

SUNLINK HEALTH SYSTEMS INC
Form DEF 14A
September 27, 2018
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
SCHEDULE 14A
Proxy Statement Pursuant to Section 14(a) of the
Securities Exchange Act of 1934
(Amendment No.)

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

Preliminary Proxy Statement

Confidential, for Use of the Commission Only

(as permitted by Rule 14a-6(e)(2))

Definitive Proxy Statement

Definitive Additional Materials

Soliciting Material under §240.14a-12

SUNLINK HEALTH SYSTEMS, INC.

(Name of the 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):

No fee required.

Fee computed on table below per Exchange Act Rules 14a-6(i)(4) and 0-11.

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(4) Proposed maximum aggregate value of transaction:

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

(3) Filing Party:

(4) Date Filed:

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SUNLINK HEALTH SYSTEMS, INC.

900 Circle 75 Parkway, Suite 1120

Atlanta, Georgia 30339

September 27, 2018

Dear Shareholder:

You are cordially invited to attend the Annual Meeting of Shareholders which will be held at 10:00 a.m., local time, on Monday, November 12, 2018, at the Hyatt House Hotel, 3595 Cumberland Blvd. SE, Atlanta, Georgia 30339.

The accompanying Notice of the Annual Meeting and Proxy Statement contain detailed information concerning the matters to be considered and acted upon at the meeting. The Company's 2018 Annual Report to Shareholders is also enclosed.

We hope you will be able to attend the meeting.

Shareholders of record at the close of business on September 24, 2018 are entitled to vote at the annual meeting. Whether or not you plan to attend the meeting, we encourage you to read the Proxy Statement and vote as soon as possible. You may vote:

by following the Internet voting procedures described in these Proxy Materials;

by following the telephone voting procedures described in these Proxy Materials; or

by executing and returning the enclosed proxy card at your earliest convenience to ensure representation at the meeting.

Whether or not you plan to attend the meeting, please vote via the internet or telephone or execute and return the enclosed proxy card at your earliest convenience to ensure representation at the meeting. If you later find you can attend the meeting, you may, if you wish, withdraw your proxy and vote in person.

We appreciate your support of SunLink.

Sincerely,

ROBERT M. THORNTON, JR.

President and Chief Executive Officer

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SUNLINK HEALTH SYSTEMS, INC.

900 Circle 75 Parkway, Suite 1120

Atlanta, Georgia 30339

NOTICE OF 2018 ANNUAL MEETING OF SHAREHOLDERS

TO BE HELD ON NOVEMBER 12, 2018

To the Shareholders of

SUNLINK HEALTH SYSTEMS, INC.:

The Annual Meeting of Shareholders of SUNLINK HEALTH SYSTEMS, INC. will be held at 10:00 a.m., local time, on Monday, November 12, 2018, at the Hyatt House Hotel, 3595 Cumberland Blvd. SE, Atlanta, Georgia 30339, for the purpose of considering and voting upon:

1. The election of three (3) members of the board of directors named in the Proxy Statement for a term of two (2) years, and until their respective successors are elected and qualified; and
2. The ratification of the appointment of Cherry Bekaert LLP as our independent registered public accounting firm for fiscal year 2019.

To transact such other business that may properly come before the meeting. Except with respect to the procedural matters incident to the conduct of the annual meeting, we are not aware of any other business to be brought before the annual meeting.

Holders of record of the common shares of SunLink at the close of business on September 24, 2018 will be entitled to notice of and to vote at the meeting. You may vote by the internet, telephone or mail to the extent described in the Company's Proxy Statement. Internet and telephone voting for holders of record will conclude on the Sunday prior to the meeting.

Audited financial statements for the year ended June 30, 2018 and the related Management's Discussion and Analysis of Financial Condition and Results of Operations are included in our Form 10-K, such portions of which are also contained in the Annual Report included with this communication.

To attend the annual meeting you must have valid proof of identification and other proof of beneficial ownership of SunLink Health Systems, Inc. common shares (such as a brokerage statement reflecting your share ownership) as of September 24, 2018.

