

Capital Senior Living Corporation is committed to providing quality housing and services based on the highest standards of excellence in the industry. Our goal is to enrich the daily lives of our senior residents by providing an environment that stimulates them physically, mentally, and emotionally. Therefore, each community offers a relaxed atmosphere of warmth and caring that promotes companionship among residents and staff. Each community's employees are personally committed to serving residents and treating them with dignity and respect.

Capital Senior Living Corporation is a leader in residential communities for senior adults. Our success comes as a result of skilled management—more than 135 years of combined industry experience—and careful strategic planning. The dramatic increase in the nation’s elderly population will continue to drive our growth and the demand for our services. In this annual report, we’ll share with you the strategies that will lead to continued success for our Company.

To our fellow shareholders

The past year was extremely challenging for the senior living industry as a whole. During the year, however, Capital Senior Living Corporation was able to complete several initiatives that should position us favorably to continue our growth and take advantage of emerging opportunities during 2001 and beyond. Since its inception, the Company has operated with a multifaceted strategy that provides the potential for growth through the various cycles of our industry. The cornerstones of this strategy are: add new communities through acquisition or development; expand our existing communities; fulfill the leasing potential at our communities and increase our base of management contracts.

During 2000, we opened 16 new communities, expanded one of our properties and acquired eight more. The acquisition was one of the largest completed transactions in the senior housing industry during the year. In total, through development, expansion and acquisition, we increased our resident capacity last year by 33 percent, from approximately 6,000 residents at the end of 1999 to over 8,000 residents at the end of 2000.

This expanded infrastructure positions us for growth in 2001 through fulfilling the leasing capacity of our properties. With the capital

expenditure and building cycle of 2000 complete, we will be focused this year on filling our new communities and improving operational performance of our existing communities. The potential for this internal growth comes at a time when expansion capital has been severely curtailed in the senior housing industry. By simply filling our new and expanded properties, we will be able to continue the Company's growth.

One of Capital Senior Living's greatest strengths is its management team and skill as an operator. In addition to managing our own properties, we were managing 10 properties for third parties at the end of 2000. We continually evaluate proposals for managing other portfolios and we anticipate that 2001 will bring several of these opportunities. Management contracts provide predictable revenue streams without capital risk and have historically provided acquisition opportunities.

Growth without performance is meaningless. We are extremely proud of the fact that during 2000, our operations exceeded industry averages in occupancies, operating margins and net absorption.

Going forward, we see many positive trends. Unlike many industries, we have great visibility in our long-term demand. We know seniors represent the fastest-growing segment of the nation's population, and Capital Senior Living has over 80 percent of its capacity in the largest senior housing demand—independent living. While 2000 brought many factors that caused disappointing results—including increasing costs for labor, utilities, insurance and financing—we are currently seeing a slowing in the overall economy. In the near term, this should reduce interest rates, lessen labor pressures and make capital more favorable in the senior housing industry. We believe that our experienced management structure, established national platform of communities and proven track record position us well to take advantage of these opportunities now and in the future.

Our mission is to offer seniors quality housing and services based on the highest standards in the industry and to provide them an environment that stimulates them physically, mentally and emotionally. In fulfilling this mission, our goal is to return rewards to all our stakeholders—our residents, employees, business associates and, importantly, our shareholders. Thank you for your support.



James B. Stroud
James A. Stroud

Chairman of the Company (standing)

Lawrence A. Cohen

Lawrence A. Cohen

Chief Executive Officer (seated)



