

DIVERSICARE HEALTHCARE SERVICES, INC.

Filed by
OSMIUM PARTNERS, LLC

FORM SC 13D (Statement of Beneficial Ownership)

Filed 09/11/17

Address	1621 GALLERIA BLVD. BRENTWOOD, TN, 37027
Telephone	6157717575
CIK	0000919956
Symbol	DVCR
SIC Code	8051 - Skilled Nursing Care Facilities
Industry	Healthcare Facilities & Services
Sector	Healthcare
Fiscal Year	12/31

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

SCHEDULE 13D

**INFORMATION TO BE INCLUDED IN STATEMENTS FILED PURSUANT
TO RULE 13d-1(a) AND AMENDMENTS THERETO FILED PURSUANT TO
RULE 13d-2(a)**

(Amendment No.)*

DIVERSICARE HEALTHCARE SERVICES, INC.

(Name of Issuer)

Common Stock, par value \$0.10

(Title of Class of Securities)

255104101

(CUSIP Number)

**Osmium Partners, LLC
300 Drakes Landing Road, Suite 172
Greenbrae, CA 94904**

Attention: John H. Lewis

Telephone: (415) 785-4044

(Name, Address and Telephone Number of Person Authorized to Receive Notices and Communications)

September 8, 2017

(Date of Event Which Requires Filing of this Statement)

If the filing person has previously filed a statement on Schedule 13G to report the acquisition that is the subject of this Schedule 13D, and is filing this schedule because of Rule 13d-1(e), 13d-1(f) or 13d-1(g), check the following box [X].

Note. Schedules filed in paper format shall include a signed original and five copies of the schedule, including all exhibits. *See* Rule 13d-7(b) for other parties to whom copies are to be sent.

* The remainder of this cover page shall be filled out for a reporting person's initial filing on this form with respect to the subject class of securities, and for any subsequent amendment containing information which would alter disclosures provided in a prior cover page.

The information required on the remainder of this cover page shall not be deemed to be "filed" for the purpose of Section 18 of the Securities Exchange Act of 1934 or otherwise subject to the liabilities of that section of the Act but shall be subject to all other provisions of the Act (however, *see* the *Notes*.)

1.	Names of Reporting Persons. I.R.S. Identification Nos. of above persons (entities only). John H. Lewis	
2.	Check the Appropriate Box if a Member of a Group (See Instructions) (a) <input type="checkbox"/> (b) <input checked="" type="checkbox"/>	
3.	SEC Use Only	
4.	Citizenship or Place of Organization United States	
Number of Shares Beneficially owned by Each Reporting Person With:	5.	Sole Voting Power 0
	6.	Shared Voting Power 642,903
	7.	Sole Dispositive Power 0
	8.	Shared Dispositive Power 642,903
9.	Aggregate Amount Beneficially Owned by Each Reporting Person 642,903	
10.	Check if the Aggregate Amount in Row (9) Excludes Certain Shares (See Instructions) <input type="checkbox"/>	
11.	Percent of Class Represented by Amount in Row (9) 9.95%	
12.	Type of Reporting Person (See Instructions) IN	

1.	Names of Reporting Persons. I.R.S. Identification Nos. of above persons (entities only). Osmium Partners, LLC	
2.	Check the Appropriate Box if a Member of a Group (See Instructions) (a) <input type="checkbox"/> (b) <input checked="" type="checkbox"/>	
3.	SEC Use Only	
4.	Citizenship or Place of Organization Delaware	
Number of Shares Beneficially owned by Each Reporting Person With:	5.	Sole Voting Power 0
	6.	Shared Voting Power 642,903
	7.	Sole Dispositive Power 0
	8.	Shared Dispositive Power 642,903
9.	Aggregate Amount Beneficially Owned by Each Reporting Person 642,903	
10.	Check if the Aggregate Amount in Row (9) Excludes Certain Shares (See Instructions) <input type="checkbox"/>	
11.	Percent of Class Represented by Amount in Row (9) 9.95%	
12.	Type of Reporting Person (See Instructions) IA, OO	

