



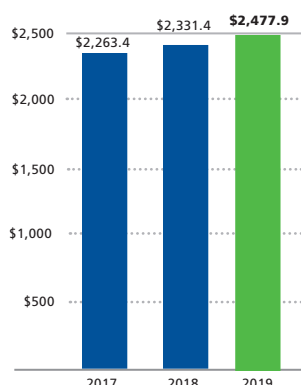
**2019** ANNUAL REPORT



# Financial Highlights

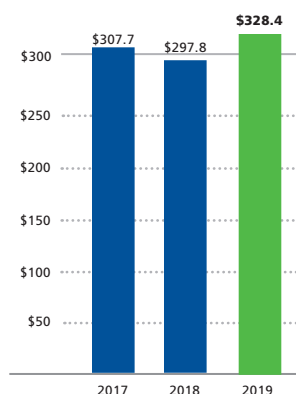
## Total Revenues

\$ In Millions

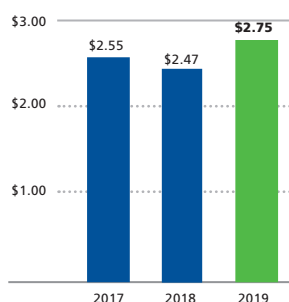


## Adjusted Funds From Operations (AFFO)\*

\$ In Millions

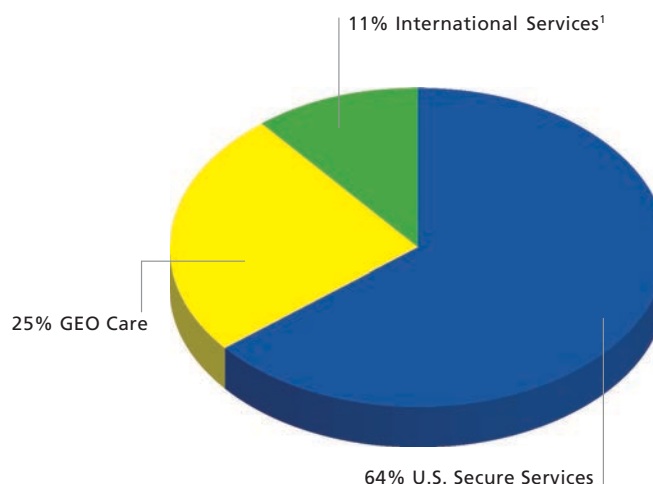


## AFFO Per Share\*



## Business Unit

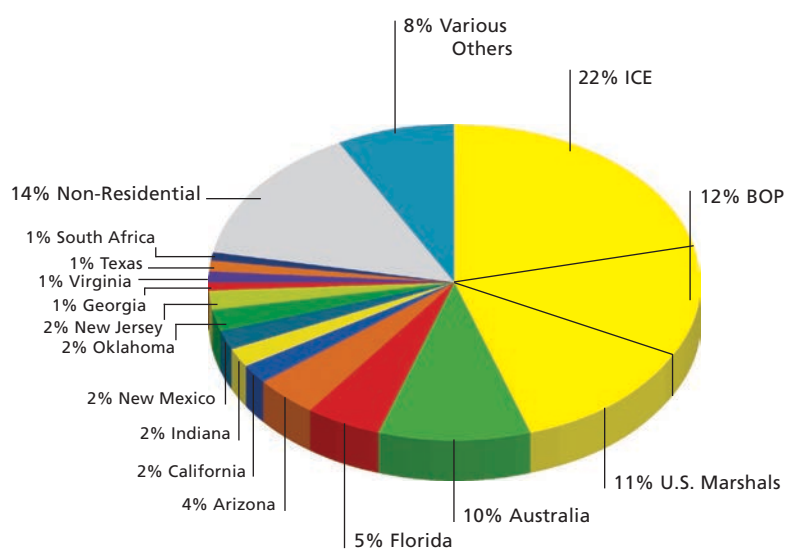
% of Revenues



<sup>1</sup>Includes Facility Construction and Design Revenue

## Customer

% of Revenues



\*This annual report contains certain Non-GAAP measures. Please refer to GEO's Fourth Quarter and Full Year 2019 Earnings Announcement and Supplemental Disclosure issued on February 12, 2020 for a description of such Non-GAAP measures and a reconciliation of such Non-GAAP measures to their most comparable GAAP measure.



*"We recognize that sustaining operational excellence requires frequent introspection and a commitment to improving upon what we do every day."*

**George C. Zoley**

*Chairman Of The Board,  
Chief Executive Officer & Founder*

## LETTER TO THE **SHAREHOLDERS**

We are pleased with the operational and financial milestones achieved by our diversified business units during 2019. We are particularly proud of the work we have done to further our commitment to Environmental, Social, and Governance (ESG).

However, at the time of the writing of this letter, the United States and countries around the world face an unprecedented health crisis related to the spread of the coronavirus (COVID-19). We have taken a number of comprehensive steps to address the risks of COVID-19 to all those in our care and our employees. To learn more about these steps, we invite you to visit [geogroup.com/COVID19](https://geogroup.com/COVID19)

### **HUMAN RIGHTS AND ESG REPORT**

In September 2019, our company achieved an important milestone with the publication of our first-ever Human Rights and Environmental, Social and Governance (ESG) report.

This comprehensive report built on the Global Human Rights Policy adopted by our Board of Directors in 2013 and provided disclosures related to our commitment to respecting human rights. The report also addressed criteria related to the development of our employees; our efforts to advance environmental sustainability in our facilities; and our adherence to ethical governance practices.

For more than 30 years, we have been a trusted service provider to federal, state and local government agencies in the United States. Over the years, our company has evolved to become a leading provider of offender rehabilitation, post release services, and community-based programs. Our three-decade long journey has been driven by a daily pursuit of operational excellence across all our service lines.

We recognize that sustaining operational excellence requires frequent introspection and a commitment to improving upon what we do every day.

### **OPERATIONAL MILESTONES**

Throughout the year, our GEO Secure Services business unit served over 300,000 individuals, while managing an average daily population of close to 60,000 in our facilities in the United States. Our GEO Transport, Inc. division safely transported more than one million passengers while driving more than 21 million miles in the U.S. and internationally.

Our GEO Care business unit served more than 700,000 individuals during the year, while managing an average daily census of over 200,000 participants in our community reentry, youth services treatment, and electronic monitoring programs.

### **NEW PROJECT ACTIVATIONS AND CONTRACT AWARDS DRIVE CONTINUED GROWTH**

We also expanded our portfolio of diversified facilities in the United States and internationally. At the federal level, we completed the activation of several important projects and announced a number of new contract awards during the second half of the year.

In Louisiana, we completed the reactivation of our company-owned, 1,000-bed South Louisiana ICE Processing Center under a contract modification with U.S. Immigration and Customs Enforcement. In Michigan, we reactivated our company-owned, 1,800-bed North Lake Correctional Facility under a new ten-year contract with the Federal Bureau of Prisons.

In Texas, we worked closely with Reeves County to activate two new ten-year contracts with the Federal Bureau of Prisons for the county-owned, 1,800-bed Reeves County Detention Center I & II and 1,376-bed Reeves County Detention Center III.

In December 2019, we also received new contract awards from the federal government. On December 20th, we entered into two new 15-year contracts, including option periods, with U.S. Immigration and Customs Enforcement for five company-owned facilities in California totaling 4,490 beds.

The contracts cover two company-owned facilities we currently manage on behalf of ICE: the 1,940-bed Adelanto ICE Processing Center and the 400-bed Mesa Verde ICE Processing Center. The contracts also incorporate three other company-owned facilities in California: the 700-bed Central Valley, the 750-bed Desert View, and the 700-bed Golden State, as facility annexes.

On December 23rd, we also signed a new managed-only contract with the U.S. Marshals Service for the government-owned, 512-bed El Centro Detention Facility in California. The contract will have a term of approximately nine years, including option periods.

These important contract awards are representative of our long-standing private-public partnership with the federal government. Our facilities are highly rated and provide high-quality, culturally responsive services, which meet the needs of the individuals in the care of federal authorities.

Internationally, our GEO Transport, Inc. division begun operations in January 2019 under a new twelve-year contract for the provision of Court Custody and Prisoner Escort Services in Scotland through our GEOAmey joint venture. Under this partnership with the Scottish Prison Service, GEOAmey will employ approximately 650 professionals who will be responsible for 170 vehicles.

In Australia, we have undertaken a number of expansion projects. We completed a 489-bed expansion at the Junee Correctional Center, bringing total capacity to 1,279 beds. We are continuing negotiations for a 300-bed expansion at our 1,300-bed Ravenhall Correctional Center. We are also developing a 137-bed expansion to the Fulham Correctional Center, increasing total capacity to 955 beds in 2020.

### **AWARD-WINNING GEO CONTINUUM OF CARE®**

During the year, we continued to expand our GEO Continuum of Care program. In 2019, our GEO Continuum of Care sites completed more than 6.8 million hours of enhanced rehabilitation programming.

Our academic programs averaged approximately 13,000 daily participants and awarded close to 2,900 GEDs or high school equivalency degrees. The average daily attendance for our vocational courses totaled more than 33,000 participants and awarded over 9,400 vocational training certifications. Approximately 18,000 individuals attended substance abuse treatment daily with approximately 8,800 program completions.

In October 2019, we hosted our second ever GEO Continuum of Care Conference, building on our 2016 inaugural conference. The highlight of the conference was a question-and-answer panel with nine Continuum of Care participants who have been released from GEO facilities and are succeeding in their communities with the help of our post-release support services.

Beginning in 2020, we have increased our annual funding commitment from \$10 million to \$14 million to support our GEO Continuum of Care corporate division, which is comprised of over 50 subject matter experts and case managers led by an Executive Vice President. Our commitment to be the world's leader in the delivery of enhanced rehabilitation and post-release services is representative of our belief that we are at our best, when we help those in our care, reenter society as productive and employable citizens.

### **FINANCIAL PERFORMANCE AND SHAREHOLDER VALUE CREATION**

Our operational milestones and financial performance have supported our ability to return value to our shareholders. Our 2019 total revenues increased to \$2.48 billion from \$2.33 billion a year ago. Our 2019 Adjusted EBITDA increased nine percent year-over-year to \$483.3 million and our Adjusted Funds from Operations increased ten percent from a year ago to \$328.4 million.

In 2019, we extended the maturity of our \$900 million revolving credit facility to May 2024, without any changes to its size or pricing grid. During the year, we also repurchased approximately \$56 million of our senior unsecured notes due 2020, which is our nearest term debt maturity. At year-end 2019, we had ample liquidity with approximately \$340 million dollars in available capacity under our revolving credit facility.

The stable and predictable cash flows from our diversified business units allowed us to pay total annual dividends of \$1.92 per share in 2019. Our management team and board of directors remain focused on the careful evaluation of our capital allocation to create sustainable, long-term value for our shareholders.

# BOARD OF DIRECTORS



**George C. Zoley**  
Chairman of the Board, Chief Executive Officer and Founder The GEO Group, Inc.



**Richard H. Glanton**  
Lead Independent Director\*, Chair, Audit and Finance Committee and Chair, Compensation Committee



**Christopher C. Wheeler**  
Chair, Nominating and Corporate Governance Committee, Independent Director\*



**Guido Van Hauwermeiren**  
Independent Director\*



**Anne N. Foreman**  
Chair, Corporate Planning Committee, Independent Director\*



**Scott M. Kernan**  
Chair, Operations and Oversight Committee



**Julie M. Wood**  
Independent Director\*



**Jose Gordo**  
Director

\* Applying NYSE independence standards



## SENIOR OFFICERS



**George C. Zoley**  
Chairman of the Board, Chief  
Executive Officer and Founder  
The GEO Group, Inc.



**Brian R. Evans**  
Senior Vice President and  
Chief Financial Officer



**J. David Donahue**  
Senior Vice President and  
President, GEO Secure Services and  
International Operations



**Ann M. Schlarb**  
Senior Vice President and  
President, GEO Care



**Joe Negron**  
Senior Vice President,  
General Counsel and Secretary



**David J. Venturella**  
Senior Vice President,  
Client Relations



**Richard K. Long**  
Senior Vice President,  
Project Development



THE GEO GROUP, INC. HEADQUARTERS





## ENVIRONMENTAL, SOCIAL AND GOVERNANCE (ESG)

### PUBLICATION OF FIRST-EVER HUMAN RIGHTS AND ESG REPORT

On September 26, 2019, The GEO Group published the company's first-ever Human Rights and Environmental, Social & Governance (ESG) report.

The report builds on GEO's Global Human Rights Policy, adopted in 2013, by providing disclosures on how GEO informs its employees of the company's long-standing commitment to respecting human rights; the criteria GEO uses to assess human rights performance; and GEO's contract compliance program, remedies to shortcomings in human rights performance, and independent verification of the company's performance by third party organizations.

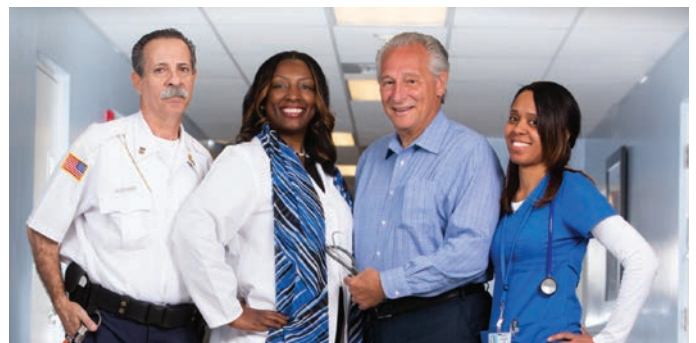
The 77-page publication also addresses criteria, based on recognized ESG reporting standards, related to the development of GEO's employees; the company's efforts to advance environmental sustainability in the construction and operation of its facilities; and GEO's adherence to ethical governance practices.

In its first ESG report, GEO further highlights the continued expansion of the GEO Continuum of Care (CoC) program, which was first piloted by the company

in 2015. This industry-leading program received the 'Innovation in Corrections' award from the American Correctional Association in 2018.

GEO's three-decade long journey has been driven by a daily pursuit of operational excellence across all service lines. GEO recognizes that achieving excellence on a consistent basis requires frequent introspection and a commitment to taking steps to promote continuous improvement. The publication of GEO's first ever Human Rights and ESG report provides an opportunity to constructively engage with the company's stakeholders, as GEO further refines its Human Rights and ESG disclosures going forward.

A copy of GEO's Human Rights and ESG report can be found at [www.geogroup.com](http://www.geogroup.com) and [www.wearegeo.com](http://www.wearegeo.com).







During 2019, The GEO Group strengthened its position as the world's leading provider of evidence-based rehabilitation programs both in-custody and post-release. The GEO Continuum of Care integrates enhanced in-custody rehabilitation programs, including cognitive behavioral treatment, with post-release support services.

In October 2019, GEO hosted its second ever GEO Continuum of Care Conference, which built on the inaugural conference held in 2016. The highlight of the conference was a question-and-answer panel with nine Continuum of Care participants who have been released from several GEO facilities and are succeeding in their communities with the help of GEO's post-release support services.

#### **THE GEO CONTINUUM OF CARE BEGINS WITH INDIVIDUALIZED RISKS AND NEEDS ASSESSMENTS AND OFFERS SEVERAL UNIQUE PROGRAMS:**

- Enhanced academic programming with the use of Smart- Board technology for interactive learning in every classroom
- Enhanced vocational training through nationally certified programs focused on future job and career opportunities
- Industry-leading Cognitive Behavioral and Substance Abuse Treatment services based on nationally recognized curricula
- Faith and character based services with an emphasis on mentoring and modified therapeutic community settings

The GEO Continuum of Care integrates these enhanced in-custody programs with post-release support services, which entail active post-release case managers and 24-hour support to assist individuals with the most crucial needs upon their release back into the community.

Beginning in 2020, GEO has increased its annual funding commitment from \$10 million to \$14 million to support its GEO Continuum of Care division, comprised of over 50 subject matter experts and case managers and led by an Executive Vice President.

#### **2019 GEO CONTINUUM OF CARE PROGRAM MILESTONES:**

- Completed more than 6.8 million hours of rehabilitation programming
- Averaged more than 13,000 daily participants in academic programs
- Awarded close to 2,900 GEDs and high school equivalency degrees
- Averaged more than 33,000 daily participants in vocational training programs
- Awarded over 9,400 vocational training certifications
- Averaged approximately 18,000 daily participants in substance abuse treatment programs
- Awarded approximately 8,800 substance abuse treatment program completions

## 64,000+

AVERAGE DAILY PARTICIPANTS  
IN ACADEMIC, VOCATIONAL,  
AND SUBSTANCE ABUSE  
TREATMENT PROGRAMMING  
IN 2019

## 9,413

VOCATIONAL  
TRAINING CERTIFICATIONS  
AWARDED IN 2019

## 2,882

HIGH SCHOOL  
EQUIVALENCY  
DEGREES AWARDED IN 2019



# GEO CARE & GEO REENTRY

## 10,952

RESIDENTIAL  
REENTRY BEDS



## 45

RESIDENTIAL  
REENTRY CENTERS

GEO Care oversees the GEO Continuum of Care division, GEO's community reentry centers, non-residential reentry programs, and youth treatment facilities along with the provision of electronic and location monitoring services to governmental agencies across the United States.

## 68

NON-RESIDENTIAL  
CENTERS

Through the delivery of high-quality, innovative, and effective programs, GEO Care has established itself as the premier provider of diversified community reentry and rehabilitation services. GEO Care's diversified business divisions have leading market positions in the operation of community-based reentry programs; youth rehabilitation services; and supervision programs through cutting-edge electronic monitoring technologies.

## 194,000+

INDIVIDUALS  
UNDER COMMUNITY  
SUPERVISION



GEO Reentry provides individuals with the resources necessary to productively transition back into society. Through approximately four dozen residential reentry centers, GEO Reentry provides federal and state parolees and probationers with temporary housing, employment assistance, rehabilitation, substance abuse counseling, and vocational and education programs.

GEO Reentry also offers services through evidence-based cognitive behavioral treatment programs at 68 non-residential reentry centers nationwide which have the capacity to serve more than 5,300 parolees and probationers on behalf of state and local government agencies. Through these services, parolees and probationers are provided behavioral assessments, treatment, supervision, employment assistance, and education.

ALBERT "BO" ROBINSON ASSESSMENT & TREATMENT CENTER,  
TRENTON, NJ



DELANEY HALL, NEWARK, NJ









# YOUTH SERVICES

1,199

YOUTH SERVICES BEDS

## Abraxas

10

RESIDENTIAL FACILITIES

For more than four decades, GEO Care's Abraxas 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 young individuals in need of mental health, behavioral health, and drug and alcohol treatment.

3

NON-RESIDENTIAL  
PROGRAMS

Abraxas oversees approximately 1,200 youth services beds spanning ten 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 young individuals in their care.

ABRAXAS ACADEMY, MORGANTOWN, PA





# ELECTRONIC & LOCATION 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 with a presence across all 50 states. BI monitors approximately 144,000 individuals through electronic monitoring technologies in addition to providing case management services to approximately 50,000 individuals. Through the Intensive Supervision and Appearance Program, a core component of the Department of Homeland Security's Alternatives to Detention program, BI provides community supervision and monitoring services for U.S. Immigration and Customs Enforcement.

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

- **Leading radio-frequency absence/ presence technology**
- **Cutting-edge Global Positioning Satellite (GPS) tracking devices**
- **Innovative mobile and remote alcohol monitoring devices**
- **Biometric voice verification systems**
- **24/7 customer call centers in Anderson, IN and Aurora, IL**
- **Proprietary monitoring and case management software platforms**



# GEO SECURE SERVICES

**75,173**

U.S. SECURE SERVICES  
BEDS



**67**

U.S. SECURE SERVICES  
FACILITIES

Established in 1984, GEO Secure Services provides secure management services for correctional facilities and processing centers as well as secure transportation services to government agencies in the United States and internationally.

**99.66%**

2019 AVERAGE ACA  
ACCREDITATION  
SCORE

GEO Secure Services oversees the operation and management of correctional facilities and processing centers in the United States, Australia, South Africa, and the United Kingdom. GEO's U.S. Secure Services division oversees the operation and management of approximately 75,000 beds in 67 secure facilities providing services on behalf of the Federal Bureau of Prisons, U.S. Marshals Service, U.S. Immigration and Customs Enforcement as well as nine state correctional agencies and various local jurisdictions.

The daily oversight of GEO's U.S. Secure Services 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:

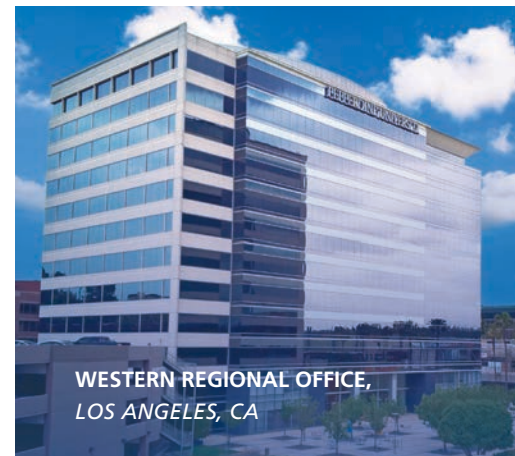
- *Secure custody services*
- *Health care services*
- *Mental health services*
- *Food services*
- *Facility management*
- *Physical plant maintenance*



EASTERN REGIONAL OFFICE,  
CHARLOTTE, NC



CENTRAL REGIONAL OFFICE,  
SAN ANTONIO, TX



WESTERN REGIONAL OFFICE,  
LOS ANGELES, CA





**1,000-BED MONTGOMERY PROCESSING CENTER, CONROE, TX**



**1,800-BED NORTH LAKE CORRECTIONAL FACILITY, BALDWIN, MI**



**1,000-BED SOUTH LOUISIANA ICE PROCESSING CENTER, BASILE, LA**



# INTERNATIONAL SERVICES

7,664

INTERNATIONAL BEDS

6

INTERNATIONAL FACILITIES

GEO's International Services division provides secure correctional services for government agencies in the United Kingdom, Australia, and South Africa managing six secure facilities encompassing approximately 7,600 beds. Through wholly-owned subsidiary and joint-venture companies, GEO's International Services division provides solutions that are fully customizable and tailored to each government agency's requirements and standards.



## THE GEO GROUP AUSTRALIA

Located in Sydney, Australia, The GEO Group Australia plays a key role in helping meet the need for correctional services in Australia. The GEO Group Australia provides management services at four correctional centers with approximately 4,400 beds in the states of New South Wales, Queensland, and Victoria.

## SOUTH AFRICAN CUSTODIAL MANAGEMENT

Located in Johannesburg, South Africa, South African Custodial Management provides secure correctional management services for the Department of Correctional Services. South African Custodial Management operates the 3,024-bed Kutama Sinthumule Correctional Centre.

## THE GEO GROUP U.K.

Located in London, England, The GEO Group U.K. provides secure facility management services. GEO U.K. manages the 249-bed Dungavel House Immigration Removal Centre in Scotland. Additionally, GEO's U.K. joint venture, GEOAmeY, provides prison escort and custody services in England, Wales, and Scotland.



1,300-BED RAVENHALL CORRECTIONAL CENTRE, RAVENHALL, AUSTRALIA



# GEO TRANSPORT, INC (GTI)


**380**

SPECIAL SECURE USDOT  
COMPLIANT VEHICLES  
GPS Satellite Tracking on all  
vehicles

GEO's in-house transportation division, GEO Transport, Inc. (GTI) provides secure transportation services to federal, state, and local government agencies in the United States and internationally. With the flexibility and resources to provide both ground and air transfer services, GTI helps government agencies meet their needs for secure transportation. GTI employs approximately 450 licensed transportation officers and operates a fleet of approximately 380 customized and U.S. Department of Transportation-compliant vehicles.

GTI provides unmatched support services, including:

- Strategically located transportation centers nationwide
- Proprietary GPS satellite tracking software (GEOTrack)
- Two-way communications, in-vehicle recording
- Continuous vehicle monitoring
- Constant communication link with all service vehicles
- Ground support to book and re-route vehicles

**21 Million+**

MILES DRIVEN  
INCIDENT-FREE  
WORLDWIDE  
IN 2019



MCI Bus



Large Transporters



GEOAmev Van





## The GEO Group Foundation

# \$2.4 Million

THE GEO FOUNDATION MADE OVER \$2.4  
MILLION IN CHARITABLE DONATIONS  
DURING 2019

## \$700,000+

*or 29% of total charitable  
donations were allocated  
to college and university  
scholarships*

The GEO Group is committed to making a difference in the communities in which it operates. Every year, through its charitable foundation, The GEO Group Foundation, GEO supports charities, schools, community organizations, and higher education scholarships for students across the country.

The GEO Group Foundation pursues this goal by making charitable grants to local nonprofit organizations, schools, and public entities to help them meet their philanthropic goals and public purposes.

One of The GEO Group Foundation's main goals is to help deserving students within its local communities achieve their education and career goals through higher education scholarships.

## \$1.7 Million

*donated to diverse  
charitable causes*

### 2019 HIGHLIGHTS

- *Approximately \$2.4 million in charitable donations*
- *Donated more than \$700,000 towards college and university scholarships*
- *Donated approximately \$1.7 million to a diverse group of organizations focused on health, disabilities, at-risk children and youth, and education*







**\$2,436,567**

*Total GEO Foundation Donations in 2019*

**29%** or \$716,000 to Scholarships

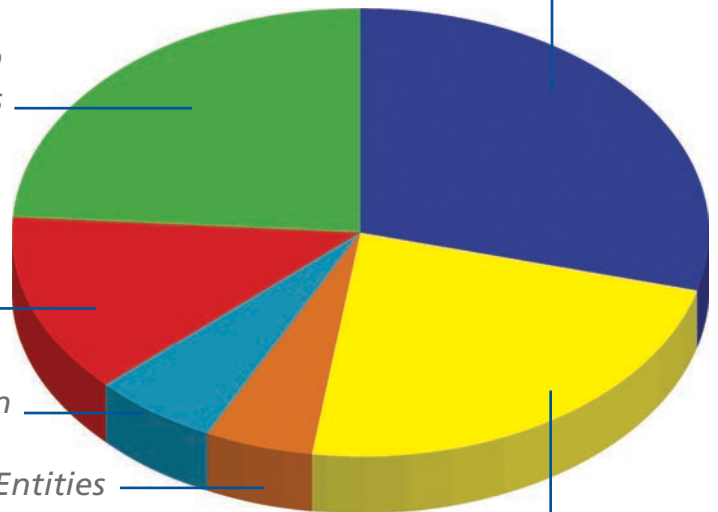
**24%** or \$583,720 to  
Health & Disabilities Organizations

**13%** or \$319,395 to Children's  
Organizations

**6%** or \$135,403 to Local Schools & Education

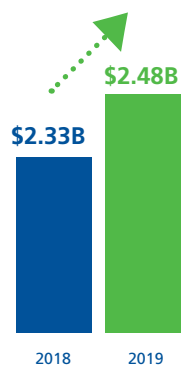
**5%** or \$122,700 to Public Entities

**23%** or \$559,349 to Various Other Organizations



# FINANCIAL OVERVIEW

## Total Revenues



2019 Adjusted EBITDA of  
**\$483.3 Million**

2019 Normalized Funds  
 From Operations

**\$260.7 Million**

2019 Adjusted Funds  
 From Operations

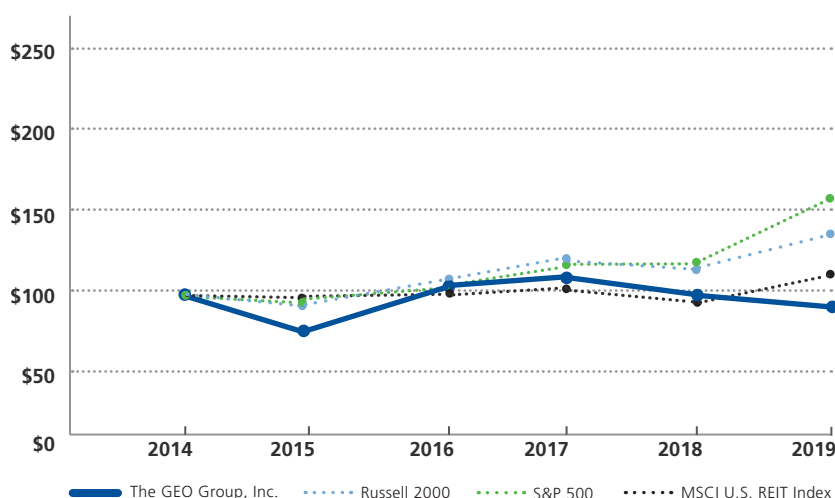
**\$328.4 Million**

2019 Adjusted  
 Net Income

**\$190.5 Million**

## 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, 2019) \*Total return assumes reinvestment of dividends.



Date	The GEO Group, Inc.	Russell 2000	S&P 500	MSCI U.S. REIT Index
Dec-31-14	\$100.00	\$100.00	\$100.00	\$100.00
Dec-31-15	\$76.99	\$94.29	\$97.91	\$98.49
Dec-31-16	\$104.75	\$112.65	\$110.21	\$102.65
Dec-31-17	\$110.07	\$127.46	\$120.61	\$103.53
Dec-31-18	\$99.78	\$111.94	\$116.88	\$94.59
<b>Dec-31-19</b>	<b>\$92.99</b>	<b>\$138.50</b>	<b>\$160.35</b>	<b>\$114.40</b>

Assumes \$100 invested on December 31, 2014, in The GEO Group, Inc. common stock and the Index companies.

(In thousands, except per share data)	2019	2018	2017
Total Revenues	\$2,477,922	\$2,331,386	\$2,263,420
Net Operating Income	\$654,670	\$618,290	\$592,921
Net Income Attributable to The GEO Group	\$166,603	\$145,089	\$146,241
Net Income Attributable To GEO per Diluted Share	\$1.40	\$1.20	\$1.21
Adjusted Funds From Operations per Diluted Share	\$2.75	\$2.47	\$2.55
Total Assets	\$4,317,534	\$4,258,118	\$4,226,908
Shareholders' Equity	\$996,048	\$1,039,904	\$1,198,919
Diluted Weighted Average Common Shares Outstanding	119,311	120,747	120,814

\*This annual report contains certain Non-GAAP measures. Please refer to GEO's Fourth Quarter and Full Year 2019 Earnings Announcement and Supplemental Disclosure issued on February 12, 2020 for a description of such Non-GAAP measures and a reconciliation of such Non-GAAP measures to their most comparable GAAP measure.



## 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." As of February 21, 2020, we had 685 shareholders of record. Shareholders of record does not include shareholders who own shares held in "street name."

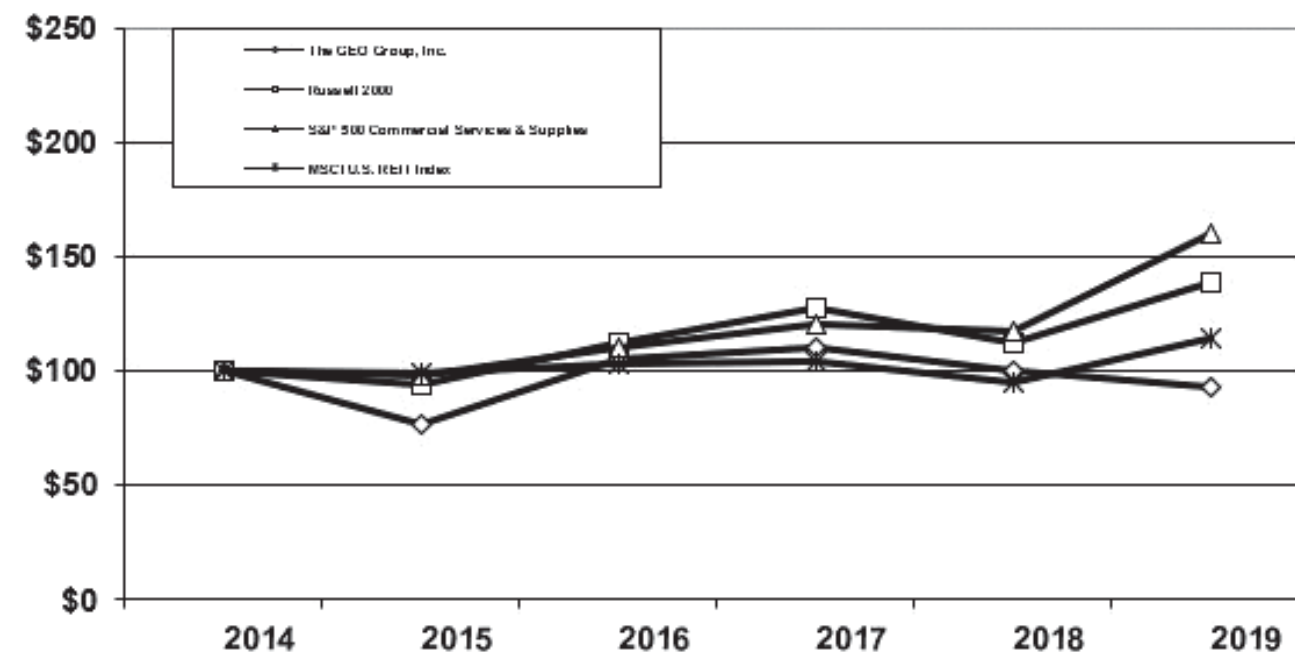
#### *Dividends*

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.

## 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, 2019)**



Date	The GEO Group, Inc.	Russell 2000	S&P 500 Commercial Services and Supplies	MSCI U.S. REIT Index
December 31, 2014	\$ 100.00	\$ 100.00	\$ 100.00	\$ 100.00
December 31, 2015	\$ 76.99	\$ 94.29	\$ 97.91	\$ 98.49
December 31, 2016	\$ 104.75	\$ 112.65	\$ 110.21	\$ 102.65
December 31, 2017	\$ 110.07	\$ 127.46	\$ 120.61	\$ 103.53
December 31, 2018	\$ 99.78	\$ 111.94	\$ 116.88	\$ 94.59
December 31, 2019	\$ 92.99	\$ 138.50	\$ 160.35	\$ 114.40

Assumes \$100 invested on December 31, 2014 in our common stock and the respective Index.

\* 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, 2019. 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). Outstanding share and per-share amounts disclosed for all periods presented have been retroactively adjusted to reflect the effects of our 3-for-2 stock split in 2017.

Year Ended:	2019	2018	2017	2016	2015
<b>Results of Continuing Operations:</b>					
Revenues	\$ 2,477,922	\$ 2,331,386	\$ 2,263,420	\$ 2,179,490	\$ 1,843,307
Operating income	300,413	264,665	248,285	265,584	235,729
Net income	\$ 166,412	\$ 144,827	\$ 146,024	\$ 148,498	\$ 139,315
<b>Income per common share attributable to The GEO Group, Inc.:</b>					
<b>Basic:</b>	\$ 1.40	\$ 1.21	\$ 1.22	\$ 1.34	\$ 1.26
<b>Diluted:</b>	\$ 1.40	\$ 1.20	\$ 1.21	\$ 1.33	\$ 1.25
<b>Weighted Average Shares Outstanding:</b>					
Basic	119,097	120,241	120,095	111,065	110,544
Diluted	119,311	120,747	120,814	111,485	110,993
<b>Cash Dividends per Common Share:</b>					
Cash Dividends	\$ 1.92	\$ 1.88	\$ 1.88	\$ 1.73	\$ 1.67
<b>Financial Condition:</b>					
Current assets	\$ 547,778	\$ 601,762	\$ 579,709	\$ 697,669	\$ 438,346
Current liabilities	395,928	705,238	369,563	504,058	278,624
Total assets	4,317,534	4,258,118	4,226,908	3,749,409	3,462,227
Long-term debt, including current portion (excluding non-recourse debt and capital leases and unamortized debt issuance costs)	2,436,039	2,429,312	2,217,287	1,957,530	1,878,870
Total Shareholders' equity	\$ 996,048	\$ 1,039,904	\$ 1,198,919	\$ 974,957	\$ 1,006,837
<b>Operational Data:</b>					
Facilities in operation	129	135	141	104	104
Operational capacity of contracts (1)	92,156	88,567	88,272	83,599	83,878
Compensated mandays (2)	28,757,412	28,350,591	27,321,685	24,843,516	23,841,256

(1) Represents the number of beds primarily from secure services facilities and excludes idle facilities and beds under development.

(2) 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.

## 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.

This section of this Form 10-K generally discusses 2019 and 2018 items and year-to-year comparisons between 2019 and 2018. Discussions of 2017 items and year-to-year comparisons between 2018 and 2017 that are not included in this Form 10-K can be found in “Management’s Discussion and Analysis of Financial Condition and Results of Operations” in Part II, Item 7 of the Company’s Annual Report on Form 10-K for the fiscal year ended December 31, 2018 and are incorporated herein by reference.

We are a real estate investment trust specializing in the ownership, leasing and management of secure, reentry facilities and processing centers 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 secure facilities including maximum, medium and minimum security facilities, processing centers, and community-based reentry facilities. We offer counseling, education and/or treatment for 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 a 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 GEOAmeY.

As of December 31, 2019, our worldwide operations included the management and/or ownership of approximately 95,000 beds at 129 correctional, detention and reentry facilities, including idle facilities and projects under development and also included the provision of servicing more than 210,000 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, 2019 and 2018, we had consolidated revenues of \$2.5 billion and \$2.3 billion, respectively, and we maintained an average company wide facility occupancy rate of 92.4% including 92,156 active beds and excluding 4,068 idle beds for the year ended December 31, 2019, and 92.7% including 88,567 active beds and excluding 7,068 idle beds and beds under development for the year ended December 31, 2018.

### REIT Conversion

We have been a leading owner, lessor and operator of correctional, detention and reentry 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 for the years ended December 31, 2019 and 2018 which were treated for federal income taxes as follows:



Ordinary Dividends							Aggregate Payment Amount (millions)
Declaration Date	Payment Date	Record Date	Distribution Per Share	Qualified (1)	Non-Qualified	Nondividend Distributions (2)	
February 5, 2018	February 27, 2018	February 16, 2018	0.47	0.0461171	0.2090220	0.2148609	58.3
April 11, 2018	May 3, 2018	April 23, 2018	0.47	0.0461171	0.2090220	0.2148609	57.4
July 10, 2018	July 27, 2018	July 20, 2018	0.47	0.0461171	0.2090220	0.2148609	57.2
October 15, 2018	November 2, 2018	October 26, 2018	0.47	0.0461171	0.2090220	0.2148609	57.2
February 4, 2019	February 22, 2019	February 15, 2019	0.48	—	0.2759699	0.2040301	57.9
April 3, 2019	April 22, 2019	April 15, 2019	0.48	—	0.2759699	0.2040301	58.2
July 9, 2019	July 26, 2019	July 19, 2019	0.48	—	0.2759699	0.2040301	58.2
October 14, 2019	November 1, 2019	October 25, 2019	0.48	—	0.2759699	0.2040301	58.2

(1) For 2019, there are no Qualified Dividends. Qualified Dividends represents the portion of Total Ordinary Dividends which 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.