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Whether or not you expect to be present, please vote via the internet or telephone or mark, sign, date, and return the enclosed proxy promptly in the envelope provided. Giving the proxy will not affect your right to vote in person if you attend the meeting.

By order of the Board of Directors of

SunLink Health Systems, Inc.

/s/ Theresa Mota

Theresa Mota

Secretary

September 27, 2018

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SUNLINK HEALTH SYSTEMS, INC.

900 Circle 75 Parkway, Suite 1120

Atlanta, Georgia 30339

PROXY STATEMENT

FOR 2018 ANNUAL MEETING OF SHAREHOLDERS

GENERAL INFORMATION

We are providing these Proxy Materials to you in connection with the solicitation of proxies by the board of directors of SunLink Health Systems, Inc. for the 2018 Annual Meeting of Shareholders and for any adjournment or postponement of the annual meeting. In this Proxy Statement, we refer to SunLink Health Systems, Inc. as SunLink, the Company, we or us.

We are holding the annual meeting at 10:00 a.m. local time, on Monday, November 12, 2018, at the Hyatt House Hotel, 3595 Cumberland Blvd. SE, Atlanta, Georgia 30339.

These Proxy Materials include:

Our Proxy Statement for the annual meeting; and

Our 2018 Annual Report to Shareholders, which includes our audited consolidated financial statements. All shareholders will have the ability to access the Proxy Materials on a website referred to in these Proxy Materials.

We intend to mail this Proxy Statement and a proxy card to shareholders starting on or about September 28, 2018.

SMALLER REPORTING COMPANY

The SEC has adopted rules allowing smaller reporting companies to tailor their disclosure to reduce costs. Because the Company qualifies as a smaller reporting company under the SEC rules, the Company has elected to prepare this proxy statement and other annual and periodic reports as a smaller reporting company consistent with rules of the SEC. Under the scaled disclosure obligations, the Company is not required to provide, among other things, a Compensation Discussion and Analysis and certain other tabular and narrative disclosures relating to executive

compensation.

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ABOUT THE MEETING

At our annual meeting, our shareholders will act upon the matters outlined in the accompanying notice of meeting. The scheduled matters to be acted upon at the 2018 annual meeting are the election of three (3) members of the board of directors named in the Proxy Statement, and the ratification of the appointment of Cherry Bekaert LLP as our independent registered public accounting firm for fiscal year 2019. In addition, our management will report on our performance during fiscal year 2018.

VOTING INFORMATION

All shares represented by properly executed proxies received by the board of directors pursuant to this solicitation will be voted in accordance with the shareholder's directions specified in the applicable voting instructions or proxy card. If no directions have been specified during internet or telephone voting or by marking the appropriate places on the physical proxy card, the shares will be voted in accordance with the board's recommendations which are:

FOR the election of each of the director nominees as directors of the Company for a term of two (2) years, and until their successors are elected and qualified.

FOR the ratification of the appointment of Cherry Bekaert LLP as the Company's independent registered public accounting firm for fiscal year 2019.

A shareholder signing and returning a proxy has power to revoke it at any time prior to its exercise by delivering to the Company a later-dated proxy or by giving notice to the Company in writing or at the meeting, but without affecting any vote previously taken.

Record Date

You may vote all shares that you owned as of September 24, 2018, which is the record date for the annual meeting. On September 24, 2018, we had 7,346,814 common shares outstanding. Each common share is entitled to one (1) vote on each matter properly brought before the meeting.

Ownership of Shares

If your shares are registered directly in your name, you are the holder of record of these shares and we are sending these Proxy Materials directly to you. As the holder of record, you have the right to give your proxy directly to us, give your voting instructions by telephone or by the Internet directly to us, or vote in person at the annual meeting. If you hold your shares in a brokerage account or through a bank or other holder of record, you hold the shares in street name, and your broker, bank or other holder of record is sending these Proxy Materials to you. As a holder in street name, you have the right to direct your broker, bank or other holder of record how to vote by filling out a voting instruction form as provided to you by your broker or other person who is the holder of record, or if such internet or telephone access is provided to you by such holder of record, by following the directions to provide your instructions to the record holder via the internet or by telephone. Regardless of how you hold your shares, we invite you to attend the annual meeting.

