

SUNLINK HEALTH SYSTEMS INC  
Form DEF 14A  
October 01, 2014  
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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 Pursuant to §240.14a-12

**SunLink Health Systems, Inc.**

**(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):

x No fee required.

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

.. Fee paid previously with preliminary materials.

.. 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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**SUNLINK HEALTH SYSTEMS, INC.**

**900 Circle 75 Parkway, Suite 1120**

**Atlanta, Georgia 30339**

October 3, 2014

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 10, 2014, 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 2014 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 22, 2014 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 execute and return the enclosed proxy card at your earliest convenience to ensure representation at the meeting or vote via telephone or the Internet. If you later find you can attend the meeting, you may, if you wish, withdraw your proxy and vote in person.

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 2014 ANNUAL MEETING OF SHAREHOLDERS**

**TO BE HELD ON NOVEMBER 10, 2014**

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 10, 2014, at the Hyatt House Hotel, 3595 Cumberland Blvd. SE, Atlanta, Georgia 30339, for the purpose of considering and voting upon:

1. The election of four (4) members of the board of directors named in the Proxy Statement for a term of two (2) years, and until their successors are elected and qualified;
2. The ratification of the appointment of Cherry Bekaert LLP as our independent registered public accounting firm for fiscal year 2015; and

To transact such other business that may properly come before the meeting.

Holders of record of the common shares of SunLink at the close of business on September 22, 2014 will be entitled to notice of and to vote at the meeting. You may vote by mail, telephone or the Internet 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, 2014 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 stock ownership) as of

September 22, 2014.

Whether or not you expect to be present, please mark, sign, date, and return the enclosed proxy promptly in the envelope provided, or vote via telephone or the Internet. 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/ JAMES J. MULLIGAN

James J. Mulligan

Secretary

October 3, 2014

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**SUNLINK HEALTH SYSTEMS, INC.**

**900 Circle 75 Parkway, Suite 1120**

**Atlanta, Georgia 30339**

**PROXY STATEMENT**

**FOR 2014 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 2014 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 10, 2014, 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 2014 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 October 3, 2014.

**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 2014 annual meeting are the election of four (4) 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 2015. In addition, our management will report on our performance during fiscal year 2014.



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**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 2015.

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 22, 2014, which is the record date for the annual meeting. On September 22, 2014, we had 9,443,408 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**

In compliance with the proxy rules promulgated by United States Securities and Exchange Commission (SEC), our Proxy Statement and Annual Report to Shareholders are available over the Internet at [www.proxyvote.com](http://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](http://www.sunlinkhealth.com).

**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 9, 2014 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 Telephone:** If you are a holder of record located in the U.S., you can 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.

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Our telephone 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 telephone, you do not need to return your proxy card.

**By Internet:** If you are a holder of record you can also 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. As with telephone voting, you will be able to confirm that the system has properly recorded your votes. If you vote by Internet, 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 Telephone/Internet:** The availability of telephone and Internet 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.

**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 Amex Equities 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. Effective September 9, 2010, Rule 452 and Section 402.8 were amended to prohibit broker discretionary voting upon matters related to executive compensation, including, but not limited to, advisory votes on approval of compensation and the frequency of such advisory votes.

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 within ten (10) days of the meeting, the bank or broker is not permitted to vote your 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 Amex rules also determine whether 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, other than the election of directors and compensation

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.

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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 October 31, 2014.*

**Revocation Of Proxies:** All shares that have been properly voted and not 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.

## Holders 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 telephone or Internet 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 year 2015 a majority of the 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 and therefore will have no effect on the approval of these proposals.

## **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, the executive compensation committee (referred to in this Proxy Statement as the *compensation committee*) and the strategic planning 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.





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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](http://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](http://www.sunlinkhealth.com). Copies of these materials are also available to shareholders without charge upon written request to the Secretary of the Company.

The board intends to review the Company's corporate governance principles, charters, Code of Conduct and other aspects of governance annually or more often if necessary, to remain current in all aspects of corporate governance. The board has also adopted a policy to self-evaluate its performance and that of each of its committees on an annual basis.

