

The GEO Group Inc. (NYSE/GEO)

January 2, 2010

Robert M. Wasserman

Director of Research

561-208-2905

rwasserman@dawsonjames.com

BUY Acquisition pace picking up?

GEO is a provider of correctional and mental health services

Investment Highlights

1) The GEO Group (“GEO”) has **passed the test of the down economy with flying colors**, growing revenues and earnings in 2009 and embarking on a record number of new capacity expansions and contract wins and extensions. What’s more, the stepped-up pace of new bed construction and expansion has coincided nicely with lower operating and financing costs, and should position the Company well in future years. Federal correction agencies experienced positive budgetary trends in 2009, and even several cash-strapped states found funding for new correctional or mental health facilities, such as Florida, and more may free-up funds in 2010 to handle long-delayed corrections problems.

2) GEO has stepped back into the **acquisition ring**, the first since 2005’s CSC deal, with the October purchase of \$40 million annual revenue Just Care, Inc., which operates a 354-bed mental health facility in Columbia, South Carolina under contract with two states and two federal agencies. Thanks to a recently re-tooled line of credit and new Senior note offering, GEO has plenty of financial resources to make more acquisitions, notably in the more disperse behavioral health or international markets. While it took a while to turn the major CSC acquisition accretive, smaller purchases such as Just Care, which can be expanded quickly and easily fit within the Company’s exiting infrastructure, could add to operating contributions much more rapidly, as appears to be already the case with Just Care.

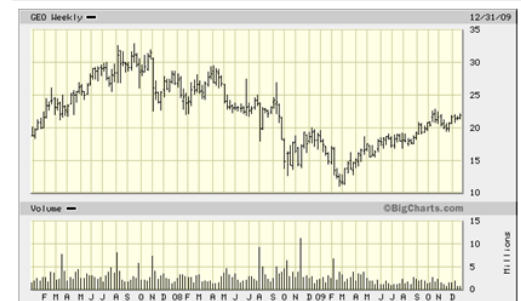
3) After several years of flat or declining revenues in its two smaller, non-US corrections divisions, **GEO is set up to see growth in both its GEO Care and International divisions**. In addition to the Just Care acquisition in October 2009, GEO Care took over the mental health services component of the Arcadia, Florida replacement facility in April. Overseas, GEO’s revitalized UK division was awarded the contract for an immigration facility in London for the UK border agency, and won a contract to take over an Australian corrections facility in New South Wales, and is in excellent shape to win one or more contracts for large prisons to be built in South Africa.

Current Price \$21.88

Price Target \$27.50

Estimates	F2007A	F2008A	F2009E
Sales(\$mil)	\$915.2	\$968.7	\$1,043.0
1Q	215.3	232.9	246.1 A
2Q	231.9	250.1	250.0 A
3Q	233.0	240.6	257.0 A
4Q	235.0	245.1	290.0 E
Prev. Rev. Estimate (\$ mil.)			
EPS	\$1.04	\$1.27	\$1.41
1Q	0.22	0.25	0.31 A
2Q	0.26	0.31	0.33 A
3Q	0.29	0.33	0.38 A
4Q	0.27	0.37	0.39 E
Previous EPS Estimate			
P/E (x)	21.1	17.3	15.5
EBITDA/Share	\$2.64	\$2.95	\$3.38
EV/EBITDA (x)	11.6	10.4	9.1

Stock Data	
52-Week Range	\$10.98-\$22.78
Shares Outstanding (mil.)	52.0
Market Capitalization (mil.)	\$1,136.7
Enterprise Value (mil.)	\$1,588.3
Debt to Capital (9/09)	44.3%
Book Value/Share (9/09)	\$12.75
Price/Book	1.7 x
Average Trading Volume (3-Month)	300,000
Insider Ownership	5.1%
Institutional Ownership	85.0%
Short interest (Million shares)	2.0
Dividend / Yield	\$0.00/0.0%



Price target and ratings changes over the past 3 yrs:
Initiated - January 2, 2010 - Buy - Price Target \$27.50

Conclusion

GEO shares have bounced back in the past year, along with the overall market and in accordance with improved earnings and revenue growth for the Company in 2009. Despite a strengthened balance sheet, accelerating revenue growth and earnings, a recent positive acquisition, improving margins, and a slew of new openings and potential contracts, GEO shares have underperformed those of its closest competitor in that time frame, perhaps reflecting investor hesitancy related to the restructuring of long-term debt last fall (now completed) or a greater exposure to foreign currency exposure (the flip side of which is greater diversification of revenues). However, we believe that GEO has an enviable position in a growing industry, and current discount valuation multiples warrant a Buy rating and a 12-18 month price target of \$27.50, just 18X estimated 2010 earnings of \$1.53 per share.

