GEO GROUP INC
Form 424B5
May 25, 2006

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

Filed Pursuant to Rule 424(b)(5)
Registration No. 333-111003

Subject to Completion, dated May 25, 2006

PROSPECTUS SUPPLEMENT
(To Prospectus dated January 28, 2004)

3,000,000 Shares
Common Stock

The GEO Group, Inc. is offering 3,000,000 of its shares of common stock. The GEO Group, Inc. will receive all of the net proceeds from the sale of its common stock.

Our common stock is quoted on the New York Stock Exchange under the symbol GGI. On May 24, 2006, the last sale price of our common stock as reported on the New York Stock Exchange was $39.11 per share.

Investing in our common stock involves risks. See Risk Factors beginning on page S-13 of this prospectus supplement.

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

We have granted the underwriters a 30-day option to purchase up to an additional 450,000 shares from us on the same terms and conditions as set forth above if the underwriters sell more than 3,000,000 shares of common stock in this offering.

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

Lehman Brothers, on behalf of the underwriters, expects to deliver the shares to purchasers on or about , 2006.

Lehman Brothers

Banc of America Securities LLC
First Analysis Securities Corporation
Jefferies & Company
Avondale Partners
BNP PARIBAS

, 2006

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

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

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

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

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SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS AND MARKET AND STATISTICAL DATA

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

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

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

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

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

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PROSPECTUS SUPPLEMENT SUMMARY

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

Our Company

Overview

We are a leading provider of government-outsourced services specializing in the management of correctional, detention, mental health and residential treatment facilities in the United States, Canada, Australia, South Africa and the United Kingdom. We operate a broad range of correctional and detention facilities including maximum, medium and minimum security prisons, immigration detention centers and minimum security detention centers. Our correctional and detention management services involve the provision of security, administrative, rehabilitation, education, health and food services, primarily at adult male correctional and detention facilities. Our mental health and residential treatment services, which are operated through our wholly-owned subsidiary, GEO Care, Inc., involve the delivery of quality care, innovative programming and active patient treatment, primarily at privatized state mental health facilities. We also develop new facilities based on contract awards, using our project development expertise and experience to design, construct and finance what we believe are state-of-the-art facilities that maximize security and efficiency.

We currently manage over 44,000 total beds with an average facility occupancy rate of 97.0% for the quarter ended April 2, 2006, and have an additional 4,583 beds currently under development or pending commencement of operations. On November 4, 2005 we completed the acquisition of Correctional Services Corporation, or CSC. As a result of the acquisition, we assumed the management of CSC s sixteen adult correctional and detention facilities, totaling 8,037 beds. For the twelve months ended January 1, 2006, on a pro forma basis assuming the CSC acquisition occurred on January 3, 2005, we generated consolidated revenues of $692.5 million. For the three months ended April 2, 2006, we generated consolidated revenues of $185.9 million. The following depicts our revenue mix by business unit for the year ended January 1, 2006 on a pro forma basis assuming the CSC acquisition occurred on January 3, 2005:

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The private corrections industry has played an increasingly important role in addressing U.S. detention and correctional needs over the past five years. Since year-end 2000, the number of federal inmates held at private correctional and detention facilities has increased over 50 percent. At midyear 2005, the private sector housed approximately 14.4% of federal inmates. Approximately 57% of the estimated 2.2 million individuals incarcerated in the United States at year-end 2004 were held in state prisons. At midyear 2005, the private sector housed approximately 5.6% of all state inmates.

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

We intend to pursue a diversified growth strategy by winning new clients and contracts, expanding our government services portfolio and pursuing selective acquisition opportunities. We achieve organic growth through competitive bidding that begins with the issuance by a government agency of a request for proposal, or RFP. We primarily rely on the RFP process for organic growth in our U.S. and international corrections operations as well as in our mental health and residential treatment services. We believe that our long operating history and reputation have earned us credibility with both existing and prospective clients when bidding on new facility management contracts or when renewing existing contracts. Our success in the RFP process has resulted in a pipeline of new projects with significant revenue potential. Since March 2005, we have announced seven new projects representing 4,583 beds. In addition to pursuing organic growth through the RFP process, we will from time to time selectively consider the financing and construction of new facilities or expansions to existing facilities on a speculative basis without having a signed contract with a known client. We also plan to leverage our experience to expand the range of government-outsourced services that we provide. We will continue to pursue selected acquisition opportunities in our core services and other government services areas that meet our criteria for growth and profitability.

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

Competitive Advantages

We believe we enjoy the following competitive advantages:

Established Long Term Relationships with High-Quality Government Customers. We have developed long term relationships with our government customers and have generally been successful at retaining our facility management contracts. We have provided correctional and detention management services to the U.S. Federal Government for 19 years, the State of California for 18 years, the State of Texas for 18 years, various Australian state government entities for 14 years and the State of Florida for 12 years. These customers accounted for approximately 61% of our consolidated revenues for the fiscal year ended January 1, 2006. Our strong operating track record has enabled us to achieve a high renewal rate for contracts, thereby providing us with a stable source of revenue. During the past three years, we renewed approximately 90% of the contracts that were scheduled for renewal or expiration during that period. In addition, over the same three-year period, we won approximately 59% of the total number of beds for which we submitted RFPs.

Diverse, Full-Service Facility Developer and Operator. We have developed comprehensive expertise in the design, construction and financing of high quality correctional, detention and mental health facilities. In addition, we have extensive experience in overall facility operations, including staff recruitment, administration, facility maintenance, food service, healthcare, security, supervision, treatment and education of inmates. We believe that the breadth of our service offerings gives us the flexibility and resources to respond to

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customers needs as they develop. We believe that the relationships we foster when offering these additional services also help us win new contracts and renew existing contracts.

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

Experienced, Proven Senior Management Team. Our top three senior executives have over 56 years of combined industry experience, have worked together at our company for more than 15 years and have established a track record of growth and profitability. Under their leadership, our annual consolidated revenues have grown from $40.0 million in 1991 to $612.9 million in 2005. Our Chief Executive Officer, George C. Zoley, is one of the pioneers of the industry, having developed and opened what we believe was one of the first privatized detention facilities in the United States in 1986. In addition to senior management, our operational and facility level management has significant operational experience and expertise.

Strategies

In order to strengthen our market position, enhance growth and maximize our profitability and cash flow, we intend to:

Provide High Quality, Essential Services at Lower Costs. Our objective is to provide federal, state and local governmental agencies with high quality, essential services at a lower cost than they themselves could achieve. We have developed considerable expertise in the management of facility security, administration, rehabilitation, education, health and food services. Our quality is recognized through many accreditations including that of the American Correctional Association, which has certified facilities representing approximately 72% of our U.S. corrections revenue as of year-end 2005.

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

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

Pursue International Growth Opportunities. As a global provider of privatized correctional services, we are able to capitalize on opportunities to operate existing or new facilities on behalf of foreign governments. We currently have international operations in Australia, Canada, South Africa and the United Kingdom. We

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intend to further penetrate the current markets we operate in and to expand into new international markets which we deem attractive. For example, during the fourth quarter of 2004, we opened an office in the United Kingdom to vigorously pursue new business opportunities in England, Wales and Scotland. In March 2006, we entered into a contract to manage the operations of the 198-bed Campsfield House in Kidlington, United Kingdom. We expect to begin operations under this contract in the second quarter of 2006.

Selectively Pursue Acquisition Opportunities. We consider acquisitions that are strategic in nature and enhance our geographic platform on an ongoing basis. On November 4, 2005, we acquired CSC, bringing over 8,000 additional adult correctional and detention beds under our management. We will continue to review acquisition opportunities that may become available in the future, both in the privatized corrections, detention, mental health and residential treatment services sectors, and in complementary government-outsourced services areas.

Industry Trends

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

Continued Growth of the U.S. Prison Inmate Population. The number of inmates in the prison and jail system in the United States has grown at an annual average growth rate of 3.4% percent since 1995. The total number of U.S. inmates in custody in federal and state prisons and local jails is currently estimated at approximately 2.2 million. This sustained period of growth has been driven by a number of factors including higher incarceration rates and growth in the 14 to 24-year old population that is typically at the highest risk with regard to potential incarceration.

Illegal Immigration and Homeland Security Reform. Since the events of 9/11, ongoing efforts by the United States Department of Homeland Security to secure the nation s borders and capture and detain illegal aliens have increased demand for cost efficient detention beds. President Bush s proposed 2007 budget requests funding for 6,700 new immigration detention beds for the Bureau of Immigration and Customs Enforcement, and 9,500 new detainee beds for the United States Marshals Service.

Greater Federal Government Acceptance of Privatized Correctional Facilities. The number of federal prisoners being held in private facilities has increased from 15,524 at year-end 2000 to 26,544 at midyear 2005, representing a compound annual growth rate of over 12%. Of the 39,068 new federal prison beds that were added over that same period, we estimate that 28% were awarded to the private sector.

Capacity Constraints of Public Correctional Systems. State and federal correctional systems are experiencing overcrowding conditions and tight budget constraints. At the end of 2004, 24 state prison systems and the federal prison system were operating at or above designed detention capacity. The federal prison system, which includes the Bureau of Prisons, the United States Marshals Service, the Department of Homeland Security and the Bureau of Immigration and Customs Enforcement, operated at 140% of design capacity at year-end 2004. As a result, federal and state jurisdictions throughout the United States are increasingly exploring partnerships with private service providers as a cost effective alternative to the growth of their public payrolls.

