CAPITAL SENIOR LIVING CORP
Form DEF 14A
April 03, 2006

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
SCHEDULE 14A
INFORMATION REQUIRED IN PROXY STATEMENT
SCHEDULE 14A INFORMATION
PROXY STATEMENT PURSUANT TO SECTION 14(a) OF THE SECURITIES EXCHANGE ACT OF 1934 (AMENDMENT NO.)

Filed by the Registrant þ
Filed by a Party other than the Registrant o
Check the appropriate box:
o Preliminary Proxy Statement
o Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))
þ Definitive Proxy Statement
o Definitive Additional Materials
o Soliciting Material Pursuant to Rule 14a-12

CAPITAL SENIOR LIVING CORPORATION

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):
þ No fee required.
o Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

(1) Title of each class of securities to which transaction applies:

(2) Aggregate number of securities to which transaction applies:

(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

(4) Proposed maximum aggregate value of transaction:

(5) Total fee paid:

o Fee paid previously with preliminary materials.
o Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

(1) Amount Previously Paid:

(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:

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CAPITAL SENIOR LIVING CORPORATION
14160 Dallas Parkway, Suite 300
Dallas, Texas 75254
NOTICE OF ANNUAL MEETING OF STOCKHOLDERS
To Be Held May 9, 2006

To the Stockholders of Capital Senior Living Corporation:

NOTICE IS HEREBY GIVEN that the Annual Meeting of Stockholders (the Annual Meeting) of Capital Senior Living Corporation, a Delaware corporation (the Company), will be held at the Bent Tree Country Club, 5201 Westgrove Drive, Dallas, Texas 75248 at 10:00 a.m. (local time), on the 9th day of May, 2006, for the following purposes:

1. To elect three (3) directors of the Company to hold office until the Annual Meeting to be held in 2009 or until their respective successors are duly qualified and elected;

2. To ratify the Audit Committee s appointment of KPMG LLP, independent accountants, as the Company s independent auditors; and

3. To transact any and all other business that may properly come before the Annual Meeting or any adjournment(s) thereof.

The Board of Directors has fixed the close of business on March 10, 2006, as the record date (the Record Date) for the determination of stockholders entitled to notice of and to vote at such meeting or any adjournment(s) or postponement(s) thereof. Only stockholders of record at the close of business on the Record Date are entitled to notice of and to vote at the Annual Meeting. The stock transfer books will not be closed. A list of stockholders entitled to vote at the Annual Meeting will be available for examination at the offices of the Company for 10 days prior to the Annual Meeting.

You are cordially invited to attend the Annual Meeting; however, whether or not you expect to attend the meeting in person, you are urged to mark, sign, date, and mail the enclosed WHITE proxy card promptly so that your shares of stock may be represented and voted in accordance with your wishes and in order to help establish the presence of a quorum at the Annual Meeting. If you attend the Annual Meeting and wish to vote in person, you may do so even if you have already dated, signed and returned your WHITE proxy card.

By Order of the Board of Directors

James A. Stroud
Chairman of the Board and Secretary

April 7, 2006
Dallas, Texas

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CAPITAL SENIOR LIVING CORPORATION
14160 Dallas Parkway, Suite 300
Dallas, Texas 75254
PROXY STATEMENT FOR ANNUAL MEETING OF STOCKHOLDERS
To Be Held May 9, 2006

Solicitation and Revocability of Proxies

The accompanying proxy is solicited by the Board of Directors on behalf of Capital Senior Living Corporation, a Delaware corporation (the Company), to be voted at the 2006 Annual Meeting of Stockholders of the Company (the Annual Meeting) to be held on May 9, 2006, at the time and place and for the purposes set forth in the accompanying Notice of Annual Meeting of Stockholders (the Notice) and at any adjournment(s) or postponement(s) thereof. **When proxies in the accompanying form are properly executed and received, the shares represented thereby will be voted at the Annual Meeting in accordance with the directions noted thereon; if no direction is indicated, such shares will be voted FOR the election of directors and the ratification of the appointment of the independent auditors as set forth on the accompanying Notice.**

The executive offices of the Company are located at, and the mailing address of the Company is, 14160 Dallas Parkway, Suite 300, Dallas, Texas 75254.

Management does not intend to present any business at the Annual Meeting for a vote other than the matters set forth in the Notice and has no information that others will do so. If other matters requiring a vote of the stockholders properly come before the Annual Meeting, it is the intention of the persons named in the accompanying form of proxy to vote the shares represented by the proxies held by them in accordance with their judgment on such matters.

This proxy statement (the Proxy Statement) and accompanying form of proxy are being mailed on or about April 7, 2006. The Company s Annual Report to Stockholders covering the Company s fiscal year ended December 31, 2005, mailed to the Company s stockholders on or about April 7, 2006, does not form any part of the materials for solicitation of proxies.

Any stockholder of the Company giving a proxy has the unconditional right to revoke his or her proxy at any time prior to the voting thereof either in person at the Annual Meeting by delivering a duly executed proxy bearing a later date or by giving written notice of revocation to the Company addressed to David R. Brickman, General Counsel, 14160 Dallas Parkway, Suite 300, Dallas, Texas 75254; no such revocation shall be effective, however, unless such notice of revocation has been received by the Company at or prior to the Annual Meeting.

In addition to the solicitation of proxies by use of the mail, officers and regular employees of the Company may solicit the return of proxies, either by mail, telephone, telecopy, or through personal contact. Such officers and employees will not be additionally compensated but will be reimbursed for out-of-pocket expenses. The Company has retained Georgeson Shareholder Communications Inc. (Georgeson) to assist in soliciting proxies for the Annual Meeting for a fee of $25,000. This amount includes fees payable to Georgeson, but excludes salaries and expenses of our officers, directors and employees. Brokerage houses and other custodians, nominees, and fiduciaries will, in connection with shares of common stock, par value $0.01 per share (the Common Stock), registered in their names, be requested to forward solicitation material to the beneficial owners of such shares of Common Stock.

The cost of preparing, printing, assembling, and mailing the Annual Report, the Notice, this Proxy Statement, and the enclosed form of proxy, as well as the reasonable cost of forwarding solicitation materials to the beneficial owners of shares of the Company s Common Stock, and other costs of solicitation, are to be borne by the Company.

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Some banks, brokers and other record holders have begun the practice of householding proxy statements and annual reports. Householding is the term used to describe the practice of delivering a single set of the proxy statement and annual report to any household at which two or more stockholders share an address. This procedure would reduce the volume of duplicate information stockholders receive and would also reduce the Company s printing and mailing costs. The Company will deliver promptly, upon written or oral request, a separate copy of this Proxy Statement and the Company s annual report to a share-owner at a shared address to which a single copy of the documents was delivered. A stockholder who wishes to receive a separate copy of the proxy statement and annual report, now or in the future, should submit this request to General Counsel, David R. Brickman, at the Company s principal business office, 14160 Dallas Parkway, Suite 300, Dallas, Texas 75254 or calling (972) 770-5600. Beneficial owners sharing an address who are receiving multiple copies of proxy materials and annual reports and who wish to receive a single copy of such materials in the future will need to contact their broker, bank or other nominee to request that only a single copy of each document be mailed to all shareowners at the shared address in the future.

Date for Receipt of Stockholder Proposals

Stockholder proposals to be included in the proxy statement for the next Annual Meeting must be received by the Company at its principal executive offices on or before December 9, 2006 for inclusion in the Company s Proxy Statement relating to that meeting.

The Company s Amended and Restated Articles of Incorporation establish an advance notice procedure with regard to certain matters, including stockholder proposals and nominations of individuals for election to the Board of Directors to be made at an annual meeting of stockholders. In general, notice of a stockholder proposal or a director nomination to be brought at an annual meeting must be received by the Company not less than sixty (60) but not more than ninety (90) days before the date of the meeting and must contain specified information and conform to certain requirements set forth in the Company s Amended and Restated Articles of Incorporation. The chairman of the meeting may disregard the introduction of your proposal or nomination if it is not made in compliance with the foregoing procedures or the applicable provisions of the Company s Amended and Restated Articles of Incorporation.

Quorum and Voting

The record date for the determination of stockholders entitled to notice of and to vote at the Annual Meeting was the close of business on March 10, 2006 (the Record Date). On the Record Date, there were 26,297,183 shares of Common Stock issued and outstanding.

