in accordance with Section 302 of the Sarbanes-Oxley Act of 2002* |
| 32.1 | — Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002* |
| 32.2 | — Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002* |
| 101.INS | — XBRL Instance Document |
| 101.SCH | — XBRL Taxonomy Extension Schema |
| 101.CAL | — XBRL Taxonomy Extension Calculation Linkbase |
| 101.DEF | — XBRL Taxonomy Extension Definition Linkbase |
| 101.LAB | — XBRL Taxonomy Extension Label Linkbase |
| 101.PRE | — XBRL Taxonomy Extension Presentation Linkbase |

* Filed herewith.

** Certain exhibits and schedules to the agreement have been omitted pursuant to Item 601(b)(2) of Regulation S-K. We agree to furnish supplementally to the SEC, upon request, a copy of the omitted exhibits and schedules.

*** Portions of this exhibit have been omitted and filed separately with the Securities and Exchange Commission pursuant to a request for confidential treatment.

† Management contract or compensatory plan, contract or agreement as defined in Item 402 (a)(3) of Regulation S-K.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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.

/s/ BRIAN R. EVANS

Brian R. Evans

Senior Vice President & Chief Financial
Officer

Date: February 25, 2015

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Company and in the capacities and on the dates indicated.

| Signature | Title | Date |
|---|---|-------------------|
| <u>/s/ George C. Zoley</u> George C. Zoley | Chairman of the Board & Chief Executive Officer (principal executive officer) | February 25, 2015 |
| <u>/s/ Brian R. Evans</u> Brian R. Evans | Senior Vice President & Chief Financial Officer (principal financial officer) | February 25, 2015 |
| <u>/s/ Ronald A. Brack</u> Ronald A. Brack | Vice President, Chief Accounting Officer and Controller (principal accounting officer) | February 25, 2015 |
| <u>/s/ Clarence E. Anthony</u> Clarence E. Anthony | Director | February 25, 2015 |
| <u>/s/ Julie M. Wood</u> Julie M. Wood | Director | February 25, 2015 |
| <u>/s/ Anne N. Foreman</u> Anne N. Foreman | Director | February 25, 2015 |
| <u>/s/ Richard H. Glanton</u> Richard H. Glanton | Director | February 25, 2015 |
| <u>/s/ Christopher C. Wheeler</u> Christopher C. Wheeler | Director | February 25, 2015 |

THE GEO GROUP, INC.
SCHEDULE II
VALUATION AND QUALIFYING ACCOUNTS
For the Years Ended December 31, 2014, 2013 and 2012

| Description | Balance at Beginning of Period | Charged to Cost and Expenses | Charged to Other Accounts | Deductions, Actual Charge-Offs | Balance at End of Period |
|---------------------------------------|--------------------------------------|------------------------------------|---------------------------------|--------------------------------------|--------------------------------|
| (In thousands) | | | | | |
| YEAR ENDED DECEMBER 31, 2014: | | | | | |
| Allowance for doubtful accounts | \$ 2,549 | \$ 985 | \$ — | \$ (219) | \$ 3,315 |
| YEAR ENDED DECEMBER 31, 2013: | | | | | |
| Allowance for doubtful accounts | \$ 2,546 | \$ 1,136 | \$ — | \$ (1,133) | \$ 2,549 |
| YEAR ENDED DECEMBER 31, 2012: | | | | | |
| Allowance for doubtful accounts | \$ 2,426 | \$ 760 | \$ — | \$ (639) | \$ 2,546 |

THE GEO GROUP, INC.
SCHEDULE III- REAL ESTATE AND ACCUMULATED DEPRECIATION
December 31, 2014
(dollars in thousands)

| Property Name (1) | Type | Location | Original | | Costs | | | Development | | Total | Accumulated Depreciation | Year(s) Built/ Renovated | Book Value of Mortgaged Properties |
|---|-----------------------|---------------------|----------|---------------------------|---|---------------------|---------------------------|---------------------------|------------------------------|-----------|--------------------------|--|------------------------------------|
| | | | Land | Building and Improvements | Capitalized Subsequent to Acquisition (2) | Land & Improvements | Building and Improvements | Land Held for Development | and Construction in Progress | | | | |
| Corrections and Detention - Owned and Leased | | | | | | | | | | | | | |
| Broward Transition Center | Detention Facility | Deerfield Beach, FL | \$4,085 | \$ 15,441 | \$ 18,107 | \$ 4,085 | \$ 33,548 | — | — | \$ 37,633 | \$ 4,716 | 1998,2004, 2010/2011, 2013/2014 | \$ 32,917 |
| D. Ray James Correctional Facility | Detention Facility | Folkston, GA | 1,229 | 55,961 | 12,846 | 1,347 | 68,446 | 243 | — | 70,036 | 6,746 | 1998/1999, 2008/2009, 2011/2012 | 63,290 |
| D. Ray James Detention Facility | Detention Facility | Folkston, GA | 291 | 30,399 | 4,098 | 291 | 34,497 | — | — | 34,788 | 2,883 | 2005, 2008, 2013 | 31,905 |
| LaSalle Detention Facility | Detention Facility | Jena, LA | 856 | 51,623 | 3,580 | 706 | 54,627 | 514 | 212 | 56,059 | 9,369 | 1998, 2008, 2010/2011 | 46,690 |
| Moshannon Valley Correctional Center | Correctional Facility | Philipsburg, PA | 1,107 | 65,160 | 7,251 | 1,385 | 72,046 | 87 | — | 73,518 | 6,873 | 2005/2006, 2013 | 66,645 |
| North Lake Correctional Facility | Correctional Facility | Baldwin, MI | 66 | 36,727 | 50,798 | 66 | 87,525 | — | — | 87,591 | 6,303 | 1998/1999, 2002, 2011 | 81,288 |
| Queens Detention Facility | Detention Facility | Jamaica, NY | 2,237 | 19,847 | 368 | 2,237 | 20,203 | — | 12 | 22,452 | 7,183 | 1971, 1996/1997, 2004 | — |
| Riverbend Correctional Facility (3) | Correctional Facility | Milledgeville, GA | — | 72,932 | 113 | 25 | 73,020 | — | — | 73,045 | 6,127 | 2011 | 66,918 |
| Rivers Correctional Institution | Correctional Facility | Winton, NC | 875 | 60,328 | 2,213 | 1,195 | 62,069 | 149 | 3 | 63,416 | 17,204 | 2000/2001 | 46,212 |
| Robert A. Deyton Detention Facility | Detention Facility | Lovejoy, GA | — | 8,163 | 9,982 | 15 | 18,130 | — | — | 18,145 | 5,941 | 1984-1986, 2008/2009 | — |
| Big Spring Correctional Center (3) | Correctional Facility | Big Spring, TX | 530 | 83,160 | 9,047 | 1,266 | 86,650 | — | 4,821 | 92,737 | 13,809 | 1940,1960, 1982,1991, 1994,1996, 2001,2009, 2010, 2011, 2012 | — |
| Great Plains Correctional Facility | Correctional Facility | Hinton, OK | 463 | 76,580 | 5,330 | 1,112 | 81,245 | — | 16 | 82,373 | 7,947 | 1990-1992, 1995, 2008, 2011, 2013 | 74,426 |
| Joe Corley Detention Facility | Correctional Facility | Conroe, TX | 470 | 64,813 | 855 | 598 | 65,540 | — | — | 66,138 | 2,972 | 2008 | 63,166 |
| Karnes Correctional Center | Detention Facility | Karnes City, TX | 937 | 24,825 | 1,634 | 912 | 26,308 | 176 | — | 27,396 | 5,332 | 1995 | 22,064 |
| Karnes County Civil Detention Center | Detention Facility | Karnes City, TX | — | 29,052 | 1,720 | 47 | 30,425 | — | 300 | 30,772 | 1,941 | 2011/2012, 2014 | 28,831 |
| Lawton Correctional Facility | Correctional Facility | Lawton, OK | 1,012 | 96,637 | 6,393 | 1,041 | 97,461 | — | 5,540 | 104,042 | 17,359 | 1998/1999, 2005/2006 | 86,683 |
| Rio Grande Detention Center | Detention Facility | Laredo, TX | 8,365 | 81,178 | 1,023 | 6,266 | 82,201 | 2,099 | — | 90,566 | 10,759 | 2007, 2008 | 79,807 |
| South Texas Detention Complex | Detention Facility | Pearsall, TX | 437 | 31,405 | 4,786 | 437 | 36,191 | — | — | 36,628 | 7,444 | 2004/2005, 2012 | — |
| Val Verde Correctional Facility | Detention Facility | Del Rio, TX | 21 | 56,009 | 641 | 16 | 56,650 | 5 | — | 56,671 | 11,867 | 2000/2001, 2005, 2007 | 44,804 |
| Adelanto Detention Facility | Detention Facility | Adelanto, CA | 8,005 | 113,255 | 33,265 | 8,471 | 113,294 | — | 32,760 | 154,525 | 7,010 | 1990/1991, 2011, 2012 | 147,515 |
| Aurora/ICE Processing Center | Detention Facility | Aurora, CO | 4,590 | 15,200 | 71,965 | 4,271 | 86,174 | 1,310 | — | 91,755 | 10,165 | 1987,1993, 1998,2009, 2010, 2011 | 81,590 |
| Central Valley MCCF | Correctional Facility | McFarland, CA | 1,055 | 28,133 | 2,420 | 905 | 30,489 | 211 | 3 | 31,608 | 5,782 | 1997, 2009/2010 | 25,826 |
| Desert View MCCF | Correctional Facility | Adelanto, CA | 1,245 | 27,943 | 4,105 | 1,245 | 32,025 | — | 23 | 33,293 | 6,164 | 1997, 2010, 2013 | 27,129 |