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

Cost and Quality Advantages of Private Prisons. According to several government and university studies, private prison facilities operate at a lower cost than public sector facilities. More than 50% of private facilities are accredited by the American Corrections Association, referred to as ACA, versus a lower percentage of public prisons. The ACA s standards impose strict requirements with regard to accountability, response time, level of quality, safety records and general programs and services.

Growth of Privatization in International Markets. We estimate that the capacity of privately managed adult secure institutional facilities in operation worldwide increased from approximately 60,000 beds at year end 1995 to approximately 179,000 beds at year-end 2005. The United Kingdom, Australia and South Africa have growing prison markets. The United Kingdom is the largest non-U.S. market for private prisons and through its Private Finance Initiative indicated its intentions to increase its reliance on private correctional facilities to accommodate future inmate growth.

Corporate Information

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

Forward-Looking Statements

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

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The Offering

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

Common stock offered	3,000,000 shares
Common stock to be outstanding after the offering(1)	12,814,853 shares
Underwriters option	We have granted the underwriters a 30-day option to purchase from us up to an aggregate of 450,000 additional shares of our common stock if they sell more than 3,000,000 shares in the offering.
Use of proceeds(2)(3)	We estimate that we will receive net proceeds from this offering of approximately $110 million. We will retain broad discretion over the use of the net proceeds from this offering. We intend to use the net proceeds from this offering to repay $74.6 million of existing indebtedness outstanding under the term loan portion of our Senior Credit Facility and the balance for general corporate purposes. General corporate purposes may include working capital and capital expenditures, as well as acquisitions of companies or businesses in the government services sector that meet our criteria for growth and profitability. We may also use proceeds from this offering to invest in proprietary assets relating to our business, including the development of new facilities, the expansion of current facilities and/or the acquisition of facilities or facility management contracts. In addition, we may use up to $5.0 million of the proceeds from this offering to purchase from certain of our executive officers and employees stock options that are currently outstanding and exercisable. Such purchases would be made at prices not exceeding the in-the-money value of the options, which is equal to the amount by which the market price per share of our common stock at the time of the purchases exceeds the exercise price per share of the options, multiplied by the number of options being purchased. Pending application of the net proceeds for these purposes, we intend to invest the net proceeds in interest-bearing short-term investment grade securities.
New York Stock Exchange symbol	GGI
Risk factors	An investment in our common stock involves a high degree of risk. You should carefully consider the risk factors set forth under Risk Factors beginning on page S-13 and the other information contained in this prospectus supplement prior to making an investment decision regarding our common stock.

(1) The number of shares of common stock to be outstanding after this offering is based on the number of shares of common stock outstanding as of May 22, 2006 and does not include:

1,265,947 shares of common stock reserved and available for issuance pursuant to stock options outstanding under our stock plans as of May 22, 2006 at a weighted average exercise price of $15.02 per share;

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150,000 shares of common stock issued under restricted stock awards granted pursuant to our stock plans on May 4, 2006, which are scheduled to vest in equal annual increments over the four-year period following the date of grant; and

150,000 shares of common stock reserved and available for issuance as of May 22, 2006 under our stock plans.

(2) We estimate that we will receive approximately $126 million in net proceeds from this offering if the underwriters exercise their option to purchase additional shares in full, in each case assuming a public offering price of $39.11 per share (the last reported sale price of our common stock on the New York Stock Exchange on May 24, 2006) and after deducting underwriting discounts and commissions and estimated offering expenses payable by us.

(3) We plan to write-off approximately $1.3 million in deferred financing fees associated with the origination of the term loan in connection with the repayment of indebtedness under the Senior Credit Facility.

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Summary Selected Consolidated Financial Information and Other Data

The following table sets forth our summary historical consolidated financial information and other data. The historical statement of operations and cash flow data for the thirteen weeks ended April 2, 2006 and April 3, 2005 and for the fiscal years ended January 1, 2006, January 2, 2005 and December 28, 2003 are derived from, and should be read in conjunction with, our audited consolidated financial statements and related notes appearing elsewhere in this prospectus supplement. The results of operations for the interim period are not necessarily indicative of the operating results for the entire year or any future period.

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

	Thirteen Weeks Ended		Fiscal Years		
	Apr. 2, 2006	**Apr. 3, 2005**	**2005**	**2004**	**2003**
	(Unaudited)				
	(Dollars in thousands)				
Revenues(1)					
Correction and detention facilities	$ 169,876	$ 136,339	$ 572,109	$ 546,952	$ 519,246
Other	16,005	11,916	40,791	47,042	29,992
Total revenues	**185,881**	**148,255**	**612,900**	**593,994**	**549,238**
Expenses					
Operating expenses	153,746	125,813	540,128	495,226	467,018
Depreciation and amortization	5,664	3,668	15,876	13,898	13,341
General and administrative expenses(2)	14,009	11,401	48,958	45,879	39,379
Total expenses	**173,419**	**140,882**	**604,962**	**555,003**	**519,738**
Operating income	**12,462**	**7,373**	**7,938**	**38,991**	**29,500**
Interest income	2,216	2,330	9,154	9,568	6,853
Interest expense	(7,579)	(5,454)	(23,016)	(22,138)	(17,896)
Write-off of deferred financing fees from extinguishment of debt			(1,360)	(317)	(1,989)
Gain on sale of U.K. joint venture					56,094
Total other income (expenses)	(5,363)	(3,124)	(15,222)	(12,887)	43,062
Income (loss) before taxes, minority interest, earnings in affiliates and discontinued operations	7,099	4,249	(7,284)	26,104	72,562
Income tax expense (benefit)	2,693	1,723	(11,826)	8,231	36,852
Minority interest	(9)	(184)	(742)	(710)	(645)
Earnings in affiliates (net of income tax expense)	277	49	2,079	0	1,310

Earnings from continuing operations		4,674		2,391		5,879		17,163		36,375
Income (loss) from discontinued operations, net of income tax		(118)		505		1,127		(348)		3,644
Net income	$	4,556	$	2,896	$	7,006	$	16,815	$	40,019
Basic earnings (loss) per common share:										
Weighted average basic common shares outstanding		9,700		9,525		9,580		9,384		15,618
Income from continuing operations	$	0.48	$	0.25	$	0.61	$	1.83	$	2.33
Income (loss) from discontinued operations		(0.01)		0.05		0.12		(0.04)		0.23
Net income per basic share	$	0.47	$	0.30	$	0.73	$	1.79	$	2.56
Diluted earnings (loss) per common share:										
Weighted average diluted common shares outstanding		10,034		10,002		10,010		9,738		15,829
Diluted income per share -continued operations	$	0.46	$	0.24	$	0.59	$	1.77	$	2.30
Diluted income (loss) per share		(0.01)		0.05		0.11		(0.04)		0.23
Net income per diluted share	$	0.45	$	0.29	$	0.70	$	1.73	$	2.53

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	Thirteen Weeks Ended		Fiscal Years		
	Apr. 2, 2006	Apr. 3, 2005	2005	2004	2003
	(Unaudited)				
	(Dollars in thousands)				
Segment information:					
Operating income					
Correction and detention facilities	$ 11,353	$ 7,276	$ 7,646	$ 38,092	$ 27,952
Other	1,109	97	292	899	1,548
Total operating income	$ 12,462	$ 7,373	$ 7,938	$ 38,991	$ 29,500
Depreciation and amortization					
Correction and detention facilities	$ 5,564	$ 3,600	$ 15,617	$ 13,672	$ 13,237
Other	100	68	259	226	104
Total depreciation and amortization	$ 5,664	$ 3,668	$ 15,876	$ 13,898	$ 13,341
Other financial information:					
EBITDA(3)(4)	18,294	11,395	22,902	51,514	101,889
Capital expenditures	7,432	1,841	31,465	10,235	6,791
Lease rental expense(5)	6,048	5,832	23,658	23,024	22,540
Balance sheet data:					
Cash and cash equivalents	56,169	102,135	57,094	92,005	49,959
Current assets	236,398	215,948	229,292	222,766	191,811
Total assets	653,979	469,673	639,511	480,326	505,341
	149,418	106,571	136,519	117,478	118,854

Current liabilities					
Total debt	373,898	240,218	376,046	242,887	288,951
Total liabilities	538,530	366,929	530,917	380,587	428,016
Shareholders equity	115,449	102,744	108,594	99,739	77,325
Operational data:					
Facilities in operation(6)	55	39	55	39	40
Design capacity of facilities(7)	48,661	36,581	48,370	35,981	36,014
Compensated resident mandays(8)	3,793,590	3,125,505	12,607,525	12,458,102	11,389,821

(1) On November 4, 2005, we completed the acquisition of Correctional Services Corporation, a Florida-based provider of privatized jail, community corrections and alternative sentencing services for approximately $62.1 million in cash. Immediately following the purchase of CSC, we sold Youth Services International, Inc., or YSI, the former juvenile services division of CSC, for $3.75 million, $1.75 million in cash and $2.0 million in promissory note with an annual interest rate of 6%. The financial information included in the tables for fiscal year 2005 reflects the operations of CSC from November 4, 2005 through January 1, 2006. The following unaudited pro forma financial information combines our results of operations with the results of operations of CSC as if the acquisition of CSC had occurred on December 29, 2003, excluding the operations of YSI for the same period:

	Fiscal Years	
	2005	**2004**
Revenues	$ 692,545	$ 670,563
Income from continuing operations	$ 5,719	$ 21,662
Net income	$ 4,402	$ 9,571
Net income per share basic	$ 0.46	$ 1.02
Net income per share diluted	$ 0.44	$ 0.98

(2) Includes non-cash stock compensation expense of $0.2 million for the thirteen weeks ended April 2, 2006 related to the implementation of Financial Accounting Standards (FAS) No. 123(R). See Note 3 Equity Incentive Plans in the Unaudited Financial Statements for the thirteen weeks ended April 12, 2006 and April 3, 2005, and Note 1 Summary of Business Operations and Significant Accounting Policies Accounting for Stock Based Compensation in the Audited Financial Statements for the fiscal years ended January 1, 2006, January 2, 2005 and December 28, 2003 for further discussion.

