



Cornell Companies, Inc.

Investor Discussion

First Half 2008





Forward-looking Statements and Non-GAAP Measures

Statements made during this presentation regarding the company, its expected future earnings, operations, strategic direction, and any other statements that are not historical facts are forward-looking statements within the meaning of applicable securities laws. These statements involve certain risks, uncertainties and assumptions including changes in demand for our services, actions by governmental agencies and other third parties and other factors detailed in our most recent Form 10-K and other filings with the Securities and Exchange Commission, which are available free of charge on the SEC's website at <http://www.sec.gov>. Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, actual results may vary materially from those indicated. Each forward looking-statement speaks only as of the date of the particular statement, and we undertake no obligation to update or revise any forward looking-statement, whether as a result of new information, future events or otherwise. A reconciliation of all non-GAAP financial measures used in this presentation, including EBITDA, is attached to this presentation.

What Cornell Delivers Investors

“Beta” Story

1. Attractive demand & supply economic fundamentals for next 5+ years
2. Markets largely insulated from economic cycles
3. Increasing long-term contracts with historically high renewal rates

“Alpha” Story

1. Superior ROI by continued leverage of existing infrastructure
2. Leadership across 3 businesses diversifies revenue & EBITDA stream
3. Solid relationships with high credit customers (single A or better)
4. Low maintenance capital required
5. Opportunity to monetize \$150mm+ of owned real estate

Significant value growth potential across Cornell

- **Adult Secure:** Expand existing programs and win new growth “footprint” outside commodity RFP competition
- **Abraxas Youth:** Fill remaining underutilized assets and expand specialty competencies in new geographies & new customers
- **Adult Community-Based:** Fill existing assets with higher yield customers; add zoning defensible 75-200 bed facilities

- **Cornell Recent History**
- Cornell Today
- Cornell's Future Growth
- Supporting Data



~2005

Challenges:

- Underperforming and underutilized programs
- Programs delivering inadequate risk-adjusted returns
- Inefficient management structure

Implemented Solutions:

- Closed several programs that failed to earn adequate ROI and consumed considerable management effort
- Streamlined organizational structure providing more operational control and accountability
- Transitioned from geographic expansion to customer relationship based
- Reduced risk via increased take-or-pay contracts
- Focused business development
- Improved asset utilization
- Increased importance placed on pursuing selective projects with high ROCE
- Improved quality of service and increased operating efficiencies
- Reduced SG&A expenses



Reduced Portfolio & Operating Risk

Reduced Portfolio Risk:

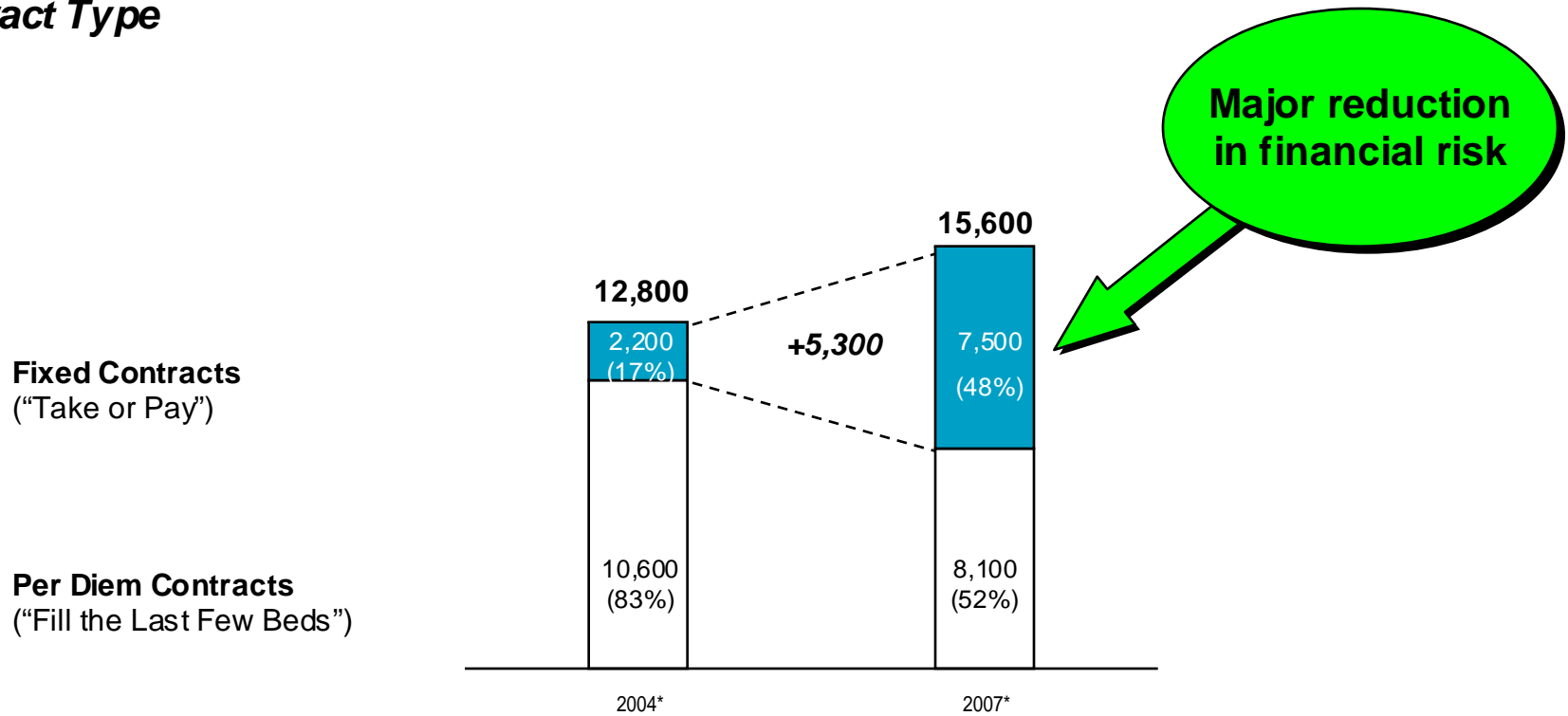
- Exited programs where risk-adjusted returns deemed not likely to be achieved
- Restructured or replaced underperforming contracts (e.g., D. Ray James, Great Plains)
- Eliminated 6 management contracts, specifically those that didn't compensate for risk of operations

Reduced Operating Risk:

- Implemented automated Cornell Incident Reporting System
 - Improve immediacy of communication
 - Permit early identification of trends to proactively manage and reduce potential exposure
- Improved leadership development and review processes to increase culture of performance and accountability
- Instituted annual financial and leadership training for organizational leaders

