GEO GROUP INC
Form 424B5
March 09, 2017
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Filed Pursuant to Rule 424(b)(5)
Registration No. 333-198729

CALCULATION OF REGISTRATION FEE

Title of each class of securities to be registered	Amount to be registered(1)	Proposed maximum offering price per share	Proposed maximum aggregate offering price(1)	Amount of registration fee(1)(2)
Common Stock, par value $0.01 per share	6,900,000	$41.75	$288,075,000	$33,388

(1) Includes 900,000 shares of common stock issuable upon the exercise of the underwriters option to purchase additional shares of common stock.
(2) Calculated in accordance with Rule 457(r) under the Securities Act of 1933, as amended.

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Prospectus supplement

(To prospectus dated September 12, 2014)

6,000,000 shares

Common stock

We are offering 6,000,000 shares of our common stock, par value $0.01 per share.

Our common stock is listed on the New York Stock Exchange, or NYSE, under the symbol GEO. On March 7, 2017, the last trading price of our common stock as reported on the NYSE was $44.73 per share.

Investing in our common stock involves risks. See Risk factors beginning on page S-13 of this prospectus supplement and on page 7 of the accompanying base prospectus.

	Per share	Total
Offering price to public	$ 41.7500	$ 250,500,000
Underwriting discount and commissions	$ 1.7320	$ 10,392,000
Proceeds, before expenses, to us	$ 40.0180	$ 240,108,000

We have granted the underwriters an option to purchase up to an additional 900,000 shares from us at the price set forth above within 30 days from the date of this prospectus supplement.

None of the Securities and Exchange Commission (the SEC), any state securities commission, or any other regulatory body has approved or disapproved of these securities or determined if this prospectus supplement or the accompanying base prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

Delivery of shares to purchasers is expected to occur on or about March 13, 2017 through the book-entry facilities of the Depository Trust Company.

Joint book-running managers

J.P. Morgan **SunTrust Robinson Humphrey** **Barclays** **BofA Merrill Lynch**

Co-Managers

Canaccord Genuity	**HSBC**	**PNC Capital Markets LLC**
Fifth Third Securities	**Regions Securities LLC**	**TD Securities**

The date of this prospectus supplement is March 7, 2017.

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Prospectus supplement

Prospectus

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About this prospectus supplement

This prospectus supplement and the accompanying base prospectus are part of a universal shelf registration statement on Form S-3 that we filed with the SEC on September 12, 2014. Under the shelf registration process, we may offer and sell securities in one or more offerings from time to time. In the accompanying base prospectus, including the documents incorporated by reference, we provide you with a general description of the securities we may offer from time to time under our shelf registration statement, some of which may not apply to our common stock or this offering. This prospectus supplement describes the specific details regarding this offering, including the price, the number of shares of our common stock being offered and the risks of investing in our common stock. Generally, when we refer to this prospectus supplement, we are referring to both parts of this document combined. This prospectus supplement, the accompanying base prospectus and the documents incorporated by reference herein and therein include important information about us, the common stock being offered and other information you should know before investing. See Incorporation by reference.

You should rely only on the information contained in or incorporated by reference in this prospectus supplement, the accompanying base prospectus and any free writing prospectus we may provide you in connection with this offering. If any information varies between this prospectus supplement, the accompanying base prospectus or documents incorporated by reference herein prior to the date of this prospectus supplement, you should rely on the information in this prospectus supplement. We have not, and the underwriters have not, authorized any other person to provide you with additional or different information. If anyone provides you with additional, different or inconsistent information, you should not rely on it. We are not, and the underwriters are not, making an offer to sell these securities in any jurisdiction where the offer or sale is not permitted. You should not assume that the information appearing in this prospectus supplement, the accompanying base prospectus, any free writing prospectus and the documents incorporated by reference are accurate as of any date subsequent to their respective dates.

The information contained in this prospectus supplement and the accompanying base prospectus or in any document incorporated by reference herein or therein is accurate and complete only as of the date hereof or thereof, respectively, regardless of the time of delivery of this prospectus supplement and the accompanying base prospectus or of any sale of our common stock by us or the underwriters. Our business, financial condition, results of operations and prospects may have changed since those dates.