History/Capitalization

The GEO Group, Inc. ("GEO") was founded in 1984 as a division of Wackenhut under the name Wackenhut Corrections Corporation (WCC). WCC completed its Initial Public Offering on the Nasdaq stock exchange in 1994, later moving to the New York Stock Exchange in 1996. In 2002, Group 4 Falck, a Danish company, merged with Wackenhut, and as a result became the indirect owner of a majority position, 57%, of the shares of Wackenhut Corrections. In 2003, WCC repurchased Group 4 Falck's entire position, allowing WCC to become an independent company for the first time. Soon thereafter, the Company changed its name to The GEO Group. In November 2005, GEO completed the acquisition of Correctional Services Corporation for \$62 million in cash, adding approximately 8,000 in additional beds in capacity (about 20%). In June 2006, GEO completed a secondary equity offering, its first in over ten years. In January 2007, GEO completed the acquisition of CentraCore Properties Trust, and in March 2007 completed a secondary equity offering. GEO has funded its operations primarily through senior credit facilities, capital lease obligations, non-recourse debt (primarily taxable revenue bonds for specific facilities), senior unsecured notes, operating cash flow, and most recently equity offerings. The Company currently has operations in seventeen US states and four foreign countries, Australia, South Africa, the United Kingdom and Canada, with approximately 60 facilities in the US and 6 internationally for a total of 62,000 beds under management.

Primary Business/Competition

The GEO Group provides correctional and mental health services for state and federal governments. The Company's primary competition in the correctional market includes one larger provider - Correctional Corporation of America (36% of the Global market), several smaller US-based providers such as Cornell Companies (7%), MTC (7%) and CEC/Civigenics (6%), and several international firms, including Group 4 Securicor (3%) and Serco (3%). GEO has a 26% worldwide share. In the market for mental health services, GEO Care's primary competitors are smaller, local firms. Despite the growth of private correctional firms such as GEO (GEO is now the seventh largest operator of any kind in the US, behind the State of California, the Federal Government, Texas, CCA, Florida and New York), this market is still barely penetrated, with only 7% of the prison beds in the US under private management.

Management

Dr. George Zoley founded The GEO Group in 1984 as a subsidiary of Wackenhut and serves today as Chairman of the Board and CEO. **Wayne Calabrese** joined GEO in 1989 and currently is Vice Chairman and Chief Operating Officer, and a Director. **Brian R. Evans** was appointed Chief Financial Officer in 2009, upon the retirement of **John O'Rourke**, and joined the firm as Controller in 2000. Mr. Evans is a Certified Public Accountant who held positions with Arthur Andersen prior to joining the Company. **John J. Bulfin** is an attorney and has served as GEO's General Counsel and Secretary since 2000. **Jorge A. Dominicis** joined GEO in May 2004 as Senior Vice President and President of GEO Care, following positions with Florida Crystals Corporation and in public and government policy positions in the State of Florida. **John M. Hurley** joined the Company in 1998 and was appointed President of US Corrections in 2006, following 26 years with the US Federal Bureau of Prisons. **Thomas Weirdsma** joined GEO in January 2007 as Senior Vice President of Project Development after 25 years with Hensel Phelps Construction Company. In addition to inside directors George Zoley and Wayne Calabrese, members of the Board include **Norman Carlson**, formerly Director of the Federal Bureau of Prisons for 17 years, **Anne Foreman**, former Undersecretary of the US Air Force, **John Perzel**, a member of the Pennsylvania House of Representatives, **Richard Glanton**, Senior Vice President of the Exelon Corp., and **John Palms**, President Emeritus of the University of South Carolina. GEO's insiders hold approximately 2.6 million shares altogether, or 5.1% of total, and no significant holders (over 5%) are represented on the Board.