Electronic Availability

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In compliance with the proxy rules promulgated under the Securities Exchange Act of 1934, as amended (the Exchange Act) by the United States Securities and Exchange Commission (SEC), our Proxy Statement and Annual Report to Shareholders are available over the internet at *www.proxyvote.com*, a website established specifically for access to such materials. Such materials are also available on the Company s website at *www.sunlinkhealth.com*.

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How to Vote

Your Vote Is Important. We encourage you to vote promptly. Internet and telephone voting is available through 11:59 p.m. local time on Sunday, November 11, 2018 for all shares held of record. Depending on whether you are a record holder of your shares, or whether you hold your shares in street name, you may vote by any of the means described below.

Voting Procedures for Holders of Record

If you are a holder of record, you may vote your shares by any of the following methods:

By Internet: If you are a holder of record you can vote your shares by using the internet. Your proxy card indicates the website you need to access for internet voting. Holders of record may vote on the internet 24 hours a day. Our internet voting system has easy-to-follow instructions and allows record holders to confirm that the system has properly recorded their votes. If you vote by internet, you do not need to return your proxy card.

By Telephone: If you are a holder of record located in the U.S., you can also vote your shares by calling the toll-free telephone number provided on your proxy card. Holders of record may vote by telephone 24 hours a day. As with internet voting, you will be able to confirm that the system has properly recorded your votes. If you vote by telephone, you do not need to return your proxy card.

By Mail: If you are a holder of record, you can vote by marking, dating and signing your proxy card and returning it by mail in the enclosed postage-paid envelope.

At the Annual Meeting: You may vote in person at the Annual Meeting. If you vote your shares now, it will not limit your right to change your vote at the Annual Meeting if you attend in person.

Voting Procedures for Beneficial Holders

If you hold your shares in street name, you may vote your shares by any of the following methods:

By Internet/Telephone: The availability of internet and telephone voting for beneficial owners will depend on the voting processes of your broker, bank or other holder of record. Therefore, we recommend that you follow the voting instructions in the materials you receive from your broker, bank or other holder of record.

By Mail: If you hold your shares in street name, please complete and mail the voting instruction card you receive from your broker, bank or other holder of record.

At the Annual Meeting: You may vote in person at the Annual Meeting. If you hold your shares in street name, you must obtain a proxy, executed in your favor, from the holder of record if you wish to vote your shares in person at the Annual Meeting.

Broker Vote on Election of Directors, Routine and Non-Routine Proposals A broker non-vote occurs when a broker holding your shares in street name does not vote on a particular matter because you did not provide the broker voting instructions and the broker lacks discretionary voting authority to vote the shares because the matter is non-routine or fails to exercise such authority. New York Stock Exchange (NYSE) Rule 452 and Section 402.8 of the NYSE Listed Company Manual which regulate broker voting in connection with certain listed companies, including companies listed on the NYSE American, LLC exchange (NYSE American exchange), prohibit broker discretionary voting on a

variety of matters, including, but not limited to, the election of directors for shares held in client accounts when the broker has not timely received voting instructions from the client as well as on matters related to executive compensation.

If you hold your shares in a bank or brokerage account, you should be aware that if you fail to instruct your bank or broker how to vote by the tenth day before the meeting, the bank or broker is not permitted to vote your

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shares in its discretion on your behalf for the election of directors, but is permitted to vote your shares in its discretion on your behalf on routine items.

NYSE American exchange rules also determine whether other proposals presented at the shareholder meetings are routine or not routine. If your holdings of our common shares are held in street name, under the rules of the NYSE your broker or other nominee may vote your shares on certain routine matters, if you do not provide such record holder with voting instructions. The ratification of the selection of our independent registered public accountants is considered a routine matter upon which brokerage firms and other nominees may vote on behalf of the beneficial owners if no voting instructions are provided.