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

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

	Thirteen Weeks Ended		Fiscal Years		
	Apr. 2, 2006(2)	Apr. 3, 2005	2005	2004	2003
	(Unaudited)				
	(Dollars in thousands)				
Net income	$ 4,556	$ 2,896	$ 7,006	$ 16,815	$ 40,019
Interest expense, net	5,363	3,124	13,862	12,570	11,043
Income tax expense (benefit)(9)	2,711	1,707	(13,842)	8,231	37,486
Depreciation and amortization	5,664	3,668	15,876	13,898	13,341
EBITDA(3)(4)	$ 18,294	$ 11,395	$ 22,902	$ 51,514	$ 101,889

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

	Thirteen Weeks Ended		Fiscal Years		
	Apr. 2, 2006	Apr. 3, 2005	2005	2004	2003
	(Unaudited)				
	(Dollars in thousands)				
Discontinued operations(10)	$ 118	$ 505	$ (1,127)	$ 348	$ (3,644)
Australian insurance reserves(11)					3,600
Gain on sale of UK joint venture(12)					(56,094)
Insurance reduction(13)			(1,300)	(4,150)	
Jena, Louisiana write-offs(14)			4,255	3,000	5,000
Job reclassification expenses(15)			400		
Michigan correctional facility write-off(16)			20,859		
Queens, New York contract transitioning(17)			786		
Start-up expenses at certain domestic facilities(18)	340		977		
Write-off of acquisition costs(19)				1,306	
Write-off of deferred financing fees(20)			1,360	317	1,989

Total	$ 458	$ 505	$ 26,210	$ 821	$ (49,149)

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

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

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

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

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

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

(11) This reserve was taken as a provision for operating losses resulting from liability insurance expenses associated with the transitioning of our former contract to manage Australia s immigration centers in 2003.

(12) This gain was recorded when we sold our 50% interest in our former joint venture in the United Kingdom in 2003.

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

(14) These write-offs were taken to cover operating losses relating to lease expense associated with our inactive facility in Jena, Louisiana in 2003, 2004 and 2005.

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

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

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

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

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

(20) These write-offs were attributable to the refinancing of our Senior Credit Facility in 2003 and 2005, and the early repayment of $43.0 million of the term loan portion of our credit facility in 2004.

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RISK FACTORS

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

Risks Related to Our Business and Industry

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

Governmental agencies may terminate a facility contract at any time without cause or use the possibility of termination to negotiate a lower fee for per diem rates. They also generally have the right to renew facility contracts at their option. Excluding the impact of customer renewal options, as of May 19, 2006, five of our facility management contracts are scheduled to expire on or before December 31, 2006. These contracts represented 12.5% of our consolidated revenues for the year ended January 1, 2006. Some or all of these contracts may not be renewed by the corresponding governmental agency. See Business Facilities. In addition, governmental agencies may determine not to exercise renewal options with respect to any of our contracts in the future. In the event any of our management contracts are terminated or are not renewed on favorable terms or otherwise, we may not be able to obtain additional replacement contracts. The non-renewal or termination of any of our contracts with governmental agencies could materially adversely affect our financial condition, results of operations and liquidity, and our ability to secure new facility management contracts from other government customers.

We will continue to be responsible for certain real property payments even if our underlying facility management contracts terminate, which could adversely affect our profitability.

Eleven of our facilities are leased from CentraCore Properties Trust, an independent, publicly-traded REIT which we refer to as CPV. These leases have an initial ten-year term with varying renewal periods at our option, and an average remaining initial term of 4.0 years. Our 2006 expected obligation for lease payments under the eleven CPV leases is approximately $25.8 million and our expected aggregate obligations after 2006 are approximately $114.4 million. The facility management contracts underlying these leases generally have a term ranging from one to five years, but are terminable by the governmental entity at will. In the event that a facility management contract is terminated or expires and is not renewed prior to the expiration of the corresponding lease term for the facility, we will continue to be liable to CPV for the related lease payments. Because these lease payments would not be offset by revenues from an active facility management contract, they could represent a material ongoing loss. If we are unable to find a replacement management contract or an alternative use for the facility, the loss could continue until the expiration of the lease term then in effect, which could adversely affect our profitability.

During 2000, our management contract at the 276-bed Jena Juvenile Justice Center in Jena, Louisiana was discontinued by the mutual agreement of the parties. Despite the discontinuation of the management contract, we remain responsible for payments on our underlying lease of the inactive facility with CPV through January 2010. During the third quarter 2005, we determined that the alternative uses being pursued were no longer probable and as a result we revised our estimated sublease income and recorded an operating charge of $4.3 million, representing our remaining obligation on the lease through the contractual term of January 2010. However, we plan to continue our efforts to reactivate the facility. The Jena facility is the only lease with CPV for which we had no corresponding management contract to operate as of January 1, 2006.

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The restructuring of our relationship with CPV may have material adverse consequences.

We recently announced our intention to restructure our relationship with CPV, from whom we lease eleven of our correctional and detention facilities, in an effort to reduce our cost of capital for those facilities. At the same time, we announced several key decisions that we have made with respect to our relationship with CPV. For a detailed discussion of those decisions, see Management s Discussion and Analysis of Financial Condition and Results of Operations Outlook Relationship with CPV.

The restructuring of our relationship poses several risks. First, with respect to seven of our leases with CPV which are scheduled to expire in April 2008, referred to as the Expiring Leases, we are in the process of conducting a comprehensive review of the possibility of developing replacement facilities in close proximity to the facilities covered by the Expiring Leases as a potential alternative to exercising our exclusive option to renew the Expiring Leases. We may not be able to successfully develop replacement facilities acceptable to our government customers in sites proximate to those covered by the Expiring Leases. If we do not develop replacement facilities, we may be forced to renew some or all of the Expiring Leases, potentially on terms less favorable to us than currently apply, which could have a dilutive impact on our earnings. Even if we are able to successfully develop replacement facilities, we cannot assure that such development will be completed prior to the expiration of the Expiring Leases, or at a cost of capital that is lower than that which CPV currently provides us. Further, if we opt not to renew some or all of the Expiring Leases, CPV may lease the facilities we vacate to our competitors or directly to some of our government customers, which may cause us to either lose some of our facility management contracts or to reduce our margins in order to retain contracts.

With respect to the Right to Purchase Agreement between us and CPV, CPV has claimed that the agreement gives it the right to acquire certain of the facilities now under our management as a result of the CSC acquisition. We do not believe that the Right to Purchase Agreement gives CPV the right to acquire any of the facilities involved in the CSC acquisition and intend to vigorously defend our rights with respect to those facilities. Nevertheless, in the event that CPV were to successfully establish a claim to those facilities, or to any other facilities that we may operate in the future, we may be forced to sell and lease back such facilities from CPV. Any such leasebacks could be completed at rates that are higher than those which we currently pay to use the same facilities. Any future sale/leaseback transactions with CPV at higher than then prevailing market rates or our then current costs could have a material adverse impact on financial condition and our results of operations. The restructuring of our relationship with CPV could also have unintended consequences, including causing litigation between us and CPV, which could be costly and have a negative impact on our stock price.

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

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

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

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

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

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

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

We currently derive, and expect to continue to derive, a significant portion of our revenues from a limited number of governmental agencies. Of our 32 governmental customers, six customers accounted for over 50% of our consolidated revenues for the fiscal year ended January 1, 2006. In addition, the three federal governmental agencies with correctional and detention responsibilities, the Bureau of Prisons, the Bureau of Immigration and Customs Enforcement, which we refer to as ICE, and the Marshals Service, accounted for approximately 26.8% of our total consolidated revenues for the fiscal year ended January 1, 2006, with the Bureau of Prisons accounting for approximately 11.5% of our total consolidated revenues for such period, the Marshals Service accounting for approximately 9.8% of our total consolidated revenues for such period, and ICE accounting for approximately 5.5% of our total consolidated revenues for such period. The loss of, or a significant decrease in, business from the Bureau of Prisons, ICE or the U.S. Marshals Service or any other significant customers could materially adversely affect our financial condition and results of operations. We expect to continue to depend upon these federal agencies and a relatively small group of other governmental customers for a significant percentage of our revenues.