"A day without laughter is a day wasted." —Charlotte Chaplin

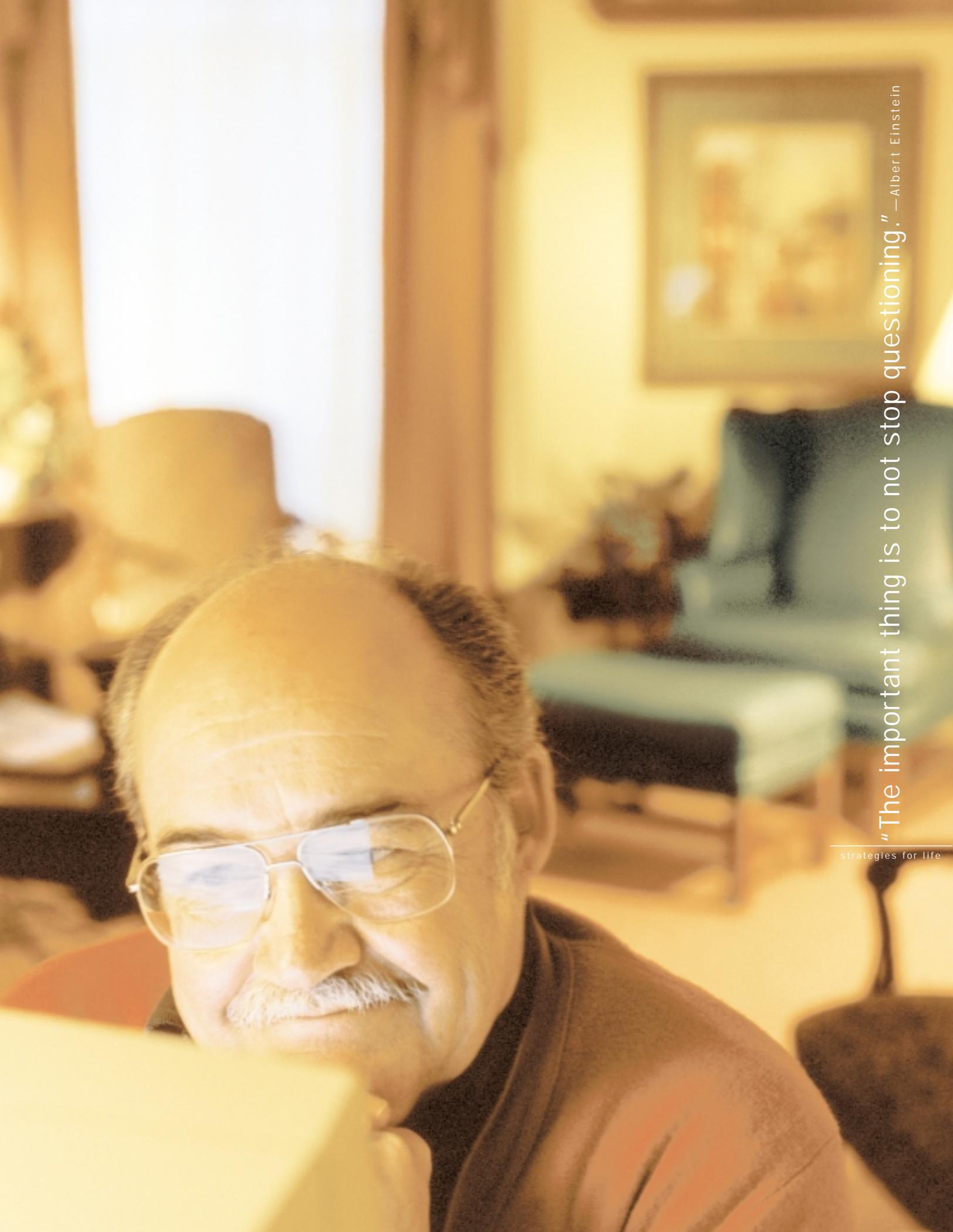
Strategies for Life

Capital Senior Living will grow through fulfilling our occupancy potential, developing new management contracts, expanding our existing communities and adding new communities through acquisition or development.

According to U.S. government estimates, there will be 8.8 million adults age 85 and older by 2030. Adults 65 to 74 are expected to number more than 37 million in the same year.



population growth of the elderly



“The important thing is to not stop questioning.” —Albert Einstein

strategies for life

The Company operates nationally with communities in 21 states. This national platform creates geographical diversity and provides strategic locations from which to grow.

Presently, Capital Senior Living owns or operates a total of 51 communities with a total capacity of 8,300 residents. Additionally, 4 communities, with a total capacity of 600 residents, were under construction.

- ★ headquarters
- regional offices
- existing communities
- ▶ under construction



"To love and to be loved is to feel the sun from both sides." —David Viscott

Strategies for Life

Capital Senior Living's continuum of care operating philosophy, which integrates independent living, assisted living and home care services, responds to the area of greatest demand for senior housing.



growth in demand for key segments of the senior housing market

Who we are

Capital Senior Living Corporation provides some of the highest quality housing and retirement services available in the industry. At the beginning of 2001, we owned and/or operated 51 senior housing communities in 21 states. At an average of 164 residents per community, this represents living facilities for over 8,300 seniors.