While banks and brokers have historically cast their votes on routine items in support of management's recommendations in the absence of instructions from their clients, some firms are now casting uninstructed votes in the same proportion as their clients' instructed votes, giving, in effect, investors who provide voting instructions to brokers an opportunity to disproportionately influence the outcome of proxy voting.

If you want to ensure that your shares are voted in accordance with your wishes on Proposals 1 and 2, you should complete and return your voting instruction form before November 2, 2018.

Revocation of Proxies: All shares that have been properly voted and whose votes have not been revoked will be voted at the meeting. If you sign and return your proxy card without any voting instructions, your shares will be voted as the board of directors recommends.

Holdings of Record

You can revoke your proxy at any time before your shares are voted if you: (1) submit a written revocation to our Secretary; (2) submit a later-dated proxy; (3) provide subsequent internet or telephone voting instructions within the time permitted for such voting methods; or (4) vote in person at the meeting.

Beneficial Holders

If you are a beneficial holder you can revoke your proxy or voting instructions at any time before your shares are voted if you (1) cause the record holder to submit a written revocation to our Secretary; (2) cause the record holder to submit a later dated proxy if you timely provide updated voting instructions to such holder by mail or if provided by the record holder by internet or telephone voting; or (3) vote your shares in person at the annual meeting through a later-dated proxy, executed in your favor, from the holder of record.

Quorum and Required Vote

Quorum: We will have a quorum and will be able to conduct the business of the annual meeting if the holders of a majority of the shares that are entitled to vote are present at the meeting, either in person or by proxy.

Votes Required: To elect directors a plurality of the votes cast is required. To ratify the appointment of Cherry Bekaert LLP as the Company's independent registered public accounting firm for fiscal 2019 a majority of votes cast is required.

How We Count Votes: Abstentions will be counted for purposes of determining the presence or absence of a quorum. In the case of Proposal 1 (Election of Directors) and Proposal 2 (Ratification of the Selection of Independent Registered Public Accountants), abstentions will not change the number of votes cast for or against these proposals.

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Other Business; Adjournment and Postponements

We are not aware of any other business to be acted upon at the annual meeting. If, however, other matters are properly brought before the annual meeting, your proxies will have discretion to vote or act on those matters according to their best judgment.

Any adjournment of the annual meeting may be made from time to time by approval of the holders of a majority of the voting shares held by shareholders present in person or by proxy at the annual meeting, whether or not a quorum exists, without notice other than by an announcement made at the annual meeting. The record date for the annual meeting will continue to be the record date for all adjournments of such meeting unless the Board sets a new record date in which event notice of the record date and of the date to which the meeting has been adjourned will be given in accordance with Ohio law and applicable rules of the NYSE American exchange.

If a quorum is not present at the annual meeting, shareholders may be asked to vote on a proposal to adjourn or postpone the annual meeting in order to allow the solicitation of additional proxies. If a quorum is present at the annual meeting, a shareholder vote may be taken on any of the proposals in this Proxy Statement prior to any such adjournment if there are sufficient votes for approval of such proposal. If a quorum is present at the annual meeting but there are not sufficient votes at the time of the annual meeting to approve one or more proposal(s), shareholders may also be asked to vote on a proposal to adjourn or postpone the annual meeting in order to allow the solicitation of additional proxies with respect to any proposals on which action is not taken prior to adjournment of the meeting.

CORPORATE GOVERNANCE

Our business is managed by the Company's employees under the direction and oversight of the board of directors. Except for Mr. Thornton, none of our board members is an employee of the Company. The board limits membership on the audit committee and the executive compensation committee (referred to in this Proxy Statement as the compensation committee) to independent non-management directors. We keep board members informed of our business through discussions with management, materials we provide to them, visits to our offices and facilities, and their participation in board and board committee meetings.

The board of directors has adopted charters for the standing board committees (other than the executive committee), resolutions governing the process for identification and nomination of candidates for the board, and the Company's code of ethics, known as the SunLink Health Systems, Inc. Code of Conduct. These documents, together with the Company's Articles of Incorporation and Code of Regulations, provide the framework for the governance of the Company. Our Code of Conduct is applicable to our directors and our employees, including our principal executive officer and principal financial officer. Members of our board are required to certify compliance with our Code of Conduct. Any amendment to or waiver of our Code of Conduct for any board member, our chief executive officer, our chief financial officer or any other executive officer as well as our comptroller and any other similar accounting officer will be disclosed on our website, www.sunlinkhealth.com.

