GEO GROUP INC
Form 10-K
March 03, 2014
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 10-K

(Mark One)

x **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the fiscal year ended December 31, 2013

OR

¨ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the transition period from to

Commission file number: 1-14260

The GEO Group, Inc.

(Exact name of registrant as specified in its charter)

Florida	**65-0043078**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**
One Park Place, Suite 700, 621 Northwest 53rd Street Boca Raton, Florida	**33487-8242**
(Address of principal executive offices)	**(Zip Code)**

Registrant s telephone number, including area code: (561) 893-0101

Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class	Name of Each Exchange on Which Registered
Common Stock, $0.01 Par Value	**New York Stock Exchange**

Securities registered pursuant to Section 12(g) of the Act:

None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes x No ¨

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ¨ No x

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes x No ¨

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes x No ¨

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405 of this chapter) is not contained herein, and will not be contained, to the best of the registrant s knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. x

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer	x	Accelerated filer	¨
Non-Accelerated filer	¨ (Do not check if a smaller reporting company)	Smaller reporting company	¨

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes ¨ No x

The aggregate market value of the 62,587,316 voting and non-voting shares of common stock held by non-affiliates of the registrant as of June 28, 2013 (based on the last reported sales price of such stock on the New York Stock Exchange on such date, the last business day of the registrant s quarter ended June 30, 2013 of $33.95 per share) was approximately $2.1 billion.

As of February 26, 2014, the registrant had 72,094,580 shares of common stock outstanding.

Certain portions of the registrant s definitive proxy statement pursuant to Regulation 14A of the Securities Exchange Act of 1934 for its 2014 annual meeting of shareholders are incorporated by reference into Part III of this report.

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PART I

Item 1. *Business*

As used in this report, the terms we, us, our, GEO and the Company refer to The GEO Group, Inc., its consolidated subsidiaries and its unconsolidated affiliates, unless otherwise expressly stated or the context otherwise requires.

General

We are a fully-integrated real estate investment trust (REIT) specializing in the ownership, leasing and management of correctional, detention and re-entry facilities and the provision of community-based services and youth services in the United States, Australia, South Africa, the United Kingdom and Canada. 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 re-entry 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, 2013, our worldwide operations included the management and/or ownership of approximately 77,000 beds at 98 correctional, detention and community based facilities, including idle facilties and projects under development, and also included the provision of monitoring of more than 70,000 offenders in a community-based environment on behalf of approximately 900 federal, state and local correctional agencies located in all 50 states.

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 our 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 taxable REIT subsidiaries (TRS). We are a Florida corporation originally organized in 1984.

Business Segments

We conduct our business through four reportable business segments: our U.S. Corrections & Detention segment; our GEO Community Services 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 Community Services 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 South Africa, Australia, the United Kingdom and Canada. Our Facility Construction & Design segment primarily contracts with various states, local and federal agencies for the design and construction of facilities for which we generally have been, or expect to be, awarded management contracts. Financial information about these segments for fiscal years 2013, 2012 and 2011 is contained in Note 16 Business Segments and Geographic Information of the Notes to Consolidated Financial Statements included in this Form 10-K.

Recent Developments

On April 3, 2013, we entered into the Amended and Restated Credit Agreement with GEO Corrections Holdings, Inc. (with GEO as the sole term loan borrower, and GEO and GEO Corrections Holdings, Inc. as joint and several revolver borrowers), BNP Paribas, as Administrative Agent, and the lenders who are, or may from time to time become, a party thereto (the Credit Agreement). The Credit Agreement evidences a Senior Credit Facility (the Senior Credit Facility) consisting of a $300 million Term Loan (the Term Loan) initially bearing interest at LIBOR plus 2.50% (with a LIBOR floor of 0.75%), and a $700 million revolving credit facility (the Revolver) initially bearing interest at LIBOR plus 2.50% (with no LIBOR floor), in each case subject to adjustment based on a total leverage ratio pricing grid. We also have the ability to increase the Senior Credit Facility by an additional $350 million, subject to lender demand, prevailing market conditions and satisfying the borrowing and other conditions thereunder. The Revolver component is scheduled to mature on April 3, 2018 and the Term Loan component is scheduled to mature on April 3, 2020. The Term Loan and Revolver may be prepaid in whole or in part by us at any time without premium or penalty, subject to certain conditions. The Senior Credit Facility is a refinancing of the Fourth Amended and Restated Credit Agreement (the Prior Senior Credit Facility) which consisted of a Term Loan A, Term Loan A-2, Term Loan A-3, Term Loan B (Prior Term Loans) and a revolver (Prior Revolver).

