GEO GROUP INC
Form 424B2
March 13, 2007

Table of Contents

The information in this preliminary prospectus supplement and the accompanying prospectus is not complete and may be changed. This preliminary prospectus supplement and the accompanying prospectus are not an offer to sell these securities and we are not soliciting an offer to buy these securities in any jurisdiction where the offer or sale is not permitted.

Filed Pursuant to Rule 424(b)(2)
Registration No. 333-141244

Subject to Completion, dated March 13, 2007

PROSPECTUS SUPPLEMENT
(To Prospectus dated March 13, 2007)

4,750,000 Shares

Common Stock

The GEO Group, Inc. is offering 4,750,000 of its shares of common stock. The GEO Group, Inc. will receive all of the net proceeds from the sale of its common stock.

Our common stock is quoted on the New York Stock Exchange under the symbol GEO. On March 9, 2007, the last sale price of our common stock as reported on the New York Stock Exchange was $47.40 per share.

Investing in our common stock involves risks. See Risk Factors beginning on page S-12 of this prospectus supplement.

	Per Share	Total
Public offering price	$	$
Underwriting discounts and commissions	$	$
Proceeds, before expenses, to us	$	$

We have granted the underwriters a 30-day option to purchase up to an additional 712,500 shares from us on the same terms and conditions as set forth above if the underwriters sell more than 4,750,000 shares of common stock in this offering.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus supplement or the accompanying prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

Lehman Brothers and Banc of America Securities LLC, on behalf of the underwriters, expect to deliver the shares to purchasers on or about March , 2007.

Joint Book-Running Managers

LEHMAN BROTHERS **BANC OF AMERICA SECURITIES LLC**

FIRST ANALYSIS SECURITIES CORPORATION
AVONDALE PARTNERS
BNP PARIBAS
COMERICA SECURITIES
HSBC
JESUP & LAMONT
FORTIS SECURITIES

March , 2007

TABLE OF CONTENTS

Prospectus Supplement	**Page**
SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS, PER SHARE DATA AND MARKET AND STATISTICAL DATA	S-iii
PROSPECTUS SUPPLEMENT SUMMARY	S-1
RISK FACTORS	S-12
USE OF PROCEEDS	S-24
CAPITALIZATION	S-25
COMMON STOCK PRICE RANGE AND DIVIDEND POLICY	S-26
MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS	S-27
BUSINESS	S-51
MANAGEMENT	S-68
PRINCIPAL SHAREHOLDERS	S-71
UNDERWRITING	S-73
LEGAL MATTERS	S-77
EXPERTS	S-77
INCORPORATION BY REFERENCE	S-78
FINANCIAL STATEMENTS	S-79
Prospectus	
ABOUT THIS PROSPECTUS	3
WHERE YOU CAN FIND MORE INFORMATION	3
INCORPORATION OF CERTAIN DOCUMENTS BY REFERENCE	3
OUR COMPANY	4
THE SECURITIES WE MAY OFFER	5
RATIO OF EARNINGS TO FIXED CHARGES	7
USE OF PROCEEDS	7
RISK FACTORS	8
SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS	8
DESCRIPTION OF CAPITAL STOCK	10
PLAN OF DISTRIBUTION	11

LEGAL MATTERS	13
EXPERTS	13

This document is in two parts. The first part is this prospectus supplement, which describes the terms of the offering of our common stock and also adds to and updates information contained in the accompanying prospectus and the documents incorporated by reference into this prospectus supplement or the accompanying prospectus. The second part is the accompanying prospectus, which gives more general information, some of which may not apply to our common stock. To the extent there is a conflict between the information contained in this prospectus supplement, on the one hand, and the information contained in the accompanying prospectus or any document incorporated by reference as of the date of this prospectus supplement, on the other hand, the information in this prospectus supplement shall control. Unless otherwise expressly stated, all information in this prospectus supplement assumes that the underwriters option to purchase additional shares is not exercised.

You should rely only on the information contained or incorporated by reference in this prospectus supplement and the accompanying prospectus or any freewriting prospectus by us or on behalf of us. Neither we nor any underwriter or agent has authorized any other person to provide you with different or additional information. If anyone provides you with different or additional information, you should not rely on it. Neither we nor any underwriter or agent is making an offer to sell our common stock in any jurisdiction where the offer or sale is not permitted. You should assume that the information contained or incorporated by reference in this prospectus supplement and the accompanying prospectus is accurate only as of the date of the applicable document, regardless of the time of delivery of this prospectus supplement or of any sale of our common stock. Our business, financial condition, results of operations and prospects may have changed since that date.

Statements contained in this prospectus supplement as to the contents of any contract or other document are not complete, and in each instance we refer you to the copy of the contract or document filed or incorporated by reference as an exhibit to the registration statement of which the accompanying prospectus constitutes a part or to a document incorporated or deemed to be incorporated by reference in the registration statement, each of those statements being qualified in all respects by this reference.

GEO is incorporated under the laws of the state of Florida. Our principal executive offices are located at One Park Place, Suite 700, 621 Northwest 53rd Street Boca Raton, Florida 33487, and our telephone number at that address is (561) 893-0101.

Table of Contents

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS, PER SHARE DATA AND MARKET AND STATISTICAL DATA

This prospectus supplement, the accompanying prospectus and the documents incorporated or deemed to be incorporated by reference in this prospectus supplement and the accompanying prospectus contain forward-looking statements that involve risks and uncertainties, including those discussed under the caption Risk Factors. We develop forward-looking statements by combining currently available information with our beliefs and assumptions. These statements relate to future events, including our future performance, and some of these statements can be identified by the use of forward-looking terminology such as believe, expect, anticipate, intend, contemplate, seek, plan, will, may, should and the negative or other variations of those terms or comparable terminology or by discussion of strategy, plans or intentions. Forward-looking statements do not guarantee future performance, which may be materially different from that expressed in, or implied by, any such statements. You should not rely upon these statements as facts.

We make these statements under the protection afforded by Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. Because we cannot predict all of the risks and uncertainties that may affect us, or control the ones we do predict, these risks and uncertainties can cause our results to differ materially from the results we express in our forward-looking statements. We undertake no obligation to, and expressly disclaim any such obligation to, update or revise any forward-looking statements to reflect changed assumptions, the occurrence of anticipated or unanticipated events, changes to future results over time or otherwise.

The information in this prospectus supplement, the accompanying prospectus and the documents incorporated or deemed to be incorporated by reference in this prospectus supplement and the accompanying prospectus concerning our industry, our market position and similar matters, is derived principally from publicly available information, industry publications, data compiled by market research firms and similar sources. Although we believe that this information is reliable, we have not independently verified any of this information and, accordingly, we cannot assure you that it is accurate.

Per share data presented herein reflects GEO s recent 3-for-2 forward stock split, which became effective on October 2, 2006.

Data presented herein regarding facilities in operation and average occupancy levels excludes facilities which we own or lease but which are currently inactive. See Risk Factors Risks Related to Our Business and Industry.

Data presented herein regarding the percentage of federal and state inmates held in private facilities has been obtained from publications by the U.S. Department of Justice, whose calculations regarding such data do not include federal and state prisoners held in local jails.

Table of Contents

PROSPECTUS SUPPLEMENT SUMMARY

This summary highlights selected information contained elsewhere in this prospectus supplement or the accompanying prospectus or the documents incorporated or deemed to be incorporated by reference in this prospectus supplement and the accompanying prospectus. This summary is not complete and does not contain all of the information that you should consider before deciding whether to invest in our shares of common stock. You should read this entire prospectus supplement and the accompanying prospectus and the documents incorporated and deemed to be incorporated by reference in this prospectus supplement and the accompanying prospectus, including the Risk Factors section included in this prospectus supplement and the financial statements and related notes incorporated by reference herein, carefully before making an investment decision. Unless this prospectus supplement expressly indicates otherwise or the context otherwise requires the terms we, our, us, GEO and the Company refer to The GEO Group, Inc., its consolidated subsidiaries and its unconsolidated affiliates.