Our beautifully appointed and affordable communities provide an environment that is physically, mentally and emotionally stimulating for our residents. Our communities offer a relaxed atmosphere of warmth and caring. More than 80 percent of our residents live independently, and through our continuum of care philosophy we provide them the opportunity to remain in place as they age. The average resident is 80 years old when they move into one of our communities, and the average length of stay is four years.

Our philosophy

Our continuum of care philosophy is based on the belief that seniors should be able to choose an affordable lifestyle that best suits them. Understanding that needs change as people age, we provide three levels of service.



“It is not the answer that enlightens, but the question.” — Eugene Ionesco

“Truly great friends are hard to find, difficult to leave, and impossible to forget.” — G. Randolph

The vast majority of our residents live in independent living communities. These communities are for seniors who do not require assistance with activities of daily living (ADLs), but who want the availability of meals, housekeeping, transportation, security and a variety of social, recreational and wellness programs.

The second level of service is assisted living which provides assistance with ADLs such as medication management, bathing, grooming, dressing and ambulation. Many of our communities either have assisted living facilities in place or have the capacity to have assisted living added at a future date. As our independent living residents age, they can therefore take advantage of additional services within the same community. This also means that residents are attracted to Capital Senior Living facilities at an earlier age and remain for a longer period of time.

The third level of service our communities offer is home care, which expands our offering and serves to bridge the gap between independent living and assisted living requirements.

Our 2000 performance

Capital Senior Living is well recognized in our industry for our strong operating record.



“Wrinkles should only indicate where smiles have been.” —Ethel Barrymore



“Laughter is the shortest distance between two people.” —Victor Borge

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We believe residents should be able to choose an affordable lifestyle that's best suited for them.

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Last year was no exception. In 2000 we completed our ninth consecutive year of profitability and reported annual net income of \$1.2 million or basic earnings of 6 cents per share. Our annual cash earnings were \$6.4 million or 33 cents per share.

For the year, we exceeded the industry occupancy average with an occupancy of 93 percent in our stabilized communities and improved our same community revenue by 2.4 percent over 1999. We achieved average operating margins of 43 percent in our independent and assisted living communities.

Last year represented a year of strong external growth. We acquired eight communities, increasing resident capacity of our owned communities by 1,300. Prior to the acquisition, we had managed these properties since 1996. In addition to the acquisition, we opened 16 new communities and expanded one other existing facility. To support this expansion plan, we secured \$122 million of acquisition financing from GMAC.

Our industry

The growth of the senior population in the United States is accelerating. The U.S. government currently predicts the population of adults age 65 or older will approximately double between 2000 and 2030 and there will be 8.8 million adults age

85 or older by the year 2030. These demographic trends will drive demand for senior housing over the next few decades.

Independent living facilities are anticipated to be the fastest-growing segment of housing for this aging population. With Capital Senior Living's focus on independent living, as well as its continuum of care philosophy, we are extremely well positioned to benefit from these trends.

Our national platform

Capital Senior Living's established national platform of 51 communities in 21 states provides an excellent foundation from which to grow. Headquartered in Dallas, with four regional offices, we are geographically structured for expansion.

This national platform will provide the support for further expansion through acquisition or development and it is one of the factors that attracts potential management contracts.

Our management team

The Company's experienced management team is one of our greatest strengths. Our senior operations management has over 135 years of combined industry



"Whatever you are, be a good one." — Abraham Lincoln



We have a well-established national platform and a respected, experienced management team to execute our strategies.

experience, and our regional managers contribute another 76 years of combined industry experience.

It is the experience and quality of this management team that permits Capital Senior Living to produce industry-leading performance. Additionally, the proven track record of this management team is one of the major factors in attracting new management contracts, one of our key growth strategies.

The future

We believe the future holds a great deal of promise for Capital Senior Living. We are well positioned in an industry that, although cyclical, has highly visible and growing demand. We have a well-established national platform and a respected, experienced management team to execute our strategies. We have one of the strongest balance sheets in our industry and we are focused on responsible fiscal management, including preserving and maximizing our cash.