| Property Name (1) | Type | Location | Original | | | | | | | Total | Accumulated Depreciation | Year(s) Built/ Renovated | Book Value of Mortgaged Properties |
|--|--------------------------|-------------------|----------|---------------------------|---|---------------------|---------------------------|---------------------------|--|--------|--------------------------|--|------------------------------------|
| | | | Land | Building and Improvements | Costs Capitalized Subsequent to Acquisition (2) | Land & Improvements | Building and Improvements | Land Held for Development | Development and Construction in Progress | | | | |
| Golden State MCCF | Correctional Facility | McFarland, CA | 1,264 | 27,924 | 2,148 | 1,072 | 30,008 | 253 | 3 | 31,336 | 5,686 | 1997, 2010 | 25,650 |
| Guadalupe County Correctional Facility | Correctional Facility | Santa Rosa, NM | 181 | 29,732 | 674 | 27 | 29,903 | 154 | 503 | 30,587 | 9,398 | 1998/1999, 2008 | 21,189 |
| Hudson Correctional Facility | Correctional Facility | Hudson, CO | 11,140 | — | 4,595 | 7,372 | 4,443 | 3,920 | — | 15,735 | 2,667 | 2009, 2011 | — |
| Lea County Correctional Facility (3) | Correctional Facility | Hobbs, NM | 347 | 67,933 | 1,102 | — | 69,028 | 3477 | — | 69,382 | 13,271 | 1997/1998 | 56,111 |
| Leo Chesney CCF | Correctional Facility | Live Oak, CA | — | 535 | 249 | — | 784 | — | — | 784 | 674 | 1989, 2007 | — |
| McFarland CCF | Correctional Facility | McFarland, CA | 914 | 9,019 | 8,369 | 1,363 | 16,657 | 183 | 99 | 18,302 | 2,489 | 1988, 2011, 2014 | — |
| Mesa Verde CCF | Correctional Facility | Bakersfield, CA | 2,237 | 13,714 | 10,824 | 2,237 | 14,017 | — | 10,521 | 26,775 | 2,376 | 1989, 2011 | — |
| Northwest Detention Center | Detention Facility | Tacoma, WA | 3,916 | 39,000 | 48,650 | 3,920 | 85,537 | 2,004 | 105 | 91,566 | 13,562 | 2003/2004, 2009, 2010, 2012 | — |
| Western Region Detention Facility | Detention Facility | San Diego, CA | — | 28,071 | 873 | — | 28,944 | — | — | 28,944 | 27,836 | 1959-1961, 2000 | — |
| Delaney Hall | Detention Facility | Newark, NJ | 3,759 | 22,502 | 12,970 | 3,759 | 35,472 | — | — | 39,231 | 6,723 | 1999/2000, 2008 | 32,508 |
| Alexandria Transfer Center (3) | CIP - Detention Facility | Alexandria, LA | — | 17,181 | — | — | 17,181 | — | — | 17,181 | 86 | 2014 | — |
| Corrections and Detention - Managed | | | | | | | | | | | | | |
| Allen Correctional Center | Correctional Facility | Kinder, LA | — | 28 | 403 | 2 | 429 | — | — | 431 | 190 | 1989-1991, 1994/1995, 1998-1999 | — |
| Central Texas Detention Facility | Detention Facility | San Antonio, TX | — | — | 3,917 | — | 3,917 | — | — | 3,917 | 2,037 | 1989/1990, 2006, 2010 | — |
| Lockhart Work Program Facilities | Correctional Facility | Lockhart, TX | — | 73 | 267 | — | 277 | — | 63 | 340 | 234 | 1993, 1994, 2001 | — |
| Lawrenceville Correctional Center | Correctional Facility | Lawrenceville, VA | — | — | 754 | — | 745 | — | 9 | 754 | 722 | 1996-1998, 2011 | — |
| Arizona State Prison- Florence West | Correctional Facility | Florence, AZ | 320 | 9,317 | 1,010 | 320 | 10,327 | — | — | 10,647 | 5,746 | 1997 | — |
| Arizona State Prison- Phoenix West | Correctional Facility | Phoenix, AZ | — | 7,919 | 442 | — | 8,356 | — | 5 | 8,361 | 4,318 | 1979-1984, 1995/1996, 2002 | — |
| Central Arizona Correctional Facility | Correctional Facility | Florence, AZ | — | 396 | 1,250 | — | 1,646 | — | — | 1,646 | 1,074 | 2006 | — |
| New Castle Correctional Facility | Correctional Facility | New Castle, IN | — | — | 22,268 | — | 22,268 | — | — | 22,268 | 4,898 | 2001, 2012 | — |
| Plainfield Indiana STOP Facility | Correctional Facility | Plainfield, IN | — | — | 5 | — | 5 | — | — | 5 | 5 | 1890, 1900, 1921, 1961 | — |
| South Bay Correctional Facility | Correctional Facility | South Bay, FL | — | — | 2,913 | — | 2,909 | — | 4 | 2,913 | 2,815 | 1996/1997, 2001, 2004/2005, 2007, 2012 | — |
| Cleveland Correctional Center | Correctional Facility | Cleveland, TX | — | — | 61 | — | 61 | — | — | 61 | 61 | 1989 | — |
| Reeves County Detention Complex R1/R2 | Correctional Facility | Pecos, TX | — | — | 1,188 | — | 1,188 | — | — | 1,188 | 635 | 1986, 1998, 2001, 2004, 2009/2010 | — |
| Reeves County Detention Complex R3 | Correctional Facility | Pecos, TX | — | — | 4,225 | — | 4,225 | — | — | 4,225 | 3,194 | 2003, 2006, 2010 | — |
| Northeast New Mexico Detention Facility | Correctional Facility | Clayton, NM | — | — | 102 | — | 102 | — | — | 102 | 99 | 2008 | — |
| Blackwater River Correctional Facility | Correctional Facility | Milton, FL | — | — | 34 | — | 34 | — | — | 34 | 21 | 2010 | — |