## **Summary Of The Corporate Governance Principles**

### *Board Leadership Structure*

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 NYSE Amex. 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 22, 2014, six (6) of the Company's seven (7) incumbent directors are independent under these guidelines: Ms. Brenner and Messrs. Baileys, Burleson, Ford, Turner and Mills. 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, NYSE Amex or SunLink. Independence requirements for committee service are set forth in the respective committee charters.

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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 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 the individual committees are discussed in greater detail elsewhere in this Proxy Statement.

### *Business Combinations*

In the event SunLink receives any formal written offer to purchase more than 20% of the Company's outstanding common shares, such proposal is required to be evaluated by the board of directors, who have delegated the evaluation of such offer(s) to the strategic planning committee of the board of directors. Such committee is required to be comprised of a majority of independent directors and currently is comprised solely of outside directors. The committee has established three criteria for any takeover proposal it considers: (1) adequate price both in light of the limited trading market for the Company's common shares and the factors analyzed by the Board in connection with the Company's current plans to go private, (2) certainty of financing, and (3) minimum execution risk. The strategic planning committee may retain such legal and financial advisors as it may deem necessary to advise it and the board in respect of any offer or other proposal.

In the event of any proposed business combination involving SunLink, the compensation committee is authorized to retain an independent financial advisor to evaluate and make recommendations to the compensation committee concerning any severance or retention package proposed for any of SunLink's officers or directors in connection with any proposed business combination. The compensation committee will evaluate any such proposals in light of existing severance benefits and the financial effect of any existing or additional benefits.

### *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*

The board of directors encourages all of its members to attend the annual meeting of shareholders. In November 2013, all director nominees and all then directors were personally present at the annual meeting of shareholders, except Mr. Mills, a current director, and Mr. Hall, who was a director of the Company until his death on June 30, 2014.

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### **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.

The board of directors has provided a means by which shareholders, employees or other interested persons may send communications to the board or to individual members of the board. Such communications, whether by letter, e-mail or telephone, should be directed to the Secretary of the Company at SunLink Health Systems, Inc., Office of Corporate Secretary, 900 Circle 75 Parkway, Suite 1120, Atlanta, Georgia 30339. Our corporate secretary will forward communications to the intended recipients. However, unsolicited advertisements or invitations to conferences or promotional material, in the discretion of the Secretary or his designee, may not be forwarded to the directors.

If a shareholder wishes to communicate to the chairperson of the audit committee about a concern relating to the Company's financial statements, accounting practices or internal controls, the concern should be submitted in writing to the chairperson of the audit committee in care of the Company's Secretary at our headquarters address. If the concern relates to the Company's governance practices, business ethics or corporate conduct, the concern likewise should be submitted in writing to the chairperson of the audit committee in care of the Company's Secretary at our headquarters address. If the shareholder is unsure as to which category his or her concern relates, he or she may communicate it to any one of the independent directors in care of the Company's Secretary.

The Company's whistleblower policy prohibits the Company or any of its employees from retaliating or taking any adverse action against anyone for raising a concern. If a shareholder or employee nonetheless prefers to raise his or her concern in a confidential or anonymous manner, the concern may be directed to the Compliance Committee Chairman at the Company's headquarters or by telephone at (866) 244-5952. The officer responsible for such services or his designee will refer the concern to the compliance committee or, if appropriate, the chairperson of the audit committee to ensure that the matter is properly investigated.

### **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 NYSE Amex 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 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 (consisting of the Corporate Risk Manager and one facility CEO), 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 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.

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The following table sets forth, as of September 30, 2014 (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 <sup>(1)</sup>	Common Shares Beneficially Owned As of September 30, 2014	
	Number <sup>(2)</sup>	% of Class <sup>(3)</sup>
Robert M. Thornton, Jr.	701,845 <sup>(4)</sup>	7.3
Director, Chairman, President and Chief Executive Officer		
Mark J. Stockslager	138,264 <sup>(5)</sup>	1.5
Chief Financial Officer and Principal Accounting Officer		
Byron D. Finn	0	*
President, SunLink ScriptsRx, LLC		
Dr. Steven J. Baileys	1,305,661 <sup>(6)</sup>	13.7
Director		
Karen B. Brenner	822,474 <sup>(7)</sup>	8.7
Director		
Gene E. Burleson	116,100 <sup>(8)</sup>	1.2
Director		
C. Michael Ford	106,357 <sup>(8)</sup>	1.1
Director		
Howard E. Turner	416,215 <sup>(8)</sup>	4.4
Director		
Christopher H. B. Mills	1,751,499 <sup>(9)(10)</sup>	18.5
Director		
Berggruen Holdings North America Ltd.	704,039 <sup>(11)</sup>	7.5
Directors, Nominees and Executive Officers as a group (9 persons)	5,415,372 <sup>(12)</sup>	54.1