Each holder of Common Stock is entitled to one vote per share on all matters to be acted upon at the Annual Meeting, and neither the Company s Amended and Restated Certificate of Incorporation nor its Amended and Restated Bylaws allow for cumulative voting rights. The presence, in person or by proxy, of the holders of a majority of the issued and outstanding shares of Common Stock entitled to vote at the Annual Meeting is necessary to constitute a quorum to transact business. If a quorum is not present or represented at the Annual Meeting, the stockholders entitled to vote at the Annual Meeting, present in person or by proxy, may adjourn the Annual Meeting from time to time without notice or other announcement until a quorum is present or represented. Assuming the presence of a quorum, the affirmative vote of the holders of a majority of the shares of Common Stock voting at the Annual Meeting is required for the election of directors and the ratification of the appointment of the independent auditors.

If you hold shares in your name, and you sign and return a proxy card without giving specific voting instructions, your shares will be voted as recommended by the Board of Directors on all matters and as the proxy holders may determine in their discretion with respect to any other matters that properly come before the meeting. If you hold your shares through a broker, bank or other nominee and you do not provide instructions on how to vote, your broker or other nominee may have authority to vote your shares on certain matters. NYSE regulations prohibit brokers or other nominees that are NYSE member organizations from voting in favor of proposals relating to equity compensation plans and certain other matters unless they receive specific instructions from the beneficial owner of the shares to vote in that manner. NASD member brokers

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are also prohibited from voting on these types of proposals without specific instructions from beneficial holders. Abstentions and broker non-votes are each included in the determination of the number of shares present for determining a quorum. Each proposal is tabulated separately. Abstentions are counted in tabulations of votes cast on proposals presented to stockholders, whereas broker non-votes are not counted as voting for purposes of determining whether a proposal has received the necessary number of votes for approval of the proposal. With regard to the election of directors, votes may be cast in favor of or withheld from each nominee; votes that are withheld will be excluded entirely from the vote and will have no effect.

Requests for Written Copies of 2005 Annual Report

The Company will provide, without charge, a copy of its Annual Report on Form 10-K for the year ended December 31, 2005, filed with the Securities and Exchange Commission, upon the written request of any registered or beneficial owner of common stock entitled to vote at the Annual Meeting. Requests should be made by mailing General Counsel, David R. Brickman, at the Company s principal business office, 14160 Dallas Parkway, Suite 300, Dallas, Texas 75254 or calling (972) 770-5600. The Securities and Exchange Commission also maintains a website at www.sec.gov that contains reports, proxy statements and other information regarding registrants including the Company.

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PRINCIPAL STOCKHOLDERS AND STOCK OWNERSHIP OF MANAGEMENT

The following table sets forth certain information with respect to beneficial ownership of the Common Stock as of March 10, 2006, by: (i) each person known by the Company to be the beneficial owner of more than five percent of the Common Stock; (ii) each director of the Company; (iii) each of the executive officers named in the Summary Compensation Table (the Named Executive Officers); and (iv) all executive officers and directors of the Company as a group. Except as otherwise indicated, the address of each person listed below is 14160 Dallas Parkway, Suite 300, Dallas, Texas 75254.

	Shares Beneficially Owned(1)(2)	
Name of Beneficial Owner	**Number**	**Percent**
James Stroud	4,023,159(3)	16.2%
FMR Corp.	2,688,600(4)	10.2%
Edward C. Johnson 3d	2,688,600(4)	10.2%
Mercury Real Estate Advisors LLC	2,569,700(5)	9.8%
David R. Jarvis	2,569,700(5)	9.8%
Malcomb F. MacLean IV	2,569,700(5)	9.8%
Dimensional Fund Advisors Inc.	2,252,899(6)	8.6%
Charles M. Gillman	1,935,000(7)	7.4%
Boston Avenue Capital, L.L.C.	1,935,000(7)	7.4%
Boulder Capital, L.L.C.	1,935,000(7)	7.4%
Yorktown Avenue Capital, L.L.C.	1,935,000(7)	7.4%
T. Rowe Price Associates, Inc.	1,644,800(8)	6.3%
Wasatch Advisors, Inc.	1,661,695(9)	6.3%
T. Rowe Price Small-Cap Value Fund, Inc.	1,561,500(8)	5.9%
Harvey Hanerfeld	1,544,600(10)(11)	5.9%
Roger Feldman	1,522,600(10)(12)	5.8%
Lawrence A. Cohen	741,809(13)	2.8%
Keith N. Johannessen	205,196(14)	*
David R. Brickman	97,324(15)	*
Ralph A. Beattie	68,010(16)	*
James A. Moore	38,071(17)	*
Dr. Victor W. Nee	35,271(18)	*
Craig F. Hartberg	16,500(19)	*
Jill M. Krueger	6,000(20)	*
All directors and executive officers as a group (14 persons)	5,417,049(21)	20.0%

* Less than one percent.

(1) Pursuant to Rule 13d-3 under the Securities Exchange Act of 1934 (the Exchange Act), a person has beneficial ownership of any securities as to which such person, directly or indirectly, through any contract, arrangement, undertaking, relationship or otherwise has or shares voting power and/or investment power and as to which such person has the right to acquire such voting and/or investment power within 60 days. Percentage of beneficial ownership as to any person as of a particular date is calculated by dividing the number of shares beneficially owned by such person by the sum of the number of shares outstanding as of such date and the number of shares as to which such person has the right to acquire voting and/or investment power within 60 days.

(2) Except for the percentages of certain parties that are based on presently exercisable options which are indicated in the following footnotes to the table, the percentages indicated are based on

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26,297,183 shares of Common Stock issued and outstanding on March 10, 2006. In the case of parties holding presently exercisable options, the percentage ownership is calculated on the assumption that the shares presently held or purchasable within the next 60 days underlying such options are outstanding.

(3) Consists of 55,000 shares held by Mr. Stroud directly, 3,833,750 shares held indirectly over which Mr. Stroud has voting and dispositive power and 134,409 shares that Mr. Stroud may acquire upon the exercise of options immediately or within 60 days after March 10, 2006.

(4) According to Schedule 13G, filed January 10, 2006. Fidelity Management & Research Company (Fidelity), 82 Devonshire Street, Boston, Massachusetts 02109, a wholly-owned subsidiary of FMR Corp., is the beneficial owner of 2,443,800 shares as a result of acting as investment adviser to various investment companies. The ownership of one investment company, Fidelity Small Cap Independence, amounted to 1,336,800 shares. Fidelity Small Cap Independence has its principal business office at 82 Devonshire Street, Boston, Massachusetts 02109. Mr. Johnson and FMR Corp., through its control of Fidelity and the funds each has sole power to dispose of the 2,443,800 shares owned by the funds. Mr. Johnson and FMR Corp., through control of Fidelity Management Trust Company, each has sole dispositive power over 133,600 shares and sole power to vote or to direct the voting of 133,600 shares owned by the institutional accounts, of which Fidelity Management Trust Company, 82 Devonshire Street, Boston, Massachusetts 02109, a wholly-owned subsidiary of FMR Corp., serves as investment manager. Fidelity International Limited (FIL), Pembroke Hall, 42 Crow Lane, Hamilton, Bermuda, is the beneficial owner of 111,200 shares. A partnership controlled predominantly by members of the family of Mr. Johnson owns shares of FIL voting stock with the right to cast approximately 38% of the total votes which may be cast by all holders of FIL voting stock. FMR Corp. and FIL are of the view that they are not acting as a group and that they are not otherwise required to attribute to each other the beneficial ownership of securities beneficially owned by the other corporation.

(5) According to Schedule 13D/ A, filed December 22, 2005. The address of each of Mercury Real Estate Advisors LLC, Mr. Jarvis and Mr. MacLean is c/o Mercury Real Estate Advisors LLC (Advisors), 100 Field Point Road, Greenwich, Connecticut 06830. Advisors, a Delaware limited liability company, is the investment advisor to the following investment funds that directly hold shares: Mercury Special Situations Fund LP, a Delaware limited partnership; Mercury Special Situations Offshore Fund, Ltd., a British Virgin Island company; Silvercrest Real Estate Fund (International), a class of the Silvercrest Master Series Trust, a Cayman Islands unit trust; Silvercrest Real Estate Fund, a class of the Silvercrest Master Series Trust, a Cayman Islands unit trust; Mercury Real Estate Securities Fund LP, a Delaware limited partnership; Mercury Real Estate Securities Offshore Fund, Ltd., a British Virgin Island company; and Silvercreek SAV LLC, a Delaware limited liability company. Messrs. Jarvis and MacLean are the managing members of Advisors.