| Property Name (1) | Type | Location | Original | | | | | | | | Total | Accumulated Depreciation | Year(s) Built/ Renovated | Book Value of Mortgaged Properties |
|--|-----------------------|--------------------|----------|---------------------------|-------------------------------|-------------|---------------------|---------------------------|---------------------------|--|-------|---|--------------------------|------------------------------------|
| | | | Land | Building and Improvements | Costs | | Land & Improvements | Building and Improvements | Land Held for Development | Development and Construction in Progress | | | | |
| | | | | | Subsequent to Acquisition (2) | Capitalized | | | | | | | | |
| Bay Correctional Facility | Correctional Facility | Panama City, FL | — | — | 6 | — | 6 | — | — | 6 | 2 | 1995 | — | |
| Moore Haven Correctional Facility | Correctional Facility | Moore Haven, FL | — | — | 18 | — | 18 | — | — | 18 | 4 | 1995, 1999, 2007 | — | |
| Graceville Correctional Facility | Correctional Facility | Jackson, FL | — | — | 27 | — | 27 | — | — | 27 | 7 | 2007, 2009 | — | |
| Community Based Services - Owned/Leased | | | | | | | | | | | | | | |
| Beaumont Transitional Treatment Center | Community Corrections | Beaumont, TX | 105 | 560 | 345 | 105 | 905 | — | — | 1,010 | 193 | 1940-1950, 1967, 1975, 1986, 1997 | — | |
| Bronx Community Re-entry Center | Community Corrections | Bronx, NY | — | 154 | 2,775 | — | 701 | — | 2,228 | 2,929 | 655 | 1966, 1998, 2009, 2012 | — | |
| Cordova Center | Community Corrections | Anchorage, AK | 235 | 3,225 | 3,520 | 235 | 6,745 | — | — | 6,980 | 826 | 1974-1979, 2001, 2013 | — | |
| El Monte Center | Community Corrections | El Monte, CA | — | 47 | 288 | — | 335 | — | — | 335 | 218 | 1960, 2004, 2012 | — | |
| Grossman Center | Community Corrections | Leavenworth, KS | — | 24 | 34 | — | 58 | — | — | 58 | 37 | 2002/2003, 2010 | — | |
| Las Vegas Community Correctional Center | Community Corrections | Las Vegas, NV | 520 | 1,580 | 261 | 520 | 1,841 | — | — | 2,361 | 219 | 1978, 2004 | — | |
| Leidel Comprehensive Sanction Center | Community Corrections | Houston, TX | 3,210 | 710 | 422 | 3,210 | 1,126 | — | 6 | 4,342 | 190 | 1930, 1960, 2005/2006, 2012 | — | |
| Marvin Gardens Center | Community Corrections | Los Angeles, CA | — | 50 | 148 | — | 198 | — | — | 198 | 131 | 1962/1965, 1990 | — | |
| McCabe Center | Community Corrections | Austin, TX | 350 | 510 | 529 | 350 | 1,039 | — | — | 1,389 | 288 | 1962, 2012 | — | |
| Mid Valley House | Community Corrections | Edinburg, TX | 694 | 3,608 | 113 | 701 | 3,714 | — | — | 4,415 | 40 | 1985, 2001, 2014 | — | |
| Midtown Center | Community Corrections | Anchorage, AK | 130 | 220 | 136 | 130 | 344 | — | 12 | 486 | 62 | Early 1950s, 1972, 1998 | — | |
| Newark Residential Re-entry Center | Community Corrections | Newark, NJ | — | 867 | — | — | 867 | — | — | 867 | 47 | 1925, 1992, 2014 | — | |
| Northstar Center | Community Corrections | Fairbanks, AK | — | 12 | 196 | — | 208 | — | — | 208 | 69 | 1970/1975, 1995 | — | |
| Oakland Center | Community Corrections | Oakland, CA | 970 | 250 | 64 | 970 | 314 | — | — | 1,284 | 72 | 1904-1911, 2000s | — | |
| Parkview Center | Community Corrections | Anchorage, AK | 160 | 1,480 | 216 | 160 | 1,696 | — | — | 1,856 | 384 | 1971, 1976 | — | |
| Reality House | Community Corrections | Brownsville, TX | 487 | 2,771 | 20 | 487 | 2,791 | — | — | 3,278 | 218 | 1983, 2011 | — | |
| Southeast Texas Transitional Center | Community Corrections | Houston, TX | 910 | 3,210 | 1,488 | 912 | 4,641 | — | 55 | 5,608 | 821 | 1960, 1967, 1970, 1984, 1997/1998, 2008, 2012 | — | |
| Salt Lake City Center | Community Corrections | Salt Lake City, UT | — | 4 | 97 | — | 93 | — | 8 | 101 | 30 | 1970, 1977, 2004 | — | |
| Seaside Center | Community Corrections | Nome, AK | — | — | 44 | — | 44 | — | — | 44 | 44 | 1958, 2005 | — | |
| Taylor Street Center | Community Corrections | San Francisco, CA | 3,230 | 900 | 2,899 | 3,230 | 3,799 | — | — | 7,029 | 575 | 1907, 2010/2011 | — | |
| Tundra Center | Community Corrections | Bethel, AK | 20 | 1,190 | 1,005 | 79 | 1,661 | — | 475 | 2,215 | 570 | 1960/1970 | — | |
| Youth Services - Owned/Leased | | | | | | | | | | | | | | |
| Abraxas Academy | Youth Facility | Morgantown, PA | 4,220 | 14,120 | 680 | 4,220 | 14,800 | — | — | 19,020 | 1,638 | 1999/2000 | — | |
| Abraxas I | Youth Facility | Marienville, PA | 990 | 7,600 | 767 | 1,023 | 8,206 | — | 128 | 9,357 | 1,172 | 1930s, 1960, 1982, 1985-1987, 1989-1999, 2003 | — | |