1.	Names of Reporting Persons. I.R.S. Identification Nos. of above persons (entities only). Osmium Capital, LP	
2.	Check the Appropriate Box if a Member of a Group (See Instructions) (a) <input type="checkbox"/> (b) <input checked="" type="checkbox"/>	
3.	SEC Use Only	
4.	Citizenship or Place of Organization Delaware	
Number of Shares Beneficially owned by Each Reporting Person With:	5.	Sole Voting Power 0
	6.	Shared Voting Power 356,106
	7.	Sole Dispositive Power 0
	8.	Shared Dispositive Power 356,106
9.	Aggregate Amount Beneficially Owned by Each Reporting Person 356,106	
10.	Check if the Aggregate Amount in Row (9) Excludes Certain Shares (See Instructions) <input type="checkbox"/>	
11.	Percent of Class Represented by Amount in Row (9) 5.51%	
12.	Type of Reporting Person (See Instructions) PN	

1.	Names of Reporting Persons. I.R.S. Identification Nos. of above persons (entities only). Osmium Capital II, LP	
2.	Check the Appropriate Box if a Member of a Group (See Instructions) (a) <input type="checkbox"/> (b) <input checked="" type="checkbox"/>	
3.	SEC Use Only	
4.	Citizenship or Place of Organization Delaware	
Number of Shares Beneficially owned by Each Reporting Person With:	5.	Sole Voting Power 0
	6.	Shared Voting Power 172,993
	7.	Sole Dispositive Power 0
	8.	Shared Dispositive Power 172,993
9.	Aggregate Amount Beneficially Owned by Each Reporting Person 172,993	
10.	Check if the Aggregate Amount in Row (9) Excludes Certain Shares (See Instructions) <input type="checkbox"/>	
11.	Percent of Class Represented by Amount in Row (9) 2.68%	
12.	Type of Reporting Person (See Instructions) PN	

1.	Names of Reporting Persons. I.R.S. Identification Nos. of above persons (entities only). Osmium Spartan, LP	
2.	Check the Appropriate Box if a Member of a Group (See Instructions) (a) <input type="checkbox"/> (b) <input checked="" type="checkbox"/>	
3.	SEC Use Only	
4.	Citizenship or Place of Organization Delaware	
Number of Shares Beneficially owned by Each Reporting Person With:	5.	Sole Voting Power 0
	6.	Shared Voting Power 113,804
	7.	Sole Dispositive Power 0
	8.	Shared Dispositive Power 113,804
9.	Aggregate Amount Beneficially Owned by Each Reporting Person 113,804	
10.	Check if the Aggregate Amount in Row (9) Excludes Certain Shares (See Instructions) <input type="checkbox"/>	
11.	Percent of Class Represented by Amount in Row (9) 1.76%	
12.	Type of Reporting Person (See Instructions) PN	

EXPLANATORY NOTE

This Statement on Schedule 13D reflects, that as of September 8, 2017, the Reporting Persons are disclosing their beneficial ownership in Diversicare Healthcare Services, Inc. (“Diversicare” or the “Issuer”) on Schedule 13D instead of Schedule 13G. The Reporting Persons previously disclosed their beneficial ownership in the Issuer in Amendment No. 2 to Schedule 13G as filed with the Securities and Exchange Commission (the “SEC”) on February 14, 2017.

ITEM 1. Security and Issuer.

The name of the issuer is Diversicare Healthcare Services, Inc. (the “Issuer”). The principal executive office of the Issuer is located at 1621 Galleria Boulevard, Brentwood, TN 37027-2926.

ITEM 2. Identity and Background.

(a)-(c) and (f) The names of the persons jointly filing this statement on Schedule 13D (the “Reporting Persons”) are: (1) Osmium Capital, LP, a Delaware limited partnership (“Fund I”); (2) Osmium Capital II, LP, a Delaware limited partnership (“Fund II”); (3) Osmium Spartan, LP, a Delaware limited partnership (“Fund III”, and collectively with Fund I and Fund II, the “Funds”); (4) Osmium Partners, LLC, a Delaware limited liability company (“Osmium Partners”); and (5) John H. Lewis, a United States Citizen (“Lewis”). Osmium Partners serves as the general partner of Fund I, Fund II and Fund III. Mr. Lewis is the controlling member of Osmium Partners.