A complete copy of the charters of the board committees, the resolutions governing the process for identification and nomination of candidates for the board and the Code of Conduct for employees, as in effect from time-to-time, may be found on the Company's website at www.sunlinkhealth.com. Copies of these materials are also available to shareholders without charge upon written request to the Secretary of the Company.

Summary of the Corporate Governance Principles

Board and Leadership Structure

The Company's Code of Regulations provide for a minimum of six (6) and a maximum of eight (8) directors, as determined by the board of directors from time-to-time. The Company currently has seven

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(7) directors. Ms. Brenner has determined not to stand for re-election at the annual meeting in 2018. The board has decided not to replace Ms. Brenner. Accordingly, after the 2018 annual meeting, the board of directors will consist of six (6) directors.

Our Company is led by Mr. Robert M. Thornton, Jr. who has served as chief executive officer and chairman of the board of directors since 1998. We combine this traditional leadership structure with a board structure in which our non-management directors meet regularly outside of the presence of Mr. Thornton. We believe that this structure currently works best for the Company by providing us with the benefits of a single person setting the tone and having primary responsibility for managing our operations and provides clear leadership. At the same time, by having a board which is composed mainly of independent directors, including former CEOs, individuals with healthcare industry operating experience, and diverse other talents, we believe that we have created a board that is collegial, well versed in board processes and the duties of the committees on which they sit, and well engaged in their responsibilities. The board believes its members have no reticence about forcefully expressing their views while at the same time fully and fairly considering the views of their fellow directors, and that the members of the board have the experience and ability to critically evaluate the performance of our Chairman and CEO in implementing the strategic, as well as day to day, goals of the Company. Although the board periodically evaluates alternative board governance models and refinements to the existing structure, it believes, after assessing the current service of the Company's Chairman and CEO and the current composition of the board, that the current board leadership structure is appropriate for the Company.

Independence

The board of directors is required to consist of a majority of independent, non-management directors who meet the criteria for independence required by the NYSE American exchange. Under such rules, a director is independent if he or she does not have a material relationship that would interfere with the exercise of independent judgment in carrying out the responsibilities of a director. Our board annually evaluates each board member's independence.

The board of directors has determined that, as of September 24, 2018, six (6) of the Company's seven (7) incumbent directors are independent under these guidelines: Messrs. Baileys, Burleson, Ford, Turner and Mills and Ms. Brenner. Mr. Thornton, as a management director, also participates in the board's activities and provides valuable insights and advice. Each member of our audit and compensation committees is an independent director both under the general definition for board independence as well as any separate independence criteria for service on the applicable committee whether required by the SEC, the NYSE American exchange or SunLink. Independence requirements for committee service are set forth in the respective committee charters.

The non-management directors meet periodically in executive session without the management director present. The executive sessions of non-management directors are presided over by the director who is the chairperson of the committee responsible for the issue being discussed. General discussions, such as the review of the Company's overall performance, are presided over by the chairperson or a director elected by a majority of the non-management directors.

Role of the Board in Risk Oversight

The business of the Company is managed by the Company's employees under the direction and oversight of the board. Among the oversight activities of the board is the broad oversight of risk. Risk is inherent in virtually every business activity. Accordingly, the board's primary role with respect to risk is to ensure that the Company's management implements appropriate procedures designed to identify and, where possible, quantify and/or mitigate risks. The board administers its risk oversight function both at a board level and through its various committees. Our board committees

consider, among other things, risk issues within their areas of responsibilities. For example: The audit committee oversees the accounting and financial reporting process, the

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adequacy of our risk-related internal financial controls, internal audit, the impact of risks on our current financial position, and related compliance matters. The compensation committee oversees the annual performance evaluations of executive management, succession planning, and the evaluation of risks that may be implicated by the Company's compensation structure. The responsibilities of certain individual committees are discussed in greater detail elsewhere in this Proxy Statement.

