



CORNELL COMPANIES, INC.

POLICY  
GOVERNING  
BUSINESS CONDUCT

(As Updated Dec. 2007)

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## **I. INTRODUCTION**

It is the policy of the Company (which term, as used in this policy statement, includes each of the Company's subsidiaries), that all of its officers and employees should conduct the business of the Company on the highest ethical level and be free from any conflicting interests and relationships.

It is also the policy of the Company to comply with all applicable laws and regulations. The use of Company funds or assets for any unlawful purpose is strictly prohibited. This policy applies to all of the Company's operations and activities both in the United States and, when applicable, in foreign countries. With respect to foreign operations, it requires compliance with both applicable United States laws and the laws of the country in which such operations are conducted to the extent not in conflict with applicable United States law. The Company's Chief Administrative Officer (CAO) should be consulted when necessary to assure compliance with the Company's policies.

## **II. CONFLICTS OF INTEREST**

### **Purpose**

The purpose of this Conflict of Interest Policy is to ensure that Cornell's Directors, Officers and key employees (as specifically defined below) adhere to strict standards of business ethics in all business dealings to avoid relationships, activities, or ownerships which might create, or appear to create, a conflict between personal interests and the interests of the Company.

### **Definitions**

Key employee – Any current employee who makes or participates in the making of decisions that may have a material effect on financial interests. Key Cornell employees include, but are not limited to, Directors and above.

Family – The “family” of any Director, Officer, or key employee includes only his or her spouse, siblings & their spouses.

### **General Policy**

It is the duty of any Director, Officer or key employee involved in an actual or apparent conflict of interest to make certain that the Board of Directors is fully advised, preferably prior to consummation. It is also the duty of any Director, Officer or key employee having a conflicting interest to abstain from participation in approving, discussing, or recommending any action by Cornell in connection with any such matter.

Because of the difficulty in determining what gives rise to a conflict of interest, it is the policy of the Company to require all officers and key employees to report to the CAO promptly, in writing, any information necessary to determine the existence or likely development of conflicts of interest. Should there be any question as to whether a conflict in fact exists, any doubt should

be resolved in favor of assuming that the conflict does exist, and should be reported. Employees not required to report the following information should nevertheless use the following list as a guideline to potential conflicts.

Whenever this statement of policy refers to the interests of any officer or key employee, it includes the known interests of that individual's family.

### **Political Office**

An officer or key employee may not hold an office, public or private, in any organization which could potentially have an impact on the Company in a regulatory and/or business fashion.

### **Directorships, Trusteeships, Officerships and Partnerships**

All directorships, trusteeships, officerships or partnerships (except in charitable institutions) should be reported. Additionally, before an officer or employee accepts such a position, he should first consult with his supervisor, who will refer the matter to the CAO for review.

An officer or key employee shall not sit on the Board of Directors of any organization for which a current Cornell Director serves as an officer.

### **Investments in Enterprises with which the Company Does Business or Competes**

Each officer and key employee owning an investment in any enterprise that has current or prospective dealings with, or competes with, the Company shall report such interest unless the interest is in an enterprise whose common stock is listed on a national securities exchange or traded over the counter, and if the interest is in equity securities, such interest constitutes less than 1% of the issued and outstanding equity securities of the enterprise.

### **Compensation for Services, Other than from the Company**

Unless agreed to in writing by the CAO, any officer or key employee is prohibited from rendering, while in the employ of the Company, services to any person or firm that has current or prospective dealings with, or competes with, the Company.

### **Loans, Payments, Commissions or Reimbursements**

No officer or key employee may accept any loan (unless such loan is from a firm regularly in the business of loaning money to individuals, such as a bank), payment, significant gift, commission or reimbursement in any form from any competitor of the Company, or from any person or firm, including fellow employees, have a current or prospective dealings with the Company.

### **Gifts, Entertainment, Travel, or Products at Reduced Cost**

No officer or key employee may accept a gift or entertainment having more than a nominal value from any competitor of the Company, or from any person or firm having current or prospective dealings with the Company as a supplier, contractor or purchaser.