*Currently engaged in 4 management contracts

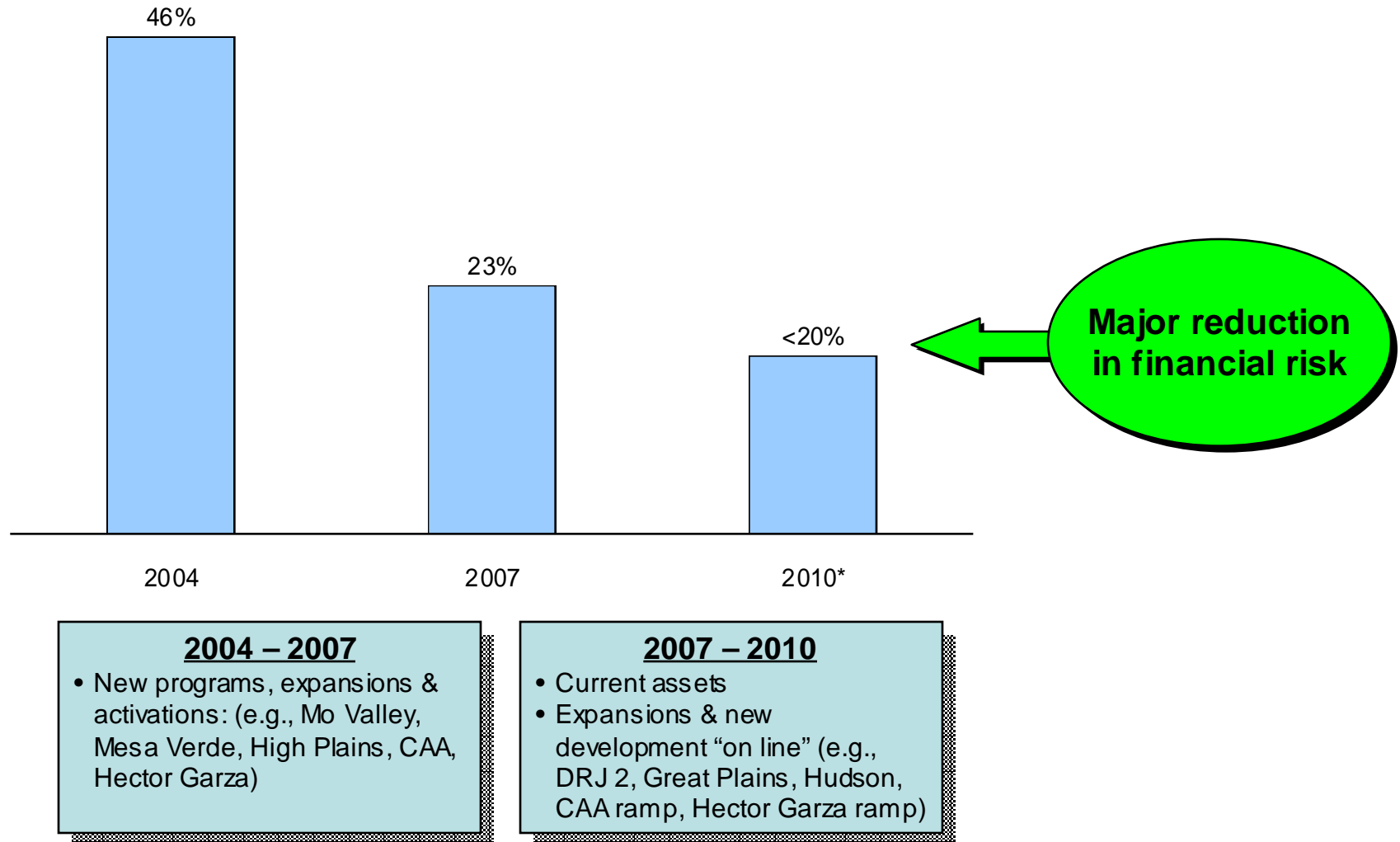
Residential Capacity by Contract Type



*End of year

Reduced EBITDA Concentration

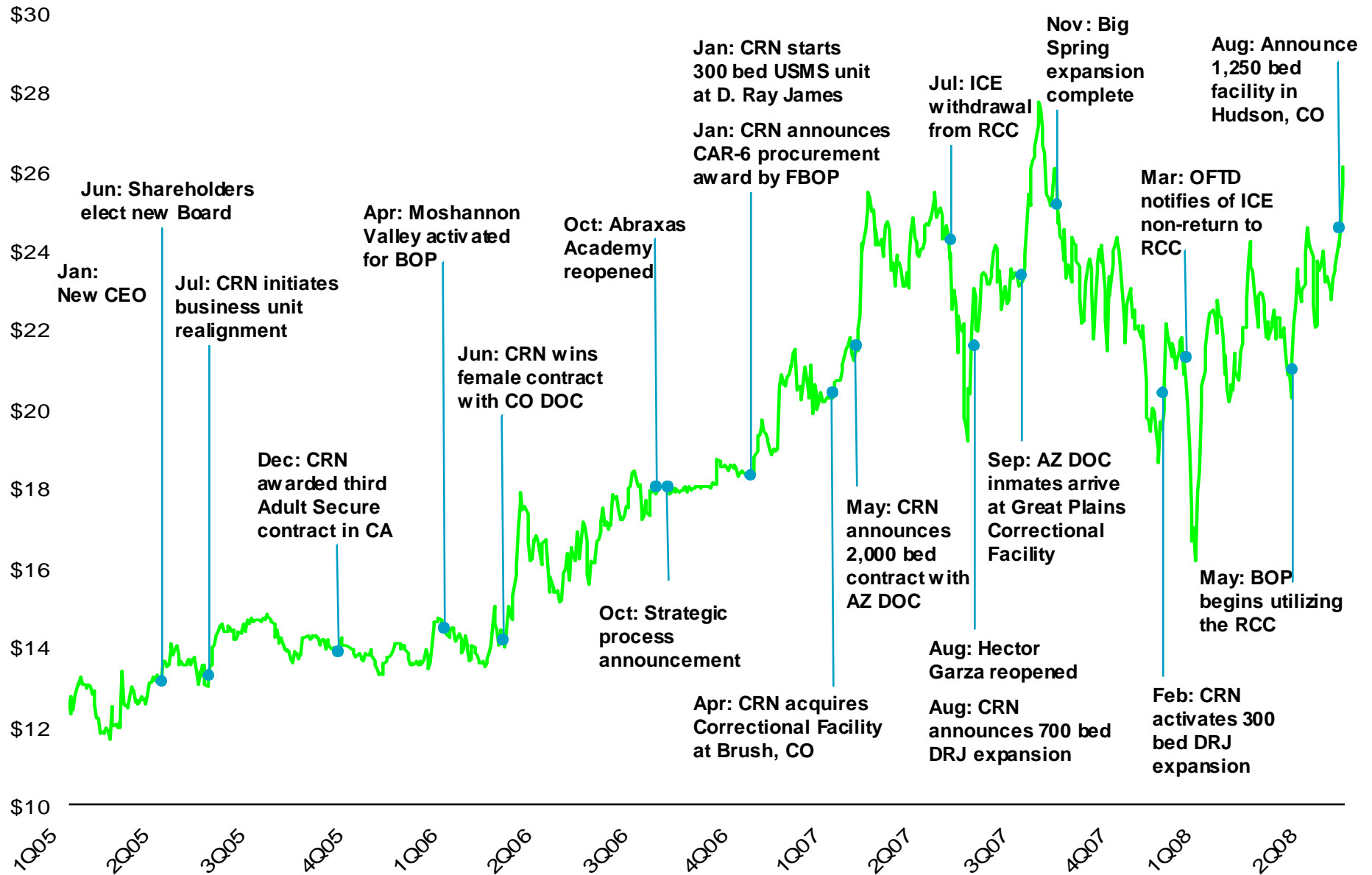
EBITDA % From Largest Program



*2010 estimated projection



CRN Stock Performance



- Cornell Recent History
- **Cornell Today**
- Cornell's Future Growth
- Supporting Data