Recent Results

GEO reported financial results for Q3/2009 in early November, including revenues of \$257.0 million (after construction-related revenues of \$37.9 million), an increase of 6.8% year-over-year, and pro-forma earnings per share from continuing operations of \$0.38, up from \$0.33 in the prior year period. Revenue growth was fueled by increases of over 8% each for US Corrections and International services, offset by a 4% decrease in the smaller GEO Care division. A slight increase in average per diem in the US (from \$53.50 to \$53.73) contributed to higher revenues, but the primary reason for GEO's revenue growth in the third quarter was the opening of 8 new facilities last year, and three new openings/expansions so far this year in the US as well as one acquisition in the UK.

Despite lower occupancy rates during the quarter, at 94.5% versus 96.6%, due primarily to lower occupancies for US Corrections as a large number of new beds needed to be filled up, operating expenses as a percentage of revenues fell in Q3/2009 to 76.5% from 77.2% in the prior year period, due to economies of scale from higher volume and the gradual shedding of several lower-margin contracts, continuing a trend started at the beginning of 2009. Combined with a sharp drop in general and administrative expenses, at \$15.7 million in Q3/2009 versus \$16.9 million in Q3/2008, were enough to equate to higher earnings this year. Interest income and shares outstanding increased slightly this year. The table below depicts revenues, net revenues after pass-through construction costs, operating income, net income, GAAP earnings per share, and pro-forma earnings per share after start-up costs for Q3/2009 versus Q3/2008:

<u>Quarter ended (\$000s)</u>	<u>September 30th, 2008</u>	<u>September 30th, 2009</u>
Revenues	\$254,105	\$294,865
Net revenues	\$240,620	\$256,996
Operating income	\$28,580	\$35,156
Net income	\$15,859	\$19,259
Earnings per share - GAAP	\$0.31	\$0.37
Earnings per share	\$0.33	\$0.38
Shares outstanding-diluted	51,803	51,950

Balance Sheet and Operating Cash Flow

GEO's balance sheet has remained healthy year thanks to positive operating cash flow from strong earnings; cash and equivalents on hand stood at \$24.3 million at the end of the third quarter, down from \$31.7 million at the start of the year, while long-term debt increased to \$510.1 million at September 30th, up from \$479.1 million at the start of the year. Adjusted cash flow for the third quarter was \$32.1 million, up from \$25.3 million in Q3/2008, and during the first nine months of this year operating cash flow rose to \$87.3 million from \$67.2 million. Capital expenditures, primarily for new builds and facility expansions, increased to \$113.7 million for the first nine months of this year, versus \$98.8 million for the same period one year ago. Subsequent to the end of the third quarter, in October 2009 GEO completed a tender offer for its existing \$150 million of 8 ¼% senior notes due 2013, replacing these essentially with a new series of \$250 million 7 ¾% senior notes due 2017. The chart below depicts cash and equivalents, long-term debt and shareholders' equity for HealthTronics for the year-ended December 31st, 2008 and quarter ended September 30th, 2009 for the GEO Group:

<u>(\$000s)</u>	<u>December 31st, 2008</u>	<u>September 30th, 2009</u>
Cash and equivalents	\$31,655	\$24,299
Long-term debt	\$479,082	\$510,994
Shareholders' equity	\$578,496	\$641,983

Currently, GEO has four major facility expansions or new builds under construction, with estimated completion by the middle of 2010. The Company estimates that these existing capital projects will require approximately \$65-\$70 million in additional capital to reach completion (from September 2009), although construction delays (several of these projects are in bad weather-prone locales) or cost overruns could add to this needed total. In addition, the Company could decide to undertake new capital projects over the next 1-2 quarters, particularly if an attractive opportunity arises, such as a federal bid award or request from a large client, such as California. As of September 2009, GEO had approximately \$215 million available for borrowing under its Credit Revolver, in addition to an estimated \$110-\$120 million in annual cash flow from operating earnings forecasted through the end of 2010.

