CORNELL COMPANIES, INC.
CHARTER OF AUDIT COMMITTEE OF BOARD OF DIRECTORS
(as amended May 3, 2007

1. ORGANIZATION AND PURPOSE

There shall be a committee appointed by the Board of Directors of Cornell Companies, Inc. (the "Company"), to be known as the Audit Committee (the "Committee"), whose purpose is to assist the Board of Directors in fulfilling its oversight responsibilities. The members of the Committee shall serve at the pleasure of the Board of Directors and for such terms as the Board of Directors may determine. The Committee's primary duties and responsibilities are to:

- Monitor the quality and integrity of the Company's financial reporting process and systems of internal controls regarding finance, accounting and legal compliance.

- Monitor the qualifications, independence, and performance of the Company's independent accountants; however, such accountants will be ultimately accountable to the Board of Directors and the Committee, as representatives of the Company's shareholders.

- Provide an avenue of communication among the independent accountants, management and the Board of Directors.

- Monitor compliance with financial legal and regulatory requirements.

- Monitor the performance of the Company’s Internal Audit Function.

- Prepare a Committee report as required by the Securities and Exchange Commission for inclusion in the Company's annual proxy statement.

The Committee shall have the authority to conduct any investigation appropriate in fulfilling its responsibilities, and it shall have direct access to the independent accountants as well as anyone in the organization. The Committee has the authority to retain, at the Company's expense, special legal, accounting or other consultants or experts it deems necessary in the performance of its duties.

2. COMMITTEE MEMBERSHIP AND MEETINGS

The Directors appointed to the Committee shall be independent of the management of the Company and free from any relationship that, in the opinion of the Board of Directors, would interfere with their exercise of independent judgment as a member of such Committee and otherwise meet the requirements of the New York Stock Exchange and Rule 10A-3 under the Securities Exchange Act of 1934. The Committee shall be composed of no less than three Directors. All members of the Committee shall have a basic understanding of finance and accounting and be able to read and understand fundamental financial statements and at least one member shall have accounting or related financial management expertise, as the Board of Directors interprets such qualifications in its business judgment. The name of the financial

expert will be disclosed annually as required by the Securities and Exchange Commission.

No Director may serve as a member of the Committee if such Director serves on the audit committees of more than two other public companies unless the Board of Directors determines that such simultaneous service would not impair the ability of such Director to effectively serve on the Committee, and discloses this determination in the Company's annual proxy statement.

The Committee shall meet as frequently as circumstances dictate, but at least quarterly. The Board of Directors shall appoint a Chairman who shall prepare or approve an agenda in advance of each meeting. The Committee should meet privately in executive session at least annually with management, the Leader of Internal Audit, the independent accountants, and as a committee, to discuss any matters that the Committee or each of the other groups believe should be discussed. Also, the Committee should meet quarterly with the independent accountants and management to review the Company's financial statements and significant findings based upon the accountant's limited review procedures.

3. RESPONSIBILITIES AND PROCESSES

The Committee is responsible for ensuring that the independent accountants submit a formal written statement regarding relationships and services which may affect objectivity and independence, for discussing any relevant matters with such accountants, and for recommending that the full Board of Directors take appropriate action to ensure the independence of the accountants. The Committee is also responsible for ensuring that the independent accountants submit a formal written statement of the fees billed in each of the last two fiscal years for each of the following categories of services rendered by the independent auditors: (i) the audit of the Company's annual financial statements and the reviews of the financial statements included in the Company's Quarterly Reports on Form 10-Q or services that are normally provided by the independent auditors in connection with statutory and regulatory filings or engagements; (ii) assurance and related services not included in clause (i) that are reasonably related to the performance of the audit or review of the Company's financial statements, in the aggregate and by each service; (iii) tax compliance, tax advice and tax planning services, in the aggregate and by each service; and (iv) all other products and services rendered by independent auditors, in the aggregate and by each service.

In carrying out its responsibilities, the Committee's policies and procedures should remain flexible in order to best react to changing conditions to ensure to the Directors and shareholders that the corporate accounting and reporting practices of the Company are in accordance with all requirements.

To carry out these responsibilities and processes, the Committee has the authority to and will:

A. RELATIONSHIP WITH INDEPENDENT ACCOUNTANTS:

1. Require that the independent accountants report directly to the Audit Committee;

2. Retain authority and responsibility to select and evaluate the independent accountants of the Company, to be approved by the shareholders at the Company's annual meeting;

3. Review with the independent accountants the planned scope of their examination and consideration of the results thereof;

4. Review and approve all audit and non-audit services and related fees from independent accountants;

5. Provide sufficient opportunity for the independent accountants to meet with the members of the Committee without management present to discuss the quality, not just acceptability, of the accounting principles as applied to the financial reporting, including the issues of clarity, degree of aggressiveness, and underlying estimates used by management;

6. Review management's cooperation with the Company's independent accountants;

7. Review with the Company's independent auditors the responsibilities, budget and staffing of the Company's internal audit function;