The principal business of each of Fund I, Fund II and Fund III is that of a private investment vehicle engaged in investing and trading in a wide variety of securities and financial instruments for its own account. The principal business of Osmium Partners is providing investment management services and serving as the general partner of Fund I, Fund II and Fund III. Mr. Lewis’ principal occupation is serving as the Managing Member of Osmium Partners.

(d)-(e) During the last five years, none of the Reporting Persons have been (a) convicted in a criminal proceeding (excluding traffic violations or similar misdemeanors) or (b) a party to a civil proceeding of a judicial or administrative body of competent jurisdiction and as a result of such proceeding was or is subject to a judgment, decree or final order enjoining future violations of, or prohibiting or mandating activities subject to, federal or state securities laws or finding any violation with respect to such laws.

ITEM 3. Source and Amount of Funds or Other Consideration

The source and amount of funds (excluding commissions) used by the Funds in making their purchase of the shares of Common Stock owned by each of them in the aggregate was \$5,271,595.33 from working capital.

One or more of the Reporting Persons effect purchases of securities through margin accounts which may extend margin credit to the Reporting Persons as and when required to open or carry positions in the margin accounts, subject to applicable federal margin regulations, stock exchange rules and brokers’ credit policies. In such instances, the positions held in the margin accounts are pledged as collateral security for the repayment of debit balances in the accounts.

ITEM 4. Purpose of Transaction

The Reporting Persons purchased the Common Stock based on the belief that such securities, when purchased, were undervalued and represented an attractive investment opportunity. Although no Reporting Person has any specific plan or proposal to acquire or dispose of the Common Stock, consistent with its investment purpose, each Reporting Person at any time and from time to time may acquire additional Common Stock or dispose of any or all of its Common Stock depending upon an ongoing evaluation of the investment in the Common Stock, prevailing market conditions, other investment opportunities, liquidity requirements of the Reporting Persons, and/or other investment considerations. The purpose of the acquisitions of the Common Stock was for investment, and the acquisitions of the Common Stock were made in the ordinary course of business and were not made for the purpose of acquiring control of the Issuer.

Consistent with their investment purpose, the Reporting Persons have engaged in communications with the board of directors of the Issuer to urge the board to substantially increase the current dividend payout as the Reporting Persons believe that the Issuer’s Common Stock is significantly undervalued. In connection with our communications with the board of directors of the Issuer we have issued a press release, dated as of September 8, 2017, a copy of which is attached hereto as Exhibit 2 and is incorporated herein by reference.

Except as disclosed above, none of the Reporting Persons has any other plans or proposals which relate to, or would result in, any of the matters referred to in paragraphs (a) through (j), inclusive, of the instructions to Item 4 of Schedule 13D. The Reporting Persons may, at any time and from time to time, review or reconsider their position and/or change their purpose and/or formulate plans or proposals with respect thereto.

ITEM 5. Interest in Securities of the Issuer

(a) The Reporting Persons beneficially own:

- (i) Fund I directly owns 356,106 shares of Common Stock representing 5.51% of all of the outstanding shares of Common Stock of the Issuer.
- (ii) Fund II directly owns 172,993 shares of Common Stock representing 2.68% of all of the outstanding shares of Common Stock of the Issuer.
- (iii) Fund III directly owns 113,804 shares of Common Stock representing 1.76% of all of the outstanding shares of Common Stock of the Issuer.
- (v) Osmium Partners, as the general partner of each of the Funds, may be deemed to beneficially own the 642,903 shares of Common Stock held by them, representing 9.95% of all of the outstanding shares of Common Stock of the Issuer.
- (vi) Mr. Lewis individually owns no shares of Common Stock. Mr. Lewis may also be deemed to be the beneficial owner of the shares of Common Stock beneficially owned by Osmium Partners.
- (vii) Collectively, the Reporting Persons beneficially own 642,903 shares of Common Stock representing 9.95% of all of the outstanding shares of Common Stock of the Issuer.