Incorporation by reference

The SEC allows us to incorporate by reference the information that we file with it. This permits us to disclose important information to you by referring you to documents previously filed with the SEC. The information incorporated by reference is an important part of this prospectus supplement, and any information filed by us with the SEC subsequent to the date of this prospectus supplement will automatically be deemed to update and supersede this information. We incorporate by reference the following documents (other than information furnished and not deemed filed under the Securities Exchange Act of 1934, as amended (the Exchange Act)) which we have filed with the SEC:

- our Annual Report on Form 10-K for the year ended December 31, 2016, filed with the SEC on February 27, 2017;
- our Current Report on Form 8-K, filed with the SEC on February 28, 2017;
- the information specifically incorporated by reference into our Annual Report on Form 10-K for the year ended December 31, 2015 from our definitive proxy statement on Schedule 14A, filed with the SEC on March 18, 2016; and

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- the description of our common stock contained in the Description of Capital Stock attached as Exhibit 4.1 to the Current Report on Form 8-K12B filed with the SEC on June 30, 2014 and any subsequent amendments and reports filed to update that description.

In addition, all documents filed by us pursuant to Sections 13(a), 13(c), 14 or 15(d) of the Exchange Act, subsequent to the date of this prospectus supplement, shall be deemed to be incorporated by reference in this prospectus supplement and to be a part hereof from the date of filing of such documents with the SEC (other than any portions of any such documents that are not deemed filed under the Exchange Act in accordance with the Exchange Act and applicable SEC rules).

Any statement contained in a document deemed to be incorporated by reference herein shall be deemed to be modified or superseded for purposes of this prospectus supplement and registration statement to the extent that a statement contained herein or in any other subsequently filed document which also is deemed to be incorporated by reference herein modifies or supersedes such statement. Any such statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this prospectus supplement and registration statement. While any securities described herein remain outstanding, we will make available at no cost, upon written or oral request, to any beneficial owner and any prospective purchaser of securities described herein, any of the documents incorporated by reference in this prospectus supplement and registration statement by writing to us at the following address or telephoning us at (866) 301-4436 or (561) 893-0101.

The GEO Group, Inc.

621 NW 53rd Street, Suite 700

Boca Raton, Florida 33487

Attention: Investor Relations

Exhibits to an incorporated document will not be provided unless the exhibit is specifically incorporated by reference into this prospectus supplement.

Special note regarding forward-looking statements

Certain statements in this prospectus supplement, the documents incorporated by reference herein and the accompanying base prospectus constitute forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. All statements other than statements of historical facts included in this prospectus supplement, the documents incorporated by reference herein and the accompanying base prospectus, 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 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:

- if we fail to remain qualified as a real estate investment trust (REIT), we will be subject to U.S. federal income tax as a regular corporation and could face a substantial tax liability, which would reduce the amount of cash available for distribution to our shareholders;

- qualifying as a REIT involves highly technical and complex provisions of the Internal Revenue Service Code of 1986, as amended (the Code);

complying with the REIT requirements may cause us to liquidate or forgo otherwise attractive opportunities;

dividends payable by REITs do not qualify for the reduced tax rates available for some dividends;

REIT distribution requirements could adversely affect our ability to execute our business plan;

our cash distributions are not guaranteed and may fluctuate;

certain of our business activities may be subject to corporate level income tax and foreign taxes, which would reduce our cash flows, and may have potential deferred and contingent tax liabilities;

REIT ownership limitations may restrict or prevent you from engaging in certain transfers of our common stock;

our use of taxable REIT subsidiaries (TRS) may cause us to fail to qualify as a REIT;

there are uncertainties relating to the special earnings and profits distribution;

legislative or other actions affecting REITs could have a negative effect on us;

we have limited experience operating as a REIT, which may adversely affect our financial condition, results of operations, cash flow, per share trading price of our common stock and ability to satisfy debt service obligations;