## 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

On January 1, 2018, we adopted Accounting Standards Codification (“ASC”) Topic 606, “Revenue from Contracts with Customers” using the modified retrospective method applied to those contracts that were not completed as of January 1, 2018. The adoption of this standard did not result in a significant change to our historical revenue recognition policies and there were no significant adjustments that required a cumulative adjustment to retained earnings upon transition.

Revenue is recognized when control of the promised goods or services is transferred to our customers, in an amount that reflects the consideration we expect to be entitled to in exchange for those goods or services. Sales, value added and other taxes that we collect concurrent with revenue producing activities and that are subsequently remitted to governmental authorities are excluded from

revenues. The guidance distinguishes between goods and services. The definition of services under the guidance includes everything other than goods. As such, in our case, this guidance views the provision of housing as a service.

When a contract includes variable consideration, we determine an estimate of the variable consideration and evaluate whether the estimate needs to be constrained; therefore, we include the variable consideration in the transaction price only to the extent that it is probable that a significant reversal of the amount of cumulative revenue recognized will not occur when the uncertainty associated with the variable consideration is subsequently resolved. Variable consideration estimates are updated at each reporting date. A limited number of our domestic contracts have provisions upon which a small portion of the revenue for the contract is based on the performance of certain targets. Domestically, revenue based on the performance of certain targets is less than 1% of our consolidated domestic revenues and was not significant during the periods presented. One of our international contracts, related to our Ravenhall correctional facility project (discussed further below), contains a provision where a significant portion of the revenue for the contract is based on the performance of certain targets. 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. The performance of these targets are measured quarterly and there was no significant constraint on the estimate of such variable consideration for this contract during the year ended December 31, 2019 or 2018.

We do not disclose the value of unsatisfied performance obligations for (i) contracts with an expected length of one year or less and (ii) contracts for which revenue is recognized at the amount to which we have the right to invoice for services performed, which is generally the case for all of our contracts. Incidental items that are immaterial in the context of the contract are recognized as expense. We generally do not incur incremental costs related to obtaining a contract with our customers that would meet the requirement for capitalization. There were no assets recognized from costs to obtain a contract with a customer at December 31, 2019 or 2018.

The timing of revenue recognition may differ from the timing of invoicing to customers. We record a receivable when services are performed which are due from our customers based on the passage of time. We record a contract liability if consideration is received in advance of the performance of services. Generally, our customers do not provide payment in advance of the performance of services. Therefore, any contract liability is not significant at December 31, 2019 or December 31, 2018 and revenue recognized during the years ended December 31, 2019 and 2018 that was included in the opening balance of unearned revenue was not significant. There have been no significant amounts of revenue recorded in the periods presented from performance obligations either wholly or partially satisfied in prior periods.

The right to consideration under our contracts is only dependent on the passage of time and is therefore considered to be unconditional. Payment terms and conditions vary by contract type, although, with the exception of the contract receivable related to our Ravenhall correctional facility (further discussed below), terms generally include a requirement of payment within 30 days after performance obligations are satisfied and generally do not include a significant financing component. There have been no significant changes in receivable or unearned revenue balances during the period other than regular invoicing and collection activity.

## Owned and Leased - Secure Services

We recognize revenue for secure services where we own or lease the facility as services are performed. We provide for the safe and secure housing and care of incarcerated individuals under public-private partnerships with federal, state and local government agencies. This includes providing 24-hour care and supervision, including but not limited to, such services as medical, transportation, food service, laundry services and various programming activities. These tasks are considered to be activities to fulfill the safe and secure housing performance obligation and are not considered to be individually separate promises in the contract. Each of these activities is highly interrelated and we perform a significant level of integration of these activities. We have identified these activities as a bundle of services and determined that each day of the promised service is distinct. The services provided are part of a series of distinct services that are substantially the same and are measured using the same measure of progress (time-based output method). We have determined that revenue for these services are recognized over time as our customers simultaneously receive and consume the benefits as the services are performed, which is on a continual daily basis, and we have a right to payment for performance completed to date. Time-based output methods of revenue recognition are considered to be a faithful depiction of our efforts to fulfill our obligations under our contracts and therefore reflect the transfer of services to our customers. Our customers generally pay for these services based on a net rate per day per individual or on a fixed monthly rate.

## Owned and Leased - Community-based

We recognize revenue for community-based reentry services where we own or lease the facility in a manner similar to our secure services discussed above. We provide individuals nearing the end of their sentence with the resources necessary to productively transition back into society. Through our residential reentry centers, we provide federal and state parolees and probationers with temporary housing, rehabilitation, substance abuse counseling and vocational and educational programs. These activities are considered to be a bundle of services which are a part of a series of distinct services recognized over time based on the same criteria as discussed above for secure

services revenues. Our customers also generally pay for these services based on a net rate per day per individual or on a fixed monthly rate.

## Owned and Leased - Youth Services

We recognize revenues for youth services where we own or lease the facility in the same manner as discussed above for the housing, supervision, care and rehabilitation of troubled youth residents. The activities to house and care for troubled youth residents are also considered to be a bundle of services which are part of a series of distinct services recognized over time based on the same criteria discussed for the previous two revenue streams. Our customers generally pay for these services based on a net rate per day per individual.

## Managed Only

We recognize revenue for our managed only contracts in the same manner as our Owned and Leased Secure Services and Owned and Leased Community-based contracts as discussed above. The primary exception is that we do not own or lease the facility. The facility is owned by the customer. In certain circumstances, our customers may request that we make certain capital improvements to the facility or make other payments related to the facility. These payments are amortized as a reduction of revenues over the life of the contract. Our customers generally pay for these services based on a net rate per day per individual or a fixed monthly rate.

## Facility Construction and Design

Facility Construction and Design revenues during the year ended December 31, 2017 consisted of one contract with the Department of Justice in the State of Victoria (the “State”) for the development and operation of a new 1,300-bed secure facility (the “Facility”) in Ravenhall, a locality near Melbourne, Australia. The Facility was completed during the fourth quarter of 2017 and we are currently managing the Facility under a 25-year management contract. There were no facility construction and design revenues related to the facility during the years ended December 31, 2019 or 2018. Our promise to design and construct the Facility was considered to be a separate and distinct performance obligation from the management obligation which includes the safe and secure housing, care and programming activities for incarcerated individuals similar to the secure services discussed above. For the obligation to manage the Facility, we have determined that revenue should be recorded over time using a time-based output method based on the same criteria as discussed above for correction and detention services. Fees included and priced in the contract for managing the Facility are considered to be stated at their individual estimated stand-alone selling prices using the adjusted market assessment approach. These services are regularly provided by us on a stand-alone basis to similar customers within a similar range of amounts. We used the expected cost plus margin approach to allocate the transaction price to the construction obligation. We were entitled under the contract to receive consideration in the amount of our costs plus a margin.

During the design and construction phase, we determined that revenue should be recorded over time and applied cost based input methods using the actual costs incurred relative to the total estimated costs (percentage of completion basis) to determine progress towards contract completion and to calculate the corresponding amount of revenue and gross profit to recognize. Cost based input methods of revenue recognition are considered to be a faithful depiction of our efforts to satisfy long-term construction contracts and therefore reflect the transfer of goods to the customer as the customer controls the work in progress as the Facility is constructed. Cost based input methods of revenue recognition also require us to make estimates of net contract revenues and costs to complete the project. Significant judgment was required to evaluate the costs to complete the project, including materials, labor, contingencies and other costs. If estimated total costs on the contract are greater than the net contract revenues, the entire estimated loss on the contract is recognized in the period the loss becomes known. The cumulative effect of revisions to estimates related to net contract revenues or costs to complete are recorded in the period in which the revisions to estimates are identified and the amounts can be reasonably estimated. 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 periods presented, there were no changes in job performance, job conditions and estimated profitability that required a revision to the estimated costs and income recorded.

We were the primary developer of the project and subcontracted with a bonded international design and build contractor to design and construct the Facility. As the primary contractor for the project, we determined that we were primarily responsible for fulfilling the promise to develop and provide the Facility to the State, including overall responsibility for the acceptability of the project in meeting the State’s specifications. Therefore, we were considered to be a principal in the transaction and construction revenues and construction costs were recorded on a gross basis.

The cost of the project during the design and construction phase was funded by debt financing along with a capital contribution by us

which was made in January 2017. Our promise to provide the equity contribution was considered to be a separate and distinct performance obligation that is separate from the construction and facility management obligations. The contribution represents a significant financing element which provided a benefit to the State. Costs incurred and estimated earnings in excess of billings were classified as contract receivable in the accompanying consolidated balance sheets. The contract receivable was partially satisfied through a State contribution, which was made in November 2017 upon commercial acceptance of the Facility, and by quarterly payments to be made over the 25-year operating phase. The timing of these payments provide the State with a significant benefit of financing for the Facility as the payments by the State occur significantly after performance (construction of the Facility). Therefore, the contract receivable has been recorded at net present value based on the timing of expected future settlement. Interest income is calculated using an effective interest rate of 8.97% and has been presented separately from facility design and construction revenue. Interest income also includes an equity return for our capital contribution.

During 2018 and 2019, we had facility construction & design services related to an expansion project at our Fulham Correctional Centre in Australia which is expected to be completed in the third quarter of 2020. Revenues have been recorded under the same methodology as discussed above.

## Non-residential Services and Other

Non-residential Services and Other revenue consists of our contracts with federal and various state and local governments to provide location, alcohol and drug detecting electronic monitoring and case management services to individuals on an as needed or as requested basis. This category also includes our day reporting centers.

We recognize revenues for electronic monitoring and case management services as the services are performed. Services provided consist of community-based supervision (home visits), in-person reporting, telephonic reporting and GPS and other electronic monitoring as well as overall contract management services. The rates for the various services are considered to be stated at their individual stand-alone selling prices. We have determined that the services to be provided are recognized over time based on the unit of occurrence of the various services as our customer simultaneously receives and consumes the benefits as the services are performed and we have a right to payment for performance completed to date. Generally, these services are paid based on a net rate per occurrence and a monthly fee for management services.

Certain of our electronic monitoring contracts include providing monitoring equipment and related monitoring services activities (using internal proprietary software platforms) to our customers. These tasks are considered to be activities to fulfill the promise to provide electronic monitoring services to individuals and are not considered to be individually separate promises in the contract. In the context of the contract, the equipment and monitoring service is not considered to be capable of being distinct as the customer typically cannot benefit from the equipment or monitoring service on its own or with other readily available resources. We have identified these activities as a bundle of services and determined that each day or unit of the promised service is distinct. These services are part of a series of distinct services that are substantially the same and are measured using the same measure of progress (time-based output method) and are therefore accounted for as a single performance obligation. We have determined that services are recognized over time as the customer simultaneously receives and consumes the benefits as the services are performed and we have a right to payment for performance completed to date.

Services provided for our day reporting centers are similar to our Owned and Leased Community-based services discussed above with the exception of temporary housing.

## 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 \$80.0 million per occurrence and

\$100 million in the aggregate covering the operations of U.S. Secure Services, 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 secure 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, cybersecurity 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 insurance policies discussed above, our most significant insurance reserves relate to workers' compensation, general liability and auto claims. These reserves are undiscounted and were \$68.2 million and \$70.9 million as of December 31, 2019 and 2018, 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. 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 is required to distribute at least 90% 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.

The U.S. Tax Cut and Jobs Act ("Tax Act") was enacted on December 22, 2017 and introduced significant changes to U.S. income tax law. Effective January 1, 2018, the Tax Act reduced the U.S. statutory corporate tax rate of our domestic TRSs from 35% to 21% and created new items of taxable income and taxes on certain foreign sourced earnings and certain related-party payments, which are referred to as the global intangible low-taxed income and the base erosion and anti-abuse tax, respectively. In addition, in 2017 the Tax Act provided for a one-time transition tax on accumulated foreign subsidiary earnings not previously subject to U.S. income tax. While the Company has foreign operations, it has identified that there is no transition tax due. Accounting for the income tax effects of the Tax Act requires significant judgments and estimates in the interpretation and calculations of the provisions of the Tax Act.

Due to the timing of the enactment and the complexity involved in applying the provisions of the Tax Act, we made reasonable estimates of the effects and recorded provisional amounts in its financial statements for the year ended December 31, 2017. As we collected and prepared necessary data, and interpreted any additional guidance issued by the U.S. Treasury Department, the IRS or other



standard-setting bodies, we made adjustments over the course of the year to the provisional amounts, including refinements to deferred taxes. The accounting for the tax effects of the enactment of the Tax Act has been completed as of December 31, 2018.

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. 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. 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, 2019, 2018 and 2017. Maintenance and repairs are expensed as incurred. Interest is capitalized in connection with the construction of company-owned secure facilities. Cost for self-constructed secure 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. We begin capitalizing 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, 2019, 2018 and 2017 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

We had property and equipment of \$2.1 billion and \$2.2 billion as of December 31, 2019 and 2018, respectively, including approximately 700 vacant beds with a net book value of approximately \$12 million as of December 31, 2019 at one of our idle facilities in our Secure Services segment that we are currently marketing to potential customers. Also, in our GEO Care segment, we are currently marketing approximately 400 vacant beds with a net book value of approximately \$9.0 million as of December 31, 2019 at one of our idle facilities to potential customers.

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 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 individuals 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, 2019 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 idled 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.

## Recent Accounting Pronouncements

### The Company implemented the following accounting standards during the year ended December 31, 2019:

In October 2018, the FASB issued ASU No. 2018-16, “*Derivatives and Hedging (Topic 815)*”. The purpose of this update is to include the Secured Overnight Financing Rate (SOFR) Overnight Index Swap Rate (OIS) as a benchmark interest rate for hedge accounting purposes. Because of concerns about the sustainability of LIBOR, the Federal Reserve Board and the Federal Reserve Bank of New York initiated an effort to introduce an alternative reference rate in the United States. The new standard became effective for the Company beginning January 1, 2019. The adoption of this standard did not have a material impact on the Company’s financial position, results of operations or cash flows.

In June 2018, the FASB issued ASU No. 2018-07, “*Compensation - Stock Compensation (Topic 718), Improvements to Nonemployee Share-Based Payment Accounting*” as a part of its Simplification Initiative. The amendments in this update expand the scope of Topic 718 to include share-based payment transactions for acquiring goods and services from nonemployees. An entity should apply the requirements of Topic 718 to nonemployee awards except for specific guidance on inputs to an option pricing model and the period of time over which share-based payment awards vest and the pattern of cost recognition over that period. The amendments specify that Topic 718 applies to all share-based payment transactions in which a grantor acquires goods or services to be used or consumed in a grantor’s own operations by issuing share-based payment awards. The amendments also clarify that Topic 718 does not apply to share-based payments used to effectively provide (1) financing to the issuer or (2) awards granted in conjunction with selling goods or services to customers as part of a contract accounted for under Topic 606, “*Revenue from Contracts with Customers*.” The new standard became effective for the Company beginning January 1, 2019. The adoption of this standard did not have a material impact on the Company’s financial position, results of operations or cash flows.

In February 2018, the FASB issued ASU No. 2018-02, “*Income Statement-Reporting Comprehensive Income-Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income*”. The amendments in this update allow an entity to elect to reclassify the income tax effects resulting from the Tax Cuts and Jobs Act on items within accumulated other comprehensive income (“AOCI”) to retained earnings. The new standard is effective for all entities for fiscal years beginning after December 15, 2018, and interim periods within those fiscal years. Early adoption was permitted. The Company adopted the new standard effective January 1, 2019 and has made a policy election to reclassify the income tax effects resulting from the Tax Cuts and Jobs Act on items within AOCI to distributions in excess of earnings on a prospective basis. As a result, the Company reclassified \$0.7 million for the tax effect of the tax rate reduction related to its pension liability and \$1.7 million for the tax effect of other income tax effects of tax reform on items remaining in AOCI related to currency translation adjustments to distributions in excess of earnings on January 1, 2019. The net effect of both adjustments resulted in an aggregate increase to distributions in excess of earnings of approximately \$1.0 million.

In August 2017, the FASB issued ASU No. 2017-12, “*Derivatives and Hedging - Targeted Improvements to Accounting for Hedging Activities*.” The objective of this guidance is to improve the financial reporting of hedging relationships to better portray the economic results of an entity’s risk management activities in its financial statements. Certain of the amendments in this update as they relate to cash flow hedges, eliminate the requirement to separately record hedge ineffectiveness currently in earnings. Instead, the entire change in the fair value of the hedging instrument is recorded in other comprehensive income. Those amounts are reclassified to earnings in the same income statement line item that is used to present the earnings effect of the hedged item when the hedged item affects



earnings. The new standard became effective for the Company beginning January 1, 2019. The adoption of this standard did not have a material impact on the Company's financial position, results of operations or cash flows.

In February 2016, the FASB issued ASU 2016-02, "*Leases*," which requires entities to recognize lease assets and lease liabilities on the balance sheet and to disclose key information about leasing arrangements. For finance leases and operating leases, a lessee should recognize in the statement of financial position a liability to make lease payments (the lease liability) and a right-of-use asset representing its right to use the underlying asset for the lease term with each initially measured at the present value of the lease payments. The amendments in ASU 2016-02 became effective for the Company on January 1, 2019. The Company elected the package of transition expedients available for expired or existing lease contracts, which allowed it to carry forward its historical assessments of (1) whether contracts are or contain leases, (2) lease classification and (3) initial direct costs. The Company also elected not to apply the recognition requirements to lease arrangements that have terms of twelve months or less. The adoption had a material impact in the Company's consolidated balance sheets, but did not have an impact on its consolidated statements of operations or cash flows. The most significant impact was the recognition of right-of-use assets and lease liabilities for operating leases, while our accounting for finance leases remained substantially unchanged. The new standard resulted in the recording of operating right-of-use lease assets and operating lease liabilities of approximately \$140 million and \$147 million, respectively, as of January 1, 2019. Refer to Note 14 - Leases for further discussion and additional required disclosures.

## The following accounting standards will be adopted in future periods:

In August 2018, the FASB issued ASU No. 2018-14, "*Compensation-Retirement Benefits-Defined Benefit Plans-General (Topic 715.20)*" as a part of its disclosure framework project. The amendments in this update remove, modify and add certain disclosures primarily related to amounts in accumulated other comprehensive income expected to be recognized as components of net periodic benefit cost over the next fiscal year, explanations for reasons for significant gains and losses related to changes in the benefit obligation for the period, and projected and accumulated benefit obligations. The new standard is effective for the Company beginning January 1, 2021. The adoption of this standard is not expected to have a material impact on the Company's financial position, results of operations or cash flows.

In August 2018, the FASB issued ASU No. 2018-13, "*Fair Value Measurement (Topic 820)*" as a part of its disclosure framework project. The amendments in this update remove, modify and add certain disclosures primarily related to transfers between Level 1 and Level 2 of the fair value hierarchy, various disclosures related to Level 3 fair value measurements and investments in certain entities that calculate net asset value. The new standard was effective for the Company beginning January 1, 2020. The adoption 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 2016, the FASB issued ASC No. 2016-13, "*Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*". The purpose of Update No. 2016-13 is to replace the current incurred loss impairment methodology for financial assets measured at amortized cost with a methodology that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information, including forecasted information, to develop credit loss estimates. Update No. 2016-13 was effective for annual periods beginning after December 15, 2019, including interim periods within those annual periods. Early adoption is permitted for annual periods beginning after December 15, 2018. The Company has completed its process of determining the effect that the adoption will have on its financial position and results of operations and the Company does not expect the new standard will have a material impact on its financial statements.

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.

## 2019 versus 2018

### Revenues

	2019	% of Revenue		2018	% of Revenue	\$ Change	% Change
	(Dollars in thousands)						
<b>U.S. Secure Services</b>	\$ 1,601,679	64.6 %	\$	1,492,973	64.0 %	\$ 108,706	7.3 %
GEO Care	614,249	24.8 %		580,313	24.9 %	33,936	5.8 %
International Services	232,016	9.4 %		253,874	10.9 %	(21,858 )	(8.6 )%
Facility Construction & Design	29,978	1.2 %		4,226	0.2 %	25,752	100.0 %
<b>Total</b>	<b>\$ 2,477,922</b>	<b>100.0 %</b>	<b>\$</b>	<b>2,331,386</b>	<b>100.0 %</b>	<b>\$ 146,536</b>	<b>6.3 %</b>

### U.S. Secure Services

Revenues increased in 2019 compared to 2018 primarily due to aggregate increases of \$52.3 million due to net increases in population, transportation services and rates. We also had increases of \$64.7 million resulting from the activation of our contracts at our company-owned and previously idled South Louisiana ICE Processing Center in Basile, Louisiana during the third quarter of 2019, our company-owned Eagle Pass Correctional Facility in Eagle Pass, Texas which was activated during the fourth quarter of 2018, our company-owned and previously idled North Lake Correctional Facility in Baldwin, Michigan which was activated on October 1, 2019, the county-owned Reeves County Detention Center I & II in Reeves County, Texas which was activated on October 1, 2019 and our contract expansion at our company-owned Montgomery Processing Center in Conroe, Texas in the third quarter of 2019. These increases were partially offset by net decreases of \$8.3 million at certain of our facilities due to contract terminations.

The number of compensated mandays in U.S. Secure Services facilities was approximately 23.5 million in 2019 and 22.9 million in 2018. We experienced an aggregate net increase of approximately 600,000 mandays as a result of population increases with our federal clients and our contract activations discussed above, offset by 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 GEO Secure Services facilities was 94.9% and 95.4% of capacity in 2019 and 2018, respectively, excluding idle facilities.

### GEO Care

Revenues increased in 2019 compared to 2018 primarily due to aggregate increases of \$26.7 million related to increases in average client and participant counts under our ISAP and electronic monitoring services. We also had increases of \$31.2 million due to net increases in census levels at certain of our community-based and reentry centers and new programs activated in December 2018. These increases were partially offset by \$24.0 million related to contract terminations/closures of underutilized facilities.

### International Services

Revenues for International Services in 2019 compared to 2018 decreased by \$21.9 million. We experienced a net decrease in revenues of \$3.6 million which was primarily due to the transition of our Parklea Correctional Centre by our Australian subsidiary to a new operator in March 2019. Additionally, we had a decrease due to foreign exchange rate fluctuations of \$18.2 million resulting from the strengthening of the U.S. dollar against certain international currencies.

### Facility Construction & Design

Beginning in the fourth quarter of 2018 and into 2019, we had facility construction & design services related to an expansion project at our Fulham Correctional Centre in Australia which is expected to be completed in the third quarter of 2020.



## Operating Expenses

	2019	% of Segment Revenues		2018	% of Segment Revenues	\$ Change	% Change
	(Dollars in thousands)						
<b>U.S. Secure Services</b>	\$ 1,200,199	64.5 %		\$ 1,118,719	63.7 %	\$ 81,480	7.3 %
GEO Care	417,432	22.4 %		393,856	22.4 %	23,576	6.0 %
International Services	213,223	11.5 %		238,971	13.6 %	(25,748 )	(10.8 )%
Facility Construction & Design	29,904	1.6 %		4,226	0.2 %	25,678	100.0 %
<b>Total</b>	<b>\$ 1,860,758</b>	<b>100.0 %</b>		<b>\$ 1,755,772</b>	<b>100.0 %</b>	<b>\$ 104,986</b>	<b>6.0 %</b>

Operating expenses consist of those expenses incurred in the operation and management of our Secure Services, GEO Care and International Services facilities and expenses incurred in our Facility Construction & Design segment.

### U.S. Secure Services

Operating expenses for U.S. Secure Services increased by \$81.5 million in 2019 compared to 2018. The increase was primarily due to aggregate net increases in population, transportation services and the variable costs associated with those services of \$53.9 million. We also had increases of \$41.5 million resulting from the activation of our contracts at our company-owned and previously idled South Louisiana ICE Processing Center in Basile, Louisiana during the third quarter of 2019, our company-owned Eagle Pass Correctional Facility in Eagle Pass, Texas which was activated during the fourth quarter of 2018, our company-owned and previously idled North Lake Correctional Facility in Baldwin, Michigan which was activated on October 1, 2019, the county-owned Reeves County Detention Center I & II in Reeves County, Texas which was activated on October 1, 2019 and our contract expansion at our company-owned Montgomery Processing Center in Conroe, Texas in the third quarter of 2019. These increases were partially offset by decreases of \$13.9 million at certain of our facilities primarily due to contract terminations.

### GEO Care

Operating expenses for GEO Care increased during 2019 from 2018 primarily due to an increase of \$34.5 million related to new programs activated in December 2018 and increases in census levels at certain of our community-based and reentry centers. We also experienced an increase of \$14.4 million related to increases in average client and participant counts under our ISAP and electronic monitoring services. These increases were partially offset by decreases of \$25.3 million from contract terminations/closures of underutilized facilities.

### International Services

Operating expenses for International Services in 2019 compared to 2018 decreased by \$25.7 million. This decrease was primarily due to foreign exchange rate fluctuations of \$16.5 million resulting from the strengthening of the U.S. dollar against certain international currencies. We also experienced a net decrease in operating expenses of \$9.2 million which was primarily due to the transition of our Parklea Correctional Centre by our Australian subsidiary to a new operator in March 2019.

### Facility Construction & Design

Beginning in the fourth quarter of 2018 and into 2019, we had facility construction & design services related to an expansion project at our Fulham Correctional Centre in Australia which is expected to be completed in the third quarter of 2020.

## Depreciation and Amortization

	2019	% of Segment Revenue		2018	% of Segment Revenue	\$ Change	% Change
	(Dollars in thousands)						
<b>U.S. Secure Services</b>	\$ 78,974	4.9 %		\$ 76,801	5.1 %	\$ 2,173	2.8 %
GEO Care	49,781	8.1 %		47,546	8.2 %	2,235	4.7 %
International Services	2,070	0.9 %		2,087	0.8 %	(17)	(0.8) %
<b>Total</b>	<b>\$ 130,825</b>	<b>5.3 %</b>		<b>\$ 126,434</b>	<b>5.4 %</b>	<b>\$ 4,391</b>	<b>3.5 %</b>

## U.S. Secure Services

U.S. Secure Services depreciation and amortization expense increased in 2019 compared to 2018 primarily due to the activation of our contracts at our company-owned Eagle Pass Facility in Eagle Pass, Texas, our company-owned Montgomery Processing Center in Conroe, Texas, our previously idled North Lake Correctional Facility in Baldwin, Michigan and our company-owned South Louisiana Processing Center in Basile Louisiana, as well as renovations made at several of our other facilities.

## GEO Care

GEO Care depreciation and amortization expense increased in 2019 compared to 2018 primarily due to renovations at certain of our centers.

## International Services

Depreciation and amortization expense decreased slightly in 2019 compared to 2018 as a result of certain assets becoming fully depreciated and there were no significant renovations during 2018 or 2019 at our international subsidiaries.

## Other Unallocated Operating Expenses

	2019	% of Revenue	2018	% of Revenue	\$ Change	% Change
(Dollars in thousands)						
<b>General and Administrative Expenses</b>	\$ 185,926	7.5 %	\$ 184,515	8.2 %	\$ 1,411	0.8 %

General and administrative expenses comprise substantially all of our other unallocated operating expenses which primarily includes corporate management salaries and benefits, professional fees and other administrative expenses. General and administrative expenses increased in 2019 compared to 2018 primarily due to normal personnel and compensation adjustments, professional, consulting, business development and other administrative expenses but also decreased as a percentage of revenue due to cost saving initiatives.

## Non Operating Income and Expense

### Interest Income and Interest Expense

	2019	% of Revenue	2018	% of Revenue	\$ Change	% Change
(Dollars in thousands)						
<b>Interest Income</b>	\$ 28,934	1.2 %	\$ 34,755	1.5 %	\$ (5,821)	(16.7) %
<b>Interest Expense</b>	\$ 151,024	6.1 %	\$ 150,103	6.4 %	\$ 921	0.6 %

Interest income decreased in 2019 compared to 2018 primarily due to a lower balance on our contract receivable related to our facility in Ravenhall, Australia. Also contributing to the decrease was the effect of the strengthening of the U.S. dollar against certain international currencies.

Interest expense in 2019 increased slightly compared to 2018 primarily due to higher average debt balances on our Revolver during 2019 compared to 2018. Refer to Note 13- Debt of the Notes to the audited consolidated financial statements included in Part II, Item 8 of this Annual Report on Form 10-K.

## Loss on Extinguishment of Debt

	2019	% of Revenue	2018	% of Revenue	\$ Change	% Change
(Dollars in thousands)						
<b>Loss on Extinguishment of Debt</b>	\$ 4,795	— %	\$ —	— %	\$ 4,795	100.0 %

On May 22, 2019, we completed an offering of non-recourse notes related to our Ravenhall facility in Australia. The net proceeds from this offering were used to refinance our outstanding construction facility. As a result of the transaction, we incurred a \$4.5 million loss on extinguishment of debt related to swap termination fees and unamortized deferred loan costs associated with the Construction Facility. Additionally, on June 12, 2019, GEO entered into Amendment No. 2 to our credit agreement. Under the amendment, the maturity

date of our Revolver has been extended to May 17, 2024. As a result of the amendment, we incurred a loss on extinguishment of debt of \$1.2 million related to certain unamortized deferred loan costs.

Additionally, during 2019, we repurchased approximately \$56 million in aggregate principal amount of our 5.875% Senior Notes due 2022 at a weighted average price of 97.55% for a total cost of \$54.7 million. As the result of the repurchases, we recognized a net gain on extinguishment of debt of \$0.9 million which partially offset the loss discussed above. Refer to Note 13- Debt of the Notes to the audited consolidated financial statements included in Part II, Item 8 of this Annual Report on Form 10-K.

## Provision for Income Taxes

	2019	Effective Rate	2018	Effective Rate	\$ Change	% Change
	(Dollars in thousands)					
Provision for Income Taxes	\$ 16,648	9.6 %	\$ 14,117	9.5 %	\$ 2,531	17.9 %

The provision for income taxes in 2019 increased compared to 2018 along with the effective tax rate which is due to a change in the composition of our income and certain non-recurring items. In 2019, there was a \$0.5 million discrete tax benefit, net of a \$0.2 million discrete tax expense related to stock compensation that vested during the period. In contrast, in 2018 there was a \$2.4 million discrete tax benefit, net of a \$0.9 million discrete tax expense related to stock compensation that vested during that period. 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. Our 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 in the range of approximately 10% to 12% exclusive of any discrete items.

## Equity in Earnings of Affiliates

	2019	% of Revenue	2018	% of Revenue	\$ Change	% Change
	(Dollars in thousands)					
Equity in Earnings of Affiliates	\$ 9,532	0.4 %	\$ 9,627	0.4 %	\$ (95 )	(1.0 )%

Equity in earnings of affiliates, presented net of income taxes, represents the earnings of SACS and GEOAmeY in the aggregate. Equity in earnings of affiliates in 2019 compared to 2018 decreased slightly primarily due to labor related expenses in connection with the ramp up of GEOAmeY's court custody and escort services contract in Scotland which began in the first quarter of 2019.

## 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 secure, processing and reentry 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.

As of December 31, 2019, we were developing a number of projects that we estimate will cost approximately \$61 million, of which \$28 million was spent through December 31, 2019. We estimate our remaining capital requirements to be approximately \$33 million. These projects are expected to be completed through 2020.

### Liquidity and Capital Resources

### Amended and Restated Credit Agreement

On June 12, 2019, we entered into Amendment No. 2 to Third Amended and Restated Credit Agreement (the "Credit Agreement") by and among the refinancing lenders party thereto, the other lenders party thereto, GEO and GEO Corrections Holdings,



Inc. and the administrative agent. Under the amendment, the maturity date of the revolver component of the Credit Agreement has been extended to May 17, 2024. The borrowing capacity under the amended revolver will remain at \$900 million, and its pricing will remain unchanged, currently bearing interest at LIBOR plus 2.25%. As a result of the transaction, we incurred a loss on extinguishment of debt of \$1.2 million related to certain unamortized deferred loan costs. Additionally, loan costs of \$4.7 million were incurred and capitalized in connection with the transaction.

A syndicate of approximately 65 lenders participate in our Credit Agreement, six of which have indicated that they do not intend to provide new financing to GEO but will honor their existing obligations (Refer to Item 1A - Risk Factors included in Part I of this Annual Report on Form 10-K for further discussion on certain financial institutions who announced during 2019 that they will not be renewing existing agreements or entering into new agreements with companies that operate correctional facilities, processing centers and community reentry centers under public-private partnerships). The banks that have withdrawn participation remain contractually committed for approximately four years. Additionally, these six banks represent less than 25% of our overall borrowing capacity under our Credit Agreement and the withdrawal of their participation is not expected to negatively impact our financial flexibility. We are also in frequent communication with potential new lenders as well as the credit rating agencies who have not changed our credit ratings for over 33 months.

The Credit Agreement evidences a credit facility (the “Credit Facility”) consisting of the \$792.0 million term loan discussed above (the “Term Loan”) bearing interest at LIBOR plus 2.00% (with a LIBOR floor of 0.75%), and a \$900.0 million revolver initially bearing interest at LIBOR plus 2.25% (with no LIBOR floor) together with AUD275 million available solely for the issuance of financial letters of credit and performance letters of credit, in each case denominated in Australian Dollars under the Australian Dollar Letter of Credit Facility (the “Australian LC Facility”). As of December 31, 2019, there were no letters of credit issued under the Australian LC Facility. Amounts to be borrowed by GEO under the Credit Agreement are subject to the satisfaction of customary conditions to borrowing. The Term Loan component is scheduled to mature on March 23, 2024. The revolving credit commitment component is scheduled to mature on May 17, 2024. The Credit Agreement also has an accordion feature of \$450.0 million, subject to lender demand and prevailing market conditions and satisfying the relevant borrowing conditions.

The Credit Agreement contains certain customary representations and warranties, and certain customary covenants that restrict GEO’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 6.25 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 GEO conducts, and (xi) materially impair GEO’s lenders’ security interests in the collateral for its loans.

Events of default under the Credit Agreement include, but are not limited to, (i) GEO’s failure to pay principal or interest when due, (ii) GEO’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 asserted against GEO, and (viii) a change in control.

All of the obligations under the Credit Agreement are unconditionally guaranteed by certain domestic subsidiaries of GEO and the Credit Agreement and the related guarantees are secured by a perfected first-priority pledge of substantially all of GEO’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 GEO and each guarantor in their domestic subsidiaries.

The Australian borrowers are wholly owned foreign subsidiaries of GEO. GEO has designated each of the Australian borrowers as restricted subsidiaries under the Credit Agreement. However, the Australian borrowers are not obligated to pay or perform any obligations under the Credit Agreement other than their own obligations as Australian borrowers under the Credit Agreement. The Australian borrowers do not pledge any of their assets to secure any obligations under the Credit Agreement.

On August 18, 2016, we executed a Letter of Offer by and among GEO and HSBC Bank Australia Limited (the “Letter of Offer”) providing for a bank guarantee line and bank guarantee/standby sub-facility in an aggregate amount of AUD100 million, or \$70.1 million, based on exchange rates in effect as of December 31, 2019 (collectively, the “Bank Guarantee Facility”). The Bank Guarantee Facility allows GEO to provide letters of credit to assure performance of certain obligations of its wholly owned subsidiary relating to its secure facility project in Ravenhall, located near Melbourne, Australia. In accordance with the Ravenhall Contract, upon the completion of a certain period of operations, the Bank Guarantee Facility was reduced during the fourth quarter of 2019 to approximately AUD58 million, or \$40.7 million, based on exchange rates in effect as of December 31, 2019. The Bank Guarantee Facility is unsecured. The issuance of letters of credit under the Bank Guarantee Facility is subject to the satisfaction of the conditions precedent specified in the Letter of Offer. Letters of credit issued under the bank guarantee lines are due on demand and letters of credit issued under the bank guarantee/standby sub-facility cannot have a duration exceeding twelve months. The Bank Guarantee Facility may be terminated by

HSBC Bank Australia Limited on 90 days written notice. As of December 31, 2019, there was AUD58 million in letters of credit issued under the Bank Guarantee Facility.

As of December 31, 2019, we had \$778.0 million in aggregate borrowings outstanding under the Term Loan and \$520.7 million in borrowings under the Revolver, and approximately \$62.0 million in letters of credit which left \$317.0 million in additional borrowing capacity under the Revolver. In addition, we have the ability to increase the Senior Credit Facility by an additional \$450.0 million, subject to lender demand and prevailing market conditions and satisfying the relevant borrowing conditions thereunder. Refer to Note 13 - Debt in the notes to our audited consolidated financial statements included in Part II, Item 8 of this Annual Report on Form 10-K.

### ***6.00% Senior Notes due 2026***

On April 18, 2016, we completed an offering of \$350.0 million aggregate principal amount of 6.00% senior notes due 2026. The 6.00% Senior Notes will mature on April 15, 2026 and were issued at a coupon rate and yield to maturity of 6.00%. Interest on the 6.00% Senior Notes is payable semi-annually on April 15 and October 15 of each year, commencing on October 15, 2016. We used the net proceeds to fund the tender offer and the redemption of all of our 6.625% Senior Notes (see discussion below), to pay all related fees, costs and expenses and for general corporate purposes including repaying borrowings under our prior revolver. Loan costs of approximately \$6 million were incurred and capitalized in connection with the offering. Refer to Note 13 - 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 due 2024***

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, which commenced on April 15, 2015. The proceeds received from the 5.875% Senior Notes due 2024 were used to pay down a portion of the outstanding indebtedness under the revolver portion of our prior Senior Credit Facility. Refer to Note 13 - 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 due 2022***

On October 3, 2013, we completed an offering of \$250.0 million aggregate principal amount of 5.875% Senior Notes due 2022. The 5.875% Senior Notes due 2022 will mature on January 15, 2022 and have a coupon rate and yield to maturity of 5.875%. Interest is payable semi-annually on January 15 and July 15 each year, which commenced on January 15, 2014. The proceeds received from the 5.875% Senior Notes due 2022 were used, together with cash on hand, to fund the repurchase, redemption or other discharge of our 7 3/4% Senior Notes due 2017 and to pay related transaction fees and expenses. Refer to Note 13 - 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 due 2023***

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 13 - Debt in the notes to our audited consolidated financial statements included in Part II, Item 8 of this Annual Report on Form 10-K.

### ***Debt Repurchases***

On August 16, 2019, our Board of Directors authorized us to repurchase and/or retire a portion of the 6.00% Senior Notes due 2026, the 5.875% Senior Notes due 2024, the 5.125% Senior Notes due 2023, the 5.875% Senior Notes due 2022 (collectively the "GEO Senior Notes") and our term loan under its Amended Credit Agreement through cash purchases, in open market, privately negotiated transactions, or otherwise, up to an aggregate maximum of \$100.0 million, subject to certain limitations through December 31, 2020.

During 2019, we repurchased approximately \$56.0 million in aggregate principal amount of our 5.875% Senior Notes due 2022 at a weighted average price of 97.55% for a total cost of \$54.7 million. As a result of these repurchases, we recognized a net loss on extinguishment of debt of \$0.3 million during the year ended December 31, 2019.

