

Capital Senior Living Further Strengthens Financial Profile with Strategic Investment from Conversant Capital and Proposed Rights Offering to Raise Up to \$152.5 Million

New capital anticipated to repay debt, improve liquidity and fund growth strategies

DALLAS, July 22, 2021 – Capital Senior Living Corporation (“Capital Senior Living” or the “Company”) (NYSE: CSU), a leading owner-operator of senior living communities across the United States, today announced plans to raise up to \$152.5 million through (a) the private placement of convertible preferred stock to affiliates of Conversant Capital LLC (“Conversant”) and (b) a proposed common stock rights offering to its existing stockholders. Conversant will partially backstop the rights offering and will provide an incremental \$25 million accordion for future investment, subject to certain conditions. The Company intends to use the net proceeds of the private placement and rights offering for working capital, to repay debt and to fund accretive growth projects.

“We are delighted to announce this strategic investment from Conversant, whose principals have a history of partnering with real estate platforms and their management teams to help identify and capitalize on organic and external growth opportunities,” said Kimberly S. Lody, President and Chief Executive Officer of Capital Senior Living. “We believe this transaction comes at a pivotal time for Capital Senior Living, as the industry turns the corner from the pandemic and our management team, who was appointed during 2019 and stabilized the Company through the COVID-19 crisis, leads the organization into its next chapter of growth.”

The investment will substantially enhance the Company’s balance sheet and improve liquidity by providing working capital and addressing near- to medium-term mortgage debt maturities, including all mortgage debt maturities through 2023. Furthermore, by raising capital through a rights offering, the Company enables existing stockholders to participate in the value creation from this new phase of growth.

Since exiting all of its net lease obligations and transitioning many of its leased facilities to its new management services business earlier this year as part of its three-year strategic plan “SING” (Stabilize, Invest, Nurture, Grow), the Company has better optimized its asset base and further enhanced its free cash flow profile. The new capital infusion should permit the Company to deliver on the final pillar of that three-year strategic plan: growth. Capital Senior Living intends to use a significant portion of the net proceeds for capital expenditures to enhance the resident experience amid the evolving needs of the fast-growing, middle market senior population. The Company also intends to use a portion of the proceeds for acquisitive growth.

“Conversant’s investment comes as the business is showing significant improvement from the impacts of the COVID-19 pandemic,” Lody added. “As announced earlier today, our June average occupancy reached 79.1%, an increase of 380 basis points from the pandemic low in February 2021, which saw average monthly occupancy of 75.3%. We are very proud of how our dedicated and caring staff continue to provide our seniors with quality care, and we are pleased with how we have navigated the recovery. We believe this strategic transaction will enable us to further improve our already engaging resident experience and fully participate in the industry’s growth trajectory while further investing in our platform, talent, and occupancy-driving initiatives.”

"We are extremely excited to partner with Capital Senior Living and its leadership team. We are impressed with the service-first culture introduced by Kim and the team since they joined two years ago, as well as the thoughtful steps taken over recent quarters to right-size the Company's asset portfolio," said Michael Simanovsky, Founder and Managing Partner of Conversant. "Our capital and ability to support the Company's strategic and operational initiatives, together with the perspective we'll provide on the Company's Board, will give Capital Senior Living the flexibility to further enhance its quality of care and execute its planned growth initiatives."

The Board of Directors engaged in a thorough process to explore strategic alternatives and seek financing sources for the Company to address its liquidity needs. The Board unanimously approved the proposed transaction following the completion of this review.

Arbiter Partners Capital Management LLC ("Arbiter"), which beneficially owns approximately 13.7% of the Company's common stock, has indicated it intends to vote in favor of the proposed transaction and has advised the Company that it intends to subscribe in the rights offering.

Transaction Summary

The Company has entered into an investment agreement with Conversant pursuant to which affiliates of Conversant have agreed to purchase \$82.5 million of convertible preferred stock in a private placement, to backstop \$42.5 million of an approximately \$70 million rights offering of common stock through the purchase of additional shares of preferred stock, and to provide a \$25 million accordion. In aggregate, the minimum initial gross proceeds from the transaction will total \$125 million for accretive capital expenditures and acquisitions post-closing. The proposed transaction is subject to approval by the Company's stockholders and other customary closing conditions.