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

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

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

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

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

Our cash flow is subject to the receipt of sufficient funding of and timely payment by contracting governmental entities. If the contracting governmental agency does not receive sufficient appropriations to cover its contractual obligations, it may terminate our contract or delay or reduce payment to us. Any delays in payment, or the termination of a contract, could have a material adverse effect on our cash flow and financial condition, which may make it difficult to satisfy our payment obligations on our indebtedness, including our $8^1/4$ % senior unsecured notes due 2013, which we refer to as the Notes, and our senior credit facility, which we refer to as the Senior Credit Facility, in a timely manner. The Governor of the State of Michigan s veto in October 2005 of appropriations for our Michigan Correctional Facility in October 2005 is an example of this risk. See Management s Discussion and Analysis of Financial Condition and Results of Operations Commitments and Contingencies . In addition, as a result of, among other things, recent economic developments, federal, state and local governments have encountered, and may continue to encounter, unusual budgetary constraints. As a result, a number of state and local governments are under pressure to control additional spending or reduce current levels of spending. Accordingly, we may be requested in the future to reduce our existing per diem contract rates or forego prospective increases to those rates. In addition, it may become more difficult to renew our existing contracts on favorable terms or at all.

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

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

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

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

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

When we are awarded a contract to manage a facility, we may incur significant start-up and operating expenses, including the cost of constructing the facility, purchasing equipment and staffing the facility, before we receive any payments under the contract. These expenditures could result in a significant reduction in our cash reserves and may make it more difficult for us to meet other cash obligations, including our payment obligations on the Notes and the Senior Credit Facility. In addition, a contract may be terminated prior to its

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scheduled expiration and as a result we may not recover these expenditures or realize any return on our investment.

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

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

In addition, private prison managers are increasingly subject to government legislation and regulation attempting to restrict the ability of private prison managers to house certain types of inmates, such as inmates from other jurisdictions or inmates at medium or higher security levels. Legislation has been enacted in several states, and has previously been proposed in the United States House of Representatives, containing such restrictions. Although we do not believe that existing legislation will have a material adverse effect on us, future legislation may have such an effect on us.

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

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

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

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

The nature of our business exposes us to various types of third-party legal claims, including, but not limited to, civil rights claims relating to conditions of confinement and/or mistreatment, sexual misconduct claims brought by prisoners or detainees, medical malpractice claims, claims relating to employment matters (including, but not limited to, employment discrimination claims, union grievances and wage and hour claims), property loss claims, environmental claims, automobile liability claims, contractual claims and claims for personal injury or other damages resulting from contact with our facilities, programs, personnel or prisoners, including damages arising from a prisoner s escape or from a disturbance or riot at a facility. In addition, our management contracts generally require us to indemnify the governmental agency against any damages to which the governmental agency may be subject in connection with such claims or litigation. We maintain insurance coverage for these types of claims, except for claims relating to employment matters. However, the insurance we maintain to cover the various liabilities to which we are exposed may not be adequate. Any losses relating to matters for which we are either uninsured or for which we do not have adequate insurance could have a material adverse effect on our business, financial condition or results of operations. In addition, any losses relating to employment matters could have a material adverse effect on our business, financial condition or results of operations.

Claims for which we are insured arising from our U.S. operations that have an occurrence date of October 1, 2002 or earlier are handled by TWC and are fully insured up to an aggregate limit of between $25.0 million and $50.0 million, depending on the nature of the claim. With respect to claims for which we are insured arising after October 1, 2002, we maintain a general liability policy for all U.S. operations with $52.0 million per occurrence and in the aggregate. On October 1, 2004, we increased our deductible on this general liability policy from $1.0 million to $3.0 million for each claim which occurs after October 1, 2004. We also maintain insurance to cover property and casualty risks, workers compensation, medical malpractice and automobile liability. Our Australian subsidiary is required to carry tail insurance through 2011 related to a discontinued contract. We also carry various types of insurance with respect to our operations in South Africa and Australia. There can be no assurance that our insurance coverage will be adequate to cover claims to which we may be exposed.

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

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

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

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

For the fiscal year ended January 1, 2006 and the quarter ended April 2, 2006, our international operations accounted for approximately 16.1% and 12.4%, respectively, of our consolidated revenues. We face risks associated with our operations outside the U.S. These risks include, among others, political and economic instability, exchange rate fluctuations, taxes, duties and the laws or regulations in those foreign

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jurisdictions in which we operate. In the event that we experience any difficulties arising from our operations in foreign markets, our business, financial condition and results of operations may be materially adversely affected.

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

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

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

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

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

Our profitability may be materially adversely affected by inflation.

Many of our facility management contracts provide for fixed management fees or fees that increase by only small amounts during their terms. While a substantial portion of our cost structure is generally fixed, if, due to inflation or other causes, our operating expenses, such as costs relating to personnel, utilities, insurance, medical and food, increase at rates faster than increases, if any, in our facility management fees, then our profitability could be materially adversely affected.

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.

Our ownership of correctional and detention facilities subjects us to risks typically associated with investments in real estate. Investments in real estate, and in particular, correctional and detention facilities, are relatively illiquid and, therefore, our ability to divest ourselves of one or more of our facilities promptly in response to changed conditions is limited. Investments in correctional and detention facilities, in particular, subject us to risks involving potential exposure to environmental liability and uninsured loss. Our operating costs may be affected by the obligation to pay for the cost of complying with existing environmental laws, ordinances and regulations, as well as the cost of complying with future legislation. In addition, although we maintain insurance for many types of losses, there are certain types of losses, such as losses from earthquakes, riots and acts of terrorism, which may be either uninsurable or for which it may not be

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economically feasible to obtain insurance coverage, in light of the substantial costs associated with such insurance. As a result, we could lose both our capital invested in, and anticipated profits from, one or more of the facilities we own. Further, even if we have insurance for a particular loss, we may experience losses that may exceed the limits of our coverage.

Risks related to facility construction and development activities may increase our costs related to such activities.

When we are engaged to perform construction and design services for a facility, we typically act as the primary contractor and subcontract with other companies who act as the general contractors. As primary contractor, we are subject to the various risks associated with construction (including, without limitation, shortages of labor and materials, work stoppages, labor disputes and weather interference) which could cause construction delays. In addition, we are subject to the risk that the general contractor will be unable to complete construction at the budgeted costs or be unable to fund any excess construction costs, even though we typically require general contractors to post construction bonds and insurance. Under such contracts, we are ultimately liable for all late delivery penalties and cost overruns.

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

We are often required to post performance bonds issued by a surety company as a condition to bidding on or being awarded a facility development contract. Availability and pricing of these surety commitments is subject to general market and industry conditions, among other factors. Recent events in the economy have caused the surety market to become unsettled, causing many reinsurers and sureties to reevaluate their commitment levels and required returns. As a result, surety bond premiums generally are increasing. If we are unable to effectively pass along the higher surety costs to our customers, any increase in surety costs could adversely affect our operating results. In addition, we may not continue to have access to surety credit or be able to secure bonds economically, without additional collateral, or at the levels required for any potential facility development or contract bids. If we are unable to obtain adequate levels of surety credit on favorable terms, we would have to rely upon letters of credit under our Senior Credit Facility, which would entail higher costs even if such borrowing capacity was available when desired, and our ability to bid for or obtain new contracts could be impaired.

We may not be able to successfully identify, consummate or integrate acquisitions.

We have an active acquisition program, the objective of which is to identify suitable acquisition targets that will enhance our growth. The pursuit of acquisitions may pose certain risks to us. We may not be able to identify acquisition candidates that fit our criteria for growth and profitability. Even if we are able to identify such candidates, we may not be able to acquire them on terms satisfactory to us. We will incur expenses and dedicate attention and resources associated with the review of acquisition opportunities, whether or not we consummate such acquisitions. Additionally, even if we are able to acquire suitable targets on agreeable terms, we may not be able to successfully integrate their operations with ours. We may also assume liabilities in connection with acquisitions that we would otherwise not be exposed to.

Risks Related to Our High Level of Indebtedness

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

We have a significant amount of indebtedness. Assuming the repayment of $74.6 million of existing indebtedness outstanding under the term loan portion of our Senior Credit Facility with the proceeds from this offering, our total consolidated long-term indebtedness immediately following this offering will be $144.4 million, excluding non recourse debt of $136.9 million. In addition, as of April 2, 2006, we had $46.5 million outstanding in letters of credit under the revolving loan portion of our Senior Credit Facility. As a result, as of that date, we would have had the ability to borrow an additional approximately

$53.5 million under the revolving loan portion of our Senior Credit Facility, subject to our satisfying the relevant borrowing conditions under the Senior Credit Facility with respect to the incurrence of additional indebtedness.

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

- require us to dedicate a substantial portion of our cash flow from operations to payments on our indebtedness, thereby reducing the availability of our cash flow to fund working capital, capital expenditures, and other general corporate purposes;

- limit our flexibility in planning for, or reacting to, changes in our business and the industry in which we operate;

- increase our vulnerability to adverse economic and industry conditions;

- place us at a competitive disadvantage compared to competitors that may be less leveraged; and

- limit our ability to borrow additional funds or refinance existing indebtedness on favorable terms.