As of December 31, 2013, we had $298.5 million in aggregate borrowings outstanding, net of discount, under the Term Loan and $340.0 million in borrowings under the Revolver, and approximately $61.0 million in letters of credit which left $299.0 million in additional borrowing capacity under the Revolver.

5.125% Senior Notes

On March 19, 2013, we issued $300.0 million aggregate principal amount of 5.125% senior notes due 2023 (the 5.125% Senior Notes) in a private offering under the indenture, dated as of March 19, 2013, among us, certain of our 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 5.125% Senior Notes were issued at a coupon rate and yield to maturity of 5.125%. Interest on the 5.125% Senior Notes is payable semi-annually in cash in arrears on April 1 and October 1 each year. The 5.125% Senior Notes mature on April 1, 2023. The 5.125% Senior Notes are guaranteed on a senior unsecured basis by all of our restricted subsidiaries that guarantee obligations under the Senior Credit Facility, our 6.625% senior notes due 2021 (the 6.625% Senior Notes), and our 5 7/8% Senior Notes (see discussion of 5 7/8% Senior Notes issuance below). The 5.125% Senior Notes and the guarantees are our general unsecured senior obligations and rank equally in right of payment with all of our and the guarantors existing and future unsecured senior debt, including our 6.625% Senior Notes and the 5 7/8% Senior Notes. The 5.125% Senior Notes and the guarantees are effectively subordinated to any of our and the guarantors existing and future secured debt to the extent of the value of the

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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 our subsidiaries that do not guarantee the 5.125% Senior Notes. A portion of the proceeds received from the 5.125% Senior Notes were used on the date of the financing to repay the outstanding Prior Term Loans under the Prior Senior Credit Facility (see discussion above).

Under the terms of a registration rights agreement dated as of March 19, 2013, among us, the guarantors and Merrill Lynch, Pierce, Fenner & Smith Incorporated, as the representative of the initial purchasers of the 5.125% Senior Notes, we 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. We filed the registration statement on May 30, 2013 which was declared effective on September 12, 2013. We launched the exchange offer on September 13, 2013 and the exchange offer expired on October 11, 2013.

5 7/8% Senior Notes

On October 3, 2013, we issued $250.0 million aggregate principal amount of 5 7/8% senior notes due 2022 (the 5 7/8% Senior Notes) in a private offering under the indenture, dated as of October 3, 2013, among us, certain of our domestic subsidiaries, as guarantors, and Wells Fargo Bank, National Association, as trustee. The 5 7/8% Senior Notes were offered and sold to qualified institutional buyers in accordance with Rule 144A under the Securities Act, and outside the United States to non-U.S. persons in accordance with Regulations S under the Securities Act. The 5 7/8% Senior Notes were issued at a coupon rate and yield to maturity of 5 7/8%. Interest on the 5 7/8% Senior Notes is payable semi-annually in cash in arrears on January 15 and July 15 each year. The 5 7/8% Senior Notes mature on January 15, 2022. The 5 7/8% Senior Notes are guaranteed on a senior unsecured basis by all of our restricted subsidiaries that guarantee obligations under the Senior Credit Facility, our 6.625% Senior Notes, and our 5.125% Senior Notes (see discussion of 5.125% Senior Notes issuance above). The 5 7/8% Senior Notes and the guarantees are our general unsecured senior obligations and rank equally in right of payment with all of our and the guarantors existing and future unsecured senior debt, including our 6.625% Senior Notes and the 5.125% Senior Notes. The 5 7/8% Senior Notes and the guarantees are effectively subordinated to any of our 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 7/8% Senior Notes are structurally subordinated to all existing and future liabilities (including trade payables) of our subsidiaries that do not guarantee the 5 7/8% Senior Notes. We used the net proceeds from the offering, together with cash on hand, to fund the repurchase, redemption or other discharge of our 7 3/4% senior notes (see discussion below) and to pay related transaction fees and expenses.