Our Company

Overview

We are a leading provider of government-outsourced services specializing in the management of correctional, detention, mental health and residential treatment facilities in the United States, Canada, Australia, South Africa and the United Kingdom. We operate a broad range of correctional and detention facilities including maximum, medium and minimum security prisons, immigration detention centers and minimum security detention centers. Our correctional and detention management services involve the provision of security, administrative, rehabilitation, education, health and food services, primarily at adult male correctional and detention facilities. Our mental health and residential treatment services, which are operated through our wholly-owned subsidiary, GEO Care, Inc., involve the delivery of quality care, innovative programming and active patient treatment, primarily at privatized state mental health facilities. We also 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 currently manage approximately 48,000 total beds with an average facility occupancy rate of 97.4% for the twelve months ended December 31, 2006. We also have approximately 6,000 additional beds currently under development or pending commencement of operations, and approximately 1,000 currently inactive beds that are available to meet our clients potential future demand for bed space. For the twelve months ended December 31, 2006, we generated consolidated revenues of $860.9 million.

We conduct our business through three reportable business segments: our U.S. corrections segment; our international services segment; and our GEO Care segment. We have identified these three reportable segments to reflect our current view that we operate three distinct business lines, each of which constitutes a material part of our overall business. This treatment also reflects how we have discussed our business with investors and analysts. The U.S. corrections segment primarily encompasses our U.S.-based privatized corrections and detention business. The international services segment primarily consists of our privatized corrections and detention operations in South Africa, Australia and the United Kingdom. This segment also operates our recently acquired United Kingdom-based prisoner transportation business and pursues opportunities to further diversify into related foreign-based governmental-outsourced services on an ongoing basis. Our GEO Care segment, which is operated by our wholly-owned subsidiary GEO Care, Inc., comprises our privatized mental health and residential treatment services business, all of which is currently conducted in the U.S. The following provides a brief profile of our company and depicts our revenue mix by business segment for the twelve months ended December 31, 2006:

S-1

The private corrections industry has played an increasingly important role in addressing U.S. detention and correctional needs over the past five years. From year-end 2000 to year-end 2005, the number of federal inmates held at private correctional and detention facilities has increased 74.2%. At year-end 2005, the private sector housed approximately 14.4% of federal inmates. Approximately 57% of the estimated 2.2 million individuals incarcerated in the United States at year-end 2005 were held in state prisons. At year-end 2005, the private sector housed approximately 6% of all state inmates.

In addition to our strong position in the U.S. market, we are the only publicly traded U.S. correctional company with international operations. We believe that our existing international presence positions us to capitalize on growth opportunities within the private corrections and detention industry in new and established international markets.

We intend to pursue a diversified growth strategy by winning new clients and contracts, expanding our government services portfolio and pursuing selective acquisition opportunities. We achieve organic growth through competitive bidding that begins with the issuance by a government agency of a request for proposal, or RFP. We primarily rely on the RFP process for organic growth in our U.S. and international corrections operations as well as in our mental health and residential treatment services business. We believe that our long operating history and reputation have earned us credibility with both existing and prospective clients when bidding on new facility management contracts or when renewing existing contracts. Our success in the RFP process has resulted in a pipeline of new projects with significant revenue potential. In 2006, we announced ten new projects representing 4,934 beds. During 2007, we have announced four new projects representing 2,925 beds. In addition to pursuing organic growth through the RFP process, we will from time to time selectively consider the financing and construction of new facilities or expansions to existing facilities on a speculative basis without having a signed contract with a known client. We also plan to leverage our experience to expand the range of government-outsourced services that we provide. We will continue to pursue selected acquisition opportunities in our core services and other government services areas that meet our criteria for growth and profitability.

Our business was founded in 1984 as a division of The Wackenhut Corporation, or TWC, a multinational provider of global security services. We were incorporated in 1988 as a wholly-owned subsidiary of TWC. In July 1994, we became a publicly-traded company. In 2002, TWC was acquired by Group 4 Falck A/S, which became our new parent company. In July 2003, we purchased all of our common stock owned by Group 4 Falck A/S and became an independent company. In November 2003, we changed our corporate name to The GEO Group, Inc. We currently trade on the New York Stock Exchange under the ticker symbol GEO.

Competitive Advantages

We believe we enjoy the following competitive advantages:

Established Long Term Relationships with High-Quality Government Customers. We have developed long term relationships with our government customers and have been highly successful at retaining our

Table of Contents

facility management contracts. We have provided correctional and detention management services to the U.S. Federal Government for 20 years, the State of California for 19 years, the State of Texas for approximately 19 years, various Australian state government entities for 15 years and the State of Florida for approximately 13 years. These customers accounted for approximately 55% of our consolidated revenues for the fiscal year ended December 31, 2006. Our strong operating track record has enabled us to achieve a high renewal rate for contracts, thereby providing us with a stable source of revenue. During the past three years, our clients renewed approximately 90% of the contracts that were scheduled for renewal or expiration during that period. In addition, over the same three-year period, we won approximately 62% of the total number of beds for which we responded to RFPs. In 2006, we won 100% of the eight RFPs to which we responded, representing an aggregate of 7,073 beds.

Diverse, Full-Service Facility Developer and Operator. We have developed comprehensive expertise in the design, construction and financing of high quality correctional, detention and mental health facilities. In addition, we have extensive experience in overall facility operations, including staff recruitment, administration, facility maintenance, food service, healthcare, security, supervision, treatment and education of inmates. We believe that the breadth of our service offerings gives us the flexibility and resources to respond to customers needs as they develop. We believe that the relationships we foster when offering these additional services also help us win new contracts and renew existing contracts.

Unique Privatized Mental Health Growth Platform. We are the only publicly traded U.S. corrections company currently operating in the privatized mental health and residential treatment services business. Our target market of state and county mental health hospitals represents a significant opportunity. Through our GEO Care subsidiary, we have been able to grow this business from 335 beds representing $32.6 million in revenues in 2005 to 998 beds representing $70.4 million in revenues in 2006, with annualized revenues as of year-end 2006 totaling approximately $95 million. In addition, GEO Care has been awarded two new contracts for 275 beds, one of which was activated in early March 2007, and the other of which is scheduled to be activated in April 2007. These contracts are expected to generate annual revenues of approximately $33.0 million.

Sizeable International Business. We believe that our international presence gives us a unique competitive advantage that has contributed to our growth. Leveraging our operational excellence in the U.S., our international infrastructure allows us to aggressively target foreign opportunities that our U.S.-based competitors without overseas operations may have difficulty pursuing. Our international service business generated $103.6 million revenue in 2006, representing 12.0% of our consolidated 2006 revenues. We believe we are well positioned to continue benefiting from foreign governments initiatives to outsource corrections facilities.

Experienced, Proven Senior Management Team. Our top three senior executives have over 59 years of combined industry experience, have worked together at our company for more than 15 years and have established a track record of growth and profitability. Under their leadership, our annual consolidated revenues have grown from $40.0 million in 1991 to $860.9 million in 2006. Our Chairman, CEO and Founder, George C. Zoley, is one of the pioneers of the industry, having developed and opened what we believe was one of the first privatized detention facilities in the United States in 1986. In addition to senior management, our operational and facility level management has significant operational experience and expertise.

Regional Operating Structure. We operate three regional U.S. offices and three international offices that provide administrative oversight and support to our correctional and detention facilities and allow us to maintain close relationships with our customers and suppliers. Each of our three regional U.S. offices is responsible for the facilities located within a defined geographic area. We believe that our regional operating structure is unique within the U.S. private corrections industry and provides us with the competitive advantage of close proximity and direct access to our customers and our facilities. We believe this proximity increases our responsiveness and the quality of our contacts with our customers. We believe that this regional structure has facilitated the rapid integration of our prior acquisitions, and we also believe that our regional structure and international offices will help with the integration of any future acquisitions.