(6) According to Schedule 13G/ A, filed February 6, 2006. The address of Dimensional Fund Advisors Inc. (Dimensional) is 1299 Ocean Avenue, 11th Floor, Santa Monica, California 90401. Consists of shares held in investment companies, trusts and accounts over which Dimensional possesses investment and/or voting power in its role as investment advisor or manager. Dimensional disclaims beneficial ownership of the shares.

(7) According to Schedule 13D, filed May 12, 2005. The address of each of Charles M. Gillman, Boston Avenue Capital, LLC, an Oklahoma limited liability company, Boulder Capital, LLC, an Oklahoma limited liability company, and Yorktown Avenue Capital, LLC, an Oklahoma limited liability company, is 415 South Boston, 9th Floor, Tulsa, Oklahoma 74103. Mr. Gillman is the manager of all three entities.

(8) According to Schedule 13G/ A, filed February 15, 2006. The address of T. Rowe Price Associates, Inc, is 100 E. Pratt Street, Baltimore, Maryland 21202. These securities are owned by various individual and institutional investors, including T. Rowe Price Small-Cap Value Fund, Inc. (which owns 1,561,500 shares,

representing approximately 5.9% of the shares outstanding), which T. Rowe Price Associates, Inc. (Price Associates) serves as investment adviser with power to direct investments and/or sole power to vote the securities. For purposes of the reporting requirements of the Securities Exchange

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Act of 1934, Price Associates is deemed to be a beneficial owner of such securities; however, Price Associates expressly disclaims that it is, in fact, the beneficial owner of such securities.

(9) According to Schedule 13G, filed February 14, 2005. The address of Wasatch Advisors is 150 Social Hall Avenue, Salt Lake City, Utah 84111.

(10) According to Schedule 13G, filed February 14, 2006. The address for each of Mr. Hanerfeld and Mr. Feldman is 1919 Pennsylvania Avenue, NW, Suite 275, Washington, DC 20006. As sole stockholders, directors and executive officers of West Creek Capital, Inc., a Delaware corporation that is the general partner of West Creek Capital, L.P., a Delaware limited partnership that is the investment adviser to (i) West Creek Partners Fund L.P., a Delaware limited partnership (the Fund), and (ii) certain private accounts (the Accounts), Mr. Feldman and Mr. Hanerfeld may be deemed to have the shared power to direct the voting and disposition of the 705,000 shares of Common Stock owned by the Fund and 110,600 shares of Common Stock held in the Accounts. As voting members of Cumberland Investment Partners, L.L.C., a Delaware limited liability company (Cumberland), Mr. Feldman and Mr. Hanerfeld may be deemed to have the shared power to direct the voting and disposition of the 679,000 shares of Common Stock owned by Cumberland.

(11) Includes 50,000 shares beneficially owned by Mr. Hanerfeld.

(12) Includes 28,000 shares beneficially owned by Mr. Feldman.

(13) Consists of 454,100 shares held by Mr. Cohen directly, 65,000 shares of restricted stock, 300 shares held by family members of Mr. Cohen, and 222,409 shares that Mr. Cohen may acquire upon the exercise of options immediately or within 60 days after March 10, 2006.

(14) Consists of 65,000 shares of restricted stock and 140,196 shares that Mr. Johannessen may acquire upon the exercise of options immediately or within 60 days after March 10, 2006.

(15) Consists of 15,000 shares of restricted stock and 82,324 shares that Mr. Brickman may acquire upon the exercise of options immediately or within 60 days after March 10, 2006.

(16) Consists of 25,000 shares of restricted stock, and 43,010 shares that Mr. Beattie may acquire upon the exercise of options immediately or within 60 days after March 10, 2006.

(17) Consists of 4,800 shares held by Mr. Moore directly and 33,271 shares that Mr. Moore may acquire upon the exercise of options immediately or within 60 days after March 10, 2006.

(18) Consists of 1,000 shares held by Dr. Nee directly, 1,000 shares held by Mimi Nee, the spouse of Dr. Nee, and 33,271 shares that Dr. Nee may acquire upon the exercise of options immediately or within 60 days after March 10, 2006.

(19) Consists of 16,500 shares that Mr. Hartberg may acquire upon the exercise of options immediately or within 60 days after March 10, 2006.

(20) Consists of 6,000 shares that Ms. Krueger may acquire upon exercise of options immediately or within 60 days after March 10, 2006.

(21) Includes 850,099 shares that such officers and/or directors, collectively, may acquire upon the exercise of options immediately or within 60 days after March 10, 2006.

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ELECTION OF DIRECTORS
(PROPOSAL 1)

Nominees and Continuing Directors

Unless otherwise directed in the enclosed proxy, it is the intention of the persons named in such proxy to vote the shares represented by such proxy for the election of the following named nominees for the office of director of the Company, each to hold office until the Annual Meeting to be held in 2009 and until his successor is duly qualified and elected or until his earlier resignation or removal. Each of the nominees is presently a director of the Company.

Name	Age	Position(s) with the Company	Director s Term Expires
Nominees:			
James A. Stroud	55	Chairman of the Board and Chairman and Secretary of the Company	2009
Keith N. Johannessen	49	President and Chief Operating Officer of the Company and Director	2009
Jill M. Krueger	47	Director	2009
Continuing Directors:			
James A. Moore	71	Director	2007
Dr. Victor W. Nee	70	Director	2007
Lawrence A. Cohen	52	Vice Chairman of the Board and Chief Executive Officer of the Company	2008
Craig F. Hartberg	69	Director	2008

James A. Stroud has served as a director and officer of the Company and its predecessors since January 1986. He currently serves as Chairman of the Board and Chairman and Secretary of the Company. Mr. Stroud also serves on the boards of various educational and charitable organizations and in varying capacities with several trade organizations, including as an Owner/ Operator Advisory Group member to the National Investment Conference. Mr. Stroud has served as a member of the Founder s Council and Leadership Counsel of the Assisted Living Federation of America and as a Founding Sponsor of The Johns Hopkins University Senior Housing and Care Program. Mr. Stroud was the past President and a member of the board of directors of the National Association for Senior Living Industry Executives. He was also a Founder of the Texas Assisted Living Association and served as a member of its board of directors. Mr. Stroud has earned a Masters in Law, is a licensed attorney and is also a Certified Public Accountant. Mr. Stroud has had positions with businesses involved in senior living for 21 years.

Lawrence A. Cohen has served as a director and Vice Chairman of the Board since November 1996. He has served as Chief Executive Officer of the Company since May 1999 and was Chief Financial Officer from November 1996 to May 1999. From 1991 to 1996, Mr. Cohen served as President and Chief Executive Officer of Paine Webber Properties Incorporated, which controlled a real estate portfolio having a cost basis of approximately $3.0 billion, including senior living facilities of approximately $110.0 million. Mr. Cohen serves on the boards of various charitable organizations and was a founding member and is on the executive committee of the Board of the American Seniors Housing Association. Mr. Cohen has earned a Masters in Law, is a licensed attorney and is also a Certified Public Accountant. Mr. Cohen has had positions with businesses involved in senior living for 21 years.

Keith N. Johannessen has served as President of the Company and its predecessors since March 1994, and previously served as Executive Vice President from May 1993 to February 1994. Mr. Johannessen has served as a director and Chief Operating Officer since May 1999. From 1992 to 1993, Mr. Johannessen served as Senior Manager in the health care practice of Ernst & Young. From 1987 to 1992, Mr. Johannessen was Executive Vice President of Oxford Retirement Services, Inc. Mr. Johannessen has served on the State of the

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Industry and Model Assisted Living Regulations Committees of the American Seniors Housing Association. Mr. Johannessen has been active in operational aspects of senior housing for 27 years.