Each Reporting Person disclaims beneficial ownership with respect to any shares of Common Stock other than the shares owned directly and of record by such Reporting Person.

The percentages set forth in this response are based on the 6,458,836 shares of Common Stock outstanding as of July 28, 2017, as reported by the Issuer in its Quarterly Report on Form 10-Q for the quarter ended June 30, 2017 as filed with the SEC on August 3, 2017.

(b) Osmium Partners and Mr. Lewis may be deemed to share with Fund I, Fund II and Fund III (and not with any third party) the power to vote or direct the vote of and to dispose or direct the disposition of the 356,106 shares of Common Stock, 172,993 shares of Common Stock and 113,804 shares of Common Stock reported herein, respectively.

(c) The following Reporting Persons engaged in the following transactions with respect to the Issuer's Common Stock during the 60 days preceding September 8, 2017 and the 60 days preceding the date of this filing:

Osmium Capital, LP

Transaction Date	Number of Shares	Price per Share	Type of Transaction
7/18/2017	600	9.89	Purchase
7/20/2017	2,000	9.4505	Sale
8/3/2017	300	9.8899	Purchase
8/8/2017	400	9.3977	Purchase
8/8/2017	700	9.45	Sale
8/9/2017	200	9.25	Purchase
8/11/2017	307	8.6954	Purchase
8/15/2017	300	9.1999	Purchase
8/15/2017	2,000	9	Sale
8/17/2017	200	9.0999	Purchase
8/25/2017	200	9.1999	Purchase
8/31/2017	420	9.579	Purchase
9/5/2017	10,000	9.405	Sale

Osmium Capital II, LP

Transaction Date	Number of Shares	Price per Share	Type of Transaction
7/20/2017	1,372	9.3745	Purchase
7/26/2017	660	9.2143	Sale
8/15/2017	500	9	Sale
8/28/2017	379	9.1945	Purchase
8/31/2017	780	9.579	Purchase

Osmium Spartan, LP

Transaction Date	Number of Shares	Price per Share	Type of Transaction
7/14/2017	1,000	9.95	Sale
7/28/2017	1,757	9.4467	Purchase
8/4/2017	200	9.4999	Purchase
8/22/2017	500	9.07	Purchase
8/29/2017	300	9.45	Purchase
9/5/2017	10,000	9.405	Purchase

Other than the foregoing, no transactions in the Common Stock have been effected by the Reporting Persons in the 60 days preceding September 8, 2017 and the 60 days preceding the date of this filing.

(d) Not applicable.

(e) Not applicable.

ITEM 6. Contracts, Arrangements, Understandings or Relationships With Respect to Securities of the Issuer.

Not applicable.

ITEM 7. Material to be Filed as Exhibits.

[Exhibit 1](#) [Joint Filing Agreement \(Filed herewith\)](#)

[Exhibit 2](#) [Press Release, dated September 8, 2017.](#)

SIGNATURE

After reasonable inquiry and to the best of my knowledge and belief, the undersigned certify that the information set forth in this statement is true, complete and correct.

Dated: September 11, 2017

John H. Lewis
Osmium Partners, LLC
Osmium Capital, LP
Osmium Capital II, LP
Osmium Spartan, LP

By: /s/ John H. Lewis _____

John H. Lewis, for himself and as
Managing Member of Osmium
Partners, LLC, for itself and as
General Partner of Osmium
Capital, LP, Osmium Capital II,
LP and Osmium Spartan, LP

EXHIBIT INDEX

Exhibit 1	Joint Filing Agreement (Filed herewith)
Exhibit 2	Press Release, dated September 8, 2017.

JOINT FILING AGREEMENT

In accordance with Rule 13d-1(k) under the Securities Exchange Act of 1934, as amended, the persons named below agree to the joint filing on behalf of each of them of a statement on Schedule 13D (including amendments thereto) with respect to the Common Stock, par value \$0.10 per share, of Diversicare Healthcare Services, Inc., and further agree that this Joint Filing Agreement be included as an Exhibit to such joint filing. In evidence thereof, the undersigned hereby execute this Agreement.