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

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

The terms of the indenture governing the Notes and our Senior Credit Facility restrict our ability to incur but do not prohibit us from incurring significant additional indebtedness in the future. In addition, we may refinance all or a portion of our indebtedness, including borrowings under our Senior Credit Facility, and incur more indebtedness as a result. If new indebtedness is added to our and our subsidiaries current debt levels, the related risks that we and they now face could intensify. As of April 2, 2006, we had the ability to borrow an additional $53.5 million under the revolving loan portion of our Senior Credit Facility. Additionally, on January 28, 2004, our universal shelf registration statement on Form S-3 was declared effective by the SEC. The universal shelf registration statement provides for the offer and sale by us, from time to time, on a delayed basis of up to $200.0 million aggregate amount of certain of our securities. We are conducting this offering pursuant to our universal shelf registration statement. As a result, assuming gross proceeds from this offering of approximately $117 million, based on an assumed public offering price of $39.11 per share (which was the last reported sale price of our common stock on the New York Stock Exchange on May 24, 2006), we will have the ability to issue up to approximately $83 million in additional securities under the shelf registration statement, including debt securities. Any debt securities issued pursuant to the universal shelf registration statement may have characteristics that provide them with rights that are superior to those of other series of our debt securities that have already been created or that will be created in the future.

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

The indenture governing the Notes and our Senior Credit Facility impose significant operating and financial restrictions on us and certain of our subsidiaries, which we refer to as restricted subsidiaries. These restrictions limit our ability to, among other things, incur additional indebtedness, pay dividends and or distributions on our capital stock, repurchase, redeem or retire our capital stock, prepay subordinated indebtedness, make investments, issue preferred stock of subsidiaries, make certain types of investments, guarantee other indebtedness, create liens on our assets, transfer and sell assets, create or permit restrictions on the ability of our restricted subsidiaries to make dividends or make other distributions to us, enter into sale/leaseback transactions, enter into transactions with affiliates, and merge or consolidate with another company or sell all or substantially all of our assets. These restrictions could limit our ability to finance our future operations or capital needs, make acquisitions or pursue available business opportunities.

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

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

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

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

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

Our Senior Credit Facility bears interest at a variable rate. To the extent our exposure to increases in interest rates is not eliminated through interest rate protection agreements, such increases will adversely affect our cash flows. We do not currently have any interest rate protection agreements in place to protect against interest rate fluctuations related to the Senior Credit Facility. Assuming the repayment of $74.6 million of existing indebtedness outstanding under the term loan portion of our Senior Credit Facility with the proceeds from this offering, our estimated total annual interest expense based on borrowings outstanding immediately following this offering will be approximately $23.7 million.

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

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

We generate a substantial portion of our revenues from distributions on the equity interests we hold in our subsidiaries. Therefore, our ability to meet our payment obligations on our indebtedness is substantially dependent on the earnings of our subsidiaries and the payment of funds to us by our subsidiaries as

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dividends, loans, advances or other payments. Our subsidiaries are separate and distinct legal entities and are not obligated to make funds available for payment of our other indebtedness in the form of loans, distributions or otherwise. Our subsidiaries ability to make any such loans, distributions or other payments to us will depend on their earnings, business results, the terms of their existing and any future indebtedness, tax considerations and legal or contractual restrictions to which they may be subject. If our subsidiaries do not make such payments to us, our ability to repay our indebtedness will be materially adversely affected. For the fiscal year ended January 1, 2006 and the quarter ended April 2, 2006, our subsidiaries accounted for 24.4% and 35.4%, respectively, of our consolidated revenues, and, as of January 1, 2006 and the quarter ended April 2, 2006, our subsidiaries accounted for 56.4% and 55.5%, respectively, of our consolidated total assets.

Risks Related to our Common Stock

Fluctuations in the stock market as well as general economic, market and industry conditions may harm the market price of our common stock.

The market price of our common stock has been subject to significant fluctuation. The market price of our common stock may continue to be subject to significant fluctuations in response to operating results and other factors, including:

- actual or anticipated quarterly fluctuations in our financial results, particularly if they differ from investors expectations;
- changes in financial estimates and recommendations by securities analysts;
- general economic, market and political conditions, including war or acts of terrorism, not related to our business;
- actions of our competitors and changes in the market valuations, strategy and capability of our competitors;
- our ability to successfully integrate acquisitions and consolidations; and
- changes in the prospects of the privatized corrections and detention industry.

In addition, the stock market in recent years has experienced price and volume fluctuations that often have been unrelated or disproportionate to the operating performance of companies. These fluctuations, may harm the market price of our common stock, regardless of our operating results.

Future sales of our common stock in the public market could adversely affect the trading price of our common stock that we may issue and our ability to raise funds in new securities offerings.

Future sales of substantial amounts of our common stock in the public market, or the perception that such sales could occur, could adversely affect prevailing trading prices of our common stock and could impair our ability to raise capital through future offerings of equity or equity-related securities. As of May 22, 2006, we had:

- 9,814,853 shares of common stock outstanding;
- 1,265,947 shares of common stock reserved and available for issuance pursuant to stock options outstanding under our stock plans as of May 22, 2006 at a weighted average exercise price of $15.02 per share;
- 150,000 shares of common stock issued under restricted stock awards granted pursuant to our stock plans on May 4, 2006, which are scheduled to vest in equal annual increments over the four-year period following the date of grant; and
- 150,000 additional shares of common stock reserved and available for issuance as of May 22, 2006, under our stock plans.

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Assuming the issuance of 3,000,000 shares in this offering, we will have 12,814,853 shares of common stock outstanding. All shares sold in this offering will be freely tradable without restrictions or further registration under the Securities Act of 1933, as amended. In addition, in connection with our acquisition strategy, we may issue shares of our common stock as consideration in other acquisition transactions. We cannot predict the effect, if any, that future sales of shares of common stock or the availability of shares of common stock for future sale will have on the trading price of our common stock.

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

We are a Florida corporation and the anti-takeover provisions of Florida law impose various impediments to the ability of a third party to acquire control of our company, even if a change of control would be beneficial to our shareholders. In addition, provisions of our articles of incorporation may make an acquisition of us more difficult. Our articles of incorporation authorize the issuance by our board of directors of blank check preferred stock without shareholder approval. Such shares of preferred stock could be given voting rights, dividend rights, liquidation rights or other similar rights superior to those of our common stock, making a takeover of us more difficult and expensive. We also have adopted a shareholder rights plan, commonly known as a poison pill, which could result in the significant dilution of the proportionate ownership of any person that engages in an unsolicited attempt to take over our company and, accordingly, could discourage potential acquirors. In addition to discouraging takeovers, the anti-takeover provisions of Florida law and our articles of incorporation, as well as our shareholder rights plan, may have the impact of reducing 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.

If we fail to maintain the adequacy of our internal controls, in accordance with the requirements of Section 404 of the Sarbanes-Oxley Act of 2002 and as such standards are modified, supplemented or amended from time to time, we may not be able to ensure that we can conclude on an ongoing basis that we have effective internal control over financial reporting in accordance with Section 404 of the Sarbanes-Oxley Act of 2002. Failure to achieve and maintain effective internal controls could have an adverse effect on the price of our common stock.

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

In the future, we may issue additional debt securities which may be governed by an indenture or other instrument containing covenants that could place restrictions on the operation of our business and the execution of our business strategy in addition to the restrictions on our business already contained in the agreements governing our existing debt. In addition, we may choose to issue debt that is convertible or exchangeable for other securities, including our common stock, or that has rights, preferences and privileges senior to our common stock. Because any decision to issue debt securities will depend on market conditions and other factors beyond our control, we cannot predict or estimate the amount, timing or nature of any future debt financings and we may be required to accept unfavorable terms for any such financings. Accordingly, any future issuance of debt could dilute the interest of holders of our common stock and reduce the value of our common stock.

Management will have broad discretion as to the use of the proceeds from this offering.

Our management will have broad discretion as to the application of the net proceeds and could use them for purposes other than those contemplated at the time of this offering. Currently, we intend to use the net proceeds from this offering to repay existing indebtedness outstanding under our Senior Credit Facility and for general corporate purposes. However, our management will have the ability to change the application of the proceeds of this offering at any time without shareholder approval. Our shareholders may not agree with the manner in which our management chooses to allocate and spend the net proceeds. Moreover, our

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management may use the net proceeds for corporate purposes that may not increase our profitability or market value.

Because we do not intend to pay dividends, shareholders will benefit from an investment in our common stock only if it appreciates in value.

We currently intend to retain our future earnings, if any, to finance the further expansion and continued growth of our business and do not expect to pay any cash dividends in the foreseeable future. As a result, the success of an investment in our common stock will depend upon any future appreciation in its value. There is no guarantee that our common stock will appreciate in value or even maintain the price at which shareholders have purchased their shares.

New investors in our common stock will experience immediate and substantial dilution.

The offering price to the public is substantially higher than the net tangible book value per share of our common stock. Investors purchasing common stock in this offering will, therefore, incur immediate dilution of $26.47 in net tangible book value per share of common stock, at a public offering price of $39.11 per share.

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USE OF PROCEEDS

We estimate that we will receive net proceeds from this offering of approximately $110 million, or approximately $126 million if the underwriters exercise their option to purchase additional shares in full, in each case assuming a public offering price of $39.11 per share (the last reported sale price of our common stock on the New York Stock Exchange on May 24, 2006) and after deducting underwriting discounts and commissions and estimated offering expenses payable by us. For each $0.05 change in the price at which our shares are actually purchased by the underwriters, the net proceeds to us will increase (or decrease) by $150,000. We will retain broad discretion over the use of the net proceeds from this offering. We intend to use the net proceeds from this offering to repay $74.6 million of existing indebtedness outstanding under the term loan portion of our Senior Credit Facility and the balance for general corporate purposes.