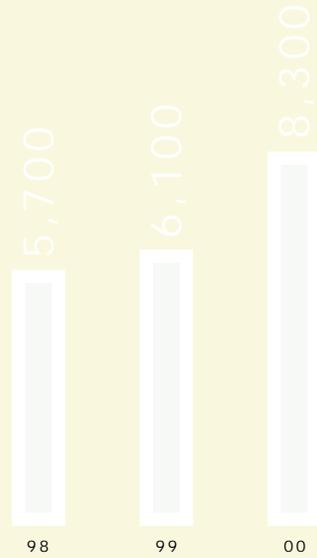
With our continuum of care philosophy and our commitment to provide quality, affordable senior housing, we believe that Capital Senior Living is well positioned for the future.

“We do not remember days, we remember moments.” — Cesare Pavese



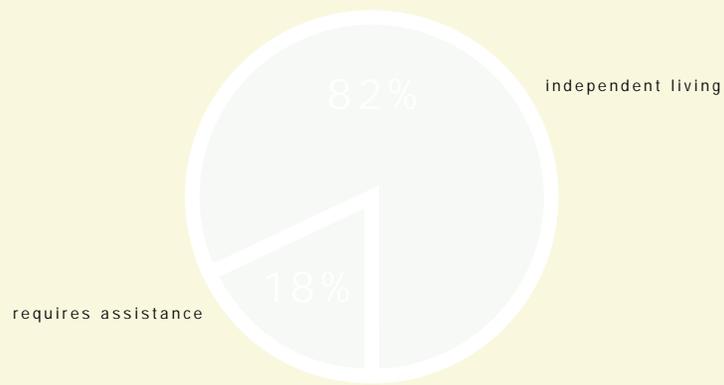


"The man who views the world at 50 the same as he did at 20 has wasted 30 years of his life." — Muhammad Ali



resident capacity growth rate

The Company is dedicated to increased shareholder value through growth and stringent fiscal management, including working to retire and refinance existing debt and maximizing cash flow.



resident mix

Report of Ernst & Young LLP, Independent Auditors

The Board of Directors and Shareholders
Capital Senior Living Corporation

We have audited, in accordance with auditing standards generally accepted in the United States, the consolidated balance sheets of Capital Senior Living Corporation at December 31, 2000 and 1999 and the related consolidated statements of income, shareholders' equity, and cash flows for each of the three years in the period ended December 31, 2000 (not presented separately herein) and in our report dated February 9, 2000, which, as to the years 1999 and 1998, are based in part on the report of other independent auditors, we expressed an unqualified opinion on those consolidated financial statements. In our opinion, the information set forth in the accompanying condensed consolidated financial statements is fairly stated in all material respects in relation to the consolidated financial statements from which it has been derived.

Ernst & Young LLP

Dallas, Texas
February 9, 2001

Consolidated Balance Sheets

Capital Senior Living Corporation

December 31,

In thousands

	2000	1999
Assets		
Current assets:		
Cash and cash equivalents	\$ 23,975	\$ 32,988
Accounts receivable, net	3,221	3,392
Accounts receivable from affiliates	3,764	9,055
Interest receivable from affiliates	2,074	834
Federal and state income taxes receivable	3,728	6,035
Deferred taxes	1,208	910
Prepaid expenses and other	1,935	508
Total current assets	39,905	53,722
Property and equipment, net	204,764	104,723
Deferred taxes	8,872	9,516
Notes receivable	570	-
Notes receivable from affiliates	43,388	30,596
Investments in limited partnerships	6,526	9,123
Assets held for sale	6,920	9,549
Other assets, net	7,599	4,647
Total assets	\$ 318,544	\$ 221,876
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable	\$ 3,907	\$ 2,512
Accrued expenses	3,194	2,127
Current portion of notes payable	4,770	1,199
Customer deposits	1,012	911
Total current liabilities	12,883	6,749
Deferred income from affiliates	2,241	1,785
Notes payable, net of current portion	176,507	58,416
Line of credit	7,553	34,000
Minority interest in consolidated partnership	8,572	11,377
Commitments and contingencies		
Shareholders' equity:		
Preferred stock, \$.01 par value:		
Authorized shares-15,000,000; no shares issued or outstanding	-	-
Common stock, \$.01 par value:		
Authorized shares-65,000,000		
Issued and outstanding shares-19,717,347 in 2000 and 1999	197	197
Additional paid-in capital	91,935	91,935
Retained earnings	18,656	17,417
Total shareholders' equity	110,788	109,549
Total liabilities and shareholders' equity	\$ 318,544	\$ 221,876