Leading private provider of corrections, treatment and educational services outsourced by federal, state and local government agencies

Adult Secure

- Medium & low security incarceration services
- Male, female & youthful offender facilities
- Federal BOP, USMS, ICE & state DOC customers
- Programming emphasis to facilitate successful community re-entry & reduce recidivism
- 10 facilities
- Service capacity of 11,200

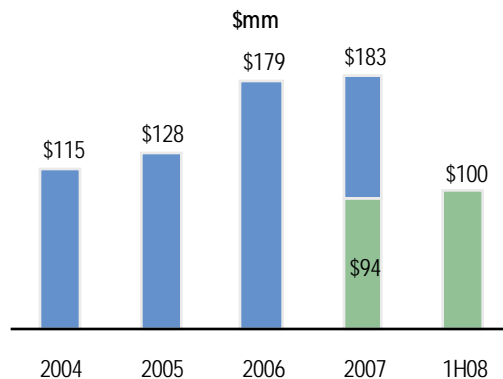
Abraxas Youth

- Residential, community-based, behavioral health & alternative education programs
- Target ages 10–17
- Emphasizes specialized treatment programs, education, rehabilitation & after care
- 30 facilities/programs
- Service capacity of 3,600
 - 1,800 residential,
 - 1,800 non-residential

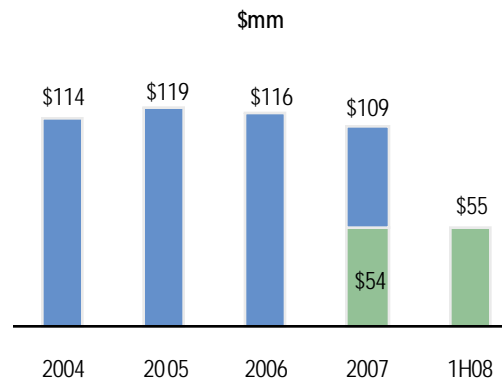
Adult Community-Based

- Re-entry & alternative to incarceration for parolees & probationers
- Education, employment training, electronic monitoring & drug and alcohol treatment
- 33 facilities/programs
- Service capacity of 4,200

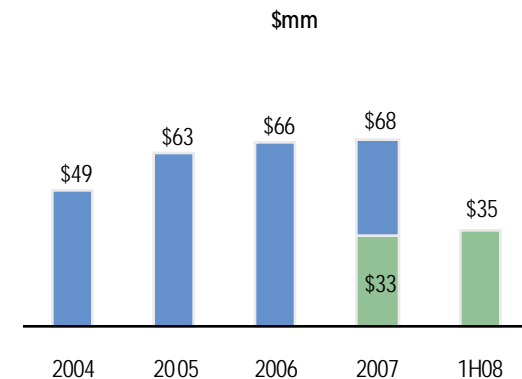
Adult Secure Revenues*



Abraxas Revenues*



ACB Revenues*



* Excluding discontinued operations.



Adult Secure vs. Abraxas Youth

Adult Secure business is different from Abraxas Youth business on many levels

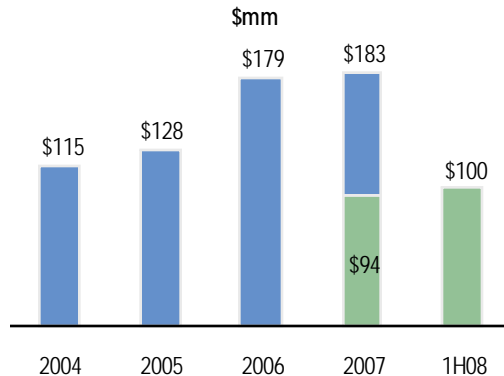
Adult Secure

- “Wholesale”
- 21.9% contract capacity growth**
- Market pricing of low \$40’s to mid \$60’s
- Scale = 1,500 – 3,500 beds
- Staffing ratios of ~9:1
- Quick ramp of 4-6 months for entire facility (~1,500 beds)

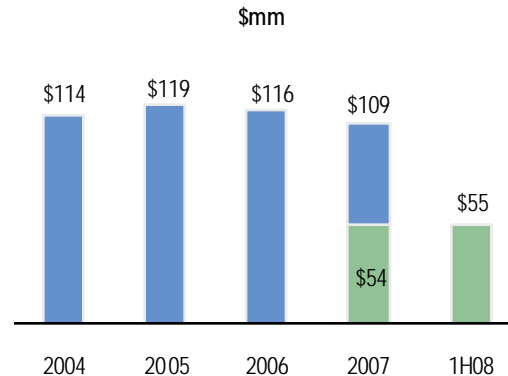
Abraxas Youth

- “Retail”
- 5.2% contract capacity growth**
- Market pricing of low \$200’s to mid \$300’s
- Scale = 100 – 250 beds
- Staffing ratios of 5:1 – 8:1
- Slow ramp of 1-3 years for entire facility (50 – 200 beds)

Adult Secure Revenues*



Abraxas Revenues*



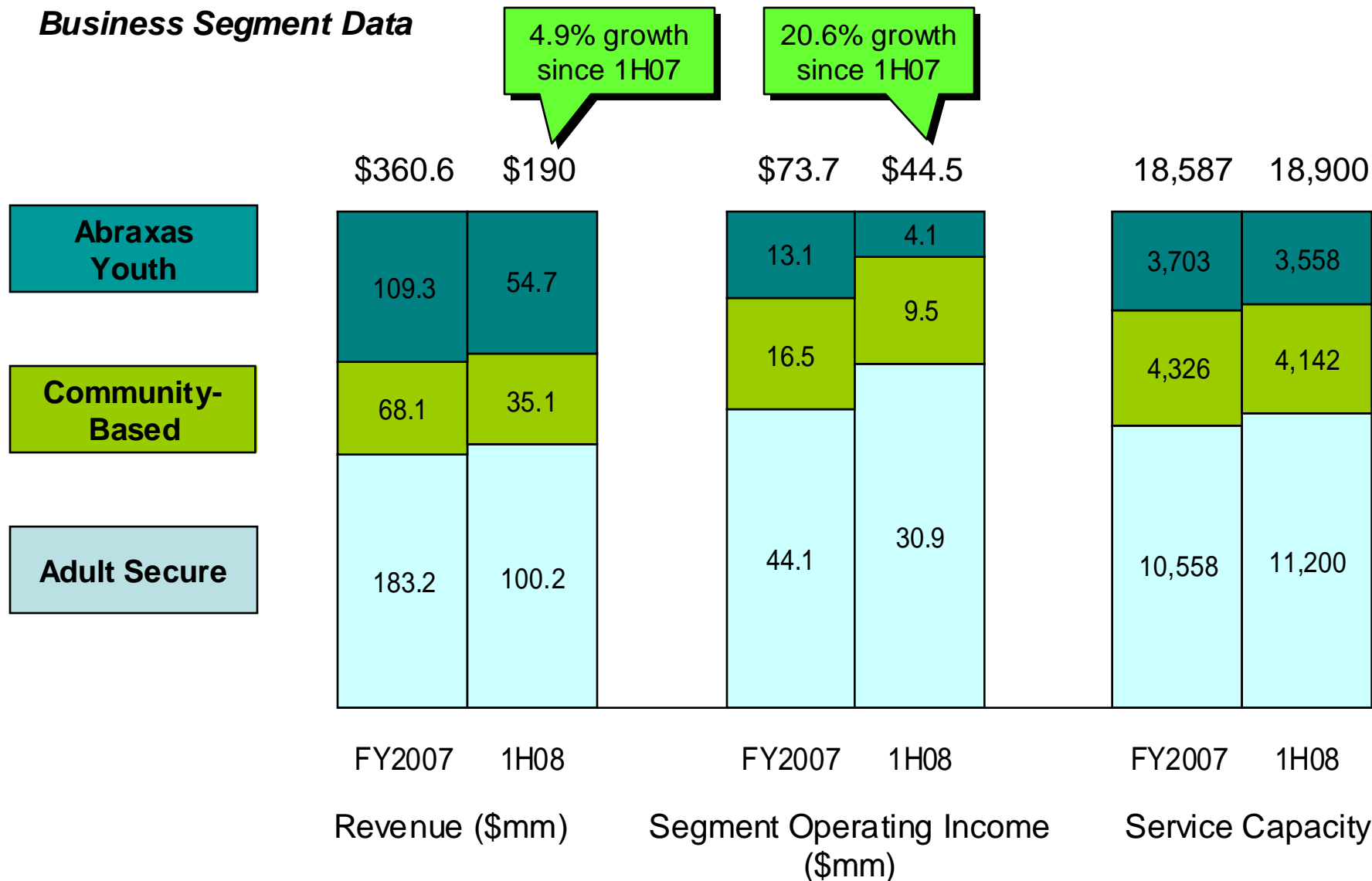
* Excluding discontinued operations.

