

**Capital Senior Living Corporation**  
**Fifth Amended and Restated Audit Committee Charter**

**Statement of Purpose**

The audit committee shall provide assistance to the Board in fulfilling its oversight responsibility relating to:

- corporate accounting;
- the Company's system of internal controls regarding finance, accounting, legal compliance and ethics;
- reporting practices of the Company;
- the quality and integrity of the financial statements of the Company;
- the Company's compliance with legal and regulatory requirements;
- the independent auditor's qualifications and independence; and
- the performance of the Company's internal audit function and the Company's independent auditors.

In addition, the audit committee shall prepare the disclosure required by the rules of the Securities and Exchange Commission (the "SEC").

It is the responsibility of the audit committee to maintain free and open communication between the Board, the independent auditors, and the financial management of the Company. In discharging its oversight role, the committee is empowered to investigate any matter brought to its attention with full access to all books, records, facilities, and personnel of the Company and the power to retain outside counsel or other advisors for this purpose.

In carrying out its responsibilities, the audit committee believes its policies and procedures should remain flexible in order to best react to changing conditions and circumstances. The committee should take appropriate actions to set the overall corporate "tone" for quality financial reporting, sound business risk practices, and ethical behavior.

**Organization**

*Independence*

The audit committee of the board of directors of the Company (the "Board") shall be comprised of at least three directors. The audit committee members shall

each be determined by the Board to be “independent” under Section 10A(m)(3) of the Securities Exchange Act of 1934 (the “Exchange Act”), Rule 10A-3 of the Exchange Act, the rules of the New York Stock Exchange (the “NYSE”) and the rules and regulations of the Securities and Exchange Commission (the “SEC”).

#### *Financial Expertise*

Each member of the audit committee must be financially literate, as such qualification is interpreted by the Board in its business judgment; or must become financially literate within a reasonable period of time after appointment to the audit committee. In addition, at least one member of the audit committee must be an “audit committee financial expert” as such term is defined in Item 407(d)(5)(ii) of Regulation S-K.

#### *Simultaneous Service*

If an audit committee member serves on the audit committee of more than three public companies, the Board shall determine whether such simultaneous service will impair the director’s ability to effectively serve on the audit committee and disclose such determination in accordance with the regulations of the NYSE.

#### *Funding*

The Company shall provide for appropriate funding, as determined by the audit committee, for payment of compensation to the independent auditor for the purpose of preparing or issuing an audit report, or performing other audit, review or attest services for the Company, for payment of compensation to any advisors employed by the audit committee and for ordinary administrative expenses of the audit committee that are necessary or appropriate in carrying out its duties.

### **Appointment and Removal**

The members of the audit committee shall be appointed by the Board and shall serve for the term set forth in the By-Laws of the Company.

### **Chairperson**

Unless a Chairperson is elected by the Board, the members of the audit committee shall designate a Chairperson by the majority vote of the full audit committee membership. The Chairperson will chair all regular sessions of the audit committee and set the agenda for audit committee meetings.

### **Meetings**

The audit committee shall meet as often as it determines is necessary but no less than once per quarter, either in person or telephonically, and at such times and places as the audit committee shall determine. Polling of audit committee members is not permitted in lieu of meetings.

The audit committee should meet periodically with management, the internal auditors and the independent auditor in separate sessions to discuss any matters that the audit committee or either of these groups believes should be discussed privately. In addition, the audit committee should discuss with the independent auditors and management the Company's annual and quarterly financial statements and adequacy of internal controls.

The audit committee may request any officer or employee of the Company or the Company's outside counsel, independent auditor or other advisor to attend a meeting of the Committee or to meet with any members of, or consultants to, the Committee.

## **Responsibilities**

### *Oversight of Financial Reporting Process*

The primary responsibility of the audit committee is to oversee the Company's financial reporting process on behalf of the Board and report the results of their activities regularly to the Board and to review with the Board any issues that arise with respect to the quality or integrity of the Company's financial statements, the Company's compliance with legal or regulatory requirements, the performance and independence of the Company's independent auditors and the performance of the internal audit function.

While the audit committee has the responsibilities and powers set forth in this Charter, it is not the duty of the audit committee to plan or conduct audits or to determine that the Company's financial statements are complete and accurate and are in accordance with generally accepted accounting principles. Management is responsible for preparing the Company's financial statements, and the independent auditors are responsible for auditing those financial statements. It is not the duty of the audit committee to conduct investigations, or to assure compliance with laws and regulations.