8. Review and approve any hiring of current or former employees of the Company's independent auditors;

9. Obtain and review a report by the independent accountants describing the firm's internal quality-control procedures, any material issues raised by the most recent internal quality-control review, or peer review, of the firm, or by any inquiry or investigation by governmental or professional authorities, within the preceding five years;

10. Ensure the rotation of the lead audit partner, as required by law, and consider whether there should be regular rotation of the audit firm itself;

11. Review other material written communications between the independent auditors and management, such as any management letter provided by the independent auditors and management's response to that letter, any management representation letter, any reports on observations and recommendations on internal controls, any schedule of unadjusted audit differences and a listing of adjustments and reclassifications not recorded, if any, and any engagement or independence letters; and

12. Meet no less frequently than quarterly with management to review reports on the Company's major financial risk exposures and the steps management has taken to monitor and control those exposures; and discuss the Company's policies and guidelines concerning risk assessment and risk management.

B. RELATIONSHIP WITH LEADER OF INTERNAL AUDIT:

1. Approve the appointment and replacement, if necessary, of the leader of Internal Audit;

2. Evaluate annually, with input from the appropriate members of senior management of the Company and the Company's independent accountants, the performance of the leader of Internal Audit;

3. Monitor compliance with corporate ethical conduct policies with assistance from the leader of Internal Audit;

4. Review and assess at least annually the Company's ethical conduct policies and recommend changes, if any, to the Governance Committee for review;

5. Monitor the Company's internal policies and procedures with assistance from the leader of Internal Audit to ensure compliance with applicable United States and other laws and regulations;

6. Review the adequacy of the Company's internal control structure and activities with assistance from the leader of Internal Audit;

7. Obtain from the leader of Internal Audit summaries of or, if appropriate, the significant reports to management prepared by Internal Audit and management's responses thereto;

8. Review and reassess the adequacy of the Committee's Charter on an annual basis with assistance from the leader of Internal Audit. Obtain approval of the Charter and any subsequent changes from the Board of Directors;

9. Annually review with the leader of Internal Audit Company policies and procedures, as well as audit results associated with directors' and officers' expense accounts and perquisites and review a summary of director and officer related party transactions and potential conflicts of interest, if any; and

10. Establish procedures with assistance from the leader of Internal Audit for the receipt, retention and treatment of complaints received by the Company regarding accounting, internal accounting controls or auditing matters, and the confidential, anonymous submission by employees of the Company of concerns regarding questionable accounting or auditing matters.

C. FINANCIAL REPORTING PROCESS:

1. Review with the leader of Internal Audit, the independent accountants and financial and accounting personnel of the Company, the adequacy and effectiveness of the accounting and financial controls of the Company, and elicit any recommendations for the improvement of such internal control procedures or particular areas where new or more detailed controls or procedures are desirable;

2. Obtain management's response to any recommendations provided by the independent accountants;

3. Request from management on a periodic basis a summary of changes in accounting principles and changes in financial reporting policies from prior years, the accounting treatment accorded significant transactions, and any significant variations between budgeted and actual numbers in a particular account;

4. Obtain information from management regarding any "second" opinions sought by it from an outside auditor with respect to the accounting treatment of a particular event or transaction;

5. Receive from management timely drafts of the quarterly and annual financial statements and related disclosure documents prior to filing with the Securities and Exchange Commission;

6. Discuss earnings press releases, as well as financial information and earnings guidance provided to analysts and rating agencies paying particular attention to the use of any “pro forma” or “adjusted” non-GAAP information, provided that, if it is not otherwise practicable for the entire Committee to timely review such items, such review may be performed by the Chairman of the Committee;

7. Discuss with the independent accountants and a representative of financial management the significant adjustments, management's judgments and accounting estimates, significant new accounting policies and disagreements, as well as an analysis of the effects of alternative GAAP methods, if any, prior to the filing of the Form 10-Q and Form 10-K; and

8. Review the effect of any off-balance sheet structures on the financial statements of the Company.

D. OTHER COMMITTEE MATTERS:

1. Adopt rules and make provisions as deemed appropriate for the conduct of meetings, for considering, acting upon, and recording matters within its authority and for making such reports to the Board of Directors as it may deem appropriate, giving due consideration to the Committee's need to treat certain matters confidentially, provided only that such rules and provisions do not conflict with regulations of the Company or the Charter of the Committee;

2. Investigate any matter brought to the Committee's attention within the scope of its duties;

3. Submit the minutes of all meetings of the Committee to, or discuss the matters discussed at each Committee meeting with, the Board of Directors;

4. Review annually the Audit Committee’s own performance;

5. Annually prepare and include a report in the Company's annual proxy statement to shareholders as required by the Securities and Exchange Commission; and

6. Perform any other activities consistent with this Charter, the Company's By-Laws, and laws as the Committee or the Board of Directors deems necessary, appropriate or desirable.

4. DELEGATION TO SUBCOMMITTEE

Committee may, in its discretion, delegate all or a portion of its duties and responsibilities to a subcommittee of the Committee.