Likewise, no officer or key employee may accept any type of travel, lodging, or vacation benefit and/or product(s) at a reduced cost from any person or firm having current or prospective dealings with the Company as a supplier, contractor or purchaser.

### **III. POLITICAL CONTRIBUTIONS**

The Company encourages the participation of its employees, as private individuals, in the political process for federal, state and local elections. The Company also encourages the participation of its employees in political processes via the Cornell Employees Political Action Committee (“Cornell PAC”).

However, the use of corporate funds for political contributions is strictly regulated. Corporate contributions in connection with all federal elections and most state and local elections are prohibited by law. Election laws also regulate and restrict indirect support of candidates, such as in the form of tickets for special dinners or other fund-raising events, the loan of employees to candidates, political parties or committees or the furnishing of transportation and other services.

Therefore, no Company funds or assets may be utilized in support of any political campaign or candidate unless approved in advance by CEO, or in his absence the General Counsel and CAO, after a determination that such contributions are lawful. Additionally, no person may be reimbursed, or approve any reimbursement, by the Company for a contribution to a political action committee, political campaign or candidate. Any request made to a director, officer or employee for a Company contribution, directly or indirectly, for a political candidate or political activity shall be reported in writing to the General Counsel. The Company shall also comply with all relevant laws and regulations governing political contributions or expenditures for federal, state or local elections, including the reporting and disclosure of such amounts.

This corporate policy is in no way intended to discourage officers and employees from making personal contributions directly to candidates or political parties of their choice. Further, this policy does not in any way prohibit or discourage participation in the Cornell PAC, nor the lawful actions of the Cornell PAC, as long as the contributions are reported as required by relevant federal, state and local law.

### **IV. PROHIBITED PAYMENTS TO CUSTOMERS, CONTRACTORS, SUPPLIERS AND GOVERNMENT OFFICIALS**

Payments, loans or gifts, to domestic or foreign government officials, political parties, political party officials, or candidates for political office or to any of the Company's customers, contractors or suppliers, regardless of motive, are prohibited, except as expressly authorized below, or, with respect to contributions in support of candidates or political parties, as expressly authorized by prior written approval as provided in Section III above.

This prohibition encompasses the payment or use of the Company's funds, assets or property (or the use of personal funds, assets or property in connection with the Company's activities), directly or indirectly, to or for the benefit of (i) any person employed by, affiliated with or otherwise representing any government, (ii) any candidate for domestic political party or official thereof or (iii) any officer, employee, agent or representative of any customer, contractor or supplier. The prohibition includes:

- (a) Payments made by employees or third persons, such as commission agents or consultants, in connections with their activities on behalf of the Company.
- (b) The uncompensated use of Company services, facilities or property; and
- (c) Loans, loan guarantees or other extensions of credit.

### **Gifts**

The Company's policy does not prohibit gifts to a governmental official or a representative of a customer, contractor or supplier, provided that the following conditions are met:

- (a) Each individual gift, and the aggregate of all gifts given during the previous 12 months, is of nominal value.
- (b) The giving and receipt of such gift by the recipient thereof is legal under all applicable laws.

### **Meals and Entertainment**

The Company's policy does not prohibit reasonable expenditures for meals or entertainment of a governmental official or a representative of a customer, contractor or supplier that are incidental to Company business, if otherwise lawful and if reported under standard expense account procedures and if in compliance with the guidelines of the governing taxing authority.

### **Facilitating Payments**

All employees must understand and abide by the Foreign Corrupt Practices Act. Payments to government officials whose duties are essentially clerical may be required by custom or practice to expedite or obtain governmental action to which the Company is entitled as a matter of law. As a policy matter, the Company is opposed to such "facilitating" payments and believes that every effort should be made to avoid them by careful planning and scheduling. Accordingly, such payments are prohibited unless all of the following conditions are met:

- (a) The payment is made to expedite or obtain governmental action to which the Company is lawfully entitled but which might otherwise be refused or unduly delayed;
- (b) A failure to obtain such action promptly will have an adverse effect on the Company's business and there is no feasible alternative;

- (c) The payment is generally known to be required by custom or practice;
- (d) The payment is made to a foreign government employee whose duties are essentially clerical;
- (e) The payment has been approved in advance by the CEO or CAO; and
- (f) The payment is disclosed in the Company's records.