| Property Name (1) | Type | Location | Original | | Costs | | Development | | Total | Accumulated Depreciation | Year(s) Built/ Renovated | Book Value of Mortgaged Properties |
|---|----------------------|--------------------|----------|---------------------------|-------------------------------|---------------------|---------------------------|---------------------------|--------|--------------------------|--|------------------------------------|
| | | | Land | Building and Improvements | Subsequent to Acquisition (2) | Land & Improvements | Building and Improvements | Land Held for Development | | | | |
| Abraxas Ohio | Youth Facility | Shelby, OH | 1,160 | 2,900 | 624 | 1,160 | 3,524 | — | 4,684 | 529 | 1900, 1935, 1965, 1992 | — |
| Abraxas Youth Center | Youth Facility | South Mountain, PA | — | 36 | 177 | — | 213 | — | 213 | 186 | 1938, 1948, 2001 | — |
| DuPage Interventions | Youth Facility | Hinsdale, IL | 2,110 | 1,190 | 200 | 2,110 | 1,390 | — | 3,500 | 223 | 1988 | — |
| Hector Garza Center | Youth Facility | San Antonio, TX | 1,590 | 3,540 | 271 | 1,590 | 3,811 | — | 5,401 | 483 | 1986/1987, 2006 | — |
| Leadership Development Program | Youth Facility | South Mountain, PA | — | 25 | 374 | — | 397 | — | 399 | 319 | 1920, 1938, 2000, 2005 | — |
| Southern Peaks Regional Treatment Center | Youth Facility | Canon City, CO | 2,850 | 11,350 | 200 | 2,949 | 11,416 | — | 14,400 | 1,477 | 2003-2004 | — |
| Southwood Interventions | Youth Facility | Chicago, IL | 870 | 6,310 | 735 | 870 | 7,039 | — | 7,915 | 1,115 | 1925, 1950, 1975, 2008 | — |
| Woodridge Interventions | Youth Facility | Woodridge, IL | 5,160 | 4,330 | 646 | 5,245 | 4,832 | — | 10,136 | 734 | 1982/1986 | — |
| Contact Interventions | Youth Facility | Wauconda, IL | 719 | 1,110 | (640) | 699 | 490 | — | 1,189 | 76 | 1950s/1960, 2006 | — |
| Re-Entry Day Reporting Centers - Managed | | | | | | | | | | | | |
| Orange DRC | Day Reporting Center | Santa Ana, CA | — | 72 | — | — | 72 | — | 72 | 57 | 2012 | — |
| South Philadelphia PADO C DRC | Day Reporting Center | Philadelphia, PA | — | 124 | — | — | 124 | — | 124 | 35 | 2014 | — |
| Lycoming County DRC | Day Reporting Center | Williamsport, PA | — | 56 | — | — | 56 | — | 56 | 1 | 2014 | — |
| Lehigh County PADO C DRC | Day Reporting Center | Allentown, PA | — | 139 | — | — | 139 | — | 139 | 40 | 2014 | — |
| Lancaster County PADO C DRC | Day Reporting Center | Lancaster, PA | — | 73 | — | — | 73 | — | 73 | 12 | 2014 | — |
| York County PADO C DRC | Day Reporting Center | York, PA | — | 7 | — | — | 7 | — | 7 | 2 | 2014 | — |
| North Pittsburgh PADO C DRC | Day Reporting Center | Pittsburgh, PA | — | 81 | — | — | 81 | — | 81 | 20 | 2014 | — |
| Guilford Co. TECS | Day Reporting Center | Greensboro, NC | — | 21 | — | — | 21 | — | 21 | 20 | 2012 | — |
| Mecklenburg Co. TECS | Day Reporting Center | Charlotte, NC | — | 26 | — | — | 26 | — | 26 | 21 | 2012 | — |
| Randolph Co. TECS | Day Reporting Center | Asheboro, NC | — | 6 | — | — | 6 | — | 6 | 6 | 2013 | — |
| Northglenn DRC | Day Reporting Center | Northglenn, CO | — | 21 | — | — | 21 | — | 21 | 20 | 2011, 2013 | — |
| Aurora DRC | Day Reporting Center | Aurora, CO | — | 21 | 4 | — | 25 | — | 25 | 20 | 2003, 2008, 2010, 2013 | — |
| Denver DRC | Day Reporting Center | Denver, CO | — | 43 | 284 | — | 327 | — | 327 | 24 | 2005, 2009, 2010, 2011, 2012, 2013, 2014 | — |
| Elizabeth CRC | Day Reporting Center | Elizabeth, NJ | — | 26 | — | — | 26 | — | 26 | 26 | 2011, 2003, 2006, 2007, 2009 | — |
| Santa Ana CDCR | Day Reporting Center | Santa Ana, CA | — | 113 | — | — | 113 | — | 113 | 76 | 2013 | — |
| Los Angeles CDCR | Day Reporting Center | Pamona, CA | — | 44 | — | — | 44 | — | 44 | 12 | 2013 | — |