General corporate purposes may include working capital and capital expenditures, as well as acquisitions of companies or businesses in the government-outsourced services sector that meet our criteria for growth and profitability. We may also use proceeds from this offering to invest in proprietary assets relating to our business, including the development of new facilities, the expansion of current facilities and/or the acquisition of facilities or facility management contracts. In addition, we may use up to $5.0 million of the proceeds from this offering to purchase from certain of our executive officers and employees stock options that are currently outstanding and exercisable. Such purchases would be made at prices not exceeding the in-the-money value of the options, which is equal to the amount by which the market price per share of our common stock at the time of the purchases exceeds the exercise price per share of the options, multiplied by the number of options being purchased. Pending application of the net proceeds for these purposes, we intend to invest the net proceeds in interest-bearing short-term investment grade securities.

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CAPITALIZATION

The following table sets forth our capitalization as of April 2, 2006:

on an actual basis, and

on a pro forma basis to give effect to (i) the sale of 3,000,000 shares of our common stock in this offering and our receipt of approximately $110 million of net proceeds, based on an assumed public offering price of $39.11 per share (which was the last reported sale price of our common stock on the New York Stock Exchange on May 24, 2006) and after deducting underwriting discounts and commissions and estimated expenses of this offering payable by us (ii) the assumed application of $74.6 million of the proceeds of this offering to repay $74.6 million of existing indebtedness outstanding under the term loan portion of our Senior Credit Facility, and (iii) the use of $5.0 million of the proceeds from this offering to purchase from certain of our executive officers and employees stock options that are currently outstanding and exercisable.

	April 2, 2006(1)	
	Actual	**As adjusted for this offering**
	(unaudited)	**(unaudited)**
	(in thousands, except per share data)	
Cash and cash equivalents	$ 56,169	$ 86,214
Long-term debt		
Senior Term Loan(2)	74,625	
Senior Unsecured 8 1/4 % Notes	150,000	150,000
Discount on Senior Unsecured 8 1/4 % Notes	(3,649)	(3,649)
Interest Rate Swap on Senior Unsecured 8 1/4 % Notes	(2,234)	(2,234)
Other	301	301
	219,043	144,418
Capital Lease Obligations	17,951	17,951
Non Recourse Debt	136,904	136,904
Total Long-term obligations	$ 373,898	$ 299,273
Stockholders equity:		
Preferred stock, $0.01 par value, 10,000,000 shares authorized, none issued or outstanding		
Common stock, $0.01 par value, 30,000,000 shares authorized, 21,723,653 shares issued and 9,723,653 outstanding, and 21,723,653 shares issued and 12,723,653 outstanding as adjusted	97	127
Additional paid-in capital	71,635	143,305
Retained earnings	176,221	176,221
Accumulated other comprehensive loss	(624)	(624)
Treasury stock, 12,000,000 shares and 9,000,000 shares(3)	(131,880)	(98,910)
Total stockholders equity	115,449	220,119

Total capitalization	$	489,347	$	519,392

(1) You should read this table in conjunction with the financial statements incorporated by reference in this prospectus supplement and the related notes thereto, the pro forma financial data included in this prospectus supplement and the related notes thereto and the section of this prospectus supplement entitled Use of Proceeds.

(2) We plan to write-off approximately $1.3 million in deferred financing fees associated with the origination of the term loan in connection with the repayment of indebtedness under the Senior Credit Facility.

(3) We intend to issue the shares in this offering from treasury stock.

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COMMON STOCK PRICE RANGE AND DIVIDEND POLICY

Our common stock is quoted on the New York Stock Exchange under the ticker symbol GGI. The following table sets forth, for the periods indicated, the high and low closing sale prices per share of our common stock as reported on the New York Stock Exchange.

	High	Low
2006		
First Quarter ended April 2, 2006	$ 33.34	$ 22.11
2005		
First Quarter	32.20	25.60
Second Quarter	28.73	23.03
Third Quarter	28.95	25.15
Fourth Quarter	25.60	20.72
2004		
First Quarter	24.23	19.80
Second Quarter	24.62	18.70
Third Quarter	21.00	17.33
Fourth Quarter	26.58	19.56

On May 24, 2006, the last sale price of our common stock as reported on the New York Stock Exchange was $39.11 per share.

We currently intend to retain all available cash to finance our operations and do not intend to declare or pay cash dividends on our shares of common stock in the foreseeable future. Any future determination to pay cash dividends will be at the discretion of our board of directors and will depend upon our results of operations, financial condition, current and anticipated cash needs, contractual restrictions, restrictions imposed by applicable law and other factors that our board of directors deems relevant. In addition, the indenture governing our Notes and our Senior Credit Facility also place material restrictions on our ability to pay dividends. See Management s Discussion and Analysis of Financial Condition and Results of Operations Cash Flow for further description of these restrictions.

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MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Introduction

The following discussion and analysis provides information which management believes is relevant to an assessment and understanding of our consolidated results of operations and financial condition. This discussion contains forward-looking statements that involve risks and uncertainties. Our actual results may differ materially from those anticipated in these forward-looking statements as a result of numerous factors including, but not limited to, those described in Risk Factors, and Special Note Regarding Forward-Looking Statements and Market and Statistical Data. The discussion should be read in conjunction with the consolidated financial statements and notes thereto.

CSC Acquisition

On November 4, 2005, we completed the acquisition of Correctional Services Corporation, or CSC, a Florida-based provider of privatized jail, community corrections and alternative sentencing services. The acquisition was completed through the merger of CSC into GEO Acquisition, Inc., a wholly owned subsidiary of GEO, referred to as the Merger. Under the terms of the Merger, we acquired 100% of the 10.2 million outstanding shares of CSC common stock for $6.00 per share, or approximately $62.1 million in cash. As a result of the Merger, we became responsible for supervising the operation of the 16 adult correctional and detention facilities, totaling 8,037 beds, formerly run by CSC. Immediately following the purchase of CSC, we sold Youth Services International, Inc., the former juvenile services division of CSC, for $3.75 million, $1.75 million of which was paid in cash and the remaining $2.0 million of which will be paid in the form of a promissory note accruing interest at a rate of 6% per annum. The financial information included in the discussion below for fiscal year 2005 reflects the operations of CSC from November 4, 2005 through January 1, 2006.

Discontinued Operations

Through our Australian subsidiary, we previously had a contract with the Department of Immigration, Multicultural and Indigenous Affairs, or DIMIA, for the management and operation of Australia s immigration centers. In 2003, the contract was not renewed, and effective February 29, 2004, we completed the transition of the contract and exited the management and operation of the DIMIA centers. The accompanying consolidated financial statements and notes reflect the operations of DIMIA as a discontinued operation in all periods presented.

In early 2005, the New Zealand Parliament repealed the law that permitted private prison operation resulting in the termination of our contract for the management and operation of the Auckland Central Remand Prison or Auckland. We have operated this facility since July 2000. We ceased operating the facility upon the expiration of the contract on July 13, 2005. The accompanying consolidated financial statements and notes reflect the operations of Auckland as a discontinued operation.

On January 1, 2006, the last day of our 2005 fiscal year, we completed the sale of a 72-bed private mental health hospital which we owned and operated since 1997 for approximately $11.5 million. We recognized a gain on the sale of this transaction of approximately $1.6 million. The accompanying consolidated financial statements and notes reflect the operations of the hospital and the related sale as a discontinued operation.

Share Purchase

On July 9, 2003 we purchased all 12 million shares of our common stock beneficially owned by Group 4 Falck, our former 57% majority shareholder, for $132.0 million in cash pursuant to the terms of a share purchase agreement, dated April 30, 2003, by and among us, Group 4 Falck, our former parent company, The Wackenhut Corporation, or TWC, and Tuhnekcaw, Inc., an indirect wholly-owned subsidiary of Group 4

Falck. In connection with the share purchase, we internalized several functions previously outsourced to TWC, including payroll processing, human resources management, tax and information systems.

Sale of Our Joint Venture Interest in Premier Custodial Group Limited

On July 2, 2003, we sold our one-half interest in Premier Custodial Group Limited, our former United Kingdom joint venture which we refer to as PCG, to Serco for approximately $80.7 million, on a pretax basis.

Variable Interest Entities

In January 2003, the FASB issued FIN No. 46, Consolidation of Variable Interest Entities, which addressed consolidation by a business of variable interest entities in which it is the primary beneficiary. In December 2003, the FASB issued FIN No. 46R which replaced FIN No. 46. Our 50% owned South African joint venture in South African Custodial Services Pty. Limited, which we refer to as SACS, is a variable interest entity. We determined that we are not the primary beneficiary of SACS and as a result are not required to consolidate SACS under FIN 46R. We account for SACS as an equity affiliate. SACS was established in 2001, to design, finance and build the Kutama Sinthumule Correctional Center. Subsequently, SACS was awarded a 25 year contract to design, construct, manage and finance a facility in Louis Trichardt, South Africa. SACS, based on the terms of the contract with government, was able to obtain long term financing to build the prison. The financing is fully guaranteed by the government, except in the event of default, for which it provides an 80% guarantee. Separately, SACS entered into a long term operating contract with South African Custodial Management (Pty) Limited, which we refer to as SACM, to provide security and other management services and with SACS s joint venture partner to provide purchasing, programs and maintenance services upon completion of the construction phase, which concluded in February 2002. Our maximum exposure for loss under this contract is $24.1 million, which represents our initial investment and the guarantees discussed in this Management s Discussion and Analysis of Financial Condition and Results of Operations .