### *Appointment of Independent Auditor*

The audit committee shall have the sole authority to appoint or replace the independent auditor (subject, if applicable, to shareholder ratification). The audit committee shall be directly responsible for the retention, compensation and oversight of the work of the independent auditor (including resolution of disagreements between management and the independent auditor regarding financial reporting) for the purpose of preparing or issuing an audit report or related work. The independent auditor shall report directly to the audit committee.

The audit committee has the responsibility to establish policies and procedures for the engagement of the independent auditor to provide permissible audit and non-audit services, which shall require preapproval by the audit committee (other than with respect to *de minimis* exceptions for non-audit services described in Section 10A(i)(1)(B) of the Exchange Act that are subsequently approved by the audit committee pursuant to such section). The audit committee shall ensure that

approval of non-audit services by the independent auditor are disclosed to investors in periodic reports filed with the SEC.

In carrying out these responsibilities, the audit committee will:

A. Financial Reporting Process and Documents/ Reports Review

- Meet with the independent auditors and financial management of the Company to review the scope of the proposed audit and timely quarterly reviews for the current year and the procedures to be utilized, the adequacy of the independent auditor's compensation, and at the conclusion thereof review such audit or review, including any comments or recommendations of the independent auditors.
- Review with the independent auditors, internal auditor and financial and accounting personnel, the adequacy and effectiveness of the accounting, financial and internal controls of the Company, and elicit any recommendations for the improvement of such controls or particular areas where new or more detailed controls or procedures are desirable. Particular emphasis should be given to the adequacy of internal controls to expose any payments, transactions, or procedures that might be deemed illegal or otherwise improper.
- Review with the independent auditors, internal auditor and financial and accounting personnel any major issues as to the adequacy of the Company's internal controls and any special steps adopted in light of any material control deficiency.
- Review disclosures made to the audit committee by the Company's Chief Executive Officer and Chief Financial Officer during their certification process for the Form 10-K and 10-Q about any significant deficiencies in the design or operation of internal controls or material weaknesses therein and any fraud involving management or other employees who have a significant role in the Company's internal controls.
- Discuss with management the Company's earnings press releases, including the use of "pro forma" or "adjusted" non-GAAP information, as well as financial information and earnings guidance provided to analysts and rating agencies. Such discussion may be done generally (consisting of discussing the types of information to be disclosed and the types of presentations to be made).
- Review and discuss the Company's quarterly financial statements and the disclosures under the heading "Management's Discussion and Analysis of Financial Condition and Results of Operations" with financial management and the independent auditors prior to the filing of the Company's Form 10-Qs (and prior to the issuance of

press release of results) to determine that the independent auditors do not take exception to the disclosure and content of the financial statements, and discuss any other matters required to be communicated to the committee by the auditors.

- Review and discuss the Company's annual audited financial statements and the disclosures under the heading "Management's Discussion and Analysis of Financial Condition and Results of Operations" contained in the annual report to shareholders with management and the independent auditors to determine that the independent auditors are satisfied with the disclosure and content of the financial statements to be presented to the shareholders, and discuss any other matters required to be communicated to the committee by the auditors.
- Review with financial management and the independent auditors the results of their timely analysis of significant financial reporting issues and practices, including changes in, or adoptions of, accounting principles and disclosure practices, and discuss any other matters required to be communicated to the committee by the auditors.
- Review reports received from regulators and other legal and regulatory matters, including the effect of regulatory and accounting initiatives, as well as off-balance sheet structures, that may have a material effect on the financial statements or related Company compliance policies.
- Review with financial management their judgments about the quality, not just acceptability, of accounting principles and the clarity of the financial disclosure practices used or proposed to be used, and particularly, the degree of aggressiveness or conservatism of the organization's accounting principles and underlying estimates, and other significant decisions made in preparing the financial statements.
- Report the results of the annual audit to the Board. If further requested by the Board, invite the independent auditors to attend the full board of directors meeting to assist in reporting the results of the annual audit or to answer other directors' questions (alternatively, the other directors, particularly the other independent directors, may be invited to attend the audit committee meeting during which the results of the annual audit are reviewed).
- Submit the minutes of all meetings of the audit committee to, or discuss the matters discussed at each committee meeting with, the Board.

- Prepare the audit committee report required by the rules of the SEC to be included in the Company's annual proxy statement.