We are also considering opportunities for future business and/or asset acquisitions. If we are not 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 2020 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 6.00% Senior Notes, the 5.125% Senior Notes, the 5.875% Senior Notes due 2022 and the 5.875% Senior Notes due 2024 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.

We may from time to time seek to purchase or retire our outstanding senior notes through cash purchases and/or exchanges for equity securities, in open market purchases, privately negotiated transactions or otherwise. Such repurchases or exchanges, if any, will depend on prevailing market conditions, our liquidity requirements, contractual restrictions and other factors. The amounts involved may be material.

### *Stock Buyback Program*

On February 14, 2018, we announced that our Board of Directors authorized a stock buyback program authorizing us to repurchase up to a maximum of \$200 million of our shares of common stock. The stock buyback program will be funded primarily with cash on hand, free cash flow and borrowings under our Revolver. The program is effective through October 20, 2020. The stock buyback program is intended to be implemented through purchases made from time to time in the open market or in privately negotiated transactions, in accordance with applicable SEC requirements. The stock buyback program does not obligate us to purchase any specific amount of our common stock and may be suspended or extended at any time at the discretion of the Company's Board of Directors. During the year ended December 31, 2018, we purchased 4,210,254 shares of our common stock at a cost of \$95.2 million primarily purchased with proceeds from our Revolver. There were no purchases of shares of our common stock during the year ended December 31, 2019. We believe that we have the ability to continue to fund the stock buyback program, our debt service requirements and our maintenance and growth capital expenditure requirements, while maintaining sufficient liquidity for other corporate purposes.

### *Prospectus Supplement*

On October 20, 2017, we filed with the SEC an automatic shelf registration on Form S-3ASR. Under this shelf registration, we may, from time to time, sell any combination of securities described in the prospectus in one or more offerings. Each time that we may sell securities, we will provide a prospectus supplement that will contain specific information about the terms of that offering and the securities being offered. On November 9, 2017, in connection with the shelf registration, we filed with the SEC 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 \$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 common stock sold under this prospectus supplement during the years ended December 31, 2019 or 2018.

### *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 \$900.0 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 2020 as disclosed under "Capital Requirements" above.



## Non-Recourse Debt

### Northwest ICE Processing Center

On December 9, 2011, the Washington Economic Development Finance Authority 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 Correctional Services Corporations’ obligations under the loan are our obligations nor are they guaranteed by us.

As of December 31, 2019, the remaining balance of the debt service requirement related to the 2011 Revenue Bonds is \$15.7 million, of which \$7.7 million is classified as current in the accompanying balance sheet. As of December 31, 2019, included in restricted cash and investments is \$4.7 million (all current) of funds held in trust with respect to the Northwest ICE Processing Center for debt service and other reserves which had not been released to us as of December 31, 2019. Refer to Note 13-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 - Ravenhall

In connection with a design and build facility project agreement with the State of Victoria, in September 2014 we entered into a syndicated facility agreement (the “Construction Facility”) to provide debt financing for construction of the project. Refer to Note 7 - Contract Receivable in the notes to our consolidated financial statements included in Part II, Item 8 of this Annual Report on Form 10-K. The Construction Facility provided for non-recourse funding up to AUD 791 million, or \$554.8 million, based on exchange rates as of December 31, 2019. Construction draws were funded throughout the project according to a fixed utilization schedule as defined in the syndicated facility agreement. The term of the Construction Facility was through September 2019 and bore interest at a variable rate quoted by certain Australian banks plus 200 basis points. On May 22, 2019, we completed an offering of AUD 461.6 million, or \$323.8 million, based on exchange rates as of December 31, 2019, aggregate principal amount of non-recourse senior secured notes due 2042 (the “Non-Recourse Notes”). The amortizing Non-Recourse Notes were issued by Ravenhall Finance Co Pty Limited in a private placement pursuant to Section 4(a)(2) of the Securities Act of 1933, as amended. The Non-Recourse Notes were issued with a coupon and yield to maturity of 4.23% with a maturity date of March 31, 2042. The net proceeds from this offering were used to refinance the outstanding Construction Facility and to pay all related fees, costs and expenses associated with the transaction. As a result of the transaction, we incurred a \$4.5 million loss on extinguishment of debt related to swap termination fees and unamortized deferred loan costs associated with the Construction Facility. Additionally, loan costs of approximately \$7.5 million were incurred and capitalized in connection with the offering. Refer to Note 8 - 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.

### Other

In August 2019, we entered into two identical Notes (as defined below) in the aggregate amount of \$44.3 million which are secured by loan agreements and mortgage and security agreements on certain real property and improvements. The terms of the Notes are through September 1, 2034 and bear interest at LIBOR plus 200 basis points and are payable in monthly installments plus interest. We have entered into interest rate swap agreements to fix the interest rate to 4.22%. Included in the balance at December 31, 2019 is \$0.7 million of deferred loan costs incurred in the transaction. Refer to Note 8 - 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 and our joint ventures. Refer to Note 13 - 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, who 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, 2019, our CEO had reached age 55 and was eligible to receive the payment upon retirement. If our CEO had retired as of December 31, 2019, we would have had to pay him \$8.6 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

In August 2019, we entered into two interest rate swap agreements in the aggregate notional amount of \$44.3 million to fix the interest rate on certain of our variable rate debt to 4.22%. We have designated these interest rate swaps as hedges against changes in the cash flows of two identical promissory notes (the “Notes”) which are secured by loan agreements and mortgage and security agreements on certain real property and improvements. We have determined that the swaps have payment, expiration dates, and provisions that coincide with the terms of the Notes and are therefore considered to be effective cash flow hedges. Accordingly, we record the change in fair value of the interest rate swaps as accumulated other comprehensive income (loss), net of applicable taxes. Total unrealized losses recorded in total other comprehensive income (loss), net of tax, related to these cash flow hedges was \$1.5 million during the year ended December 31, 2019. The total fair value of the swap liabilities as of December 31, 2019 was \$1.9 million and is recorded as a component of Other Non-Current liabilities within the accompanying balance sheet. There was no material ineffectiveness for the period presented. We do not expect to enter into any transactions during the next twelve months which would result in reclassification into earnings or losses associated with these swaps currently reported in accumulated other comprehensive income (loss). Refer to Note 13 - Debt and Note 8 - Derivative Financial 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.

Our Australian subsidiary entered into interest rate swap agreements to fix the interest rate on our variable rate non-recourse debt related to a project in Ravenhall, a locality near Melbourne, Australia to 4.2%. We determined that the swaps had payment, expiration dates, and provisions that coincided with the terms of the non-recourse debt and were therefore considered to be effective cash flow hedges. Accordingly, we recorded the change in the fair value of the interest rate swaps in accumulated other comprehensive income (loss), net of applicable income taxes. On May 22, 2019, we refinanced the associated debt and terminated the swap agreements which resulted in the reclassification of \$3.9 million into losses that were previously reported in accumulated other comprehensive income (loss). Refer to Note 13 - Debt and Note 8 - Derivative Financial 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, 2019, 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	\$ 1,138,081	\$ 1,026	\$ 196,146	\$ 552,374	\$ 388,535
Term Loan	778,000	8,000	16,000	754,000	—
Revolver	520,671	—	—	520,671	—
Finance Lease Obligations (includes imputed interest)	5,103	1,934	3,169	—	—
Operating Lease Obligations (includes imputed interest)	148,480	31,378	45,879	29,571	41,652
Non-Recourse Debt	328,178	13,901	22,502	16,906	274,869
Estimated interest payments on debt (a)	711,705	127,789	252,594	170,701	160,621
Estimated funding of pension and other post retirement benefits	37,551	9,465	1,728	1,789	24,569
Estimated construction commitments	33,000	33,000	—	—	—
<b>Total</b>	<b>\$ 3,700,769</b>	<b>\$ 226,493</b>	<b>\$ 538,018</b>	<b>\$ 2,046,012</b>	<b>\$ 890,246</b>

- (a) Due to the uncertainties of future LIBOR rates, the variable interest payments on our Senior Credit Facility were calculated using an average LIBOR rate of 1.54% based on projected interest rates through 2025.

## Cash Flow

Cash, cash equivalents, restricted cash and cash equivalents as of December 31, 2019 was \$67.5 million, compared to \$84.5 million as of December 31, 2018 and was impacted by the following:

Net cash provided by operating activities in 2019 and 2018 was \$338.1 million and \$274.5 million, respectively. Net cash provided by operating activities in 2019 was positively impacted by non-cash expenses such as depreciation and amortization, deferred tax benefit, amortization of debt issuance costs, discount and/or premium and other non-cash interest, stock-based compensation expense, loss on extinguishment of debt and dividends received from our unconsolidated joint venture. Equity in earnings of affiliates negatively impacted cash. Changes in accounts receivable, prepaid expenses and other assets increased in total by a net of \$8.4 million, representing a negative impact on cash. The increase was primarily driven by the timing of billings and collections. Changes in accounts payable, accrued expenses and other liabilities increased by \$10.7 million which positively impacted cash. The increase was primarily due to the timing of payments. Additionally, cash provided by operating activities in 2019 was negatively impacted by an increase in contract receivable of \$4.4 million. The increase relates to the timing of payments received and interest accrued, along with the effect of foreign exchange rates, 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.

Net cash provided by operating activities in 2018 was positively impacted by non-cash expenses such as depreciation and amortization, deferred tax provision, amortization of debt issuance costs, discount and/or premium and other non-cash interest, stock-based compensation expense and dividends received from our unconsolidated joint venture. Equity in earnings of affiliates negatively impacted cash. Changes in accounts receivable, prepaid expenses and other assets decreased in total by a net of \$66.1 million, representing a negative impact on cash. The decrease was primarily driven by the timing of billings and collections. Changes in accounts payable, accrued expenses and other liabilities increased by \$31.7 million which positively impacted cash. The increase was primarily due to the timing of payments. Additionally, cash provided by operating activities in 2018 was negatively impacted by an increase in contract receivable of \$2.0 million. This increase relates to the timing of payments received and interest accrued, along with the effect of foreign exchange rates, 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.

Net cash used in investing activities of \$104.1 million in 2019 was primarily the result of capital expenditures of \$117.2 million, offset by insurance proceeds from damaged property primarily related to hurricanes of \$19.3 million, proceeds from sale of assets held for sale of \$0.8 million and proceeds from the sale of property and equipment of \$0.4 million. Net cash used in investing activities of \$188.5 million in 2018 was primarily the result of capital expenditures of \$195.7 million, offset by insurance proceeds from damage property primarily related to hurricanes of \$1.4 million, proceeds from sale of assets held for sale of \$3.8 million and proceeds from the sale of property and equipment of \$2.1 million.

Net cash used in financing activities in 2019 reflects payments of \$513.2 million on long term debt offset by \$521.4 million of proceeds from long term debt and payments on non-recourse debt of \$335.1 million offset by proceeds from non-recourse debt of \$321.1 million. We also paid cash dividends of \$232.5 million and debt issuance costs of \$9.9 million.

Net cash provided by financing activities in 2018 reflects payments of \$282.4 million on long term debt offset by \$503.0 million of proceeds from long term debt and payments on non-recourse debt of \$18.5 million. We also paid cash dividends of \$229.5 million, purchased \$95.2 million of shares of our common stock and paid debt issuance costs of \$1.0 million.

## Inflation

We believe that inflation, in general, did not have a material effect on our results of operations during 2019 and 2018. 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 recurring/fixed 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 United States Generally Accepted Accounting Principles), excluding real estate related depreciation and amortization, excluding gains and losses from the cumulative effects of accounting changes, extraordinary items and sales of properties, and including adjustments for unconsolidated partnerships and joint ventures.

We also present Normalized Funds From Operations, or Normalized FFO, and Adjusted Funds from Operations, or AFFO, as 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 net Tax Cuts and Jobs Act (“TCJA”)



impact, pre-tax, gain/loss on extinguishment of debt, pre-tax, start-up expenses, pre-tax, legal related expenses, pre-tax, escrow releases, pre-tax, close-out expenses and the tax effect of adjustments to funds from operations.

AFFO is defined as Normalized FFO adjusted by adding non-cash expenses such as non-real estate related depreciation and amortization, stock based compensation expense, the amortization of debt issuance costs, discount and/or premium and other non-cash interest, and by subtracting recurring consolidated maintenance capital expenditures.

Because of the unique design, structure and use of our secure facilities, processing centers and reentry centers we believe that assessing the performance of our secure facilities, processing centers and reentry centers 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 net income attributable to GEO 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 net income attributable to GEO.

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 attributable to GEO to FFO, Normalized FFO and AFFO for the years ended December 31, 2019 and 2018, respectively, is as follows (in thousands):

	December 31, 2019	December 31, 2018
<b>Funds From Operations</b>		
Net income attributable to The GEO Group, Inc.	\$ 166,603	\$ 145,089
Real estate related depreciation and amortization	72,191	70,592
Gain on sale of real estate assets, net of tax	2,693	4,347
<b>NAREIT Defined FFO</b>	<b>\$ 241,487</b>	<b>\$ 220,028</b>
Net Tax Cuts and Jobs Act Impact	—	304
Start-up expenses, pre-tax	8,959	6,299
Loss on extinguishment of debt	4,795	574
Legal related expenses, pre-tax	2,000	7,147
Escrow releases, pre-tax	—	(2,273)
Close-out expenses, pre-tax	4,578	4,245
Tax effect of adjustments to funds from operations *	(1,078)	(2,031)
<b>Normalized Funds from Operations</b>	<b>\$ 260,741</b>	<b>\$ 234,293</b>
Non-real estate related depreciation and amortization	58,634	55,842
Consolidated maintenance capital expenditures	(21,899)	(22,638)
Stock-based compensation expenses	22,344	22,050
Amortization of debt issuance costs, discount and/or premium and other non-cash interest	8,609	8,282
<b>Adjusted Funds from Operations</b>	<b>\$ 328,429</b>	<b>\$ 297,829</b>

\* Tax adjustments relate to gain on sale of real estate assets, loss on debt extinguishment, start-up expenses, legal related expenses, escrow releases, and close-out expenses.

## 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

We continue to be encouraged by the current landscape of growth opportunities; however any positive trends may, to some extent, be adversely impacted by government budgetary constraints or any changes to a government's willingness to maintain or grow public-private partnerships in the future. While state finances overall are stable, future budgetary pressures may cause state agencies to 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, contract modifications, contract terminations, contract non-renewals, and/or contract re-bids and the impact of any other potential changes to the willingness to maintain or grow public-private partnerships on the part of other government agencies. We believe we have a strong relationship with our government partners and we believe that we operate facilities that maximize security and efficiency while offering our suite of GEO Continuum of Care services and resources. 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.

Recently California enacted legislation aimed at phasing out public-private partnership contracts for the operation of secure facilities within California and facilities outside of the state of California housing state of California inmates. As previously announced, our contract for our Central Valley facility was already discontinued by the California Department of Corrections and Rehabilitation at the end of September. We expect that our contracts with the California Department of Corrections and Rehabilitation for our Desert View facility and Golden State facility will be discontinued by March 1, 2020 and May 1, 2020, respectively.

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. On March 29, 2018, we announced that our transportation joint venture in the United Kingdom, GEO Amey, signed a contract with Scottish Prison Service for the provision of court custody and escort services in Scotland. The contract has a base term of eight years effective January 26, 2019 with a renewal option of four years and is expected to have an average annual revenue of approximately \$39 million. Also, we are pleased to have been awarded a ten-year contract renewal for the continued delivery of secure transportation under our GEO Amey joint venture in the United Kingdom. Total revenue over the ten-year period is expected to be approximately \$760 million. In New South Wales, Australia, we are developing a 489-bed expansion at the Juncie Correctional Centre which is expected to be completed during the first quarter of 2020. We are also constructing a 137-bed expansion at the Fulham Correctional Centre in Victoria, Australia. Additionally, our Australian subsidiary is currently in discussions with the State of Victoria, Australia to increase the capacity at our Ravenhall Correctional Centre by an additional 300 beds increasing the capacity of the facility to 1,600 beds. The 300-bed capacity increase is expected to generate incremental annualized revenues of approximately \$19 million. With respect to the Parklea Correctional Centre in Australia, we were unfortunately unsuccessful during the current competitive rebid process and have transitioned the management contract in March of 2019. In addition, we were informed by the State of Queensland, Australia that the Arthur Gorrie Correctional Centre will be transitioned to government operation by the end of the first quarter of 2020. With respect to our reentry services, electronic monitoring services, and community-based services business conducted through our GEO Care business segment, we are currently pursuing a number of business development opportunities. Related to opportunities for community-based reentry services, we are working with our existing federal, state, and local clients to leverage new opportunities for both residential reentry facilities as well as non-residential day reporting centers. We continue to expend resources on informing federal, 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 continue 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 approximately 62% of our operating expenses in 2019. Additional significant operating expenses include food, utilities and inmate medical costs. In 2019, operating expenses totaled approximately 75% of our consolidated revenues. Our operating expenses as a percentage of revenue in 2020 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 2020, we will incur carrying costs for facilities that were vacant in 2019. As of December 31, 2019, our worldwide operations include the management and/or ownership of approximately 95,000 beds at 129 correctional, detention and community services facilities, including idle facilities and projects under development, and also included the provision of monitoring of approximately 210,000 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 2019, general and administrative expenses totaled approximately 8% of our consolidated revenues. We expect general and administrative expenses as a percentage of revenue in 2020 to remain consistent or decrease as a result of cost savings initiatives. 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

In our Secure Services segment, we are currently marketing approximately 700 vacant beds with a net book value of approximately \$12 million at one of our idle facilities to potential customers. In our GEO Care segment, we are currently marketing approximately 400 vacant beds with a net book value of approximately \$9 million at one of our idle facilities to potential customers. The combined annual carrying cost of these idle facilities in 2020 is estimated to be \$3.0 million, including depreciation expense of \$1.0 million. We currently do not have any firm commitments or agreements in place to activate these facilities but have ongoing contact with several potential customers. Historically, some facilities have been idle for multiple years before they received a new contract award. The per diem rates that we charge our clients often vary by contract across our portfolio. However, if the two idle facilities in our Secure Services and GEO Care segments were to be activated using our Secure Services average per diem rate in 2019, (calculated as the Secure Services revenue divided by the number of Secure Services mandays) and based on the average occupancy rate in our facilities for 2019, we would expect to receive annual incremental revenue of approximately \$25 million and an increase in annual earnings per share of approximately \$.03 to \$.06 per share based on our average 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 fulfill our debt service obligations and its impact on our liquidity;
- 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 secure, processing, mental health, residential treatment, reentry, 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 public-private partnership secure services;
- our ability to accurately project the size and growth of the U.S. and international public-private partnership secure services industry;
- the impact of public resistance to the use of public-private partnerships for secure facilities, processing centers and community reentry centers;
- the impact of adopted or proposed legislation aimed at limiting public-private partnerships for secure facilities, processing centers and community reentry centers or limiting or restricting the business and operations of financial institutions or others who do business with us;
- our ability to successfully respond to delays encountered by states utilizing public-private partnership secure 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;
- the impact of the decision by several financial institutions, including some of our lenders, that they will not be renewing existing agreements or entering into new agreements with companies that operate secure services facilities and centers pursuant to public-private partnerships;
- the impact of the anticipated LIBOR transition in 2021;
- our exposure to political and economic instability and other risks impacting our international operations;
- 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 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 ability to remain qualified for taxation as a REIT;
- our exposure to state and federal income tax law changes internationally and domestically, including the recently enacted Tax Cuts and Jobs Act, and our exposure as a result of federal and international examinations of our tax returns or tax positions;
- the impact of natural disasters, pandemic outbreaks, global political events and other serious catastrophic events on our business and financial condition;
- 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, except as required by law. 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, 2019 under the Senior Credit Facility of \$1,298.7 million, for every one percent increase in the interest rate applicable to the Senior Credit Facility, our total annual interest expense would increase by approximately \$13.0 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, 2019 with respect to our international operations, every 10 percent change in historical currency rates would have a \$6.0 million effect on our financial position and a \$2.1 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.

Representations 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, 2019 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, 2019 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 public accountants have unrestricted access to the Audit Committee to discuss the results of their examinations.

**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, 2019. 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, 2019, based on the 2013 Internal Control — Integrated Framework. Based on this evaluation, the Company's management concluded that as of December 31, 2019, 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, 2019.

**REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

Board of Directors and Shareholders  
The GEO Group, Inc.

**Opinion on internal control over financial reporting**

We have audited the internal control over financial reporting of The GEO Group, Inc. (a Florida corporation) and subsidiaries (the “Company”) as of December 31, 2019, based on criteria established in the 2013 *Internal Control-Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (“COSO”). In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2019, 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) (“PCAOB”), the consolidated financial statements of the Company as of and for the year ended December 31, 2019, and our report dated February 26, 2020 expressed an unqualified opinion on those financial statements.

**Basis for opinion**

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 are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. 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.

**Definition and limitations of internal control over financial reporting**

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.

**/s/ GRANT THORNTON LLP**

*Miami, Florida*

*February 26, 2020*

## REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Board of Directors and Shareholders

The GEO Group, Inc.

### Opinion on the financial statements

We have audited the accompanying consolidated balance sheets of The GEO Group, Inc. (a Florida corporation) and subsidiaries (the “Company”) as of December 31, 2019 and 2018, 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, 2019, and the related notes and financial statement schedules included under Item 15(a) (collectively referred to as the “financial statements”). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2019 and 2018, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2019, in conformity with accounting principles generally accepted in the United States of America.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (“PCAOB”), the Company’s internal control over financial reporting as of December 31, 2019, 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 26, 2020 expressed an unqualified opinion.

### Change in accounting principle

As discussed in Note 1 to the consolidated financial statements, the Company has changed its method of accounting for Leases on January 1, 2019 due to the adoption of ASU 2016-02, “Leases”.

### Basis for opinion

These financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on the Company’s financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

### Critical audit matters

The critical audit matters communicated below are matters arising from the current period audit of the financial statements that were communicated or required to be communicated to the audit committee and that: (1) relate to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the financial statements, taken as a whole, and we are not, by communicating the critical audit matters below, providing separate opinions on the critical audit matters or on the accounts or disclosures to which they relate.

#### *Self-Insurance Reserves and Related Expenses*

As described further in Note 1 to the consolidated financial statements, The GEO Group, Inc. (the “Company”) self-insures, up to certain policy-specified limits, certain risks related to general liability, workers’ compensation, and vehicle liability costs. The estimated cost of claims under these self-insurance programs is estimated and accrued as the claims are incurred (although actual settlement of the claims may not be made until future periods) and may subsequently be revised based on developments relating to such claims. We identified self-insurance reserves and related expenses (“self-insurance”) as a critical audit matter.

The principal considerations for our determination that self-insurance is a critical audit matter are that the accrual for self-insurance has higher risk of estimation uncertainty due to the loss development factors and inherent assumptions in actuarial methods used in determining the required reserves. The estimation uncertainty and complexity of the actuarial methods utilized resulted in auditor judgement when assessing if management’s accrual for self-insurance was determined utilizing a reasonable basis and was materially correct.



Our audit procedures related to the self-insurance reserves included the following, among others:

- We tested the design and operating effectiveness of key controls relating to self-insurance, including, but not limited to, controls that (1) validate that claims were reported and submitted accurately and timely, and (2) validate that internal claims data were reconciled to claims data maintained by the third party administrator and submitted to the Company's actuary.
- We utilized a specialist in evaluating management's methods and assumptions, including selected loss development factors.
- We performed a retrospective review of prior projections to current projections to evaluate the reasonableness of changes in estimated ultimate losses.
- We reconciled claims data to the actuarial information and tested a sample of underlying claims through review of accident reports, insurance claims and legal records to evaluate whether information utilized by management in developing the accrual for self-insurance was complete and accurate.

*Allocation of expenses between REIT and TRS entities*

As described further in Note 1 to the Company's financial statements, the Company operates as a REIT for federal income tax purposes. As a REIT, the Company is required to distribute at least 90% of its taxable income to shareholders, and does not pay any taxes on that distributed income. Income earned in its non-real estate components, or taxable REIT subsidiaries ("TRSs") are 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 such, we identified the allocation of expenses, in accordance with the Company's transfer pricing policy, between the TRS and REIT as a critical audit matter.

The principal considerations for our determination that the allocation of expenses between the TRS and REIT is a critical audit matter are that significant management judgement is required to determine how transactions between the REIT and TRS entities are priced and how shared expenses are allocated.

Our audit procedures related to the allocation of expenses between REIT and TRS entities included the following, among others:

- We tested the design and operating effectiveness of key controls relating to the allocation of expenses between the REIT and TRS entities, including, but not limited to, controls that (1) validate the significant inputs used in the transfer pricing analysis, (2) validate the application of the transfer pricing to recorded transactions, and (3) validate inputs and assumptions used to allocate general and administrative expenses.
- We utilized a specialist in evaluating the reasonableness of management's methods and assumptions for determining the transfer pricing markup on services provided between the REIT and TRS entities.
- We tested significant inputs used in management's transfer pricing analysis, tested the application of the transfer pricing to recorded transactions, and tested management's process and estimates used to allocate general and administrative expenses to assess the allocation of transactions between the REIT and TRS entities.

**/s/ GRANT THORNTON LLP**

**We have served as the Company's auditor since 2006.**

*Miami, Florida*

*February 26, 2020*

**THE GEO GROUP, INC.**  
**CONSOLIDATED STATEMENTS OF OPERATIONS**  
**Years Ended December 31, 2019, 2018 and 2017**

	2019	2018	2017
	(In thousands, except per share data)		
<b>Revenues</b>	\$ 2,477,922	\$ 2,331,386	\$ 2,263,420
Operating Expenses (excluding depreciation and amortization)	1,860,758	1,755,772	1,700,495
Depreciation and Amortization	130,825	126,434	124,297
General and Administrative Expenses	185,926	184,515	190,343
Operating Income	300,413	264,665	248,285
Interest Income	28,934	34,755	51,676
Interest Expense	(151,024)	(150,103)	(148,024)
<b>Loss on Extinguishment of Debt</b>	(4,795)	—	—
Income Before Income Taxes and Equity in Earnings of Affiliates	173,528	149,317	151,937
Provision for Income Taxes	16,648	14,117	17,958
Equity in Earnings of Affiliates, net of income tax (benefit) provision of \$1,769, \$888 and \$(3,699)	9,532	9,627	12,045
Net Income	166,412	144,827	146,024
Loss Attributable to Noncontrolling Interests	191	262	217
<b>Net Income Attributable to The GEO Group, Inc.</b>	<u>\$ 166,603</u>	<u>\$ 145,089</u>	<u>\$ 146,241</u>
Weighted Average Common Shares Outstanding:			
Basic	<u>119,097</u>	<u>120,241</u>	<u>120,095</u>
Diluted	<u>119,311</u>	<u>120,747</u>	<u>120,814</u>
<b>Income per Common Share Attributable to The GEO Group, Inc.:</b>			
Basic:			
Net income per share — basic	<u>\$ 1.40</u>	<u>\$ 1.21</u>	<u>\$ 1.22</u>
<b>Diluted:</b>			
Net income per share — diluted	<u>\$ 1.40</u>	<u>\$ 1.20</u>	<u>\$ 1.21</u>
Dividends declared per share	<u>\$ 1.92</u>	<u>\$ 1.88</u>	<u>\$ 1.88</u>

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, 2019, 2018 and 2017**

	2019	2018	2017
	(In thousands)		
Net Income	\$ 166,412	\$ 144,827	\$ 146,024
Foreign currency translation adjustments	2,267	(7,118)	3,808
Pension liability adjustment, net of income tax provision (benefit) of \$(681), \$913 and \$(764), respectively	(3,247)	1,785	(1,420)
Change in fair value of derivative instrument classified as cash flow hedge, net of income tax provision (benefit) of \$622, \$1,085 and \$703, respectively	4,271	6,146	3,985
Total other comprehensive income, net of tax	3,291	813	6,373
Total comprehensive income	169,703	145,640	152,397
Comprehensive loss attributable to noncontrolling interests	183	277	211
Comprehensive income attributable to The GEO Group, Inc.	<u>\$ 169,886</u>	<u>\$ 145,917</u>	<u>\$ 152,608</u>



**THE GEO GROUP, INC.**  
**CONSOLIDATED BALANCE SHEETS**  
**December 31, 2019 and 2018**

	2019	2018
	(In thousands, except share data)	
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 32,463	\$ 31,255
Restricted cash and investments	32,418	51,678
Accounts receivable, less allowance for doubtful accounts of \$3,195 and \$4,183, respectively	430,982	445,526
Contract receivable, current portion	11,199	15,535
Prepaid expenses and other current assets	40,716	57,768
Total current assets	547,778	601,762
Restricted Cash and Investments	30,923	22,431
Property and Equipment, Net	2,144,722	2,158,610
Contract Receivable	360,647	368,178
Operating Lease Right-of-Use Assets, Net	121,527	—
Assets Held for Sale	6,059	2,634
Deferred Income Tax Assets	36,278	29,924
Goodwill	776,356	776,359
Intangible Assets, Net	210,070	232,360
Other Non-Current Assets	83,174	65,860
Total Assets	\$ 4,317,534	\$ 4,258,118
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current Liabilities		
Accounts payable	\$ 99,232	\$ 93,032
Accrued payroll and related taxes	54,672	76,009
Accrued expenses and other current liabilities	191,608	204,170
Operating lease liabilities, current portion	26,208	—
Current portion of finance lease liabilities, long-term debt and non-recourse debt	24,208	332,027
Total current liabilities	395,928	705,238
Deferred Income Tax Liabilities	19,254	13,681
Other Non-Current Liabilities	88,526	82,481
Operating Lease Liabilities	97,291	—
Finance Lease Obligations	2,954	4,570
Long-Term Debt	2,408,297	2,397,227
Non-Recourse Debt	309,236	15,017
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, 187,500,000 shares authorized, 125,435,573 and 124,794,986 issued and 121,225,319 and 120,584,732 outstanding, respectively	1,254	1,248
Additional paid-in capital	1,230,865	1,210,916
Distributions in excess of earnings	(119,779)	(52,868)
Accumulated other comprehensive loss	(20,335)	(23,618)
Treasury stock, 4,210,254 and 4,210,254 shares, at cost, respectively	(95,175)	(95,175)
Total shareholders' equity attributable to The GEO Group, Inc.	996,830	1,040,503
Noncontrolling interests	(782)	(599)
Total shareholders' equity	996,048	1,039,904
Total Liabilities and Shareholders' Equity	\$ 4,317,534	\$ 4,258,118

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, 2019, 2018 and 2017**

	2019	2018	2017
	(In thousands)		
<b>Cash Flow from Operating Activities:</b>			
Net Income	\$ 166,412	\$ 144,827	\$ 146,024
Net loss attributable to noncontrolling interests	191	262	217
Net income attributable to The GEO Group, Inc.	166,603	145,089	146,241
Adjustments to reconcile net income attributable to The GEO Group, Inc. to net cash provided by (used in) operating activities:			
Depreciation and amortization expense	130,825	126,434	124,297
Deferred tax provision (benefit)	(588)	1,230	12,238
Amortization of debt issuance costs, discount and/or premium and other non-cash interest	8,609	8,856	16,540
Stock-based compensation	22,344	22,049	19,844
Loss on extinguishment of debt	4,795	—	—
Provision for doubtful accounts	190	823	2,456
Equity in earnings of affiliates, net of tax	(9,532)	(9,627)	(12,045)
Loss on sale/disposal of property and equipment	5,576	4,236	1,520
Loss on assets held for sale	1,083	—	—
Dividends received from unconsolidated joint ventures	10,312	11,846	6,132
Changes in assets and liabilities, net of acquisition:			
Changes in accounts receivable, prepaid expenses and other assets	(8,391)	(66,101)	20,938
Changes in contract receivable	(4,355)	(2,049)	40,515
Changes in accounts payable, accrued expenses and other liabilities	10,672	31,689	2,366
Net cash provided by operating activities	338,143	274,475	381,042
<b>Cash Flow from Investing Activities:</b>			
Acquisition of CEC, cash consideration, net of cash acquired	—	—	(353,556)
Proceeds from sale of property and equipment	414	2,077	3,460
Insurance proceeds - damaged property	19,310	1,438	2,754
Proceeds from sale of assets held for sale	823	3,797	—
Change in restricted cash and investments	(7,440)	(129)	(4,507)
Capital expenditures	(117,244)	(195,666)	(148,406)
Net cash used in investing activities	(104,137)	(188,483)	(500,255)
<b>Cash Flow from Financing Activities:</b>			
Payments on long-term debt	(513,219)	(282,358)	(1,140,788)
Proceeds from long term debt	521,370	502,998	1,389,084
Payments on non-recourse debt	(335,116)	(18,544)	(307,414)
Proceeds from non-recourse debt	321,102	—	181,658
Taxes paid related to net share settlements of equity awards	(4,179)	(3,820)	(4,142)
Debt issuance costs	(9,856)	(990)	(9,542)
Payments for purchase of treasury shares	—	(95,175)	—
Proceeds from stock options exercised	1,258	1,887	6,962
Proceeds from issuance of common stock in connection with ESPP	532	534	497
Issuance of common stock in connection with public offering	—	—	275,867
Dividends paid	(232,546)	(229,498)	(227,463)
Net cash (used in) provided by financing activities	(250,654)	(124,966)	164,719
Effect of Exchange Rate Changes on Cash, Cash Equivalents and Restricted Cash and Cash Equivalents	(352)	(10,099)	(2,318)
Net (Decrease) Increase in Cash, Cash Equivalents and Restricted Cash and Cash Equivalents	(17,000)	(49,073)	43,188
Cash, Cash Equivalents and Restricted Cash and Cash Equivalents, beginning of period	84,472	133,545	90,357
Cash, Cash Equivalents and Restricted Cash and Cash Equivalents, end of period	\$ 67,472	\$ 84,472	\$ 133,545
<b>Supplemental Disclosures</b>			
<b>Cash paid during the year for:</b>			
Income taxes	\$ 11,160	\$ 8,035	\$ 13,809
Interest	\$ 135,579	\$ 133,566	\$ 115,354
<b>Non-cash investing and financing activities:</b>			
Right-of-use assets obtained from operating lease liabilities upon adoption of new lease standard - Refer to 14 - Leases	\$ 147,000	\$ —	\$ —
Right-of-use assets obtained from operating lease liabilities (subsequent to initial adoption)	\$ 12,223	\$ —	\$ —
Capital expenditures in accounts payable and accrued expenses	\$ 11,049	\$ 15,253	\$ 13,039

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

**THE GEO GROUP, INC.**  
**CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY**  
**Years Ended December 31, 2019, 2018 and 2017**

	GEO Group Inc. Shareholders								Total Shareholders' Equity
	Common Stock			(Distributions in Excess of Earnings/ Earnings in Excess of Distributions	Accumulated Other Comprehensive Income (Loss)	Treasury Stock		Noncontrolling Interest	
	Number of Shares	Amount	Additional Paid-In Capital			Number of Shares	Amount		
					(In thousands)				
Balance, January 1, 2017	112,548	\$ 1,125	\$ 891,993	\$ 112,763	\$ (30,825)	—	\$ —	\$ (99)	\$ 974,957
Proceeds from stock options exercised	358	4	6,958	—	—	—	—	—	6,962
Tax benefit related to equity compensation	—	—	—	—	—	—	—	—	—
Stock based compensation expense	—	—	19,844	—	—	—	—	—	19,844
Shares withheld for net settlements of share-based awards [2]	(136)	(1)	(4,141)	—	—	—	—	—	(4,142)
Restricted stock granted	933	9	(9)	—	—	—	—	—	—
Restricted stock canceled	(65)	(1)	1	—	—	—	—	—	—
Dividends - paid	—	—	—	(227,463)	—	—	—	—	(227,463)
Issuance of common stock under prospectus supplement	10,350	104	275,763	—	—	—	—	—	275,867
Purchase of treasury shares	—	—	—	—	—	—	—	—	—
Issuance of common stock (ESPP)	20	—	497	—	—	—	—	—	497
Net income (loss)	—	—	—	146,241	—	—	—	(217)	146,024
Other comprehensive income	—	—	—	—	6,379	—	—	(6)	6,373
Balance, December 31, 2017	124,008	\$ 1,240	\$ 1,190,906	\$ 31,541	\$ (24,446)	—	\$ —	\$ (322)	\$ 1,198,919
Proceeds from stock options exercised	103	1	1,886	—	—	—	—	—	1,887
Stock based compensation expense	—	—	22,049	—	—	—	—	—	22,049
Shares withheld for net settlements of share-based awards [2]	(173)	(2)	(3,818)	—	—	—	—	—	(3,820)
Restricted stock granted	906	9	(9)	—	—	—	—	—	—
Restricted stock canceled	(73)	—	—	—	—	—	—	—	—



Dividends paid	—	—	—	(229,498)	—	—	—	—	(229,498)
Purchase of treasury shares	(4,210)	—	—	—	—	4,210	(95,175)	—	(95,175)
Issuance of common stock (ESPP)	24	—	534	—	—	—	—	—	534
Other adjustments to Additional Paid-In-Capital [1]	—	—	(632)	—	—	—	—	—	(632)
Net income (loss)	—	—	—	145,089	—	—	—	(262)	144,827
Other comprehensive income (loss)	—	—	—	—	828	—	—	(15)	813
Balance, December 31, 2018	120,585	\$ 1,248	\$ 1,210,916	\$ (52,868)	\$ (23,618)	4,210	\$ (95,175)	\$ (599)	\$ 1,039,904
Proceeds from stock options exercised	78	—	1,258	—	—	—	—	—	1,258
Stock based compensation expense	—	—	22,344	—	—	—	—	—	22,344
Shares withheld for net settlements of share-based awards [2]	(198)	(2)	(4,177)	—	—	—	—	—	(4,179)
Restricted stock granted	788	8	(8 )	—	—	—	—	—	—
Restricted stock canceled	(58)	—	—	—	—	—	—	—	—
Dividends paid	—	—	—	(232,546)	—	—	—	—	(232,546)
Purchase of treasury shares	—	—	—	—	—	—	—	—	—
Issuance of common stock (ESPP)	30	—	532	—	—	—	—	—	532
Transition adjustment for accounting standard adoption [3]	—	—	—	(968)	968	—	—	—	—
Net income (loss)	—	—	—	166,603	—	—	—	(191)	166,412
Other comprehensive income (loss)	—	—	—	—	2,315	—	—	8	2,323
Balance, December 31, 2019	121,225	\$ 1,254	\$ 1,230,865	\$ (119,779)	\$ (20,335)	4,210	\$ (95,175)	\$ (782)	\$ 996,048

[1] Represents a cumulative-effect adjustment upon adoption of ASU No. 2016-16, “Income Taxes - Intra-Entity Transfers of Assets Other Than Inventory.” Refer to Note 1 - Summary of Business Organization, Operations and Significant Accounting Policies - **Recent Accounting Pronouncements** for further information.

[2] During the years ended December 31, 2019, 2018 and 2017, the Company withheld shares through net share settlements to satisfy statutory tax withholding requirements upon vesting of shares of restricted stock held by employees.

[3] On January 1, 2019, the Company adopted Accounting Standard Update (“ASU”) No. 2018-02 “Income Statement-Reporting Comprehensive Income-Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income”. Refer to Note 1 - Summary of Business Organization, Operations and Significant Accounting Policies - **Recent Accounting Pronouncements** for further information.