Under the terms of a registration rights agreement, dated as of October 3, 2013, among us, the guarantors and Wells Fargo Securities, LLC, as the representative of the initial purchasers of the notes, we agreed to register under the Securities Act notes having terms identical in all material respects to the 5 7/8% Senior Notes (the 5 7/8% Exchange Notes) and to make an offer to exchange the 5 7/8% Exchange Notes for the 5 7/8% Senior Notes. We filed the registration statement on October 2, 2013 which was declared effective on January 6, 2014. We launched the exchange offer on January 6, 2014 and the exchange offer expired on February 4, 2014.

7 $^{3}/_{4}$% Senior Notes Tender Offer

On September 19, 2013, we announced the commencement of a cash tender offer and consent solicitation for any and all of our outstanding $250.0 million aggregate principal amount of 7 $^{3}/_{4}$% senior notes due 2017 (the 7 $^{3}/_{4}$% Senior Notes). Holders who validly tendered their 7 $^{3}/_{4}$% Senior Notes prior to 5:00 p.m. Eastern Standard time on October 2, 2013 (Consent Payment Deadline), received a cash payment of $1,043.45 for each $1,000 principal amount of notes, which included a consent payment of $30.00 per $1,000 principal amount of notes. Holders of the 7 $^{3}/_{4}$% Senior Notes accepted for purchase received accrued and unpaid interest up to, but not including, the applicable payment date. Valid early tenders received by us represented $209.1 million aggregate principal amount of the 7 $^{3}/_{4}$% Senior Notes which was 83.6% of the outstanding principal balance. We settled these notes on October 3, 2013. There were no holders who tendered their notes after the Consent

Payment Deadline, but before the expiration date of 11:59 p.m., Eastern Standard time on October 17, 2013 (the Expiration Date) who would have otherwise been entitled to receive $1,013.45 per $1,000 principal amount of notes. On November 4, 2013, we completed the redemption of the remaining 7 $^{3}/_{4}$% Senior Notes in connection with the terms of the notice of redemption delivered to the noteholders pursuant to the terms of the indenture governing the 7 $^{3}/_{4}$% Senior Notes. We financed the purchase of the 7 $^{3}/_{4}$% Senior Notes under the tender offer and the redemption of the remaining 7 $^{3}/_{4}$% Senior Notes with the net cash proceeds from our 5 $^{7}/_{8}$% Senior Notes offering discussed above and cash on hand.

Debt Deafeasance

We consolidated South Texas Local Development Corporation (STLDC), a variable interest entity (VIE) until September 30, 2013. STLDC was created to finance construction for the development of a 1,904-bed facility in Frio County, Texas. STLDC, the owner of the complex, issued $49.5 million in taxable revenue bonds and had an operating agreement with us, which provided us with the sole and exclusive right to operate and manage the detention center. The operating agreement and bond indenture required the revenue from the contract to be used to fund the periodic debt service requirements as they became due. The net revenues, if any, after various expenses such as trustee fees, property taxes and insurance premiums were distributed to us to cover operating expenses and management fees. We were responsible for the entire operations of the facility including the payment of all operating expenses whether or not there were sufficient revenues. The bonds had a 10-year term and were non-recourse to us. At the end of the 10-year term of the bonds, or if the bonds were redeemed, canceled or defeased, title and ownership of the facility transfers from STLDC to us.

On September 30, 2013, we completed a defeasance of the bonds and the title to the facility was transferred to us. In connection with the defeasance, we incurred a $1.5 million loss on extinguishment of debt which represented the excess of the reacquisition price of the defeasance over the net carrying value of the bonds and other defeasance related fees and expenses. Upon the closing of the transaction, the operating agreement was terminated and STLDC is no longer a VIE and is no longer consolidated with us. The carrying value of the facility as of December 31, 2013 and December 31, 2012 was $25.2 million and $25.8 million, respectively, and is included in Property and Equipment in the accompanying consolidated balance sheets.