Outlook/Growth Drivers

GEO management has provided financial guidance for the upcoming 2009 fourth quarter, including revenues of \$313-\$318 million, or \$288-\$293 million after approximately \$25 million in pass-through construction revenues, and \$0.38-\$0.39 per share in earnings before one-time charges of \$0.08 per share for early extinguishment of debt and \$0.03 per share in start-up costs for new projects underway. Key drivers for fourth quarter results for GEO include inclusion of the Just Care acquisition in the GEO Care division, just closed at the start of the quarter, and recent new capacity additions such as the replacement GEO Care facility in Arcadia, Florida (April), the Harmondsworth facility contract in the UK (June), the Graceville facility in Florida (July), the ICE expansion in Tacoma, and the Parklea contract in Australia (both late October). Our estimates for GEO

Group for Q4/2009 are \$315 million in revenues (\$290 million net), an increase of 18% year-over-year, and earnings per share of \$0.39 versus \$0.37 in the prior year period on a comparable basis.

Although GEO management has not provided financial guidance for 2010 (historically, guidance for the upcoming year has been provided in February when fourth quarter results are released), we are including estimates of \$1.21 billion in revenues (not including \$90 million in construction revenues, just below levels for 2009), up 16% from final estimates for 2009. We are also forecasting that GEO will earn \$1.53 per share in earnings in 2010, before start-up expenses of \$0.04 per share, compared with \$1.41 in 2009. We are estimating that 2010 quarterly revenues and earnings will ramp up in the second half of the year, similar to the pattern exhibited in 2009, due to recent acquisitions and the completion of a number of new builds slated for Q1/2010 and Q2/2010. We also anticipate that GEO will drop 1-2 older management contracts beginning in the new year, which along with economies of scale will help contribute to improved operating margins (23.3% versus 23.1% in 2009) forecasted for 2010. The wild card for 2010 earnings for GEO will be additional smaller acquisitions or management contracts obtained in 2010 which could be accretive; alternatively the Company could win a number of new RFPs under consideration, including major projects in Southern California for ICE, Federal Criminal Alien Requirements (CAR) 9 & 10, Federal Bureau of Prisons in South Texas, Arizona, California, Texas for GEO Care, Georgia, South Africa and the United Kingdom.

Stock Valuation/Comparables

Our four-member list of comparable stocks include one larger correctional service provider, Corrections Corporation of America (NYSE/CXW/Not Rated) and one smaller correctional firm, Cornell Companies (NYSE/CRN/NR) as well as two mental health service firms, Psychiatric Solutions (Nasdaq/PSYS/NR) and Res-Care (Nasdaq/RSCR/NR). (See Table 1 below) Although GEO shares currently trade at a premium to this group in terms of price/earnings and price/revenues ratios due to uncertainty related to behavioral health government reimbursement in the near future, GEO's valuation multiples compare more closely with those of the two correctional service providers. In fact, GEO shares trade at a 20%-30% discount in terms of valuation compared with Corrections Corp, perhaps due to a market premium for larger stocks, even though GEO Group is projected to have higher earnings per share growth rate in 2010, and the Company has more diversity in terms of geographic and service offerings. Thus, we are recommending that investors BUY shares of GEO with a 12-18 month price target of \$27.50, or 18X estimated earnings of \$0.152 per share for 2010, on par with valuations of other large providers in the correctional service industry.

Risk Factors

GEO is reliant on funding from state governments, the US federal government, and other foreign governments to provide reimbursement for its prison facilities. Currently, several large US states including California and Florida are **experiencing budget difficulties** which could inhibit the growth of the Company's business, despite severe overcrowding for many states. In addition, GEO has experienced several cases where inmates or families of inmates **sue the prison facility operator**, and the increasing incidence of inmates being sent outside their home state has exacerbated this trend.

The GEO Group, Inc.
Consolidated Statements of Income
 (In 000s, except per share data)