Director Share Ownership

SunLink believes that each director should have a personal investment in the Company. Each outside director (or future outside director, as the case may be) is required to own at least one thousand (1,000) common shares of SunLink. Each outside director (or future outside director, as the case may be) must maintain ownership of such number of common shares until such outside director ceases to serve as a member of the board. Each of our incumbent directors has complied with such ownership requirement since at least July 1, 2008.

Annual Meeting Attendance

Although we do not have a formal policy regarding attendance by members of the board at our annual meeting of shareholders, the board of directors encourages all of its members to attend the annual meeting of shareholders. In November 2017, all director nominees and all then directors were personally present at the annual meeting of shareholders, except Mr. Mills.

Communications By and With Directors

In connection with the proper discharge of their duties, our independent non-management directors have access to individual members of management or to other employees of the Company on a confidential basis. Likewise, in connection with the discharge of their duties, non-management directors as authorized by the board or a committee thereof also have access to Company records and files, and our directors may contact other directors without informing Company management of the purpose or even the fact of such contact.

Shareholders may communicate with the Board, Board committees, non-employee directors as a group, and individual directors by submitting their communications in writing to SunLink Health Systems, Inc., 900 Circle 75 Parkway, Suite 1120, Atlanta, Georgia 30339 Attention: Corporate Secretary. Any communication should contain (i) a representation that the shareholder is a holder of record of our common shares; (ii) the name and address, as they appear on our books, of the shareholder sending the communication; and (iii) the number of our common shares that are beneficially owned by such shareholder.

Our corporate secretary will forward communications to the intended recipients unless the communication is unduly hostile, threatening, illegal or similarly inappropriate, in which case our corporate secretary has the authority to discard the communication or to take appropriate legal action regarding the communication. Similarly, unsolicited advertisements or invitations to conferences or promotional material, in the discretion of our corporate secretary or her designee, may not be forwarded to the directors.

Related Party Transactions

The Company is subject to a variety of prohibitions on, or approval procedures with respect to, related party transactions.

First, the Company is subject to certain of the NYSE American exchange requirements which require shareholder approval of certain related party transactions. Second, the Company's Code of Conduct prohibits related party transactions which could give rise to a conflict of interest including, but not limited to, employment by third parties that do business with the Company; conducting business, not on behalf of the Company, with the Company's vendors, suppliers, and contractors; representing the Company in any transaction where such person representing the Company has a substantial personal interest; disclosure or use of confidential or inside

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information about the Company for personal gain; competition with the Company in any purchase, sale or ownership of property, property rights or interests; performing services for vendors or competitors of the Company; service on any board of directors or trustees that might conflict with the Company's interests and; the acceptance of any faculty or speaker positions and any honoraria in connection therewith. A related party transaction must be approved by the Company's compliance committee, or, in the case of a member of the board of directors and/or an executive officer, such related party transaction must be approved by the board's audit committee, with such action reported to the Company's independent directors. To assist in identifying related party transactions, each director and executive officer is required, annually, to submit a Conflict of Interest Disclosure Statement. We have not adopted formal standards for the approval of related party transactions, but instead the compliance committee or the board of directors reviews these transactions on a case-by-case basis and may approve such transactions that are in, or not inconsistent with, the best interests of the Company and its shareholders.

BENEFICIAL OWNERSHIP OF OUR COMMON SHARES**Common Shares Owned By Management and Certain Beneficial Owners**

The following table sets forth, as of September 24, 2018 (unless otherwise indicated in the footnotes), certain information with respect to our common shares owned beneficially by each director, by each nominee for election as a director, by each named executive officer, by all directors, nominees and named executive officers as a group and by each person known by us to be a beneficial owner of more than 5% of our outstanding common shares. Except as noted in the footnotes, each of the persons listed has sole investment and voting power with respect to the common shares included in the table.