Prospectus Supplement

On May 8, 2013, the Company filed with the Securities and Exchange Commission a prospectus supplement related to the offer and sale from time to time of the Company s common stock at an aggregate offering price of up to $100 million through sales agents. Sales of shares of the Company s common stock under the prospectus supplement and the equity distribution agreements entered into with the sales agents, if any, may be made in negotiated transactions or transactions that are deemed to be at the market offerings as defined in Rule 415 under the Securities Act. There were no sales of shares of the Company s common stock under the prospectus supplement during the year ended December 31, 2013.

Contract awards and facility activations

The following contract awards and facility activations occurred during fiscal year 2013:

On September 9, 2013, we announced that we have entered into a five year contract inclusive of renewal options, with the U.S. Immigration and Customs Enforcement (ICE) for the housing of immigration detainees in a new 400-bed transfer center to be located at England Airpark in Alexandria, Louisiana (the Center). We will finance, develop and manage the company-owned Center, which is expected to be completed during the fourth quarter of 2014. Our contract with ICE is expected to generate approximately $8.5 million in annualized revenues.

On September 23, 2013, we announced that we have signed five year contracts with the California Department of Corrections and Rehabilitation for the housing of 1,400 California inmates at the Company-owned

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700-bed Central Valley Modified Community Correctional Facility and the Company-owned 700-bed Desert View Modified Community Correctional Facility located in McFarland, California and Adelanto, California, respectively. We began the intake of inmates at both facilities in the fourth quarter of 2013. The facilities are expected to generate approximately $30.7 million in combined annualized revenues at full occupancy. These facilities were previously included in our idle facility inventory.

On October 21, 2013, we announced that we have signed a new contract, effective from November 1, 2013 through June 30, 2018, with the California Department of Corrections and Rehabilitation for the housing of 700 California inmates at the Company-owned Golden State Modified Community Correctional Facility located in McFarland, California. The new agreement, which will replace our existing contract at the facility that was previously effective through June 30, 2016, will expand the facility s contract capacity by 100-beds and is expected to generate an additional $2.2 million in annual revenues. At full occupancy of 700 beds, the facility is expected to generate approximately $15.3 million in annualized revenues.

On February 3, 2014, we announced that we had assumed management of the 985-bed Moore Haven Correctional Facility, the 985-bed Bay Correctional Facility and the 1,884- bed Graceville Correctional Facility under contracts with the Florida Department of Management Services effective February 1, 2014. The managed-only agreements have contract terms of 3 years with successive 2-year renewal option periods. The facilities are expected to generate approximately $31.6 million in combined annualized revenues at full occupancy.

Also on February 3, 2014, we announced that we have increased the contracted capacity at the Company-owned Rio Grande Detention Center in Laredo, Texas from 1,500 beds to 1,900 beds under a contract with the U.S. Marshals Service. The U.S. Marshals Service is expected to occupy up to 1,228 beds with the remaining 672 beds reserved for ICE. The 1,900-bed center is expected to generate approximately $38 million in total annualized revenue.

Contract terminations

The contract for the housing of Alaskan inmates at the Hudson Correctional Facility located in Hudson, Colorado was terminated during the third quarter of 2013. The termination of this contract did not have a material impact on our financial position, results of operations and/or cash flows.

On November 1, 2013, we terminated the contract for the management of the county-owned 688-bed Maverick County Detention Center located in Maverick, Texas. The termination of this managed-only contract did not have a material impact on our financial position, results of operations and/or cash flows.

There were no contract terminations subsequent to December 31, 2013.

We are currently marketing approximately 6,000 vacant beds at six of our idle facilities to potential customers. The annual carrying cost of idle facilities in 2014 is estimated to be $21.9 million, including depreciation expense of $5.9 million. As of December 31, 2013, these facilities had a net book value of $193.6 million. We currently do not have any firm commitment or agreement in place to activate these facilities. Historically, some facilities have been idle for multiple years before they received a new contract award. Currently, our North Lake Correctional Facility located in Baldwin, Michigan and our Great Plains Correctional Facility located in Hinton, Oklahoma have been idle the longest of our idle facility inventory. Both facilities have been idle since October of 2010. These idle facilities are included in the U.S. Corrections & Detention segment. The per diem rates that we charge our clients often vary by contract across our portfolio. However, if all of these idle facilities were to be activated using our U.S. Corrections & Detention average per diem rate in 2013, (calculated as the U.S. Corrections & Detention revenue divided by the number of U.S. Corrections & Detention mandays) and based on the average occupancy rate in our U.S. Corrections & Detention facilities for 2013, we would expect to receive incremental revenue of approximately $125 million and an increase in earnings per share of approximately $.35 to $.40 per share based on our average U.S. Corrections and Detention operating margin.