In February 2004, CSC was awarded a contract by the Department of Homeland Security, Immigration and Customs Enforcement, or ICE, to develop and operate a 1,020-bed detention complex in Frio County, Texas. South Texas Local Development Corporation, referred to as STLDC, a non profit corporation, was created and issued $49.5 million in taxable revenue bonds to finance the construction of the detention complex. Additionally, CSC provided a $5 million subordinated note to STLDC for initial development costs. We determined that we are the primary beneficiary of STLDC and consolidate the entity as a result. STLDC is the owner of the complex and entered into a development agreement with CSC to oversee the development of the complex. In addition, STLDC entered into an operating agreement providing CSC the sole and exclusive right to operate and manage the complex. The operating agreement and bond indenture require that the revenue from CSC s contract with ICE be used to fund the periodic debt service requirements as they become due. The net revenues, if any, after various expenses such as trustee fees, property taxes and insurance premiums, are distributed to CSC to cover CSC s operating expenses and management fee. CSC is responsible for the entire operations of the facility including all operating expenses and is required to pay all operating expenses whether or not there are sufficient revenues. STLDC has no liabilities resulting from its ownership. The bonds have a ten year term and are non-recourse to CSC and STLDC. The bonds are fully insured and the sole source of payment for the bonds is the operating revenues of the center.

Shelf Registration Statement

On January 28, 2004, our universal shelf registration statement on Form S-3 was declared effective by the Securities and Exchange Commission, which we refer to as the SEC. The universal shelf registration statement provides for the offer and sale by us, from time to time, on a delayed basis, of up to $200.0 million aggregate amount of our common stock, preferred stock, debt securities, warrants, and/or depositary shares. Assuming gross proceeds from this offering of approximately $117 million (based on an assumed public offering price of $39.11 per share (which was the last reported sale price of our common stock on the New York Stock Exchange on May 24, 2006), we will have the ability to issue up to approximately $83 million in additional securities under the shelf registration statement. These securities, which may be offered in one or more offerings and in any combination, will in each case be offered pursuant to a separate prospectus supplement issued at the time of the particular offering that will describe the specific types, amounts, prices and terms of the offered securities. Unless otherwise described in the applicable prospectus supplement relating to the offered securities, we anticipate using the net proceeds of each offering for general corporate purposes, including debt repayment, capital expenditures, acquisitions, business expansion, investments in subsidiaries or affiliates, and/or working capital.

Rights Agreement

On October 9, 2003, we entered into a rights agreement with EquiServe Trust Company, N.A., as rights agent. Under the terms of the rights agreement, each share of our common stock carries with it one preferred share purchase right. If the rights become exercisable pursuant to the rights agreement, each right entitles the registered holder to purchase from us one one-thousandth of a share of Series A Junior Participating Preferred Stock at a fixed price, subject to adjustment. Until a right is exercised, the holder of the right has no right to vote or receive dividends or any other rights as a shareholder as a result of holding the right. The rights trade automatically with shares of our common stock, and may only be exercised in connection with certain attempts to acquire our company. The rights are designed to protect the interests of our company and our shareholders against coercive acquisition tactics and encourage potential acquirers to negotiate with our board of directors before attempting an acquisition. The rights may, but are not intended to, deter acquisition proposals that may be in the interests of our shareholders.

Critical Accounting Policies

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

Our consolidated financial statements are prepared in conformity with accounting principles generally accepted in the United States. As such, we are required to make certain estimates, judgments and assumptions that we believe are reasonable based upon the information available. These estimates and assumptions affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. We routinely evaluate our estimates based on historical experience and on various other assumptions that our management believes are reasonable under the circumstances. Actual results may differ from these estimates under different assumptions or conditions. If actual results significantly differ from our estimates, our financial condition and results of operations could be materially impacted.

Other significant accounting policies, primarily those with lower levels of uncertainty than those discussed below, are also critical to understanding our consolidated financial statements. The notes to our consolidated financial statements contain additional information related to our accounting policies and should be read in conjunction with this discussion.

Revenue Recognition

We recognize revenue in accordance with Staff Accounting Bulletin, or SAB, No. 101, Revenue Recognition in Financial Statements , as amended by SAB No. 104, Revenue Recognition , and related interpretations. Facility management revenues are recognized as services are provided under facility management contracts with approved government appropriations based on a net rate per day per inmate or on a fixed monthly rate.

Project development and design revenues are recognized as earned on a percentage of completion basis measured by the percentage of costs incurred to date as compared to estimated total cost for each contract.

This method is used because we consider costs incurred to date to be the best available measure of progress on these contracts. Provisions for estimated losses on uncompleted contracts and changes to cost estimates are made in the period in which we determine that such losses and changes are probable. Typically, we enter into fixed price contracts and do not perform additional work unless approved change orders are in place. Costs attributable to unapproved change orders are expensed in the period in which the costs are incurred if we believe that it is not probable that the costs will be recovered through a change in the contract price. If we believe that it is probable that the costs will be recovered through a change in the contract price, costs related to unapproved change orders are expensed in the period in which they are incurred, and contract revenue is recognized to the extent of the cost incurred. Revenue in excess of the costs attributable to unapproved change orders is not recognized until the change order is approved. Contract costs include all direct material and labor costs and those indirect costs related to contract performance. Changes in job performance, job conditions, and estimated profitability, including those arising from contract penalty provisions, and final contract settlements, may result in revisions to estimated costs and income, and are recognized in the period in which the revisions are determined.

We extend credit to the governmental agencies we contract with and other parties in the normal course of business as a result of billing and receiving payment for services thirty to sixty days in arrears. Further, we regularly review outstanding receivables, and provide estimated losses through an allowance for doubtful accounts. In evaluating the level of established loss reserves, we make judgments regarding our customers ability to make required payments, economic events and other factors. As the financial condition of these parties change, circumstances develop or additional information becomes available, adjustments to the allowance for doubtful accounts may be required. We also perform ongoing credit evaluations of our customers financial condition and generally do not require collateral. We maintain reserves for potential credit losses, and such losses traditionally have been within our expectations.

Reserves for Insurance Losses

Claims for which we are insured arising from our U.S. operations that have an occurrence date of October 1, 2002 or earlier are handled by TWC and are fully insured up to an aggregate limit of between $25.0 million and $50.0 million, depending on the nature of the claim. With respect to claims for which we are insured arising after October 1, 2002, we maintain a general liability policy for all U.S. operations with $52.0 million per occurrence and in the aggregate. On October 1, 2004, we increased our deductible on this general liability policy from $1.0 million to $3.0 million for each claim which occurs after October 1, 2004. We also maintain insurance to cover property and casualty risks, workers compensation, medical malpractice and automobile liability. Our Australian subsidiary is required to carry tail insurance through 2011 related to a discontinued contract. We also carry various types of insurance with respect to our operations in South Africa and Australia. There can be no assurance that our insurance coverage will be adequate to cover claims to which we may be exposed.

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

Income Taxes

We account for income taxes in accordance with Financial Accounting Standards, or FAS, No. 109, Accounting for Income Taxes. Under this method, deferred income taxes are determined based on the estimated future tax effects of differences between the financial statement and tax bases of assets and liabilities given the provisions of enacted tax laws. Deferred income tax provisions and benefits are based on changes to the assets or liabilities from year to year. Valuation allowances are recorded related to deferred tax assets based on the more likely than not criteria of FAS No. 109.

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In providing for deferred taxes, we consider tax regulations of the jurisdictions in which we operate, and estimates of future taxable income and available tax planning strategies. If tax regulations, operating results or the ability to implement tax-planning strategies vary, adjustments to the carrying value of deferred tax assets and liabilities may be required.

The provision for income taxes for the fiscal year 2005 reflects a benefit of $1.7 million in the second quarter of 2005 related to the American Jobs Creation Act of 2004, or the AJCA. A key provision of the AJCA creates a temporary incentive for U.S. corporations to repatriate undistributed income earned abroad by providing an 85 percent dividends received deduction for certain dividends from controlled foreign corporations. Additionally, 2005 reflects a benefit of $6.5 million in the fourth quarter related to a step up in basis for an asset in Australia.

Property and Equipment

As of April 2, 2006, we had approximately $287.1 million in long-lived property and equipment. Property and equipment are stated at cost, less accumulated depreciation. Depreciation is computed using the straight-line method over the estimated useful lives of the related assets. Buildings and improvements are depreciated over 2 to 40 years. Equipment and furniture and fixtures are depreciated over 3 to 7 years. Accelerated methods of depreciation are generally used for income tax purposes. Leasehold improvements are amortized on a straight-line basis over the shorter of the useful life of the improvement or the term of the lease. We perform ongoing evaluations of the estimated useful lives of our property and equipment for depreciation purposes. The estimated useful lives are determined and continually evaluated based on the period over which services are expected to be rendered by the asset. Maintenance and repairs are expensed as incurred.

