



**COMPENSATION
COMMITTEE CHARTER**

As of April 28, 2017

Diversicare Healthcare Services, Inc.

Compensation Committee Charter

Organization

The Board of Directors (the “Board”) of Diversicare Healthcare Services, Inc. (the “Company”) shall designate annually a Compensation Committee comprised of two or more Directors, who may be removed by the Board in its discretion. The members of the Compensation Committee shall be “independent” as determined by the Board in accordance with all applicable laws, rules, regulations and requirements. At least two members of the Committee must qualify as “non-employee directors” for the purposes of Rule 16b-3 under the Exchange Act, and as “outside directors” for the purposes of Section 162(m) of the Internal Revenue Code, as amended.

The Compensation Committee shall report regularly to the Board. Each member of the Compensation Committee shall be literate in compensation-related matters. Such literacy shall be determined by the Board in its business judgment.

A Chairman of the Compensation Committee shall be elected annually by the Board. The Compensation Committee member so designated shall: (a) chair all meetings of the Compensation Committee; (b) coordinate the evaluation of the performance of the Chief Executive Officer (“CEO”); and (c) perform such other activities as from time to time are requested by the other Compensation Committee members or as circumstances indicate.

Purpose

The purpose of the Compensation Committee is to: (a) establish and maintain a competitive, fair and equitable compensation and benefits policy designed to retain personnel, to stimulate their useful and profitable efforts on behalf of the Company and to attract necessary additions to the staff with appropriate qualifications; (b) discharge the Board’s responsibilities for compensating the Company’s executives; (c) oversee the competency and qualifications of senior management of the Company, provision for senior management succession, the soundness of the organization structure and other related matters necessary to insure the effective management of the business; (d) produce an annual report on executive compensation for inclusion in the Company’s proxy statement; (e) review and discuss with the Company’s management the Compensation Discussion and Analysis to be included in the Company’s proxy statement; (f) carry out its responsibilities under the terms of the Company’s benefit plans; and (g) act on specific matters within delegated authority.

Meetings

The Compensation Committee shall meet as often as it deems necessary or appropriate to carry out its responsibilities and may, in its sole discretion, form and delegate authority to subcommittees (comprised only of Compensation Committee members) in furtherance of such responsibilities. Meetings of the Compensation Committee shall be called by the Chairman of the Compensation Committee, the Chairman of the Board or the President of the Company. All such meetings shall be held pursuant to the By-Laws of the Company with regard to notice and waiver

thereof, and written minutes of each such meeting shall be duly filed in the Company's records.

Committee's Duties and Responsibilities

The Compensation Committee shall:

(1) Produce an annual report on executive compensation for inclusion in the Company's proxy statement and review and discuss with the Company's management the Compensation Discussion and Analysis to be included in the Company's proxy statement.

(2) Assess the Company's financial and non-financial performance against the background of the factors and principles outlined by the Compensation Committee, evaluate the CEO in light of this performance, and set the CEO's compensation level based on this evaluation. In evaluating and determining CEO compensation, the Committee shall consider the results of the most recent shareholder advisory vote on executive compensation ("Say on Pay Vote") required by Section 14A of the Exchange Act.

(3) Approve the compensation of all other executive officers. In evaluating and determining executive compensation, the Committee shall consider the results of the most recent Say on Pay Vote.

(4) Review and provide oversight of the Company's compensation philosophy and composition of the peer company community used for market comparison, and approve the establishment of competitive targets versus the peer community and all equity-based plans requiring shareholder approval.

(5) Review eligibility criteria and award guidelines for corporate-wide compensation programs in which management-level employees participate, including bonuses, stock compensation and stock options.

(6) Review the design and management of the various perquisite, pension, savings, health and welfare plans that cover the Company's employees.

(7) Develop with management and recommend to the Board for approval a management succession plan (the "**Succession Plan**"), review the Succession Plan periodically with the CEO, develop and evaluate potential candidates for CEO and other executive positions and recommend to the Board any changes to, and any candidates for succession under, the Succession Plan.

(8) Review the performances of the trusts in which benefit assets are invested.

(9) Make regular reports to the Board.

(10) Review and approve any recommended compensation actions for the Company's executive officers, including base salary, annual incentive bonus and stock option awards.

(11) Form and delegate authority to subcommittees when appropriate.

(12) Review verification from the Company's independent auditors that compensation awards to members of the Company's executive officers, including the CEO, comply with all requirements of the Company's equity incentive plans.

(13) Determine and/or approve awards to employees of stock options or other equity incentives pursuant to any of the Company's equity incentive plans and exercise such other power and authority as may be permitted or required under such equity incentive plans. At the Committee's discretion, the approval of stock option awards to employees, other than to the Company's executive officers, may be delegated to the Company's executive officers.

(14) Review the Company's incentive compensation arrangements to determine whether they encourage excessive risk-taking, review and discuss at least annually the relationship between risk management policies and practices and compensation, and evaluate compensation policies and practices that could mitigate any such risk.

(15) Have the responsibility to comply with applicable requirements as established by the Securities and Exchange Commission, the NASDAQ Capital Market or other governing regulatory authority regarding compensation consultants used to assist in the evaluation of the CEO, other executive officers or non-employee members of the Board.

Additional Powers and Responsibilities

The Committee shall have the authority, in its sole discretion, to select, retain and obtain the advice of a compensation consultant as necessary to assist with the execution of its duties and responsibilities as set forth in this Charter. The Committee shall set the compensation, and oversee the work, of the compensation consultant. The Committee shall have the authority, in its sole discretion, to retain and obtain the advice and assistance of outside legal counsel and such other advisors as it deems necessary to fulfill its duties and responsibilities under this Charter. The Committee shall set the compensation, and oversee the work, of its outside legal counsel and other advisors. The Committee shall receive appropriate funding from the Company, as determined by the Committee in its capacity as a committee of the Board, for the payment of compensation to its compensation consultants, outside legal counsel and any other advisors. However, the Committee shall not be required to implement or act consistently with the advice or recommendations of its compensation consultant, legal counsel or other advisor to the Committee, and the authority granted in this Charter shall not affect the ability or obligation of the Committee to exercise its own judgment in fulfillment of its duties under this Charter.

In retaining or seeking advice from compensation consultants, outside counsel and other advisors (other than the Company's in-house counsel), the Committee must take into consideration the factors specified in Rule 5605(d)(3), NASDAQ Listing Rules. The Committee may retain, or receive advice from, any compensation advisor they prefer, including ones that are not independent, after considering the specified factors. The Committee is not required to assess the independence of any compensation consultant or other advisor that acts in a role limited to consulting on any broad-based plan that does not discriminate in scope, terms or operation in favor of executive officers or directors and that is generally available to all salaried employees or

providing information that is not customized for a particular company or that is customized based on parameters that are not developed by the consultant or advisor, and about which the consultant or advisor does not provide advice.

The Committee shall evaluate whether any compensation consultant retained or to be retained by it has any conflict of interest in accordance with Item 407(e)(3)(iv) of Regulation S-K.

The Compensation Committee shall, on an annual basis, review and reassess the adequacy of this Charter and conduct an evaluation of the Compensation Committee's own performance during such past year. The Compensation Committee shall perform such other activities as the Compensation Committee or the Board may from time to time deem necessary or appropriate.

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