Calendar Year	2004	2005	2006	2007	2008	1Q09	2Q09	3Q09	4Q09E	2009E	1Q10E	2Q10E	3Q10E	4Q10E	2010E
Revenues	\$614,549	\$626,540	\$860,882	\$1,024,833	\$1,054,551	\$259,061	\$276,379	\$294,865	\$315,000	\$1,145,305	\$312,000	\$315,000	\$330,000	\$340,000	\$1,297,000
Pass-through revenues			<u>74,139</u>	<u>109,600</u>	<u>85,834</u>	<u>13,010</u>	<u>26,384</u>	<u>37,869</u>	<u>25,000</u>	<u>102,263</u>	<u>25,000</u>	<u>25,000</u>	<u>20,000</u>	<u>20,000</u>	<u>90,000</u>
Net revenues			\$786,743	\$915,233	\$968,717	246,051	249,995	256,996	290,000	\$1,043,042	287,000	290,000	310,000	320,000	\$1,207,000
Operating expenses	516,173	552,811	644,038	721,035	746,859	189,317	192,473	196,539	223,300	801,629	221,000	223,300	237,200	244,800	926,300
Depreciation & amortization	14,321	16,184	22,235	33,870	37,578	9,816	9,630	9,616	9,750	38,812	9,850	9,950	10,050	10,150	40,000
General & administrative expenses	<u>45,879</u>	<u>48,958</u>	<u>56,268</u>	<u>64,491</u>	<u>69,151</u>	<u>17,236</u>	<u>17,015</u>	<u>15,685</u>	<u>20,300</u>	<u>70,236</u>	<u>20,100</u>	<u>20,300</u>	<u>21,100</u>	<u>22,100</u>	<u>83,600</u>
Operating income (loss)	38,176	8,587	64,202	95,837	115,129	29,682	30,877	35,156	36,650	132,365	36,050	36,450	41,650	42,950	157,100
Interest and other expense, net	<u>(12,873)</u>	<u>(13,841)</u>	<u>(17,665)</u>	<u>(29,765)</u>	<u>(18,098)</u>	<u>(5,836)</u>	<u>(4,676)</u>	<u>(4,405)</u>	<u>(8,705)</u>	<u>(23,622)</u>	<u>(4,500)</u>	<u>(4,700)</u>	<u>(4,900)</u>	<u>(5,100)</u>	<u>(19,200)</u>
Income (loss) before tax	25,303	(5,254)	46,537	66,072	97,031	23,846	26,201	30,751	27,945	108,743	31,550	31,750	36,750	37,850	137,900
Income tax expense (benefit)	<u>7,873</u>	<u>(11,614)</u>	<u>16,305</u>	<u>24,226</u>	<u>34,350</u>	<u>9,141</u>	<u>9,690</u>	<u>11,493</u>	<u>12,500</u>	<u>42,824</u>	<u>13,900</u>	<u>13,980</u>	<u>15,930</u>	<u>16,360</u>	<u>60,170</u>
Net income (loss)	17,430	6,360	30,032	41,846	62,681	14,705	16,511	19,258	15,445	65,919	17,650	17,770	20,820	21,490	77,730
Basic income per share	<u>\$1.24</u>	<u>\$0.22</u>	<u>\$0.87</u>	<u>\$0.88</u>	<u>\$1.24</u>	<u>\$0.29</u>	<u>\$0.33</u>	<u>\$0.38</u>	<u>\$0.30</u>	<u>\$1.30</u>	<u>\$0.35</u>	<u>\$0.35</u>	<u>\$0.41</u>	<u>\$0.42</u>	<u>\$1.52</u>
Diluted income per share	<u>\$1.19</u>	<u>\$0.21</u>	<u>\$0.84</u>	<u>\$0.85</u>	<u>\$1.21</u>	<u>\$0.28</u>	<u>\$0.32</u>	<u>\$0.37</u>	<u>\$0.30</u>	<u>\$1.27</u>	<u>\$0.34</u>	<u>\$0.34</u>	<u>\$0.40</u>	<u>\$0.41</u>	<u>\$1.49</u>
Pro-Forma income per share			<u>\$0.91</u>	<u>\$1.04</u>	<u>\$0.96</u>	<u>\$0.29</u>	<u>\$0.33</u>	<u>\$0.38</u>	<u>\$0.39</u>	<u>\$1.39</u>	<u>\$0.35</u>	<u>\$0.35</u>	<u>\$0.41</u>	<u>\$0.42</u>	<u>\$1.53</u>
Pro-Forma EPS net of start-up/int'l			<u>\$0.91</u>	<u>\$1.04</u>	<u>\$1.27</u>	<u>\$0.31</u>	<u>\$0.33</u>	<u>\$0.38</u>	<u>\$0.39</u>	<u>\$1.41</u>	<u>\$0.35</u>	<u>\$0.35</u>	<u>\$0.41</u>	<u>\$0.42</u>	<u>\$1.53</u>
Basic shares outstanding	28,152	14,076	34,441	47,727	50,539	50,697	50,802	50,900	51,000	50,850	51,100	51,200	51,300	51,400	51,250
Diluted shares outstanding	29,214	14,607	35,744	49,175	51,774	51,723	51,835	51,950	52,050	51,890	52,150	52,250	52,350	52,450	52,300
Key ratios:															
Revenue growth	8.3%	2.0%	25.6%	16.3%	5.8%	5.7%	-0.1%	6.8%	18.3%	7.7%	16.6%	16.0%	20.6%	10.3%	15.7%
Operating expenses/revenues	84.0%	88.2%	81.9%	78.8%	77.1%	76.9%	77.0%	76.5%	77.0%	76.9%	77.0%	77.0%	76.5%	76.7%	76.7%
G & A/ Revenues	7.5%	7.8%	7.2%	7.0%	7.1%	7.0%	6.8%	6.1%	7.0%	6.7%	7.0%	7.0%	6.8%	6.9%	6.9%
Tax Rate	31.1%	N/A	35.5%	36.7%	35.4%	39.9%	38.3%	39.0%	39.0%	39.4%	39.0%	39.0%	39.0%	39.0%	43.6%
Cash Flow/share	\$2.18	\$0.75	\$1.46	\$1.52	\$1.94	\$0.47	\$0.50	\$0.56	\$0.56	\$2.10	\$0.53	\$0.53	\$0.59	\$0.60	\$2.25
EBITDA/share	\$3.60	\$0.83	\$2.43	\$2.64	\$2.95	\$0.76	\$0.78	\$0.86	\$0.97	\$3.38	\$0.88	\$0.89	\$0.99	\$1.01	\$3.77