Table of Contents

Strategies

The following are some of our key business strategies:

Provide High Quality, Essential Services at Lower Costs. Our objective is to provide federal, state and local governmental agencies with high quality, essential services at a lower cost than they themselves could achieve. We have developed considerable expertise in the management of facility security, administration, rehabilitation, education, health and food services. Our quality is recognized through many accreditations including that of the American Correctional Association, which has certified facilities representing approximately 66% of our U.S. corrections revenue as of year-end 2006.

Maintain Disciplined Operating Approach. We manage our business on a contract by contract basis in order to maximize our operating margins. We typically refrain from pursuing contracts that we do not believe will yield attractive profit margins in relation to the associated operational risks. In addition, we generally do not engage in facility development without having a corresponding management contract award in place, although we may opt to do so in select situations when we believe attractive business development opportunities may become available at a given location. We have also elected not to enter certain international markets with a history of economic and political instability. We believe that our strategy of emphasizing lower risk, higher profit opportunities helps us to consistently deliver strong operational performance, lower our costs and increase our overall profitability.

Expand Into Complementary Government-Outsourced Services. We intend to capitalize on our long term relationships with governmental agencies to become a more diversified provider of government-outsourced services. These opportunities may include services which leverage our existing competencies and expertise, including the design, construction and management of large facilities, the training and management of a large workforce and our ability to service the needs and meet the requirements of government clients. We believe that government outsourcing of currently internalized functions will increase largely as a result of the public sector s desire to maintain quality service levels amid governmental budgetary constraints. We believe that our successful expansion into the mental health and residential treatment services sector through GEO Care is an example of our ability to deliver higher quality services at lower costs in new areas of privatization.

Pursue International Growth Opportunities. As a global provider of privatized correctional services, we are able to capitalize on opportunities to operate existing or new facilities on behalf of foreign governments. We currently have international operations in Australia, Canada, South Africa and the United Kingdom. We intend to further penetrate the current markets we operate in and to expand into new international markets which we deem attractive. For example, during the fourth quarter of 2004, we opened an office in the United Kingdom to vigorously pursue new business opportunities in England, Wales and Scotland. In March 2006, we won a contract to manage the operations of the 198-bed Campsfield House in Kidlington, United Kingdom, and began operations under this contract in the second quarter of 2006.

Selectively Pursue Acquisition Opportunities. We consider acquisitions that are strategic in nature and enhance our geographic platform on an ongoing basis. On November 4, 2005, we acquired Correctional Services Corporation, or CSC, bringing over 8,000 additional adult correctional and detention beds under our management. On January 24, 2007, we acquired CentraCore Properties Trust, or CPT, bringing the 7,545 beds we had been leasing from CPT, as well as an additional 1,126 beds leased to third parties, under our ownership. We will continue to review acquisition opportunities that may become available in the future, both in the privatized corrections, detention, mental health and residential treatment services sectors, and in complementary government-outsourced services areas.

Industry Trends

We are encouraged by the number of opportunities that have recently developed in the privatized corrections and detention industry. We believe growth in the market for our services will benefit from the following factors:

Continued Growth of the U.S. Prison Inmate Population. The number of inmates in the prison and jail system in the United States grew at an annual average growth rate of 3.3% from year-end 1995 to year-end

S-4

Table of Contents

2005. The total number of U.S. inmates in custody in federal and state prisons and local jails is currently estimated at approximately 2.2 million. This sustained period of growth has been driven by a number of factors including higher incarceration rates and growth in the 14 to 24-year old population that is typically at the highest risk with regard to potential incarceration.

Illegal Immigration and Homeland Security Reform. The ongoing efforts by the United States Department of Homeland Security to secure the nation s borders and capture and detain illegal aliens have increased demand for cost efficient detention beds. President Bush s 2007 budget request for 6,700 new immigration detention beds for U.S. Immigration and Customs Enforcement has been fully approved and funded, and the President s 2008 budget includes a funding request for an additional 950 proposed beds.

Greater Federal Government Acceptance of Privatized Correctional Facilities. The number of federal prisoners being held in private facilities has increased from 15,524 at year-end 2000 to 27,046 at year-end 2005, representing a compound annual growth rate of approximately 12%. Of the 42,202 new federal prison beds that were added over that same period, we estimate that 27% were awarded to the private sector.

Current Capacity Constraints of Public Correctional Systems. State and federal correctional systems are experiencing overcrowding conditions and tight budget constraints. At the end of 2005, 23 state prison systems and the federal prison system were operating at or above designed detention capacity. The federal prison system, which includes the Bureau of Prisons, the United States Marshals Service, the Department of Homeland Security and U.S. Immigration and Customs Enforcement, operated at 134% of design capacity at year-end 2005. As a result, federal and state jurisdictions throughout the United States are increasingly exploring partnerships with private service providers as a cost effective alternative to the growth of their public payrolls. In California, on October 4th, 2006, the Governor declared a state of emergency due to overcrowding in the State s correctional system. According to a press release issued by the Governor s office, there were approximately 15,000 prisoners housed in areas not designed for living space, including gymnasiums, dayrooms and program rooms. The State is currently in litigation with the California Correctional Peace Officers Association, a California correctional officers union, over its ability to transport its overflow prison population to out-of-state locations that currently have available bed space.

Aging State and Federal Correctional Facilities. Approximately 50% of adult prisons currently in operation in the United States are more than 30 years old and 25% to 30% of the facilities are more than 60 years old. It is likely that significant capital expenditures will be required in order to refurbish or replace outdated facilities. We believe that budget constraints will encourage prison agencies to explore outsourcing to private operations as an alternative to capital intensive projects such as prison construction.

Cost and Quality Advantages of Private Prisons. According to several government and university studies, private prison facilities operate at a lower cost than public sector facilities. Approximately 44% of private facilities are accredited by the American Corrections Association, referred to as ACA, versus a lower percentage of public prisons. The ACA s standards impose strict requirements with regard to accountability, response time, level of quality, safety records and general programs and services.

Growth of Privatization in International Markets. We estimate that the capacity of privately managed adult secure institutional facilities in operation worldwide increased from approximately 60,000 beds at year end 1995 to approximately 200,000 beds at year-end 2006. The United Kingdom, Australia and South Africa have growing prison markets. The United Kingdom is the largest non-U.S. market for private prisons and through its Private Finance Initiative indicated its intentions to increase its reliance on private correctional facilities to accommodate future inmate growth.

Recent Developments

On January 24, 2007, we acquired CPT, a publicly traded real estate investment trust focused on the corrections industry, for aggregate consideration of $428.3 million, inclusive of the repayment of approximately $40.0 million in pre-existing CPT debt and the payment of approximately $20.0 million in transaction related fees and expenses. As a result of the acquisition, we gained ownership of the 7,743 beds we formerly leased from CPT, as well as an additional 1,126 beds leased to third parties. We financed the acquisition through the use of $365.0 million in borrowings under a new term loan and approximately $63.3 million in cash on hand. After giving effect to the new term loan, we have approximately $515.0 million in total consolidated long-term indebtedness, excluding non recourse debt of $131.7 million and capital lease liability balances of $16.6 million.

Corporate Information

Our principal executive offices are located at One Park Place, Suite 700, 621 Northwest 53rd Street Boca Raton, Florida 33487, and our telephone number at that address is (561) 893-0101. Our website is located at www.thegeogroupinc.com. The information on our website is not part of this prospectus supplement unless such information is specifically incorporated herein.

Forward-Looking Statements

In addition to historical information, this prospectus supplement and the accompanying prospectus and the documents incorporated or deemed to be incorporated by reference herein or therein contain certain statements that constitute forward-looking statements within this meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. See Special Note Regarding Forward-Looking Statements, Per Share Data and Market and Statistical Data on page S-iii of this prospectus supplement.

Table of Contents

The Offering

Unless otherwise indicated, all of the information in this prospectus supplement assumes no exercise of the underwriters option to purchase additional shares of common stock as described below.