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Quality of Operations

We operate each facility in accordance with our company-wide policies and procedures and with the standards and guidelines required under the relevant management contract. For many facilities, the standards and guidelines include those established by the American Correctional Association, or ACA. The ACA is an independent organization of corrections professionals, which establishes correctional facility standards and guidelines that are generally acknowledged as a benchmark by governmental agencies responsible for correctional facilities. Many of our contracts in the United States require us to seek and maintain ACA accreditation of the facility. We have sought and received ACA accreditation and re-accreditation for all such facilities. We achieved a median re-accreditation score of 99.7% as of December 31, 2013. Approximately 91.4% of our 2013 U.S. Corrections & Detention revenue was derived from ACA accredited facilities for the year ended December 31, 2013. In January 2012, we also received accreditation at our Blackwater River Correctional Facility and at Hudson Correctional Facility. We have also achieved and maintained accreditation by The Joint Commission (TJC), at three of our correctional facilities and at nine of our youth services locations. We have been successful in achieving and maintaining accreditation under the National Commission on Correctional Health Care, or NCCHC, in a majority of the facilities that we currently operate. The NCCHC accreditation is a voluntary process which we have used to establish comprehensive health care policies and procedures to meet and adhere to the ACA standards. The NCCHC standards, in most cases, exceed ACA Health Care Standards and we have achieved this accreditation at six of our U.S. Corrections & Detention facilities and at two youth services locations. Additionally, B.I. Incorporated (BI) has achieved a certification for ISO 9001:2008 for the design, production, installation and servicing of products and services produced by the Electronic Monitoring business units, including electronic home arrest and domestic violence intervention monitoring services and products, installation services, and automated caseload management services.

Business Development Overview

We intend to pursue a diversified growth strategy by winning new clients and contracts, expanding our government services portfolio and pursuing selective acquisition opportunities. Our primary potential customers include: governmental agencies responsible for local, state and federal correctional facilities in the United States; governmental agencies responsible for correctional facilities in Australia, South Africa, the United Kingdom and Canada; federal, state and local government agencies in the United States responsible for community-based services for adult and juvenile offenders; federal, state and local government agencies responsible for monitoring community-based parolees, probationers and pretrial defendants; and other foreign governmental agencies. We achieve organic growth through competitive bidding that begins with the issuance by a government agency of a request for proposal, or RFP. We primarily rely on the RFP process for organic growth in our U.S. and international corrections operations as well as in our community based re-entry services and electronic monitoring services business.

For our facility management contracts, our state and local experience has been that a period of approximately sixty to ninety days is generally required from the issuance of a request for proposal to the submission of our response to the request for proposal; that between one and four months elapse between the submission of our response and the agency s award for a contract; and that between one and four months elapse between the award of a contract and the commencement of facility construction or management of the facility, as applicable.

For our facility management contracts, our federal experience has been that a period of approximately sixty to ninety days is generally required from the issuance of a request for proposal to the submission of our response to the request for proposal; that between twelve and eighteen months elapse between the submission of our response and the agency s award for a contract; and that between four and eighteen weeks elapse between the award of a contract and the commencement of facility construction or management of the facility, as applicable.

If the state, local or federal facility for which an award has been made must be constructed, our experience is that construction usually takes between nine and twenty-four months to complete, depending on the size and complexity of the project. Therefore, management of a newly constructed facility typically commences between ten and twenty-eight months after the governmental agency s award.

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For the services provided by BI, state, local and federal experience has been that a period of approximately thirty to ninety days is generally required from the issuance of an RFP or Invitation to Bid, or ITB, to the submission of our response; that between one and three months elapse between the submission of our response and the agency s award for a contract; and that between one and three months elapse between the award of a contract and the commencement of a program or the implementation of program operations, as applicable.

The term of our local, state and federal contracts range from one to five years and some contracts include provisions for optional renewal years beyond the initial contract term. Contracts can, and are periodically, extended beyond the contract term and optional renewal years through alternative procurement processes including sole source justification processes, cooperative procurement vehicles and agency decisions to add extension time periods.