** Growth from 2Q07 to 2Q08



Operating "Snapshot"

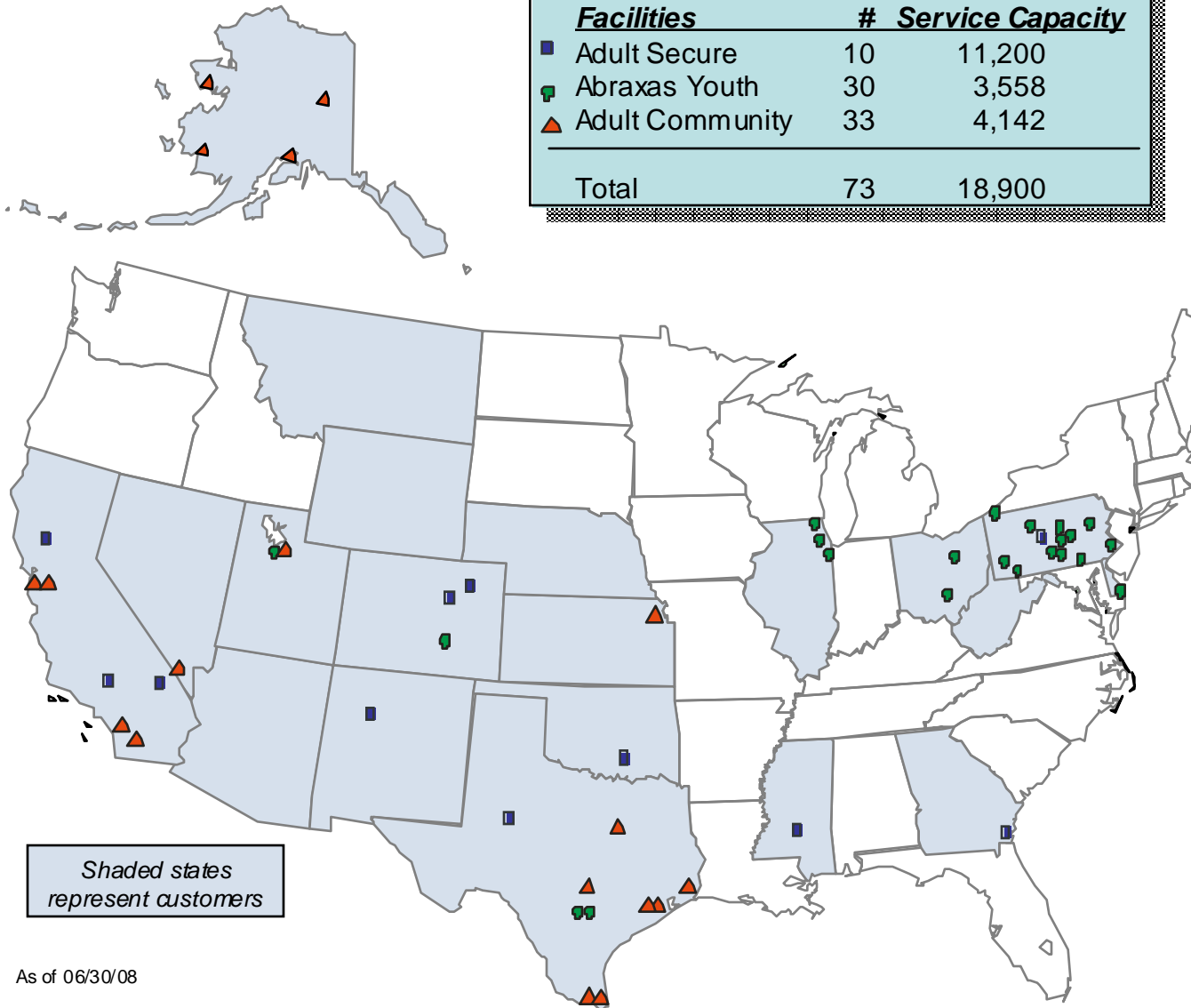
Business Segment Data



As of 06/30/08



Broadened Customer Base



Shaded states represent customers

Facilities	#	Service Capacity
■ Adult Secure	10	11,200
■ Abraxas Youth	30	3,558
▲ Adult Community	33	4,142
Total	73	18,900

New Customers 2005-08

Adult Secure

- Arizona DOC (Great Plains)
- US Marshals (D. Ray James)
- Colorado DOC (High Plains, Hudson-1250 beds)

Abraxas Youth

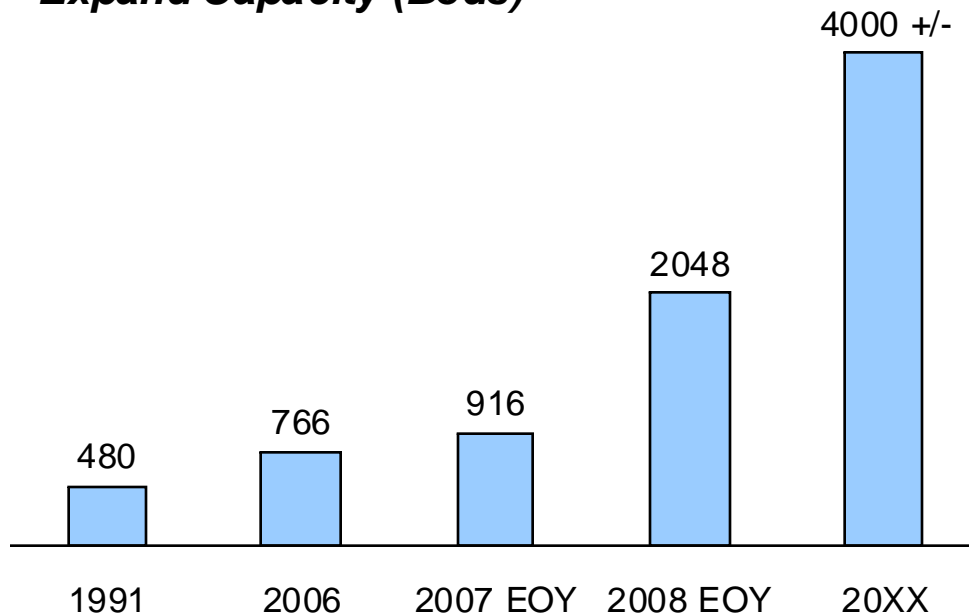
- Wyoming, Nevada, Montana, Maryland & Arizona (Southern Peaks)
- TYC (Hector Garza)