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

we are incurring significant indebtedness in connection with substantial ongoing capital expenditures. Capital expenditures for existing and future projects may materially strain our liquidity;

despite current indebtedness levels, we may still incur more indebtedness, which could further exacerbate the risks described in our Form 10-K for the year ended December 31, 2016 filed on February 27, 2017;

the 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 the covenants in our Senior Credit Facility impose significant operating and financial restrictions which may adversely affect our ability to operate our business;

servicing our indebtedness will require a significant amount of cash. Our ability to generate cash depends on many factors beyond our control and we may not be able to generate the cash required to service our indebtedness;

because portions of our senior indebtedness have floating interest rates, a general increase in interest rates would adversely affect cash flows;

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

we may not be able to satisfy our repurchase obligations in the event of a change of control because the terms of our indebtedness or lack of funds may prevent us from doing so;

from time to time, we may not have a management contract with a client to operate existing beds at a facility or new beds at a facility that we are expanding and we cannot assure you that such a contract will be obtained. Failure to obtain a management contract for these beds will subject us to carrying costs with no corresponding management revenue;

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negative conditions in the capital markets could prevent us from obtaining financing, which could materially harm our business;

we are subject to the loss of our facility management contracts, due to terminations, non-renewals or competitive re-bids, which could adversely affect our results of operations and liquidity, including our ability to secure new facility management contracts from other government customers;

we may not be able to successfully identify, consummate or integrate acquisitions;

as a result of our acquisitions, we have recorded and will continue to record a significant amount of goodwill and other intangible assets. In the future, our goodwill or other intangible assets may become impaired, which could result in material non-cash charges to our results of operations;

our growth depends on our ability to secure contracts to develop and manage new correctional, detention and community based facilities and to secure contracts to provide electronic monitoring services, community-based re-entry services and monitoring and supervision services, the demand for which is outside our control;

we may not be able to meet state requirements for capital investment or locate land for the development of new facilities, which could adversely affect our results of operations and future growth;

we partner with a limited number of governmental customers who account for a significant portion of our revenues. The loss of, or a significant decrease in revenues from, these customers could seriously harm our financial condition and results of operations;

a decrease in occupancy levels could cause a decrease in revenues and profitability;

state budgetary constraints may have a material adverse impact on us;

competition for contracts may adversely affect the profitability of our business;

we are dependent on government appropriations, which may not be made on a timely basis or at all and may be adversely impacted by budgetary constraints at the federal, state, local and foreign government levels;

public resistance to the use of public-private partnerships for correctional, detention and community based facilities could result in our inability to obtain new contracts or the loss of existing contracts, which could have a material adverse effect on our business, financial condition and results of operations;

operating youth services facilities poses certain unique or increased risks and difficulties compared to operating other facilities;

adverse publicity may negatively impact our ability to retain existing contracts and obtain new contracts;

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

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

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

our business operations expose us to various liabilities for which we may not have adequate insurance and may have a material adverse effect on our business, financial condition or results of operations;

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

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

we conduct certain of our operations through joint ventures or consortiums, which may lead to disagreements with our joint venture partners or business partners and adversely affect our interest in the joint ventures or consortiums;

we are dependent upon our senior management and our ability to attract and retain sufficient qualified personnel;

our profitability may be materially adversely affected by inflation;

various risks associated with the ownership of real estate may increase costs, expose us to uninsured losses and adversely affect our financial condition and results of operations;

risks related to facility construction and development activities may increase our costs related to such activities;

the rising cost and increasing difficulty of obtaining adequate levels of surety credit on favorable terms could adversely affect our operating results;

adverse developments in our relationship with our employees could adversely affect our business, financial condition or results of operations;

technological changes could cause our electronic monitoring products and technology to become obsolete or require the redesign of our electronic monitoring products, which could have a material adverse effect on our business;

any negative changes in the level of acceptance of or resistance to the use of electronic monitoring products and services by governmental customers could have a material adverse effect on our business, financial condition and results of operations;

we depend on a limited number of third parties to manufacture and supply quality infrastructure components for our electronic monitoring products. If our suppliers cannot provide the components or services we require and with such quality as we expect, our ability to market and sell our electronic monitoring products and services could be harmed;

the interruption, delay or failure of the provision of our services or information systems could adversely affect our business;