Craig F. Hartberg has been a director since February 2001. Mr. Hartberg currently serves as a Small Business Advisor for the Louisiana Department of Development. Mr. Hartberg was in the banking industry for 28 years. From 1991 to 2000, Mr. Hartberg served as First Vice President, Senior Housing Finance for Bank One, Texas, N.A. From 1989 to 1991, Mr. Hartberg was the Senior Vice President, Manager Private Banking for Team Bank in Dallas, Texas. Mr. Hartberg graduated from the Southwestern Graduate School of Banking at Southern Methodist University. He earned his Masters of Business Administration at the University of Wyoming. Mr. Hartberg served as a member of the Board of Directors of the National Association of Senior Living Industry Executives and as a member of the Assisted Living Federation of America.

James A. Moore has been a director since October 1997. Mr. Moore is President of Moore Diversified Services, Inc., a senior living consulting firm engaged in market feasibility studies, investment advisory services, and marketing and strategic consulting in the senior living industry. Mr. Moore has over 40 years of industry experience and has conducted over 1,800 senior living consulting engagements in approximately 600 markets, in 47 states and six countries. Mr. Moore has authored numerous senior living and health care industry technical papers and trade journal articles, as well as the books Assisting Living Pure & Simple Development and Operating Strategies and Assisted Living 2000, which are required assisted living certification course materials for the American College of Health Care Administrators. Mr. Moore s latest book, Assisted Living Strategies for Changing Markets, was released in May 2001. Mr. Moore holds a Bachelor of Science degree in Industrial Technology from Northeastern University in Boston and an MBA in Marketing and Finance from Texas Christian University in Fort Worth, Texas.

Dr. Victor W. Nee has been a director since October 1997. Mr. Nee has been a Professor in the Department of Aerospace and Mechanical Engineering at the University of Notre Dame since 1965. Dr. Nee is currently Professor Emeritus at the University of Notre Dame. In addition to his professorial duties, Dr. Nee served as Director of the Advanced Technology Center at the University of Massachusetts, Dartmouth from 1993 to 1995, and as Director of the Advanced Engineering Research Laboratory at the University of Notre Dame from 1991 to 1993. Dr. Nee received a Bachelors of Science from the National Taiwan University in Civil Engineering and a Ph.D. in Fluid Mechanics from The Johns Hopkins University. Dr. Nee holds international positions as an advisor to governmental, educational and industrial organizations in China.

Jill M. Krueger has been a director since February 2004. Ms. Krueger has served as President and Chief Executive of Health Resources Alliance, Inc. (HRA), a company specializing in providing for rehabilitative and wellness services, institutional pharmacy services and products and programs designed to promote independence, health and wellness for elderly persons. Ms. Krueger also manages Senior Care Network, a St. Louis based alliance, and Alliance Continuing Care Network, a New York based alliance, both of which create and implement innovative programs and services either to enhance quality of life for seniors through wellness and prevention or create cost efficiencies. Ms. Krueger was a partner at KPMG responsible for overseeing the firm s national Long-term Care and Retirement Housing Practice. Ms. Krueger served as a public commissioner for the Continuing Care Accreditation Commission (CCAC) and as a member of the CCAC financial advisory board from 1987 to 2001. Ms. Krueger also served on the American Association for Homes and Services for Aged (AAHSA) House of Delegates, the AAHSA Managed Care Committee, and has been a member of the Alexian Brothers Health Systems Strategic Planning Committee since 1996. Ms. Krueger has served on the Board of Directors and the Finance/ Audit Committee for The Children Place, an organization dedicated to assisting children that are HIV or drug affected. Ms. Krueger has served on the Board of Directors and is the Chairperson for the Audit Committee for Franciscan Sisters Communities of Chicago since 2003.

The Board of Directors does not anticipate that any of the aforementioned nominees for director will refuse or be unable to accept election as a director of the Company, or be unable to serve as a director of the Company. Should any of them become unavailable for nomination or election or refuse to be nominated or to accept election as a director of the Company, then the persons named in the enclosed form of proxy intend to

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vote the shares represented in such proxy for the election of such other person or persons as may be nominated or designated by the Board of Directors.

There are no family relationships among any of the directors, director nominees or executive officers of the Company.

The Board of Directors unanimously recommends a vote FOR the election of each of the individuals nominated for election as a director.

BOARD OF DIRECTORS AND COMMITTEES

General

The Company s Board of Directors currently consists of seven directors. The Board of Directors has determined that Craig F. Hartberg, James A. Moore, Dr. Victor W. Nee and Jill M. Krueger are independent within the meaning of the corporate governance rules of the NYSE. The Company has adopted a Director Independence Policy, described below under the heading Director Independence Policy. The Board of Directors determined that Ms. Krueger, Messrs. Hartberg and Moore and Dr. Nee are independent in accordance with this Policy.

The Board of Directors held ten meetings during 2005. No director attended fewer than 75% of the aggregate of (i) the total number of meetings of the Board of Directors and (ii) the total number of meetings held by all committees of the Board on which such director served. Under the Company s Corporate Governance Guidelines, each director is expected to attend meetings of the Board of Directors, the annual shareholders meeting and meetings of the committees of the Board on which they serve. All directors then serving on the Board attended the Company s 2005 Annual Meeting of Stockholders. At the start of each regularly scheduled executive session of the non-management directors, a presiding director is selected by a majority vote of the non-management directors.

Director Independence Policy

The Board of Directors undertakes an annual review of the independence of all non-management directors. In advance of the meeting at which this review occurs, each non-management director is asked to provide the Board of Directors with full information regarding the director s business and other relationships with the Company to enable the Board of Directors to evaluate the director s independence. Directors have an affirmative obligation to inform the Board of Directors of any material changes in their circumstances or relationships that may impact their designation by the Board of Directors as independent. This obligation includes all business relationships between, on the one hand, directors or members of their immediate family, and, on the other hand, the Company, whether or not such business relationships are described above.

No director qualifies as independent unless the Board of Directors affirmatively determines that the director has no material relationship with the Company. The following guidelines are considered in making this determination:

a director who is, or has been within the last three years, an employee of the Company, or whose immediate family member is, or has been within the last three years, an executive officer, of the Company is not independent ;

a director who received, or whose immediate family member received, during any twelve-month period within the last three years, more than $100,000 in direct compensation from the Company, other than director and committee fees and pension or other forms of deferred compensation for prior service (provided such compensation is not contingent in any way on continued service), is not independent ;

a director (a) who is or whose immediate family member is a current partner of a firm that is the Company s internal or external auditor, (b) who is a current employee of such a firm, (c) whose immediate family member is a current employee of such a firm and participates in the firm s audit, assurance or tax compliance (but not tax planning) practice, or (d) who is or whose immediate family

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member was within the last three years (but is no longer) a partner or employee of such a firm and personally worked on the Company s audit within that time, is not independent ;

a director who is, or whose immediate family member is, or has been within the last three years, employed as an executive officer of another company where any of the Company s present executive officers at the same time serves or served on that other company s compensation committee is not independent ;

a director who is a current employee, or whose immediate family member is a current executive officer, of a company that has made payments to, or received payments from, the Company for property or services in an amount which, in any of the last three fiscal years, exceeds the greater of $1 million or 2% of such other company s consolidated gross revenues, is not independent ;

a director who serves as an executive officer, or whose immediate family member serves as an executive officer, of a tax exempt organization that, within the preceding three years received contributions from the Company, in any single fiscal year, of an amount equal to the greater of $1 million or 2% of such organization s consolidated gross revenue, is not independent ; and

a director who has a beneficial ownership interest of 10% or more in a company which has received remuneration from the Company in any single fiscal year in an amount equal to the greater of $1 million or 2% of such Company s consolidated gross revenue is not independent until three years after falling below such threshold.

In addition, members of the Audit Committee may not accept any consulting, advisory or other compensatory fee from the Company or any of its subsidiaries or affiliates other than directors compensation.

The term Company means Capital Senior Living Corporation and any direct or indirect subsidiary of Capital Senior Living Corporation which is part of the consolidated group. An immediate family member includes a person s spouse, parents, children, siblings, mothers and fathers-in-law, sons and daughters-in-law, brothers and sisters-in-law and anyone (other than domestic employees) who shares such person s home.

Committees

Committees of the Board of Directors include the Audit Committee, the Nominating Committee and the Compensation Committee.