ACB

- Leavenworth County (Grossman)
- Cities of Fontana & Ontario (jails)

As of 06/30/08

Great Plains Correctional Facility Expand Capacity (Beds)



- Facility built in 1991 at 480 beds
- CRN began management 1998, housing 766 inmates for Oklahoma DOC
- 4Q06, CRN terminates contract with prior customer; last inmate leaves 2Q07
- 2Q07, awarded Arizona DOC take-or-pay contract; first inmate arrives 3Q07 and ramp to 916 capacity 4Q07
- 4Q08, expansion to 2048 beds scheduled to be complete - represents additional ~\$40mm in annual revenue
- Facility master plan could expand to ~4000 beds



Abraxas Example: “Leadership Development Program”

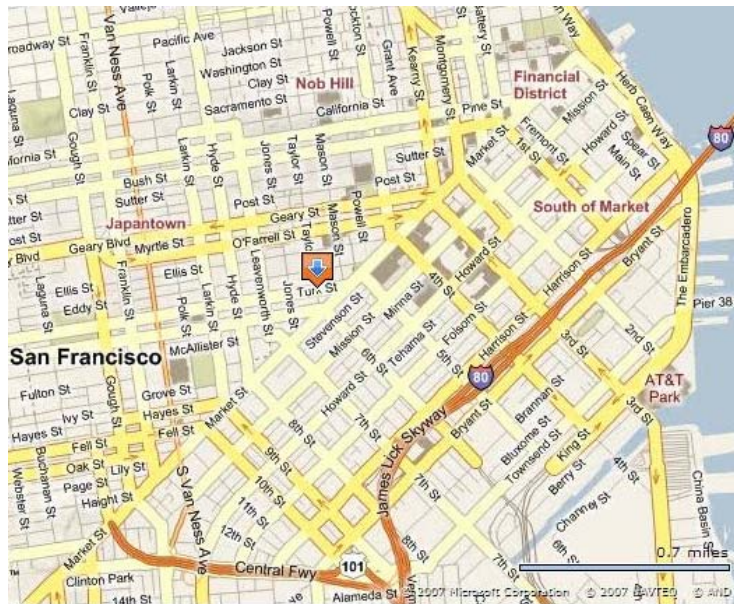
Stable operations for over 13 years



- Staff-secure 120 bed residential program
- Adjudicated delinquent and dependent 13-18 year old males and females
- Primarily first and second time offenders
- 8:1 client to direct care staff ratio
- Year-round, licensed, private onsite school
- Multi-disciplinary, professional treatment staff
- Medical, psychological, psychiatric and dental services
- Addressing market opportunities has resulted in a shift in program mix and increased per diems

ACB Example: “Taylor Street”

Taylor Street Center: Mixed population (FBOP & CDCR) in downtown San Francisco



- Converted SRO Hotel
- 1984, started operations as halfway house (46 beds)
- 1989, CRN began operating (60 beds)
- 2007, operates at 177 beds; expansion potential to 200 beds
- Real estate analysis for “higher, better use of assets
- Prime location to serve needs of both customers
- Provides temporary single-sex housing, monitoring and transitional services minimum-security adult male and female offenders

- Cornell Recent History
- Cornell Today
- **Cornell's Future Growth**
- Supporting Data



Cornell's Future Growth

Strong Demand:

Attractive macro-economic demand across all businesses: demographics, criminal justice trends & limited momentum for sentencing reform; private providers' strong value proposition vs. customer alternatives

Supply Constrained:

Customers unable to build sufficient inventory; purchasing behavior limits new entrants; smaller competitors capital short

Earnings Visibility:

Clear path for EBITDA growth:

- 1) Activate announced "wins"
- 2) Expand existing footprint
- 3) Complete ramp of youth programs

Defensible Competitive Positions:

- Adult Secure: Targeted opportunities provide attractive platforms for growth; expansion via control of 80%+ of beds through direct ownership or MCF
- Abraxas Youth Services and Adult Community-Based: Increasing competitive advantage based on scale and increasing customer demands

How does Adult Secure grow?

- 1) Apply capital to expand capacity at existing footprint.
- 2) Selectively “win” / acquire new footprint.

Activate announced “wins”:

- Activated:
 - Big Spring CAR VI 800 beds
 - DRJ USMS Expansion 300 beds
- In progress:

	<u>Timing</u>
• Walnut Grove 500 beds	3Q08
• Hinton (Arizona DOC) 1100 beds	3Q08
• DRJ Second Expansion 700 beds	1Q09
• Hudson 1250 beds	4Q09

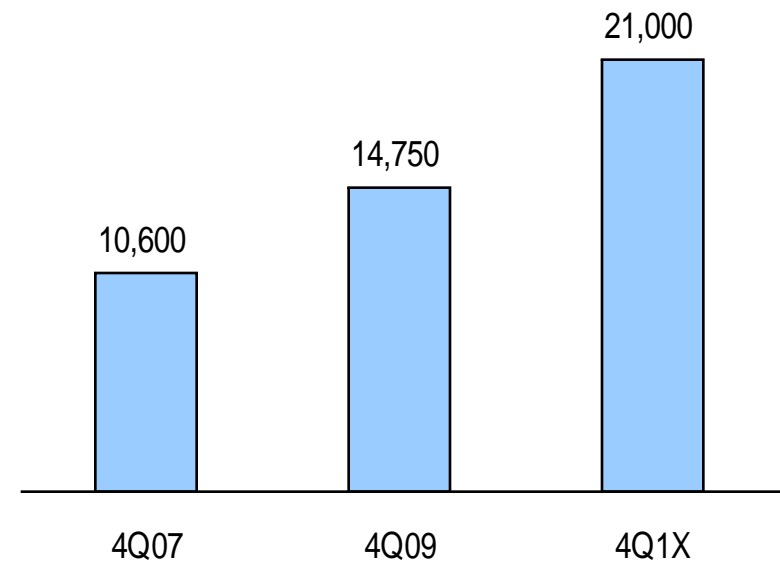
Leverage infrastructure to continue expansion of current assets

- 7,000-10,000 beds on existing footprint

Selectively compete for new bids (new growth platforms) where:

- a) Asset expandable
- b) Competitor scale advantages not dominant,
- c) Program experience / customer relationship strong
- d) Selection not just “price-based”