Consolidated Statements of Income

Capital Senior Living Corporation

Year Ended December 31,

In thousands, except per share data

	2000	1999	1998
Revenues:			
Resident and health care revenue	\$ 49,185	\$41,071	\$25,988
Rental and lease income	4,603	4,304	4,282
Unaffiliated management services revenue	2,271	2,695	2,465
Affiliated management services revenue	1,040	456	1,327
Unaffiliated development fees	563	1,341	1,234
Affiliated development fees	1,992	14,086	7,472
Total revenues	59,654	63,953	42,768
Expenses:			
Operating expenses	29,530	24,470	17,067
General and administrative expenses	11,116	9,212	6,094
Provision for bad debts	4,318	15,896	500
Depreciation and amortization	5,186	4,671	2,734
Total expenses	50,150	54,249	26,395
Income from operations	9,504	9,704	16,373
Other income (expense):			
Interest income	5,981	5,822	4,939
Interest expense	(11,980)	(7,089)	(1,922)
(Loss) gain on sale of properties	(350)	748	422
Income before income taxes and minority interest			
in consolidated partnership	3,155	9,185	19,812
Provision for income taxes	(763)	(2,992)	(7,476)
Income before minority interest in consolidated partnership	2,392	6,193	12,336
Minority interest in consolidated partnership	(1,153)	(1,355)	(379)
Net income	\$ 1,239	\$ 4,838	\$11,957
Net income per share:			
Basic	\$ 0.06	\$ 0.25	\$ 0.61
Diluted	\$ 0.06	\$ 0.24	\$ 0.61
Weighted average shares outstanding–basic	19,717	19,717	19,717
Weighted average shares outstanding–diluted	19,724	19,806	19,717

Consolidated Statements of Shareholders' Equity

Capital Senior Living Corporation

In thousands	Common Stock		Additional Paid-In Capital	Retained Earnings (Deficit)	Total
	Shares	Amount			
Balance at January 1, 1998	19,717	\$197	\$91,740	\$ 622	\$ 92,559
Net income	-	-	-	11,957	11,957
Balance at December 31, 1998	19,717	197	91,740	12,579	104,516
Noncash compensation	-	-	195	-	195
Net income	-	-	-	4,838	4,838
Balance at December 31, 1999	19,717	197	91,935	17,417	109,549
Net income	-	-	-	1,239	1,239
Balance at December 31, 2000	19,717	\$197	\$91,935	\$18,656	\$110,788

Consolidated Statements of Cash Flows

Capital Senior Living Corporation

In thousands	Year Ended December 31,		
	2000	1999	1998
Operating Activities			
Net income	\$ 1,239	\$ 4,838	\$ 11,957
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation	5,094	4,567	2,640
Amortization	92	104	94
Amortization of deferred financing charges	495	519	164
Minority interest in consolidated partnership	1,153	1,355	379
Deferred interest	-	-	(680)
Deferred income from affiliates	456	992	792
Deferred income	-	(115)	(116)
Deferred income taxes (benefit)	346	(30)	(297)
Loss (gain) on sale of properties	350	(748)	(422)
Non-cash compensation	-	195	-
Provision for bad debts	4,318	15,896	500
Changes in operating assets and liabilities, net of acquisitions:			
Accounts receivable	(955)	(1,012)	(1,482)
Accounts receivable from affiliates	5,291	(12,464)	(7,191)
Interest receivable from affiliates	(1,240)	(645)	(306)
Notes receivable	(570)	-	-
Prepaid expenses and other	(1,427)	(60)	4
Other assets	191	(1,504)	(1,059)
Accounts payable	1,395	(268)	312
Accrued expenses	1,067	(872)	526
Federal and state income taxes receivable/payable	2,307	(7,704)	837
Customer deposits	101	59	37
Net cash provided by operating activities	19,703	3,103	6,689
Investing Activities			
Capital expenditures	(3,121)	(1,887)	(6,027)
Cash paid for acquisitions, net of cash acquired of \$2,060 in 2000 and \$0 in 1998	(102,014)	-	(67,729)
Proceeds from sale of properties	4,504	2,740	676
Advances to affiliates	(18,209)	(22,794)	(11,728)
Proceeds from (investments in) limited partnerships	2,597	5,414	(1,694)
Net cash used in investing activities	(116,243)	(16,527)	(86,502)

Consolidated Statements of Cash Flows (continued)