Name ⁽¹⁾	Common Shares Beneficially Owned As of September 24, 2018	
	Number ⁽²⁾	% of Class ⁽³⁾
Robert M. Thornton, Jr.	773,343 ⁽⁴⁾	10.2
Director, Chairman, President and Chief Executive Officer		
Mark J. Stockslager	195,926 ⁽⁵⁾	2.6
Chief Financial Officer and Principal Accounting Officer		
Byron D. Finn	0	*
President, SunLink ScriptsRx, LLC		
Dr. Steven J. Baileys	1,012,844 ⁽⁶⁾	13.7
Director		
Karen B. Brenner	73,174 ⁽⁷⁾	1.0
Director		
Gene E. Burleson	117,243 ⁽⁸⁾	1.6
Director		
C. Michael Ford	84,122 ⁽⁸⁾	1.1

Director		
Howard E. Turner	427,577 ⁽⁸⁾	5.8
Director		
Christopher H. B. Mills	846,546 ⁽⁸⁾⁽⁹⁾	11.4
Director		
Nicholas Berggruen Charitable Trust	374,852 ⁽¹⁰⁾	5.1
Wittenberg Investment Management, Inc.	716,549 ⁽¹¹⁾	9.8
Directors, Nominees and Executive Officers as a group (9 persons)	3,530,775 ⁽¹²⁾	44.2

* Less than 1%.

⁽¹⁾ The address of the named director or officer is c/o SunLink Health Systems, Inc., 900 Circle 75 Parkway, Suite 1120, Atlanta, Georgia 30339.

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- (2) Information with respect to beneficial ownership is based upon information furnished by each owner unless otherwise indicated. None of the shares beneficially owned by the named officers and directors are the subject of any pledge agreement or arrangement or margin account.
- (3) The percent of outstanding common shares owned is determined by assuming that in each case the person only, or group only, exercises his, her or its rights to purchase all of the common shares underlying options held by such person or group that are exercisable as of September 24, 2018, or that will become exercisable within 60 days after that date.
- (4) Includes 250,000 shares that may be acquired under options exercisable within 60 days of September 24, 2018. Also includes 203,584 shares owned by CareVest Capital, LLC (CareVest). Mr. Thornton owns 100% of the outstanding voting interests of CareVest.
- (5) Includes 95,000 shares that may be acquired under options exercisable within 60 days of September 24, 2018.
- (6) Includes 50,000 shares that may be acquired under options exercisable within 60 days of September 24, 2018. Also includes 574,602 shares held by Beilihis Investments, LLC (Beilihis), which is a private investment firm. Dr. Baileys is the managing member of Beilihis.
- (7) Includes 50,000 shares that may be acquired under options exercisable within 60 days of September 24, 2018. Ms. Brenner s ownership information also includes 43,521 shares which are owned by Ms. Brenner and her immediate family and related entities.
- (8) Includes 50,000 shares that may be acquired under options exercisable within 60 days of September 24, 2018.
- (9) Includes aggregate holdings originally reported under a joint filing on a Schedule 13D/A dated December 18, 2006 and filed with the SEC on December 18, 2006 by Christopher H. B. Mills as modified by subsequent information. The following information is based solely on such filing and subsequent information provided by Mr. Mills including pursuant to a Statement of Changes In Beneficial Ownership on Form 4 filed by Mr. Mills with the SEC on June 11, 2018. The securities listed in the table are the aggregate holdings of North Atlantic Smaller Companies Investment Trust Plc, and certain private clients of Harwood Capital LLP. Mr. Mills serves as a director and CEO of North Atlantic Smaller Companies Investment Trust Plc and chief financial investment officer of Harwood Capital LLP. Mr. Mills has shared voting and dispositive power with respect to the reported shares. Mr. Mills is a British citizen whose business address is Ryder Court, 14 Ryder Street, London SW1Y 6QB England.
- (10) Includes aggregate holdings under a joint filing on Schedule 13G dated and filed with the SEC on February 9, 2018 by Berggruen Holdings Ltd. (BHL), a BVI corporation and Nicholas Berggruen Charitable Trust (NBCT), a BVI trust. The following information is based solely on such filing. All of the shares of BHL are owned by the NBCT. The trustee of NBCT is Maitland Trustees Limited, a BVI corporation acting as an institutional trustee in

the ordinary course of business without the purpose or effect of changing or influencing control of the Company. Nicolas Berggruen, a United States citizen, is one of three directors of BHL, and as such, does not have beneficial ownership of any Common Shares beneficially owned by BHL. The principal business address of NBCT is: Midocean Chambers P.O. Box 805 Road Town, Tortola British Virgin Islands. BHL and NBCT report shared voting and dispositive power with respect to all of the reported shares listed above.