Dated: September 11, 2017

John H. Lewis
Osmium Partners, LLC
Osmium Capital, LP
Osmium Capital II, LP
Osmium Spartan, LP

By: /s/ John H. Lewis
John H. Lewis, for himself and as
Managing Member of Osmium Partners,
LLC, for itself and as General Partner of
Osmium Capital, LP, Osmium Capital II, LP and
Osmium Spartan, LP

Osmium Partners Issues Letter to Diversicare Board Urging a Substantial Increase in Dividends

- Osmium believes that fair value for Diversicare (DVCR) shares is \$17-25 per share vs. \$9.40 market price.
- Since 2012, Diversicare has increased revenue from \$200 million to nearly \$600 million in 2017 while EBITDA has increased by a factor of 4.5x.
- Over the last three years, Diversicare has achieved 20% annualized revenue growth with 33% annualized EBITDA growth yet Diversicare's total annualized shareholder return is -3% and Diversicare's common stock trades at approximately 6x EV/2017 FFO (funds from operations) and just 0.29x EV/sales.
- Osmium believes Diversicare should increase its dividend from \$0.22 to \$1.00 per share (an incremental cost of \$5 million per year). With a total of nearly \$4.00 a share in 2017 in funds from operations, the company would still have sufficient liquidity to execute the continued growth strategy.
- Diversicare is in an unusual situation with a mix of strong growth metrics combined with a low valuation. The lack of analyst coverage and aggressive reinvestment into the core business, combined with low trading volumes that discourage investment currently explain why Diversicare trades at a deep discount.

Dear Diversicare board members,

Osmium Partners, LLC has been a Diversicare stockholder since 2012 and we currently own 9.9% of Diversicare's common stock. As you are aware, Diversicare's operating results have been strong with revenue increasing by 165% and EBITDA increasing by nearly 450% since 2012 while the share price has remained unchanged. We believe that fair value for Diversicare's common stock is between \$17 and \$25 per share. Despite the high costs of being a public company, including board fees, legal, accounting and audit expenses and management time and effort for presentations, earnings calls, and regulatory filings, Diversicare currently enjoys none of the benefits of being a public company. For example, Diversicare has not had sell side analyst coverage for several years, has had low daily average trading volumes of its stock of \$54,000 making it an unattractive investment, has had bid and offer prices for its stock range as much as 5-7%, and most importantly, the business trades for less than 50% of our assessment of fair value. Given this significant gap between the current stock valuation and our estimated fair value we strongly encourage the board to increase the quarterly dividend to \$0.25 per share. We believe that with the 10-year treasury yielding 2.2%, Diversicare shares would likely trade at a 5% yield with a 40% pay out based on our assessment of steady state free cash flow. As more fully described in this letter, we believe that increasing the annual dividend to \$1.00 per share is the best course of action to not only close the wide valuation gap, but also to attain the benefits of being a publicly traded company with analyst coverage and improved liquidity. Diversicare has a very bright future and it is time to transition from effectively a private company in a public shell to a public company in public shell.

Point 1: In our opinion Diversicare is worth \$17-25 per share

Levin & Associates Senior Care Acquisitions Report (Feb 2017) ¹ :

“Prices have risen to new heights in skilled nursing, nearly surpassing \$100,000 per bed at \$99,200 per bed.skilled nursing has grown more and more enticing to investors, despite its many risks. With cap rates remaining relatively high, a buyer can achieve an unlevered cash on cash return of between 12-13%....When a typical 65-75% debt ratio is applied, and with debt costs so low, the levered return can be above 20%.”

¹ <https://seniorcare.levinassociates.com/2017/02/16/skilled-nursing-cap-rates-record/>

Sum-of-the-Parts (SOTP) Analysis:

Osmium believes the average value of an owned bed is between \$80K-110K and the average value of a leased bed is between \$10K and \$15K, the main difference being lease expense. Diversicare owns 1,600 beds and leases 6,950 beds. We reach a sum-of-the-parts valuation for Diversicare between \$17 and \$30 per share.