an inability to acquire, protect or maintain our intellectual property and patents in the electronic monitoring space could harm our ability to compete or grow;

our electronic monitoring products could infringe on the intellectual property rights of others, which may lead to litigation that could itself be costly, could result in the payment of substantial damages or royalties, and/or prevent us from using technology that is essential to our products;

we license intellectual property rights in the electronic monitoring space, including patents, from third party owners. If such owners do not properly maintain or enforce the intellectual property underlying such licenses, our competitive position and business prospects could be harmed. Our licensors may also seek to terminate our license;

we may be subject to costly product liability claims from the use of our electronic monitoring products, which could damage our reputation, impair the marketability of our products and services and force us to pay costs and damages that may not be covered by adequate insurance;

the market price of our common stock may vary substantially;

future sales of shares of our common stock could adversely affect the market price of our common stock and may be dilutive to current shareholders;

various anti-takeover protections applicable to us may make an acquisition of us more difficult and reduce the market value of our common stock;

failure to maintain effective internal controls in accordance with Section 404 of the Sarbanes-Oxley Act of 2002 could have an adverse effect on our business and the trading price of our common stock; and

we may issue additional debt securities that could limit our operating flexibility and negatively affect the value of our common stock.

Non-GAAP financial measures

EBITDA, Adjusted EBITDA, Funds From Operations, Normalized Funds From Operations and Adjusted Funds From Operations, as presented in this prospectus supplement, are supplemental measures of our performance that are not required by, or presented in accordance with, accounting principles generally accepted in the United States (GAAP). They are not measurements of our financial performance under GAAP and should not be considered in isolation or as alternatives to income from continuing operations or any other performance measures derived in accordance with GAAP or as alternatives to net cash provided by operating activities as measures of our liquidity.

We derive these measures as follows:

EBITDA is defined as income from continuing operations before interest expense, net, income tax provision (benefit), loss or extinguishment of debt, depreciation and amortization expense, and tax provision on equity in earnings of affiliates.

Adjusted EBITDA is defined as EBITDA adjusted for net income/loss attributable to non-controlling interests, stock-based compensation expenses, pre-tax, and certain other adjustments as defined from time to time, including for the periods presented non-cash mark to market adjustments for derivative instruments, start-up expenses, pre-tax, M&A related expenses, pre-tax, and gain on sale of real estate assets, pre-tax.

Funds from Operations, or FFO, is defined in accordance with standards established by the National Association of Real Estate Investment Trusts, or NAREIT, which defines FFO as net income (loss) attributable to common shareholders (computed in accordance with GAAP), excluding real estate related depreciation and amortization, excluding gains and losses from the cumulative effects of accounting changes, extraordinary items and sales of properties, and including adjustments for unconsolidated partnerships and joint ventures.

Normalized Funds from Operations, or Normalized FFO, is defined as FFO adjusted for certain items which by their nature are not comparable from period to period or that tend to obscure GEO s actual operating performance, including for the periods presented start-up expenses, net of tax, M&A related expenses, net of tax, non-recurring tax benefits and loss on extinguishment of debt, net of tax.

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

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Given the nature of our business as a real estate owner and operator, we believe that EBITDA and Adjusted EBITDA are helpful to investors as measures of our operational performance because they provide an indication of our ability to incur and service debt, to satisfy general operating expenses, to make capital expenditures and to fund other cash needs or reinvest cash into our business. We believe that by removing the impact of our asset base (primarily depreciation and amortization) and excluding certain non-cash charges, amounts spent on interest and taxes, and certain other charges that are highly variable from year to year, EBITDA and Adjusted EBITDA provide our investors with performance measures that reflect the impact to operations from trends in occupancy rates, per diem rates and operating costs, providing a perspective not immediately apparent from income from continuing operations. The adjustments we make to derive the non-GAAP measures of EBITDA and Adjusted EBITDA exclude items which may cause short-term fluctuations in income from continuing operations and which we do not consider to be the fundamental attributes or primary drivers of our business plan and they do not affect our overall long-term operating performance. EBITDA and Adjusted EBITDA 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.

