Invictus

October 5, 2021

Ms. Kimberly Lody
President and Chief Executive Officer
Capital Senior Living Corporation
14160 Dallas Parkway
Suite 300
Dallas, TX 75254

Re: Alternative Financing on Market Terms

Dear Ms. Lody:

I am writing on behalf of Invictus Global Management, LLC (together with its affiliates, "Invictus"), a large common shareholder of Capital Senior Living Corporation ("CSU" or the "Company") (NYSE: CSU).

Invictus is a private equity firm focused on special situations and private credit. I started the firm with my partner, Cindy Chen Delano, after we had amassed 40 years of collective experience investing in complex capital structures and unique situations. Invictus is proud to have strong relationships with its capital sources, including leading investors such as Corbin Capital Partners, a $9 billion institutional investor based in New York.

We are owners of CSU because we believe the Company has significant opportunities to create value from its world-class asset base. We have conducted thorough diligence, with the assistance of a leading industry expert who is familiar with the Company's assets and operations, and have concluded that there is a very viable, indeed exciting, business at CSU with valuable assets on the balance sheet. Less than a month ago, CSU announced its sixth consecutive month of occupancy growth, underpinned by robust leading indicators like leads and move-ins, and we are confident that the Company is well-positioned to capitalize on the post-pandemic recovery.

We were therefore surprised when the Company committed to a financing from Conversant Capital LLC, which was more akin to the financing transactions we see for deeply distressed companies. Given the transaction's onerous terms, we are not surprised that shareholders revolted. And, frankly, although the recently amended transaction is better for shareholders, it is still off market and far from what shareholders deserve, given the high-quality asset base and strength of CSU's underlying business.

We recognize that two large shareholders, both of whom are being afforded special treatment – including backstop fees, expense reimbursement and board representation – have supported the Conversant transaction. It appears, however, that their support was motivated by or even conditioned on their special treatment. What about the rest of your shareholders who are not receiving outsized Board influence and egregious fees? For them, we believe, the Conversant transaction remains suboptimal.

We have publicly indicated a willingness to provide an alternative to the Conversant transaction – one that is equal in size, significantly cheaper to the Company and more conventional in its terms. We were surprised that you did not seek to learn more about our proposal even as you were in negotiations with Conversant about amendments to their transaction.

We do not believe shareholders will support your amended transaction with Conversant. And when they reject it at the Special Meeting, we stand ready to provide capital to the Company in short order, on terms that are significantly more favorable to the Company and all of its shareholders.

Among other things, we believe the common shareholders should continue to select directors, so the Company can be run for the benefit of all shareholders – not just those who have privately negotiated special treatment. Our proposal involves the addition of just one director selected by Invictus, but would otherwise leave the Board's composition to the judgment of its shareholders.

With respect to the financing itself, we are proposing a $150 million capital infusion, which would be used to substantially extend the Company's debt maturities, allowing for the Company to continue its post-pandemic recovery and facilitating future growth. In particular, we propose:

- Upon termination of the Conversant transaction, an immediate $25 million cash infusion in the form of secured debt (the "Invictus Bridge Loan") that would be used to refinance the Conversant bridge loan and provide working capital. This capital would be provided without further diligence or the need for a shareholder vote. Interest would be payable in cash or in kind at 10% or 12%, respectively, with a one-year maturity date and a 3% structuring fee.

- A $75 million senior secured term loan (the "Invictus Term Loan") upon the completion of property appraisals satisfactory to us and confirmation of a Loan-to-Value ratio of no more than 75%. We believe the diligence process should take no more than two weeks and we have a high degree of confidence that the appraisals will assign values to your properties that match or exceed the values we have ascribed after our extensive diligence effort. The Invictus Term Loan would have a five-year maturity and carry a floating interest rate of LIBOR plus 800 basis points for cash payments and LIBOR plus 1000 basis points for payments in kind, with a 3% structuring fee. The Invictus Term Loan would be secured by a first lien on all unencumbered collateral and a junior lien on all encumbered collateral and would be used to refinance the Company's existing BBVA and Fifth Third Bank loans.

- $75 million of junior lien convertible notes (the "Convertible Notes") with a six-year maturity and a conversion price of $40.00 per share, carrying interest at 8%, to be paid in cash or in kind at the Company's option. The Convertible Notes would be secured by a junior lien on all term loan collateral. Invictus would backstop the entire issue of Convertible Notes and is fully prepared and able to fund the entire $75 million itself. However, we openly welcome other shareholders to participate in the backstop and earn a *pro rata* portion of the backstop fee. Importantly, we would ensure that every shareholder also had the right to buy at least its *pro rata* portion of the Convertible Notes on a *pari passu* basis. The Company is owned by its shareholders, and they should have the right to provide additional capital to the Company when needed.

I have attached comprehensive term sheets for each of these financing instruments, which have been reviewed by our outside counsel and advisors. I believe you will take comfort from the minimal, customary closing conditions. We have only limited confirmatory diligence matters to complete (principally appraisals of some of the properties) and customary documentation requirements. Shareholders will be asked for their support at a special shareholders meeting. Little else stands in the way of the Company raising capital on terms that are far superior for the Company, and all of its shareholders, than those offered by Conversant.

Upon termination of the Conversant transaction, Invictus stands ready to fund the $25 million Invictus Bridge Loan, subject only to customary and acceptable definitive documentation, which should take no more than seven days to negotiate and prepare. We are then prepared to move expeditiously to complete and close the $150 million of longer-term financing, a portion of which would replace the Invictus Bridge Loan, and believe that the full package could be in place before January 31.

As shareholders, we are gravely disappointed by the transaction the Board approved. We do not believe it maximizes value for the Company's owners. As experts in structuring complex financings, however, we are encouraged by the possibility of providing capital to CSU – a Company with a terrific future – on terms that are far superior to those in the Conversant deal.

We recognize that you agreed to restrict yourselves and cannot speak with us about our proposed transaction, so we do not expect an immediate response. That said, we are confident that CSU shareholders will reject the Conversant deal and you will then be permitted to engage with us. We look forward to speaking with you then and to providing the Company the financing it deserves.

Sincerely,

//s//

Amit Patel
Partner

Encl.