Common stock offered	4,750,000 shares
Common stock to be outstanding after the offering(1)	24,503,084 shares
Underwriters option	We have granted the underwriters a 30-day option to purchase from us up to an aggregate of 712,500 additional shares of our common stock if they sell more than 4,750,000 shares in the offering.
Use of proceeds(2)(3)	We estimate that we will receive net proceeds from this offering of approximately $212.0 million. We will retain broad discretion over the use of the net proceeds from this offering. We intend to use the net proceeds from this offering to repay $200.0 million of existing indebtedness outstanding under the term loan portion of our Senior Credit Facility and the balance for general corporate purposes. General corporate purposes may include working capital and capital expenditures, as well as acquisitions of companies or businesses in the government services sector that meet our criteria for growth and profitability. We may also use proceeds from this offering to invest in proprietary assets relating to our business, including the development of new facilities, the expansion of current facilities and/or the acquisition of facilities or facility management contracts. Pending application of the net proceeds for these purposes, we intend to invest the net proceeds in interest-bearing short-term investment grade securities.
New York Stock Exchange symbol	GEO
Risk factors	An investment in our common stock involves a high degree of risk. You should carefully consider the risk factors set forth under Risk Factors beginning on page S-12 and the other information contained in this prospectus supplement prior to making an investment decision regarding our common stock.

(1) The number of shares of common stock to be outstanding after this offering is calculated based on a total of 19,753,084 shares of common stock outstanding as of March 9, 2007 and does not include:

1,534,169 shares of common stock reserved and available for issuance pursuant to stock options outstanding under our stock plans as of March 9, 2007 at a weighted average exercise price of $13.96 per share; and

9,800 shares of common stock reserved and available for issuance as of March 9, 2007 under our stock plans.

(2)

We estimate that we will receive approximately $244.0 million in net proceeds from this offering if the underwriters exercise their option to purchase additional shares in full, after deducting underwriting discounts and commissions and estimated offering expenses payable by us.

(3) We plan to write-off approximately $4.6 million in deferred financing fees associated with the origination of the term loan in connection with the repayment of indebtedness under the Senior Credit Facility.

Table of Contents

Summary Selected Consolidated Financial Information and Other Data

The following table sets forth certain summary historical consolidated financial information and other data. The unaudited pro forma financial information for the nine months ended October 1, 2006 and the fiscal year ended January 1, 2006 combines our results of operations and certain balance sheet data with the results of operations and the same balance sheet data of CPT, as if our acquisition of CPT had occurred on January 3, 2005. See Prospectus Supplement Summary Recent Developments. The unaudited pro forma financial information is derived from, and should be read in conjunction with, our unaudited financial statements and related notes appearing elsewhere in this prospectus supplement. The audited financial information for the fiscal years ended December 31, 2006, January 1, 2006 and January 2, 2005 are derived from, and should be read in conjunction with, our audited consolidated financial statements and related notes appearing elsewhere in this prospectus supplement.

The information contained in this table should also be read in conjunction with Use of Proceeds, Capitalization, Management s Discussion and Analysis of Financial Condition and Results of Operations and the consolidated financial statements and accompanying notes thereto, all included elsewhere in this prospectus supplement.

	Pro Forma (Unaudited)				
	Nine Months Ended October 1, 2006	Fiscal Year 2005	Fiscal Years 2006	2005	2004
	(Dollars in thousands)				
Revenues(1)					
U.S. corrections	$454,626	$475,928	$612,810	$473,280	$455,947
International services	74,818	98,829	103,553	98,829	91,005
GEO Care	50,202	32,616	70,379	32,616	31,704
Other	37,104	8,175	74,140	8,175	15,338
Total revenues	616,750	615,548	860,882	612,900	593,994
Expenses					
Operating expenses	490,682	518,528	718,178	540,128	495,226
Depreciation and amortization	25,058	25,596	22,235	15,876	13,898
General and administrative expenses(2)	46,316	51,983	56,268	48,958	45,879
Total expenses	562,056	596,107	796,681	604,962	555,003
Operating income	54,694	19,441	64,201	7,938	38,991
Interest income	7,865	9,262	10,687	9,154	9,568
Interest expense	(41,507)	(49,032)	(28,231)	(23,016)	(22,138)
Write-off of deferred financing fees from extinguishment of debt	(1,295)	(1,360)	(1,295)	(1,360)	(317)
Total other income (expenses)	(34,937)	(41,130)	(18,839)	(15,222)	(12,887)
Income (loss) before taxes, minority interest, earnings in affiliates and discontinued	19,757	(21,689)	45,362	(7,284)	26,104

operations					
Income tax expense (benefit)	7,508	(17,300)	16,505	(11,826)	8,231
Minority interest	(45)	(742)	(125)	(742)	(710)
Earnings in affiliates (net of income tax expense)	1,038	2,079	1,576	2,079	
Earnings from continuing operations	$13,242	$(3,052)	30,308	5,879	17,163
Income (loss) from discontinued operations, net of income tax	(255)	1,127	(277)	1,127	(348)
Net income	$12,987	$(1,925)	$30,031	$7,006	$16,815
Basic earnings (loss) per common share:					
Weighted average basic common shares outstanding	16,493	14,370	17,221	14,370	14,076
Income from continuing operations	$0.80	$(0.21)	$1.76	$0.41	$1.22
Income (loss) from discontinued operations	(0.02)	0.08	(0.02)	0.08	(0.03)
Net income per basic share	$0.78	$(0.13)	$1.74	$0.49	$1.19
Diluted earnings (loss) per common share:					
Weighted average diluted common shares outstanding	17,124	15,015	17,872	15,015	14,607
Diluted income per share-continuing operations	$0.77	$(0.20)	$1.70	$0.39	$1.17
Diluted income (loss) per share	(0.01)	0.08	(0.02)	0.08	(0.02)
Net income per diluted share	$0.76	$(0.12)	$1.68	$0.47	$1.15

Table of Contents

	Pro Forma (Unaudited)				
	Nine Months Ended October 1, 2006	Fiscal Year 2005	2006	Fiscal Years 2005	2004
	(Dollars in thousands)				
Segment information:					
Operating income					
U.S. corrections	$91,832	$58,286	$106,380	$44,122	$70,384
International services	5,024	10,959	8,682	10,595	13,587
GEO Care	3,932	2,317	5,996	2,317	588
Operating income from segments	100,788	71,562	121,058	57,034	84,559
Corporate expenses	(46,316)	(51,983)	(56,268)	(48,958)	(45,879)
Other	222	(138)	(589)	(138)	311
Total operating income	$54,694	$19,441	$64,201	$7,938	$38,991
Depreciation and amortization					
U.S. corrections	$22,512	$22,700	$20,848	$12,980	$11,298
International services	2,136	2,601	803	2,601	2,374
GEO Care	410	295	584	295	226
Total depreciation and amortization	$25,058	$25,596	$22,235	$15,876	$13,898
Other financial information:					
EBITDA(3)(4)	79,450	45,014	86,592	23,791	51,862
Capital expenditures	25,812	31,465	43,165	31,465	10,235
Lease rental expense(5)	886	2,058	25,126	23,658	23,024
Balance sheet data(6)**:**					
Cash and cash equivalents	37,152		111,520	57,094	92,005
Current assets	240,834		322,754	229,292	222,766
Total assets	1,059,621		743,453	639,511	480,326
Current liabilities	152,924		173,703	136,519	117,478
Total debt	648,560		305,957	376,046	242,887
Total liabilities	826,324		494,843	530,917	380,587
Shareholders equity	233,297		248,610	108,594	99,739
Operational data (unaudited):					
Facilities in operation(7)	62	55	62	55	39
Design capacity of facilities(8)	55,483	48,370	54,548	48,370	35,981
Compensated resident mandays(9)	11,634,107	12,607,525	15,788,208	12,607,525	12,458,102

(1) On November 4, 2005, we completed the acquisition of Correctional Services Corporation, a Florida-based provider of privatized jail, community corrections and alternative sentencing services for approximately $62.1 million in cash. Immediately following the purchase of CSC, we sold Youth Services International, Inc., or YSI, the former juvenile services division of CSC, for $3.75 million, $1.75 million in cash and $2.0 million in promissory note with an annual interest rate of 6%. The financial information included in the tables for fiscal year

2005 reflects the operations of CSC from November 4, 2005 through January 1, 2006. The following unaudited pro forma financial information combines our results of operations with the results of operations of CSC as if the acquisition of CSC had occurred on December 29, 2003, excluding the operations of YSI for the same period:

	Fiscal Years	
	2005	**2004**
Revenues	$692,545	$670,563
Income from continuing operations	$5,719	$21,662
Net income	$4,402	$9,571
Net income per share basic	$0.31	$0.68
Net income per share diluted	$0.29	$0.66

(2) Includes non-cash stock compensation expense of $0.4 million for the fiscal year ended December 31, 2006 related to the implementation of Financial Accounting Standards (FAS) No. 123(R). See Note 14 Equity Incentive Plans and Note 1 Summary of Business Operations and Significant Accounting Policies Accounting for Stock Based Compensation in the Audited Financial Statements for the fiscal years ended December 31, 2006, January 1, 2006 and January 2, 2005 for further discussion.