Adult Secure Capacity





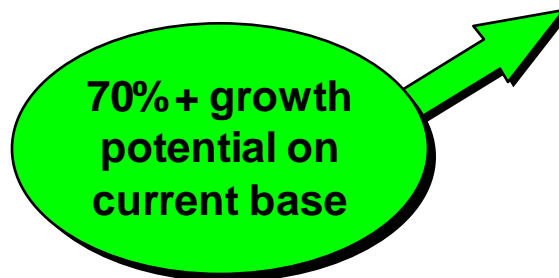
Future Expansion Potential

Capacity Increase Potential Selected Secure Facilities

Facility	1Q06 Capacity	2Q08 Capacity	1Q10 Capacity	Possible Expansion	Potential Capacity	CRN Control
Big Spring, TX	2,646	3,509	3,509	300 - 500	4,000	2046 *
D.Ray James, GA	1,640	2,170	2,870	1000 - 1500	4,000	2046 *
Hudson, CO	0	0	1,250	1500 - 2500	4,000	2039
Hinton, OK	766	916	2,048	1000 - 1500	3,500	2046 *
Moshannon Valley, PA	1,300	1,495	1,495	1500 - 2000	3,500	Owned
Walnut Grove, MS	941	941	1,450	500+	2,000	Managed **
RCC, NM	970	970	970	-	970	2014
High Plains, CO	N/A	272	280	400 - 600	800	Owned
Baker, CA	262	262	262	300 - 500	700	Owned
Mesa Verde, CA	360	360	360	-	360	2030
Leo Chesney, CA	200	305	305	-	305	2010

Total

7,000 - 10,000



* Leased from MCF

** Managed under contract with State of Mississippi



How does Abraxas Youth grow?

- 1) Ramp underutilized facilities
- 2) Focus on "last few beds"
- 3) Shift "mix" to more profitable services

Asset Maximization:

- Complete population ramp Abraxas Academy, Hector Garza, A1 & Southern Peaks: 414 beds
- Focus on "last few beds" at other facilities: 201 "unutilized" beds 2Q08

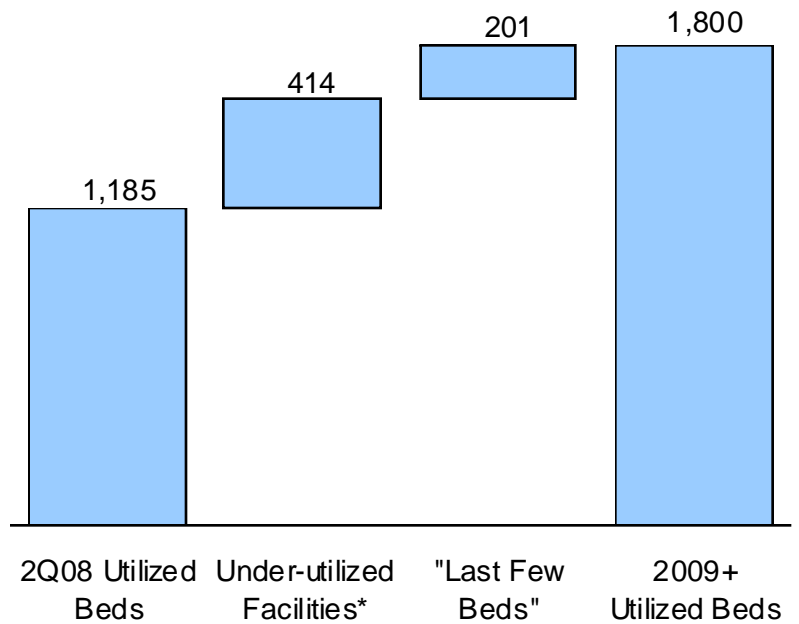
Targeted Product Mix:

- Migrate product mix to "more difficult" residential populations (e.g. sex offenders, fire setters) with higher per diems; market to out of state populations to increase average per diems within a facility

Targeted Acquisitions:

- Accretive deals
- Market entry in attractive geographies with expansion potential

Abraxas Youth Residential Capacity



*Under-utilized facilities include Abraxas Academy, Hector Garza, A1, and Southern Peaks
As of 06/30/08

How does ACB grow?

- 1) Focus on “last few beds”
- 2) Shift “mix” to more profitable services

Asset Maximization:

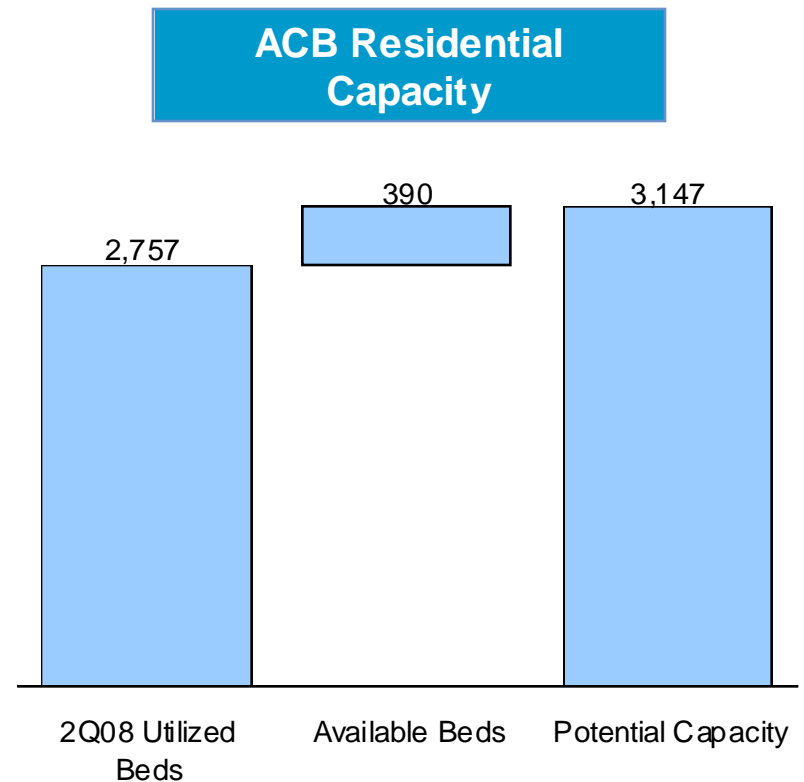
- Fill unutilized beds across platform
- Migrate population mix to higher margin populations

Expand Programs:

- Acquire adjacent land to owned facilities
- Maximize footprint to zoning
- Expand CUP of existing facilities

Targeted Acquisitions:

- Accretive deals
- Target zoning constrained geographies with 75+ beds, clear expansion potential and opportunity to layer additional products.



As of 06/30/08

Capital Uses

- Announced 2008 projects require \$75mm (DRJ & Hinton)
- Additional projects could require \$100-150mm 2009-11
- Targeted acquisitions
- \$112mm 10.75% Senior Notes (callable Jul08)

Capital Sources

- Cash Flow of \$30mm+ per year
- Expanded revolver 3Q07 to \$100mm; accordion to \$150mm
- \$150mm of “earning assets” currently on balance sheet
- \$100mm operating lease at Hudson

Execution Increases Options Available for CRN to Evaluate

- Raise Debt and/or Equity to fund facility expansions
- Raise capital to refinance senior notes @ 105.375 call premium
- Recycle real estate into capital for new program expansions
- Use third party financing for greenfield sites

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“Alpha” Story

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**Significant Value Growth Potential for
Several Years**