| Property Name (1) | Type | Location | Original | | Costs | | | Development | | Total | Accumulated Depreciation | Year(s) Built/ Renovated | Book Value of Mortgaged Properties |
|------------------------|----------------------|-------------------|----------|---------------------------|-------------------------------|---------------------|---------------------------|---------------------------|------------------------------|-------|--------------------------|------------------------------------|------------------------------------|
| | | | Land | Building and Improvements | Subsequent to Acquisition (2) | Land & Improvements | Building and Improvements | Land Held for Development | and Construction in Progress | | | | |
| Tulare Co DRC | Day Reporting Center | Visalia, CA | — | 9 | — | — | 9 | — | — | 9 | 9 | 2006, 2010 | — |
| Merced DRC | Day Reporting Center | Merced, CA | — | 18 | — | — | 18 | — | — | 18 | 18 | 2007, 2008, 2011 | — |
| Kern County DRC | Day Reporting Center | Bakersfield, CA | — | 23 | — | — | 23 | — | — | 23 | 22 | 2010, 2012 | — |
| San Diego DRC | Day Reporting Center | San Diego, CA | — | 30 | — | — | 30 | — | — | 30 | 30 | 2007, 2010 | — |
| Kern County Core SB678 | Day Reporting Center | Bakersfield, CA | — | 5 | — | — | 5 | — | — | 5 | 1 | 2014 | — |
| Luzerne EM | Day Reporting Center | Wilkes Barre, PA | — | 20 | — | — | 20 | — | — | 20 | 20 | 2007, 2013 | — |
| Atlantic City CRC | Day Reporting Center | Atlantic City, NJ | — | 10 | — | — | 10 | — | — | 10 | 5 | 2004, 2005, 20011 | — |
| Perth Amboy CRC | Day Reporting Center | Perth Amboy, NJ | — | 19 | — | — | 19 | — | — | 19 | 19 | 2006, 2007, 2008, 2010 | — |
| Neptune CRC | Day Reporting Center | Neptune, NJ | — | 16 | — | — | 16 | — | — | 16 | 15 | 2008, 2009, 2011, 2012 | — |
| Luzerne DRC | Day Reporting Center | Wilkes Barre, PA | — | 110 | 7 | — | 117 | — | — | 117 | 111 | 2010, 2014 | — |
| Sedgwick DRC | Day Reporting Center | Wichita, KS | — | 23 | — | — | 23 | — | — | 23 | 23 | 2006, 2007 | — |
| Chicago West Grand SRC | Day Reporting Center | Chicago, IL | — | 22 | — | — | 22 | — | — | 22 | 22 | 2005, 2006, 2008, 2010, 2011 | — |
| Decatur SRC | Day Reporting Center | Decatur, IL | — | 28 | — | — | 28 | — | — | 28 | 28 | 2004, 2005, 2006, 2009, 2010, 2011 | — |
| Philadelphia ISAP | Day Reporting Center | Philadelphia, PA | — | 36 | 378 | — | 414 | — | — | 414 | 38 | 2010, 2014 | — |
| Miami ISAP | Day Reporting Center | Miami, FL | — | 82 | 9 | — | 91 | — | — | 91 | 82 | 2007, 2008, 2010, 2014 | — |
| Orlando ISAP | Day Reporting Center | Orlando, FL | — | 18 | — | — | 18 | — | — | 18 | 18 | 2007, 2010 | — |
| Atlanta ISAP | Day Reporting Center | Atlanta, GA | — | 54 | — | — | 54 | — | — | 54 | 53 | 2009 | — |
| Charlotte ISAP | Day Reporting Center | Charlotte, NC | — | 9 | — | — | 9 | — | — | 9 | 9 | 2009 | — |
| New Orleans ISAP | Day Reporting Center | New Orleans, LA | — | 8 | — | — | 8 | — | — | 8 | 7 | 2009 | — |
| Washington DC ISAP | Day Reporting Center | Fairfax, VA | — | 12 | 20 | — | 32 | — | — | 32 | 13 | 2009, 2010, 2011, 2014 | — |
| Chicago ISAP | Day Reporting Center | Chicago, IL | — | 25 | — | — | 25 | — | — | 25 | 25 | 2009, 2013 | — |
| Detroit ISAP | Day Reporting Center | Detroit, MI | — | 18 | — | — | 18 | — | — | 18 | 18 | 2009 | — |
| St Paul ISAP | Day Reporting Center | Bloomington, MN | — | 6 | — | — | 6 | — | — | 6 | 6 | 2004, 2006, 2011 | — |
| Kansas City ISAP | Day Reporting Center | Riverside, MO | — | 8 | — | — | 8 | — | — | 8 | 2 | 2006, 2014 | — |

| Property Name (1) | Type | Location | Original | | Costs | | Development | | Total | Accumulated Depreciation | Year(s) Built/Renovated | Book Value of Mortgaged Properties | |
|---|-----------------------|-------------------------------|----------|---------------------------|-------------------------------|---------------------|---------------------------|---------------------------|-------|--------------------------|-------------------------|------------------------------------|------------------------------|
| | | | Land | Building and Improvements | Subsequent to Acquisition (2) | Land & Improvements | Building and Improvements | Land Held for Development | | | | | and Construction in Progress |
| Denver ISAP | Day Reporting Center | Centennial, CO | — | 15 | — | — | 15 | — | — | 15 | 8 | 2011, 2013 | — |
| Portland ISAP | Day Reporting Center | Portland, OR | — | 5 | — | — | 5 | — | — | 5 | 1 | 2014 | — |
| San Francisco ISAP | Day Reporting Center | San Francisco, CA | — | 92 | — | — | 92 | — | — | 92 | 91 | 2004, 2009 | — |
| Salt Lake City ISAP | Day Reporting Center | Murray, UT | — | 7 | — | — | 7 | — | — | 7 | 7 | 2009 | — |
| Seattle ISAP | Day Reporting Center | Tukwila, WA | — | 40 | 15 | — | 55 | — | — | 55 | 41 | 2009, 2014 | — |
| Bronx ISAP | Day Reporting Center | Bronx, NY | — | 31 | — | — | 31 | — | — | 31 | 14 | 2010 | — |
| Manhattan ISAP | Day Reporting Center | New York, NY | — | 10 | — | — | 10 | — | — | 10 | 10 | 2010 | — |
| Queens ISAP | Day Reporting Center | Jamaica, NY | — | 39 | 39 | — | 78 | — | — | 78 | 39 | 2007, 2008, 2010, 2014 | — |
| Boston ISAP | Day Reporting Center | Burlington, MA | — | 13 | 80 | — | 93 | — | — | 93 | 15 | 2011, 2014 | — |
| Hartford ISAP | Day Reporting Center | Hartford, CT | — | 23 | — | — | 23 | — | — | 23 | 4 | 2009, 2014 | — |
| Buffalo ISAP | Day Reporting Center | Buffalo, NY | — | 34 | — | — | 34 | — | — | 34 | 34 | 2009 | — |
| Newark ISAP | Day Reporting Center | Newark, NJ | — | 30 | 1 | — | 31 | — | — | 31 | 31 | 2009, 2014 | — |
| Los Angeles ISAP | Day Reporting Center | Los Angeles, CA | — | 35 | 35 | — | 70 | — | — | 70 | 35 | 2007, 2008, 2014 | — |
| San Bernardino ISAP | Day Reporting Center | San Bernardino, CA | — | 42 | — | — | 42 | — | — | 42 | 42 | 2008, 2012, 2013 | — |
| Dallas ISAP | Day Reporting Center | Dallas, TX | — | 17 | — | — | 17 | — | — | 17 | 17 | 2009 | — |
| Houston ISAP | Day Reporting Center | Houston, TX | — | 21 | — | — | 21 | — | — | 21 | 21 | 2009 | — |
| Phoenix ISAP | Day Reporting Center | Phoenix, AZ | — | 11 | — | — | 11 | — | — | 11 | 11 | 2009 | — |
| San Antonio ISAP | Day Reporting Center | San Antonio, TX | — | 7 | 48 | — | 55 | — | — | 55 | 8 | 2009, 2014 | — |
| San Diego ISAP | Day Reporting Center | San Diego, CA | — | 14 | — | — | 14 | — | — | 14 | 13 | 2009 | — |
| Bakersfield ISAP | Day Reporting Center | Bakersfield, CA | — | 16 | — | — | 16 | — | — | 16 | 16 | 2012 | — |
| International Corrections & Detention -Managed | | | | | | | | | | | | | |
| Arthur Gorrie Correctional Centre | Correctional Facility | Brisbane, Queensland AUS | — | — | 170 | — | 170 | — | — | 170 | 113 | 1992 | — |
| Fulham Correctional Centre & Fulham Nalu Challenge Community Unit | Correctional Facility | West Sale, Victoria AUS | — | — | 1,634 | — | 1,634 | — | — | 1,634 | 842 | 1997, 2002 | — |
| Junee Correctional Centre | Correctional Facility | Junee, New South Wales, AUS | — | — | 1,185 | — | 1,185 | — | — | 1,185 | 567 | 1993 | — |
| Parklea Correctional Centre | Correctional Facility | Parklea, New South Wales, AUS | — | — | 1,051 | — | 1,051 | — | — | 1,051 | 807 | 1987 | — |