#### B. Independent Auditors

- Have a clear understanding with the independent auditors that they are ultimately accountable to the audit committee, as the shareholders' representatives, who have the ultimate authority in deciding to engage, evaluate, and if appropriate, terminate their services.
- Review with the independent auditor any audit problems or difficulties and management's response, including any restrictions on the scope of the independent auditor's activities or on access to information and any disagreements with management. The audit committee may want to review with the independent auditor: any accounting adjustments that were noted or proposed by the auditor but were "passed" (as immaterial or otherwise); any communications between the audit team and the audit firm's national office respecting auditing or accounting issues presented by the engagement; and any "management" or "internal control" letter issued, or proposed to be issued, by the audit firm to the Company. This review should also include discussions of the responsibilities, budget and staffing of the Company's internal audit function.
- Inquire of management and the independent auditors about significant risks or exposures, assess the steps management has taken to minimize such risks to the Company and discuss policies with respect to risk assessment and risk management.
- Obtain and review a report from the independent auditor at least annually regarding (a) the independent auditor's internal quality-control procedures, (b) 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 respecting one or more independent audits carried out by the firm, and any steps taken to deal with any such issues, and (c) (in order to assess the firm's independence) all relationships between the independent auditor and the Company.
- Evaluate the qualifications, performance and independence of the independent auditor and the lead audit partner, including considering whether the auditor's quality controls are adequate and the provision of permitted non-audit services is compatible with maintaining the auditor's independence, taking into account the opinions of management and internal auditors. The audit committee

shall present its conclusions with respect to the independent auditor to the Board.

- Provide sufficient opportunity for the independent auditors to meet with the members of the audit committee without members of management present. Among the items to be discussed in these meetings are the independent auditors' evaluation of the Company's financial, accounting, and auditing personnel, and the cooperation that the independent auditors received during the course of audit.
- On an annual basis, obtain from the independent auditors a written communication delineating all their relationships and professional services as required by Independence Standards Board Standard No. 1, Independence Discussions with Audit Committees. In addition, review with the independent auditors the nature and scope of any disclosed relationships or professional services and take, or recommend that the Board take, appropriate action to ensure the continuing independence of the auditors.
- Ensure rotation of the lead audit partner as required by law and consider further whether, to assure continuing auditor independence, there should be a regular rotation of the outside audit firm itself. The audit committee should present its conclusions with respect to the independent auditor to the Board.
- Set policies for the Company's hiring of employees or former employees of the independent auditor.

#### C. Ethical and Legal Compliance

- Investigate any matter brought to its attention within the scope of its duties, with the power to retain outside counsel and other advisors for this purpose if, in its judgment, that is appropriate.
- Establish procedures for the receipt, retention and treatment of complaints received by the Company regarding accounting, internal accounting controls or auditing matters, and for the confidential, anonymous submission by Company employees of concerns regarding questionable accounting or auditing matters.
- Review and approve related person transactions (i.e. transactions that are required to be disclosed pursuant to Item 404 of Regulation S-K) in the manner set forth in the Company's Related Person Transaction Policy. The audit committee shall also review and reassess, at least annually, the adequacy of the Company's Related Person Transaction Policy and recommend to the Board any modifications to the Company's Related Person Transaction Policy that the audit committee considers necessary or valuable.

- Establish, review and update periodically a Code of Business Conduct and Ethics and ensure that management has established a system to enforce this Code.
- Receive, retain and determine treatment of reports of material violations of a federal or state securities law, a material breach of fiduciary duty arising under federal or state law, or a similar material violation of any federal or state law that is reported to the audit committee by an attorney because the attorney reasonably believes that it would be futile to report such material violation the General Counsel or the Chief Executive Officer or the attorney reasonably believes that the response of the General Counsel or Chief Executive Officer to his report of such material violation was not appropriate or was not timely.
- Obtain the full Board's approval of this Charter and perform a review and evaluation, at least annually, of the performance of the audit committee, including reviewing the compliance of the audit committee with this Charter. In addition, the audit 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 audit committee shall conduct such evaluations and reviews in such manner as it deems appropriate.

### **Disclosure of Charter**

This Charter will be made available in accordance with applicable rules and regulations. The Company's annual proxy statement or annual report on Form 10-K, as applicable, shall disclose that this Charter is available on the Company's website and provide the website address.

*Adopted by Resolution of the Board of Directors  
on May 8, 2007*

*Amended by Resolution of the Board of Directors  
on May 15, 2008*

*Amended by Resolution of the Board of Directors  
on May 11, 2010*