- Cornell Recent History
- Cornell Today
- Cornell's Future Growth

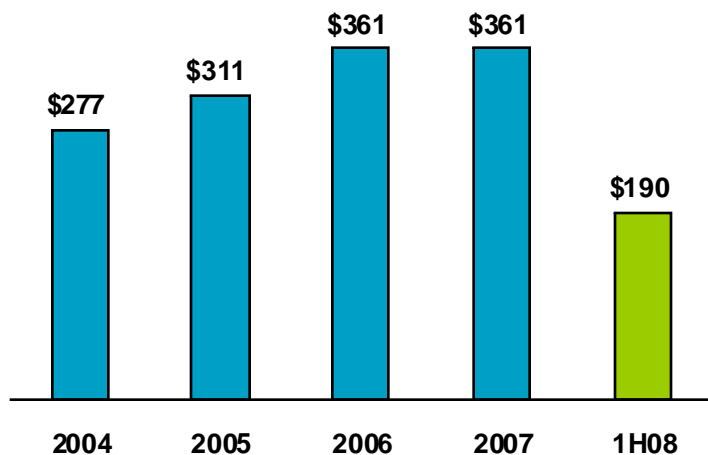
- **Supporting Data**



Financial Performance

Revenue*

(\$mm)



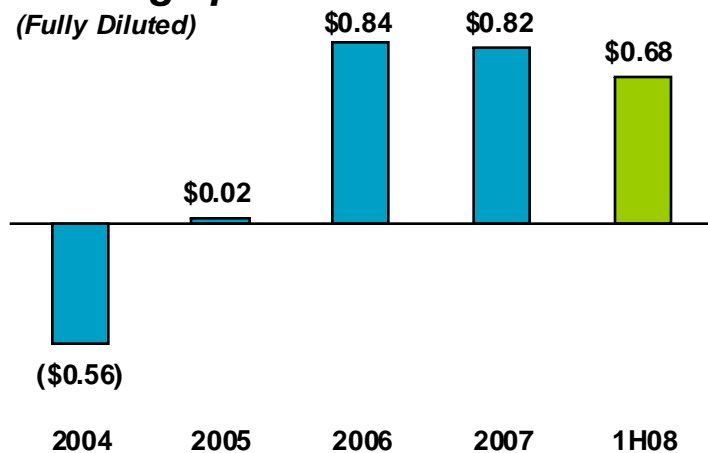
EBITDA*

(\$mm)



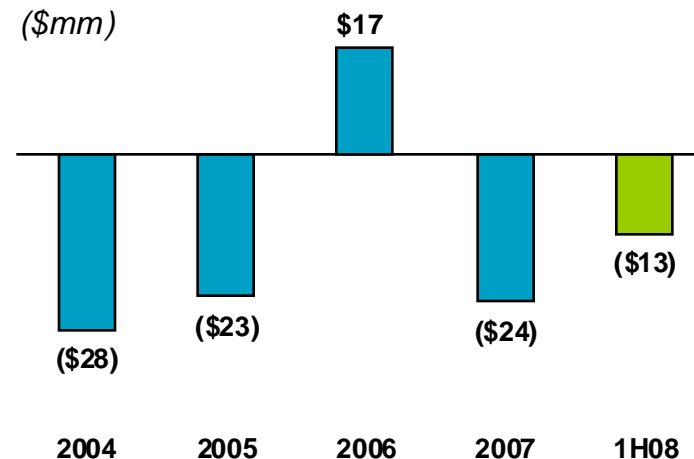
Earnings per Share

(Fully Diluted)



Free Cash Flow**

(\$mm)



* From continuing operations

** Net cash provided by operations less capital expenditures (2004 - 40.2; 2005 - \$51.1; 2006 - \$12.3; 2007 - \$50.9; 1H08 - \$39)



P&L Overview

	2003	2004	2005	2006	2007	1H08
Revenue (\$mm)	\$258.2	\$277.2	\$310.8	\$360.9	\$360.6	\$190.0
<i>Adult Secure</i>	102.1	114.8	128.5	178.8	183.2	100.2
<i>Adult Community Based</i>	49.5	48.6	63.3	66.3	68.1	35.2
<i>Abraxas Youth</i>	106.5	113.8	119.0	115.8	109.3	54.6
SG&A (\$mm)	23.4	20.3	20.4	21.7	25.5	13.8
<i>SG&A %*</i>	9.1%	7.3%	6.6%	6.0%	7.1%	7.3%
Segment Operating Income	24.5	14.5	27.9	44.8	45.0	44.5
<i>Adult Secure</i>	25.6	24.9	26.2	44.8	44.1	30.9
<i>Adult Community Based</i>	10.6	9.2	11.9	12.4	16.5	9.5
<i>Abraxas Youth</i>	14.2	3.8	13.7	12.6	13.1	4.1
Segment Operating Margin	9.5%	5.2%	9.0%	12.4%	12.5%	23.4%
<i>Adult Secure</i>	25.1%	21.7%	20.4%	25.1%	24.1%	30.8%
<i>Adult Community Based</i>	21.4%	18.9%	18.8%	18.7%	24.2%	27.0%
<i>Abraxas Youth</i>	13.3%	3.3%	11.5%	10.9%	12.0%	7.5%

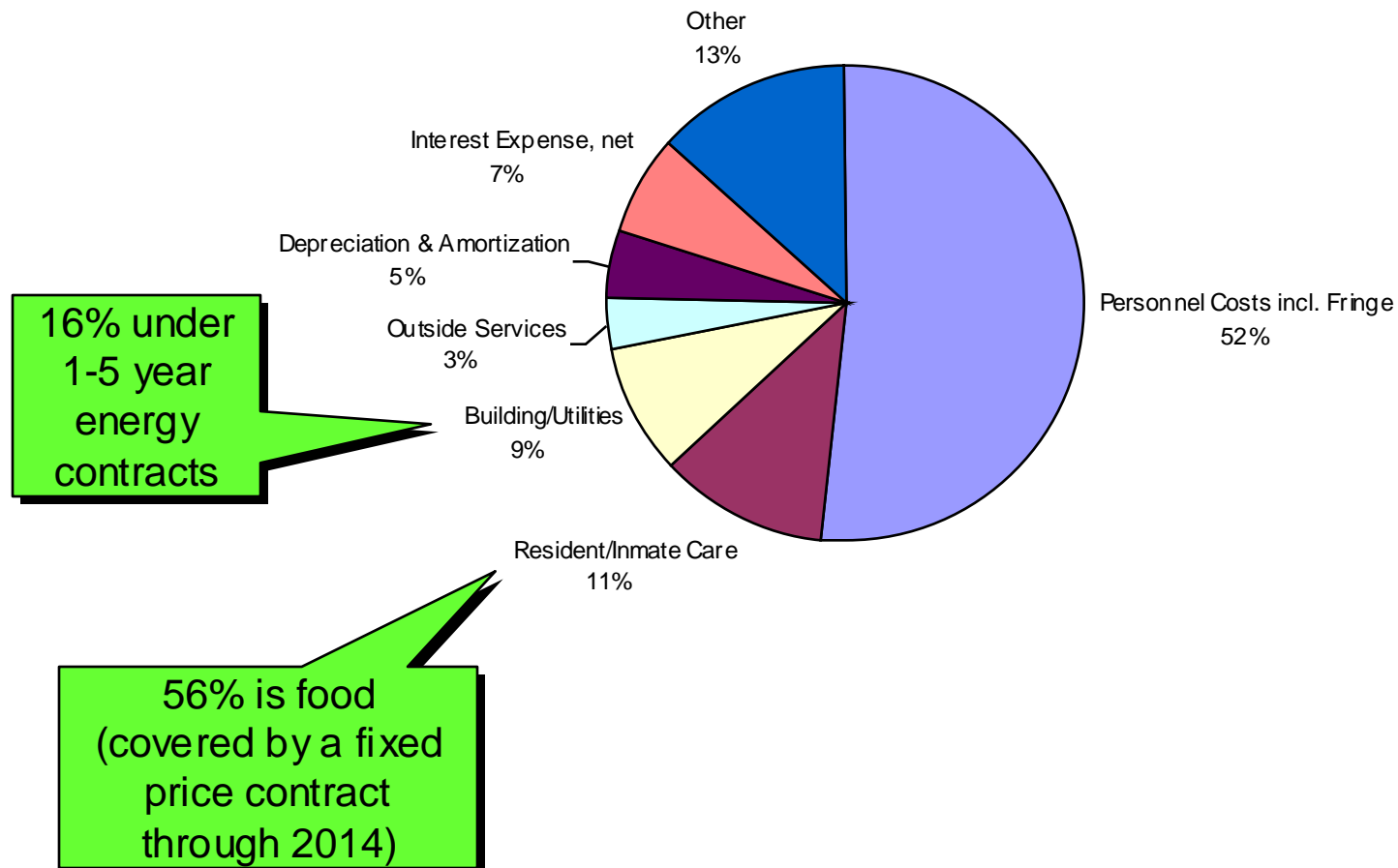
*Calculated as SG&A as a percentage of revenues