Balance Sheets

	(5000s)	
Assets:	12/28/08	9/27/09
Cash and equivalents	\$31,655	\$24,299
Restricted cash	13,318	13,219
Accounts receivable, net	199,665	224,638
Other current assets	<u>37,282</u>	<u>30,687</u>
Total current	281,920	292,843
Property & equip., net	878,616	969,218
Restricted cash	19,379	21,821
Goodwill	34,595	33,935
Other	<u>74,111</u>	<u>83,275</u>
TOTAL ASSETS	1,288,621	1,401,092
Liabilities:		
Accounts payable	\$56,143	\$65,338
Accrued expenses	110,399	115,821
Other	<u>19,384</u>	<u>19,186</u>
Total current	185,926	200,345
Long-term debt	479,082	510,994
Other long-term liabilities	45,117	47,770
Shareholders' equity	<u>578,496</u>	<u>641,983</u>
TOTAL LIAB & EQ	1,288,621	1,401,092

Quarterly Earnings Comparisons

	March	June	Sept	Decem	Total
Revenues (in \$Mill) (Before pass-throughs)					
2000					\$535,557
2001					562,073
2002					517,162
2003	133,574	140,268	144,757	148,842	567,441
2004	146,058	150,308	152,035	166,148	614,549
2005	154,030	158,179	149,457	164,874	626,540
2006	184,778	191,152	200,409	210,404	786,743
2007	215,304	231,883	233,009	235,037	915,233
2008	232,868	250,139	240,620	245,090	968,717
2009E	246,051	249,995	256,996	290,000	1,043,042
2010E	287,000	290,000	310,000	320,000	1,207,000
Earnings per Share (Pro-forma)					
2000					\$0.81
2001					0.91
2002					0.28
2003	0.13	0.16	1.51	0.18	0.78
2004	0.14	0.27	0.40	0.38	1.19
2005	0.09	0.15	0.01	(0.04)	0.21
2006	0.16	0.23	0.23	0.27	0.91
2007	0.22	0.26	0.29	0.27	1.04
2008	0.25	0.31	0.33	0.37	1.27
2009E	0.31	0.33	0.38	0.39	1.41
2010E	0.35	0.35	0.41	0.42	1.53