- (11) Includes holdings reported on Schedule 13G dated March 15, 2016 by Wittenberg Investment Management, Inc. (WIM) and Joel B. Wittenberg (Wittenberg) and filed with the SEC on February 10, 2017. The following information is based solely on such filing. WIM is a California corporation, with its principal office located at 650 Concord Street, Suite 203, Carlisle, Massachusetts 01741. Wittenberg is a U.S. citizen whose principal business address is 650 Concord Street, Suite 203, Carlisle, Massachusetts 01741. Wittenberg is deemed the beneficial owner of the 716,549 shares beneficially owned by WIM. WIM and Wittenberg report shared voting and dispositive power with respect to all of the reported shares.
- (12) Includes 645,000 shares that may be acquired under options exercisable within 60 days of September 24, 2018.

Table of Contents**PROPOSAL 1 TO BE VOTED ON BY SHAREHOLDERS****Proposal 1 Election of Directors**

The Company's board of directors is presently comprised of seven (7) members. Ms. Brenner has determined not to stand for re-election at the annual meeting in 2018. The board has decided not to replace Ms. Brenner. Accordingly, after the 2018 annual meeting, the board of directors will consist of six (6) members.

One class of directors is normally elected at each annual meeting of shareholders for a term of two (2) years. At the 2018 annual meeting, shareholders will elect three (3) members to the board of directors who will hold office until the annual meeting of shareholders in 2020. The board of directors has nominated C. Michael Ford, Christopher H.B. Mills, and Howard E. Turner for re-election as directors for terms of office of two (2) years, and until their successors are elected and qualified.

It is the intention of the proxy agents named in the proxy, unless otherwise directed, to vote such proxies for the election of C. Michael Ford, Christopher H.B. Mills, and Howard E. Turner.

Should any of such nominees be unable to accept the office of director, an eventuality which is not anticipated, proxies may be voted with discretionary authority for a substitute nominee or nominees designated by the board of directors.

The board of directors unanimously recommends a vote FOR the election of C. Michael Ford, Christopher H.B. Mills, and Howard E. Turner.

INFORMATION CONCERNING THE BOARD OF DIRECTORS**Identification of Directors**

The following table sets forth certain information about the nominees for election and the directors whose terms of office will continue after the meeting.

Current Nominees:	Name and Offices Presently Held with Company	Director Since
C. Michael Ford	Director	1999
Christopher H. B. Mills	Director	2007
Howard E. Turner	Director	1999
Directors Whose Term of Office Expires in 2019:	Name and Offices Presently Held with Company	Director Since
Robert M. Thornton, Jr	Director, Chairman, President and Chief Executive Officer	1996
Dr. Steven J. Baileys	Director	2000
Gene E. Burleson	Director	2003

Certain information concerning each person listed in the above table, including his or her principal occupation for at least the last five (5) years, is set forth below.

Robert M. Thornton, Jr., 69, has been Chairman and Chief Executive Officer of the Company since September 10, 1998, President since July 16, 1996 and was its Chief Financial Officer from July 18, 1997 through August 31, 2002. From October 1994 to the present, Mr. Thornton also is a private investor and, since March 1995, has been Chairman and Chief Executive Officer of CareVest Capital, LLC, a private investment and management services firm. Mr. Thornton was a director of and held various executive offices with Hallmark Healthcare Corporation from October 1989 until Hallmark's merger with Community Health Systems, Inc. in

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October 1994. Mr. Thornton was deemed qualified to serve on the board for the reasons set forth below under Director Qualifications, including his