(3) We define EBITDA as earnings before deducting interest, income taxes, depreciation and amortization and discontinued operations. We believe that EBITDA provides useful and relevant information to our investors because it is used by our management to evaluate the operating performance of our business and compare our operating performance with that of our competitors. Management also uses EBITDA for planning

Table of Contents

purposes, including the preparation of annual operating budgets, and to determine appropriate levels of operating and capital investments. We utilize EBITDA as a useful alternative to net income as an indicator of our operating performance. However, EBITDA is not a measure of financial performance under GAAP and should be considered in addition to, but not as a substitute for, other measures of financial performance reported in accordance with GAAP, such as net income. While we believe that some of the items excluded from EBITDA are not indicative of our core operating results, these items do impact our income statement, and management therefore utilizes EBITDA as an operating performance measure in conjunction with GAAP measures such as net income. Because EBITDA excludes some, but not all, items that affect net income, such as loss on extinguishment of debt, and may vary among companies, EBITDA mentioned above may not be comparable to similarly titled measures of other companies. The following table reconciles EBITDA to net income (loss), the most directly comparable GAAP measure.

	Pro Forma (Unaudited)				
	Nine Months Ended October 1, 2006	Fiscal Year 2005	Fiscal Years 2006	2005	2004
	(Dollars in thousands)				
Net income	$12,987	$(1,925)	$30,031	$7,006	$16,815
Discontinued operations(10)	255	(1,127)	277	(1,127)	348
Interest expense, net	33,642	39,770	17,544	13,862	12,570
Income tax expense (benefit)(11)	7,508	(17,300)	16,505	(11,826)	8,231
Depreciation and amortization	25,058	25,596	22,235	15,876	13,898
EBITDA(3)(4)	$79,450	$45,014	$86,592	$23,791	$51,862

(4) EBITDA includes the following items that, in management s opinion, are not indicative of our core operating performance:

	Pro Forma (Unaudited)				
	Nine Months Ended October 1, 2006	Fiscal Year 2005	Fiscal Years 2006	2005	2004
	(Dollars in thousands)				
International tax benefit	$	$(2,057)	$	$(2,057)	$
Insurance reduction(12)		(1,300)		(1,300)	(4,150)
Jena, Louisiana write-offs(13)		4,255		4,255	3,000
Job reclassification expenses(14)		400		400	
Michigan correctional facility write-off(15)		20,859		20,859	
Queens, New York contract transitioning(16)		798		798	
	1,811	977	3,298	977	

Start-up expenses at certain domestic facilities(17)					
Write-off of acquisition costs(18)					1,306
Write-off of deferred financing fees(19)	1,295	1,360	1,295	1,360	317
Total	$3,106	$25,292	$4,593	$25,292	$473

(5) Lease rental expense consists of rental expense under our facility leases that are non-cancellable in the event of the termination of the corresponding facility management contract.

(6) The balance sheet data for 2006 does not reflect a reduction in cash of $63.3 million, an increase in consolidated long-term debt of $365.0 million and certain other balance sheet adjustments made as a result of the completion of the acquisition of CPT on January 24, 2007. See Prospectus Supplement Summary Recent Developments and Capitalization.

(7) Facilities in operation consists of facilities that we currently operate pursuant to a facility management contract which currently have an inmate/resident population.

(8) Design capacity of facilities consists of the total maximum number of beds for each facility as determined by the architectural design of the facility, and includes facilities under management and facilities for which we have received contract awards but which have not yet opened.

(9) Compensated resident mandays are calculated as follows: for per diem rate facilities, the number of beds occupied by residents on a daily basis during the period; and for fixed rate facilities, the design capacity of the facility multiplied by the number of days the facility was in operation during the period.

(10) Discontinued operations consist, for all periods presented, of the result of operations of (i) our former contract to manage Australia s immigration centers, which was terminated in 2003, (ii) our former contract to manage the Auckland Central Remand Prison in New Zealand, which was terminated in 2005, and (iii) our former 72-bed private mental health hospital, Atlantic Shores Hospital, which we sold in January 2006.

(11) Income tax expense (benefit) includes a one-time tax benefit of $2.1 million taken in 2005 as a result of a change in South African tax law, which is reflected on our income statement in equity in earnings of affiliates, net of income tax provision (benefit).

(12) This reduction in insurance reserves is attributable to improved claims experience under our general liability and workers compensation insurance program, which resulted in revised actuarial loss projections in 2004 and 2005.

(13) These write-offs were taken to cover operating losses relating to lease expense associated with our inactive facility in Jena, Louisiana in 2004 and 2005.

(14) These costs were incurred in connection with the reclassification of certain employees from salaried status into hourly status in 2005.

(15) This write-off is an impairment charge taken as a result of the closure of our Michigan Youth Correctional Facility in October 2005.

(16) These costs were incurred in 2005 in connection with the transitioning of our facility in Queens, New York for use by the United States Marshals Service.

(17) These costs relate to start-up activity at several U.S. facilities in 2005 and 2006.

(18) This write-off was taken in 2004 when we determined that the potential acquisitions with respect to which we had incurred the deferred acquisition costs were no longer probable.

(19) These write-offs were attributable to the refinancing of our Senior Credit Facility in 2005 and 2006 and the early repayment of $43.0 million of the term loan portion of our credit facility in 2004.

Table of Contents

RISK FACTORS

Investing in our common stock involves risks. You should carefully consider the risks described below, as well as the other information included in this prospectus supplement, the accompanying prospectus and the documents incorporated and deemed to be incorporated by reference in this prospectus supplement and the accompanying prospectus, before you decide to invest in our common stock. The risks and uncertainties described below are not the only ones we face.

Risks Related to Our High Level of Indebtedness

Our significant level of indebtedness could adversely affect our financial condition and prevent us from fulfilling our debt service obligations.

We have a significant amount of indebtedness. Our total consolidated long-term indebtedness as of December 31, 2006 was $145.0 million, excluding non recourse debt of $131.7 million and capital lease liability balances of $16.6 million. In addition, as of December 31, 2006, we had $54.5 million outstanding in letters of credit under the revolving loan portion of our senior secured credit facility. As a result, as of that date, we would have had the ability to borrow an additional approximately $45.5 million under the revolving loan portion of our Senior Credit Facility, subject to our satisfying the relevant borrowing conditions under the Senior Credit Facility with respect to the incurrence of additional indebtedness.

Additionally, on January 24, 2007, we completed the refinancing of our senior secured credit facility, referred to as the Senior Credit Facility through the execution of a Third Amended and Restated Credit Agreement, referred to as the Amended Senior Credit Facility. The Amended Senior Credit Facility consists of a $365.0 million 7-year term loan referred to as the Term Loan B, and a $150.0 million 5-year revolver, expiring September 14, 2010, referred to as the Revolver. The initial interest rate for the Term Loan B is LIBOR plus 1.50% and the Revolver would bear interest at LIBOR plus 2.25% or at the base rate plus 1.25%. On January 24, 2007, we used the $365.0 million in borrowings under the Term Loan B to finance our acquisition of CPT. After giving effect to these borrowings, we currently have approximately $515.0 million in total consolidated long-term indebtedness, excluding non recourse debt of $131.7 million and capital lease liability balances of $16.6 million. Based on our debt covenants and the amount of indebtedness we have outstanding, we currently have the ability to borrow an additional approximately $95.0 million under our Amended Senior Credit Facility.