We believe that our long operating history and reputation have earned us credibility with both existing and prospective customers when bidding on new facility management contracts or when renewing existing contracts. Our success in the RFP process has resulted in a pipeline of new projects with significant revenue potential.

During 2013, we activated five new or expansion projects representing an aggregate of 5,354 additional beds compared to the activation of four new or expansion projects representing an aggregate of 2,082 beds during 2012.

In addition to pursuing organic growth through the RFP process, we will from time to time selectively consider the financing and construction of new facilities or expansions to existing facilities on a speculative basis without having a signed contract with a known customer. We also plan to leverage our experience and scale of service offerings to expand the range of government-outsourced services that we provide. We will continue to pursue selected acquisition opportunities in our core services and other government services areas that meet our criteria for growth and profitability. We have engaged and intend in the future to engage independent consultants to assist us in developing privatization opportunities and in responding to requests for proposals, monitoring the legislative and business climate, and maintaining relationships with existing customers.

Facility Design, Construction and Finance

We offer governmental agencies consultation and management services relating to the design and construction of new correctional and detention facilities and the redesign and renovation of older facilities. Domestically, as of December 31, 2013, we have provided services for the design and construction of approximately 50 facilities and for the redesign, renovation and expansion of approximately 43 facilities. Internationally, as of December 31, 2013, we have provided services for the design and construction of 10 facilities and for the redesign, renovation and expansion of one facility.

Contracts to design and construct or to redesign and renovate facilities may be financed in a variety of ways. Governmental agencies may finance the construction of such facilities through any of the following methods:

- a one time general revenue appropriation by the governmental agency for the cost of the new facility;
- general obligation bonds that are secured by either a limited or unlimited tax levy by the issuing governmental entity; or
- revenue bonds or certificates of participation secured by an annual lease payment that is subject to annual or bi-annual legislative appropriations.

We may also act as a source of financing or as a facilitator with respect to the financing of the construction of a facility. In these cases, the construction of such facilities may be financed through various methods including the following:

- funds from equity offerings of our stock;

cash on hand and/or cash flows from our operations;

borrowings by us from banks or other institutions (which may or may not be subject to government guarantees in the event of contract termination);

funds from debt offerings of our notes; or

lease arrangements with third parties.

If the project is financed using direct governmental appropriations, with proceeds of the sale of bonds or other obligations issued prior to the award of the project, then financing is in place when the contract relating to the construction or renovation project is executed. If the project is financed using project-specific tax-exempt bonds or other obligations, the construction contract is generally subject to the sale of such bonds or obligations. Generally, substantial expenditures for construction will not be made on such a project until the tax-exempt bonds or other obligations are sold; and, if such bonds or obligations are not sold, construction and therefore, management of the facility, may either be delayed until alternative financing is procured or the development of the project will be suspended or entirely canceled. If the project is self-financed by us, then financing is generally in place prior to the commencement of construction.

Under our construction and design management contracts, we generally agree to be responsible for overall project development and completion. We typically act as the primary developer on construction contracts for facilities and subcontract with bonded National and/or Regional Design Build Contractors. Where possible, we subcontract with construction companies that we have worked with previously. We make use of an in-house staff of architects and operational experts from various correctional disciplines (e.g. security, medical service, food service, inmate programs and facility maintenance) as part of the team that participates from conceptual design through final construction of the project. This staff coordinates all aspects of the development with subcontractors and provides site-specific services.

When designing a facility, our architects use, with appropriate modifications, prototype designs we have used in developing prior projects. We believe that the use of these designs allows us to reduce the potential of cost overruns and construction delays and to reduce the number of correctional officers required to provide security at a facility, thus controlling costs both to construct and to manage the facility. Our facility designs also maintain security because they increase the area under direct surveillance by correctional officers and make use of additional electronic surveillance.