Capital Senior Living Corporation

In thousands	Year Ended December 31,		
	2000	1999	1998
<u>Financing Activities</u>			
Proceeds from notes payable and line of credit	125,248	61,506	67,039
Repayments of notes payable and line of credit	(30,033)	(48,981)	(791)
Distributions to minority partners	(3,958)	(1,198)	-
Cash received for redemption of NHP limited partnership interest	-	-	1,997
Repurchase of HCP limited partnership interests by HCP	-	-	(144)
Deferred financing charges paid	(3,730)	(742)	(586)
Net cash provided by financing activities	87,527	10,585	67,515
Decrease in cash and cash equivalents	(9,013)	(2,839)	(12,298)
Cash and cash equivalents at beginning of year	32,988	35,827	48,125
Cash and cash equivalents at end of year	\$ 23,975	\$ 32,988	\$ 35,827
<u>Supplemental Disclosures</u>			
Cash paid during the year for:			
Interest	\$ 10,609	\$ 6,476	\$ 1,957
Income taxes	\$ 619	\$ 10,276	\$ 6,935

Company Management

James A. Stroud
Chairman of the Company

Lawrence A. Cohen
Chief Executive Officer

Keith N. Johannessen
*President and
Chief Operating Officer*

Ralph A. Beattie
*Executive Vice President
and Chief Financial Officer*

Rob L. Goodpaster
*Vice President,
National Marketing*

David W. Beathard
Vice President, Operations

Glen H. Campbell
Vice President, Development

David R. Brickman
*Vice President
and General Counsel*

Paul T. Lee
Vice President, Finance

Jerry D. Lee
Corporate Controller

Robert F. Hollister
Property Controller

Board of Directors

James A. Stroud¹
*Chairman of the Board
Capital Senior Living Corporation
Dallas, Texas*

Lawrence A. Cohen¹
*Vice Chairman of the Board
Capital Senior Living Corporation
New York, New York*

Keith N. Johannessen
*Capital Senior Living Corporation
Dallas, Texas*

Gordon I. Goldstein, M.D.^{2,3}
*Chairman, Dallas Anesthesiology Associates
Dallas, Texas*

Craig F. Hartberg³
*Retired First Vice President, Bank One, Texas, N.A.
Dallas, Texas*

James A. Moore^{1,2,3}
*President, Moore Diversified Services, Inc.
Fort Worth, Texas*

Victor W. Nee, Ph.D.²
*Professor, Department of Aerospace and
Mechanical Engineering, University of Notre
Dame, South Bend, Indiana*

1 Member of the Board's Executive Committee

2 Member of the Board's Compensation Committee

3 Member of the Board's Audit Committee

Corporate Information

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Dallas, Texas 75240
(972) 770-5600
(972) 770-5666 fax
main@capitalsenior.com

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New York, New York 10017
(212) 551-1770
(212) 551-1774 fax
Corporate Web Site
<http://www.capitalsenior.com>

Regional Information

Eastern Regional Office
186 Old Stagecoach Road
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(203) 894-9406
(203) 894-9407 fax

Southeastern Regional Office
6061 Palmetto Circle North
Boca Raton, Florida 33433
(561) 417-8579
(561) 417-8376 fax

Midwestern Regional Office
2820 South 80th
Omaha, Nebraska 68124
(402) 926-2884
(402) 926-2891 fax
Western Regional Office
5757 Cypress Avenue
Carmichael, California 95608
(916) 480-0634
(916) 486-4375 fax

Shareholder Information

Stock Exchange Listing
Capital Senior Living Corporation
Common Stock is listed on the
New York Stock Exchange and
trades under the symbol CSU.

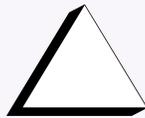
Shares Outstanding
19.7 million

Transfer Agent and Registrar
Mellon Investor Services LLC
85 Challenger Road
Ridgefield, New Jersey 07660
(800) 635-9270
<http://www.mellon-investor.com>

Auditors
Ernst & Young LLP
2121 San Jacinto, Suite 1500
Dallas, Texas 75201
(214) 969-8000
Annual Meeting of Shareholders
May 1, 2001 at 10 a.m. Central Time
Addison Conference & Theater Center
15650 Addison Road
Addison, Texas 75001
(972) 452-6200

Form 10-K

A copy of Capital Senior Living
Corporation's 2000 annual report to
the SEC on Form 10-K is available
without charge upon written request
to the Investor Relations Department
at corporate headquarters. It can
also be found on the SEC's web site,
<http://www.edgar.com>.



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