| Property Name (1) | Type | Location | Original | | Costs | | | Development | | Total | Accumulated Depreciation | Year(s) Built/ Renovated | Book Value of Mortgaged Properties |
|---|-----------------------|-------------------------------|-------------------|---------------------------|-------------------------------|---------------------|---------------------------|---------------------------|--------------------------|---------------------|--------------------------|---|------------------------------------|
| | | | Land | Building and Improvements | Subsequent to Acquisition (2) | Land & Improvements | Building and Improvements | Land Held for Development | Construction in Progress | | | | |
| Dungavel House Immigration Removal Centre | Detention Facility | Kidlington, England | — | — | 65 | — | 65 | — | — | 65 | 37 | 2013 | — |
| Harmondsworth Immigration Removal Centre | Detention Facility | London, England | — | — | 344 | — | 344 | — | — | 344 | 344 | 2011 | — |
| Kutama-Sinthumule Correctional Centre | Correctional Facility | Louis Trichardt, South Africa | — | — | 174 | — | 174 | — | — | 174 | 124 | 2003-2008 | — |
| Offices - Leased | | | | | | | | | | | | | |
| Corporate Headquarters | Office | Boca Raton, FL | — | 1,072 | 7,236 | — | 8,308 | — | — | 8,308 | 4,156 | 1985, 2003,2005, 2011-2013 | — |
| Central Regional Office | Office | San Antonio, TX | — | — | 42 | — | 42 | — | — | 42 | 20 | 1985, 2003/2004, 2010 | — |
| Eastern Regional Office | Office | Charlotte, NC | — | — | 11 | — | 11 | — | — | 11 | 6 | 1998, 2013 | — |
| Western Regional Office | Office | Los Angeles, CA | — | 22 | 128 | — | 150 | — | — | 150 | 16 | 2002, 2010 | — |
| Boulder, CO Point II | Office | Boulder, CO | — | 629 | 39 | — | 668 | — | — | 668 | 552 | 1997,1998, 1999, 1992, 1993,1994, 1995,1996, 2000,2001, 2003,2004, 2007,2008, 2009,2011, 2012, 2014 | — |
| Anderson, IN Call Center | Office | Anderson, IN | — | — | 138 | — | 138 | — | — | 138 | 89 | 1997- 2013 | — |
| Protocol Office | Office | Aurora, CO | — | 4 | — | — | 4 | — | — | 4 | 4 | 2014 | — |
| Sydney Office | Office | Sydney, AUS | — | — | 1,710 | — | 1,710 | — | — | 1,710 | 65 | 1980 | — |
| UK Office | Office | Hurley, England | — | — | 364 | — | 364 | — | — | 364 | 141 | 2012 | — |
| Miscellaneous Investments | | | | | | | | | | | | | |
| Miscellaneous Investments | Various | Various | 16,635 | 4,324 | 1,831 | 775 | 4,039 | 16,778 | 1,198 | 22,790 | 1,890 | Various | — |
| Total | | | \$ 109,279 | \$ 1,500,033 | \$ 417,560 | \$ 89,741 | \$ 1,849,477 | \$ 28,435 | \$ 59,221 | \$ 2,026,872 | \$ 317,584 | | \$ 1,253,164 |

Depreciation related to the real estate investments reflected in the consolidated statements of comprehensive income is calculated over the estimated useful lives of the assets as follows:

| | |
|------------------------|---|
| Land improvements | The shorter of 7 years or the term of the lease/contract |
| Buildings | Generally 50 years or a shorter period if management determines that the building has a shorter useful life |
| Building improvements | 7 or 15 years |
| Leasehold improvements | The shorter of 15 years or the term of the lease/contract |

The aggregate remaining net basis of the real estate investments for federal income tax purposes was approximately \$1.4 billion at December 31, 2014. Depreciation and amortization are provided on the declining balance and straight-line methods, respectively, over the estimated useful lives of the assets. This amount excludes international real estate investments.

- (1) This schedule presents the real estate property of the Company and does not include facilities with no real estate assets.
- (2) The negative balance for costs capitalized subsequent to acquisition include losses recorded subsequent to the initial costs.
- (3) Land on which the facility is situated is subject to one or more ground leases.

THE GEO GROUP, INC.
REAL ESTATE AND ACCUMULATED DEPRECIATION
For the Fiscal Years Ended December 31, 2014, December 31, 2013, and December 31, 2012
(dollars in thousands)

A summary of activity for real estate and accumulated depreciation is as follows:

| | 2014 | 2013 | 2012 |
|--|---------------------|---------------------|---------------------|
| Real Estate: | | | |
| Balance at the beginning of the year | \$ 1,935,556 | \$ 1,840,306 | \$ 1,805,434 |
| Additions to/improvements of real estate | 94,521 | 97,302 | 51,998 |
| Assets sold/written-off | (3,205) | (2,052) | (17,126) |
| Balance at the end of the year | <u>\$ 2,026,872</u> | <u>\$ 1,935,556</u> | <u>\$ 1,840,306</u> |
| Accumulated Depreciation | | | |
| Balance at the beginning of the year | \$ 266,848 | \$ 217,428 | \$ 174,055 |
| Depreciation expense | 53,182 | 50,616 | 49,026 |
| Assets sold/written-off | (2,446) | (1,196) | (5,653) |
| Balance at the end of the year | <u>\$ 317,584</u> | <u>\$ 266,848</u> | <u>\$ 217,428</u> |