The following table sets forth the current expansion and development project at its stage of completion:

Facilities Under Construction	Additional Beds	Capacity Following Expansion/ Construction	Estimated Completion Date	Customer	Financing
Alexandria Transfer Center, Louisiana	400	400	Q4 2014	ICE	GEO

Competitive Strengths

Leading Corrections Provider Uniquely Positioned to Offer a Continuum of Care

We are the second largest provider of privatized correctional and detention facilities worldwide, the largest provider of community-based re-entry services, youth service and electronic monitoring services in the U.S. corrections industry. We believe these leading market positions and our diverse and complementary service offerings enable us to meet the growing demand from our clients for comprehensive services throughout the entire corrections lifecycle. Our continuum of care enables us to provide consistency and continuity in case management, which we believe results in a higher quality of care for offenders, reduces recidivism, lowers overall costs for our clients, improves public safety and facilitates successful reintegration of offenders back into society.

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Attractive REIT Profile

Key characteristics of our business make us a highly attractive REIT. We believe that, fundamentally we are in a real estate intensive industry. Since our inception, we have financed and developed dozens of facilities. We have a diversified set of investment grade customers in the form of government agencies which are required to pay us on time by law. We have historically experienced customer retention in excess of 90%. Our strong and predictable occupancy rates generate a stable and sustainable stream of revenue. This stream of revenue combined with our low maintenance capital expenditure requirement translates into steady predictable cash flow. The REIT structure also allows us to pursue growth opportunities due to the capital intensive nature of corrections/detention business.

Large Scale Operator with National Presence

We operate the sixth largest correctional system in the U.S. by number of beds, including the federal government and all 50 states. We currently have operations in approximately 33 states and offer electronic monitoring services in every state. In addition, we have extensive experience in overall facility operations, including staff recruitment, administration, facility maintenance, food service, security, and in the supervision, treatment and education of inmates. We believe our size and breadth of service offerings enable us to generate economies of scale which maximize our efficiencies and allows us to pass along cost savings to our clients. Our national presence also positions us to bid on and develop new facilities across the U.S.

Long-Term Relationships with High-Quality Government Customers

We have developed long-term relationships with our federal, state and other governmental customers, which we believe enhance our ability to win new contracts and retain existing business. We have provided correctional and detention management services to the United States Federal Government for 27 years, the State of California for 26 years, the State of Texas for approximately 26 years, various Australian state government entities for 22 years and the State of Florida for approximately 20 years. These customers accounted for approximately 62.7% of our consolidated revenues for the fiscal year ended December 31, 2013.

Recurring Revenue with Strong Cash Flow

Our revenue base is derived from our long-term customer relationships, with contract renewal rates and facility occupancy rates both approximating 90% over the past five years. We have been able to expand our revenue base by continuing to reinvest our strong operating cash flow into expansionary projects and through strategic acquisitions that provide scale and further enhance our service offerings. Our consolidated revenues have grown from $877.0 million in 2007 to $1.5 billion in 2013. We expect our operating cash flow to be well in excess of our anticipated annual maintenance capital expenditure needs, which would provide us significant flexibility for growth in capital expenditures, future dividend payments in connection with operating as a REIT, acquisitions and/or the repayment of indebtedness.

Sizeable International Business

Our international infrastructure, which leverages our operational excellence in the U.S., allows us to aggressively target foreign opportunities that our U.S. based competitors without overseas operations may have difficulty pursuing. We currently have international operations in Australia, Canada, South Africa and the United Kingdom. Our International services business generated approximately $208 million of revenues, representing approximately 14% of our consolidated revenues, for the year ended December 31, 2013. We believe we are well positioned to continue benefiting from foreign governments initiatives to outsource correctional services.

Experienced, Proven Senior Management Team

Our Chief Executive Officer and the Founder, George C. Zoley, Ph.D., has led our Company for 29 years and has established a track record of growth and profitability. Under his leadership, our annual consolidated revenues from continuing operations have grown from $40.0 million in 1991 to $1.5 billion in 2013. Mr. Zoley is one of the pioneers of the industry, having developed and opened what we believe to be one of the first privatized detention facilities in the U.S. in 1986. Our Chief Financial Officer, Brian R. Evans, has been with our company for over thirteen years and has led our conversion to a REIT as well as the integration of our recent acquisitions and financing activities. Our top seven senior executives have an average tenure with our company of over 11 years.

