August 14, 2020

To the Creditors of Clare Oaks:

Clare Oaks writes this letter to accompany the Disclosure Statement for the First Amended Plan of Reorganization under Chapter 11 of the Bankruptcy Code filed by Bondholders Lapis Advisors LP and Amundi Pioneer Asset Management, Inc., dated August 14, 2020 (the "Plan").

The Plan is the product of extensive negotiations among Clare Oaks, the Official Committee of Unsecured Creditors appointed in Clare Oaks' bankruptcy case (the "Committee"), and certain holders of Clare Oaks' existing bond debt (the "Bondholders") to restructure Clare Oaks' balance sheet, invest additional capital into Clare Oaks, and put Clare Oaks on solid financial footing for the future. **Clare Oaks believes the Plan represents the best possible outcome for Clare Oaks in this Chapter 11 case and recommends that you vote in favor of confirmation of the Plan.**

The Plan proposes to restructure Clare Oaks' existing secured bond debt of more than $87 million down to $51 million, with $35 million of senior secured bond debt paid on an amortization schedule and $16 million of subordinate secured bond debt paid only to the extent excess cash is available from the operations of Clare Oaks. Importantly, under the Plan Clare Oaks will not be required to make any payments of principal on the bonds until January of 2024.

The Plan also proposes to invest $5 million of new capital into Clare Oaks to fund important renovations for Clare Oaks, including a planned conversion of excess skilled nursing capacity to assisted living apartments that will address an underserved market demand for assisted living residences and improve the quality of life for all Clare Oaks' residents.

A critical component of the Plan, and the long-term financial stability of Clare Oaks, is the modification of existing residency agreements for independent living residents that changes the timing of payment of entrance fee refunds. The existing residency agreements provide for the payment of entrance fee refunds after a resident leaves the Clare Oaks campus upon the earlier of (a) the sale of a new unit of a similar floor plan, or (b) the 12 or 24 month anniversary of the resident's departure from Clare Oaks (depending on the contract). This structure presents the possibility that Clare Oaks will owe more entrance fee refunds than it has the ability to pay. The Plan proposes to modify existing and new independent living residency agreements so that entrance fee refunds are paid upon the re-sale of the resident's independent living unit to a new resident and receipt of a new entrance fee by Clare Oaks. This unit-based model will help ensure that Clare Oaks will have sufficient funds to pay entrance fee refunds to former residents and their families. **Accordingly, Clare Oaks recommends that independent living residents agree to accept the proposed modification to their existing residency agreement under the Plan.**

The ultimate success of the Plan depends on several factors, including the ability of Clare Oaks to meet the projections prepared by the Bondholders in support of the Plan. After carefully considering all options in this bankruptcy case, Clare Oaks has concluded that the Plan presents the best option to successfully emerge from chapter 11 and encourages all creditors to vote in favor of confirmation of the Plan.

Sincerely,

The Board of Clare Oaks:

By: Therese M. Malm, President of the Board

The Management Team of Clare Oaks

By: Jeannene Walker, CEO