## **V. ANTITRUST COMPLIANCE**

Each officer and employee of the Company will comply in all respects with federal and state antitrust laws. To that end, no employee of the Company may under any circumstances or in any context enter into any understanding or agreement (whether expressed or implied, formal or informal, written or oral) with a competitor or potential competitor, limiting or restricting in any way the actions of either party, to any third party, as to prices, costs, profits, products, services, terms or conditions of sale, market decisions to quote or not to quote, customer or supplier classification or selection, sales territories or distribution methods.

## **VI. CONSULTANTS**

The Company frequently engages consultants, agents and other third parties to perform services in the normal conduct of its business. The retention of a consultant must be approved by the CAO.

In addition, the retention of any agent or third party in connection with the Company's operations in a foreign country must be approved by the CAO and the CEO.

The compensation of consultants, agents or third parties should follow normal business practice and be reasonable in relation to the services performed.

## **VII. CONFIDENTIAL INFORMATION**

No employee shall disclose confidential business information about the affairs of the Company to any person or to any nonaffiliated enterprise. No employee who has acquired confidential business information about the affairs of the Company, which information is not publicly available and which might tend to influence the securities of any other company with which the Company might have dealings, shall use such confidential information as an opportunity for personal financial gain or benefit.

## **VIII. PROPER ACCOUNTING**

Compliance with accepted accounting rules and controls is required at all times. Books and records shall be made and kept that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Company. No undisclosed or unrecorded fund or asset of the Company shall be established for any purposes.

## **IX. COMPLIANCE AND IMPLEMENTATION**

Strict adherence to this policy is a condition of continued employment and/or membership on the Board of Directors.

Each officer and key employee shall be responsible for the enforcement of, and compliance with, this policy by the employees under his or her supervision.

Any employee who has any questions about the interpretation of this policy or its application to a particular proposed course of action should present that question to an appropriate higher level of corporate authority. Questions of interpretation of this policy, or the legality of any proposed course of conduct, should be referred to the CEO or CAO.

## **X. REPORTING VIOLATIONS OF THE POLICY**

It is the obligation of every officer and employee to report promptly any actual or reasonably suspected violation of the Policy. All reports will be promptly investigated and appropriate corrective or disciplinary action will be taken, including notification of regulatory authorities.

## **XI. PRE-CLEARANCE OF STOCK TRANSACTIONS**

Refer to the attached Statement of Policy Regarding Securities Trades by Company Personnel.

## **XII. DISCLOSURE PROCEDURES**

Officers and key employees will be required annually to certify that they are familiar with this policy and have complied and will comply with its terms. Newly-hired employees in such positions will be required to make a similar certification at the commencements of their employment.

Upon joining the Company, Board members, officers, or key employees should submit to the Company's Treasurer & Corporate Secretary, via the Conflict of Interest Disclosure Statement, a list of his or her affiliations (including family) with any person, firm, organization, or corporation with which he or she has reason to believe Cornell does business; any business affiliations which the individual may have with any other director, officer or key employee of the Company; and such other information as may be necessary to comply with this policy .

On an annual basis, a written Conflict of Interest Disclosure Statement should be submitted to the Company's Treasurer & Corporate Secretary (initiated by the Company). The results will be presented to the Audit Committee and/or Board of Directors and reflected in the appropriate minutes. Additionally, any significant changes in the representations made on the Conflict of Interest Disclosure Statement during the year should be reported immediately.

In order to encourage full disclosure of potential conflicts without unduly intruding on the privacy of the Company's directors, officers and key employees (or family members),

disclosures will be treated confidentially. All prudent measures will be taken to limit access to the extent necessary for review and possible resolution of potential conflicts. To this end, all completed disclosure statements will be maintained by the Treasurer & Corporate Secretary and the contents kept confidential pursuant to this policy.

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