Business Strategies

Provide High Quality, Comprehensive Services and Cost Savings Throughout the Corrections Lifecycle

Our objective is to provide federal, state and local governmental agencies with a comprehensive offering of high quality, essential services at a lower cost than they themselves could achieve. We believe government agencies facing budgetary constraints will increasingly seek to outsource a greater proportion of their correctional needs to reliable providers that can enhance quality of service at a reduced cost. We believe our expanded and diversified service offerings uniquely position us to bundle our high quality services and provide a comprehensive continuum of care for our clients, which we believe will lead to lower cost outcomes for our clients and larger scale business opportunities for us.

Maintain Disciplined Operating Approach

We refrain from pursuing contracts that we do not believe will yield attractive profit margins in relation to the associated operational risks. In addition, although we engage in facility development from time to time without having a corresponding management contract award in place, we endeavor to do so only where we have determined that there is medium to long-term client demand for a facility in that geographical area. We have also elected not to enter certain international markets with a history of economic and political instability. We believe that our strategy of emphasizing lower risk and higher profit opportunities helps us to consistently deliver strong operational performance, lower our costs and increase our overall profitability.

Pursue International Growth Opportunities

As a global provider of privatized correctional services, we are able to capitalize on opportunities to operate existing or new facilities on behalf of foreign governments. We have seen increased business development opportunities including opportunities to cross sell our expanded service offerings in recent years in the international markets in which we operate and are currently bidding on several new projects. We will continue to actively bid on new international projects in our current markets and in new markets that fit our target profile for profitability and operational risk.

Selectively Pursue Acquisition Opportunities

We intend to continue to supplement our organic growth by selectively identifying, acquiring and integrating businesses that fit our strategic objectives and enhance our geographic platform and service offerings. Since 2005, and including the acquisition of BI, we have completed six acquisitions for total consideration, including debt assumed, in excess of $1.7 billion. Our management team utilizes a disciplined approach to analyze and evaluate acquisition opportunities, which we believe has contributed to our success in completing and integrating our acquisitions.

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Facilities and Day Reporting Centers

The following table summarizes certain information with respect to: (i) U.S. and international detention and corrections facilities; (ii) community-based services facilities; and (iii) residential and non-residential youth services facilities. The information in the table includes the facilities that we (or a subsidiary or joint venture of GEO) owned, operated under a management contract, had an agreement to provide services, had an award to manage or was in the process of constructing or expanding as of December 31, 2013:

Facility Name & Location	Capacity(1)	Primary Customer	Facility Type	Security Level	Commencement of Current Contract(2)	Base Period	Renewal Options	Managed Leased/ Owned
Corrections & Detention Western Region:								
Adelanto Detention Facility, Adelanto, CA	1,300	ICE - IGA	Federal Detention	Minimum/ Medium	May 2011	5 years	None	Owned
Alhambra City Jail, Los Angeles, CA	67	Los Angeles County	City Jail	All Levels	July 2008	3 years	Two, One-year, Plus 1 Year Extension	Managed
Arizona State-Prison Florence West Florence, AZ	750	AZ DOC	State DUI/ RTC Correctional	Minimum	October 2002	10 years	Two, Five-year	Managed
Arizona State-Prison Phoenix West Phoenix, AZ	500	AZ DOC	State DWI Correctional	Minimum	July 2002	10 years	Two, Five-year	Managed
Aurora/ICE Processing Center Aurora, CO	1,532	ICE / USMS	Federal Detention	All Levels	September 2011/ October 2012	2 years / 2 years	Four, Two-year / Four, Two-year	Owned
Baldwin Park City Jail, Baldwin Park, CA	32	Los Angeles County	City Jail	All Levels	July 2003	3 years	Three, Three-year	Managed
Central Arizona Correctional Facility Florence, AZ	1,280	AZ DOC	State Sex Offender Correctional	Minimum/ Medium	December 2006	10 years	Two, Five-year	Managed
Central Valley MCCF McFarland, CA	700	CDCR	State Correctional Facility	Medium	October 2013	Four Years and Eight Months	None	Owned
Desert View MCCF Adelanto, CA	700	CDCR	State Correctional Facility	Medium	October 2013	Four Years and Eight Months	None	Owned
Downey City Jail Los Angeles, CA	30	Los Angeles County	City Jail	All Levels	June 2003	3 years	Three, Three-year	Managed

Fontana City Jail Los Angeles, CA