Audit Committee

The Audit Committee consists of Messrs. Hartberg and Moore and Ms. Krueger, each of whom is independent, as defined by the listing standards of the NYSE in effect as of the date of this Proxy Statement. The Board of Directors has determined that Ms. Krueger qualifies as an audit committee financial expert within the meaning of Securities and Exchange Commission regulations. The Board of Directors adopted in 2004 an amended and restated Audit Committee Charter which is available on the Company s website at *http://www.capitalsenior.com* in the Investor Relations section, is included as Appendix A to this Proxy Statement and is available in print to any shareholder who requests it. Pursuant to this Charter, the Audit Committee serves as an independent party to oversee the Company s financial reporting process and internal control system, to appoint, replace, provide for compensation of and to oversee the Company s independent accountants and provide an open avenue of communication among the independent accountants and the Company s senior management and the Board of Directors. The Audit Committee held seven meetings during 2005.

Nominating Committee

The Nominating Committee consists of Messrs. Hartberg and Moore and Dr. Nee, each of whom is independent, as defined by the listing standards of the NYSE in effect as of the date of this Proxy Statement. The Nominating Committee identifies individuals qualified to become Board members and recommends Board nominees to the Board of Directors. The Nominating Committee also oversees the evaluation of the

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Board of Directors and management and develops and recommends for Board of Directors approval the Company s Code of Business Conduct and Ethics and Corporate Governance Guidelines. The amended and restated Nominating Committee Charter and the Company s Code of Business Conduct and Ethics and Corporate Governance Guidelines are available on the Company s website at *http://www.capitalsenior.com* in the Investor Relations section and are available in print to any shareholder who requests it. The Nominating Committee held one meeting during 2005.

Compensation Committee

The Compensation Committee consists of Messrs. Hartberg and Moore and Dr. Nee. The Compensation Committee held six meetings during 2005 and is responsible for approval of the compensation and objectives and goals of the Chief Executive Officer of the Company and for making recommendations to the Board of Directors concerning the Company s executive compensation policies for other senior officers and administering the 1997 Omnibus Stock and Incentive Plan. The Compensation Committee Charter is available on the Company s website at *http://www.capitalsenior.com* in the Investor Relations section and is available in print to any shareholder who requests it.

Director Nominations

The Nominating Committee of the Board of Directors is responsible under its charter for identifying and recommending qualified candidates for election to the Board of Directors. In addition, shareholders who wish to recommend a candidate for election to the Board of Directors may submit the recommendation to the chairman of the Nominating Committee, in care of the General Counsel of the Company. Any recommendation must include name, contact information, background, experience and other pertinent information on the proposed candidate and must be received in writing by December 9, 2006 for consideration by the Nominating Committee for the 2007 Annual Meeting of Stockholders.

Although the Nominating Committee is willing to consider candidates recommended by shareholders, it has not adopted a formal policy with regard to the consideration of any director candidates recommended by shareholders. The Nominating Committee believes that a formal policy is not necessary or appropriate because of the small size of the Board of Directors and because the Company s current Board of Directors already has a diversity of business background, shareholder representation and industry experience.

The Nominating Committee does not have specific minimum qualifications that must be met by a candidate for election to the Board of Directors in order to be considered for nomination by the Committee. In identifying and evaluating nominees for director, the Committee considers each candidate s qualities, experience, background and skills, as well as any other factors which the candidate may be able to bring to the Board that the Board currently does not possess. The process is the same whether the candidate is recommended by a shareholder, another director, management or otherwise. The Company does not pay a fee to any third party for the identification of candidates, but the Company has paid a fee in the past to a third party for a background check for a candidate.

With respect to this year s nominees for director, each of Mr. Stroud, Mr. Johannessen and Ms. Krueger is a current director standing for re-election.

Website

The Company s internet website *www.capitalsenior.com* contains an Investor Relations section, which provides links to the Company s annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, proxy statements, Section 16 filings, amendments to those reports and filings, code of business conduct and ethics, corporate governance guidelines, director independence policy and charters of the committees of the Board of Directors. These documents are available in print free of charge to any stockholder who requests it as soon as reasonably practicable after such material is electronically filed with or furnished to the Securities and Exchange Commission. The materials on the website are not incorporated by reference into this Proxy Statement and do not form any part of the materials for solicitation of proxies.

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Communication with Directors

Correspondence may be sent to the directors, including the non-management directors individually (each of whom may be selected to serve as a presiding director at regularly scheduled executive sessions of the non-management directors) or as a group, in care of James A. Stroud, Chairman, with a copy to the General Counsel, David R. Brickman, at the Company s principal business office, 14160 Dallas Parkway, Suite 300, Dallas, Texas 75254.

All communication received as set forth above will be opened by the Chairman and General Counsel for the sole purpose of determining whether the contents represent a message to the Company s directors. Appropriate communications other than advertising, promotions of a product or service, or patently offensive material will be forwarded promptly to the addressee.

Director Compensation

Directors who are employees of the Company do not receive additional compensation for serving as directors of the Company. Non-employee directors are entitled to an annual retainer of $15,000 payable, in arrears, on the date of each Annual Meeting. Non-employee directors are also entitled to a fee of $1,000 for each Board meeting attended by such director, and $1,000 for each committee meeting attended by such director. All directors are entitled to reimbursement for their actual out-of-pocket expenses incurred in connection with attending meetings. In addition, non-employee directors receive options to purchase shares of Common Stock or shares of restricted stock in accordance with the provisions of the 1997 Omnibus Stock and Incentive Plan.

Executive Compensation

The following table sets forth certain summary information concerning the compensation paid to any person who served as the Company s Chief Executive Officer and each of the other four most highly compensated executive officers whose salary exceeded $100,000 for services rendered in all capacities to the Company for the fiscal years ended December 31, 2005, 2004 and 2003, respectively. All of the executive officers named below are referred to herein as the Named Executive Officers.

Summary Compensation Table

		Annual Compensation(1)			Long-Term Compensation	
Name and Principal Positions	**Year**	**Salary ($)**	**Bonus ($)**	**Other Annual Compensation ($)(2)**	**Restricted Stock Awards ($)**	**Securities Underlying Options/SARs**
Lawrence A. Cohen	2005	381,423	228,366	6,000	454,350	
Chief Executive Officer and	2004	366,753	317,619	6,000		
Vice Chairman of the Board	2003	352,647	254,262	6,000		100,000
James A. Stroud	2005	317,852	126,851	10,836		
Chairman and Secretary of the Company and	2004	305,627	216,114	10,035		
Chairman of the Board	2003	293,872	197,756	8,151		
Keith N. Johannessen	2005	243,360	116,468	7,000	454,350	
President and Chief	2004	234,000	167,123	6,500		
Operating Officer	2003	225,000	151,516	6,000		56,540
Ralph A. Beattie	2005	227,207	103,276	6,537	174,750	
	2004	218,468	159,104	7,481		

Executive Vice President and Chief Financial Officer	2003	210,066	138,835	6,000		
David R. Brickman	2005	180,988	40,000	3,511	104,850	
Vice President General Counsel	2004	174,446	45,000	3,255		
	2003	168,547	30,000	3,018		41,120

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(1) Annual compensation does not include the cost to the Company of benefits that certain executive officers receive in addition to salary and cash bonuses. The aggregate amounts of such personal benefits, however, did not exceed the lesser of either $50,000 or 10% of the total annual compensation of such executive officer.

(2) Other annual compensation includes Employer 401(k) match and auto allowance.

(3) Represents the value of shares of restricted stock issued pursuant to the Company s 1997 Stock Incentive Plan on July 1, 2005. The shares vest ratably over a three and one half year period, although the vesting schedule will be accelerated in the event of a change in control of the Company. Persons holding shares of restricted stock are entitled to receive any dividends declared prior to the date of vesting. The shares of restricted stock issued to the named executive officers were 65,000 to each of Mr. Cohen and Mr. Johannessen, 25,000 to Mr. Beattie and 15,000 to Mr. Brickman. The closing price of the Company s common stock on the date of grant was $7.00. The value of these restricted stock awards, based upon the closing price of the Company s common stock of $10.34 at December 30, 2005, was $672,100 for Mr. Cohen and Mr. Johannessen, $258,500 for Mr. Beattie and $155,100 for Mr. Brickman. These shares of restricted stock represent the aggregate number of shares of restricted stock held by the named executive officers as of December 31, 2005.