Transaction Details

- \$82.5 million private placement of newly designated Series A Convertible Preferred Stock to an affiliate of Conversant
 - The preferred stock will accrue dividends, to be paid in cash or in kind at the Company's option, at a rate between 11% and 15% to be determined based on the participation in the rights offering
 - The Convertible Preferred Stock will be convertible into common shares of the Company at an initial conversion price of \$40.00 per share
- Conversant will also provide interim debt financing in the form of an approximately \$17.3 million promissory note that is available to the Company immediately to provide funds for working capital between signing and closing of the private placement
 - The promissory note will accrue in kind at a rate of 15%
 - The promissory note will be converted into Convertible Preferred Stock upon closing of the private placement (or paid down with the proceeds of the private placement)
- Approximately \$70 million common stock rights offering to existing stockholders to allow them to purchase Company common stock at \$32.00 per share
 - Conversant has committed to backstop \$42.5 million of the rights offering by purchasing up to \$42.5 million of additional preferred stock, ensuring that the Company will receive total proceeds at closing of at least \$125 million and up to approximately \$152.5 million if the rights offering is fully subscribed

- The rights will be non-transferrable, and the rights offering will include an over-subscription right to permit each rights holder that exercises its basic subscription rights in full to purchase additional shares of common stock that remain unsubscribed at the expiration of the offering
- Further details of the rights offering including the record date and subscription period will be announced by the Company at, or prior to, the launch of the rights offering
- \$25 million accordion from Conversant for accretive capital expenditures and acquisitions post-closing subject to certain conditions, which will be funded through the issuance of additional shares of preferred stock to Conversant
- Conversant will have the right to designate a number of directors to the Board of Directors, proportionate to its beneficial ownership of the Company
- Conversant has agreed to customary standstill undertakings and transfer restrictions for the benefit of the Company

Subject to the receipt of stockholder approval and the satisfaction of the other closing conditions, the Company expects the private placement and rights offering to close during the fourth quarter of 2021.

Morgan Stanley & Co. LLC was the Company's financial advisor and Willkie Farr & Gallagher LLP was the Company's legal advisor in connection with the proposed transaction. Fried, Frank, Harris, Shriver & Jacobson LLP acted as Conversant's legal advisor in connection with the proposed transaction.

For additional details about the private placement and the rights offering, please see the Company's Current Report on Form 8-K to be filed with the SEC on July 22, 2021. Capital Senior Living will disclose additional details regarding the private placement and the rights offering in future press releases and in future filings with the SEC.

No Offer or Solicitation /Additional Information and Where to Find It

This press release does not constitute an offer to sell or the solicitation of an offer to buy any securities, nor will there be any sale of any securities in any state or other jurisdiction in which such offer, solicitation, or sale would be unlawful prior to registration or qualification under the securities laws of any such state or jurisdiction. The rights offering will be made pursuant to the Company's shelf registration statement on Form S-3, which became effective on May 6, 2020, and a prospectus supplement containing the detailed terms of the rights offering to be filed with the SEC. Any offer will be made only by means of a prospectus forming part of the registration statement. Investors should read the prospectus supplement, when available, and consider the investment objective, risks, fees and expenses of the Company carefully before investing. When available, a copy of the prospectus supplement may be obtained at the website maintained by the SEC at www.sec.gov.

This communication is being made in connection with the proposed private placement and rights offering. In connection with the proposed transaction, the Company intends to file a proxy statement with the SEC. The Company may also file other relevant documents with the SEC regarding the proposed transaction. The information in the preliminary proxy statement will not be complete and may be changed. The definitive proxy statement will be delivered to stockholders of the Company. This communication is not a substitute for any proxy statement or any other document that may be filed with the SEC in connection with the proposed transaction.

INVESTORS AND STOCKHOLDERS OF THE COMPANY ARE URGED TO READ THE PROXY STATEMENT AND ANY OTHER RELEVANT DOCUMENTS THAT MAY BE FILED WITH THE SEC, AS WELL AS ANY AMENDMENTS OR SUPPLEMENTS TO THESE DOCUMENTS, CAREFULLY AND IN THEIR ENTIRETY IF AND WHEN THEY BECOME AVAILABLE BECAUSE THEY CONTAIN OR WILL CONTAIN IMPORTANT INFORMATION ABOUT THE PROPOSED TRANSACTION.