While EBITDA, Adjusted EBITDA, Funds From Operations, Normalized Funds From Operations and Adjusted Funds From Operations are frequently used as measures of operating performance and the ability to meet debt service requirements, they are not necessarily comparable to other similarly titled captions of other companies due to potential inconsistencies in the methods of calculation.

EBITDA and Adjusted EBITDA have important limitations as analytical tools, such as:

- they do not reflect our capital expenditures, future requirements for capital expenditures or contractual commitments,

- they do not reflect interest expense or the cash requirements necessary to service principal or interest payments on our debt,

- although depreciation and amortization are non-cash charges, the assets that we currently depreciate and amortize will likely have to be replaced in the future, and neither EBITDA nor Adjusted EBITDA reflects the cash required to fund such replacements, and

- they do not reflect the effect of earnings or charges resulting from matters that our management does not consider to be indicative of our ongoing operations. However, some of these charges have recurred and may re-occur in the future.

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

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

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diem rates, operating costs and interest costs, providing a perspective not immediately apparent from income from continuing operations. We believe the presentation of FFO, Normalized FFO and AFFO provide useful information to investors as they provide an indication of our ability to fund capital expenditures and expand our business. FFO, Normalized FFO and AFFO provide disclosure on the same basis as that used by our management and provide consistency in our financial reporting, facilitate internal and external comparisons of our historical operating performance and our business units and provide continuity to investors for comparability purposes. Additionally, FFO, Normalized FFO and AFFO are widely recognized measures in our industry as a real estate investment trust.

Funds From Operations, Normalized Funds From Operations and Adjusted Funds From Operations have important limitations as analytical tools, such as:

- they exclude the depreciation and amortization unique to real estate assets that will likely have to be replaced in the future, and

- they exclude the gains and losses from property dispositions and extraordinary items.

See Summary Summary Historical Financial and Other Data for a quantitative reconciliation of EBITDA, Adjusted EBITDA, Funds From Operations, Normalized Funds From Operations and Adjusted Funds From Operations to income from continuing operations.

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Summary

This summary highlights selected information contained or incorporated by reference in this prospectus supplement and the accompanying base prospectus. It does not contain all of the information that you should consider before making an investment decision. For a more complete understanding of our business and this offering, you should carefully read the entire prospectus supplement, the accompanying base prospectus and the documents incorporated by reference herein, including our historical financial statements and the notes thereto, which are incorporated herein by reference from our Annual Report on Form 10-K for the year ended December 31, 2016. You should read Risk factors beginning on page S-13 of this prospectus supplement, on page 7 of the accompanying base prospectus and Item 1A. Risk Factors in our Annual Report on Form 10-K for the year ended December 31, 2016, for more information about important risks that you should consider before making a decision to invest in our common stock.

Unless the context requires otherwise, references in this prospectus supplement to the Company, The GEO Group, Inc., GEO, we, us and our refer to The GEO Group, Inc. and its consolidated subsidiaries.

Overview

We are a fully-integrated real estate investment trust (REIT) specializing in the ownership, leasing and management of correctional, detention and reentry facilities and the provision of community-based services and youth services in the United States, Australia, South Africa and the United Kingdom. We own, lease and operate a broad range of correctional and detention facilities including maximum, medium and minimum security prisons, immigration detention centers, minimum security detention centers, as well as community based reentry facilities. 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 provide innovative compliance technologies, industry-leading monitoring services, and evidence-based supervision and treatment programs for community-based parolees, probationers and pretrial defendants. We also provide secure transportation services for offender and detainee populations as contracted domestically and in the United Kingdom through our joint venture GEO Amey PECS Ltd. (GEOAmey). As of December 31, 2016, our worldwide operations included the management and/or ownership of approximately 87,000 beds at 104 correctional, detention and community based facilities, including idle facilities and projects under development, and also include the provision of community supervision services for more than 174,000 offenders and pretrial defendants, including approximately 95,000 individuals through an array of technology products including radio frequency, GPS, and alcohol monitoring devices.