Aggregated Stock Option/ SAR Exercises During 2005 and Stock Option/ SAR Values as of December 31, 2005

The following table provides information regarding the exercise of stock options during 2005 by the Named Executive Officers and describes for each of the Named Executive Officers the potential realizable values for their options at December 31, 2005:

Aggregated Option/ SAR Exercises in Last Fiscal Year and Option/ SAR Values at December 31, 2005

Name	Shares Acquired on Exercise (#)	Value Realized ($)	Number of Securities Underlying Unexercised Options/SARs at Fiscal Year End (#)	Value of Unexercised In-the-Money Options/SARs at Fiscal Year End(1)
			Exercisable/Unexercisable	Exercisable/Unexercisable
Lawrence A. Cohen			222,409/-0-	1,386,404/-0-
James A. Stroud			134,409/-0-	558,884/-0-
Keith N. Johannessen			140,196/-0-	899,553/-0-
Ralph A. Beattie			43,010/-0-	288,597/-0-
David R. Brickman			82,324/-0-	486,524/-0-

(1) All of the options reflected above were granted at exercise prices ranging from $1.80 to $7.06. The closing price per share of the Company s Common Stock on December 30, 2005 was $10.34.

Employment Agreements

The Company has entered into employment agreements with each of its named executive officers. Mr. Cohen entered into an employment agreement in November 1996 which was subsequently amended in May 1999, January 2003 and February 2004. Mr. Stroud entered into an employment agreement with the Company in May 1997 which

was subsequently amended in March and May 1999, November 2000 and January 2003. Mr. Johannessen entered into an employment agreement with the Company in November 1996 which was subsequently amended in May 1999 and January 2003. Mr. Beattie entered into an employment agreement with the Company in May 1999 which was subsequently amended in January 2003. Mr. Brickman entered into an employment agreement with the Company in December 1996 which was subsequently amended in January 2003.

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Mr. Cohen s employment agreement is for a term of three years and automatically extends for a two-year term on a consecutive basis, and the compensation thereunder consists of a minimum annual base salary of $300,000, subject to annual adjustments, and a bonus of not less than 33% of his base salary in the event certain performance standards are met. Mr. Stroud s employment agreement contains terms that renew annually for successive four-year periods, and the compensation thereunder consists of a minimum base salary of $250,000, subject to annual adjustments, and a bonus of not less than 33% of his base salary in the event certain performance standards are met. Mr. Johannessen s employment agreement is for a term of three years and automatically extends for a two-year term on a consecutive basis, and the compensation thereunder consists of an annual base salary of $180,000, subject to annual adjustments, and a bonus of not less than 33% of his base salary in the event certain performance standards are met. Mr. Beattie s employment agreement is for a term of three years and automatically extends for a two-year term on a consecutive basis, and the compensation thereunder consists of an annual base salary of $180,000 per annum, subject to adjustments, and a bonus of not less than 33% of his base salary in the event certain performance standards are met. Mr. Brickman s employment agreement is for a term of three years and automatically extends for a two-year term on a consecutive basis, and the compensation thereunder consists of an annual base salary of $146,584 for 2001, subject to annual adjustments.

Annual bonus awards are determined by the Board of Directors or the Compensation Committee. Included in each employment agreement is a covenant of the employee not to compete with the Company during the term of his employment and for a period of one year thereafter.

Messrs. Cohen, Stroud, Johannessen and Beattie s employment agreements provide that if the employee is terminated by the Company, other than for cause or for reasons of death or disability or if he voluntarily resigns for good reason, then the Company will pay his base salary plus his annual bonus paid during the term of the employment agreement in the past 12 months for the balance of the term of the agreement, but not less than two years (base salary plus annual bonus paid during the term of his employment agreement in the past 12 months for three years if the termination is due to a Fundamental Change, as defined therein). Mr. Brickman s employment agreement provides that if the employee is terminated by the Company, other than for cause or for reasons of death or disability or the employee voluntarily resigns for good reason, then the Company will pay the employee his base salary for the balance of the term of the employment agreement, but in any event not to exceed two years, and not less than two years from the date of notice of the termination.

Under the Company s employment agreements with Mr. Cohen and Mr. Stroud, Mr. Cohen and Mr. Stroud are each entitled to certain rights with respect to the registration under the Securities Act of 1933, as amended (the Securities Act), of securities of the Company they hold. Under Mr. Cohen s employment agreement, if the Company proposes to register any of its securities under the Securities Act either for its own account or the account of other security holders, Mr. Cohen is entitled to notice of the registration and has the right to include the securities of the Company that he holds in the registration. Under Mr. Stroud s employment agreement he has similar registration rights as Mr. Cohen. These registration rights are subject to certain conditions, including the right of any underwriters of these offerings to limit the number of shares included in any of these registrations. The Company has agreed to pay all expenses related to these registrations, except for underwriting discounts and selling commissions. In addition to the rights described above, under Mr. Stroud s employment agreement, upon a registration event, as defined in the employment agreement, he has certain rights to require the Company to register the securities of the Company that he holds for resale.

Compensation Committee Report on Executive Compensation

The Board of Directors has established a Compensation Committee to review and approve the compensation levels of executive officers of the Company, evaluate the performance of the executive officers and to review any related matters for the Company. The Compensation Committee is charged with reviewing with the Board of Directors in detail all aspects of the cash compensation for the executive officers of the Company. Equity compensation and other forms of compensation for the executive officers is also considered by the Compensation Committee. In 2005, the Compensation Committee consisted of Messrs. Hartberg and Moore and Dr. Nee.

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The philosophy of the Company s compensation program is to employ, retain and reward executives capable of leading the Company in achieving its business objectives. These objectives include preserving a strong financial posture, increasing the assets of the Company, positioning the Company s assets and business operations in geographic markets and industry segments offering long-term growth opportunities, enhancing stockholder value and ensuring the competitiveness of the Company. The accomplishment of these objectives is measured against conditions prevalent in the industry within which the Company operates. In recent years, these conditions reflect a highly competitive market environment and rapidly changing regional, geographic and industry market conditions. However, the Compensation Committee is also mindful of the fact that several of the Company s executive officers have entered into employment agreements in connection with their agreements to join the Company; accordingly, with respect to those executive officers, the Compensation Committee recognizes that, to a large degree, compensation for such persons is set by contract.

In general, the Compensation Committee has determined that the available forms of executive compensation should include base salary, cash bonus awards, stock options and restricted stock. Performance of the Company will be a key consideration (to the extent that such performance can fairly be attributed or related to such executive s performance), as well as the nature of each executive s responsibilities and capabilities. The Company s compensation philosophy recognizes, however, that stock price performance is only one measure of performance and, given industry business conditions and the long-term strategic direction and goals of the Company, it may not necessarily be the best current measure of executive performance. Therefore, the Company s compensation philosophy also will give consideration to the Company s achievement of specified business objectives in the areas of earnings per share, corporate goals, individual goals and stock price goals when determining executive officer compensation. The Compensation Committee will endeavor to compensate the Company s executive officers based upon a Company-wide salary structure consistent for each position relative to its authority and responsibility compared to industry peers.

An additional objective of the Compensation Committee in determining compensation is to reward executive officers with equity compensation in addition to salary in keeping with the Company s overall compensation philosophy, which attempts to place equity in the hands of its employees in an effort to further instill stockholder considerations and values in the actions of all employees and executive officers. In making its determinations, some consideration will be given by the Compensation Committee to the number of options already held by such persons and the existing amount of Common Stock already owed by such persons. The Compensation Committee believes that the award of stock options and restricted stock represents an effective incentive to create value for the stockholders. During 2005, additional grants were authorized for new and existing key employees.

On the recommendation of the Compensation Committee, the 2005 base salary for Lawrence A. Cohen, the Company s Chief Executive Officer, was established at $381,423 by the Company s Board of Directors effective for fiscal 2005. Mr. Cohen s base salary was generally based on the same factors and criteria outlined above, being compensation paid to chief executives of comparable companies, individual as well as corporate performance and a general correlation with compensation of other executive officers of the Company. The $228,366 bonus paid to Mr. Cohen in 2005 was determined under the incentive compensation criteria described above. In considering whether a cash bonus would be awarded to Mr. Cohen, the Compensation Committee recognized Mr. Cohen s efforts to execute on the Company s 2005 Business Plan. The Compensation Committee also considered the goals and criteria which had been established for Mr. Cohen for fiscal 2005, the Company s results and the other factors described in its analysis above.