Our substantial indebtedness could have important consequences. For example, it could:

- require us to dedicate a substantial portion of our cash flow from operations to payments on our indebtedness, thereby reducing the availability of our cash flow to fund working capital, capital expenditures, and other general corporate purposes;
- limit our flexibility in planning for, or reacting to, changes in our business and the industry in which we operate;
- increase our vulnerability to adverse economic and industry conditions;
- place us at a competitive disadvantage compared to competitors that may be less leveraged; and
- limit our ability to borrow additional funds or refinance existing indebtedness on favorable terms.

If we are unable to meet our debt service obligations, we may need to reduce capital expenditures, restructure or refinance our indebtedness, obtain additional equity financing or sell assets. We may be unable to restructure or refinance our indebtedness, obtain additional equity financing or sell assets on satisfactory terms or at all. In addition, our ability to incur additional indebtedness will be restricted by the terms of our Amended Senior Credit Facility and the indenture governing our outstanding 81/4 % Senior Unsecured Notes, referred to as the Notes.

Table of Contents

Despite current indebtedness levels, we may still incur more indebtedness, which could further exacerbate the risks described above. Future indebtedness issued pursuant to our universal shelf registration statement could have rights superior to those of our existing or future indebtedness.

The terms of the indenture governing the Notes and our Amended Senior Credit Facility restrict our ability to incur but do not prohibit us from incurring significant additional indebtedness in the future. In addition, we may refinance all or a portion of our indebtedness, including borrowings under our Amended Senior Credit Facility, and incur more indebtedness as a result. If new indebtedness is added to our and our subsidiaries current debt levels, the related risks that we and they now face could intensify. Additionally, on March 13, 2007, we filed a universal shelf registration statement with the SEC, which became effective immediately upon filing. The shelf registration statement provides for the offer and sale by us, from time to time, on a delayed basis of an indeterminate aggregate amount of certain of our securities, including our debt securities. Such debt securities could have rights superior to those of our existing indebtedness.

The covenants in the indenture governing the Notes and our Amended Senior Credit Facility impose significant operating and financial restrictions which may adversely affect our ability to operate our business.

The indenture governing the Notes and our Amended Senior Credit Facility impose significant operating and financial restrictions on us and certain of our subsidiaries, which we refer to as restricted subsidiaries. These restrictions limit our ability to, among other things:

- incur additional indebtedness;
- pay dividends and or distributions on our capital stock, repurchase, redeem or retire our capital stock, prepay subordinated indebtedness, make investments;
- issue preferred stock of subsidiaries;
- make certain types of investments;
- guarantee other indebtedness;
- create liens on our assets;
- transfer and sell assets;
- create or permit restrictions on the ability of our restricted subsidiaries to make dividends or make other distributions to us;
- enter into sale/leaseback transactions;
- enter into transactions with affiliates; and
- merge or consolidate with another company or sell all or substantially all of our assets.

These restrictions could limit our ability to finance our future operations or capital needs, make acquisitions or pursue available business opportunities. In addition, our Amended Senior Credit Facility requires us to maintain specified financial ratios and satisfy certain financial covenants, including maintaining maximum senior and total leverage ratios, a minimum fixed charge coverage ratio, a minimum net worth and a limit on the amount of our annual capital expenditures. Some of these financial ratios become more restrictive over the life of the Amended Senior Credit Facility. We may be required to take action to reduce our indebtedness or to act in a manner contrary to our business objectives to meet these ratios and satisfy these covenants. Our failure to comply with any of the covenants under our Amended Senior Credit Facility and the indenture governing the Notes could cause an event of default under such documents and result in an acceleration of all of our outstanding indebtedness. If all of our outstanding indebtedness were to be accelerated, we likely would not be able to simultaneously satisfy all of our obligations under such indebtedness, which would materially adversely affect our financial condition and results of operations.

Table of Contents

Servicing our indebtedness will require a significant amount of cash. Our ability to generate cash depends on many factors beyond our control.

Our ability to make payments on our indebtedness and to fund planned capital expenditures will depend on our ability to generate cash in the future. This, to a certain extent, is subject to general economic, financial, competitive, legislative, regulatory and other factors that are beyond our control.

Our business may not be able to generate sufficient cash flow from operations or future borrowings may not be available to us under our Amended Senior Credit Facility or otherwise in an amount sufficient to enable us to pay our indebtedness or new debt securities, or to fund our other liquidity needs. We may need to refinance all or a portion of our indebtedness on or before maturity. However, we may not be able to complete such refinancing on commercially reasonable terms or at all.

Because portions of our indebtedness have floating interest rates, a general increase in interest rates will adversely affect cash flows.

Our Amended Senior Credit Facility bears interest at a variable rate. To the extent our exposure to increases in interest rates is not eliminated through interest rate protection agreements, such increases will adversely affect our cash flows. We do not currently have any interest rate protection agreements in place to protect against interest rate fluctuations related to our Amended Senior Credit Facility. Our estimated total annual interest expense based on borrowings outstanding as of January 24, 2007 reflecting the acquisition of CPT is approximately $25.1 million. Based on estimated borrowings of $365 million outstanding under the Amended Senior Credit Facility, a one percent increase in the interest rate applicable to the Senior Credit Facility will increase interest expense by $3.7 million.

In addition, effective September 18, 2003, we entered into interest rate swap agreements in the aggregate notional amount of $50.0 million. The agreements, which have payment and expiration dates that coincide with the payment and expiration terms of the Notes, effectively convert $50.0 million of the Notes into variable rate obligations. Under the agreements, we receive a fixed interest rate payment from the financial counterparties to the agreements equal to 8.25% per year calculated on the notional $50.0 million amount, while we make a variable interest rate payment to the same counterparties equal to the six-month London Interbank Offered Rate plus a fixed margin of 3.45%, also calculated on the notional $50.0 million amount. As a result, for every one percent increase in the interest rate applicable to the swap agreements, our total annual interest expense will increase by $0.5 million.

We depend on distributions from our subsidiaries to make payments on our indebtedness. These distributions may not be made.

We generate a substantial portion of our revenues from distributions on the equity interests we hold in our subsidiaries. Therefore, our ability to meet our payment obligations on our indebtedness is substantially dependent on the earnings of our subsidiaries and the payment of funds to us by our subsidiaries as dividends, loans, advances or other payments. Our subsidiaries are separate and distinct legal entities and are not obligated to make funds available for payment of our other indebtedness in the form of loans, distributions or otherwise. Our subsidiaries ability to make any such loans, distributions or other payments to us will depend on their earnings, business results, the terms of their existing and any future indebtedness, tax considerations and legal or contractual restrictions to which they may be subject. If our subsidiaries do not make such payments to us, our ability to repay our indebtedness may be materially adversely affected. For the fiscal year ended December 31, 2006, our subsidiaries accounted for 28.8% of our consolidated revenues, and, as of December 31, 2006, our subsidiaries accounted for 20.3% of our consolidated total assets.

Risks Related to Our Business and Industry

We are subject to the termination or non-renewal of our government contracts, which could adversely affect our results of operations and liquidity, including our ability to secure new facility management contracts from other government customers.

Governmental agencies may terminate a facility contract at any time without cause or use the possibility of termination to negotiate a lower fee for per diem rates. They also generally have the right to renew facility contracts at their option. Excluding any contractual renewal options, as of December 31, 2006, nine of our facility management contracts are scheduled to expire on or before December 31, 2007. These contracts represented 14.5% of our consolidated revenues for the fiscal year ended December 31, 2006. Some or all of these contracts may not be renewed by the corresponding governmental agency. See Business Government Contracts Rebids. In addition, governmental agencies may determine not to exercise renewal options with respect to any of our contracts in the future. In the event any of our management contracts are terminated or are not renewed on favorable terms or otherwise, we may not be able to obtain additional replacement contracts. The non-renewal or termination of any of our contracts with governmental agencies could materially adversely affect our financial condition, results of operations and liquidity, including our ability to secure new facility management contracts from other government customers.