Exhibit 21.1

The GEO Group, Inc. Subsidiaries

- Australasian Correctional Investment Pty, Ltd. (AUS)
- Australasian Correctional Services Pty. Ltd. (AUS)
- B.I. Incorporated (CO)
- Behavioral Holding Corp. (DE)
- Behavioral Acquisition Corp. (DE)
- BII Holding Corporation (DE)
- BII Holding I Corporation (DE)
- B.I Puerto Rico, Inc. (PR)
- Canadian Correctional Management, Inc. (CAN)
- Correctional Properties Prison Finance LLC (DE)
- Correctional Services Corporation, LLC (DE)
- CPT Limited Partner, LLC (DE)
- CPT Operating Partnership L.P. (DE)
- CSC of Tacoma LLC (DE)
- GEO Acquisition II, Inc. (DE)
- GEO Amey PECS, Ltd. (UK)
- GEO Australasia Pty, Ltd. (AUS)
- GEO Australia Management Services Pty, Ltd. (f/k/a/ Pacific Rim Employment Pty, Ltd. (No.2)) (AUS)
- GEO Corrections and Detention, LLC (FL)
- GEO Corrections Holdings, Inc. (FL)
- GEO Custodial Ltd. (Mauritius)
- GEO Design Services, Inc. (FL)
- GEO/FL/01, Inc. (FL)
- GEO/FL/02, Inc. (FL)
- GEO/FL/03, Inc. (FL)
- GEO Holdings I, Inc. (DE)
- GEO International Holdings, LLC (DE)
- GEO MCF LP, LLC (DE)
- GEO Operations, LLC (FL)
- GEO RE Holdings LLC (DE)
- GEO Re-entry Services of Alaska, Inc. (AK)
- GEO Transport, Inc. (FL)
- Highpoint Investments, LLC (DE)
- MCF GP, LLC (DE)
- Miramichi Youth Center Management, Inc. (CAN)
- Municipal Corrections Finance, L.P. (DE)
- Pacific Rim Employment Pty, Ltd. (AUS)
- Protocol Criminal Justice, Inc. (FL)
- Public Properties Development and Leasing LLC (DE)
- South African Custodial Holdings Pty Ltd. (SA)
- South African Custodial Management Pty, Ltd. (SA)
- South African Custodial Services (Louis Trichardt) Pty, Ltd.
- The GEO Group Australasia Pty, Ltd. (AUS)
- The GEO Group Australia Pty, Ltd. (AUS)
- The GEO Group Ltd. (UK)
- The GEO Group UK Ltd. (UK)
- Wackenhut Corrections Corporation N.V. (Curacao)
- WCC Development, Inc. (FL)
- WCC Financial, Inc. (DE)
- Cornell Abraxas Group, Inc. (DE)
- Cornell Abraxas Group OS, LLC (FL)
- CCG I, LLC (DE)
- Cornell Companies of California OS, LLC (DE)
- Cornell Companies of Texas OS, LLC (DE)
- Cornell Corrections Management, LLC (DE)
- Cornell Corrections of Alaska, Inc. (AK)
- Cornell Corrections of California, Inc. (CA)
- Cornell Corrections of Rhode Island, Inc. (DE)
- Cornell Corrections of Texas, Inc. (DE)
- Cornell Interventions, Inc. (IL)
- Cornell Interventions OS, LLC (DE)
- Correctional Systems, LLC (DE)
- Sentencing Concepts, Inc. (CA)
- WPB Leasing, LLC (DE)
- GEO Ravenhall Holdings Pty Ltd (AUS)
- GEO Ravenhall Trust (AUS)
- GEO Ravenhall Pty Ltd (AUS)
- GEO Ravenhall Finance Holding Trust (AUS)
- GEO Ravenhall Finance Holdings Pty Ltd (AUS)
- GEO Ravenhall Finance Trust (AUS)
- GEO Ravenhall Finance Pty Ltd (AUS)
- Ravenhall Finance Co Pty Limited (AUS)
- Correctional Properties, LLC (DE)
- GEO/DEL/R/01. Inc. (DE)
- GEO/DEL/R/02. Inc. (DE)
- GEO/DEL/T/01. Inc. (DE)
- GEO/DEL/T/02. Inc. (DE)
- GEO Reentry, Inc. (f/k/a GEO Community Services, LLC) (DE)
- GEO Reentry Services, LLC (FL)

Consent of Independent Registered Public Accounting Firm

We have issued our reports dated February 25, 2015, with respect to the consolidated financial statements, schedules, and internal control over financial reporting included in the Annual Report of The GEO Group, Inc. on Form 10-K for the year ended December 31, 2014. We hereby consent to the incorporation by reference of said reports in the Registration Statements of The GEO Group, Inc. on Form S-3 (File No. 333-198729) and on Forms S-8 (File No. 333-196504, File No. 333-181175, File No. 333-169199, File No. 333-169198, File No. 333-142589, File No. 333-79817, File No. 333-17265, File No. 333-09977, and File No. 333-09981).

/s/ GRANT THORNTON LLP

Miami, Florida
February 25, 2015

EXHIBIT 31.1**THE GEO GROUP, INC.****CERTIFICATION OF CHIEF EXECUTIVE OFFICER**

I, George C. Zoley, certify that:

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

Date: February 25, 2015

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

THE GEO GROUP, INC.
CERTIFICATION OF CHIEF FINANCIAL OFFICER

I, Brian R. Evans, certify that:

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

Date: February 25, 2015

/s/ Brian R. Evans

Brian R. Evans
Chief Financial Officer

Exhibit 32.1

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

In connection with the Annual Report on Form 10-K of The GEO Group, Inc. (the “Company”) for the fiscal year ended December 31, 2014 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I George C. Zoley, Chief Executive Officer of the Company, hereby certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 that:

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

/s/ George C. Zoley

George C. Zoley
Chief Executive Officer

Date: February 25, 2015

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

In connection with the Annual Report on Form 10-K of The GEO Group, Inc. (the “Company”) for the fiscal year ended December 31, 2014 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I Brian R. Evans, Chief Financial Officer of the Company, hereby certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 that:

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

/s/ Brian R. Evans

Brian R. Evans
Chief Financial Officer

Date: February 25, 2015

SHAREHOLDER INFORMATION

REGIONAL OFFICES

Eastern Region, USA

J. David Donahue, Vice President
13777 Ballantyne Corporate Place
Ballantyne Two, Suite 200
Charlotte, NC 28227
Phone: 704-543-3400 Fax: 704-543-3416

Central Region, USA

Reed E. Smith, Vice President
1777 NE Loop 410, Suite 1100
San Antonio, TX 78217
Phone: 210-804-4500 Fax: 210-804-4580

Western Region, USA

James H. Black, Vice President
6100 Center Drive, Suite 825
Los Angeles, CA 90045
Phone: 310-348-3000 Fax: 561-443-1906

INTERNATIONAL OFFICES

The GEO Group UK Ltd

Joanne Henney, Managing Director
Second Floor Horizon Building
Honey Lane, Hurley SL6 6RJ
Tel: (011) 44-162-851-9900 Fax: (011) 44-118-935-9480

The GEO Group Australia Pty Ltd.

Pieter Bezuidenhout, Managing Director
Level 18, 44 Market Street
Sydney, New South Wales 2000, Australia
Phone: (011) 61-2-9262-6100 Fax: (011) 61-2-9262-6005

South African Custodial Services

Pieter Jordaan, Managing Director
Oak Place, Woodmead Office Park
Western Service Road
Woodmead, Sandton, South Africa 2191
Phone: (011) 27-11-802-4440 Fax: (011) 27-11-802-4491

GEO CARE SERVICES

DIVISIONAL OFFICES

Bl Incorporated Headquarters

Matt Swando, Divisional Vice President
6400 Lookout Road
Boulder, CO 80301
Phone: 800-241-2911, 303-218-1000 Fax: 303-218-1250

Abraxas Division Headquarters

Jon Swatsburg, Divisional Vice President
2840 Liberty Ave, Suite 300
Pittsburgh, PA 15222
Phone: 412-201-4160 Fax: 412-227-3688

EXECUTIVE VICE PRESIDENTS

Matthew J. DenAdel

Executive Vice President, Pricing

Jennifer L. Houston

Executive Vice President, Proposal Development

Amber D. Martin

Executive Vice President, Contract Administration

Patricia M. Persante

Executive Vice President, Contract Compliance

GEO CARE DIVISIONAL VICE PRESIDENTS

Blake R. Barras

Divisional Vice President, Pricing & Finance

Loren A. Grayer

Divisional Vice President, Reentry Services

David O. Meehan

Divisional Vice President, Business Development

John D. Thurston

Divisional Vice President, Continuum of Care

VICE PRESIDENTS

Ronald A. Brack

Vice President, Chief Accounting Officer and Controller

Louis V. Carrillo

Vice President, Corporate Counsel and Assistant Secretary

Henry Conforti

Vice President, Protocol Operations

Blake R. Davis

Vice President, Operations

Philip Dugger

Vice President, Risk Management

Fred M. Hamdun

Vice President, ISAP Services, BI Incorporated

Gregor H. Heinrich

Vice President, Construction Services

Marcel Maier

Vice President, Tax

Shayn P. March

Vice President, Finance and Treasurer

Philip D. Mosciski

Vice President, Design Services

Pablo E. Paez

Vice President, Corporate Relations

Alfred P. Ramon III

Vice President and Chief Information Officer

Ada I. Rivera, M.D.