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Section 162(m) of the Internal Revenue Code, enacted in 1993, generally disallows a tax deduction to public companies for compensation over $1 million paid to the Chief Executive Officer or to any of the four other most highly compensated executive officers. Certain performance-based compensation, however, is specifically exempt from the deduction limit. The Company does not have a policy that requires or encourages the Compensation Committee to qualify stock options or restricted stock awarded to executive officers for deductibility under Section 162(m) of the Internal Revenue Code. However, the Compensation Committee will consider the net cost to the Company in making all compensation decisions.

Compensation Committee

Craig F. Hartberg
James A. Moore
Dr. Victor W. Nee

Compensation Committee Interlocks and Insider Participation

No member of the Compensation Committee is or has been an officer or employee of the Company or any of its subsidiaries or had any relationship requiring disclosure pursuant to Item 404 of Regulation S-K promulgated pursuant to the Securities Act. No executive officer of the Company served as a member of the compensation committee (or other board committee performing similar functions or, in the absence of any such committee, the entire board of directors) of another corporation, one of whose executive officers served on the Compensation Committee. No executive officer of the Company served as a director of another corporation, one of whose executive officers served on the Compensation Committee. No executive officer of the Company served as a member of the compensation committee (or other board committee performing equivalent functions or, in the absence of any such committee, the entire board of directors) of another corporation, one of whose executive officers served as a director of the Company.

Report of the Audit Committee

The Audit Committee oversees the Company s financial reporting process on behalf of the Board of Directors. Management has the primary responsibility for the financial statements and the reporting process including the systems of internal controls. In fulfilling its oversight responsibilities, the Audit Committee reviewed and discussed the audited financial statements in the Annual Report on Form 10-K with management, including a discussion of the quality, not just the acceptability, of the accounting principles, the reasonableness of significant judgments and the clarity of disclosures in the financial statements.

The Audit Committee reviewed with the independent auditors, who are responsible for expressing an opinion on the conformity of those audited financial statements with generally accepted accounting principles, their judgments as to the quality, not just the acceptability, of the Company s accounting principles and such other matters as are required to be discussed with the Audit Committee under generally accepted auditing standards. The Audit Committee also discussed with the independent auditors matters required to be discussed by Statement on Auditing Standards No. 61 (Communication with Audit Committees). The Company s independent auditors also provided to the Audit Committee the written disclosures required by Independence Standards Board Standard No. 1 (Independent Discussions with Audit Committees), and the Audit Committee discussed with the independent auditors their independence and the compatibility of nonaudit services with such independence.

The Audit Committee discussed with the independent auditors the overall scope and plans for their respective audits. The Audit Committee meets with the independent auditors, with and without management present, to discuss the results of their examinations, their evaluations of the Company s internal controls, and the overall quality of the Company s financial reporting. The Audit Committee held seven meetings during fiscal year 2005.

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In reliance on the reviews and discussions referred to above, the Audit Committee recommended to the Board of Directors (and the Board has approved) that the audited financial statements be included in the Annual Report on Form 10-K for the year ended December 31, 2005 for filing with the Securities and Exchange Commission. The Audit Committee has also appointed, subject to shareholder ratification, KPMG LLP as the Company s independent auditors.

Audit Committee

Craig F. Hartberg, Chairman
James A. Moore
Jill M. Krueger

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COMPARATIVE TOTAL RETURNS

The following Performance Graph shows the changes for the five year period ended December 31, 2005 in the value of $100 invested in: (1) the Company s Common Stock; (2) the Standard & Poor s Broad Market Index (the S&P 500); and (3) the common stock of the Peer Group (as defined below) of companies, whose returns represent the arithmetic average for such companies. The values with each investment as of the beginning of each year are based on share price appreciation and the reinvestment with dividends on the respective ex-dividend dates. The change in the Company s performance for the year ended December 30, 2005, results from the price of the Company s Common Stock increasing from $5.66 per share at December 31, 2004 to $10.34 per share at December 30, 2005.

COMPARISON OF FIVE YEAR CUMULATIVE TOTAL RETURN*
AMONG CAPITAL SENIOR LIVING CORPORATION,
THE S&P 500 INDEX, THE NEW PEER GROUP AND THE OLD PEER GROUP

The preceding graph assumes $100 invested at the beginning of the measurement period, including reinvestment of dividends, in the Common Stock, the S&P 500, the New Peer Group and the Old Peer Group and was plotted using the following data:

	Cumulative Total Return					
	12/00	**12/01**	**12/02**	**12/03**	**12/04**	**12/05**
Capital Senior Living Corporation	$ 100.00	$ 121.85	$ 104.62	$ 241.23	$ 232.21	$ 424.21
S&P 500	100.00	88.12	68.64	88.33	97.94	102.75
New Peer Group	100.00	113.90	103.07	163.53	230.94	365.78
Old Peer Group	100.00	113.90	103.07	160.58	223.45	361.56

The principal executive officers of the Company, after reviewing publicly filed documents of the companies in the Old Peer Group, consisting of American Retirement Corp., Emeritus Corporation and Sunrise Assisted Living, Inc., decided to add Five Star Quality Care, Inc. to the peer group. The Company believes the New Peer Group more closely matches the Company in terms of market capitalization and market niche.

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CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

Policy of the Board of Directors

The Company has implemented a policy requiring any material transaction (or series of related transactions) between the Company and related parties to be approved by a majority of the directors who have no beneficial or economic interest in such transaction, upon such directors determination that the terms of the transaction are no less favorable to the Company than those that could have been obtained from third parties. There can be no assurance that these policies will always be successful in eliminating the influence of conflicts of interest.

SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE

Section 16(a) of the Exchange Act requires the Company s officers and directors, and persons who own more than 10% of a registered class of the Company s equity securities (the 10% Stockholders), to file reports of ownership and changes of ownership with the Securities and Exchange Commission (SEC) and the NYSE. Officers, directors and 10% Stockholders of the Company are required by SEC regulation to furnish the Company with copies of all Section 16(a) forms so filed. Based solely on review of copies of such forms received, the Company believes that, during the last fiscal year, all filing requirements under Section 16(a) applicable to its officers, directors and 10% Stockholders were timely met.

PROPOSAL TO RATIFY APPOINTMENT OF INDEPENDENT AUDITORS (PROPOSAL 2)

The Audit Committee of the Board of Directors has appointed KPMG LLP, independent auditors, to be the principal independent auditors of the Company and to audit its consolidated financial statements. KPMG LLP has served as the Company s independent auditors since June 21, 2005, and has reported on the Company s consolidated financial statements.

Representatives of the firm of KPMG LLP are expected to be present at the Annual Meeting and will have an opportunity to make a statement if they so desire and will be available to respond to appropriate questions.

The Audit Committee of Board of Directors has the responsibility for the selection of the Company s independent auditors. Although stockholder ratification is not required for the selection of KPMG LLP, and although such ratification will not obligate the Company to continue the services of such firm, the Board of Directors is submitting the selection for ratification with a view towards soliciting the stockholders opinion thereon, which may be taken into consideration in future deliberations. If the appointment is not ratified, the Audit Committee of the Board of Directors must then determine whether to appoint other auditors before the end of the current fiscal year and, in such case, stockholders opinions would be taken into consideration.

The Board of Directors unanimously recommends a vote FOR the ratification of KPMG LLP as independent auditors of the Company.

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FEES PAID TO INDEPENDENT AUDITORS

The aggregate fees billed by KPMG LLP, the Company s independent auditors, in fiscal 2005 and Ernst & Young LLP, the Company s former independent auditor, in 2004 were as follows:

	Fees	
Services Rendered	**2005**	**2004**
Audit fees(1)	$ 465,600	$ 692,410
Audit-Related fees(2)		20,627
Tax fees(3)		
Total	$ 465,600	$ 713,037

(1) Includes professional services for the audit of the Company s annual financial statements, reviews of the financial statements included in the Company s Form 10-Q filings, services that are normally provided in connection with statutory and regulatory filings or engagements. Audit services for fiscal 2005 include $177,600 in fees related to Sarbanes-Oxley Section 404 compliance.