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, 2019, 2018 and 2017

#### 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 secure facilities, processing centers and reentry centers in the United States, Australia, South Africa and the United Kingdom. The Company owns, leases and operates a broad range of facilities including maximum, medium and minimum security facilities, processing centers, as well as community based reentry facilities and offers an expanded delivery of rehabilitation services under its ‘GEO Continuum of Care’ platform. The ‘GEO Continuum of Care’ platform integrates enhanced rehabilitative programs, which are evidence-based and include cognitive behavioral treatment and post-release services, and provides academic and vocational classes in life skills and treatment programs while helping individuals reintegrate into their communities. 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, 2019, GEO’s worldwide operations included the ownership and/or management of approximately 95,000 beds at 129 secure and community services facilities, including idle facilities and projects under development, and also includes the provision of community supervision services for more than 210,000 offenders and pretrial defendants, including approximately 100,000 individuals through an array of technology products including radio frequency, GPS, and alcohol monitoring devices.

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 units, 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 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.

The consolidated financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America. The significant accounting policies of the Company are described below.

#### *Consolidation*

The accompanying consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries. 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 South Africa Custodial Services (“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 South Africa Custodial Management (“SACM”). Non-controlling interests are adjusted for income and losses allocable to the other shareholders in these entities. All significant intercompany balances and transactions have been eliminated.

#### *Reclassifications*

Certain amounts in the prior period financial statements have been reclassified to conform to the presentation of the current period financial statements. These reclassifications had no effect on the previously reported results of 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, estimated fair values of business acquisitions, pension assumptions, percentage

of completion and estimated cost to complete for construction projects, 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. 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, 2019 and 2018, the Company had \$20.6 million and \$18.9 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, 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, local and international government agencies for operating and managing secure facilities, providing youth and community-based services, providing electronic monitoring and supervision services, providing construction and design services and providing residential and 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, 2019 and 2018, \$0.4 million and \$2.3 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.

### *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 GEOAmev for the purpose of funding mobilization costs and on-going start up and operations in the principal

amount of £12 million. Amounts under the line of credit were drawn down in multiple advances up to the principal amount and accrued interest at the base rate of the Bank of England plus 0.5% with the principal amount due on demand. The Company recognized interest income on its notes receivable as it is earned. In October 2018, the note receivable to each joint venture was paid off in full.

### *Contract Receivable*

The Company's Australian subsidiary has recorded a contract receivable in connection with the construction of a 1,300-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. Refer to Note 7 - Contract Receivable for further information.

### *Restricted Cash and Cash Equivalents*

The following table provides a reconciliation of cash, cash equivalents and restricted cash and cash equivalents reported on the consolidated balance sheets that sum to the total of the same such amounts shown in the consolidated statements of cash flows:

	December 31, 2019	December 31, 2018	December 31, 2017
Cash and Cash Equivalents	\$ 32,463	\$ 31,255	\$ 81,377
Restricted cash and cash equivalents - current	32,418	51,678	44,932
Restricted cash and investments - non-current	30,923	22,431	27,999
Less Restricted investments - non-current	(28,332)	(20,892)	(20,763)
Total cash, cash equivalents and restricted cash and cash equivalents shown in the statement of cash flows	<u>\$ 67,472</u>	<u>\$ 84,472</u>	<u>\$ 133,545</u>

Amounts included in restricted cash and cash equivalents are attributable to certain contractual cash restriction requirements at the Company's wholly owned Australian subsidiary related to non-recourse debt and asset replacement funds contractually required to be maintained and other guarantees. Restricted investments - non-current (included in Restricted Cash and Investments in the accompanying consolidated balance sheets) consists of the Company's rabbi trust established for employee and employer contributions to The GEO Group, Inc. Non-qualified Deferred Compensation Plan and is not considered to be a restricted cash equivalent. Refer to Note 10 - Financial Instruments.

### *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, 2019 is approximately \$3.3 million of federal, state and international tax overpayments that will be applied against estimated tax payments due in 2020. Included in the balance at December 31, 2018 is approximately \$6.1 million of federal, state and international tax overpayments that were applied against tax payments in 2019.

### *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. 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, 2019, 2018 and 2017. Maintenance and repairs are expensed as incurred. Interest is capitalized in connection with the construction of company-owned secure facilities. Cost for self-constructed secure



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, 2019, 2018 and 2017 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.

### ***Assets Held for Sale***

As of December 31, 2019, the Company had four properties classified as held for sale included in its GEO Care segment in the accompanying consolidated balance sheet. The Company classifies a long-lived asset (disposal group) as held for sale in the period in which all of the following criteria are met (i) Management, having the authority to approve the action, commits to a plan to sell the asset (disposal group), (ii) the asset (disposal group) is available for immediate sale in its present condition subject only to the terms that are usual and customary for sales of such assets (disposal groups), (iii) an active program to locate a buyer and other actions required to complete the plan to sell the asset (disposal group) have been initiated, (iv) the sale of the asset (disposal group) is probable, and transfer of the asset (disposal group) is expected to qualify for recognition as a completed sale, within one year, except as permitted, (v) the asset (disposal group) is being actively marketed for sale at a price that is reasonable in relation to its current fair value, and (vi) actions required to complete the plan indicate that it is unlikely that significant changes to the plan will be made or that the plan will be withdrawn. The Company records assets held for sale at the lower of cost or estimated fair value and estimates fair value by using third party appraisers or other valuation techniques. The Company does not record depreciation for assets held for sale. Any gain or loss on the sale of operating assets is included in the operating income of the reportable segment to which it relates.

The properties that are classified as held for sale at December 31, 2019 are a parcel of undeveloped land in Hobart, Indiana, two idle reentry facilities acquired from Community Education Centers ("CEC") and one idle youth facility. At December 31, 2019, the aggregate carrying values of these properties was approximately \$6.1 million. At December 31, 2018, the Company had two properties that were classified as held for sale which consisted of a parcel of undeveloped land in Hobart, Indiana and an idle reentry facility acquired from CEC. At December 31, 2018, the aggregate carrying value of the properties was approximately \$2.6 million.

### ***Asset Impairments***

The Company had property and equipment, net of \$2.1 billion and \$2.2 billion as of December 31, 2019 and 2018, respectively, including approximately 700 vacant beds with a net book value of approximately \$12 million at December 31, 2019 at one of its idle facilities in the Secure Services segment that it is currently marketing to potential customers. Also, in its GEO Care segment, the Company is currently marketing approximately 400 vacant beds with a net book value of approximately \$9.0 million at December 31, 2019 at one of its idle facilities to potential customers.

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 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 analysis 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 individuals 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 has determined that no current impairment exists. 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, 2019 substantially exceeded the carrying amounts of each facility.

The Company's evaluations also take into consideration historical experience in securing new facility 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 idled 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.

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' for available 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 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 Finance Leases*

Assets held under finance 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 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 reportable segment for U.S. Secure Services and are at the operating segment level for GEO Care.

On the annual measurement date of October 1, 2019, the Company's management elected to qualitatively assess the Company's goodwill for impairment for all of its reporting units. 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 a quantitative impairment test to identify goodwill impairment and measures the amount of goodwill impairment loss to be recognized, 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 and stock price, industry outlook and market competition. With respect to the qualitative assessments, management determined that, as of October 1, 2019, it was more likely than not that the fair values of the reporting units exceeded their carrying values.

#### *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, 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 Criminal Justice, Inc.'s ("Protocol") 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, Protocol's innovation with respect to its customer relationship management software and Soberlink, Inc.'s innovation with respect to its alcohol monitoring devices. 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 also considers the impact of renewal terms when establishing useful lives. The Company currently amortizes its acquired facility management contracts over periods ranging from three to twenty-one years and its acquired technology over seven years to eight years. There is no residual value associated with the Company's finite-lived intangible assets. The Company reviews its trade name 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.

### *Internal-Use Software*

Costs incurred to develop software for internal use are capitalized and amortized over the estimated useful lives of the software. Costs related to design or maintenance of internal-use software are expensed as incurred. As of December 31, 2019 and 2018, included in Property and Equipment, Net is approximately \$14.2 million and \$16.3 million of capitalized internal-use software costs, respectively.

### *Debt Issuance Costs*

Debt issuance costs, net of accumulated amortization of \$50.8 million and \$65.7 million, totaling \$30.5 million and \$31.1 million at December 31, 2019 and 2018, respectively, are included in Long-Term Debt, Non-Recourse Debt and 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.

### *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 does not consolidate its 50% owned South African joint venture interest in 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 \$12.3 million at December 31, 2019 and its guarantees related to SACS are discussed in Note 13 - Debt.

The Company does not consolidate its 50% owned joint venture in the United Kingdom. In February 2011, GEO UK, executed a Shareholders Agreement (the “Shareholders Agreement”) with Amey Community Limited (“Amey”) and Amey UK PLC (“Amey Guarantor”) to form 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 provided lines of credit of £12.0 million to ensure that GEOAmey could comply with future contractual commitments related to the performance of its operations. In October 2018, the note receivable to each joint venture partner was paid off in full.

### *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 10 - Financial Instruments and Note 11 - 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***

On January 1, 2018, the Company adopted Accounting Standards Codification ("ASC") Topic 606, "Revenue from Contracts with Customers" using the modified retrospective method applied to those contracts that were not completed as of January 1, 2018. The adoption of this standard did not result in a significant change to the Company's historical revenue recognition policies and there were no significant adjustments that required a cumulative adjustment to retained earnings upon transition.

Revenue is recognized when control of the promised goods or services is transferred to GEO's customers, in an amount that reflects the consideration GEO expects to be entitled to in exchange for those goods or services. Sales, value added and other taxes GEO collects concurrent with revenue producing activities and that are subsequently remitted to governmental authorities are excluded from revenues. The guidance distinguishes between goods and services. The definition of services under the guidance includes everything other than goods. As such, in the case of GEO, this guidance views the provision of housing as a service.

When a contract includes variable consideration, GEO determines an estimate of the variable consideration and evaluates whether the estimate needs to be constrained; therefore, GEO includes the variable consideration in the transaction price only to the extent that it is probable that a significant reversal of the amount of cumulative revenue recognized will not occur when the uncertainty associated with the variable consideration is subsequently resolved. Variable consideration estimates are updated at each reporting date. A limited number of GEO's domestic contracts have provisions upon which a small portion of the revenue for the contract is based on the performance of certain targets. Domestically, revenue based on the performance of certain targets is less than 1% of the Company's consolidated domestic revenues and was not significant during the periods presented. One of GEO's international contracts, related to its Ravenhall facility (discussed further below), contains a provision where a significant portion of the revenue for the contract is based on the performance of certain targets. 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. The performance of these targets are measured quarterly and there was no significant constraint on the estimate of such variable consideration for this contract during the years ended December 31, 2019 and 2018.

GEO does not disclose the value of unsatisfied performance obligations for (i) contracts with an expected length of one year or less and (ii) contracts for which revenue is recognized at the amount to which GEO has the right to invoice for services performed, which is generally the case for all of GEO's contracts. Incidental items that are immaterial in the context of the contract are recognized as expense. GEO generally does not incur incremental costs related to obtaining a contract with its customers that would meet the requirement for capitalization. There were no assets recognized from costs to obtain a contract with a customer at December 31, 2019 or 2018.

The timing of revenue recognition may differ from the timing of invoicing to customers. GEO records a receivable when services are performed which are due from its customers based on the passage of time. GEO records a contract liability if consideration is received in advance of the performance of services. Generally, GEO's customers do not provide payment in advance of the performance of services. Therefore, any contract liability is not significant at December 31, 2019 or 2018. Revenue recognized during the years ended December 31, 2019 and 2018 that was included in the opening balance of unearned revenue was not significant. There have been no significant amounts of revenue recorded in the periods presented from performance obligations either wholly or partially satisfied in prior periods.

The right to consideration under GEO's contracts is only dependent on the passage of time and is therefore considered to be unconditional. Payment terms and conditions vary by contract type, although, with the exception of the contract receivable related to GEO's Ravenhall facility (further discussed below), terms generally include a requirement of payment within 30 days after performance obligations are satisfied and generally do not include a significant financing component. There have been no significant changes in receivables or unearned revenue balances during the periods other than regular invoicing and collection activity.



The following table disaggregates GEO's revenue by major source and also provides a reconciliation with revenue information disclosed for reportable segments in Note 16 - Business Segments and Geographic Information:

Year Ended December 31, 2019 (in thousands)					
	U.S. Secure Services	GEO Care	International	Facility Construction and Design	Total
Owned and Leased: Secure Services	\$ 1,228,299	\$ —	\$ —	\$ —	\$ 1,228,299
Owned and Leased: Community-based	—	176,001	—	—	176,001
Owned and Leased: Youth Services	—	87,189	—	—	87,189
Managed Only	373,380	5,523	232,016	—	610,919
Facility Construction and Design	—	—	—	29,978	29,978
Non-residential Services and Other	—	345,536	—	—	345,536
Total Revenues	<u>\$ 1,601,679</u>	<u>\$ 614,249</u>	<u>\$ 232,016</u>	<u>\$ 29,978</u>	<u>\$ 2,477,922</u>

Year Ended December 31, 2018 (in thousands)					
	U.S. Secure Services	GEO Care	International	Facility Construction and Design	Total
Owned and Leased - Secure Services	\$ 1,110,749	\$ —	\$ —	\$ —	\$ 1,110,749
Owned and Leased - Community-based	—	170,805	—	—	170,805
Owned and Leased - Youth Services	—	91,824	—	—	91,824
Managed Only	382,224	4,981	253,874	—	641,079
Facility Construction and Design	—	—	—	4,226	4,226
Non-residential Services and Other	—	312,703	—	—	312,703
Total Revenues	<u>\$ 1,492,973</u>	<u>\$ 580,313</u>	<u>\$ 253,874</u>	<u>\$ 4,226</u>	<u>\$ 2,331,386</u>

Year Ended December 31, 2017 (in thousands)					
	U.S Secure Services	GEO Care	International	Facility Construction and Design	Total
Owned and Leased - Secure Services	\$ 1,055,254	\$ —	\$ —	\$ —	\$ 1,055,254
Owned and Leased - Community-based	—	149,619	—	—	149,619
Owned and Leased - Youth Services	—	88,184	—	—	88,184
Managed Only	382,790	3,495	195,806	—	582,091
Facility Construction and Design	—	—	—	115,404	115,404
Non-residential services and Other	—	272,868	—	—	272,868
Total Revenues	\$ 1,438,044	\$ 514,166	\$ 195,806	\$ 115,404	\$ 2,263,420

### Owned and Leased - Secure Services

GEO recognizes revenue for secure housing services where GEO owns or leases the facility as services are performed. GEO provides for the safe and secure housing and care of incarcerated individuals under public-private partnerships with federal, state and local government agencies. This includes providing 24-hour care and supervision, including but not limited to, such services as medical, transportation, food service, laundry services and various programming activities. These tasks are considered to be activities to fulfill the safe and secure housing performance obligation and are not considered to be individually separate promises in the contract. Each of these activities is highly interrelated and GEO performs a significant level of integration of these activities. GEO has identified these activities as a bundle of services and determined that each day of the promised service is distinct. The services provided are part of a series of distinct services that are substantially the same and are measured using the same measure of progress (time-based output method). GEO has determined that revenue for these services are recognized over time as it's customers simultaneously receive and consume the benefits as the services are performed, which is on a continual daily basis, and GEO has a right to payment for performance completed to date. Time-based output methods of revenue recognition are considered to be a faithful depiction of GEO's efforts to fulfill its obligations under its contracts and therefore reflect the transfer of services to its customers. GEO's customers generally pay for these services based on a net rate per day per individual or on a fixed monthly rate.

### Owned and Leased - Community-based

GEO recognizes revenue for community-based reentry services where GEO owns or leases the facility in a manner similar to its secure services discussed above. GEO provides individuals nearing the end of their sentence with the resources necessary to productively transition back into society. Through its residential reentry centers, GEO provides federal and state parolees and probationers with temporary housing, rehabilitation, substance abuse counseling and vocational and educational programs. These activities are considered to be a bundle of services which are a part of a series of distinct services recognized over time based on the same criteria as discussed above for secure services revenues. GEO's customers also generally pay for these services based on a net rate per day per individual or on a fixed monthly rate.

### Owned and Leased - Youth Services

GEO recognizes revenues for youth services where GEO owns or leases the facility in the same manner as discussed above for the housing, supervision, care and rehabilitation of troubled youth residents. The activities to house and care for troubled youth residents are also considered to be a bundle of services which are part of a series of distinct services recognized over time based on the same criteria discussed for the previous two revenue streams. GEO's customers generally pay for these services based on a net rate per day per individual.

## Managed Only

GEO recognizes revenue for its managed only contracts in the same manner as its Owned and Leased Secure Services and Owned and Leased Community-based contracts as discussed above. The primary exception is that GEO does not own or lease the facility. The facility is owned by the customer. In certain circumstances, GEO's customers may request that GEO make certain capital improvements to the facility or make other payments related to the facility. These payments are amortized as a reduction of revenues over the life of the contract. GEO's customers generally pay for these services based on a net rate per day per individual or a fixed monthly rate.

## Facility Construction and Design

Facility Construction and Design revenues during the year ended December 31, 2017 consisted of one contract with the Department of Justice in the State of Victoria (the "State") for the development and operation of a new 1,300-bed secure facility (the "Facility") in Ravenhall, a locality near Melbourne, Australia. The Facility was completed during the fourth quarter of 2017 and GEO is currently managing the Facility under a 25-year management contract. There were no facility construction and design revenues related to the Facility during the years ended December 31, 2019 or 2018. GEO's promise to design and construct the Facility was considered to be a separate and distinct performance obligation from the management obligation which includes the safe and secure housing, care and programming activities for incarcerated individuals similar to the secure services discussed above. For the obligation to manage the Facility, GEO determined revenue should be recorded over time using a time-based output method based on the same criteria as discussed above for secure services. Fees included and priced in the contract for managing the Facility are considered to be stated at their individual estimated stand-alone selling prices using the adjusted market assessment approach. These services are regularly provided by GEO on a stand-alone basis to similar customers within a similar range of amounts. GEO used the expected cost plus margin approach to allocate the transaction price to the construction obligation. GEO was entitled under the contract to receive consideration in the amount of its costs plus a margin.

During the design and construction phase, GEO determined that revenue should be recorded over time and applied cost based input methods using the actual costs incurred relative to the total estimated costs (percentage of completion basis) to determine progress towards contract completion and to calculate the corresponding amount of revenue and gross profit to recognize. Cost based input methods of revenue recognition are considered to be a faithful depiction of GEO's efforts to satisfy long-term construction contracts and therefore reflect the transfer of goods to the customer as the customer controls the work in progress as the Facility is constructed. Cost based input methods of revenue recognition also require GEO to make estimates of net contract revenues and costs to complete the project. Significant judgment was required to evaluate the costs to complete the project, including materials, labor, contingencies and other costs. If estimated total costs on the contract are greater than the net contract revenues, the entire estimated loss on the contract is recognized in the period the loss becomes known. The cumulative effect of revisions to estimates related to net contract revenues or costs to complete are recorded in the period in which the revisions to estimates are identified and the amounts can be reasonably estimated. 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 periods presented, there were no changes in job performance, job conditions and estimated profitability that required a revision to the estimated costs and income recorded.

GEO was the primary developer of the project and subcontracted with a bonded international design and build contractor to design and construct the Facility. As the primary contractor for the project, GEO determined that it was primarily responsible for fulfilling the promise to develop and provide the Facility to the State, including overall responsibility for the acceptability of the project in meeting the State's specifications. Therefore, GEO was considered to be a principal in the transaction and construction revenues and construction costs were recorded on a gross basis.

The cost of the project during the design and construction phase was funded by debt financing along with a capital contribution by GEO which was made in January 2017. GEO's promise to provide the equity contribution was considered to be a separate and distinct performance obligation that is separate from the construction and facility management obligations. The contribution represents a significant financing element which provided a benefit to the State. Costs incurred and estimated earnings in excess of billings were classified as contract receivable in the accompanying consolidated balance sheets. The contract receivable was partially satisfied through a State contribution, which was made in November 2017 upon commercial acceptance of the Facility, and by quarterly payments to be made over the 25-year operating phase. The timing of these payments provide the State with a significant benefit of financing for the Facility as the payments by the State occur significantly after performance (construction of the Facility). Therefore, the contract receivable has been recorded at net present value based on the timing of expected future settlement. Interest income is calculated using an effective interest rate of 8.97% and has been presented separately from facility design and construction revenue. Interest income also includes an equity return for GEO's capital contribution.

During 2019 and 2018, the Company had facility construction & design services related to an expansion project at its Fulham Correctional Centre in Australia which is expected to be completed in the third quarter of 2020. Revenues have been recorded under the same methodology as discussed above.

## Non-residential Services and Other

Non-residential Services and Other revenue consists of the Company's contracts with federal and various state and local governments to provide location, alcohol and drug detecting electronic monitoring and case management services to individuals on an as needed or as requested basis. This category also includes the Company's day reporting centers.

GEO recognizes revenues for electronic monitoring and case management services as the services are performed. Services provided consist of community-based supervision (home visits), in-person reporting, telephonic reporting and GPS and other electronic monitoring as well as overall contract management services. The rates for the various services are considered to be stated at their individual stand-alone selling prices. GEO has determined that the services to be provided are recognized over time based on the unit of occurrence of the various services as its customer simultaneously receives and consumes the benefits as the services are performed and GEO has a right to payment for performance completed to date. Generally, these services are paid based on a net rate per occurrence and a monthly fee for management services.

Certain of the Company's electronic monitoring contracts include providing monitoring equipment and related monitoring services activities (using internal proprietary software platforms) to its customers. These tasks are considered to be activities to fulfill the promise to provide electronic monitoring services to individuals and are not considered to be individually separate promises in the contract. In the context of the contract, the equipment and monitoring service is not considered to be capable of being distinct as the customer typically cannot benefit from the equipment or monitoring service on its own or with other readily available resources. Management has identified these activities as a bundle of services and determined that each day or unit of the promised service is distinct. These services are part of a series of distinct services that are substantially the same and are measured using the same measure of progress (time-based output method) and are therefore accounted for as a single performance obligation. GEO has determined that services are recognized over time as the customer simultaneously receives and consumes the benefits as the services are performed and GEO has a right to payment for performance completed to date.

Services provided for GEO's day reporting centers are similar to its Owned and Leased Community-based services discussed above with the exception of temporary housing.

## 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. Refer to Note 17-Income Taxes. Effective January 1, 2013, as a REIT that is required to distribute at least 90% 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.

The U.S. Tax Cut and Jobs Act ("Tax Act") was enacted on December 22, 2017 and introduced significant changes to U.S. income tax law. Effective January 1, 2018, the Tax Act reduced the U.S. statutory corporate tax rate of our domestic TRSs from 35% to 21% and created new items of taxable income and taxes on certain foreign sourced earnings and certain related-party payments, which are referred to as the global intangible low-taxed income and the base erosion and anti-abuse tax, respectively. In addition, in 2017 the Tax Act provided for a one-time transition tax on accumulated foreign subsidiary earnings not previously subject to U.S. income tax. While the Company has foreign operations, it has identified that there is no transition tax due. Accounting for the income tax effects of the Tax Act requires significant judgments and estimates in the interpretation and calculations of the provisions of the Tax Act.

Due to the timing of the enactment and the complexity involved in applying the provisions of the Tax Act, the Company made reasonable estimates of the effects and recorded provisional amounts in its financial statements for the year ended December 31, 2017. As



the Company collected and prepared necessary data, and interpreted any additional guidance issued by the U.S. Treasury Department, the IRS or other standard-setting bodies, it made adjustments over the course of the year to the provisional amounts, including refinements to deferred taxes. The accounting for the tax effects of the enactment of the Tax Act has been completed as of December 31, 2018.

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. 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 individuals within our care, 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 individuals within our care, including damages arising from an inmate'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 \$80.0 million per occurrence and \$100 million in the aggregate covering the operations of U.S. Secure Services, 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, cybersecurity 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 insurance policies discussed above, the Company's most significant insurance reserves relate to workers' compensation, general liability and auto claims. These reserves are undiscounted and were \$68.2 million and \$70.9 million as of December 31, 2019 and 2018, 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 [2]	Pension adjustments, net of tax	Total
Balance, January 1, 2019	\$ (14,573)	\$ (5,746)	\$ (3,299)	\$ (23,618)
Current-period other comprehensive income (loss) before reclassifications	2,259	419	(3,246)	(568)
Amounts reclassified from other comprehensive income into earnings	—	3,851	—	3,851
Net current-period comprehensive income (loss)	2,259	4,270	(3,246)	3,283
Balance, December 31, 2019	<u>\$ (12,314)</u>	<u>\$ (1,476)</u>	<u>\$ (6,545)</u>	<u>\$ (20,335)</u>
	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, January 1, 2018	\$ (7,470)	\$ (11,892)	\$ (5,084)	\$ (24,446)
Current-period other comprehensive income (loss)	(7,103)	6,146	1,785	828
Balance, December 31, 2018	<u>\$ (14,573)</u>	<u>\$ (5,746)</u>	<u>\$ (3,299)</u>	<u>\$ (23,618)</u>

[1] The foreign currency translation adjustment, net of tax, related to noncontrolling interests was not significant for the years ended December 31, 2019 or 2018.

[2] On May 22, 2019, the Company refinanced the debt associated with its Ravenhall project and terminated the associated interest rate swap derivatives which resulted in the reclassification of \$3.9 million into loss on extinguishment of debt that were previously reported in accumulated other comprehensive income (loss). In August 2019, the Company entered into two identical promissory notes in the aggregate amount of \$44.3 million which are secured by loan agreements and mortgage and security agreements on certain real property and improvements. The Company has entered into interest rate swap agreements to fix the interest rate at 4.22%. Refer to Note 8 - Derivative Financial Instruments and Note 13 - Debt for additional information.

There were no reclassifications out of accumulated other comprehensive income (loss) during the year ended December 31, 2018.

## 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 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 2019, 2018 and 2017:

	2019	2018	2017	
Risk free interest rates	2.44%	2.84%	1.53	%
Expected term	4-5 years	4-5 years	4-5 years	
Expected volatility	41%	40%	36	%
Expected dividend rate	8.47%	8.70%	5.79	%

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.

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 the 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 2019, 2018 and 2017 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 average key assumptions:

	2019		2018		2017
Expected volatility	43.7	%	44.5	%	42.2
Beta	1.00		1.05		1.11
Risk free interest rate	2.53	%	2.58	%	1.46

## Earnings Per Share

Basic earnings per share is computed by dividing the 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

### The Company implemented the following accounting standards during the year ended December 31, 2019:

In October 2018, the FASB issued ASU No. 2018-16, *“Derivatives and Hedging (Topic 815)”*. The purpose of this update is to include the Secured Overnight Financing Rate (SOFR) Overnight Index Swap Rate (OIS) as a benchmark interest rate for hedge accounting purposes. Because of concerns about the sustainability of LIBOR, the Federal Reserve Board and the Federal Reserve Bank of New York initiated an effort to introduce an alternative reference rate in the United States. The new standard became effective for the Company beginning January 1, 2019. The adoption of this standard did not have a material impact on the Company’s financial position, results of operations or cash flows.

In June 2018, the FASB issued ASU No. 2018-07, *“Compensation - Stock Compensation (Topic 718), Improvements to Nonemployee Share-Based Payment Accounting”* as a part of its Simplification Initiative. The amendments in this update expand the scope of Topic 718 to include share-based payment transactions for acquiring goods and services from nonemployees. An entity should apply the requirements of Topic 718 to nonemployee awards except for specific guidance on inputs to an option pricing model and the period of time over which share-based payment awards vest and the pattern of cost recognition over that period. The amendments specify that Topic 718 applies to all share-based payment transactions in which a grantor acquires goods or services to be used or consumed in a grantor’s own operations by issuing share-based payment awards. The amendments also clarify that Topic 718 does not apply to share-based payments used to effectively provide (1) financing to the issuer or (2) awards granted in conjunction with selling goods or services to customers as part of a contract accounted for under Topic 606, *“Revenue from Contracts with Customers.”* The new standard became effective for the Company beginning January 1, 2019. The adoption of this standard did not have a material impact on the Company’s financial position, results of operations or cash flows.

In February 2018, the FASB issued ASU No. 2018-02, *“Income Statement-Reporting Comprehensive Income-Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income”*. The amendments in this update allow an entity to elect to reclassify the income tax effects resulting from the Tax Cuts and Jobs Act on items within accumulated other comprehensive income (“AOCI”) to retained earnings. The new standard is effective for all entities for fiscal years beginning after December 15, 2018, and interim periods within those fiscal years. Early adoption was permitted. The Company adopted the new standard effective January 1, 2019 and has made a policy election to reclassify the income tax effects resulting from the Tax Cuts and Jobs Act on items within AOCI to distributions in excess of earnings on a prospective basis. As a result, the Company reclassified \$0.7 million for the tax effect of the tax rate reduction related to its pension liability and \$1.7 million for the tax effect of other income tax effects of tax reform on items remaining in AOCI related to currency translation adjustments to distributions in excess of earnings on January 1, 2019. The net effect of both adjustments resulted in an aggregate increase to distributions in excess of earnings of approximately \$1.0 million.

In August 2017, the FASB issued ASU No. 2017-12, *“Derivatives and Hedging - Targeted Improvements to Accounting for Hedging Activities.”* The objective of this guidance is to improve the financial reporting of hedging relationships to better portray the economic results of an entity’s risk management activities in its financial statements. Certain of the amendments in this update as they relate to cash flow hedges, eliminate the requirement to separately record hedge ineffectiveness currently in earnings. Instead, the entire change in the fair value of the hedging instrument is recorded in other comprehensive income. Those amounts are reclassified to earnings in the same income statement line item that is used to present the earnings effect of the hedged item when the hedged item affects earnings. The new standard became effective for the Company beginning January 1, 2019. The adoption of this standard did not have a material impact on the Company’s financial position, results of operations or cash flows.

In February 2016, the FASB issued ASU 2016-02, *“Leases,”* which requires entities to recognize lease assets and lease liabilities on the balance sheet and to disclose key information about leasing arrangements. For finance leases and operating leases, a lessee should recognize in the statement of financial position a liability to make lease payments (the lease liability) and a right-of-use asset representing its right to use the underlying asset for the lease term with each initially measured at the present value of the lease payments. The amendments in ASU 2016-02 became effective for the Company on January 1, 2019. The Company elected the package of transition expedients available for expired or existing lease contracts, which allowed it to carry forward its historical assessments of (1) whether contracts are or contain leases, (2) lease classification and (3) initial direct costs. The Company also elected not to apply the recognition requirements to lease arrangements that have terms of twelve months or less. The adoption had a material impact in the Company’s consolidated balance sheets, but did not have an impact on its consolidated statements of operations or cash flows. The most significant impact was the recognition of right-of-use assets and lease liabilities for operating leases, while our accounting for finance leases remained substantially unchanged. The new standard resulted in the recording of operating right-of-use lease assets and operating lease liabilities



of approximately \$140 million and \$147 million, respectively, as of January 1, 2019. Refer to Note 14 - Leases for further discussion and additional required disclosures.

### **The following accounting standards will be adopted in future periods:**

In August 2018, the FASB issued ASU No. 2018-14, “*Compensation-Retirement Benefits-Defined Benefit Plans-General (Topic 715.20)*” as a part of its disclosure framework project. The amendments in this update remove, modify and add certain disclosures primarily related to amounts in accumulated other comprehensive income expected to be recognized as components of net periodic benefit cost over the next fiscal year, explanations for reasons for significant gains and losses related to changes in the benefit obligation for the period, and projected and accumulated benefit obligations. The new standard is effective for the Company beginning January 1, 2021. The adoption of this standard is not expected to have a material impact on the Company’s financial position, results of operations or cash flows.

In August 2018, the FASB issued ASU No. 2018-13, “*Fair Value Measurement (Topic 820)*” as a part of its disclosure framework project. The amendments in this update remove, modify and add certain disclosures primarily related to transfers between Level 1 and Level 2 of the fair value hierarchy, various disclosures related to Level 3 fair value measurements and investments in certain entities that calculate net asset value. The new standard was effective for the Company beginning January 1, 2020. The adoption 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 2016, the FASB issued ASC No. 2016-13, “*Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*”. The purpose of Update No. 2016-13 is to replace the current incurred loss impairment methodology for financial assets measured at amortized cost with a methodology that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information, including forecasted information, to develop credit loss estimates. Update No. 2016-13 was effective for annual periods beginning after December 15, 2019, including interim periods within those annual periods. Early adoption is permitted for annual periods beginning after December 15, 2018. The Company has completed its process of determining the effect that the adoption will have on its financial position and results of operations and the Company does not expect the new standard will have a material impact on its financial statements.

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. Business Combinations**

### ***Community Education Centers Acquisition***

On April 5, 2017, the Company completed its acquisition of CEC, pursuant to a definitive merger agreement entered into on February 12, 2017 between the Company, GEO/DE/MC/01 LLC, and CEC Parent Holdings LLC. CEC is a private provider of rehabilitation services for offenders in reentry and in-prison treatment facilities as well as management services for county, state and federal correctional and detention facilities. Under the terms of the merger agreement, the Company acquired 100% of the voting interests in CEC for \$353.6 million.

The allocation of the purchase price for this transaction was complete as of March 31, 2018. During the measurement period, the Company adjusted provisional amounts with respect to the CEC acquisition that were 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 as of that date. Those changes are reflected in the table below. The purchase price allocation as of December 31, 2017 and as of March 31, 2018 and adjustments made to the estimated acquisition date fair values during the fiscal year ended December 31, 2018 are as follows (in thousands):

	Acquisition Date Estimated Fair Value as of December 31, 2017	Measurement Period Adjustments	Final Acquisition Date Fair Value as of March 31, 2018
Accounts Receivable	\$ 32,869	\$ —	\$ 32,869
Prepaid and other current assets	4,397	—	4,397
Property and equipment	126,510	—	126,510
Intangible assets	76,000	—	76,000
Favorable lease assets	3,110	—	3,110
Deferred income tax assets	4,116	44	4,160
Other non-current assets	4,327	—	4,327
Total assets acquired	\$ 251,329	\$ 44	\$ 251,373
Accounts payable and accrued expenses	51,651	(1,339)	50,312
Unfavorable lease liabilities	1,299	—	1,299
Other non-current liabilities	10,479	(1,166)	9,313
Total liabilities assumed	\$ 63,429	\$ (2,505)	\$ 60,924
Total identifiable net assets	187,900	2,549	190,449
Goodwill	165,656	(2,549)	163,107
Total consideration paid, net of cash acquired	\$ 353,556	\$ —	\$ 353,556

The Company recognized a reduction of operating expenses of \$2.3 million related to the CEC acquisition during the twelve months ended December 31, 2018 as a result of a recovery of funds held in escrow after the measurement period had ended.

As shown above, the Company recorded \$163.1 million of goodwill related to the purchase of CEC. The strategic benefits of the merger include the Company's ability to further position itself to meet the demand for increasingly diversified correctional, detention and community reentry facilities and services and the Company's ability to expand the delivery of enhanced in-prison rehabilitation including evidence-based treatment, integrated with post-release support services through GEO's Continuum of Care platform. These factors contributed to the goodwill that was recorded upon consummation of the transaction. The Company does not believe that any of the goodwill recorded as a result of the CEC acquisition will be deductible for federal income tax purposes.

Identifiable intangible assets purchased in the acquisition and their weighted average amortization periods in total and by major intangible asset class, as applicable, are included in the table below:

	Weighted Average Useful Life (years)	Fair Value as of April 5, 2017
Facility management contracts	18	\$75,300
Covenants not to compete	1	700
Total acquired intangible assets		<u>\$76,000</u>

### *Pro forma financial information (Unaudited)*

The results of operations of CEC are included in the Company's results of operations from April 5, 2017. The following unaudited pro forma information combines the consolidated results of operations of the Company and CEC as if the acquisition had occurred at January 1, 2017, which is the beginning of the earliest period presented. The pro forma amounts are included for comparative purposes and may not necessarily reflect the results of operations that would have resulted had the acquisition been completed at the beginning of the applicable period and may not be indicative of the results that will be attained in the future (in thousands):

	Year Ended (unaudited)
	December 31, 2017
Pro forma revenues	\$ 2,300,000
Pro forma net income attributable to the GEO Group, Inc.	\$ 160,000

The unaudited pro forma combined financial information presented above is compiled from the financial statements of the combined companies and includes pro forma adjustments for: (i) estimated changes in depreciation expense, interest expense and amortization expense; (ii) adjustments to eliminate intercompany transactions; (iii) adjustments to remove approximately \$15 million, for the year ended December 31, 2017, respectively, of non-recurring transaction and merger related costs directly related to the CEC acquisition that are included in the combined companies' financial results; and (iv) the income tax impact of the adjustments. The unaudited pro forma financial information does not include any adjustments to reflect the impact of cost savings or other synergies that may result from this acquisition. As noted above, the unaudited pro forma financial information does not purport to be indicative of the actual results that would have been achieved by the combined companies for the periods presented or that may be achieved by the combined companies in the future.

The Company has included revenue and earnings of approximately \$171 million and \$22 million, respectively, in its consolidated statements of operations for the year ended December 31, 2017 for CEC activity since April 5, 2017, the date of acquisition.

## **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.

During the years ended December 31, 2019, 2018 and 2017, GEO declared and paid the following regular cash distributions to its stockholders which were treated for federal income taxes as follows (retroactively adjusted to reflect the effects of the Company's 3-for-2 stock split):

Declaration Date	Payment Date	Record Date	Ordinary Dividends				Aggregate Payment Amount (millions)
				Qualified (1)	Non-Qualified	Nondividend Distributions (2)	
February 6, 2017	February 27, 2017	February 17, 2017	0.47	0.0175622	0.2468402	0.2025975	52.5
April 25, 2017	May 19, 2017	May 9, 2017	0.47	0.0176751	0.2484259	0.2038990	58.4
July 10, 2017	July 28, 2017	July 21, 2017	0.47	0.0176751	0.2484259	0.2038990	58.3
October 12, 2017	October 30, 2017	October 23, 2017	0.47	0.0176751	0.2484259	0.2038990	58.3
February 5, 2018	February 27, 2018	February 16, 2018	0.47	0.0461171	0.2090220	0.2148609	58.3
April 11, 2018	May 3, 2018	April 23, 2018	0.47	0.0461171	0.2090220	0.2148609	57.4
July 10, 2018	July 27, 2018	July 20, 2018	0.47	0.0461171	0.2090220	0.2148609	57.2
October 15, 2018	November 2, 2018	October 26, 2018	0.47	0.0461171	0.2090220	0.2148609	57.2
February 4, 2019	February 22, 2019	February 15, 2019	0.48	—	0.2759699	0.2040301	57.9
April 3, 2019	April 22, 2019	April 15, 2019	0.48	—	0.2759699	0.2040301	58.2
July 9, 2019	July 26, 2019	July 19, 2019	0.48	—	0.2759699	0.2040301	58.2
October 14, 2019	November 1, 2019	October 25, 2019	0.48	—	0.2759699	0.2040301	58.2

(1) For 2019, there are no Qualified Dividends. Qualified Dividends represents the portion of Total Ordinary Dividends which 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.