Vice President, Chief Medical Officer

Christopher D. Ryan

Vice President, Employee and Labor Relations

Kyle P. Schiller

Vice President, U.S. Operations Administration

Ruth E. Skerjanec

Vice President, Financial Planning, BI Incorporated

Ernest A. Stepp

Vice President, Operations Security

Ed A. Stubbs

Vice President, Transportation

Gary W. Templeton

Vice President, Programs

Joseph C. Torrace

Vice President, Compensation & Benefits

Jennifer Vitale

Vice President, Recruitment and Retention

Jock A. Waldo

Vice President, Strategic Marketing, GEO Care

Jennifer White

Vice President, Monitoring Operations, BI Incorporated

Joseph K. Woodring

Vice President, Office of Professional Responsibility

Andrea J. Young

Vice President, Development & Systems, BI Incorporated

CORPORATE & SHAREHOLDER INFORMATION

Corporate and shareholder information, as well as a copy of the Company's Annual Report on Form 10-K, as filed with the Securities and Exchange Commission, may be obtained free of charge by contacting Pablo E. Paez, Vice President, Corporate Relations at The GEO Group, Inc., One Park Place, 621 N.W. 53rd Street, Suite 700, Boca Raton, Florida 33487 or by visiting the Company's website at www.geogroup.com.

Annual Report Copy

Pablo E. Paez
Vice President, Corporate Relations

Annual Report Design

Esther D. Patton
Graphic Designer, Corporate Relations

Auditors

Grant Thornton, LLP
81 Brickell Avenue, Suite 2450
Miami, FL 33131

Corporate Counsel

Akerman Senterfitt
One Southeast Third Avenue, 25th Floor
Miami, FL 33131

Transfer Agent and Registrar

Computershare
P.O. Box 43006
Providence, RI 02940-3006
Phone: 866-210-7619 www.computershare/investor.com

Notice of Annual Meeting

The Annual Shareholder Meeting for The GEO Group, Inc. will be held at The Boca Raton Resort & Club, 501 East Camino Real, Boca Raton, Florida 33432 at 9:00 a.m. on April 29, 2015.

Officer Certification

The certifications of The GEO Group, Inc.'s Chief Executive Officer and Chief Financial Officer, required under section 302 of the Sarbanes-Oxley Act of 2002, have been filed as exhibits to The GEO Group, Inc.'s Annual Report on Form 10-K. In 2014, The GEO Group, Inc.'s Chief Executive Officer submitted the annual certification to the New York Stock Exchange regarding The GEO Group, Inc.'s compliance with the New York Stock Exchange corporate governance listing standards.

Forward-Looking Statements — Safe Harbor

This Annual Report on Form 10-K and the documents incorporated by reference herein contain "forward-looking" statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. "Forward-looking" statements are any statements that are not based on historical information. Statements other than statements of historical facts included in this report, including, without limitation, statements regarding our future financial position, business strategy, budgets, projected costs and plans and objectives of management for future operations, are "forward-looking" statements. Forward-looking statements generally can be identified by the use of forward-looking terminology such as "may," "will," "expect," "anticipate," "intend," "plan," "believe," "seek," "estimate" or "continue" or the negative of such words or variations of such words and similar expressions. These statements are not guarantees of future performance and involve certain risks, uncertainties and assumptions, which are difficult to predict. Therefore, actual outcomes and results may differ materially from what is expressed or forecasted in such forward-looking statements and we can give no assurance that such forward-looking statements will prove to be correct. Important factors that could cause actual results to differ materially from those expressed or implied by the forward-looking statements, or "cautionary statements," include, but are not limited to: our ability to timely build and/or open facilities as planned, profitably manage such facilities and successfully integrate such facilities into our operations without substantial additional costs; our ability to remain qualified for taxation as a REIT; our ability to fulfill our debt service obligations and its impact on our liquidity; the instability of foreign exchange rates, exposing us to currency risks in Australia, the United Kingdom, and South Africa, or other countries in which we may choose to conduct our business; our ability to activate the inactive beds at our idle facilities; our ability to maintain or increase occupancy rates at our facilities; an increase in unreimbursed labor rates; our ability to expand, diversify and grow our correctional, detention, mental health, residential treatment, re-entry, community-based services, youth services, monitoring services, evidence-based supervision and treatment programs and secure transportation services businesses; our ability to win management contracts for which we have submitted proposals, retain existing management contracts and meet any performance standards required by such management contracts; our ability to control operating costs associated with contract start-ups; our ability to raise new project development capital given the often short-term nature of the customers' commitment to use newly developed facilities; our ability to estimate the government's level of dependency on privatized correctional services; our ability to accurately project the size and growth of the U.S. and international privatized corrections industry; our ability to successfully respond to delays encountered by states privatizing correctional services and cost savings initiatives implemented by a number of states; our ability to develop long-term earnings visibility; our ability to identify suitable acquisitions and to successfully complete and integrate such acquisitions on satisfactory terms, and estimate the synergies to be achieved as a result of such acquisitions; our exposure to the impairment of goodwill and other intangible assets as a result of our acquisitions; our ability to successfully conduct our operations through joint ventures and consortiums; our ability to obtain future financing on satisfactory terms or at all, including our ability to secure the funding we need to complete ongoing capital projects; our exposure to political and economic instability and other risks impacting our international operations; our exposure to risks impacting our information systems, including those that may cause an interruption, delay or failure in the provision of our services; our exposure to rising general insurance costs; our exposure to state and federal income tax law changes internationally and domestically and our exposure as a result of federal and international examinations of our tax returns or tax positions; our exposure to claims for which we are uninsured; our exposure to rising employee and inmate medical costs; our ability to manage costs and expenses relating to ongoing litigation arising from our operations; our ability to accurately estimate on an annual basis, loss reserves related to general liability, workers' compensation and automobile liability claims; the ability of our government customers to secure budgetary appropriations to fund their payment obligations to us and to continue to operate under our existing agreements and/or renew our existing agreements; our ability to pay quarterly dividends consistent with our expectations; our ability to comply with government regulations and applicable contractual requirements; our ability to acquire, protect or maintain our intellectual property; and other factors contained in our filings with the Securities and Exchange Commission, or the SEC, including, but not limited to, those detailed in this Annual Report on Form 10-K, our Quarterly Reports on Form 10-Q and our Current Reports on Form 8-K filed with the SEC. We undertake no obligation to update publicly any forward-looking statements, whether as a result of new information, future events or otherwise. All subsequent written and oral forward-looking statements attributable to us, or persons acting on our behalf, are expressly qualified in their entirety by the cautionary statements included in this report.

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WORLD HEADQUARTERS

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