We provide a diversified scope of services on behalf of our government clients:

- our correctional and detention management services involve the provision of security, administrative, rehabilitation, education, and food services, primarily at adult male correctional and detention facilities;
- our community-based services involve supervision of adult parolees and probationers and the provision of temporary housing, programming, employment assistance and other services with the intention of the successful reintegration of residents into the community;
- our youth services include residential, detention and shelter care and community-based services along with rehabilitative and educational programs;
- we provide comprehensive electronic monitoring and supervision services;

we develop new facilities, using our project development experience to design, construct and finance what we believe are state-of-the-art facilities that maximize security and efficiency;

we provide secure transportation services for offender and detainee populations as contracted; and

our services are provided at facilities which we either own, lease or are owned by our customers.

We 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 TRS. We are a Florida corporation and our predecessor corporation prior to the REIT conversion was originally organized in 1984.

We conduct our business through four reportable business segments: our U.S. Corrections & Detention segment; our GEO Care segment; our International Services segment and our Facility Construction & Design segment. We have identified these four reportable segments to reflect our current view that we operate four distinct business lines, each of which constitutes a material part of our overall business. Our U.S. Corrections & Detention segment primarily encompasses our U.S.-based privatized corrections and detention business. Our GEO Care segment, which conducts its services in the U.S., consists of our community based services business, our youth services business and our electronic monitoring and supervision service. Our International Services segment primarily consists of our privatized corrections and detention operations in Australia, South Africa and the United Kingdom. Our Facility Construction & Design segment primarily contracts with various state, local and federal agencies, as well as international agencies, for the design and construction of facilities for which we generally have been, or expect to be, awarded management contracts.

Recent developments

Community Education Centers Acquisition

On February 22, 2017, we announced that we had signed a definitive agreement to acquire Community Education Centers (CEC), 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. Pursuant to the terms of the definitive agreement, we will acquire CEC for $360 million in cash, subject to certain potential adjustments, including for working capital and indebtedness as set forth in the definitive agreement. CEC s operations encompass over 12,000 beds nationwide. The transaction is expected to close in the second quarter of 2017 subject to the fulfillment of customary conditions. The transaction will be supported by a term loan financing commitment and borrowings under our existing Revolving Credit Facility. We plan to integrate CEC into our existing business units of GEO Corrections & Detention and GEO Care. We continue to evaluate and pursue selected acquisition opportunities in our core services and other government services areas that meet our criteria for growth and profitability. We regularly engage in discussions with potential targets or their owners regarding such acquisitions and make offers for such assets.

Legal proceedings

On October 22, 2014, nine current and former civil immigration detainees who were detained at the Aurora Immigration Detention Center filed a purported class action lawsuit against the Company in the United States District Court for the District of Colorado (the Court). The complaint alleged that the Company was in violation of the Colorado Minimum Wages of Workers Act and the Trafficking Victims Protection Act, and claimed that the Company was unjustly enriched as a result of the level of payment that 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 this case are authorized by the Federal government under

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guidelines approved by the United States Congress. On July 6, 2015, the Court granted the Company s motion to dismiss the claim against the Company under the Colorado Minimum Wages of Workers Act and otherwise denied the Company s motion to dismiss. On February 27, 2017, the Court granted the plaintiffs motion for class certification. The Court has ordered the parties to file a revised Proposed Stipulated Scheduling and Discovery Order by March 27, 2017 to proceed with the case. Fact discovery in the case has not yet begun. The plaintiffs seek actual damages, compensatory damages, exemplary damages, punitive damages, restitution, attorneys fees and costs, and such other relief as the Court may deem proper. The Company intends to take all necessary steps to vigorously defend itself and has consistently refuted the allegations and claims in the lawsuit. The Company has not recorded an accrual relating to this matter at this time, as a loss is not considered probable nor reasonably estimable at this state of the lawsuit. If the Company had to change the level of compensation under the voluntary work program, or to substitute employee work for voluntary work, this could increase costs of operating these facilities.