## Stock Buyback Program

On February 14, 2018, the Company announced that its Board authorized a stock buyback program authorizing the Company to repurchase up to a maximum of \$200 million of its shares of common stock. The stock buyback program will be funded primarily with cash on hand, free cash flow and borrowings under the Company's \$900 million revolving credit facility (the "Revolver"). The program is effective through October 20, 2020. The stock buyback program is intended to be implemented through purchases made from time to time in the open market or in privately negotiated transactions, in accordance with applicable Securities and Exchange Commission ("SEC") requirements. The stock buyback program does not obligate the Company to purchase any specific amount of its common stock and may be suspended or extended at any time at the discretion of the Company's Board. During the year ended December 31, 2018, the Company purchased 4,210,254 shares of its common stock at a cost of \$95.2 million primarily purchased with proceeds from the Company's Revolver. There were no purchases of the Company's common stock during the year ended December 31, 2019. The Company believes it has the ability to continue to fund the stock buyback program, its debt service requirements and its maintenance and growth capital expenditure requirements, while maintaining sufficient liquidity for other corporate purposes.

## Prospectus Supplement

On October 20, 2017, the Company filed with the SEC an automatic shelf registration on Form S-3ASR. Under this shelf registration, the Company may, from time to time, sell any combination of securities described in the prospectus in one or more offerings. Each time that the Company may sell securities, the Company will provide a prospectus supplement that will contain specific information about the terms



of that offering and the securities being offered. On November 9, 2017, in connection with the shelf registration, the Company filed with the SEC 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 \$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 common stock sold under this prospectus supplement during the years ended December 31, 2019 or 2018.

### *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, 2019, there were no shares of preferred stock outstanding.

### *Noncontrolling Interests*

The Company includes the results of operations and financial position of 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 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, 2019, 2018 and 2017.

## **4. Equity Incentive Plans**

The Board has adopted The GEO Group, Inc. 2018 Stock Incentive Plan (the "2018 Plan"), which was approved by the Company's shareholders on April 24, 2018. The 2018 Plan replaced the 2014 Stock Incentive Plan. As of the date the 2018 Plan was adopted, it provided for a reserve of 4,600,000 shares of common stock that may be issued pursuant to awards granted under the 2018 Plan. The Company filed a Form S-8 registration statement related to the 2018 Plan on May 11, 2018.

Under the terms of the 2018 Plan, the vesting period and, in the case of stock options, the exercise price per share, are determined by the terms of each grant agreement. 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. All stock options awarded under the 2018 Plan expire no later than ten years after the date of the grant. When options are exercised, the Company issues shares of common stock related to the exercised options.

The Company recognized compensation expense related to the Company plans for the years ended December 31, 2019, 2018 and 2017 as follows (in thousands):

	2019	2018	2017
Stock option plan expense	\$ 1,085	\$ 996	\$ 1,305
Restricted stock expense	\$ 21,260	\$ 21,053	\$ 18,539

## 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 January 1, 2019	1,462	\$ 24.30	7.20	\$ 924
Granted	391	22.68		
Exercised	(78 )	16.03		
Forfeited/Canceled	(185 )	24.60		
Options outstanding at December 31, 2019	1,590	\$ 24.29	6.90	\$ 232
Options vested and expected to vest at December 31, 2019	1,521	\$ 24.34	6.82	\$ 232
Options exercisable at December 31, 2019	809	\$ 24.84	5.53	\$ 232

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 2019 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, 2019. 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, 2019, 2018 and 2017 (in thousands):

	2019	2018	2017
Intrinsic value of options exercised	\$ 433	\$ 519	\$ 4,126
Fair value of shares vested	\$ 971	\$ 794	\$ 373

The following table summarizes information about the exercise prices and related information of stock options outstanding under the Company plans at December 31, 2019:

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)					
0-18.23	112	1.73	\$ 14.54	112	1.73	\$ 14.54
18.24-22.26	618	7.16	\$ 21.00	287	6.25	\$ 20.71
22.27-29.39	519	7.61	\$ 25.07	203	5.17	\$ 28.77
29.40-50.00	341	7.04	\$ 32.31	207	6.95	\$ 32.31
Total	1,590	6.90	\$ 24.29	809	5.53	\$ 24.84

The weighted average grant date fair value of options granted during the year ended December 31, 2019, 2018 and 2017 was \$3.96, \$3.64 and \$5.91 per share, respectively. There were 0.4 million, 0.5 million and 0.5 million options granted during the year ended December 31, 2019, 2018 and 2017, respectively.

The following table summarizes the status of non-vested stock options as of December 31, 2019 and changes during the year ended December 31, 2019:

	Number of Shares	Wtd. Avg. Grant Date Fair Value
	(In thousands)	
Options non-vested at January 1, 2019	816	\$ 3.86
Granted	391	3.96
Vested	(241)	3.55
Forfeited	(185)	4.04
Options non-vested at December 31, 2019	781	\$ 3.99

As of December 31, 2019, the Company had \$2.2 million of unrecognized compensation costs related to non-vested stock option awards that are expected to be recognized over a weighted average period of 2.5 years.

### Restricted Stock

During the year ended December 31, 2019, the Company granted approximately 788,000 shares of restricted stock to certain employees and executive officers. Of these awards, 250,000 are market and performance-based awards which will be forfeited if the Company does not achieve certain annual metrics during 2019, 2020 and 2021. The fair value of restricted stock awards, which do not contain a performance-based 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 performance-based restricted stock grants are subject to the achievement by GEO of two annual performance metrics as follows: (i) up to 50% 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, over a three year period from January 1, 2019 to December 31, 2021 and (ii) up to 50% of the shares of restricted stock ("ROCE Target Award") can vest at the end of a three-year period if GEO meets certain return on capital employed ("ROCE") performance targets over a three year period from January 1, 2019 to December 31, 2021. These market and 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.

During the year ended December 31, 2018, the Company granted approximately 906,000 shares of restricted stock to certain employees and executive officers. Of these awards, 352,500 are performance-based awards which will be forfeited if the Company does not achieve certain annual metrics over a three year period from January 1, 2018 to December 31, 2020.

The vesting of the performance-based restricted stock grants awarded in 2018 are subject to the achievement by GEO of two annual performance metrics as follows: (i) up to 50% 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, over a three year period from January 1, 2018 to December 31, 2020; and (ii) up to 50% of the ROCE Target Award can vest at the end of a three-year performance period if GEO meets certain ROCE performance targets over a three year period from January 1, 2018 to December 31, 2020. 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.

During the year ended December 31, 2017, the Company granted 933,000 shares of restricted stock to its executive officers and to certain senior employees. Of these awards, 352,500 are performance-based awards which will be forfeited if the Company does not achieve certain annual metrics over a three year period from January 1, 2017 to December 31, 2019. The vesting of the performance-based restricted stock grants awarded in 2017 are subject to the achievement by GEO of two annual performance metrics as follows: (i) up to 50% 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, over a three year period from January 1, 2017 to December 31, 2019; and (ii) up to 50% of the ROCE Target Award can vest at the end of a three-year period if GEO meets certain ROCE performance targets over a three year period from January 1, 2017 to December 31, 2019. 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.

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 the 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 2019, 2018 and 2017, 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.

The following table summarizes the status of restricted stock awards as of December 31, 2019 and changes during the year ended December 31, 2019:

	Shares	Wtd. Avg. Grant date Fair value
	(In thousands)	
Restricted stock outstanding at January 1, 2019	2,018	\$ 27.62
Granted	788	23.79
Vested	(701)	24.09
Forfeited/Canceled	(58)	23.99
Restricted stock outstanding at December 31, 2019	2,047	\$ 27.33

As of December 31, 2019, the Company had \$27.2 million of unrecognized compensation cost that is expected to be recognized over a weighted average period of 2.1 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 750,000 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, 2019, 2018 and 2017, 30,153, 24,365 and 20,009 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, 2019, 2018, and 2017 respectively, as follows:

Fiscal Year	2019	2018	2017
	(In thousands, except per share data)		
Net Income	\$ 166,412	\$ 144,827	\$ 146,024
Loss attributable to noncontrolling interests	191	262	217
Net income attributable to The GEO Group, Inc.	\$ 166,603	\$ 145,089	\$ 146,241
Basic earnings per share attributable to The GEO Group, Inc.:			
Weighted average shares outstanding	119,097	120,241	120,095
Per share amount	\$ 1.40	\$ 1.21	\$ 1.22
Diluted earnings per share attributable to The GEO Group, Inc.:			
Weighted average shares outstanding	119,097	120,241	120,095
Dilutive effect of equity incentive plans	214	506	719
Weighted average shares assuming dilution	119,311	120,747	120,814
Per share amount - diluted	\$ 1.40	\$ 1.20	\$ 1.21



For the year ended December 31, 2019, 1,495,210 weighted average shares of common stock underlying options were excluded from the computation of diluted EPS because the effect would be anti-dilutive. For the same period, 1,514,177 common stock equivalents from restricted shares were anti-dilutive and excluded from the computation of diluted EPS.

For the year ended December 31, 2018, 931,473 weighted average shares of common stock underlying options were excluded from the computation of diluted EPS because the effect would be anti-dilutive. For the same period, 680,062 common stock equivalents from restricted shares were anti-dilutive and excluded from the computation of diluted EPS.

For the year ended December 31, 2017, 617,025 weighted average shares of common stock underlying options were excluded from the computation of diluted EPS because the effect would be anti-dilutive. For the same period, 719,204 common stock equivalents from restricted shares were anti-dilutive and excluded from the computation of diluted EPS.

## 6. Property and Equipment

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

	Useful Life (Years)	2019	2018
		(In thousands)	
Land	—	\$ 128,874	\$ 131,377
Buildings and improvements	2 to 50	2,229,956	2,144,414
Leasehold improvements	1 to 29	291,511	303,348
Equipment	3 to 10	216,604	206,191
Furniture, fixtures and computer software	1 to 7	64,828	60,159
Facility construction in progress	—	31,979	65,282
Total		\$ 2,963,752	\$ 2,910,771
Less accumulated depreciation and amortization		(819,030)	(752,161)
Property and equipment, net		\$ 2,144,722	\$ 2,158,610

The Company amortizes 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 new construction and renovations to facilities that are owned by the Company. Interest capitalized in property and equipment for the years ended December 31, 2019 and 2018 was \$0.4 million and \$3.7 million, respectively.

Depreciation expense was \$107.9 million, \$103.5 million and \$98.9 million for the years ended December 31, 2019, 2018 and 2017, respectively.

At both December 31, 2019 and 2018, the Company had \$17.1 million of assets recorded under finance leases related to land, buildings and improvements. Finance leases are recorded net of accumulated amortization of \$14.2 million and \$13.2 million, at December 31, 2019 and 2018, respectively. Depreciation expense related to assets recorded under capital leases for each of the years ended December 31, 2019, 2018 and 2017 was \$1.0 million and is included in Depreciation and Amortization in the accompanying consolidated statements of operations.

## 7. Contract Receivable

On September 16, 2014, GEO's wholly-owned subsidiary, GEO Ravenhall Pty. Ltd., in its capacity as trustee of another 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 1,300-bed facility in Ravenhall, a locality near Melbourne, Australia under a public-private partnership financing structure. The design and construction phase ("D&C Phase") of the agreement began in September 2014 and was completed in November 2017. Project Co was the primary developer during the D&C Phase and subcontracted with a bonded international design and build contractor to design and construct the facility. GEO's wholly-owned subsidiary, the GEO Group Australasia Pty. Ltd. ("GEO Australia") is currently operating the facility under a 25-year management contract ("Operating Phase"). During the D&C Phase, GEO Australia provided construction management and consultant services to the State.

The cost of the project during the D&C Phase was funded by debt financing along with a capital contribution by GEO in the amount of AUD 115 million, or \$80.7 million based on exchange rates at December 31, 2019, which was contributed in January 2017 (Refer to Note 13 - Debt). Another wholly-owned subsidiary of GEO, Ravenhall Finance Co Pty. Limited ("Finance Co"), entered into a

syndicated facility agreement with National Australia Bank Limited to provide the debt financing for the project. In order to fix the interest rate on this variable non-recourse debt, Finance Co entered into interest rate swap agreements. Refer to Note 8 - Derivative Financial Instruments. Upon completion and commercial acceptance of the facility in November 2017, in accordance with the Ravenhall Contract, the State made a lump sum payment of AUD 310 million, or \$217.4 million based on exchange rates as of December 31, 2019, towards a portion of the outstanding balance. The remaining balance will be paid over the life of the 25-year management contract.

During the D&C Phase, the Company recognized 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 are classified as Contract Receivable in the accompanying consolidated balance sheets. The total balance of the Contract Receivable at December 31, 2019 is \$371.8 million which is recorded at net present value based on the timing of expected future settlement. Interest income is recorded as earned using an effective interest rate of 8.97%. As the primary contractor, Project Co was exposed to the various risks associated with the D&C Phase. Accordingly, the Company recorded construction revenue on a gross basis and included the related costs of construction activities in operating expenses within the Facility Design & Construction segment. Reimbursable pass through costs were excluded from revenues and expenses.

## 8. 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.

In August 2019, the Company entered into two interest rate swap agreements in the aggregate notional amount of \$44.3 million to fix the interest rate on certain of its variable rate debt to 4.22%. The Company has designated these interest rate swaps as hedges against changes in the cash flows of two identical promissory notes (the "Notes") which are secured by loan agreements and mortgage and security agreements on certain real property and improvements. The Company has determined that the swaps have payment, expiration dates, and provisions that coincide with the terms of the Notes and are therefore considered to be effective cash flow hedges. Accordingly, the Company records the change in fair value of the interest rate swaps as accumulated other comprehensive income (loss), net of applicable taxes. Total unrealized losses recorded in total other comprehensive income (loss), net of tax, related to these cash flow hedges was \$1.5 million during the year ended December 31, 2019. The total fair value of the swap liabilities as of December 31, 2019 was \$1.9 million and is recorded as a component of Other Non-Current liabilities within the accompanying balance sheet. There was no material ineffectiveness for the period presented. The Company does not expect to enter into any transactions during the next twelve months which would result in reclassification into earnings or losses associated with these swaps currently reported in accumulated other comprehensive income (loss). Refer to Note 13 - Debt for additional information.

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 project in Ravenhall, a locality near Melbourne, Australia to 4.2%. The Company determined that the swaps had payment, expiration dates, and provisions that coincided with the terms of the non-recourse debt and were therefore considered to be effective cash flow hedges. Accordingly, the Company recorded the change in the fair value of the interest rate swaps in accumulated other comprehensive income (loss), net of applicable income taxes. On May 22, 2019, the Company refinanced the associated debt and terminated the swap agreements which resulted in the reclassification of \$3.9 million into losses that were previously reported in accumulated other comprehensive income (loss). Refer to Note 13 - Debt for additional information.

## 9. Goodwill and Other Intangible Assets, Net

The Company has recorded goodwill as a result of its various business combinations. On April 5, 2017, the Company completed its acquisition of CEC. Refer to Note 2 - Business Combinations. Goodwill is recorded as the difference, if any, between the aggregate consideration paid for an acquisition and the fair value of the tangible assets and intangible assets acquired net of liabilities assumed, including noncontrolling interests. Changes in the Company's goodwill balances recognized during the years ended December 31, 2019 and 2018 were as follows (in thousands):

	12/31/2018	Foreign currency translation	12/31/2019
U.S. Secure Services	\$ 316,366	\$ —	\$ 316,366
GEO Care	459,589	—	459,589
International Services	404	(3)	401
Total Goodwill	\$ 776,359	\$ (3)	\$ 776,356

	12/31/2017	Acquisitions (net of dispositions)	Foreign currency translation	12/31/2018
U.S. Secure Services	\$ 317,005	\$ (639)	\$ —	\$ 316,366
GEO Care	461,499	(1,910)	—	459,589
International Services	447	—	(43)	404
Total Goodwill	<u>\$ 778,951</u>	<u>\$ (2,549)</u>	<u>\$ (43)</u>	<u>\$ 776,359</u>

Intangible assets consisted of the following as of December 31, 2019 and 2018 (in thousands):

	December 31, 2019				December 31, 2018		
	Weighted Average Useful Life (years)	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Facility management contracts	16.3	\$ 308,432	\$ (148,171)	\$ 160,261	\$ 308,419	\$ (127,481)	\$ 180,938
Covenants not to compete	1	—	—	—	700	(700)	—
Technology	7.3	33,700	(29,091)	4,609	33,700	(27,478)	6,222
Trade names	Indefinite	45,200	—	45,200	45,200	—	45,200
Total acquired intangible assets		<u>\$ 387,332</u>	<u>\$ (177,262)</u>	<u>\$ 210,070</u>	<u>\$ 388,019</u>	<u>\$ (155,659)</u>	<u>\$ 232,360</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 \$22.3 million, \$22.9 million and \$24.7 million for the years ended December 31, 2019, 2018 and 2017, respectively, and primarily related to the U.S. Secure Services 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, 2019, the weighted average period before the next contract renewal or extension for the facility management contracts was approximately 1.8 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 2020 through 2024 and thereafter is as follows (in thousands):

Fiscal Year	Total Amortization Expense
2020	\$ 22,288
2021	19,782
2022	18,138
2023	13,494
2024	9,761
Thereafter	81,407
	<u>\$ 164,870</u>

## 10. 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):

		Fair Value Measurements at December 31, 2019		
	Carrying Value at December 31, 2019	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets:				
Restricted investments:				
Rabbi Trust	\$ 28,332	\$ —	\$ 28,332	\$ —
Fixed income securities	1,892	—	1,892	—
Liabilities:				
Interest rate swap derivatives	\$ 1,869	\$ —	\$ 1,869	\$ —

		Fair Value Measurements at December 31, 2018		
	Carrying Value at December 31, 2018	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets:				
Restricted investments:				
Rabbi Trust	\$ 20,892	\$ —	\$ 20,892	\$ —
Fixed income securities	1,801	—	1,801	—
Liabilities:				
Interest rate swap derivatives	\$ 8,638	\$ —	\$ 8,638	\$ —

The Company's Level 2 financial instruments included in the tables above as of December 31, 2019 and 2018 consist of interest rate swap derivative liabilities held by GEO and the Company's Australian subsidiary, the Company's rabbi trust established for GEO employee and employer contributions to The GEO Group, Inc. Non-qualified Deferred Compensation Plan and an investment in Canadian dollar denominated fixed income securities. On May 22, 2019, the Company terminated the interest rate swap derivative liabilities in connection with a debt refinancing transaction by our Australian subsidiary. Refer to Note 8 - Derivative Financial Instruments and Note 13 - Debt for additional information.

The interest rate swap derivative liabilities are valued using a discounted cash flow model based on projected borrowing rates. 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 underlying assets are equity and fixed income pooled funds that are comprised of Level 1 and Level 2 securities. The Canadian dollar denominated securities, not actively traded, are valued using quoted rates for these and similar securities.

During the years ended December 31, 2019 and 2018, the Company transferred certain accounts receivable balances that had a carrying value of approximately \$3.0 million and \$6.9 million, respectively, to an unrelated third party. The transfers were accounted for as sales and the Company has no continuing involvement with the transferred assets. The Company received cash proceeds in connection with the sales of approximately \$3.0 million and \$6.9 million, respectively, and as such, there was no gain or loss in connection with the



transactions.

## 11. 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 estimated fair values (in thousands):

Estimated Fair Value Measurements at December 31, 2019					
	Carrying Value as of December 31, 2019	Total Fair Value	Level 1	Level 2	Level 3
<b>Assets:</b>					
Cash and cash equivalents	\$ 32,463	\$ 32,463	\$ 32,463	\$ —	\$ —
Restricted cash and investments	35,010	35,010	35,010	—	—
<b>Liabilities:</b>					
Borrowings under Senior Credit Facility	\$ 1,298,671	\$ 1,218,861	\$ —	\$ 1,218,861	\$ —
5.875% Senior Notes due 2022	193,958	194,239	—	194,239	—
5.125% Senior Notes	300,000	287,982	—	287,982	—
5.875% Senior Notes due 2024	250,000	228,493	—	228,493	—
6.00% Senior Notes	350,000	314,052	—	314,052	—
Non-recourse debt	328,178	327,792	—	327,792	—

Estimated Fair Value Measurements at December 31, 2018					
	Carrying Value as of December 31, 2018	Total Fair Value	Level 1	Level 2	Level 3
<b>Assets:</b>					
Cash and cash equivalents	\$ 31,255	\$ 31,255	\$ 31,255	\$ —	\$ —
Restricted cash and investments	53,217	53,217	50,499	2,718	—
<b>Liabilities:</b>					
Borrowings under Senior Credit Facility	\$ 1,273,965	\$ 1,188,196	\$ —	\$ 1,188,196	\$ —
5.875% Senior Notes due 2022	250,000	244,550	—	244,550	—
5.125% Senior Notes	300,000	271,992	—	271,992	—
5.875% Senior Notes due 2024	250,000	224,590	—	224,590	—
6.00% Senior Notes	350,000	310,177	—	310,177	—
Non-recourse debt	340,910	348,274	—	348,274	—

The fair values of the Company's cash and cash equivalents, and restricted cash approximates the carrying values of these assets at December 31, 2019 and 2018. 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 6.00% senior unsecured notes due 2026 (the "6.00% Senior Notes"), 5.125% Senior Notes due 2023 (the "5.125% Senior Notes"), 5.875% Senior Notes due 2022 (the "5.875% Senior Notes due 2022") and the 5.875% Senior Notes due 2024 (the "5.875% Senior Notes due 2024"), although not actively traded, are based on published financial data for these instruments. The fair value of the Company's non-recourse debt is based on estimate of trading value considering the Company's borrowing rate, the undrawn spread and similar instruments. The fair value of borrowings under the Senior Credit Facility is also based on an estimate of trading value considering the Company's borrowing rate, the undrawn spread and similar instruments.

## 12. Accrued Expenses and other current liabilities

Accrued expenses and other current liabilities consisted of the following (in thousands):

	2019	2018
Accrued interest	\$ 17,850	\$ 19,554
Accrued bonus	16,914	15,047
Accrued insurance	73,192	71,524
Accrued repair obligations for damaged property	4,343	19,067
Accrued property and other taxes	35,192	26,828
Construction retainage	1,097	1,913
Other	43,020	50,237
<b>Total</b>	<b>\$ 191,608</b>	<b>\$ 204,170</b>

## 13. Debt

Debt consisted of the following (in thousands):

	December 31, 2019	December 31, 2018
<b>Senior Credit Facility:</b>		
Term loan	\$ 778,000	\$ 786,000
Unamortized debt issuance costs on term loan	(5,410)	(6,826)
Unamortized discount on term loan	(2,281)	(2,878)
Revolver	520,671	490,843
<b>Total Senior Credit Facility</b>	<b>\$ 1,290,980</b>	<b>\$ 1,267,139</b>
<b>6.00% Senior Notes:</b>		
Notes Due in 2026	\$ 350,000	\$ 350,000
Unamortized debt issuance costs	(4,282)	(4,820)
<b>Total 6.00% Senior Notes Due in 2026</b>	<b>\$ 345,718</b>	<b>\$ 345,180</b>
<b>5.875% Senior Notes:</b>		
Notes Due in 2024	\$ 250,000	\$ 250,000
Unamortized debt issuance costs	(2,532)	(2,971)
<b>Total 5.875% Senior Notes Due in 2024</b>	<b>\$ 247,468</b>	<b>\$ 247,029</b>
<b>5.125% Senior Notes:</b>		
Notes Due in 2023	\$ 300,000	\$ 300,000
Unamortized debt issuance costs	(2,876)	(3,548)
<b>Total 5.125% Senior Notes Due in 2023</b>	<b>\$ 297,124</b>	<b>\$ 296,452</b>
<b>5.875% Senior Notes:</b>		
Notes Due in 2022	\$ 193,958	\$ 250,000
Unamortized debt issuance costs	(1,351)	(2,514)
<b>Total 5.875% Senior Notes Due in 2022</b>	<b>\$ 192,607</b>	<b>\$ 247,486</b>
<b>Non-Recourse Debt:</b>		
Non-Recourse Debt	\$ 328,178	\$ 341,074
Unamortized debt issuance costs on non-recourse debt	(5,279)	(3,883)
Discount on Non-Recourse Debt	(81)	(164)
<b>Total Non-Recourse Debt</b>	<b>\$ 322,818</b>	<b>\$ 337,027</b>
Finance Lease Obligations	4,570	6,059
Other debt	43,410	2,469
<b>Total debt</b>	<b>\$ 2,744,695</b>	<b>\$ 2,748,841</b>
Current portion of finance lease obligations, long-term debt and non-recourse debt [1]	(24,208)	(332,027)
Finance Lease Obligations, long-term portion	(2,954)	(4,570)
Non-Recourse Debt, long-term portion	(309,236)	(15,017)
<b>Long-Term Debt</b>	<b>\$ 2,408,297</b>	<b>\$ 2,397,227</b>

[1] Balance at December 31, 2018 includes the balance of the non-recourse debt related to Ravenhall which, in accordance with the syndicated facility agreement, had to be refinanced in September 2019. As such, the balance has been reflected as current as of December 31, 2018. In May 2019, the debt was refinanced and the long-term portion was reclassified.

### *Amended and Restated Credit Agreement*

On June 12, 2019, GEO entered into Amendment No. 2 to Third Amended and Restated Credit Agreement (the “Credit Agreement”) by and among the refinancing lenders party thereto, the other lenders party thereto, GEO and GEO Corrections Holdings, Inc. and the administrative agent. Under the amendment, the maturity date of the revolver component of the Credit Agreement has been extended to May 17, 2024. The borrowing capacity under the amended revolver will remain at \$900 million, and its pricing will remain unchanged, currently bearing interest at LIBOR plus 2.25%. As a result of the transaction, the Company incurred a loss on extinguishment of debt of \$1.2 million related to certain unamortized deferred loan costs. Additionally, loan costs of \$4.7 million were incurred and capitalized in connection with the transaction.

The Credit Agreement evidences a credit facility (the “Credit Facility”) consisting of the \$792.0 million term loan discussed above (the “Term Loan”) bearing interest at LIBOR plus 2.00% (with a LIBOR floor of 0.75%), and a \$900.0 million Revolver initially bearing interest at LIBOR plus 2.25% (with no LIBOR floor) together with AUD275 million available solely for the issuance of financial letters of credit and performance letters of credit, in each case denominated in Australian Dollars under the Australian Dollar Letter of Credit Facility (the “Australian LC Facility”). As of December 31, 2019, there were no letters of credit issued under the Australian LC Facility. Amounts to be borrowed by GEO under the Credit Agreement are subject to the satisfaction of customary conditions to borrowing. The Term Loan component is scheduled to mature on March 23, 2024. The revolving credit commitment component is scheduled to mature on May 17, 2024. The Credit Agreement also has an accordion feature of \$450.0 million, subject to lender demand and prevailing market conditions and satisfying the relevant borrowing conditions.

The Credit Agreement contains certain customary representations and warranties, and certain customary covenants that restrict GEO’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 6.25 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 GEO conducts, and (xi) materially impair GEO’s lenders’ security interests in the collateral for its loans.

Events of default under the Credit Agreement include, but are not limited to, (i) GEO’s failure to pay principal or interest when due, (ii) GEO’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 asserted against GEO, and (viii) a change in control.

All of the obligations under the Credit Agreement are unconditionally guaranteed by certain domestic subsidiaries of GEO and the Credit Agreement and the related guarantees are secured by a perfected first-priority pledge of substantially all of GEO’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 GEO and each guarantor in their domestic subsidiaries.

The Australian borrowers are wholly owned foreign subsidiaries of GEO. GEO has designated each of the Australian borrowers as restricted subsidiaries under the Credit Agreement. However, the Australian borrowers are not obligated to pay or perform any obligations under the Credit Agreement other than their own obligations as Australian borrowers under the Credit Agreement. The Australian borrowers do not pledge any of their assets to secure any obligations under the Credit Agreement.

On August 18, 2016, the Company executed a Letter of Offer by and among GEO and HSBC Bank Australia Limited (the “Letter of Offer”) providing for a bank guarantee line and bank guarantee/standby sub-facility in an aggregate amount of AUD100 million, or \$70.1 million, based on exchange rates in effect as of December 31, 2019 (collectively, the “Bank Guarantee Facility”). The Bank Guarantee Facility allows GEO to provide letters of credit to assure performance of certain obligations of its wholly owned subsidiary relating to its secure facility project in Ravenhall, located near Melbourne, Australia. In accordance with the Ravenhall Contract, upon the completion of a certain period of operations, the Bank Guarantee Facility was reduced during the fourth quarter of 2019 to approximately AUD58 million, or \$40.7 million, based on exchange rates in effect as of December 31, 2019. The Bank Guarantee Facility is unsecured. The issuance of letters of credit under the Bank Guarantee Facility is subject to the satisfaction of the conditions precedent specified in the Letter of Offer. Letters of credit issued under the bank guarantee lines are due on demand and letters of credit issued under the bank guarantee/standby sub-facility cannot have a duration exceeding twelve months. The Bank Guarantee Facility may be terminated by HSBC Bank Australia Limited on 90 days written notice. As of December 31, 2019, there was approximately AUD58 million in letters of credit issued under the Bank Guarantee Facility.

As of December 31, 2019, the Company had \$778.0 million in aggregate borrowings outstanding under the Term Loan, \$520.7 million in borrowings under the Revolver, and approximately \$62.0 million in letters of credit which left \$317.0 million in additional borrowing capacity under the Revolver. In addition, the Company has the ability to increase the Senior Credit Facility by an additional \$450.0 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, 2019 was 3.8%.

### 6.00% Senior Notes due 2026

On April 18, 2016, the Company completed an offering of \$350.0 million aggregate principal amount of 6.00% senior notes due 2026. The 6.00% Senior Notes were offered and sold in a registered offering pursuant to an underwriting agreement, dated as of April 11, 2016 (the “Underwriting Agreement”) among the Company, certain of the Company’s domestic subsidiaries, as guarantors and Wells Fargo Securities, LLC, as representative for the underwriters named therein. The 6.00% Senior Notes were issued by the Company pursuant to the Indenture, dated as of September 25, 2014 (the “Base Indenture”), by and between the Company and Wells Fargo Bank, National Association, as trustee, as supplemented by a Second Supplemental Indenture, dated as of April 18, 2016 (the “Second Supplemental Indenture” and together with the Base Indenture, the “Indenture”), by and among the Company, the guarantors and the trustee which governs the terms of the 6.00% Senior Notes. The sale of the 6.00% Senior Notes was registered under GEO’s prior shelf registration statement on Form S-3 filed on September 12, 2014, as amended (File No. 333-198729). The 6.00% Senior Notes were issued at a coupon rate and yield to maturity of 6.00%. Interest on the 6.00% Senior Notes is payable semi-annually on April 15 and October 15 of each year, commencing on October 15, 2016. The 6.00% Senior Notes mature on April 15, 2026. The Company used the net proceeds to fund the tender offer and the redemption of all of its 6.625% Senior Notes (see discussion below), to pay all related fees, costs and expenses and for general corporate purposes including repaying borrowings under the Company’s Revolver.

Up to 35% of the aggregate principal amount of the 6.00% Senior Notes could have been redeemed on or prior to April 15, 2019, with the net cash proceeds from certain equity offerings at a redemption price equal to 106.000% of their principal amount, plus accrued and unpaid interest, if any, to the redemption date. In addition, GEO may, at its option, redeem the 6.00% Senior Notes in whole or in part before April 15, 2021 at a redemption price equal to 100% of the principal amount of the 6.00% Senior Notes being redeemed plus a “make-whole” premium, together with accrued and unpaid interest, if any, to the redemption date.

On or after April 15, 2021, GEO may, at its option, redeem all or part of the 6.00% 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, if any, on the 6.00% Senior Notes redeemed, to the applicable redemption date, if redeemed during the 12-month period beginning on April 15 of the years indicated below:

Year	Percentage
2021	103.000%
2022	102.000%
2023	101.000%
2024 and thereafter	100.000%

If there is a “change of control” (as defined in the Indenture), holders of the 6.00% Senior Notes will have the right to cause GEO to repurchase their 6.00% Senior Notes at a price equal to 101% of the principal amount of the 6.00% Senior Notes repurchased plus accrued and unpaid interest, if any, to the purchase date.

The 6.00% Senior Notes are guaranteed on a senior unsecured basis by the guarantors. The 6.00% Senior Notes and the guarantees are unsecured, unsubordinated obligations of GEO and the guarantors. The 6.00% Senior Notes rank equally in right of payment with any unsecured, unsubordinated indebtedness of GEO and the guarantors, including GEO’s 5.875% Senior Notes due 2022, the 5.125% Senior Notes due 2023 and the 5.875% Senior Notes due 2024, and the guarantors’ guarantees thereof, senior in right of payment to any future indebtedness of GEO and the guarantors that is expressly subordinated to the 6.00% Senior Notes and the guarantees, effectively junior to any secured indebtedness of GEO and the guarantors, including indebtedness under GEO’s Senior Credit Facility, to the extent of the value of the assets securing such indebtedness, and structurally junior to all obligations of GEO’s subsidiaries that are not guarantors, including trade payables.

The Indenture contains covenants which, among other things, limit the ability of GEO and its “restricted subsidiaries” (as defined in the Indenture) 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 GEO’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 GEO, 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 GEO to pay interest



on the 6.00% Senior Notes when due, which failure continues for 30 days; failure by GEO to pay the principal of, or premium, if any, on, the 6.00% Senior Notes when due; failure by GEO or any of its restricted subsidiaries to comply with their obligations to offer to repurchase the 6.00% Senior Notes at the option of the holders of the 6.00% Senior Notes upon a change of control, to offer to redeem the 6.00% Senior Notes under certain circumstances in connection with asset sales with “excess proceeds” (as defined in the Indenture) in excess of \$50.0 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.

### ***5.875% Senior Notes due 2024***

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 due 2024”). 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 due 2024 are guaranteed on a senior unsecured basis by all the Company’s restricted subsidiaries that guarantee obligations. The 5.875% Senior Notes due 2024 rank equally in right of payment with any unsecured, unsubordinated indebtedness of the Company and the guarantors, including the Company’s 5.875% Senior Notes due 2022, the 5.125% Senior Notes due 2023, the 6.00% Senior Notes due 2026, 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 due 2024 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 due 2024 was registered under the Company’s prior 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 could have, at its option, redeemed the 5.875% Senior Notes due 2024 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 due 2024 being redeemed plus a “make-whole” premium, together with accrued and unpaid interest, if any, to the redemption date. In addition, the Company may, at its option, redeem the 5.875% Senior Notes due 2024 in whole or in part on or after October 15, 2019 through 2024 and thereafter as indicated below:

Year	Percentage
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 due 2024 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 due 2024 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 due 2024 at the option of the holders of the 5.875% Senior Notes due 2024 upon a change of control, to offer to redeem the 5.875% Senior Notes due 2024 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 financial covenants of the indenture governing the 5.875% Senior Notes due 2024 as of December 31, 2019.

### 5.125% Senior Notes due 2023

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 6.00% Senior Notes, the Company’s 5.875% Senior Notes due 2022 and the 5.875% Senior Notes due 2024. 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 6.00% Senior Notes, the 5.875% Senior Notes due 2022 and the 5.875% Senior Notes due 2024. 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 prior to April 1, 2018, the Company could have, at its option, redeemed 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 period beginning on April 1 of the years indicated below:

Year	Percentage	
2020	100.854	%
2021 and thereafter	100.000	%

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 was in compliance with all of the financial covenants of the indenture governing the 5.125% Senior Notes as of December 31, 2019.

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.

### 5.875% Senior Notes due 2022

On October 3, 2013, the Company completed an offering of \$250.0 million aggregate principal amount of senior notes due 2022 (the “5.875% Senior Notes due 2022”) 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 5.875% Senior Notes due 2022 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 5.875% Senior Notes due 2022 were issued at a coupon rate and yield to maturity of 5.875%. Interest on the 5.875% Senior Notes due 2022 is payable semi-annually in cash in arrears on January 15 and July 15, commencing on January 15, 2014. The 5.875% Senior Notes due 2022 mature on January 15, 2022. The 5.875% Senior Notes due 2022 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 6.00% Senior Notes, the 5.125% Senior Notes and the 5.875% Senior Notes due 2024. The 5.875% Senior Notes due 2022 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 5.875% Senior Notes due 2022 are structurally subordinated to all existing and future liabilities (including trade payables) of the Company’s subsidiaries that do not guarantee the 5.875% Senior Notes due 2022.

On or after January 15, 2017, GEO may, at its option, redeem all or part of the 5.875% Senior Notes 2022 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 5.875% Senior Notes due 2022 redeemed, to the applicable redemption date, if redeemed during the 12-month period beginning on January 15 of the years indicated below:

Year	Percentage
2020 and thereafter	100.000 %

If there is a “change of control” (as defined in the Indenture), holders of the 5.875% Senior Notes due 2022 will have the right to cause GEO to repurchase their 5.875% Senior Notes due 2022 at a price equal to 101% of the principal amount of the 5.875% Senior Notes due 2022 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 5.875% Senior Notes due 2022 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 financial covenants of the indenture governing the 5.875% Senior Notes due 2022 as of December 31, 2019.

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 5.875% Senior Notes due 2022 when due, which failure continues for 30 days; failure by GEO to pay the principal of, or premium, if any, on, the 5.875% Senior Notes due 2022 when due; failure by GEO or any of its restricted subsidiaries to comply with their obligations to offer to repurchase the 5.875% Senior Notes due 2022 at the option of the holders of the 5.875% Senior Notes due 2022 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.

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 5.875% Senior Notes due 2022 (the “Registration Rights Agreement”), GEO agreed to register under the Securities Act notes having terms identical in all material respects to the 5.875% Senior Notes due 2022 (the “5.875% Exchange Notes”) and to make an offer to exchange the 5.875% Exchange Notes for the 5.875% Senior Notes due 2022. 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.

## Debt Repurchases

On August 16, 2019, the Company's Board of Directors authorized the Company to repurchase and/or retire a portion of the 6.00% Senior Notes due 2026, the 5.875% Senior Notes due 2024, the 5.125% Senior Notes due 2023, the 5.875% Senior Notes due 2022 (collectively the "GEO Senior Notes") and the Company's term loan under its Amended Credit Agreement through cash purchases, in open market, privately negotiated transactions, or otherwise, up to an aggregate maximum of \$100.0 million, subject to certain limitations through December 31, 2020.

During 2019, the Company repurchased approximately \$56.0 million in aggregate principal amount of its 5.875% Senior Notes due 2022 at a weighted average price of 97.55% for a total cost of \$54.7 million. As a result of these repurchases, the Company recognized a net loss on extinguishment of debt of \$0.3 million during the year ended December 31, 2019.