Investors and security holders will be able to obtain free copies of the preliminary proxy statement and the definitive proxy statement (in each case, if and when available) and other documents containing important information about the Company and the proposed transaction once such documents are filed with the SEC through the website maintained by the SEC at www.sec.gov. Copies of the documents filed with the SEC by the Company will be available free of charge at sec.gov.

Participants in the Solicitation

The Company and its executive officers and directors and certain other members of management and employees may, under the rules of the SEC, be deemed to be “participants” in the solicitation of proxies in connection with the proposed transaction. Information regarding the Company’s directors and executive officers is available in its Proxy Statement on Schedule 14A for its 2020 Annual Meeting of Stockholders, filed with the SEC on November 3, 2020, and in its Annual Report on Form 10-K for the year ended December 31, 2020, filed with the SEC on March 31, 2021, as amended on April 30, 2021. These documents may be obtained free of charge from the sources indicated above. Other information regarding the participants in the proxy solicitation and a description of their direct and indirect interests, by security holdings or otherwise, will be contained in the proxy statement and other relevant materials relating to the proposed transaction to be filed with the SEC when they become available.

About Capital Senior Living

Dallas-based Capital Senior Living Corporation is one of the nation’s leading operators of independent living, assisted living and memory care communities for senior adults. The Company operates 75 communities that are home to nearly 7,000 residents across 18 states providing compassionate, resident-centric services and care and engaging programming. The Company offers seniors the freedom and opportunity to successfully, comfortably and happily age in place. For more information, visit <http://www.capitalsenior.com> or connect with the Company on [Facebook](#) or [Twitter](#).

About Conversant Capital

Conversant Capital LLC is a private investment adviser founded in 2020. The firm pursues credit and equity investments in the real estate, digital infrastructure and hospitality sectors in both the public and private markets. Further information is available at www.conversantcap.com.

Safe Harbor

The forward-looking statements in this press release are subject to certain risks and uncertainties that could cause the Company's actual results and financial condition to differ materially, including, but not limited to, the Company's ability to obtain stockholder approval for the proposed transaction; the satisfaction of all conditions to the closing of the proposed transaction; other risks related to the consummation of the proposed transaction, including the risk that the transaction will not be consummated within the expected time period or at all; the costs related to the proposed transaction; the impact of the proposed transaction on the Company's business; any legal proceedings that may be brought related to the proposed transaction; the continued spread of COVID-19, including the speed, depth, geographic reach and duration of such spread; new information that may emerge concerning the severity of COVID-19; the actions taken to prevent or contain the spread of COVID-19 or treat its impact; the legal, regulatory and administrative developments that occur at the federal, state and local levels in response to the COVID-19 pandemic; the frequency and magnitude of legal actions and liability claims that may arise due to COVID-19 or the Company's response efforts; the impact of COVID-19 and the Company's near-term debt maturities on the Company's ability to continue as a going concern; the Company's ability to generate sufficient cash flows from operations, additional proceeds from debt refinancings, and proceeds from the sale of assets to satisfy its short and long-term debt obligations and to fund the Company's capital improvement projects to expand, redevelop, and/or reposition its senior living communities; the Company's ability to obtain additional capital on terms acceptable to it; the Company's ability to extend or refinance its existing debt as such debt matures; the Company's compliance with its debt agreements, including certain financial covenants, and the risk of cross-default in the event such non-compliance occurs; the Company's ability to complete acquisitions and dispositions upon favorable terms or at all, including the transfer of certain communities managed by the Company on behalf of Fannie Mae, Healthpeak, Ventas, and Welltower; the Company's ability to improve and maintain adequate controls over financial reporting and remediate the identified material weakness; the risk of oversupply and increased competition in the markets which the Company operates; the risk of increased competition for skilled workers due to wage pressure and changes in regulatory requirements; the departure of the Company's key officers and personnel; the cost and difficulty of complying with applicable licensure, legislative oversight, or regulatory changes; the risks associated with a decline in economic conditions generally; the adequacy and continued availability of the Company's insurance policies and the Company's ability to recover any losses it sustains under such policies; changes in accounting principles and interpretations; and the other risks and factors identified from time to time in the Company's reports filed with the Securities and Exchange Commission.

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