Exhibit 1: Diversicare Sum-of-the-Parts Analysis

DVCR SOTP Analysis	Low	High
Leased Value	10,000	15,000
Leased Beds	6,950	6,950
Total Leased Value	69,500,000	104,250,000
Owned Value	80,000	110,000
Owned Beds	1,600	1,600
Total Owned Value	128,000,000	176,000,000
Combined Value	197,500,000	280,250,000
Debt	88,000,000	88,000,000
Net	109,500,000	192,250,000
Shares	6,458,836	6,458,836
Value per share	\$ 16.95	\$ 29.77

*In July 2017, DVCR acquired a facility with 103 beds in Selma, AL for 8.75M or \$85,000 per bed.

**Conservative range of \$80-110K+ per bed, especially given some of the highest CMS Quality Measure ratings. (Legacy Centers average 4/5 Stars in CMS Quality Measures.)

*** 35% of DVCR Leased Beds are in Texas and Kentucky where average leased beds are typically valued in the \$20-25K range.²

Funds from Operations (FFO) Analysis:

Osmium believes Funds from Operations should range between \$22-26 million in 2017 and \$25-30 million in 2018 with continued efficiencies from Golden Living facilities and recent accretive acquisition of Selma, AL facility. We chose the midpoint of 8-9x EV/FFO to reach a valuation of approximately \$18 per share in 2017 and \$23 per share in 2018.

Exhibit 2: Diversicare Funds from Operations Analysis

DVCR FFO Analysis (mm)	2017	2018
Funds from Operations	24.0	28.0
8.5x FFO	204.0	238.0
Debt	88.0	88.0
Net	116.0	150.0
Shares	6.5	6.5
Price per share	\$ 17.96	\$ 23.22

² <https://www.healthcaretransactions.com/sale-price-skilled-nursing-facility-bed-rights/>

Point 2: Discounted Cash Flow Model

In a Discounted Cash Flow Model, Diversicare is worth \$17-\$21 per share. We are assuming 2% revenue growth, 4-5% EBITDA margins, \$8-10M in capital expenditures and working capital changes, 10% discount rate, and a terminal multiple of 8-9x.

Point 3: Simple Debt Pay Down Would Yield Substantial Equity Returns

Simply paying down debt over 4-5 years, while holding an 8-9x EV/FFO multiple, would yield a +28.4% annualized 5 year return or \$33 share from the current share price. This requires zero FFO growth.

Exhibit 3: Diversicare Steady State Debt Pay down

Steady-State Debt Pay down	2017	2018	2019	2020	2021
FFO	24	24	24	24	24
Debt	88	64	40	16	-8
EV (8.5x FFO)	204	204	204	204	204
Debt	88	64	40	16	-8
MC	116	140	164	188	212
Shares	6.5	6.5	6.5	6.5	6.5
Price per share	\$ 17.96	\$ 21.68	\$ 25.39	\$ 29.11	\$ 32.82

Point 4: Value to Strategic Buyer

We believe that Diversicare would be an attractive target for companies such as National HealthCare (NHC) and Ensign (ENSG) who are primarily focused in skilled nursing. NHC composition of skilled nursing beds is 90% while Ensign's is 80%. For example, NHC could achieve considerable synergistic scale while reducing public company costs and fixed corporate overhead by at least \$5-10 million annually. If NHC were to acquire Diversicare, NHC 's revenue could increase by 50% and EBITDA by over 30% with minimal synergies. A purchase price of \$18 per share for Diversicare would represent less than 22% of NHC 's enterprise value. Similarly, by purchasing Diversicare at \$18 per share, Ensign could increase their revenue by 30% and EBITDA by 15% and acquire Diversicare for less than 15% of their current enterprise value .

Point 5: Dividend Case Study

Over the last three years, approximately 600 companies with market capitalizations between \$10 million and \$5 billion have increased their dividend payouts.