Our growth depends on our ability to secure contracts to develop and manage new correctional and detention facilities, the demand for which is outside our control.

Our growth is generally dependent upon our ability to obtain new contracts to develop and manage new correctional and detention facilities, because contracts to manage existing public facilities have not to date typically been offered to private operators. Public sector demand for new facilities may decrease and our potential for growth will depend on a number of factors we cannot control, including overall economic conditions, crime rates and sentencing patterns in jurisdictions in which we operate, governmental and public acceptance of the concept of privatization, and the number of facilities available for privatization.

The demand for our facilities and services could be adversely affected by the relaxation of criminal enforcement efforts, leniency in conviction and sentencing practices, or through the decriminalization of certain activities that are currently proscribed by criminal laws. For instance, any changes with respect to the decriminalization of drugs and controlled substances or a loosening of immigration laws could affect the number of persons arrested, convicted, sentenced and incarcerated, thereby potentially reducing demand for correctional facilities to house them. Similarly, reductions in crime rates could lead to reductions in arrests, convictions and sentences requiring incarceration at correctional facilities.

We may not be able to secure financing and land for new facilities, which could adversely affect our results of operations and future growth.

In certain cases, the development and construction of facilities by us is subject to obtaining construction financing. Such financing may be obtained through a variety of means, including without limitation, the sale of tax-exempt or taxable bonds or other obligations or direct governmental appropriations. The sale of tax-exempt or taxable bonds or other obligations may be adversely affected by changes in applicable tax laws or adverse changes in the market for tax-exempt or taxable bonds or other obligations.

Moreover, certain jurisdictions, including California, where we have a significant amount of operations, have in the past required successful bidders to make a significant capital investment in connection with the financing of a particular project. If this trend were to continue in the future, we may not be able to obtain sufficient capital resources when needed to compete effectively for facility management contacts. Additionally, our success in obtaining new awards and contracts may depend, in part, upon our ability to locate land that can be leased or acquired under favorable terms. Otherwise desirable locations may be in or near populated areas and, therefore, may generate legal action or other forms of opposition from residents in areas surrounding a proposed site. Our inability to secure financing and desirable locations for new facilities could adversely affect our results of operations and future growth.

Table of Contents

We depend on a limited number of governmental customers for a significant portion of our revenues. The loss of, or a significant decrease in business from, these customers could seriously harm our financial condition and results of operations.

We currently derive, and expect to continue to derive, a significant portion of our revenues from a limited number of governmental agencies. Of our 30 governmental clients, six customers accounted for over 50% of our consolidated revenues for the fiscal year ended December 31, 2006. In addition, the three federal governmental agencies with correctional and detention responsibilities, the Bureau of Prisons, U.S. Immigration and Customs Enforcement, which we refer to as ICE, and the Marshals Service, accounted for approximately 29.5% of our total consolidated revenues for the fiscal year ended December 31, 2006, with the Bureau of Prisons accounting for approximately 9.8% of our total consolidated revenues for such period, the Marshals Service accounting for approximately 9.6% of our total consolidated revenues for such period, and ICE accounting for approximately 10.1% of our total consolidated revenues for such period. The loss of, or a significant decrease in, business from the Bureau of Prisons, ICE, or the U.S. Marshals Service or any other significant customers could seriously harm our financial condition and results of operations. We expect to continue to depend upon these federal agencies and a relatively small group of other governmental customers for a significant percentage of our revenues.

A decrease in occupancy levels could cause a decrease in revenues and profitability.

While a substantial portion of our cost structure is generally fixed, a significant portion of our revenues are generated under facility management contracts which provide for per diem payments based upon daily occupancy. We are dependent upon the governmental agencies with which we have contracts to provide inmates for our managed facilities. We cannot control occupancy levels at our managed facilities. Under a per diem rate structure, a decrease in our occupancy rates could cause a decrease in revenues and profitability. When combined with relatively fixed costs for operating each facility, regardless of the occupancy level, a decrease in occupancy levels could have a material adverse effect on our profitability.

Competition for inmates may adversely affect the profitability of our business.

We compete with government entities and other private operators on the basis of cost, quality and range of services offered, experience in managing facilities, and reputation of management and personnel. Barriers to entering the market for the management of correctional and detention facilities may not be sufficient to limit additional competition in our industry. In addition, our government customers may assume the management of a facility currently managed by us upon the termination of the corresponding management contract or, if such customers have capacity at the facilities which they operate, they may take inmates currently housed in our facilities and transfer them to government operated facilities. Since we are paid on a per diem basis with no minimum guaranteed occupancy under most of our contracts, the loss of such inmates and resulting decrease in occupancy would cause a decrease in both our revenues and our profitability.

We are dependent on government appropriations, which may not be made on a timely basis or at all.

Our cash flow is subject to the receipt of sufficient funding of and timely payment by contracting governmental entities. If the contracting governmental agency does not receive sufficient appropriations to cover its contractual obligations, it may terminate our contract or delay or reduce payment to us. Any delays in payment, or the termination of a contract, could have a material adverse effect on our cash flow and financial condition, which may make it difficult to satisfy our payment obligations on our indebtedness, including the Notes and the Senior Credit Facility, in a timely manner. The Governor of the State of Michigan s veto in October 2005 of appropriations for our Michigan Correctional Facility in October 2005 is an example of this risk. See Business Legal Proceedings. In addition, as a result of, among other things, recent economic developments, federal, state and local governments have encountered, and may continue to encounter, unusual budgetary constraints. As a result, a number of state and local governments are under pressure to control additional spending or reduce current levels of spending. Accordingly, we may be requested in the future to reduce our existing per diem contract rates or forego prospective increases to those rates. In addition, it may become more difficult to renew our existing contracts on favorable terms or at all.

Table of Contents

Public resistance to privatization of correctional and detention facilities could result in our inability to obtain new contracts or the loss of existing contracts, which could have a material adverse effect on our business, financial condition and results of operations.

The management and operation of correctional and detention facilities by private entities has not achieved complete acceptance by either governments or the public. Some governmental agencies have limitations on their ability to delegate their traditional management responsibilities for correctional and detention facilities to private companies and additional legislative changes or prohibitions could occur that further increase these limitations. In addition, the movement toward privatization of correctional and detention facilities has encountered resistance from groups, such as labor unions, that believe that correctional and detention facilities should only be operated by governmental agencies. Changes in dominant political parties could also result in significant changes to previously established views of privatization. Increased public resistance to the privatization of correctional and detention facilities in any of the markets in which we operate, as a result of these or other factors, could have a material adverse effect on our business, financial condition and results of operations.

Adverse publicity may negatively impact our ability to retain existing contracts and obtain new contracts. Our business is subject to public scrutiny.

Any negative publicity about an escape, riot or other disturbance or perceived poor conditions at a privately managed facility may result in publicity adverse to us and the private corrections industry in general. Any of these occurrences or continued trends may make it more difficult for us to renew existing contracts or to obtain new contracts or could result in the termination of an existing contract or the closure of one of our facilities, which could have a material adverse effect on our business.

We may incur significant start-up and operating costs on new contracts before receiving related revenues, which may impact our cash flows and not be recouped.

When we are awarded a contract to manage a facility, we may incur significant start-up and operating expenses, including the cost of constructing the facility, purchasing equipment and staffing the facility, before we receive any payments under the contract. These expenditures could result in a significant reduction in our cash reserves and may make it more difficult for us to meet other cash obligations, including our payment obligations on the Notes and the Amended Senior Credit Facility. In addition, a contract may be terminated prior to its scheduled expiration and as a result we may not recover these expenditures or realize any return on our investment.

Failure to comply with extensive government regulation and applicable contractual requirements could have a material adverse effect on our business, financial condition or results of operations.