Source: Dawson James Securities, Inc. estimates; Company documents

Table 1. Correction and Mental Health Services Industry Company Analysis

Company	Symbol	Price	Shares		Market Cap		Calendar Year		Revenues		Calendar Year		Price/Revs		Earnings	
			(millions)	(SMillions)	EPS '09E	EPS '10E	2009E	P/E '09E	P/E '10E	2009E	Growth	Notes				
Cornell Companies	CRN	\$22.70	14.9	\$ 338.2	\$1.65	\$1.93	\$ 415	13.8	11.8	0.82	17.0%	3rd largest in industry; Recently expanded in OK, MS				
Corrections Corp. of America	CXW	\$24.55	115.6	2,838.0	1.26	1.39	1,670	19.5	17.7	1.70	10.3%	Increased inmates from California, opened new Georgia unit				
Psychiatric Solutions	PSYS	\$21.14	56.2	1,188.1	2.14	2.29	1,840	9.9	9.2	0.65	7.0%	Large operator of mental hospitals, residential treatment				
Res-Care	RSCR	\$11.20	29.4	329.3	1.31	1.46	1,600	8.5	7.7	0.21	11.5%	Provides at-risk youth services, facing significant litigation				
Average								12.9	11.6	0.84	11.4%					
GEO Group	GEO	\$21.88	52.0	1,136.7	1.41	1.52	1,043	15.5	14.4	1.09	11.0%	2nd largest correctional service firm, also GEOCare				

Source: Dawson James Securities; Capital IQ

Important Disclosures:

Price Chart:



Price target and ratings changes over the past 3 years:

Initiated – January 2, 2010 – Target \$27.50

Analyst Certification: The analyst(s) whose name appears on this research report certifies that 1) all of the views expressed in this report accurately reflect his personal views about any and all of the subject securities or issuers discussed; and 2) no part of the research analyst's compensation was, is, or will be directly or indirectly related to the specific recommendations or views expressed by the research analyst in this research report; and 3) All Dawson James employees, including the analyst(s) responsible for preparing this research report, may be eligible to receive non-product or service specific monetary bonus compensation that is based upon various factors, including total revenues of Dawson James and its affiliates as well as a portion of the proceeds from a broad pool of investment vehicles consisting of components of the compensation generated by investment banking activities, including but not limited to shares of stock and/or warrants, which may or may not include the securities referenced in this report.

Dawson James has not received investment banking compensation from the company mentioned in this report and is not actively seeking compensation for investment banking services in the future. Dawson James does not make a market in this security. Neither the research analyst whose name appears on this report nor any member of his household is an officer, director or advisory board member of the company. Dawson James did not receive any other compensation from the company in the previous 12 months. The Firm and/or its directors and employees may own securities of the company(s) in this report and may increase or decrease holdings in the future.

Ratings definitions: **1) Buy:** the stock is expected to appreciate and produce a total return of at least 20% over the next 12-18 months; **2) Neutral:** the stock is fairly valued for the next 12-18 months; and **3) Sell:** the stock is expected to decline at least 20% over the next 12-18 months and should be sold.

Ratings Distribution	Company Coverage		Investment Banking	
	# of Companies	% of Total	# of Companies	% of Totals
Buy	13	93%	6	46%
Neutral	1	7%	1	100%
Sell	0	0%	0	0%
Total	14	100%	7	50%

Information about valuation methods and risks can be found in the “STOCK VALUATION” and “RISKS” sections of this report.

DAWSON JAMES SECURITIES, INC., Member SIPC, FINRA, (the "Firm") does not make a market in these securities. The Firm may perform or seek to perform investment banking services for these companies in the future. Analysts receive no direct compensation in connection with the firm's investment banking business. All Dawson James employees, including the analyst(s) responsible for preparing this research report, may be eligible to receive non-product or service specific monetary bonus compensation that is based upon various factors, including total revenues of Dawson James and its affiliates as well as a portion of the proceeds from a broad pool of investment vehicles consisting of components of the compensation generated by investment banking activities, including but not limited to shares of stock and/or warrants, which may or may not include the securities referenced in this report. The Firm, its officers, directors, analysts or employees may effect transactions in and have long or short positions in the securities (or options or warrants with respect thereto) mentioned herein. Although the statements of fact in this report have been obtained from and are based upon recognized statistical services, issuer reports or communications, or other sources that the Firm believes to be reliable, we cannot guarantee their accuracy. All opinions and estimates included in this report constitute the analyst's judgment as of the date of this report and are subject to change without notice. The Firm may effect transactions as principal or agent in the securities mentioned herein. The securities discussed or recommended in this report may be unsuitable for investors depending on their specific investment objectives and financial position. This report is offered for informational purposes only, and does not constitute an offer or solicitation to buy or sell any securities discussed herein in any jurisdiction where such would be prohibited. Additional information is available upon request.