Balance Sheet Overview

(\$000)	6/30/2008	12/31/2007	12/31/2006
Cash and cash equivalents	\$1,021	\$3,028	\$18,529
Investment securities	-	250	11,925
Working capital	35,444	47,757	75,078
Property and equipment, net	424,637	383,952	319,064
Total assets	602,787	562,787	523,533
Long-term debt	292,884	275,298	255,471
Total debt	304,296	286,709	265,981
Stockholders' equity	212,711	200,449	181,564

Cornell Cost Structure



YTD as of 06/30/08



Non-GAAP Financial Measures and Reconciliations

Cornell Companies, Inc.

Non-GAAP Financial Measures and Reconciliations

Earnings before interest, taxes, depreciation and amortization (EBITDA)

(in thousands)

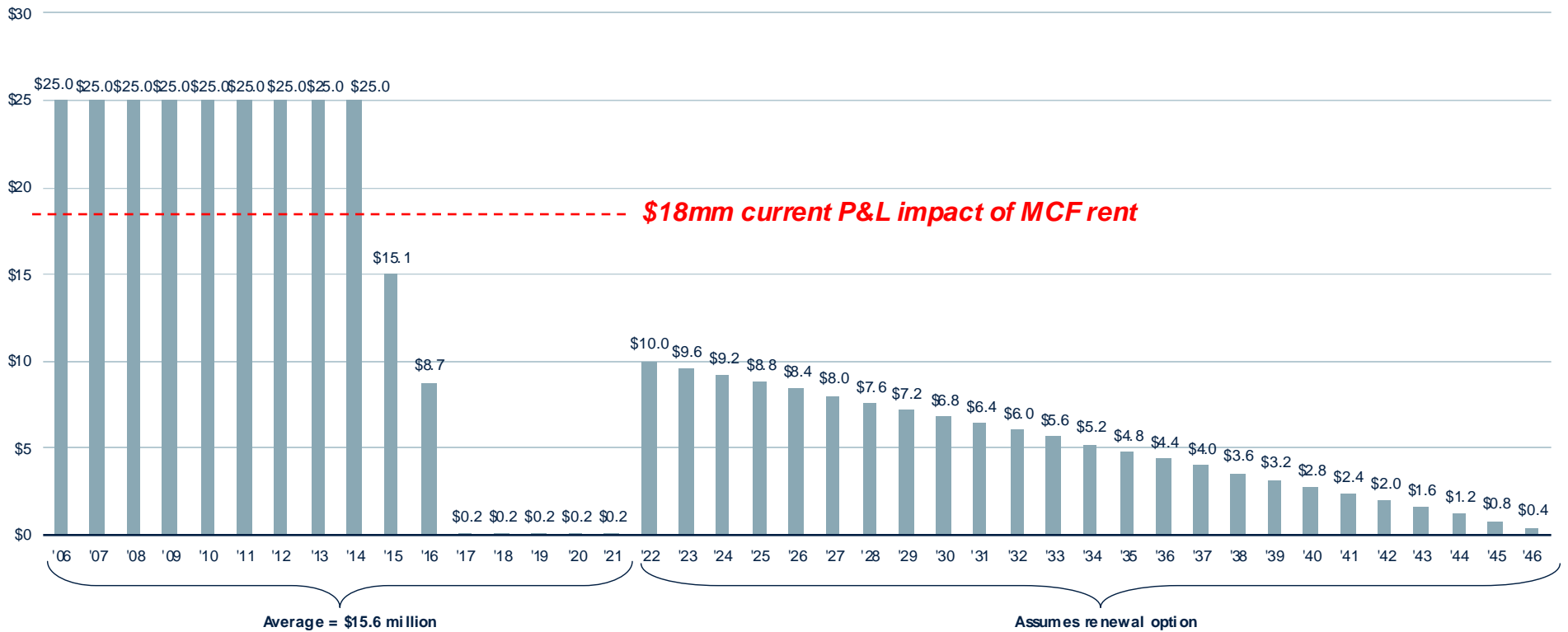


	FY 2008				FY 2007						FY 2006	FY 2005	FY 2004	
	YTD 6/30/2008	QTD 6/30/2008	YTD 3/31/2008	QTD 3/31/2008	YTD 12/31/2007	QTD 12/31/2007	YTD 9/30/2007	QTD 9/30/2007	YTD 6/30/2007	QTD 6/30/2007	QTD 3/31/2007	YTD 12/31/2006	YTD 12/31/2005	YTD 12/31/2004
EBITDA														
GAAP income from operations	29,404	14,914	14,490	14,490	45,009	14,590	30,419	10,538	19,880	12,047	7,833	44,798	27,866	14,459
Plus:														
Depreciation and amortization	8,377	4,220	4,157	4,157	15,986	4,246	11,740	3,988	7,753	3,912	3,841	16,285	15,200	13,187
EBITDA	37,781	19,134	18,647	18,647	60,995	18,836	42,159	14,526	27,633	15,959	11,674	61,083	43,066	27,646
Pre-opening and start-up expenses, net of start-up revenue			-	-	-	-	-	-	-	-	-	2,657	9,017	8,803
EBITDA, as adjusted	37,781	19,134	18,647	18,647	60,995	18,836	42,159	14,526	27,633	15,959	11,674	63,740	52,083	36,449



MCF Cash Rental Schedule (\$mm)

MCF Rental Expense	
Total Rental Expense (2006 - 2021)	\$249.7
Average Rental Expense (2006 - 2021)	15.6
Total Rental Expense (2022 - 2046)	\$130.1
Average Rental Expense (2022 - 2046)	5.2





Since June 2005, Cornell has taken several steps to strengthen its governance from a shareholder perspective:

- Increased shareholder representation on the Board from less than 1% at June 2005 to 23% as of May 2008
- Eliminated potential conflicts of interest from Board membership
- Rescinded poison pill
- Instituted majority vote
- Established equity ownership policy for Board and management
- Adopted trading blackout policy for Board and management
- Adopted options dating policy
- Adopted CEO succession plan policy



CORNELL