

CHARTER OF THE COMPENSATION
COMMITTEE OF THE BOARD OF DIRECTORS
FOR CORNELL COMPANIES, INC.

I. General Focus

The Compensation Committee (the “Committee”) shall:

- A. Discharge the responsibilities of the Board of Directors (the “Board”) with respect to the compensation of the Corporation’s executives; and

Approve an annual report on executive compensation for inclusion in the Corporation’s annual proxy statement, in accordance with applicable rules and regulations of the New York Stock Exchange, Inc. (the “NYSE”), Securities and Exchange Commission (the “SEC”) and other regulatory bodies.

II. Structure and Operations

The Committee shall be comprised of two or more members of the Board, each of whom is determined by the Board to be “independent” under the rules of the NYSE. Additionally, no director may serve unless he or she (i) is a “Non-employee Director” for purposes of Rule 16b-3 under the Securities Exchange Act of 1934, as amended, and (ii) satisfies the requirements of an “outside director” for purposes of Section 162 (m) of the Internal Revenue Code. The Board shall select members based upon their knowledge and experience in compensation matters and with care to avoid any conflicts of interest.

The members of the Committee shall be appointed by the Board and shall serve until such member’s successor is duly elected and qualified or until such member’s earlier resignation or removal. The members of the Committee may be removed, with or without cause, by majority vote of the Board.

Unless a chair is elected by the full Board, the members of the Committee shall designate a chair by the majority vote of the full Committee membership. The Chair shall be entitled to cast a vote to resolve any ties. The Chair will lead all regular sessions of the Committee and set the agendas for Committee meetings.

In fulfilling responsibilities, the Committee shall be entitled to delegate any or all of its responsibilities to a subcommittee of the Committee.

III. Meetings

The Committee shall meet as frequently as circumstances dictate. The Executive Chairman or any member of the Committee may call a meeting of the Committee.

As part of its review and establishment of the performance criteria and compensation of designated key executives, the Committee should meet separately at least on an annual basis with the Chief Executive, the Corporation's principal human resources executive and any other corporate officers as it deems appropriate. However, the Committee should meet regularly without such officers present, and in all cases such officers shall not be present at meetings at which their performance and compensation are being discussed and determined.

All non-management directors that are not members of the Committee may attend meetings of the Committee but may not vote. Additionally, the Committee may invite to its meetings any director, management of the Corporation and such other persons as it deems appropriate in order to carry out its responsibilities. The Committee may also exclude from its meetings any persons it deems appropriate in order to carry out its responsibilities.

A majority of the Committee members, but not less than two, will constitute a quorum. A majority of the Committee members present at any Committee meeting at which a quorum is present may act on behalf of the Committee. The Committee may meet by telephone or videoconference and may take action by unanimous written consent.

The Chair of the Committee shall designate a person, who need not be a member, to act as secretary and to keep minutes of the Committee's proceedings. The agenda of each Committee meeting will be prepared by the secretary and, whenever reasonably practicable, circulated to each Committee member prior to each meeting.

IV. Responsibilities and Duties

The following functions shall be the common recurring activities of the Committee in carrying out its responsibilities outlined in Section I of this Charter (see Compensation Committee "Working Document" for additional details). These functions should serve as a guide with the understanding that the Committee may carry out additional functions and adopt additional policies and procedures as may be appropriate in light of changing business, legislative, regulatory, legal or other conditions. The Committee shall also carry out any other responsibilities and duties delegated to it by the Board from time to time related to the purposes of the Committee outlined in Section I of this Charter.

The Committee, in discharging its oversight role, is empowered to study or investigate any matter of interest or concern that the Committee deems appropriate and shall have the sole authority to retain outside counsel or other experts for this purpose, including the authority to approve the fees payable to such counsels or experts and any other terms of retention.

Setting Compensation for Executive Officers and Directors

1. Establish and review the overall compensation philosophy of the Corporation.
2. Evaluate the performance of Senior Management in light of the criteria and, bases on such evaluation, review and approve the annual salary, bonus, stock options and other benefits, direct and indirect, of the Chief Executive Officer and other executive officers.
3. In connection with the executive compensation programs:
 - Review and recommend to the full board new executive compensation programs;
 - Review on a periodic basis the operations of the Corporation's Senior Management compensation programs to determine whether they are properly coordinated and achieving their intended purposes(s);
 - Establish and periodically review policies for the administration of executive compensation programs; and
 - Recommend to the full board modifications to executive compensation program that are not reasonably related to executive corporate performance.
4. Establish and periodically review policies in the area of senior management perquisites.
5. Consider policies and procedures pertaining to expense accounts of the chief executive.
6. Review and recommend to the full Board compensation of directors.
7. Review and make recommendations to the full Board, or approve, any contracts or other transactions with current or former executive of the Corporation, including consulting arrangements, employment contracts, severance or termination arrangements and loans to employees made or guaranteed by the Corporation.
8. Review and recommend to the full board annual performance goals for performance-based compensation that is intended to be tax deductible under Section 162 (m) of the Internal Revenue Code and determine whether the performance goals and objectives are attained.

Monitoring Incentive and Equity-Based Compensation Plans

9. Review and make recommendations to the Board with respect to the Corporation's incentive-compensation plans and equity-based plans.
10. Administer any short-term incentive plan covering executive officers of the Corporation; determine whether performance targets have been met and determine the amounts and terms of any awards.
11. Review and recommend to the full board all equity compensation plans of the Corporation that are not otherwise subject to the approval of the Corporation's shareholders.
12. Review and make recommendations to the full Board all awards of shares, share options other awards pursuant to the Corporation's equity-based plans; provided that the Chief Executive Officer shall have the authority to issue such plans.
13. Monitor compliance by executives with the rules and guidelines of the Corporation's equity-based plans.
14. Select, retain and/or replace, as needed, compensation and benefits consultants and other outside consultants to provide independent advice to the Committee. In that connection, in the event the Committee retains a compensation consultant, the Committee shall have the sole authority to approve such consultant's fees and other retention terms.

Reports

15. Approve an annual report on executive compensation for inclusion in the Corporation's proxy statement in accordance with applicable rules and regulations of the NYSE, SEC and other applicable regulatory bodies.
16. Report regularly to the Board (i) following meetings of the Committee, (ii) with respect to such other matters as are relevant to the Committee's discharge of its responsibilities and (iii) with respect to such recommendations as the Committee may deem appropriate. The report to the Board may take the form of an oral report by the Chair or any other member of the Committee designated by the Committee to make such a report.
17. Maintain minutes or other records of meetings and activities of the Committee.

V. Annual Performance Evaluation

The Committee shall perform a review and evaluation, at least annually, of the performance of the Committee and its members, including a review of the compliance of the Committee with this Charter. In addition, the Committee shall review and reassess, at least annually, the adequacy of this Charter and recommend to the Board any improvements to this Charter that the Committee considers necessary or valuable. The Committee shall conduct such evaluations and reviews in such manner, as it deems appropriate.