## Non-Recourse Debt

### Northwest ICE Processing Center

On December 9, 2011, the Washington Economic Development Finance Authority 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 ("CSC") for purposes of reimbursing GEO for costs incurred by GEO for the 2009 expansion of the Northwest ICE Processing Center 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, 2019, the remaining balance of the debt service requirement related to the 2011 Revenue Bonds is \$15.7 million, of which \$7.7 million is classified as current in the accompanying balance sheet. As of December 31, 2019, included in restricted cash and investments is \$4.7 million (all current) of funds held in trust with respect to the Northwest ICE Processing Center for debt service and other reserves which had not been released to the Company as of December 31, 2019.

## Australia - Ravenhall

In connection with a design and build facility project agreement with the State of Victoria, in September 2014 the Company entered into a syndicated facility agreement (the "Construction Facility") to provide debt financing for construction of the project. Refer to Note 7 - Contract Receivable. The Construction Facility provided for non-recourse funding up to AUD 791 million, or \$554.8 million, based on exchange rates as of December 31, 2019. Construction draws were funded throughout the project according to a fixed utilization schedule as defined in the syndicated facility agreement. The term of the Construction Facility was through September 2019 and bore interest at a variable rate quoted by certain Australian banks plus 200 basis points. On May 22, 2019, the Company completed an offering of AUD 461.6 million, or \$323.8 million, based on exchange rates as of December 31, 2019, aggregate principal amount of non-recourse senior secured notes due 2042 (the "Non-Recourse Notes"). The amortizing Non-Recourse Notes were issued by Ravenhall Finance Co Pty Limited in a private placement pursuant to Section 4(a)(2) of the Securities Act of 1933, as amended. The Non-Recourse Notes were issued with a coupon and yield to maturity of 4.23% with a maturity date of March 31, 2042. The net proceeds from this offering were used to refinance the outstanding Construction Facility and to pay all related fees, costs and expenses associated with the transaction. As a result of the transaction, the Company incurred a \$4.5 million loss on extinguishment of debt related to swap termination fees and unamortized deferred loan costs associated with the Construction Facility. Additionally, loan costs of approximately \$7.5 million were incurred and capitalized in connection with the offering.

## Other

In August 2019, the Company entered into two identical promissory notes in the aggregate amount of \$44.3 million which are secured by loan agreements and mortgage and security agreements on certain real property and improvements. The terms of the promissory notes are through September 1, 2034 and bear interest at LIBOR plus 200 basis points and are payable in monthly installments plus interest. The Company has entered into interest rate swap agreements to fix the interest rate at 4.22%. Included in the balance at December 31, 2019 is \$0.7 million of deferred loan costs incurred in the transaction. Refer to Note 8 - Derivative Financial Instruments for further information.



## Debt Repayment

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

Fiscal Year	Finance Leases	Long-Term Debt	Non-Recourse Debt	Revolver	Term Loans	Total Annual Repayment
(In thousands)						
2020	\$ 1,934	\$ 1,026	\$ 13,901	\$ —	\$ 8,000	\$ 24,861
2021	1,936	1,071	14,780	—	8,000	25,787
2022	1,233	195,075	7,722	—	8,000	212,030
2023	—	301,166	8,218	—	8,000	317,384
2024	—	251,208	8,688	520,671	746,000	1,526,567
Thereafter	—	388,535	274,869	—	—	663,404
	5,103	1,138,081	328,178	520,671	778,000	2,770,033
Interest imputed on Capital Leases	(533)	—	—	—	—	(533)
Original issue discount	—	—	(81)	—	(2,281)	(2,362)
Current portion	(1,616)	(1,026)	(13,901)	—	(8,000)	(24,543)
Non-current portion	\$ 2,954	\$ 1,137,055	\$ 314,196	\$ 520,671	\$ 767,719	\$ 2,742,595

## Guarantees

The Company has entered into certain guarantees in connection with the performance of a facility in Australia (Refer to Note 7 - Contract Receivable). The obligations amounted to approximately AUD58 million, or \$40.7 million, based on exchange rates in effect as of December 31, 2019. These guarantees are secured by outstanding letters of credit under the Company's Revolver as of December 31, 2019.

At December 31, 2019, the Company also had eight letters of guarantee outstanding under separate international facilities relating to performance guarantees of its Australian subsidiary totaling \$10.8 million.

In connection with the creation of South African Custodial Services Pty. Limited ("SACS"), the Company entered into certain guarantees related to the financing, construction and operation of the South African facility. The Company guaranteed certain obligations of SACS under its debt agreements to SACS' former senior lenders through the issuance of letters of credit under the Company's Revolver. In July 2018, SACS settled all amounts due under the debt facilities and has therefore discharged the guaranteed obligations, therefore the guarantees related to these obligations were no longer necessary and the letters of credit were not renewed. Additionally, SACS was required to maintain funding in a rectification account maintained for the payment of certain costs in the event of contract termination. SACS has met the required funding obligation and there is no further requirement to maintain the required funding rectification account.

In addition to the above, the Company had also agreed to provide a loan, if required, of up to 20 million South African Rand, or \$1.4 million based on exchange rates as of December 31, 2019, referred to as the shareholder's standby facility, 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 standby facility. The Company's obligations under the shareholder's standby facility expired upon SACS' release from its obligations under the common terms agreement in February 2019 with the final payment of the facility management fees.

The Company 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 expired in February 2019 when of all SACS' obligations in terms of the finance agreements were settled.

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 had each extended a £12 million line of credit to the joint venture. The Company's maximum exposure relative to the joint venture was its note receivable and future financial support necessary to guarantee performance under the contract. In October 2018, the notes receivable to each joint venture partner were paid off in full.

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

## 14. Leases

On January 1, 2019, the Company adopted Accounting Standard Update (“ASU”) No. 2016-02, “Leases” (Topic 842) which requires that entities record lease assets and lease liabilities on the balance sheet and disclose key information about leasing arrangements. The Company implemented the new standard using the transition method that provided for adoption on the adoption date and recognizing a cumulative-effect adjustment to retained earnings, if any, upon adoption. Therefore, the consolidated financial statements for the year ended December 31, 2019 are presented under the new standard, while comparative years presented are not adjusted and continue to be reported in accordance with the Company’s historical accounting policy. Refer to Note 1 - Summary of Business Organization, Operations and Significant Accounting Policies - Recent Accounting Pronouncements for further information.

The Company has operating and finance leases for facilities, ground leases, office space, computers, copier equipment and transportation vehicles that have remaining lease terms of one year to seventy-seven years, some of which include options to extend the lease for up to ten years. For leases with terms greater than 12 months, the Company records the related asset and obligation at the present value of the lease payments over the term of the lease. Many of GEO’s leases include rental escalation clauses, renewal options and/or termination options that are factored into the determination of lease payments when appropriate. Only renewal or termination options that are reasonably certain to be exercised by the Company are included in the lease term which is used in the calculation of lease liabilities and right-of-use assets. GEO does not typically enter into lease agreements that contain a residual guarantee or that provide for variable lease payments.

When available, GEO uses the rate implicit in the lease to discount lease payments to present value, however, most of GEO’s lease agreements do not provide a readily determinable implicit rate. Therefore, the Company must estimate its incremental borrowing rate to discount the lease payments based on information available at lease commencement.

Lease related assets and liabilities are recorded on the balance sheet as follows (in thousands):

Classification on the Balance Sheet		December 31, 2019
<b>Assets</b>		
Operating lease assets	Operating Lease Right-of-Use Assets, Net	\$ 121,527
Finance lease assets	Property and Equipment, Net	2,880
Total lease assets		<u>\$ 124,407</u>
<b>Liabilities</b>		
<b>Current</b>		
Operating	Operating lease liabilities, current portion	\$ 26,208
Finance [1]	Current portion of finance liabilities, long-term debt and non-recourse debt	1,616
<b>Noncurrent</b>		
Operating	Operating Lease Liabilities	97,291
Finance [1]	Finance Lease Liabilities	2,954
Total lease liabilities		<u>\$ 128,069</u>

[1] Also refer to Note 13 - Debt.

Certain information related to the lease costs for finance and operating leases is presented as follows (in thousands):

	Year Ended December 31, 2019
Operating lease cost	\$ 46,934
Finance lease cost:	
Amortization of right-of-use assets	1,023
Interest on lease liabilities	354
Total finance lease cost	1,377
Short-term lease cost	1,953
Total lease cost	\$ 50,264
Cash paid for amounts included in the measurement of lease liabilities	
Operating cash flows for operating leases	\$ 48,833
Operating cash flows for finance leases	\$ 323
Financing activities for finance leases	\$ 1,610
Right-of-use assets obtained in exchange for new operating lease liabilities	\$ 12,223
Weighted average remaining lease term:	
Operating leases	7.3 years
Finance leases	2.7 years
Weighted average discount rate:	
Operating leases	4.75 %
Finance leases	8.27 %

## Undiscounted Cash Flows

The table below reconciles the undiscounted cash flows for each of the first five years and total of the remaining years to the operating lease liabilities and finance lease liabilities recorded on the balance sheet as of December 31, 2019 (in thousands).

	Operating Leases	Finance Leases
2020	\$ 31,378	\$ 1,934
2021	26,188	1,936
2022	19,691	1,233
2023	16,044	—
2024	13,527	—
Thereafter	41,652	—
Total minimum lease payments	148,480	5,103
Less: amount of lease payment representing interest	(24,981)	(533)
Present value of future minimum lease payments	123,499	4,570
Less: current obligations under leases	(26,208)	(1,616)
Long-term lease obligations	\$ 97,291	\$ 2,954

## 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, 2019, 2018 and 2017, the Company provided matching contributions of \$5.3 million, \$5.9 million and \$4.9 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 2019, 2018 or 2017.

As of December 31, 2019, the Company had a non-qualified deferred compensation agreement with its Chief Executive Officer ("CEO"). The agreement provides for a lump sum payment upon retirement, no sooner than age 55. As of December 31, 2019, 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, 2019, the Company would have had to pay him \$8.6 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, 2019 and 2018 was \$37.2 million and \$32.1 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.

	December 31, 2019	December 31, 2018
<b>Accumulated Benefit Obligation, End of Year</b>	<b>\$ 30,139</b>	<b>\$ 25,777</b>
Change in Projected Benefit Obligation		
Projected Benefit Obligation, Beginning of Year	\$ 32,474	\$ 32,820
Service Cost	998	1,200
Interest Cost	1,393	1,242
Actuarial (Gain) Loss	3,449	(2,166)
Benefits Paid	(763)	(622)
Projected Benefit Obligation, End of Year	\$ 37,551	\$ 32,474
Change in Plan Assets		
Plan Assets at Fair Value, Beginning of Year	\$ —	\$ —
Company Contributions	763	622
Benefits Paid	(763)	(622)
Plan Assets at Fair Value, End of Year	\$ —	\$ —
<b>Unfunded Status of the Plan</b>	<b>\$ (37,551)</b>	<b>\$ (32,474)</b>
<b>Amounts Recognized in Accumulated Other Comprehensive Income</b>		
Net Loss	8,285	5,047
<b>Total Pension Cost</b>	<b>\$ 8,285</b>	<b>\$ 5,047</b>

	2019		2018	
Components of Net Periodic Benefit Cost				
Service Cost	\$ 998		\$ 1,200	
Interest Cost	1,393		1,242	
Amortization of:				
Net Loss	210		532	
<b>Net Periodic Pension Cost</b>	<b>\$ 2,601</b>		<b>\$ 2,974</b>	
Weighted Average Assumptions for Expense				
Discount Rate	3.40	%	4.50	%
Expected Return on Plan Assets	N/A		N/A	
Rate of Compensation Increase	4.40	%	4.40	%



The amount included in accumulated other comprehensive income as of December 31, 2019 that has not yet been recognized as a component of net periodic benefit cost is \$8.3 million. The amount included in other accumulated comprehensive income as of December 31, 2019 that is expected to be recognized as a component of net periodic benefit cost in fiscal year 2019 is \$0.5 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)
2020	\$ 9,465
2021	868
2022	860
2023	850
2024	939
Thereafter	24,569
	<u>\$ 37,551</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. The rabbi trust had a balance of approximately \$28.3 million at December 31, 2019. 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 \$0.1 million for each of the years ended December 31, 2019, 2018 and 2017. The total liability for this plan at December 31, 2019 and 2018 was approximately \$29.5 million and \$21.2 million, respectively, and is included in Other Non-Current Liabilities in the accompanying Consolidated Balance Sheets. The current portion of the liability was \$1.5 million and \$1.7 million as of December 31, 2019 and 2018, respectively.

## 16. Business Segments and Geographic Information

### *Operating and Reporting Segments*

The Company conducts its business through four reportable business segments: the U.S. Secure Services segment; the GEO Care segment; the International Services 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. Secure Services segment primarily encompasses U.S.-based secure services business. 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 adults 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. The International Services segment primarily consists of secure services operations in South Africa, Australia and the United Kingdom. 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. Segment disclosures below (in thousands) reflect the results of continuing operations. All transactions between segments are eliminated.

Fiscal Year	2019	2018	2017
Revenues:			
U.S. Secure Services	\$ 1,601,679	\$ 1,492,973	\$ 1,438,044
GEO Care	614,249	580,313	514,166
International Services	232,016	253,874	195,806
Facility Construction and Design [1] [2]	29,978	4,226	115,404
Total revenues	\$ 2,477,922	\$ 2,331,386	\$ 2,263,420
Capital Expenditures:			
U.S. Secure Services	\$ 69,074	\$ 163,208	\$ 117,186
GEO Care	45,000	30,136	24,263
International Services	1,468	2,322	6,957
Total capital expenditures [1]	\$ 115,542	\$ 195,666	\$ 148,406
Depreciation and amortization:			
U.S. Secure Services	\$ 78,974	\$ 76,801	\$ 75,276
GEO Care	49,781	47,546	47,103
International Services	2,070	2,087	1,918
Total depreciation and amortization [1]	\$ 130,825	\$ 126,434	\$ 124,297
Operating Income:			
U.S. Secure Services	\$ 322,506	\$ 297,453	\$ 302,488
GEO Care	147,036	138,911	123,525
International Services	16,723	12,816	14,235
Facility Construction & Design [1] [2]	74	—	(1,620)
Operating income from segments	\$ 486,339	\$ 449,180	\$ 438,628
General and Administrative Expenses	(185,926)	(184,515)	(190,343)
Total operating income	\$ 300,413	\$ 264,665	\$ 248,285

[1] The Company began the design and construction of a secure facility located in Ravenhall, a locality near Melbourne, Australia in 2014. The facility was completed in November 2017. There were no capital expenditures or depreciation or amortization associated with this segment in 2019, 2018 or 2017. Refer to Note 7 - Contract Receivable.

[2] During 2019 and 2018, the Company had facility construction & design revenues related to an expansion project at its Fulham Correctional Centre in Australia which is expected to be completed in the third quarter of 2020.

#### *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 and equity in earnings of affiliates, in each case, during the years ended December 31, 2019, 2018 and 2017, respectively.

Fiscal Year Ended	2019	2018	2017
	(In thousands)		
Operating income from segments	\$ 486,339	\$ 449,180	\$ 438,628
Unallocated amounts:			
General and administrative expense	(185,926 )	(184,515 )	(190,343 )
Net interest expense	(122,090 )	(115,348 )	(96,348 )
Loss on extinguishment of debt	(4,795 )	—	—
Income before income taxes and equity in earnings of affiliates	\$ 173,528	\$ 149,317	\$ 151,937

	2019	2018	2017
	(In thousands)		
Segment assets:			
U.S. Secure Services	\$ 2,618,629	\$ 2,590,722	\$ 2,385,069
GEO Care	1,112,880	1,063,484	1,121,792
International Services	82,097	84,911	40,056
Facility Construction & Design	371,846	383,713	499,406
Total segment assets	\$ 4,185,452	\$ 4,122,830	\$ 4,046,323

### Asset Reconciliation

The following is a reconciliation of the Company's reportable segment assets to the Company's total assets as of December 31, 2019 and 2018, respectively.

	2019	2018
	(In thousands)	
Reportable segment assets	\$ 4,185,452	\$ 4,122,830
Cash	32,463	31,255
Deferred income tax assets	36,278	29,924
Restricted cash and investments, current and non-current	63,341	74,109
Total assets	\$ 4,317,534	\$ 4,258,118

### Geographic Information

During each of the years ended December 31, 2019, 2018 and 2017, 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, had a design and construction contract for a facility in Ravenhall, Australia which was completed in November 2017, (iii) the Company's wholly-owned subsidiary 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	2019	2018	2017
	(In thousands)		
Revenues:			
U.S. operations	\$ 2,216,401	\$ 2,073,286	\$ 1,952,210
Australia operations	235,462	231,164	285,702
South African operations	18,779	19,806	18,251
United Kingdom operations	7,280	7,130	7,257
Total revenues	\$ 2,477,922	\$ 2,331,386	\$ 2,263,420
Property and Equipment, net:			
U.S. operations	\$ 2,131,877	\$ 2,145,197	\$ 2,061,711
Australia operations	12,215	13,006	16,281
South African operations	182	88	131
United Kingdom operations	448	319	—
Total Property and Equipment, net	\$ 2,144,722	\$ 2,158,610	\$ 2,078,123

### Sources of Revenue

The Company derives most of its revenue from the management of secure facilities through public-private partnerships. 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 secure facilities, processing centers and reentry centers.

Fiscal Year	2019	2018	2017
	(In thousands)		
Revenues:			
Secure Services	\$ 1,833,695	\$ 1,746,847	\$ 1,633,850
GEO Care	614,249	580,313	514,166
Facility Construction and Design	29,978	4,226	115,404
Total revenues	\$ 2,477,922	\$ 2,331,386	\$ 2,263,420

### Equity in Earnings of Affiliates

Equity in earnings of affiliates for 2019, 2018 and 2017 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 \$5.0 million, \$7.4 million and \$10.8 million in earnings, net of tax impact, for SACS operations during the years ended December 31, 2019, 2018 and 2017, respectively, which are included in equity in earnings of affiliates, net of income tax provision in the accompanying Consolidated Statements of Operations. During 2017, SACS was successful in obtaining a favorable tax judgment which resulted in an increase in earnings net of taxes of \$5.5 million. As of December 31, 2019 and 2018, the Company's investment in SACS was \$12.3 million and \$13.4 million, respectively. The investment is included in other non-current assets in the accompanying Consolidated Balance Sheets. The Company received dividend distributions of \$6.3 million and \$11.8 million, in 2019 and 2018, respectively from this unconsolidated joint venture.

The Company has recorded \$4.6 million, \$2.2 million and \$1.2 million in earnings, net of tax impact, for GEOAmeY's operations during the years ended December 31, 2019, 2018 and 2017, 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, 2019 and 2018, the Company's investment in GEOAmeY was \$5.7 million and \$4.8 million, respectively, and represents its share of cumulative reported earnings. The Company received dividend distributions of \$4.0 million in 2019 from this unconsolidated joint venture. There were no dividend distributions from this unconsolidated joint venture in 2018.

### 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	2019	2018	2017
Various agencies of the U.S Federal Government:	53 %	50 %	48 %

The concentrations above relate entirely to the Company's U.S. Secure Services segment.

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 and equity in earnings in affiliates are as follows:

	2019	2018	2017
	(In thousands)		
Income before income taxes and equity in earnings in affiliates			
United States	\$ 155,844	\$ 131,261	\$ 130,205
Foreign	17,684	18,056	21,732
Income before income taxes and equity in earnings in affiliates	\$ 173,528	\$ 149,317	\$ 151,937



The provision for income taxes consists of the following components:

	2019	2018	2017
		(In thousands)	
<b>Federal income taxes:</b>			
Current	\$ 13,018	\$ 9,340	\$ 13,928
Deferred	(7,028)	(2,195)	(3,803)
	5,990	7,145	10,125
<b>State income taxes:</b>			
Current	5,093	3,050	3,337
Deferred	(383)	(1,889)	(2,269)
	4,710	1,161	1,068
<b>Foreign income taxes:</b>			
Current	(875)	497	(11,545)
Deferred	6,823	5,314	18,310
	5,948	5,811	6,765
<b>Total U.S. and foreign provision for income taxes</b>	<b>\$ 16,648</b>	<b>\$ 14,117</b>	<b>\$ 17,958</b>

The U.S. Tax Cuts and Jobs Act (“Tax Act”) enacted on December 22, 2017 introduced significant changes to U.S. income tax law. Effective 2018, the Tax Act reduced the U.S. statutory corporate tax rate from 35% to 21%. The 21% U.S. statutory corporate tax rate is applicable starting in 2018.

Due to the timing of the enactment and the complexity involved in applying the provisions of the Tax Act, the Company has made reasonable estimates of the effects and recorded provisional amounts in its financial statements for the year ended December 31, 2017. As the Company collected and prepared necessary data, and interpreted any additional guidance issued by the U.S. Treasury Department, the IRS or other standard-setting bodies, it made adjustments over the course of the year to the provisional amounts, including refinements to deferred taxes. The accounting for the tax effects of the enactment of the Tax Act has been completed as of December 31, 2018.

Any legislative changes, as well as any other new or proposed Treasury regulations to address questions that arise because of the Tax Act, may result in additional income tax impacts. There are no significant impacts to income tax for the year ended December 31, 2018 and 2019.

Due to the change in the statutory tax rate from the Tax Act, the Company remeasured its deferred taxes as of December 31, 2017 to reflect the reduced rate that will apply in future periods when these deferred taxes are settled or realized. The net tax expense (benefit) recognized related to the Tax Act was \$(0.3) million and \$9.6 million for 2018 and 2017, respectively.

A reconciliation of the statutory U.S. federal tax rate of 21% and the effective income tax rate is as follows:

	2019	2018	2017
			(In thousands)
Provisions using statutory federal income tax rate	\$ 36,476	\$ 31,340	\$ 53,175
State income taxes (benefit), net of federal tax benefit	2,421	1,915	(776)
REIT benefit	(22,395)	(19,992)	(43,554)
Change in valuation allowance	1,456	(1,245)	2,055
Federal tax credits	(2,118)	(1,904)	(2,016)
Tax Cut and Jobs Act impact	—	(301)	9,584
Foreign income taxes (benefit)	1,934	1,479	(1,830)
Other, net	(1,126)	2,825	1,320
<b>Total provision for income taxes</b>	<b>\$ 16,648</b>	<b>\$ 14,117</b>	<b>\$ 17,958</b>

The Company’s effective tax rate differs from the U.S. statutory rate of 21% primarily due to a zero tax rate on earnings generated by the Company’s REIT operations. State income taxes (benefit), net of federal tax benefits of \$2.4 million, \$1.9 million and \$(0.8) million

for 2019, 2018 and 2017, respectively, is presented exclusive of the related change in valuation allowance of state income tax deferred items. Net of the related change in valuation allowances the state income taxes, net of federal tax benefits is \$4.1 million, \$1.3 million and \$1.5 million for 2019, 2018 and 2017, respectively.

The following table presents the breakdown between non-current net deferred tax assets as classified on the balance sheets as of December 31, 2019 and 2018:

	2019	2018
	(In thousands)	
Deferred tax assets - non current	\$ 36,278	\$ 29,924
Deferred tax liabilities - non current	(19,254)	(13,681)
Total net deferred tax assets	\$ 17,024	\$ 16,243

The significant components of the Company's deferred tax assets and liabilities consisted of the following as of December 31, 2019 and 2018:

	2019	2018
	(In thousands)	
Deferred tax assets:		
Net operating losses	\$ 32,394	\$ 35,924
Accrued liabilities	24,452	23,719
Deferred compensation	15,052	12,031
Accrued compensation	7,239	7,735
Deferred revenue	13,219	8,458
Tax credits	5,223	6,850
Equity awards	4,894	4,419
Depreciation	15,424	9,960
Operating lease liability	13,140	—
Other, net	1,817	—
Valuation allowance	(22,786)	(21,333)
Total deferred tax assets	\$ 110,068	\$ 87,763
Deferred tax liabilities:		
Intangible assets	\$ (24,097)	\$ (26,543)
Capitalized transaction costs	(16,797)	(16,643)
Accounting method change	(7,019)	—
Prepaid expenses and other	(32,493)	(28,214)
Lease right-of-use assets	(12,638)	—
Other, net	—	(120)
Total deferred tax liabilities	\$ (93,044)	\$ (71,520)
Total net deferred tax assets	\$ 17,024	\$ 16,243

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 2019 and 2018, the Company has a valuation allowance of \$22.8 million and \$21.3 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 \$1.5 million during the year ended December 31, 2019.

The Company provides income taxes on the undistributed earnings of non-U.S. subsidiaries except to the extent that such earnings are permanently invested outside the United States. At December 31, 2019, \$9.9 million of accumulated undistributed earnings of non-U.S. subsidiaries were permanently invested outside the United States. At the existing U.S. federal income and applicable foreign withholding tax rates, additional taxes (net of foreign tax credits) of \$0.5 million, consisting solely of withholding taxes, would have to be provided if such earnings were remitted currently.

As of the year ended December 31, 2019, the Company had \$43.1 million of Federal net operating loss carryforwards which begin to expire in 2032 and \$203.7 million of combined net operating loss carryforwards in various states which begin to expire in 2019. The Federal

net operating losses are at the Company's REIT which is not subject to tax. The Company has recorded a partial valuation allowance against the deferred tax assets related to the state operating losses.

Also, as of the year ended December 31, 2019, the Company had \$57.9 million of foreign operating losses which carry forward indefinitely and \$5.1 million of state tax credits which begin to expire in 2019. 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 the majority of which is deductible 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 year end 2019, 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 \$4.9 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:

	2019	2018	2017
	(In thousands)		
Balance at Beginning of Period	\$ 4,584	\$ 4,461	\$ 1,640
Additions based on tax positions related to the current year	—	—	—
Additions for tax positions of prior years	994	298	—
Additions from current year acquisitions	—	—	4,121
Reductions for tax positions of prior years	—	—	(1,290)
Reductions as a result of a lapse of applicable statutes of limitations	(109)	(175)	(10)
Balance at End of Period	\$ 5,469	\$ 4,584	\$ 4,461

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 \$5.3 million of accrued uncertain tax benefits as of December 31, 2019 which is inclusive of the federal tax benefit on state income taxes. The Company believes that it is reasonably possible that a decrease may be necessary in the unrecognized tax benefits within twelve months of the reporting date of approximately \$0.04 million, related to state tax exposures, due to a lapse of the statute of limitation. The accrued uncertain tax balance at December 31, 2019 includes \$5.3 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 2015. The Company was under audit by the IRS for the 2013 tax year, its first REIT year. In the fourth quarter of 2017, the Company received a no change letter from the IRS for the 2013 tax year. One of our foreign subsidiaries is under examination in a foreign jurisdiction for tax years 2015 to 2018, no assessment has been made.

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, 2019 and 2018, the Company did not recognize any interest and penalties. The Company classifies interest and penalties as interest expense and other expense, respectively.

## 18. Commitments and Contingencies

### *Collective Bargaining Agreements*

The Company had approximately 33% of its workforce covered by collective bargaining agreements at December 31, 2019. Collective bargaining agreements with 7% of employees are set to expire in less than one year.

### *Contract Awards/Modifications*

On December 30, 2019, the Company announced that GEO Secure Services signed a new managed-only contract with the U.S. Marshals Service for the government-owned, 512-bed El Centro Service Detention Facility in California. The contract will have a term of eight years and nine months, inclusive of option periods, effective December 23, 2019.

On December 23, 2019, the Company announced that it entered into two new contracts with U.S. Immigration and Customs Enforcement ("ICE") for five company-owned facilities in California totaling 4,490 beds. The contracts will have terms of 15 years, inclusive of two five year options, effective December 20, 2019. The contracts cover two existing, company-owned facilities currently operated by GEO on behalf of ICE: the 1,940-bed Adelanto ICE Processing Center and the 400-bed Mesa Verde ICE Processing Center. The contracts also incorporate three other company-owned facilities: the 700-bed Central Valley facility, the 750-bed Desert View facility, and the 700-bed Golden State facility, as facility annexes.

In the third quarter of 2019, the Company was awarded a ten-year contract renewal for the continued delivery of secure transportation under our GEO Amey joint venture in the United Kingdom.

On June 5, 2019, the Company announced that it entered into a contract modification to increase the contract capacity at its company-owned Montgomery Processing Center in Conroe, Texas by 314 beds increasing the center's capacity to 1,314 beds. The 314-bed contract capacity increase became fully operational in the third quarter of 2019.

On May 2, 2019, the Company announced that it entered into a new ten-year contract, inclusive of renewal option periods, with the Federal Bureau of Prisons ("BOP") for the reactivation of its existing company-owned, 1,800-bed North Lake Correctional Facility located in Baldwin, Michigan. The contract became operational on October 1, 2019. The Company also announced on May 2, 2019 that Reeves County, Texas entered into two new ten-year contracts, inclusive of renewal periods, with the BOP for the county-owned, 1,800-bed Reeves County Detention Center I & II and the county-owned, 1,376-bed Reeves County Detention Center III. GEO will provide management consulting and support services to Reeves County. The new ten-year contracts were awarded to GEO and Reeves County under a long-standing procurement, for the housing of non-U.S. citizen criminal aliens, commonly referred to as Criminal Alien Requirement (CAR) 19, which was issued by the BOP in 2017.

On April 25, 2019, the Company announced that it signed a contract modification for the reactivation of its existing company-owned 1,000-bed South Louisiana ICE Processing Center (the "Center") located in Basile, Louisiana. The previously idled Center will house federal immigration detainees under an existing intergovernmental service agreement. The Center began the intake process during the third quarter of 2019.

### *Contract Terminations*

Recently California enacted legislation aimed at phasing out public-private partnership contracts for the operation of secure facilities within California and facilities outside of the state of California housing state of California inmates. As previously announced, the Company's contract for its Central Valley facility was already discontinued by the California Department of Corrections and Rehabilitation at the end of September 2019. The Company expects that its contracts with the California Department of Corrections and Rehabilitation for its Desert View facility and Golden State facility will be discontinued by March 1, 2020 and May 1, 2020, respectively. As discussed above, the Company subsequently entered into new contracts with ICE for its Central Valley, Desert View and Golden State facilities effective December 20, 2019.

### *Commitments*

As of December 31, 2019, the Company had contractual commitments for a number of projects using existing Company financing facilities. The Company's management estimates that these existing capital projects will cost approximately \$61.0 million, of which \$28.0 million was spent through 2019. The Company estimates the remaining capital requirements related to these capital projects to be approximately \$33.0 million. These projects are expected to be completed through 2020.

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*

As previously reported and described in the Company's prior periodic reports, including most recently in its Form 10-Q for the quarter ended September 30, 2019, former civil immigration detainees at the Aurora Immigration Processing Center filed a class action lawsuit on October 22, 2014, against the Company in the United States District Court for the District of Colorado (the "Court"). The complaint alleges that the Company was in violation of the Colorado Minimum Wages of Workers Act and the federal Trafficking Victims Protection Act ("TVPA"). The plaintiff class claims that the Company was unjustly enriched because of the level of payment the detainees received for work performed at the facility, even though the voluntary work program as well as the wage rates and standards associated with the program that are at issue in the case are authorized by the Federal government under guidelines approved by the United States Congress. On July 6, 2015, the Court found that detainees were not employees under the Colorado Minimum Wage Order and dismissed this claim. In February 2017, the Court granted the plaintiff-class' motion for class certification on the TVPA and unjust enrichment claims. The plaintiff class seeks actual damages, compensatory damages, exemplary damages, punitive damages, restitution, attorneys' fees and costs, and such other relief as the Court may deem proper. In the time since the Colorado suit was initially filed, three similar lawsuits have been filed - two in Washington and one in California. In Washington, one of the two lawsuits was filed on September 9, 2017 by immigration detainees against the Company in the U.S. District Court for the Western District of Washington. The second lawsuit was filed on September 20, 2017 by the State Attorney General against the Company in the Superior Court of the State of Washington for Pierce County, which the Company removed to the U.S. District Court for the Western District of Washington on October 9, 2017. In California, a class-action lawsuit was filed on December 19, 2017 by immigration detainees against the Company in the U.S. District Court Eastern Division of the Central District of California. All three lawsuits allege violations of the respective state's minimum wage laws. However, the California lawsuit, like the Colorado suit, also includes claims that the Company violated the TVPA and California's equivalent state statute. On September 27, 2019, the California plaintiff class filed a motion for class certification of both California-based and nationwide classes. The Company filed a response to this motion disputing the plaintiff class' right to broad class treatment of the claims at issue. On July 2, 2019, the Company filed a Motion for Summary Judgment in the Washington Attorney General's Tacoma lawsuit based on the Company's position that its legal defenses prevent the case from proceeding to trial. The federal court in Washington denied the Company's Motion for Summary Judgment on August 6, 2019. However, on August 20, 2019, the Department of Justice filed a Statement of Interest, which asked the Washington court to revisit its prior denial of the Company's intergovernmental immunity defense in the case. While the Washington court ultimately elected not to dismiss the case at the time, its order importantly declared that the Company's intergovernmental immunity defense was legally viable, to be ultimately determined at trial. The two Washington cases are currently set for trial in April 2020. The Company intends to take all necessary steps to vigorously defend itself and has consistently refuted the allegations and claims in these lawsuits. The Company has not recorded an accrual relating to these matters at this time, as a loss is not considered probable nor reasonably estimable at this stage of the lawsuits. The Company establishes accruals for specific legal proceedings when it is considered probable that a loss has been incurred and the amount of the loss can be reasonably estimated. However, the results of these claims or proceedings cannot be predicted with certainty, and an unfavorable resolution of one or more of these claims or proceedings could have a material adverse effect on the Company's financial condition, results of operations or cash flows. The Company's accruals for loss contingencies are reviewed quarterly and adjusted as additional information becomes available. The Company does not accrue for anticipated legal fees and costs but expenses those items as incurred.

On December 30, 2019, GEO filed a lawsuit for declaratory and injunctive relief challenging California's newly enacted law - Assembly Bill 32 (AB-32) - which bars the federal government from engaging GEO or any other government contractors to provide detention services for illegal aliens. GEO's claims, as described in the lawsuit, are grounded in authoritative legal doctrine that under the Constitution's Supremacy Clause, the federal government is free from regulation by any state. By prohibiting federal detention facilities in California, the lawsuit argues AB-32 substantially interferes with the ability of USMS and ICE to carry out detention responsibilities for the federal government. Secondly, because AB-32 creates exceptions to the State when using GEO or any government contractors (to alleviate overcrowding), California's statute unlawfully discriminates against the federal government. On December 31, 2019, GEO filed its motion for a preliminary injunction restraining California's Governor and Attorney General from enforcing AB-32 against GEO's detention facilities on behalf of USMS and ICE.

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 probable and reasonably 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.

## Other Assessment

A state non-income tax audit completed in 2016 included tax periods for which the state tax authority had a number of years ago processed a substantial tax refund. At the completion of the audit fieldwork, the Company received a notice of audit findings disallowing deductions that were previously claimed by the Company, approved by the state tax authority and served as the basis for the approved refund claim. In early January 2017, the Company received a formal Notice of Assessment of Taxes and Demand for Payment from the taxing authority disallowing the deductions. The total tax, penalty and interest assessed is approximately \$18.9 million. The Company has filed an administrative protest and disagrees with the assessment and intends to take all necessary steps to vigorously defend its position. The Company has established a reserve based on its estimate of the most probable loss based on the facts and circumstances known to date and the advice of outside counsel in connection with this matter.

## 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
2019				
Revenues	\$ 610,667	\$ 613,966	\$ 631,579	\$ 621,710
Operating income	74,777	81,175	78,159	66,302
Net Income	40,649	41,836	45,885	38,042
Net Income Attributable to The GEO Group, Inc.	40,705	41,914	45,932	38,052
Basic earnings per share:				
Net income per share	\$ 0.34	\$ 0.35	\$ 0.39	\$ 0.32
Diluted earnings per share:				
Net income per share *	\$ 0.34	\$ 0.35	\$ 0.39	\$ 0.32

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
2018				
Revenues	\$ 564,917	\$ 583,509	\$ 583,530	\$ 599,430
Operating income	64,450	66,951	69,780	63,484
Net Income	34,920	37,325	39,229	33,353
Net Income Attributable to The GEO Group, Inc.	34,987	37,421	39,289	33,392
Basic earnings per share:				
Net income per share	\$ 0.29	\$ 0.31	\$ 0.33	\$ 0.28
Diluted earnings per share:				
Net income per share *	\$ 0.29	\$ 0.31	\$ 0.33	\$ 0.28

\* Earnings per share table contains slight summation differences due to rounding.

## 20. 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 6.00% Senior Notes due, 5.875% Senior Notes due 2022, 5.875% Senior Notes due 2024 and 5.125% Senior Notes (collectively, 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.

Refer to Note 13 - Debt for a description of the notes that are fully and unconditionally guaranteed on a joint and several senior unsecured basis by the Company and certain of its wholly-owned domestic subsidiaries.