We review long-lived assets to be held and used for impairment whenever events or changes in circumstances indicate that the carrying amount of such assets may not be fully recoverable in accordance with FAS No. 144 Accounting for the Impairment of Disposal of Long-Lived Assets . Determination of recoverability is based on an estimate of undiscounted future cash flows resulting from the use of the asset and its eventual disposition. Measurement of an impairment loss for long-lived assets that management expects to hold and use is based on the fair value of the asset. Long-lived assets to be disposed of are reported at the lower of carrying amount or fair value less costs to sell. Management has reviewed our long-lived assets and determined that there are no events requiring impairment loss recognition for the period ended April 2, 2006, other than the Michigan Facility charge. See this Management s Discussion and Analysis of Financial Condition and Results of Operations Commitments and Contingencies. Events that would trigger an impairment assessment include deterioration of profits for a business segment that has long-lived assets, or when other changes occur which might impair recovery of long-lived assets.

Idle Leased Facilities

We have entered into ten year non cancelable operating leases with CentraCore Properties Trust, or CPV, for eleven facilities with initial terms that expire at various times beginning in April 2008 and extending through 2016. In the event that our facility management contract for any of these leased facilities is terminated, we would remain responsible for payments to CPV on the underlying lease. We will account for idle periods under any such lease in accordance with FAS No. 146 Accounting for Costs Associated with Exit or Disposal Activities. Specifically, we will review our estimate for sublease income and record a charge for the difference between the net present value of the sublease income and the lease expense over the remaining term of the lease.

Results of Operations

Comparison of Thirteen Weeks Ended April 2, 2006 and Thirteen Weeks Ended April 3, 2005

The following discussion and analysis should be read in conjunction with our unaudited consolidated financial statements and the notes to our unaudited consolidated financial statements included in this prospectus supplement.

As further discussed above, the discussion of our results of operations below excludes the results of our discontinued operations resulting from the termination of our management contract with DIMIA, Auckland, and Atlantic Shores Hospital for all periods presented.

	2006	% of Revenue	2005	% of Revenue	$ Change	% Change
			(Dollars in thousands)			
Revenue						
Correctional and Detention Facilities	$ 169,876	91.4%	$ 136,339	92.0%	$ 33,537	24.6%
Other	16,005	8.6%	11,916	8.0%	4,089	34.3%
Total	$ 185,881	100.0%	$ 148,255	100.0%	$ 37,626	25.4%

The increase in revenues in the thirteen weeks ended April 2, 2006 (First Quarter 2006) compared to the thirteen weeks ended April 3, 2005 (First Quarter 2005) is primarily attributable to four items: (i) the acquisition in November 2005 of Correctional Services Corporation, referred to as CSC, increased revenues by $27.7 million; (ii) revenues increased approximately $2.7 million in First Quarter 2006 as a result of the New Castle Correctional Facility in New Castle, Indiana, which we began managing in January 2006; (iii) Australian and South African revenues decreased approximately $0.2 million each. The weakening of the Australian dollar and South African Rand resulted in a decrease of $1.1 million, while higher occupancy rates and contractual adjustments for inflation accounted for an increase of $0.7 million; and (iv) domestic revenues also increased due to contractual adjustments for inflation, and improved terms negotiated into a number of contracts.

The number of compensated resident days in domestic facilities increased to 3.3 million in First Quarter 2006 from 2.6 million in First Quarter 2005. Compensated resident days in Australian and South African facilities during First Quarter 2006 remained consistent at 0.5 million for the comparable periods. We look at the average occupancy in our facilities to determine how we are managing our available beds. The average occupancy is calculated by taking compensated mandays as a percentage of capacity. The average occupancy in our domestic, Australian and South African facilities combined was 97.0% of capacity in First Quarter 2006 compared to 99.0% in First Quarter 2005, excluding our vacant Michigan and Jena facilities.

	2006	% of Revenue	2005	% of Revenue	$ Change	% Change
			(Dollars in thousands)			
Operating Expenses						
Correctional and Detention Facilities	$ 138,925	74.7%	$ 114,062	76.9%	$ 24,863	21.8%
Other	14,821	8.0%	11,751	7.9%	3,070	26.1%
Total	$ 153,746	82.7%	$ 125,813	84.9%	$ 27,933	22.2%

Operating expenses consist of those expenses incurred in the operation and management of our correctional, detention, mental health and residential treatment facilities. The increase in operating expenses primarily reflects the acquisition of CSC in November 2005. There was also an increase in utilities expense, which was offset by a decrease in health insurance. Operating expenses remained at a consistent percentage of revenues in First Quarter 2006 compared to First Quarter 2005.

Other

Other primarily consists of revenues and related operating expenses associated with our mental health, residential treatment and construction businesses. There was an increase of $7.0 million related to revenue from two new mental health facilities, the South Florida Evaluation & Treatment Center in Miami, Florida and the Fort Bayard Medical Center in Fort Bayard, New Mexico. The increase in 2006 is offset by approximately $2.9 million less construction revenue as compared to 2005. The construction revenue is related to our expansion of the South Bay Facility and the South Florida Evaluation & Treatment Center, two facilities that we manage. The expansion of South Bay was completed at the end of the second quarter of 2005, while the South Florida Evaluation & Treatment Center began in the fourth quarter of 2005.

Other Unallocated Operating Expenses

General and Administrative Expenses

	2006	% of Revenue	2005	% of Revenue	$ Change	% Change
			(Dollars in thousands)			
General & Administrative Expenses	$ 14,009	7.5%	$ 11,401	7.7%	$ 2,608	22.9%

General and administrative expenses consist primarily of corporate management salaries and benefits, professional fees and other administrative expenses. General and administrative expenses remained at a consistent percentage of revenues in First Quarter 2006 compared to First Quarter 2005. The increase in general and administrative costs relates to increases in direct labor costs due to increased headcount, travel, an increase in the bonus accrual due to an increase in earnings and an increase in professional fees.

Non Operating Expenses

Interest Income and Interest Expense

	2006	% of Revenue	2005	% of Revenue	$ Change	% Change
			(Dollars in thousands)			
Interest Income	$ 2,216	1.2%	$ 2,330	1.6%	$ (114)	-5.0%
Interest Expense	$ 7,579	4.1%	$ 5,454	3.7%	$ 2,125	39.0%

The decrease in interest income is primarily due to lower average invested cash balances. Interest income for 2006 and 2005 reflects income from interest rate swap agreements entered into September 2003 for our domestic operations, which increased interest income. The interest rate swap agreements in the aggregate notional amounts of $50.0 million are hedges against the change in the fair value of a designated portion of our Notes, due to changes in the underlying interest rates. The interest rate swap agreements have payment and expiration dates and call provisions that coincide with the terms of the Notes.

The increase in interest expense is primarily attributable to the refinancing of the term loan portion of our senior credit facility, referred to as the Senior Credit Facility, in connection with the completion of the CSC acquisition.

Provision for Income Taxes

	2006	% of Revenue	2005	% of Revenue	$ Change	% Change
			(Dollars in thousands)			
Income Taxes	$ 2,693	1.4%	$ 1,723	1.2%	$ 970	56.3%

The effective tax rate for First Quarter 2006 was 38% comparable to 41% in First Quarter 2005.

Comparison of Fiscal Year Ended January 1, 2006 and Fiscal Year Ended January 2, 2005

The following discussion should be read in conjunction with our consolidated financial statements and the notes to the consolidated financial statements accompanying this report. This discussion contains forward-looking statements that involve risks and uncertainties. Our actual results may differ materially from those anticipated in these forward-looking statements as a result of certain factors, including, but not limited to, those described under Risk Factors and those included in other portions of this report.

As further discussed above, the discussion of our results of operations below excludes the results of our discontinued operations resulting from the termination of our management contract with DIMIA, Auckland, and Atlantic Shores Hospital for all periods presented.

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For the purposes of the discussion below, 2005 means the 52 week fiscal year ended January 1, 2006, 2004 means the 53 week fiscal year ended January 2, 2005, and 2003 means the 52 week fiscal year ended December 28, 2003.

Overview

GEO had diluted earnings per share of $0.70, $1.73 and $2.53 in 2005, 2004, and 2003 respectively. For fiscal year 2005, the $0.70 amount included ($1.54) per diluted share for certain items, as detailed below, compared to the fiscal year 2004 $1.73 amount, which included ($0.03) per diluted share for certain items detailed below. The fiscal year 2003 $2.53 amount included $1.58 per diluted share for certain items detailed below. Weighted average common shares outstanding for fiscal year 2004 reflects a full year of the effect of our purchase of 12 million shares of our common stock in the third quarter 2003.

The following table sets forth certain items before tax which we consider relevant to the discussion below of our operating results for 2005, 2004 and 2003:

	Fiscal Year		
	2005	**2004**	**2003**
	(Dollars in thousands, except per share data)		
Certain Items (before income taxes)			
Michigan correctional facility write-off	$ (20,859)	$	$
Insurance reduction	1,300	4,150	
Jena, Louisiana write-off	(4,255)	(3,000)	(5,000)
DIMIA insurance reserves			(3,600)
Write-off of acquisition costs		(1,306)	
Gain on sale of UK joint venture			56,094
Write-off of deferred financing fees	(1,360)	(317)	(1,989)
Certain Items	$ (25,174)	$ (473)	$ 45,505
Amounts per diluted common share after-tax	$ (1.54)	$ (0.03)	$ 1.58

The following table delineates where the total of certain items above are classified in our Consolidated Statements of Income.

	Fiscal Year		
	2005	**2004**	**2003**
	(Dollars in thousands)		
Certain Items represented in the various lines of the Consolidated Statements of Income			
Operating Expenses	$ (23,814		