On August 25, 2016, a purported shareholder class action lawsuit was filed against the Company, its Chief Executive Officer, George C. Zoley (Mr. Zoley), and its Chief Financial Officer, Brian R. Evans (Mr. Evans), in the United States District Court for the Southern District of Florida. The complaint alleges that the Company and Messrs. Zoley and Evans made false and misleading statements regarding the Company s business, operational and compliance policies. The lawsuit alleges that it is brought by John J. Mulvaney individually and on behalf of a class consisting of all persons other than the defendants who purchased or otherwise acquired the Company s securities during the alleged class period between March 1, 2012 through and including August 17, 2016. The complaint alleges that the Company and Messrs. Zoley and Evans violated Section 10(b) of the Securities Exchange Act of 1934, as amended (the Exchange Act), and Rule 10b-5 promulgated thereunder, and alleges that Messrs. Zoley and Evans violated Section 20(a) of the Exchange Act. On December 21, 2016, the appointed lead plaintiffs filed an Amended Class Action Complaint, which reasserted the claims against the Company and Messrs. Zoley and Evans, and asserted new claims for alleged false and misleading statements in violation of Section 20(a) of the Exchange Act against the Company s former Senior Vice President, GEO Detention & Corrections Services, John Hurley (Mr. Hurley) and the Company s Senior Vice President and President, GEO Corrections & Detention, David Donahue (Mr. Donahue). The amended complaint seeks damages, interest, attorneys fees, expert fees, other costs, and such other relief as the court may deem proper. On February 23, 2017, the amended complaint was dismissed without prejudice by the court for failure to state a cause of action. The lead plaintiffs were granted leave to file a second amended complaint on or before March 30, 2017. The Company intends to take all necessary steps to vigorously defend itself and Messrs. Zoley and Evans. The Company has not recorded an accrual relating to this matter at this time, as a loss is not considered probable nor reasonably estimable at this preliminary stage of the lawsuit.

Developments relating to Bureau of Prisons use of private facilities

On August 18, 2016, the U.S. Deputy Attorney General of the Department of Justice (DOJ) issued a memorandum directed to the Bureau of Prisons (BOP) which stated that the BOP should either decline to renew or substantially reduce the scope of contract renewals in a manner consistent with law and the overall decline of the BOP s inmate population. The DOJ in its memo to the BOP argued that private facilities do not provide the same level of correctional services, programs and resources, do not substantially save costs, or have the same level of safety and security compared to BOP facilities. These arguments were purportedly based on a report that was published by the DOJ s Office of Inspector General (OIG) just a few days before the DOJ memorandum was issued.

We believe that the report issued by the OIG does not support such arguments for a variety of reasons. First, we believe the methodology used by the OIG in its comparative analysis was flawed since the analysis was of

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privately operated facilities and BOP facilities that were dissimilar in number and demographics (14 private facilities with approximately 28,000 beds and an inmate population made up of 96% non-U.S. citizens compared to 14 BOP facilities with approximately 22,600 inmates of which only 12% were non-U.S. citizens).

In its report, the OIG acknowledged that inmates from different countries or who are incarcerated in various geographical regions may have different cultures, behaviors, and communication methods and that incidents in any prison are usually a result of conflict of cultures, misinterpreting behaviors, or failing to communicate well. The OIG report went on to say that without the BOP conducting an in-depth study into the influence of such demographic factors on prison incidents, it would not be possible to determine their impact. In its response to the OIG report, the BOP itself stated, we continue to caution against drawing comparisons of contract prisons to BOP operated facilities as the different nature of the inmate populations and programs offered in each facility limit such comparisons.

Second, the OIG failed to use nationally recognized performance ratings for its comparative analysis such as the BOP s Contractor Performance Assessment Reporting (CPAR) System ratings which are generally used in an annual assessment conducted by on-site monitors; the standards used by the American Correctional Association (ACA) for accrediting prisons, jails and community reentry facilities; or the standards used by The Joint Commission (TJC) for accrediting the healthcare operations at correctional facilities. A review of these nationally recognized performance ratings would have revealed that GEO s BOP facilities have received exemplary CPAR ratings, have achieved current ACA accreditation scores ranging from 99.28% to 100.0%, and are accredited by TJC. Instead, the OIG developed its own categories of security indicators without indicating why these standards were more relevant or significant than the standards referenced above that we believe are more established.

Despite these shortcomings, we believe that the OIG report actually sho