## CONDENSED CONSOLIDATING STATEMENT OF COMPREHENSIVE INCOME (in thousands)

	For the Year Ended December 31, 2019				
	The GEO Group, Inc.	Combined Subsidiary Guarantors	Combined Non- Guarantor Subsidiaries	Eliminations	Consolidated
Revenues	\$ 941,117	\$ 2,010,561	\$ 272,613	\$ (746,369)	\$ 2,477,922
Operating expenses	755,443	1,628,470	223,214	(746,369)	1,860,758
Depreciation and amortization	29,688	97,259	3,878	—	130,825
General and administrative expenses	69,969	95,689	20,268	—	185,926
Operating income	86,017	189,143	25,253	—	300,413
Interest income	13,956	7,293	27,270	(19,585)	28,934
Interest expense	(90,127)	(57,005)	(23,477)	19,585	(151,024)
Loss on extinguishment of debt	(486)	155	(4,464)	—	(4,795)
Income before income taxes and equity in earnings of affiliates	9,360	139,586	24,582	—	173,528
Provision for income taxes	1,472	9,595	5,581	—	16,648
Equity in earnings of affiliates, net of income tax provision	—	—	9,532	—	9,532
Income from operations before equity in income of consolidated subsidiaries	7,888	129,991	28,533	—	166,412
Income from consolidated subsidiaries, net of income tax provision	158,524	—	—	(158,524)	—
Net income	166,412	129,991	28,533	(158,524)	166,412
Loss attributable to noncontrolling interests	—	—	191	—	191
Net income attributable to The GEO Group, Inc.	\$ 166,412	\$ 129,991	\$ 28,724	\$ (158,524)	\$ 166,603
Net income	\$ 166,412	\$ 129,991	\$ 28,533	\$ (158,524)	\$ 166,412
Other comprehensive income (loss), net of tax	(1,476)	(3,247)	8,014	—	3,291
Total comprehensive income	\$ 164,936	\$ 126,744	\$ 36,547	\$ (158,524)	\$ 169,703
Comprehensive loss attributable to noncontrolling interests	—	—	183	—	183
Comprehensive income attributable to The GEO Group, Inc.	\$ 164,936	\$ 126,744	\$ 36,730	\$ (158,524)	\$ 169,886

## CONDENSED CONSOLIDATING STATEMENTS OF COMPREHENSIVE INCOME

(in thousands)

For the Year Ended December 31, 2018					
	The GEO Group, Inc.	Combined Subsidiary Guarantors	Combined Non- Guarantor Subsidiaries	Eliminations	Consolidated
Revenues	\$ 827,473	\$ 1,905,243	\$ 268,723	\$ (670,053)	\$ 2,331,386
Operating expenses	664,354	1,539,343	222,128	(670,053)	1,755,772
Depreciation and amortization	27,036	95,504	3,894	—	126,434
General and administrative expenses	64,852	98,601	21,062	—	184,515
Operating income	71,231	171,795	21,639	—	264,665
Interest income	14,702	5,494	35,501	(20,942)	34,755
Interest expense	(81,456)	(56,194)	(33,395)	20,942	(150,103)
Income before income taxes and equity in earnings of affiliates	4,477	121,095	23,745	—	149,317
Provision for income taxes	972	7,424	5,721	—	14,117
Equity in earnings of affiliates, net of income tax benefit	—	—	9,627	—	9,627
Income from operations before equity in income of consolidated subsidiaries	3,505	113,671	27,651	—	144,827
Income from consolidated subsidiaries, net of income tax provision	141,322	—	—	(141,322)	—
Net income	144,827	113,671	27,651	(141,322)	144,827
Loss attributable to noncontrolling interests	\$ —	\$ —	\$ 262	\$ —	\$ 262
Net income attributable to The GEO Group, Inc.	\$ 144,827	\$ 113,671	\$ 27,913	\$ (141,322)	\$ 145,089
Net income	\$ 144,827	\$ 113,671	\$ 27,651	\$ (141,322)	\$ 144,827
Other comprehensive income (loss), net of tax	—	1,785	(972)	—	813
Total comprehensive income	\$ 144,827	\$ 115,456	\$ 26,679	\$ (141,322)	\$ 145,640
Comprehensive loss attributable to noncontrolling interests	—	—	277	—	277
Comprehensive income attributable to The GEO Group, Inc.	\$ 144,827	\$ 115,456	\$ 26,956	\$ (141,322)	\$ 145,917



## CONDENSED CONSOLIDATING STATEMENTS OF COMPREHENSIVE INCOME

(in thousands)

	For the Year ended December 31, 2017				
	The GEO Group, Inc.	Combined Subsidiary Guarantors	Combined Non-Guarantor Subsidiaries	Eliminations	Consolidated
Revenues	\$ 711,013	\$ 1,810,262	\$ 321,612	\$ (579,467)	\$ 2,263,420
Operating expenses	568,061	1,441,884	270,017	(579,467)	1,700,495
Depreciation and amortization	24,580	96,051	3,666	—	124,297
General and administrative expenses	59,194	104,373	26,776	—	190,343
Operating income	59,178	167,954	21,153	—	248,285
Interest income	16,200	4,294	52,069	(20,887)	51,676
Interest expense	(69,969)	(55,080)	(43,862)	20,887	(148,024)
Income before income taxes and equity in earnings of affiliates	5,409	117,168	29,360	—	151,937
Provision for income taxes	1,103	9,608	7,247	—	17,958
Equity in earnings of affiliates, net of income tax provision	—	—	12,045	—	12,045
Income from operations before equity in income of consolidated subsidiaries	4,306	107,560	34,158	—	146,024
Income from consolidated subsidiaries, net of income tax provision	141,718	—	—	(141,718)	—
Net income	146,024	107,560	34,158	(141,718)	146,024
Loss attributable to noncontrolling interests	\$ —	\$ —	\$ 217	\$ —	\$ 217
Net income attributable to The GEO Group, Inc.	\$ 146,024	\$ 107,560	\$ 34,375	\$ (141,718)	\$ 146,241
Net income	\$ 146,024	\$ 107,560	\$ 34,158	\$ (141,718)	\$ 146,024
Other comprehensive income (loss), net of tax	—	(1,420)	7,793	—	6,373
Total comprehensive income	\$ 146,024	\$ 106,140	\$ 41,951	\$ (141,718)	\$ 152,397
Comprehensive loss attributable to noncontrolling interests	—	—	211	—	211
Comprehensive income attributable to The GEO Group, Inc.	\$ 146,024	\$ 106,140	\$ 42,162	\$ (141,718)	\$ 152,608

## CONDENSED CONSOLIDATING BALANCE SHEET

(in thousands)

As of December 31, 2019					
	The GEO Group, Inc.	Combined Subsidiary Guarantors	Combined Non-Guarantor Subsidiaries	Eliminations	Consolidated
<b>ASSETS</b>					
Cash and cash equivalents	\$ 9,840	\$ —	\$ 22,623	\$ —	\$ 32,463
Restricted cash and investments	—	—	32,418	—	32,418
Accounts receivable, less allowance for doubtful accounts	167,769	218,920	41,175	3,118	430,982
Contract receivable, current portion	—	—	11,199	—	11,199
Prepaid expenses and other current assets	1,273	32,187	9,315	(2,059)	40,716
Total current assets	178,882	251,107	116,730	1,059	547,778
Restricted Cash and Investments	—	28,648	2,275	—	30,923
Property and Equipment, Net	846,297	1,214,697	83,728	—	2,144,722
Right-of-Use Assets Operating Leases	21,995	98,654	878	—	121,527
Contract Receivable	—	—	360,647	—	360,647
Assets Held for Sale	705	5,354	—	—	6,059
Intercompany Receivable	978,337	238,680	17,050	(1,234,067)	—
Deferred Income Tax Assets	—	35,584	694	—	36,278
Goodwill	—	775,953	403	—	776,356
Intangible Assets, Net	—	209,554	516	—	210,070
Investment in Subsidiaries	1,484,930	573,816	2,189	(2,060,935)	—
Other Non-Current Assets	18,329	123,797	18,853	(77,805)	83,174
<b>Total Assets</b>	<b>\$ 3,529,475</b>	<b>\$ 3,555,844</b>	<b>\$ 603,963</b>	<b>\$ (3,371,748)</b>	<b>\$ 4,317,534</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>					
Accounts payable	\$ 16,690	\$ 76,631	\$ 5,911	\$ —	\$ 99,232
Accrued payroll and related taxes	—	38,243	16,429	—	54,672
Accrued expenses and other current liabilities	32,175	131,031	28,765	(363)	191,608
Operating lease liabilities, current portion	5,232	20,777	199	—	26,208
Current portion of finance lease obligations, long-term debt and non-recourse debt	8,000	2,626	13,582	—	24,208
Total current liabilities	62,097	269,308	64,886	(363)	395,928
Deferred Income Tax Liabilities	—	—	19,254	—	19,254
Intercompany Payable	106,029	1,100,299	26,316	(1,232,644)	—
Other Non-Current Liabilities	3,572	162,026	733	(77,805)	88,526
Operating Lease Liabilities	17,321	79,290	680	—	97,291
Finance Lease Obligations	—	2,954	—	—	2,954
Long-Term Debt	2,343,626	—	64,671	—	2,408,297
Non-Recourse Debt	—	—	309,236	—	309,236
Commitments & Contingencies					
<b>Shareholders' Equity:</b>					
Total shareholders' equity attributable to The GEO Group, Inc.	996,830	1,941,967	118,969	(2,060,936)	996,830
Noncontrolling Interests	—	—	(782)	—	(782)
Total Shareholders' Equity	996,830	1,941,967	118,187	(2,060,936)	996,048
<b>Total Liabilities and Shareholders' Equity</b>	<b>\$ 3,529,475</b>	<b>\$ 3,555,844</b>	<b>\$ 603,963</b>	<b>\$ (3,371,748)</b>	<b>\$ 4,317,534</b>

## CONDENSED CONSOLIDATING BALANCE SHEET

(in thousands)

As of December 31, 2018					
	The GEO Group, Inc.	Combined Subsidiary Guarantors	Combined Non- Guarantor Subsidiaries	Eliminations	Consolidated
<b>ASSETS</b>					
Cash and cash equivalents	\$ 4,468	\$ 7,873	\$ 18,914	\$ —	\$ 31,255
Restricted cash and investments	2,854	—	48,824	—	51,678
Accounts receivable, less allowance for doubtful accounts	190,594	221,957	44,377	(11,402)	445,526
Contract receivable, current portion	—	—	15,535	—	15,535
Prepaid expenses and other current assets	2,011	50,482	7,114	(1,839)	57,768
Total current assets	199,927	280,312	134,764	(13,241)	601,762
Restricted Cash and Investments	—	21,009	1,422	—	22,431
Property and Equipment, Net	845,291	1,227,223	86,096	—	2,158,610
Contract Receivable	—	—	368,178	—	368,178
Assets Held for Sale	705	1,929	—	—	2,634
Intercompany Receivable	990,365	150,710	22,407	(1,163,482)	—
Deferred Income Tax Assets	798	27,928	1,198	—	29,924
Goodwill	—	775,955	404	—	776,359
Intangible Assets, Net	—	231,787	573	—	232,360
Investment in Subsidiaries	1,503,841	458,229	2,190	(1,964,260)	—
Other Non-Current Assets	9,541	115,695	19,334	(78,710)	65,860
<b>Total Assets</b>	<b>\$ 3,550,468</b>	<b>\$ 3,290,777</b>	<b>\$ 636,566</b>	<b>\$ (3,219,693 )</b>	<b>\$ 4,258,118</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>					
Accounts payable	\$ 13,566	\$ 72,128	\$ 7,338	\$ —	\$ 93,032
Accrued payroll and related taxes	—	56,543	19,466	—	76,009
Accrued expenses and other current liabilities	23,565	168,231	25,615	(13,241)	204,170
Current portion of finance lease obligations, long-term debt and non-recourse debt	8,000	2,017	322,010	—	332,027
Total current liabilities	45,131	298,919	374,429	(13,241)	705,238
Deferred Income Tax Liabilities	—	—	13,681	—	13,681
Intercompany Payable	142,055	989,856	31,571	(1,163,482)	—
Other Non-Current Liabilities	1,395	152,815	6,981	(78,710)	82,481
Finance Lease Obligations	—	4,570	—	—	4,570
Long-Term Debt	2,321,384	—	75,843	—	2,397,227
Non-Recourse Debt	—	—	15,017	—	15,017
Commitments & Contingencies					
Shareholders' Equity:					
Total shareholders' equity attributable to The GEO Group, Inc.	1,040,503	1,844,617	119,643	(1,964,260)	1,040,503
Noncontrolling Interests	—	—	(599)	—	(599)
Total Shareholders' Equity	1,040,503	1,844,617	119,044	(1,964,260)	1,039,904
Total Liabilities and Shareholders' Equity	<b>\$ 3,550,468</b>	<b>\$ 3,290,777</b>	<b>\$ 636,566</b>	<b>\$ (3,219,693)</b>	<b>\$ 4,258,118</b>

## CONDENSED CONSOLIDATING STATEMENTS OF CASH FLOWS

(in thousands)

	For the Year Ended December 31, 2019			
	The GEO Group, Inc.	Combined Subsidiary Guarantors	Combined Non- Guarantor Subsidiaries	Consolidated
Cash Flow from Operating Activities:				
Net cash provided by operating activities	\$ 275,126	\$ 58,530	\$ 4,487	\$ 338,143
Cash Flow from Investing Activities:				
Proceeds from sale of property and equipment	—	414	—	414
Insurance proceeds - damaged property	—	19,310	—	19,310
Proceeds from sale of assets held for sale	—	823	—	823
Change in restricted investments	—	(7,440)	—	(7,440)
Capital expenditures	(35,968)	(79,627)	(1,649)	(117,244)
Net cash used in investing activities	(35,968)	(66,520)	(1,649)	(104,137)
Cash Flow from Financing Activities:				
Payments on long-term debt	(513,219)	—	—	(513,219)
Proceeds from long-term debt	521,370	—	—	521,370
Payments on non-recourse debt	—	—	(335,116)	(335,116)
Proceeds from non-recourse debt	—	—	321,102	321,102
Taxes paid related to net share settlements of equity awards	(4,179)	—	—	(4,179)
Debt issuance costs	(9,856)	—	—	(9,856)
Proceeds from stock options exercised	1,258	—	—	1,258
Dividends paid	(232,546)	—	—	(232,546)
Proceeds from issuance of common stock in connection with ESPP	532	—	—	532
Net cash used in financing activities	(236,640)	—	(14,014)	(250,654)
Effect of Exchange Rate Changes on Cash, Cash Equivalents and Restricted Cash and Cash Equivalents	—	—	(352)	(352)
Net (Decrease) Increase in Cash, Cash Equivalents and Restricted Cash and Cash Equivalents	2,518	(7,990)	(11,528)	(17,000)
Cash, Cash Equivalents and Restricted Cash and Cash Equivalents, beginning of period	7,322	7,990	69,160	84,472
Cash, Cash Equivalents and Restricted Cash and Cash Equivalents, end of period	\$ 9,840	\$ —	\$ 57,632	\$ 67,472



## CONDENSED CONSOLIDATING STATEMENTS OF CASH FLOWS

(in thousands)

For the Year Ended December 31, 2018				
	The GEO Group Inc.	Combined Subsidiary Guarantors	Combined Non- Guarantor Subsidiaries	Consolidated
Cash Flow from Operating Activities:				
Net cash provided by operating activities	\$ 156,754	\$ 86,974	\$ 30,747	\$ 274,475
Cash Flow from Investing Activities:				
Proceeds from sale of property and equipment	—	268	1,809	2,077
Insurance proceeds - damaged property	—	1,438	—	1,438
Proceeds from assets held for sale	—	3,797	—	3,797
Change in restricted cash and investments	—	(129)	—	(129)
Capital expenditures	(104,034)	(89,310)	(2,322)	(195,666)
Net cash used in investing activities	(104,034)	(83,936)	(513)	(188,483)
Cash Flow from Financing Activities:				
Payments on long-term debt	(276,000)	—	(6,358)	(282,358)
Proceeds from long-term debt	502,998	—	—	502,998
Payments on non-recourse debt	—	—	(18,544)	(18,544)
Taxes paid related to net share settlements of equity awards	(3,820)	—	—	(3,820)
Payments for repurchases of common stock	(95,175)	—	—	(95,175)
Debt issuance costs	(990)	—	—	(990)
Proceeds from stock options exercised	1,887	—	—	1,887
Dividends paid	(229,498)	—	—	(229,498)
Proceeds from issuance of common stock in connection with ESPP	534	—	—	534
Net cash used in financing activities	(100,064)	—	(24,902)	(124,966)
Effect of Exchange Rate Changes on Cash, Cash Equivalents and Restricted Cash and Cash Equivalents	—	—	(10,099)	(10,099)
Net (Decrease) Increase in Cash, Cash Equivalents and Restricted Cash and Cash Equivalents	(47,344)	3,038	(4,767)	(49,073)
Cash, Cash Equivalents and Restricted Cash and Cash Equivalents, beginning of period	54,666	4,952	73,927	133,545
Cash, Cash Equivalents and Restricted Cash and Cash Equivalents, end of period	\$ 7,322	\$ 7,990	\$ 69,160	\$ 84,472

## CONDENSED CONSOLIDATING STATEMENTS OF CASH FLOWS

(in thousands)

	For the Year Ended December 31, 2017			
	The GEO Group Inc.	Combined Subsidiary Guarantors	Combined Non- Guarantor Subsidiaries	Consolidated
Cash Flow from Operating Activities:				
Net cash provided by (used in) operating activities	118,018	91,174	171,850	381,042
Cash Flow from Investing Activities:				
Acquisition of CEC, net of cash acquired	(353,556)	—	—	(353,556)
Proceeds from sale of property and equipment	3,436	—	24	3,460
Insurance proceeds - damaged property	2,754	—	—	2,754
Change in restricted cash and investments	—	(4,507)	—	(4,507)
Capital expenditures	(53,030)	(86,336)	(9,040)	(148,406)
Net cash used in investing activities	(400,396)	(90,843)	(9,016)	(500,255)
Cash Flow from Financing Activities:				
Proceeds from long-term debt	1,389,084	—	—	1,389,084
Payments on long-term debt	(1,140,788)	—	—	(1,140,788)
Payments on non-recourse debt	—	—	(307,414)	(307,414)
Proceeds from non-recourse debt	—	—	181,658	181,658
Taxes paid related to net share settlements of equity awards	(4,142)	—	—	(4,142)
Debt issuance costs	(8,701)	—	(841)	(9,542)
Proceeds from stock options exercised	6,962	—	—	6,962
Dividends paid	(227,463)	—	—	(227,463)
Proceeds from issuance of common stock in connection with public offering	275,867	—	—	275,867
Proceeds from issuance of common stock in connection with ESPP	497	—	—	497
Net cash provided by (used in) financing activities	291,316	—	(126,597)	164,719
Effect of Exchange Rate Changes on Cash and Cash Equivalents	—	—	(2,318)	(2,318)
Net Increase in Cash and Cash Equivalents	8,938	331	33,919	43,188
Cash and Cash Equivalents, beginning of period	45,728	4,621	40,008	90,357
Cash and Cash Equivalents, end of period	\$ 54,666	\$ 4,952	\$ 73,927	\$ 133,545

## 21. Subsequent Events

### *Dividend*

On February 3, 2020, the Board of Directors declared a quarterly cash dividend of \$0.48 per share of common stock, which was paid on February 21, 2020 to shareholders of record as of the close of business on February 14, 2020.

### *Options and Restricted Stock Awards*

On February 10, 2020, the Compensation Committee of the Board of Directors resolved to grant approximately 490,000 options and 942,000 shares of restricted stock to certain employees and directors of the Company effective March 1, 2020. Of the total shares of restricted stock granted, 360,000 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.

### **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, 2019.

##### ***(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, 2019.

##### ***(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. We implemented certain internal controls to ensure we adequately evaluated our lease contracts and properly assessed the impact of the new accounting standard related to lease accounting on our financial statements, including relevant disclosures, to facilitate this adoption on January 1, 2019. There were no significant changes to our internal control over financial reporting during the year ended December 31, 2019 due to the adoption of this standard on January 1, 2019.

## **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 2020 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 2020 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 2020 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 2020 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 2020 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, 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 163

Schedule III — Real Estate and Accumulated Depreciation — Page 164

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	
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).	<a href="https://www.sec.gov/Archives/edgar/data/923796/000119312514254491/d750635dex31.htm">https://www.sec.gov/Archives/edgar/data/923796/000119312514254491/d750635dex31.htm</a>
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).	<a href="https://www.sec.gov/Archives/edgar/data/923796/000119312514254491/d750635dex32.htm">https://www.sec.gov/Archives/edgar/data/923796/000119312514254491/d750635dex32.htm</a>
3.3	Articles of Amendment to the Amended and Restated Articles of Incorporation of The GEO Group, Inc. (incorporated by reference to Exhibit 3.1 to the Company's report on Form 8-K, filed on April 26, 2017).	<a href="https://www.sec.gov/Archives/edgar/data/923796/000119312517137344/d384798dex31.htm">https://www.sec.gov/Archives/edgar/data/923796/000119312517137344/d384798dex31.htm</a>
3.4	Second Amended and Restated Bylaws of The GEO Group, Inc. (incorporated by reference to Exhibit 3.1 to the Company's report on Form 8-K, filed on April 17, 2017).	<a href="https://www.sec.gov/Archives/edgar/data/923796/000119312517126104/d377930dex31.htm">https://www.sec.gov/Archives/edgar/data/923796/000119312517126104/d377930dex31.htm</a>
3.5	Amendment to Second Amended and Restated Bylaws Adopted on July 6, 2018 (incorporated by reference to Exhibit 3.1 to the Company's report on Form 8-K filed on July 11, 2018).	<a href="https://www.sec.gov/Archives/edgar/data/923796/000119312518216156/d458165dex31.htm">https://www.sec.gov/Archives/edgar/data/923796/000119312518216156/d458165dex31.htm</a>
3.6	Amendment to Second Amended and Restated Bylaws Adopted on September 10, 2018 (incorporated by reference to Exhibit 3.1 to the Company's report on Form 8-K filed on September 13, 2018).	<a href="https://www.sec.gov/Archives/edgar/data/923796/000119312518272904/d624393dex31.htm">https://www.sec.gov/Archives/edgar/data/923796/000119312518272904/d624393dex31.htm</a>

3.7	Amendment to Second Amended and Restated Bylaws Adopted on November 29, 2018 (incorporated by reference to Exhibit 3.1 to the Company's report on Form 8-K filed on November 30, 2018).	<a href="https://www.sec.gov/Archives/edgar/data/923796/000119312518339841/d665620dex31.htm">https://www.sec.gov/Archives/edgar/data/923796/000119312518339841/d665620dex31.htm</a>
3.8	Amendment to the Second Amended and Restated Bylaws of The GEO Group, Inc., effective October 9, 2019 (incorporated by reference to Exhibit 3.1 to the Company's report on Form 8-K filed on October 16, 2019).	<a href="https://www.sec.gov/Archives/edgar/data/923796/000119312519268526/d818688dex31.htm">https://www.sec.gov/Archives/edgar/data/923796/000119312519268526/d818688dex31.htm</a>
4.1	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).	<a href="https://www.sec.gov/Archives/edgar/data/923796/000119312513124536/d509256dex41.htm">https://www.sec.gov/Archives/edgar/data/923796/000119312513124536/d509256dex41.htm</a>
4.2	Form of 5.125% Senior Note due 2023 (included in Exhibit 4.1).	<a href="https://www.sec.gov/Archives/edgar/data/923796/000119312513124536/d509256dex41.htm">https://www.sec.gov/Archives/edgar/data/923796/000119312513124536/d509256dex41.htm</a>
4.3	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).	<a href="https://www.sec.gov/Archives/edgar/data/923796/000119312513395357/d610381dex41.htm">https://www.sec.gov/Archives/edgar/data/923796/000119312513395357/d610381dex41.htm</a>
4.4	Form of 5 7/8% Senior Note due 2022 (included in Exhibit 4.3).	<a href="https://www.sec.gov/Archives/edgar/data/923796/000119312513395357/d610381dex41.htm">https://www.sec.gov/Archives/edgar/data/923796/000119312513395357/d610381dex41.htm</a>
4.5	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).	<a href="https://www.sec.gov/Archives/edgar/data/923796/000119312514254491/d750635dex44.htm">https://www.sec.gov/Archives/edgar/data/923796/000119312514254491/d750635dex44.htm</a>
4.6	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).	<a href="https://www.sec.gov/Archives/edgar/data/923796/000119312514254491/d750635dex45.htm">https://www.sec.gov/Archives/edgar/data/923796/000119312514254491/d750635dex45.htm</a>
4.7	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).	<a href="https://www.sec.gov/Archives/edgar/data/923796/000119312514360857/d795633dex41.htm">https://www.sec.gov/Archives/edgar/data/923796/000119312514360857/d795633dex41.htm</a>
4.8	First Supplemental Indenture, dated as of September 25, 2014, by and among GEO, certain subsidiary guarantors and Wells Fargo Bank, National Association, as Trustee with respect to the 5.875% Senior Notes due 2024 (incorporated by reference to Exhibit 4.2 to the Company's report on Form 8-K, filed on October 1, 2014).	<a href="https://www.sec.gov/Archives/edgar/data/923796/000119312514360857/d795633dex42.htm">https://www.sec.gov/Archives/edgar/data/923796/000119312514360857/d795633dex42.htm</a>

4.9	Form of 5.875% Senior Note due 2024 (included in Exhibit 4.8).	<a href="https://www.sec.gov/Archives/edgar/data/923796/000119312514360857/d795633dex42.htm">https://www.sec.gov/Archives/edgar/data/923796/000119312514360857/d795633dex42.htm</a>
4.10	Second Supplemental Indenture, dated as of April 18, 2016, by and among The GEO Group, Inc., the subsidiary guarantors named therein and Wells Fargo Bank, National Association, as Trustee with respect to the 6.00% Senior Notes due 2026 (incorporated by reference to Exhibit 4.1 to the Company's report on Form 8-K, filed on April 18, 2016).	<a href="https://www.sec.gov/Archives/edgar/data/923796/000119312516545008/d172173dex41.htm">https://www.sec.gov/Archives/edgar/data/923796/000119312516545008/d172173dex41.htm</a>
4.11	Form of 6.00% Senior Notes due 2026 (included in Exhibit 4.10).	<a href="https://www.sec.gov/Archives/edgar/data/923796/000119312516545008/d172173dex41.htm">https://www.sec.gov/Archives/edgar/data/923796/000119312516545008/d172173dex41.htm</a>
4.12	Form of Indenture for Senior Debt Securities (incorporated by reference to Exhibit 4.1 to the Company's registration statement on Form S-3ASR, filed on October 20, 2017).	<a href="https://www.sec.gov/Archives/edgar/data/914670/000119312517315521/d474071dex41.htm">https://www.sec.gov/Archives/edgar/data/914670/000119312517315521/d474071dex41.htm</a>
4.13	Form of Indenture for Subordinated Debt Securities (incorporated by reference to Exhibit 4.2 to the Company's registration statement on Form S-3ASR, filed on October 20, 2017).	<a href="https://www.sec.gov/Archives/edgar/data/914670/000119312517315521/d474071dex42.htm">https://www.sec.gov/Archives/edgar/data/914670/000119312517315521/d474071dex42.htm</a>
4.14	Description of Registrant's Securities*	
10.1	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)†	
10.2	The GEO Group, Inc. Senior Management Performance Award Plan, as Amended and Restated (incorporated by reference to Exhibit 10.3 to the Company's report on Form 10-K, filed on February 26, 2019) †	<a href="https://www.sec.gov/Archives/edgar/data/923796/000119312519050054/d663410dex103.htm">https://www.sec.gov/Archives/edgar/data/923796/000119312519050054/d663410dex103.htm</a>
10.3	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)†	<a href="https://www.sec.gov/Archives/edgar/data/923796/000095014409000110/g17230exv10w8.htm">https://www.sec.gov/Archives/edgar/data/923796/000095014409000110/g17230exv10w8.htm</a>
10.4	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)†	<a href="https://www.sec.gov/Archives/edgar/data/923796/000095012309028997/g19984exv10w1.htm">https://www.sec.gov/Archives/edgar/data/923796/000095012309028997/g19984exv10w1.htm</a>
10.5	Senior Officer Employment Agreement, dated February 1, 2016, by and between the Company and J. David Donahue (incorporated herein by reference to Exhibit 10.7 to the Company's report on Form 10-K, filed on February 25, 2019) †	<a href="https://www.sec.gov/Archives/edgar/data/923796/000119312519050054/d663410dex107.htm">https://www.sec.gov/Archives/edgar/data/923796/000119312519050054/d663410dex107.htm</a>

10.6	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)†	<a href="https://www.sec.gov/Archives/edgar/data/923796/000095012311020922/g25405exv10w28.htm">https://www.sec.gov/Archives/edgar/data/923796/000095012311020922/g25405exv10w28.htm</a>
10.7	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)†	<a href="https://www.sec.gov/Archives/edgar/data/923796/000119312512090269/d259590dex1036.htm">https://www.sec.gov/Archives/edgar/data/923796/000119312512090269/d259590dex1036.htm</a>
10.8	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)†	<a href="https://www.sec.gov/Archives/edgar/data/923796/000119312512090269/d259590dex1037.htm">https://www.sec.gov/Archives/edgar/data/923796/000119312512090269/d259590dex1037.htm</a>
10.9	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)†	<a href="https://www.sec.gov/Archives/edgar/data/923796/000119312512090269/d259590dex1038.htm">https://www.sec.gov/Archives/edgar/data/923796/000119312512090269/d259590dex1038.htm</a>
10.10	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)†	<a href="https://www.sec.gov/Archives/edgar/data/923796/000119312512090269/d259590dex1039.htm">https://www.sec.gov/Archives/edgar/data/923796/000119312512090269/d259590dex1039.htm</a>
10.11	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)†	<a href="https://www.sec.gov/Archives/edgar/data/923796/000119312512090269/d259590dex1040.htm">https://www.sec.gov/Archives/edgar/data/923796/000119312512090269/d259590dex1040.htm</a>
10.12	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))†	<a href="https://www.sec.gov/Archives/edgar/data/923796/000119312512212236/d347267dex1041.htm">https://www.sec.gov/Archives/edgar/data/923796/000119312512212236/d347267dex1041.htm</a>
10.13	Third Amended and Restated Executive Employment Agreement, dated August 22, 2012, by and between The GEO Group, Inc. and George C. Zoley (incorporated by reference to Exhibit 10.42 to the Company's report on Form 8-K, filed on August 28, 2012)†	<a href="https://www.sec.gov/Archives/edgar/data/923796/000119312512372017/d403128dex1042.htm">https://www.sec.gov/Archives/edgar/data/923796/000119312512372017/d403128dex1042.htm</a>
10.14	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)†	<a href="https://www.sec.gov/Archives/edgar/data/923796/000119312512372017/d403128dex1043.htm">https://www.sec.gov/Archives/edgar/data/923796/000119312512372017/d403128dex1043.htm</a>
10.15	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) †.	<a href="https://www.sec.gov/Archives/edgar/data/923796/000119312513183222/d531349dex101.htm">https://www.sec.gov/Archives/edgar/data/923796/000119312513183222/d531349dex101.htm</a>

10.16	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) †.	<a href="https://www.sec.gov/Archives/edgar/data/923796/000119312513246954/d549744dex101.htm">https://www.sec.gov/Archives/edgar/data/923796/000119312513246954/d549744dex101.htm</a>
10.17	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). †	<a href="https://www.sec.gov/Archives/edgar/data/923796/000119312514182656/d721126dex101.htm">https://www.sec.gov/Archives/edgar/data/923796/000119312514182656/d721126dex101.htm</a>
10.18	Letter of Offer, dated August 18, 2016, between The GEO Group, Inc. and HSBC Bank Australia Limited (incorporated by reference to Exhibit 10.1 to the Company's report on Form 8-K, filed on August 24, 2016).	<a href="https://www.sec.gov/Archives/edgar/data/923796/000119312516690048/d247455dex101.htm">https://www.sec.gov/Archives/edgar/data/923796/000119312516690048/d247455dex101.htm</a>
10.19	Third Amended and Restated Credit Agreement, dated as of March 23, 2017, among The GEO Group, Inc., GEO Corrections Holdings, Inc., as the Borrowers, the Australian Borrowers party thereto, the Lenders party thereto and BNP Paribas, as administrative agent. (incorporated by reference to Exhibit 10.1 to the Company's report on Form 8-K, filed on March 29, 2017. Portions of this exhibit have been omitted and filed separately with the Securities and Exchange Commission pursuant to a request for confidential treatment.)	<a href="https://www.sec.gov/Archives/edgar/data/923796/000119312517101954/d316743dex101.htm">https://www.sec.gov/Archives/edgar/data/923796/000119312517101954/d316743dex101.htm</a>
10.20	The GEO Group, Inc. 2018 Stock Incentive Plan (incorporated by reference to Exhibit 10.1 to the Company's report on Form 8-K filed on April 30, 2018).	<a href="https://www.sec.gov/Archives/edgar/data/923796/000119312518143556/d570847dex101.htm">https://www.sec.gov/Archives/edgar/data/923796/000119312518143556/d570847dex101.htm</a>
10.21	Amendment No. 1 to the Third Amended and Restated Credit Agreement, dated as of April 30, 2018, by and among The GEO Group, Inc., GEO Corrections Holdings, Inc., BNP Paribas, as administrative agent for the lenders, the refinancing lenders party thereto and each other lender party thereto (incorporated by reference to Exhibit 10.1 to the Company's report on Form 8-K filed on May 4, 2018).	<a href="https://www.sec.gov/Archives/edgar/data/923796/000119312518152758/d564439dex101.htm">https://www.sec.gov/Archives/edgar/data/923796/000119312518152758/d564439dex101.htm</a>
10.22	Consultant Agreement, effective January 1, 2019, by and between the Company and John Bulfin (incorporated by reference to Exhibit 10.1 to the Company's report on Form 8-K filed on December 12, 2018).	<a href="https://www.sec.gov/Archives/edgar/data/923796/000119312518347861/d672276dex101.htm">https://www.sec.gov/Archives/edgar/data/923796/000119312518347861/d672276dex101.htm</a>
10.23	Senior Officer Employment Agreement, dated July 21, 2014, by and between the Company and Ann Schlarb (incorporated by reference to Exhibit 10.1 to the Company's report on Form 10-Q, filed on May 6, 2019)†	<a href="https://www.sec.gov/Archives/edgar/data/923796/000119312519138425/d651801dex101.htm">https://www.sec.gov/Archives/edgar/data/923796/000119312519138425/d651801dex101.htm</a>



10.24	Amendment No. 2 to Third Amended and Restated Credit Agreement, dated June 12, 2019, by and among The GEO Group, Inc. and GEO Corrections Holdings, Inc., as the Borrowers, GEO Australasia Holdings PTY LTD, GEO Australasia Finance Holdings PTY LTD, as trustee of the GEO Australasia Finance Holding Trust, BNP Paribas, as administrative agent, and the lenders party thereto (portions of this exhibit have been omitted) (incorporated by reference to Exhibit 10.1 to the Company's report on Form 10-Q, filed on August 2, 2019)	<a href="https://www.sec.gov/Archives/edgar/data/923796/000119312519212102/d759337dex101.htm">https://www.sec.gov/Archives/edgar/data/923796/000119312519212102/d759337dex101.htm</a>
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 *	The following financial information from the Company's Annual Report on Form 10-K for the year ended December 31, 2019, formatted in Inline XBRL (Extensible Business Reporting Language) includes: (i) the Consolidated Statements of Operations, (ii) the Consolidated Statements of Comprehensive Income (Loss), (iii) the Consolidated Balance Sheets, (iv) the Consolidated Statements of Cash Flows, (v) the Consolidated Statements of Stockholders' Equity, and (vi) the Notes to the Consolidated Financial Statements. The instance document does not appear in the interactive data file because its XBRL tags are embedded within the Inline XBRL document.	
104 *	Cover Page Interactive Data Title - the cover page XBRL tags are embedded within the Inline XBRL document.	

\* 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.

Item 16. Form 10-K Summary.

None.

## 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

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Brian R. Evans

Senior Vice President and Chief Financial Officer

Date: February 26, 2020

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 registrant and in the capacities and on the dates indicated.