The industry in which we operate is subject to extensive federal, state and local regulations, including educational, environmental, health care and safety regulations, which are administered by many regulatory authorities. Some of the regulations are unique to the corrections industry, and the combination of regulations affects all areas of our operations. Facility management contracts typically include reporting requirements, supervision and on-site monitoring by representatives of the contracting governmental agencies. Corrections officers and juvenile care workers are customarily required to meet certain training standards and, in some instances, facility personnel are required to be licensed and are subject to background investigations. Certain jurisdictions also require us to award subcontracts on a competitive basis or to subcontract with businesses owned by members of minority groups. We may not always successfully comply with these and other regulations to which we are subject and failure to comply can result in material penalties or the non-renewal or termination of facility management contracts. In addition, changes in existing regulations could require us to substantially modify the manner in which we conduct our business and, therefore, could have a material adverse effect on us.

In addition, private prison managers are increasingly subject to government legislation and regulation attempting to restrict the ability of private prison managers to house certain types of inmates, such as inmates

Table of Contents

from other jurisdictions or inmates at medium or higher security levels. Legislation has been enacted in several states, and has previously been proposed in the United States House of Representatives, containing such restrictions. Although we do not believe that existing legislation will have a material adverse effect on us, future legislation may have such an effect on us.

Governmental agencies may investigate and audit our contracts and, if any improprieties are found, we may be required to refund amounts we have received, to forego anticipated revenues and we may be subject to penalties and sanctions, including prohibitions on our bidding in response to Requests for Proposals, or RFPs, from governmental agencies to manage correctional facilities. Governmental agencies we contract with have the authority to audit and investigate our contracts with them. As part of that process, governmental agencies may review our performance of the contract, our pricing practices, our cost structure and our compliance with applicable laws, regulations and standards. For contracts that actually or effectively provide for certain reimbursement of expenses, if an agency determines that we have improperly allocated costs to a specific contract, we may not be reimbursed for those costs, and we could be required to refund the amount of any such costs that have been reimbursed. If a government audit asserts improper or illegal activities by us, we may be subject to civil and criminal penalties and administrative sanctions, including termination of contracts, forfeitures of profits, suspension of payments, fines and suspension or disqualification from doing business with certain governmental entities. Any adverse determination could adversely impact our ability to bid in response to RFPs in one or more jurisdictions.

We may face community opposition to facility location, which may adversely affect our ability to obtain new contracts.

Our success in obtaining new awards and contracts sometimes depends, in part, upon our ability to locate land that can be leased or acquired, on economically favorable terms, by us or other entities working with us in conjunction with our proposal to construct and/or manage a facility. Some locations may be in or near populous areas and, therefore, may generate legal action or other forms of opposition from residents in areas surrounding a proposed site. When we select the intended project site, we attempt to conduct business in communities where local leaders and residents generally support the establishment of a privatized correctional or detention facility. Future efforts to find suitable host communities may not be successful. In many cases, the site selection is made by the contracting governmental entity. In such cases, site selection may be made for reasons related to political and/or economic development interests and may lead to the selection of sites that have less favorable environments.

Our business operations expose us to various liabilities for which we may not have adequate insurance.

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, medical malpractice 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, 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 insurance coverage for these general types of claims, except for claims relating to employment matters, for which we carry no insurance. However, the insurance we maintain to cover the various liabilities to which we are exposed may not be adequate. Any losses relating to matters for which we are either uninsured or for which we do not have adequate insurance could have a material adverse effect on our business, financial condition or results of operations. In addition, any losses relating to employment matters could have a material adverse effect on our business, financial condition or results of operations.

Claims for which we are insured arising from our U.S. operations that have an occurrence date of October 1, 2002 or earlier are handled by TWC and are commercially insured up to an aggregate limit of between $25.0 million and $50.0 million, depending on the nature of the claim and the applicable policy terms

Table of Contents

and conditions. With respect to claims for which we are insured arising after October 1, 2002, we maintain a general liability policy for all U.S. corrections operations with $52.0 million per occurrence and in the aggregate. On October 1, 2004, we increased our deductible on this general liability policy from $1.0 million to $3.0 million for each claim which occurs after October 1, 2004. We also maintain insurance to cover property and casualty risks, workers compensation, medical malpractice, environmental liability and automobile liability. Our Australian subsidiary is required to carry tail insurance on a general liability policy providing an extended reporting period through 2011 related to a discontinued contract. We also carry various types of insurance with respect to our operations in South Africa, the United Kingdom and Australia. There can be no assurance that our insurance coverage will be adequate to cover all claims to which we may be exposed.

Since our insurance policies generally have high deductible amounts (including a $3.0 million per claim deductible under our general liability and auto liability policies and a $2.0 million per claim deductible under our workers compensation policy), losses are recorded as reported and a provision is made to cover losses incurred but not reported. Loss reserves are undiscounted and are computed based on independent actuarial studies. Our management uses judgments in assessing loss estimates based on actuarial studies, which include actual claim amounts and loss development based on both GEO s own historical experience and industry experience. If actual losses related to insurance claims significantly differ from our estimates, our financial condition and results of operations could be materially impacted.

Certain GEO facilities located in Florida and determined by insurers to be in high-risk hurricane areas carry substantial windstorm deductibles of up to $3.0 million. 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 may prevent us from insuring our facilities to full replacement value.

We may not be able to obtain or maintain the insurance levels required by our government contracts.

Our government contracts require us to obtain and maintain specified insurance levels. The occurrence of any events specific to our company or to our industry, or a general rise in insurance rates, could substantially increase our costs of obtaining or maintaining the levels of insurance required under our government contracts, or prevent us from obtaining or maintaining such insurance altogether. If we are unable to obtain or maintain the required insurance levels, our ability to win new government contracts, renew government contracts that have expired and retain existing government contracts could be significantly impaired, which could have a material adverse affect on our business, financial condition and results of operations.

Our international operations expose us to risks which could materially adversely affect our financial condition and results of operations.

For the fiscal year ended December 31, 2006, our international operations accounted for approximately 12% of our consolidated revenues. We face risks associated with our operations outside the U.S. These risks include, among others, political and economic instability, exchange rate fluctuations, taxes, duties and the laws or regulations in those foreign jurisdictions in which we operate. In the event that we experience any difficulties arising from our operations in foreign markets, our business, financial condition and results of operations may be materially adversely affected.

We conduct certain of our operations through joint ventures, which may lead to disagreements with our joint venture partners and adversely affect our interest in the joint ventures.

We conduct substantially all of our operations in South Africa through joint ventures with third parties and may enter into additional joint ventures in the future. Our joint venture agreements generally provide that the joint venture partners will equally share voting control on all significant matters to come before the joint venture. Our joint venture partners may have interests that are different from ours which may result in conflicting views as to the conduct of the business of the joint venture. In the event that we have a disagreement with a joint venture partner as to the resolution of a particular issue to come before the joint venture, or as to the management or conduct of the business of the joint venture in general, we may not be

Table of Contents

able to resolve such disagreement in our favor and such disagreement could have a material adverse effect on our interest in the joint venture or the business of the joint venture in general.

We are dependent upon our senior management and our ability to attract and retain sufficient qualified personnel.

We are dependent upon the continued service of each member of our senior management team, including George C. Zoley, our Chairman, CEO and Founder, Wayne H. Calabrese, our Vice Chairman, President and COO, and John G. O Rourke, our Chief Financial Officer. Under the terms of their retirement agreements, each of these executives is currently eligible to retire at any time from GEO and receive significant lump sum retirement payments. The unexpected loss of any of these individuals could materially adversely affect our business, financial condition or results of operations. We do not maintain key-man life insurance to protect against the loss of any of these individuals.

In addition, the services we provide are labor-intensive. When we are awarded a facility management contract or open a new facility, we must hire operating management, correctional officers and other personnel. The success of our business requires that we attract, develop and retain these personnel. Our inability to hire sufficient qualified personnel on a timely basis or the loss of significant numbers of personnel at existing facilities could have a material effect on our business, financial condition or results of operations.

Our profitability may be materially adversely affected by inflation.