(2) Includes fees associated with assurance and related services that are reasonably related to the performance of the audit or review of the Company s financial statement. This category includes fees related to the audit of the Company s 401(k) plan and consulting services.

(3) Includes fees associated with tax compliance, tax advice and tax planning.

The Audit Committee has considered whether the provision of the above services other than audit services is compatible with maintaining KPMG LLP s independence and has concluded that it is.

The Audit Committee has the sole authority to appoint or replace the independent auditor and is directly responsible for the compensation and oversight of the work of the independent auditor. The Audit Committee is responsible for the engagement of the independent auditor to provide permissible non-audit services, which require preapproval by the Audit Committee (other than with respect to *de minimis* exceptions described in the rules of the NYSE or the SEC that are approved by the Audit Committee). The Audit Committee ensures that approval of non-audit services by the independent auditor are disclosed to investors in periodic reports filed with the SEC.

On June 21, 2005, the Company dismissed Ernst & Young LLP as the Company s independent registered public accounting firm.

The reports of Ernst & Young LLP on the financial statements of the Company as of and for the fiscal years ended December 31, 2004 and 2003 contained no adverse opinion or disclaimer of opinion and were not qualified or modified as to uncertainty, audit scope or accounting principles.

The Audit Committee of the Board of Directors of the Company approved the decision to dismiss Ernst & Young LLP.

During the fiscal years ended December 31, 2004 and 2003 and through June 21, 2005, there were no disagreements with Ernst & Young LLP on any matter of accounting principles or practices, financial statement disclosure, or auditing scope or procedure, which disagreement(s), if not resolved to the satisfaction of Ernst & Young LLP, would have caused it to make a reference to the subject matter of the disagreement(s) in connection with its reports.

During the fiscal years ended December 31, 2004 and 2003 and through June 21, 2005, there have been no reportable events, as defined in Item 304(a)(1)(v) of Regulation S-K.

The Company has requested that Ernst & Young LLP furnish it with a letter addressed to the U.S. Securities and Exchange Commission stating whether or not it agrees with the above statements. A copy of such letter dated June 23, 2005, is attached as Exhibit 16.1 to the Company s Current Report on Form 8-K filed with the SEC on June 24, 2005.

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On June 21, 2005, the Company engaged KPMG LLP as its new independent registered public accounting firm.

During the fiscal years ended December 31, 2004 and 2003 and through June 21, 2005, the Company has not consulted KPMG LLP regarding either (i) the application of accounting principles to a specified transaction, either completed or proposed; or the type of audit opinion that might be rendered on the Company s financial statements, and neither a written report was provided to the Company nor oral advice was provided that KPMG LLP concluded was an important factor considered by the Company in reaching a decision as to the accounting, auditing or financial reporting issue; or (ii) any manner that was either the subject of a disagreement (as defined in Item 304(a)(1)(iv) of Regulation S-K and the related instructions to Item 304 of Regulation S-K) or a reportable event (as described in Item 304(a)(1)(v) of Regulation S-K).

OTHER BUSINESS
(PROPOSAL 3)

The Board knows of no other business to be brought before the Annual Meeting. If, however, any other business should properly come before the Annual Meeting, the persons named in the accompanying proxy will vote the proxy as in their discretion they may deem appropriate, unless directed by the proxy to do otherwise.

GENERAL

The cost of any solicitation of proxies by mail will be borne by the Company. Arrangements may be made with brokerage firms and other custodians, nominees and fiduciaries for the forwarding of material to and solicitation of proxies from the beneficial owners of Common Stock held of record by such persons, and the Company will reimburse such brokerage firms, custodians, nominees and fiduciaries for reasonable out of pocket expenses incurred by them in connection therewith. Brokerage houses and other custodians, nominees and fiduciaries, in connection with shares of Common Stock registered in their names, will be requested to forward solicitation material to the beneficial owners of such shares and to secure their voting instructions. The Company has retained Georgeson Shareholder Communications Inc. to assist in soliciting proxies for the Annual Meeting for a fee of $25,000. The cost of such solicitation will be borne by the Company.

The information contained in this Proxy Statement in the sections entitled Election of Directors Compensation Committee Report on Executive Compensation, Report of the Audit Committee and Comparison of Five Year Cumulative Total Return shall not be deemed incorporated by reference by any general statement incorporating by reference any information contained in this Proxy Statement into any filing under the Securities Act , or the Exchange Act, except to the extent that the Company specifically incorporates by reference the information contained in such sections, and shall not otherwise be deemed filed under the Securities Act or the Exchange Act.

By Order of the Board of Directors

James A. Stroud
Chairman of the Board and Secretary

April 7, 2006
Dallas, Texas

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APPENDIX A

CAPITAL SENIOR LIVING CORPORATION
SECOND AMENDED AND RESTATED AUDIT COMMITTEE CHARTER

Statement of Purpose

The audit committee shall provide assistance to the Board in fulfilling their 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 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.

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 10-A-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 401(h) 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.

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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.

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

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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 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.

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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.

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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 who participated in any capacity in the audit of the Company.

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.

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.

Adopted by Resolution of the Board of
Directors on March 6, 2006

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TO VOTE BY MAIL, PLEASE DETACH PROXY CARD HERE

CAPITAL SENIOR LIVING CORPORATION
14160 Dallas Parkway, Suite 300
Dallas, Texas 75254
THIS PROXY IS SOLICITED ON BEHALF OF THE BOARD OF DIRECTORS

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Y

The undersigned hereby appoints Lawrence A. Cohen and Ralph A. Beattie and each of them, as proxies, each with the power to appoint his substitute, and hereby authorizes them to represent and vote, as designated hereon, all of the shares of the common stock of Capital Senior Living Corporation (the Company), held of record by the undersigned on March 10, 2006, at the Annual Meeting of Stockholders of the Company to be held on May 9, 2006 and any adjournment(s) thereof.

IT IS IMPORTANT THAT PROXIES BE RETURNED PROMPTLY. STOCKHOLDERS WHO DO NOT EXPECT TO ATTEND THE MEETING AND WISH THEIR STOCK TO BE VOTED ARE URGED TO DATE, SIGN AND RETURN THE ACCOMPANYING PROXY IN THE ENCLOSED SELF-ADDRESSED ENVELOPE. NO POSTAGE IS REQUIRED IF MAILED IN THE UNITED STATES.

(To Be Dated And Signed On Reverse Side)
Address Change/Comments (Mark the corresponding box on the reverse side)

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TO VOTE BY MAIL, PLEASE DETACH PROXY CARD HERE

x **Please mark votes as in this example.**

This proxy will be voted as directed herein by the undersigned stockholder. If no direction is made, this proxy will be voted FOR the election of each of the nominees for director (Proposal 1) and FOR Proposal 2 and Proposal 3.

1. Proposal to elect as directors of the Company the following persons to hold office until the annual meeting of stockholders to be held in 2009 or until their successors have been duly qualified and elected.	**FOR all nominees listed to left (except as marked to the contrary)**	**WITHHELD AUTHORITY to vote for all nominees listed**
	o	o

Nominees: 01 James A. Stroud,
02 Keith N. Johannessen and
03 Jill M. Krueger

(Instruction: To withhold authority to vote for any individual nominee, mark the FOR all nominees listed to left box above and write that nominee s name in the space provided below.)

2. Proposal to ratify the Audit Committee s appointment of KPMG LLP, independent accountants, as the Company s independent auditors.	**FOR**	**AGAINST**	**ABSTAIN**
	o	o	o

3. In their discretion, the proxies are authorized to vote upon such other business as may properly come before the meeting.	**FOR**	**AGAINST**	**ABSTAIN**
	o	o	o

o

Mark Here for Address Change or
Comments SEE REVERSE SIDE

Date , 2006

Signature

Signature

Please execute this proxy as your name appears hereon. When shares are held by joint tenants, both should sign. When signing as attorney, executor, administrator, trustee or guardian, please give full title as such. If a corporation, please sign in full corporate name by the president or other authorized officer. If a partnership, please sign in partnership name by authorized person.

PLEASE MARK, SIGN, DATE AND RETURN THIS PROXY PROMPTLY USING THE ENCLOSED ENVELOPE.