Signature	Title	Date
<div>/s/ George C. Zoley</div> <div>George C. Zoley</div>	Chairman of the Board and Chief Executive Officer (principal executive officer)	February 26, 2020
<div>/s/ Brian R. Evans</div> <div>Brian R. Evans</div>	Senior Vice President and Chief Financial Officer (principal financial officer)	February 26, 2020
<div>/s/ Ronald A. Brack</div> <div>Ronald A. Brack</div>	Executive Vice President, Chief Accounting Officer and Controller (principal accounting officer)	February 26, 2020
<div>/s/ Scott M. Kernan</div> <div>Scott M. Kernan</div>	Director	February 26, 2020
<div>/s/ Julie M. Wood</div> <div>Julie M. Wood</div>	Director	February 26, 2020
<div>/s/ Anne N. Foreman</div> <div>Anne N. Foreman</div>	Director	February 26, 2020
<div>/s/ Richard H. Glanton</div> <div>Richard H. Glanton</div>	Director	February 26, 2020
<div>/s/ Christopher C. Wheeler</div> <div>Christopher C. Wheeler</div>	Director	February 26, 2020
<div>/s/ Guido M. Van Hauwermeiren</div> <div>Guido M. Van Hauwermeiren</div>	Director	February 26, 2020
<div>/s/ Jose Gordo</div> <div>Jose Gordo</div>	Director	February 26, 2020

**THE GEO GROUP, INC.**  
**SCHEDULE II**  
**VALUATION AND QUALIFYING ACCOUNTS**  
**For the Years Ended December 31, 2019, 2018 and 2017**

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)					
<b>YEAR ENDED DECEMBER 31, 2019:</b>					
Allowance for doubtful accounts	\$4,183	\$190	\$—	\$(1,178)	\$3,195
<b>YEAR ENDED DECEMBER 31, 2018:</b>					
Allowance for doubtful accounts	\$4,574	\$823	\$—	\$(1,214)	\$4,183
<b>YEAR ENDED DECEMBER 31, 2017:</b>					
Allowance for doubtful accounts	\$3,664	\$2,456	\$—	\$(1,546)	\$4,574

**THE GEO GROUP, INC.**  
**SCHEDULE III- REAL ESTATE AND ACCUMULATED DEPRECIATION**  
**December 31, 2019**  
**(dollars in thousands)**

Original					Gross Cost at December 31, 2019								
Property Name (1)	Type	Location	Land	Building and Improvements	Costs Capitalized Subsequent to Acquisition (2)	Land and	Building and	Land Held for		Total	Accumulated Depreciation	Year(s) Built/	Book Value of Mortgaged Properties
Secure Services - Owned and Leased													
Broward Transitional Center	Secure Services Facility	Deerfield Beach, FL	\$4,085	\$15,441	\$18,988	\$4,209	\$34,305	\$—	\$—	\$38,514	\$9,991	1998, 2004,	\$28,523
D. Ray James Correctional Facility	Secure Services Facility	Folkston, GA	\$1,229	\$55,961	\$13,757	\$1,764	\$68,901	\$243	\$39	\$70,947	\$15,624		\$55,323
Folkston ICE Processing Center	Secure Services Facility	Folkston, GA	\$291	\$30,399	\$8,727	\$291	\$38,580	\$—	\$546	\$39,417	\$7,250	2005, 2008, 2013, 2017	\$32,167
LaSalle ICE Processing Center	Secure Services Facility	Jena, LA	\$856	\$51,623	\$6,735	\$1,166	\$57,475	\$514	\$59	\$59,214	\$16,827	1998, 2008,	\$42,387
Alexandria Staging Facility (3)	Secure Services Facility	Alexandria, LA	\$—	\$17,283	\$54	\$—	\$17,337	\$—	\$—	\$17,337	\$1,902	2014	\$—
Moshannon Valley Correctional and Rehabilitation Facility	Secure Services Facility	Philipsburg, PA	\$1,107	\$65,160	\$8,907	\$1,723	\$73,324	\$87	\$40	\$75,174	\$16,536		\$58,638
North Lake Correctional Facility	Secure Services Facility	Baldwin, MI	\$66	\$36,727	\$53,637	\$1,709	\$88,674	\$—	\$47	\$90,430	\$15,655		\$74,775
Queens Detention Facility	Secure Services Facility	Jamaica, NY	\$2,237	\$19,847	\$5,478	\$2,237	\$25,308	\$—	\$17	\$27,562	\$10,454	1971,	\$—
Riverbend Correctional and Rehabilitation Facility (3)	Secure Services Facility	Milledgeville, GA	\$—	\$72,932	\$652	\$157	\$73,427	\$—	\$—	\$73,584	\$15,887	2011	\$57,697
Rivers Correctional Facility	Secure Services Facility	Winton, NC	\$875	\$60,328	\$5,964	\$1,256	\$65,703	\$149	\$59	\$67,167	\$24,924		\$42,243
Robert A. Deyton Detention Facility	Secure Services Facility	Lovejoy, GA	\$—	\$8,163	\$10,812	\$15	\$18,960	\$—	\$—	\$18,975	\$10,892	1984-1986,	\$—
Big Spring Correctional Facility (3)	Secure Services Facility	Big Spring, TX	\$480	\$82,180	\$32,077	\$2,281	\$112,456	\$—	\$—	\$114,737	\$33,373	1940, 1960, 1982, 1991, 1994, 1996, 2001, 2009-2012, 2016, 2018	\$—
Great Plains Correctional Facility	Secure Services Facility	Hinton, OK	\$463	\$76,580	\$18,470	\$2,396	\$90,161	\$—	\$2,956	\$95,513	\$19,697	1990-1992, 1995, 2008, 2011, 2013, 2015, 2018, CIP	\$75,816



Joe Corley Processing Center	Secure Services Facility	Conroe, TX	\$470	\$64,813	\$12,233	\$604	\$72,076	\$—	\$4,836	\$77,516	\$11,324	2008, 2017, 2018, CIP	\$66,192
Karnes County Detention Facility	Secure Services Facility	Karnes City, TX	\$937	\$24,825	\$6,513	\$912	\$27,034	\$176	\$4,153	\$32,275	\$8,456	1995, CIP	\$23,819
Karnes County Family Residential Center	Secure Services Facility	Karnes City, TX	\$—	\$29,052	\$30,346	\$47	\$59,317	\$—	\$34	\$59,398	\$8,101		\$—
Lawton Correctional Facility	Secure Services Facility	Lawton, OK	\$1,012	\$96,637	\$15,212	\$1,073	\$108,035	\$—	\$3,753	\$112,861	\$28,226		\$84,635
Rio Grande Processing Center	Secure Services Facility	Laredo, TX	\$8,365	\$81,178	\$1,910	\$6,266	\$83,088	\$2,099	\$—	\$91,453	\$19,146	2007, 2008	\$72,307
South Texas ICE Processing Center	Secure Services Facility	Pearsall, TX	\$437	\$31,405	\$6,131	\$437	\$37,502	\$—	\$34	\$37,973	\$11,421		\$—
Val Verde County Detention Facility	Secure Services Facility	Del Rio, TX	\$21	\$56,009	\$1,530	\$16	\$57,539	\$5	\$—	\$57,560	\$17,811		\$39,749
Adelanto ICE Processing Center	Secure Services Facility	Adelanto, CA	\$8,005	\$113,255	\$43,427	\$10,564	\$154,029	\$—	\$94	\$164,687	\$23,458		\$
Aurora ICE Processing Center	Secure Services Facility	Aurora, CO	\$4,590	\$15,200	\$78,764	\$4,318	\$89,744	\$1,310	\$3,182	\$98,554	\$19,772	1987, 1993, 1998, 2009, 2010, 2011, 2017, CIP	\$78,782
Central Valley MCCF	Secure Services Facility	Mc Farland, CA	\$1,055	\$28,133	\$2,949	\$906	\$30,980	\$211	\$40	\$32,137	\$9,874	1997, 2009/2010	\$22,263
Desert View MCCF	Secure Services Facility	Adelanto, CA	\$1,245	\$27,943	\$4,526	\$1,245	\$32,454	\$—	\$15	\$33,714	\$11,445	1997, 2010, 2013	\$22,269
Golden State MCCF	Secure Services Facility	Mc Farland, CA	\$1,264	\$27,924	\$2,574	\$1,072	\$30,422	\$253	\$15	\$31,762	\$9,494	1997, 2010	\$22,268
Guadalupe County Correctional Facility	Secure Services Facility	Santa Rosa, NM	\$181	\$29,732	\$1,511	\$27	\$31,052	\$154	\$191	\$31,424	\$12,698		\$18,726
Hudson Correctional Facility	Secure Services Facility	Hudson, CO	\$11,140	\$—	\$4,599	\$7,372	\$4,447	\$3,920	\$—	\$15,739	\$5,907	2009, 2011	\$—
Lea County Correctional Facility (3)	Secure Services Facility	Hobbs, NM	\$347	\$67,933	\$5,836	\$—	\$70,374	\$347	\$3,395	\$74,116	\$20,292		\$—
McFarland Female CRF	Secure Services Facility	Mc Farland, CA	\$914	\$9,019	\$9,066	\$2,036	\$16,765	\$183	\$15	\$18,999	\$6,135	1988, 2011, 2014	\$—
Mesa Verde ICE Processing Center	Secure Services Facility	Bakersfield, CA	\$2,237	\$13,714	\$15,615	\$2,237	\$26,109	\$3,181	\$39	\$31,566	\$5,312	1989, 2011, 2015	\$—
Northwest ICE Processing Center	Secure Services Facility	Tacoma, WA	\$3,916	\$39,000	\$52,136	\$6,546	\$88,459	\$—	\$47	\$95,052	\$23,345		\$—
Western Region Detention Facility	Secure Services Facility	San Diego, CA	\$—	\$28,071	\$1,396	\$—	\$29,404	\$—	\$63	\$29,467	\$29,391	1959-1961, 2000	\$—
Brooks County Detention Center	Secure Services Facility	Falfurrias, TX	\$410	\$18,940	\$1,400	\$470	\$20,280	\$—	\$—	\$20,750	\$2,571	2001, 2011	\$—
East Hidalgo Detention Center	Secure Services Facility	LaVilla, TX	\$460	\$28,010	\$4,601	\$523	\$32,091	\$—	\$457	\$33,071	\$3,431	2001, 2002, 2004, 2005, 2007, 2011, 2019	\$—

Perry County Correctional Center	Secure Services Facility	Uniontown, AL	\$400	\$12,880	\$401	\$400	\$13,281	\$—	\$—	\$13,681	\$1,753	2006	\$—
Pine Prairie ICE Processing Center	Secure Services Facility	Pine Prairie, LA	\$260	\$11,910	\$6,022	\$905	\$16,810	\$477	\$—	\$18,192	\$2,561	1999, 2008, 2018	\$—
South Louisiana ICE Processing Center	Secure Services Facility	Basile, LA	\$290	\$13,040	\$20,056	\$353	\$33,023	\$—	\$10	\$33,386	\$2,967	1993, 1994, 1996, 1998-1999, 2000-2001, 2010-2011, 2017, 2019	\$—
Coastal Bend Detention Center	Secure Services Facility	Robstown, TX	\$1,330	\$26,820	\$1,133	\$1,445	\$27,748	\$—	\$90	\$29,283	\$3,725	2008, 2009	\$—
Eagle Pass Correctional Facility	Secure Services Facility	Maverick, TX	\$296	\$15,437	\$8,105	\$299	\$23,504	\$—	\$35	\$23,838	\$1,326	2008, 2018	\$—
Crossroads Reception Center	Secure Services Facility	Indianapolis, IN	\$890	\$2,065	\$—	\$890	\$2,065	\$—	\$—	\$2,955	\$724	1950, 2000	\$—
Montgomery ICE Processing Center	Secure Services Facility	Conroe, TX	\$2,012	\$112,046	\$802	\$2,012	\$112,708	\$—	\$140	\$114,860	\$3,121	2018	\$—
Secure Services - Managed													
Lawrenceville Correctional Center	Secure Services Facility	Lawrenceville, VA	\$—	\$—	\$898	\$—	\$898	\$—	\$—	\$898	\$880	1996-1998, 2011	\$—
Arizona State Prison-Florence West	Secure Services Facility	Florence, AZ	\$320	\$9,317	\$1,218	\$320	\$10,535	\$—	\$—	\$10,855	\$9,032	1997	\$—
Arizona State Prison - Phoenix West	Secure Services Facility	Phoenix, AZ	\$—	\$7,919	\$496	\$—	\$8,415	\$—	\$—	\$8,415	\$6,994	1979-1984,	\$—
Central Arizona Correctional Facility	Secure Services Facility	Florence, AZ	\$—	\$396	\$2,000	\$—	\$2,396	\$—	\$—	\$2,396	\$2,126	2006	\$—
Arizona State Prison - Kingman	Secure Services Facility	Kingman, AZ	\$—	\$—	\$458	\$—	\$458	\$—	\$—	\$458	\$199	2004, 2010	\$—
New Castle Correctional Facility	Secure Services Facility	New Castle, IN	\$—	\$—	\$23,389	\$—	\$23,271	\$—	\$118	\$23,389	\$11,405	2001, 2012	\$—
Heritage Trails Correctional Center	Secure Services Facility	Plainfield, IN	\$—	\$—	\$10	\$—	\$10	\$—	\$—	\$10	\$10	1890, 1900, 1921, 1961	\$—
South Bay Correctional and Rehabilitation Facility	Secure Services Facility	South Bay, FL	\$—	\$—	\$2,440	\$—	\$2,440	\$—	\$—	\$2,440	\$2,432		\$—
Reeves County Detention Complex R1/R2	Secure Services Facility	Pecos, TX	\$—	\$—	\$1,203	\$—	\$1,203	\$—	\$—	\$1,203	\$1,203	1986, 1998, 2001, 2004, 2009/2010	\$—
Reeves County Detention Complex R3	Secure Services Facility	Pecos, TX	\$—	\$—	\$4,238	\$—	\$4,238	\$—	\$—	\$4,238	\$4,235	2003, 2006, 2010	\$—
Blackwater River Correctional and Rehabilitation Facility	Secure Services Facility	Milton, FL	\$—	\$—	\$36	\$—	\$36	\$—	\$—	\$36	\$36	2010	\$—
Bay Correctional and Rehabilitation Facility	Secure Services Facility	Panama City, FL	\$—	\$—	\$13	\$—	\$13	\$—	\$—	\$13	\$13	1995	\$—

Moore Haven Correctional and Rehabilitation Facility	Secure Services Facility	Moore Haven, FL	\$—	\$—	\$49	\$—	\$49	\$—	\$—	\$49	\$49	1995, 1999, 2007	\$—
Graceville Correctional and Rehabilitation Facility	Secure Services Facility	Jackson, FL	\$—	\$—	\$542	\$—	\$542	\$—	\$—	\$542	\$369	2007, 2009, 2015	\$—
George W. Hill Correctional Facility	Secure Services Facility	Glen Mills, PA	\$—	\$34	\$10	\$—	\$44	\$—	\$—	\$44	\$20	1998	\$—
Kinney County Detention Center	Secure Services Facility	Bracketville, TX	\$—	\$223	\$10	\$—	\$233	\$—	\$—	\$233	\$96	2004	\$—
Liberty County Jail	Secure Services Facility	Liberty, TX	\$—	\$112	\$2	\$—	\$114	\$—	\$—	\$114	\$98	1992	\$—

## Community Based Services - Owned/Leased

Beaumont Transitional Treatment Center		Beaumont, TX	\$105	\$560	\$724	\$132	\$1,210	\$—	\$47	\$1,389	\$589	1940-1950, 1967, 1975, 1986, 1997	\$—
Bronx Community Re-entry Center		Bronx, NY	\$—	\$154	\$3,292	\$—	\$3,383	\$—	\$63	\$3,446	\$3,360	1966, 1998, 2009, 2012, 2015	\$—
Cordova Center		Anchorage, AK	\$235	\$3,225	\$4,264	\$235	\$7,489	\$—	\$—	\$7,724	\$2,582	1974-1979, 2001, 2013	\$—
Delaney Hall		Newark, NJ	\$3,759	\$22,502	\$13,737	\$3,782	\$36,041	\$—	\$175	\$39,998	\$11,313		
El Monte Center		El Monte, CA	\$—	\$47	\$398	\$—	\$445	\$—	\$—	\$445	\$367	1960, 2004, 2012	\$—
Grossman Center		Leavenworth, KS	\$—	\$24	\$3,400	\$247	\$3,177	\$—	\$—	\$3,424	\$86		\$—
Las Vegas Community Correctional Center		Las Vegas, NV	\$520	\$1,580	\$455	\$520	\$2,035	\$—	\$—	\$2,555	\$632	1978, 2004	\$—
Leidel Comprehensive Sanction Center		Houston, TX	\$3,210	\$710	\$595	\$3,210	\$1,305	\$—	\$—	\$4,515	\$554	1930, 1960,	\$—
Marvin Gardens Center		Los Angeles, CA	\$—	\$50	\$2,584	\$241	\$2,393	\$—	\$—	\$2,634	\$523		\$—
McCabe Center		Austin, TX	\$350	\$510	\$537	\$350	\$1,047	\$—	\$—	\$1,397	\$730	1962, 2012	\$—
Mid Valley House		Edinburg, TX	\$694	\$3,608	\$244	\$722	\$3,824	\$—	\$—	\$4,546	\$553	1985, 2001, 2014	\$—
Midtown Center		Anchorage, AK	\$130	\$220	\$153	\$130	\$373	\$—	\$—	\$503	\$182	Early 1950s, 1972, 1998	\$—
Northstar Center		Fairbanks, AK	\$—	\$12	\$288	\$—	\$300	\$—	\$—	\$300	\$290		\$—
Oakland Street Center		Oakland, CA	\$970	\$250	\$109	\$970	\$359	\$—	\$—	\$1,329	\$174	1904-1911, 2000s	\$—

Parkview Center	Anchorage, AK	\$160	\$1,480	\$307	\$160	\$1,787	\$—	\$—	\$1,947	\$917	1971, 1976	\$—
Reality House	Brownsville, TX	\$487	\$2,771	\$612	\$494	\$2,982	\$—	\$394	\$3,870	\$610	1983, 2011	\$—
Southeast Texas Transitional Center	Houston, TX	\$910	\$3,210	\$3,489	\$1,052	\$6,557	\$—	\$—	\$7,609	\$1,650	1960, 1967, 1970, 1984,	\$—
Salt Lake City Center	Salt Lake City, UT	\$751	\$1,505	\$152	\$751	\$1,657	\$—	\$—	\$2,408	\$308	1970, 1977, 2004	\$—
Seaside Center	Nome, AK	\$67	\$732	\$3,938	\$67	\$4,670	\$—	\$—	\$4,737	\$472	1999, 2015/2016	\$—
Taylor Street Center	San Francisco, CA	\$3,230	\$900	\$3,162	\$3,230	\$4,062	\$—	\$—	\$7,292	\$1,402	1907, 2010/2011	\$—
Tundra Center	Bethel, AK	\$20	\$1,190	\$1,421	\$79	\$2,552	\$—	\$—	\$2,631	\$1,575	1960/1970	\$—
Alabama Therapeutic Education Facility	Columbiana, AL	\$760	\$17,118	\$481	\$760	\$17,591	\$—	\$8	\$18,359	\$1,312	1962, 2008	\$—
Casper Reentry Center	Casper, WY	\$600	\$6,046	\$886	\$768	\$6,764	\$—	\$—	\$7,532	\$774	1984, 1994,	\$—
Toler Hall	Newark, NJ	\$—	\$88	\$—	\$—	\$88	\$—	\$—	\$88	\$32	1929, 2004	\$—
Logan Hall	Newark, NJ	\$—	\$6,888	\$16	\$—	\$6,904	\$—	\$—	\$6,904	\$2,501	1929, 2004	\$—
Long Beach Community Reentry Center	Long Beach, CA	\$—	\$513	\$139	\$—	\$652	\$—	\$—	\$652	\$516	1997	\$—
Arapahoe County Residential Center	Littleton, CO	\$2,100	\$2,485	\$68	\$2,100	\$2,553	\$—	\$—	\$4,653	\$363	2006	\$—
Cheyenne Mountain Reentry Center	Colorado Springs, CO	\$270	\$18,853	\$614	\$270	\$19,467	\$—	\$—	\$19,737	\$1,481	2005	\$—
Community Alternative of El Paso County	Colorado Springs, CO	\$560	\$1,553	\$397	\$510	\$1,635	\$50	\$315	\$2,510	\$238	1991, 1998, 2000	\$—
Correctional Alternative Placement Services	Craig, CO	\$126	\$289	\$47	\$126	\$336	\$—	\$—	\$462	\$89	1919- 1924, 1990	\$—
Albert "Bo" Robinson Assessment & Treatment Center	Trenton, NJ	\$380	\$16,578	\$337	\$380	\$16,913	\$—	\$2	\$17,295	\$1,677	1963, 1997, 2009	\$—
Talbot Hall	Kearney, NJ	\$—	\$2,854	\$206	\$—	\$3,060	\$—	\$—	\$3,060	\$1,656	1919, 1998	\$—
The Harbor	Newark, NJ	\$—	\$93	\$29	\$—	\$122	\$—	\$—	\$122	\$44	1929, 1999, 2008	\$—
Tully House	Newark, NJ	\$1,150	\$5,313	\$48	\$1,150	\$5,361	\$—	\$—	\$6,511	\$565	1929, 1999	\$—

ADAPPT Outpatient		Reading, PA	\$110	\$2,460	\$379	\$118	\$2,765	\$—	\$66	\$2,949	\$383	1909, 1919, 1929, 1986, 1989	\$—
Alle Kiski Pavilion		Arnold, PA	\$30	\$1,345	\$87	\$30	\$1,416	\$—	\$16	\$1,462	\$202	1901, 1990	\$—
Chester County		Chester, PA	\$—	\$54	\$3,680	\$301	\$3,433	\$—	\$—	\$3,734	\$170	1923, 1996, 2003	\$—
Coleman Hall		Philadelphia, PA	\$182	\$8,943	\$882	\$182	\$9,744	\$—	\$81	\$10,007	\$1,006	1919, 2001	\$—
Philadelphia Residential Reentry Center		Philadelphia, PA	\$208	\$10,103	\$396	\$214	\$10,493	\$—	\$—	\$10,707	\$1,074	2008	\$—
Community Alternative of the Black Hills		Rapid City, SD	\$7	\$2,719	\$6	\$7	\$2,725	\$—	\$—	\$2,732	\$354	1989, 1998, 2007	\$—
Youth Services - Owned/Leased													
Abraxas Academy	Youth Facility	Morgantown, PA	\$4,220	\$14,120	\$1,693	\$4,020	\$15,861	\$—	\$152	\$20,033	\$3,855	1999/2000	\$—
Abraxas I	Youth Facility	Marienville, PA	\$990	\$7,600	\$1,782	\$1,028	\$9,344	\$—	\$—	\$10,372	\$3,029	1930s, 1960, 1982, 1985-1987, 1989-1999, 2003	\$—
Abraxas Ohio	Youth Facility	Shelby, OH	\$1,160	\$2,900	\$1,112	\$1,197	\$3,975	\$—	\$—	\$5,172	\$1,390	1900, 1935, 1965, 1992	\$—
Abraxas Youth Center	Youth Facility	South Mountain, PA	\$—	\$36	\$439	\$—	\$475	\$—	\$—	\$475	\$424	1938, 1948, 2001	\$—
Hector Garza Center	Youth Facility	San Antonio, TX	\$1,590	\$3,540	\$1,461	\$1,704	\$4,454	\$—	\$433	\$6,591	\$1,465		\$—
Leadership Development Program	Youth Facility	South Mountain, PA	\$—	\$25	\$758	\$—	\$783	\$—	\$—	\$783	\$685	1920, 1938, 2000, 2005	\$—
Southern Peaks Regional Treatment Center	Youth Facility	Canon City, CO	\$2,850	\$11,350	\$827	\$3,057	\$11,970	\$—	\$—	\$15,027	\$3,280	2003-2004	\$—
Southwood Interventions	Youth Facility	Chicago, IL	\$870	\$6,310	\$1,690	\$898	\$7,652	\$—	\$320	\$8,870	\$2,885	1925, 1950, 1975, 2008	\$—
Woodridge Interventions	Youth Facility	Woodridge, IL	\$5,160	\$4,330	\$1,115	\$5,304	\$5,159	\$—	\$142	\$10,605	\$1,805	1982/1986	\$—
Electronic & Location Monitoring Centers - Managed													
El Centro DRC	Day Reporting Center	El Centro, CA	\$—	\$11	\$—	\$—	\$11	\$—	\$—	\$11	\$11	1976	\$—
Ventura DRC	Day Reporting Center	Ventura, CA	\$—	\$19	\$—	\$—	\$19	\$—	\$—	\$19	\$19	1988	\$—
CDCR Contra Costa Day Reporting Center	Day Reporting Center	Richmond, CA	\$—	\$35	\$—	\$—	\$35	\$—	\$—	\$35	\$32	1962	\$—



Neptune CRC	Day Reporting Center	Neptune City, NJ	\$—	\$16	\$35	\$—	\$51	\$—	\$—	\$51	\$49	2008-2009, 2011-2012, 2015	\$—
Sacramento BOP DRC	Day Reporting Center	Sacramento, CA	\$—	\$36	\$59	\$—	\$95	\$—	\$—	\$95	\$40	1974	\$—
Perth Amboy CRC	Day Reporting Center	Perth Amboy, NJ	\$—	\$19	\$50	\$—	\$69	\$—	\$—	\$69	\$65	2006-2008, 2010, 2015	\$—
Elizabeth NJ CRC	Day Reporting Center	Elizabeth, NJ	\$—	\$26	\$84	\$—	\$110	\$—	\$—	\$110	\$49	2003, 2006-2007, 2009, 2011, 2015	\$—
Atlantic City CRC	Day Reporting Center	Atlantic City, NJ	\$—	\$10	\$22	\$—	\$32	\$—	\$—	\$32	\$30	2004, 2005, 2011	\$—
Orange DRC	Day Reporting Center	Santa Ana, CA	\$—	\$72	\$—	\$—	\$72	\$—	\$—	\$72	\$72	2012/2013	\$—
Lancaster County PADOE DRC	Day Reporting Center	Lancaster, PA	\$—	\$73	\$1	\$—	\$74	\$—	\$—	\$74	\$74	2014	\$—
Lycoming County DRC	Day Reporting Center	Williamsport, PA	\$—	\$56	\$94	\$—	\$150	\$—	\$—	\$150	\$125	2014, 2015	\$—
Vineland NJ DRC	Day Reporting Center	Vineland, NJ	\$—	\$163	\$8	\$—	\$171	\$—	\$—	\$171	\$154	2015	\$—
Los Angeles CDCR	Day Reporting Center	Pomona, CA	\$—	\$44	\$(20)	\$—	\$24	\$—	\$—	\$24	\$15	2013	\$—
Eagle DRC	Day Reporting Center	Eagle, CO	\$—	\$—	\$8	\$—	\$8	\$—	\$—	\$8	\$4	2016	\$—
Northglenn DRC	Day Reporting Center	Northglenn, CO	\$—	\$21	\$(18)	\$—	\$3	\$—	\$—	\$3	\$2	2011, 2013, 2017	\$—
Denver DRC	Day Reporting Center	Denver, CO	\$—	\$43	\$156	\$—	\$199	\$—	\$—	\$199	\$54	2005, 2009, 2010, 2011, 2012, 2013, 2014	\$—
Baltimore ISAP	Intensive	Baltimore, MD	\$—	\$2	\$108	\$—	\$110	\$—	\$—	\$110	\$26	2007, 2009, 2018	\$—
Miami ISAP	Intensive	Miami, FL	\$—	\$82	\$9	\$—	\$91	\$—	\$—	\$91	\$91	2007, 2008, 2010, 2014	\$—
Delray Beach ISAP	Intensive	Delray Beach, FL	\$—	\$26	\$3	\$—	\$29	\$—	\$—	\$29	\$12	2006	\$—
Orlando ISAP	Intensive	Orlando, FL	\$—	\$18	\$—	\$—	\$18	\$—	\$—	\$18	\$18	2007, 2010	\$—
Atlanta ISAP	Intensive	Atlanta, GA	\$—	\$268	\$(54)	\$—	\$214	\$—	\$—	\$214	\$214	2009, 2015	\$—

New Orleans ISAP	Intensive	New Orleans, LA	\$—	\$54	\$—	\$—	\$54	\$—	\$—	\$54	\$54	2009, 2015	\$—
Washington DC ISAP	Intensive	Fairfax, VA	\$—	\$20	\$2	\$—	\$22	\$—	\$—	\$22	\$22	2014, 2015	\$—
Charleston, SC ISAP	Intensive	Charleston, SC	\$—	\$39	\$—	\$—	\$39	\$—	\$—	\$39	\$39	2015	\$—
Chicago ISAP	Intensive	Chicago, IL	\$—	\$25	\$—	\$—	\$25	\$—	\$—	\$25	\$25	2009, 2013	\$—
Detroit ISAP	Intensive	Detroit, MI	\$—	\$18	\$174	\$—	\$192	\$—	\$—	\$192	\$43	2009, 2018	\$—
Denver ISAP	Intensive	Centennial, CO	\$—	\$173	\$(6)	\$—	\$167	\$—	\$—	\$167	\$167	2015	\$—
St Louis MO ISAP	Intensive	St. Louis, MO	\$—	\$50	\$—	\$—	\$50	\$—	\$—	\$50	\$50	2015	\$—
Louisville, KY ISAP	Intensive	Louisville, KY	\$—	\$17	\$—	\$—	\$17	\$—	\$—	\$17	\$5	2015	\$—
Indianapolis, IN ISAP	Intensive	Indianapolis, IN	\$—	\$35	\$—	\$—	\$35	\$—	\$—	\$35	\$32	2016	\$—
San Francisco ISAP	Intensive	San Francisco, CA	\$—	\$272	\$(92)	\$—	\$180	\$—	\$—	\$180	\$180	2004, 2009, 2015	\$—
Salt Lake City ISAP	Intensive	Murray, UT	\$—	\$7	\$20	\$—	\$27	\$—	\$—	\$27	\$25	2009, 2015	\$—
Seattle ISAP	Intensive	Tukwila, WA	\$—	\$40	\$15	\$—	\$55	\$—	\$—	\$55	\$55	2009, 2014	\$—
Sacramento, CA	Intensive	Sacramento, CA	\$—	\$28	\$—	\$—	\$28	\$—	\$—	\$28	\$28	2015	\$—
Las Vegas, NV ISAP	Intensive	Las Vegas, NV	\$—	\$32	\$—	\$—	\$32	\$—	\$—	\$32	\$15	2015	\$—
Bronx ISAP	Intensive	Bronx, NY	\$—	\$31	\$40	\$—	\$71	\$—	\$—	\$71	\$71	2010, 2015	\$—
Manhattan ISAP	Intensive	New York, NY	\$—	\$10	\$10	\$—	\$20	\$—	\$—	\$20	\$20	2010	\$—
Queens ISAP	Intensive	Jamaica, NY	\$—	\$125	\$6	\$—	\$131	\$—	\$—	\$131	\$131	2014, 2015	\$—
Boston ISAP	Intensive	Burlington, MA	\$—	\$80	\$5	\$—	\$85	\$—	\$—	\$85	\$85	2014, 2015	\$—

Hartford ISAP	Intensive	Hartford, CT	\$—	\$23	\$10	\$—	\$33	\$—	\$—	\$33	\$33	2009, 2014, 2015	\$—
Newark ISAP	Intensive	Newark, NJ	\$—	\$29	\$7	\$—	\$36	\$—	\$—	\$36	\$36	2009, 2014, 2019	\$—
Marlton ISAP	Intensive	Marlton, NJ	\$—	\$2	\$18	\$—	\$20	\$—	\$—	\$20	\$14	2013, 2015, 2019	\$—
Richmond, VA ISAP	Intensive	Richmond, VA	\$—	\$52	\$18	\$—	\$70	\$—	\$—	\$70	\$53	2015, 2019	\$—
Silver Spring, MD ISAP	Intensive	Silver Spring, MD	\$—	\$345	\$—	\$—	\$345	\$—	\$—	\$345	\$263		\$—
Fort Myers FL ISAP	Intensive	Fort Myers, FL	\$—	\$76	\$—	\$—	\$76	\$—	\$—	\$76	\$25	2019	\$—
Los Angeles ISAP	Intensive	Los Angeles, CA	\$—	\$35	\$45	\$—	\$80	\$—	\$—	\$80	\$80	2007, 2008, 2014, 2015	\$—
San Bernadino ISAP	Intensive	San Bernadino, CA	\$—	\$42	\$—	\$—	\$42	\$—	\$—	\$42	\$42	2008, 2012, 2013	\$—
Dallas ISAP	Intensive	Dallas, TX	\$—	\$17	\$5	\$—	\$22	\$—	\$—	\$22	\$22	2009	\$—
El Paso ISAP	Intensive	El Paso, TX	\$—	\$2	\$27	\$—	\$29	\$—	\$—	\$29	\$29	2009, 2015	\$—
Houston ISAP	Intensive	Houston, TX	\$—	\$21	\$19	\$—	\$40	\$—	\$—	\$40	\$40	2009	\$—
Phoenix ISAP	Intensive	Phoenix, AZ	\$—	\$79	\$(11)	\$—	\$68	\$—	\$—	\$68	\$68	2015	\$—
San Antonio ISAP	Intensive	San Antonio, TX	\$—	\$7	\$55	\$—	\$62	\$—	\$—	\$62	\$58	2009, 2014, 2015	\$—
San Diego ISAP	Intensive	San Diego, CA	\$—	\$20	\$—	\$—	\$20	\$—	\$—	\$20	\$3	2019	\$—
Bakersfield ISAP	Intensive	Bakersfield, CA	\$—	\$16	\$—	\$—	\$16	\$—	\$—	\$16	\$16	2012	\$—
Fresno, CA	Intensive	Fresno, CA	\$—	\$120	\$—	\$—	\$120	\$—	\$—	\$120	\$120	2015	\$—
Ventura C-Site	Intensive	Camarillo, CA	\$—	\$59	\$—	\$—	\$59	\$—	\$—	\$59	\$40	2016	\$—
SW Houston, TX ISAP	Intensive	Houston, TX	\$—	\$50	\$5		\$55			\$55	\$55	2017	
International Secure Services - Managed													
Arthur Gorrie Correctional Centre		Brisbane, Queensland AUS	\$—	\$—	\$151	\$—	\$151	\$—	\$—	\$151	\$122	1992	\$—

Fulham Correctional Centre & Fulham Nalu Challenge Community Unit		West Sale, Victoria AUS	\$—	\$—	\$1,973	\$—	\$1,973	\$—	\$—	\$1,973	\$962	1997, 2002	\$—
June Correctional Centre		June, New South Wales, AUS	\$—	\$—	\$943	\$—	\$943	\$—	\$—	\$943	\$827	1993	\$—
Dungavel House Immigration Removal Centre	Detention Facility	South Lanarkshire, UK	\$—	\$—	\$86	\$—	\$86	\$—	\$—	\$86	\$86	2013	\$—
Kutama-Sinthumule Correctional Centre		Louis Trichardt, South Africa	\$—	\$—	\$149	\$—	\$149	\$—	\$—	\$149	\$122	2003-2008	\$—
Offices - Owned/Leased													
Corporate Headquarters	Office	Boca Raton, FL	\$10,019	\$49,994	\$2,317	\$10,019	\$50,811	\$—	\$1,500	\$62,330	\$953	2019	\$61,377
Central Regional Office	Office	San Antonio, TX	\$—	\$—	\$88	\$—	\$88	\$—	\$—	\$88	\$66	1985,	\$—
Eastern Regional Office	Office	Charlotte, NC	\$—	\$—	\$35	\$—	\$35	\$—	\$—	\$35	\$22	1998, 2013	\$—
Western Regional Office	Office	Los Angeles, CA	\$—	\$22	\$134	\$—	\$156	\$—	\$—	\$156	\$129	2002, 2010, 2014	\$—
Anderson, IN Call Center	Office	Anderson, IN	\$114	\$5,260	\$—	\$114	\$5,260	\$—	\$—	\$5,374	\$355	2016	\$—
Boulder, CO Point II	Office	Boulder CO	\$—	\$3,032	\$38	\$—	\$3,070	\$—	\$—	\$3,070	\$952	1969, 2015, 2017	\$—
Protocol	Office	Aurora, IL	\$—	\$4	\$229	\$—	\$233	\$—	\$—	\$233	\$175	2014, 2015	\$—
Sydney Office	Office	Sydney, AUS	\$—	\$—	\$9,400	\$—	\$9,400	\$—	\$—	\$9,400	\$1,462	1980	\$—
Miscellaneous Investments													
Compton, CA Office Building	Owned Office Property	Compton, CA	\$974	\$1,546	\$8	\$974	\$1,554	\$—	\$—	\$2,528	\$250		\$—
Miscellaneous Investments	Various	Various	\$18,406	\$6,147	\$2,294	\$1,260	\$6,113	\$18,403	\$1,161	\$26,937	\$2,372	Various	\$—
Total			\$132,927	\$1,904,458	\$642,262	\$125,362	\$2,493,219	\$31,762	\$29,394	\$	\$616,175		\$

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 \$1.8 billion at December 31, 2019. Depreciation and amortization are provided on the alternative depreciation system and straight-line methods 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 Years Ended December 31, 2019, 2018 and 2017**  
**(dollars in thousands)**

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

	2019	2018	2017
Real Estate:			
Balance at the beginning of the year	\$ 2,643,065	\$ 2,501,844	\$ 2,255,260
Additions to/improvements of real estate	57,611	153,163	255,527
Assets sold/written-off	(20,939)	(11,942)	(8,943)
Balance at the end of the year	<u>\$ 2,679,737</u>	<u>\$ 2,643,065</u>	<u>\$ 2,501,844</u>
Accumulated Depreciation			
Balance at the beginning of the year	\$ 558,657	\$ 492,582	\$ 429,814
Depreciation expense	72,191	70,592	65,723
Assets sold/written-off	(14,673)	(4,517)	(2,955)
Balance at the end of the year	<u>\$ 616,175</u>	<u>\$ 558,657</u>	<u>\$ 492,582</u>



# SHAREHOLDER INFORMATION

## REGIONAL OFFICES

**Eastern Region, USA**  
Blake Davis, Vice President

**Central Region, USA**  
James Black, Vice President

**Western Region, USA**  
Paul Laird, Vice President

## INTERNATIONAL OFFICES

**The GEO Group UK Ltd**

**The GEO Group Australia Pty Ltd.**  
Pieter Bezuidenhout, Managing Director

**South African Custodial Services**  
Lazarus Bahula, Managing Director

## EXECUTIVE VICE PRESIDENTS

**Ronald A. Brack**  
Executive Vice President, Chief Accounting Officer & Controller

**Louis V. Carrillo**  
Executive Vice President, Corporate Counsel and Assistant Secretary

**John E. Christakis**  
Chief Medical Officer

**Mathew J. DenAdel**  
Executive Vice President, Pricing

**Adam M. Hasner**  
Executive Vice President, Public Policy

**Jennifer L. Houston**  
Executive Vice President, Proposal Development

**Marcel Maier**  
Executive Vice President, Tax

**Shayn P. March**  
Executive Vice President, Finance and Treasurer

**Amber D. Martin**  
Executive Vice President, Contract Administration

**David O. Meehan**  
Executive Vice President, Partnership Development, GEO Care

**Philip D. Mosciski**  
Executive Vice President, Design Services

**Pablo E. Paez**  
Executive Vice President, Corporate Relations

**Daniel H. Ragsdale**  
Executive Vice President, Contract Compliance

**Jose Rosario**  
Executive Vice President, Chief Information Officer, and Chief Information Security Officer

**Christopher D. Ryan**  
Executive Vice President, Human Resources

**Kyle P. Schiller**  
Executive Vice President, U.S. Corrections Administration and International Services

**Derrick D. Schofield**  
Executive Vice President, Continuum of Care & Reentry Services

**Ed A. Stubbs**  
Executive Vice President, Transportation

**Jonathan P. Swatsburg**  
Executive Vice President, Youth Services

**Jack A. Waldo**  
Executive Vice President, BI Incorporated

## GEO CARE DIVISIONAL VICE PRESIDENTS

**David S. Burch**  
Divisional Vice President, Continuum of Care

**Larry J. Sherman**  
Divisional Vice President, Pricing & Finance

## VICE PRESIDENTS

**Randall Britt**  
Vice President, Proposal Development

**Bruce P. Brown**  
Vice President, Real Estate

**Juan D. Castillo**  
Vice President, Health Services

**Kenny Cauley**  
Vice President, Security, U.S. Corrections and International Operations

**Henry T. Conforti**  
Vice President, Protocol Operations, BI Incorporated

**Philip Dugger**  
Vice President, Risk Management

**Fred M. Hamdun**  
Vice President, Contract Administration

**Janet S. Hardwick**  
Vice President, Contract Compliance, Audits

**Gregor H. Heinrich**  
Vice President, Construction Services

**Monica L. Hook**  
Vice President, Strategic Marketing, GEO Care

**Keith Kluttz**  
Vice President, Office of Professional Responsibility

**Latoya Lane**  
Vice President, In-Prison Treatment, GEO Care

**Alex Londono**  
Vice President, Field Human Resources

**William R. McCulloch**  
Vice President, Software Solutions/IT, BI Incorporated

**John D. Thurston**  
Vice President, Non-Residential Reentry Services, GEO Care

**Eben Morales**  
Vice President, Operations, U.S.

**Robert M. Murnock**  
Vice President, Sales, BI Incorporated

**Kevin F. Reilly**  
Vice President, Government Relations

**Ruth E. Skerjanec**  
Vice President, Financial Planning, BI Incorporated

**Kathryn M. Tracy**  
Vice President, Security & Quality Operations, GEO Care

**Jennifer White**  
Vice President, Monitoring Operations, BI Incorporated

**Joe Williams**  
Vice President, Residential Reentry Services, GEO Care

**Gregory R. Wilson**  
Vice President, Internal Operations, BI Incorporated

**Kathy Prizmich**  
Vice President, National Reentry Business Development, GEO Care

## 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, Executive Vice President, Corporate Relations at The GEO Group, Inc., 4955 Technology Way, Boca Raton, Florida 33431 or by visiting the Company's website at [www.geogroup.com](http://www.geogroup.com).

## Annual Report Design

Sydney M. March, Graphic Designer, Corporate Relations

## Auditors

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

## Corporate Counsel

Akerman Miami Office  
Three Brickell City Centre, 98 Southeast Seventh Street, Suite 1100, Miami, FL 33131

## Transfer Agent and Registrar

Computershare  
P.O. Box 43006, Providence, RI 02940-3006

Phone: 866-210-7619 [www.computershare/investor.com](http://www.computershare/investor.com)

**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 2019, 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 fulfill our debt service obligations and its impact on our liquidity;
  - 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 secure, processing, mental health, residential treatment, reentry, 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 public-private partnership secure services;
  - our ability to accurately project the size and growth of the U.S. and international public-private partnership secure services industry;
  - the impact of public resistance to the use of public-private partnerships for secure facilities, processing centers and community reentry centers;
  - the impact of adopted or proposed legislation aimed at limiting public-private partnerships for secure facilities, processing centers and community reentry centers or limiting or restricting the business and operations of financial institutions or others who do business with us;
  - our ability to successfully respond to delays encountered by states utilizing public-private partnership secure 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;
  - the impact of the decision by several financial institutions, including some of our lenders, that they will not be renewing existing agreements or entering into new agreements with companies that operate secure services facilities and centers pursuant to public-private partnerships;
  - the impact of the anticipated LIBOR transition in 2021;
  - our exposure to political and economic instability and other risks impacting our international operations;
  - 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 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 ability to remain qualified for taxation as a REIT;
  - our exposure to state and federal income tax law changes internationally and domestically, including the recently enacted Tax Cuts and Jobs Act, and our exposure as a result of federal and international examinations of our tax returns or tax positions;
  - the impact of natural disasters, pandemic outbreaks, global political events and other serious catastrophic events on our business and financial condition;
  - 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, except as required by law. 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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