1. Over the last three years, the 600 companies that increased their dividends, saw their stock price increase by 43% vs. 30% for the relevant IWM index.
2. Companies that increased their dividend by 40% or more saw their stock price increase on average by 53%.

3. Companies that increased their dividend by 100% or more, saw their stock price increase on average by 67% (this excluded a retail stock BBBY, including BBBY the returns were +57%).

Clearly increasing dividends has shown to be an extremely effective tool that resonates with shareholders. On average, companies that increased their dividends, significantly outperformed the Russell 2000 index.

Conclusion

To conclude, we believe our suggestion to increase the annual dividend to \$1.00 per share A) provides for a clear path forward and is readily executable, B) will contribute in closing the wide gap between current market prices and fair value, C) will help increase underlying trading volumes so that the company can enjoy the benefits of being publicly traded and D) achieves a balanced and fair outcome for all parties involved, including the company, shareholders, customers, and employees.

The American Way – Al Angrisani

*In summary, I am frequently criticized for my strict—almost religious—adherence to the belief that the Board, management team and employees all work for the shareholders and that the shareholders MUST make money on their risk capital before we share in the fruits of our labor or equity appreciation in the company. **After all, the fundamental truth of capitalism is that risk capital must be rewarded, or capitalism will cease to be capitalism because the investor will stop investing.***

Sincerely,

John H. Lewis

CERTAIN FACTUAL AND STATISTICAL (BOTH HISTORICAL AND PROJECTED) INDUSTRY AND MARKET DATA AND OTHER INFORMATION CONTAINED HEREIN WAS OBTAINED BY OSMIUM PARTNERS FROM INDEPENDENT, THIRD-PARTY SOURCES THAT IT DEEMS TO BE RELIABLE. HOWEVER, OSMIUM HAS NOT INDEPENDENTLY VERIFIED ANY OF SUCH DATA OR OTHER INFORMATION, OR THE REASONABLENESS OF THE ASSUMPTIONS UPON WHICH SUCH DATA AND OTHER INFORMATION WAS BASED, AND THERE CAN BE NO ASSURANCE AS TO THE ACCURACY OF SUCH DATA AND OTHER INFORMATION. FURTHER, MANY OF THE STATEMENTS AND ASSERTIONS CONTAINED HEREIN REFLECT THE BELIEF OF OSMIUM, WHICH BELIEF MAY BE BASED IN WHOLE OR IN PART ON SUCH DATA AND OTHER INFORMATION. OSMIUM RECOGNIZES THAT THERE MAY BE CONFIDENTIAL OR OTHERWISE NON-PUBLIC INFORMATION IN THE POSSESSION OF THE COMPANIES DISCUSSED IN THIS LETTER THAT COULD LEAD THESE COMPANIES OR OTHERS TO DISAGREE WITH OSMIUM'S CONCLUSIONS.

In addition, Osmium realizes that Diversicare might be a party to agreements, including a fixed coverage ratio agreement entered into on June 30th 2017, that might prohibit it from increasing dividends without obtaining a waiver. However, we believe that such waivers are readily achievable. Both **NHC** and **ENSG** examples are presented for illustrative purposes only. To date, we have not had dialogue with either company. All conclusions are Osmium estimates of what we believe to be fair value for Diversicare's common stock.

About Osmium Partners

Over the last 15 years, Osmium has specialized in investing in small public companies with an intense focus on maximizing long term shareholder value. Since 2013, Osmium has appointed 12 directors to four public companies. Osmium's Managing Partner John H. Lewis brings five years of combined experience serving on publicly traded companies in capacities ranging from the Audit, Compensation, Nominating, M&A, and Risk committees. Osmium has also asserted our shareholder rights when we think shareholders are being taken advantage of. In 2013, we waged a proxy battle for four out six seats winning one of the highest affirmative vote counts in a proxy contest with nearly 90% of shareholders support. Finally, we have fought against opportunistic go-private transactions including waging in an Appraisal Rights case as well as filing twelve 13D filings. We have also been involved in over 20 of our portfolio companies go-private or sold to a strategic buyer.
