

Capital Senior Living, Inc.

Memorandum

DATE: March 5, 2007

TO: All Employees

FROM: David R. Brickman, General Counsel

RE: Whistle-Blower Policy

As you are probably aware, there has recently been a great deal of emphasis on the conduct of employees of public companies such as Capital Senior Living Corporation and its subsidiaries (“Capital”). One aspect of this emphasis has been a number of new federal laws and regulations that apply to our company and each of our employees. The purpose of this memorandum is to notify you of the procedures that you may follow if you have reason to believe that any laws are being violated. This memorandum supplements your Employee Manual and you are reminded that you must continue to comply with the policies in the Employee Manual.

Whistle-Blower Policy

It is the policy of Capital to establish and maintain a complaint program to facilitate (1) the receipt, retention and treatment of complaints received by Capital regarding its accounting, internal accounting controls, auditing matters or violations of the Code of Business Conduct and Ethics, and (2) the confidential, anonymous submission by employees of Capital of concerns regarding questionable accounting or auditing matters or violations of the Code of Business Conduct and Ethics.

All Capital employees should report either orally or in writing all evidence of activity by a Capital employee that may constitute:

- Instances of corporate fraud;
- Unethical business conduct;
- A violation of State or Federal law or the Code of Business Conduct and Ethics; or
- Substantial and specific danger to the employee’s or public’s health and safety.

Any Capital employee who in good faith reports such incidents as described above will be protected from threats of retaliation, discharge, or other types of discrimination including but not limited to compensation or terms and conditions of employment that are directly related to the disclosure of such reports. In addition, no employee may be adversely affected because the employee refused to carry out a directive which, in fact, constitutes corporate fraud or is a violation of State or Federal law.

Reporting Procedures

If you believe that any person connected with our company, including any director, officer, employee, supplier or client, has violated or intends to violate any law or regulation that relates to the company or the Code of Business Conduct and Ethics, you may contact your immediate supervisor, or the supervisor's manager. In instances where you are not satisfied with the supervisor's or manager's response, or are uncomfortable for any reason addressing such concerns to your supervisor or the manager of such supervisor, you may contact our Director of Human Resources, by telephone at (972) 770-5600, by email at clandino@capitalsenior.com, or by mail at Capital Senior Living, Inc., 14160 Dallas Parkway, Suite 300, Dallas, TX 75254. If for any reason, you would prefer to remain anonymous, you may call a toll-free telephone number that we have set up for this purpose. That telephone number is (1-877) 587-2461 and it is available 24 hours a day, 7 days a week. In order to be better able to respond to any information, we would prefer that you identify yourself and give us your telephone number and other contact information when you make any report. You can be assured that any information will be treated with utmost confidence. However, if you wish to remain anonymous, it is not necessary that you give your name and position in any notification.

In addition, the Audit Committee of the Company's Board of Directors has established additional procedures to address the receipt, retention and treatment of complaints received by the Company regarding financial statement disclosures, accounting, internal accounting controls or auditing matters. First, the Company shall promptly forward to the Audit Committee any complaints that it has received regarding financial statement disclosures, accounting, internal accounting controls or auditing matters. Any employee of the Company may also submit, in addition to the above, on a confidential, anonymous basis, any concerns regarding financial statement disclosures, accounting, internal accounting controls or auditing matters directly to the Audit Committee. All such concerns may be set forth in writing and forwarded in a sealed envelope to the chairman of the Audit Committee, in care of the Company's General Counsel, with a legend such as "To be opened by the Audit Committee only." If an employee would like to discuss any matter with the Audit Committee, the employee should indicate this in the submission and include a telephone number at which he or she might be contacted if the Audit Committee deems it appropriate. Any such envelopes received by the General Counsel shall be forwarded promptly and unopened to the chairman of the Audit Committee. Following the receipt of any complaints submitted hereunder, the Audit Committee will review and may investigate each matter so reported. The Audit Committee shall use reasonable efforts to protect the confidentiality and anonymity of the complainant in undertaking any investigation of complaints received hereunder. The Audit Committee shall retain itself or by outside counsel as part of the records of the Audit Committee any such complaints or concerns for a period of no less than five (5) years.

Questions

If you have any questions regarding this supplemental information, please feel free to contact our Director of Human Resources or General Counsel.