\* 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.
- (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 30, 2014, or that will become exercisable within 60 days after that date.

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- (4) Includes 140,000 shares that may be acquired under options exercisable within 60 days of September 30, 2014. Also includes 233,384 shares owned by CareVest Capital, LLC ( CareVest ). Mr. Thornton owns 100% of the outstanding voting interests of CareVest.
- (5) Includes 40,000 shares that may be acquired under options exercisable within 60 days of September 30, 2014.
- (6) Includes 48,857 shares that may be acquired under options exercisable within 60 days of September 30, 2014. 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 48,857 shares that may be acquired under options exercisable within 60 days of September 30, 2014. Also includes 250,151 shares held by Fortuna Asset Management, LLC ( Fortuna ), which is an investment advisory firm, or by Fortuna s defined benefit plan. Ms. Brenner is the president of Fortuna. Ms. Brenner s ownership information also includes 34,261 shares which are owned by Ms. Brenner and her immediate family and related entities.
- (8) Includes 48,857 shares that may be acquired under options exercisable within 60 days of September 30, 2014.
- (9) Includes 37,857 shares that may be acquired by Mr. Mills under options exercisable within 60 days of September 30, 2014.
- (10) Includes aggregate holdings under a joint filing on a Schedule 13D dated December 18, 2006 by North Atlantic Value, LLP, Christopher H. B. Mills, American Opportunity Trust, John W. Gildea, Gildea Management Company and Axia Value Partners (collectively, the Group ). The following information is based solely on such filing. The Group as joint filers disclaims the existence of a group under Rule 13d-3. North Atlantic Value, LLP, is a limited liability partnership organized under the laws of England with its principal office and business at 6 Stratton Street, London W1J 8LD England. North Atlantic Value is the investment manager and/or investment adviser to each of American Opportunity Trust, Trident North Atlantic Fund, Trident Holdings, Trident High Tor and its private clients and as such it has the authority to vote or dispose of the Company s common shares owned by such entities. Trident North Atlantic Fund is an open-ended investment company incorporated in the Cayman Islands with its principal office and business at P.O. Box 309, Uglan House, George Town, Grand Cayman, Cayman Islands. Trident North Atlantic Fund is a publicly held regulated mutual fund. Mr. Mills serves as a director of Trident North Atlantic Fund and North Atlantic Value serves as an investment adviser to Trident North Atlantic Fund. Mr. Mills is a British citizen whose business address is Ryder Court, 14 Ryder Street, London SW1Y 6QB England. Trident Holdings ( Trident Holdings ) is an open-ended investment company incorporated in the Cayman Islands with its principal office and business at P.O. Box 1350GT, 75 Fort Street, George Town, Grand Cayman, Cayman Islands. High Tor Limited ( Trident High Tor ) is a corporation organized under the laws of the Cayman Islands with its principal office and business at P.O. Box N-4857, Unit No. 2, Cable Beach Court, West Bay Street, Nassau, The Bahamas. American Opportunity Trust is a corporation organized under the laws of England with its principal office and business at Ryder Court, 14 Ryder Street, London SW1Y 6QB England. North Atlantic Smaller Companies Investment Trust ( NASCIT ) is an investment limited liability company organized under the laws of England with its principal office and business at Ryder

Court, 14 Ryder Street, London SW1Y 6QB England. Gildea Management Company is a corporation organized under the laws of the State of Delaware with its principal office and business address at P.O. Box 938, 65 Vitti Street, New Canaan, Connecticut. John W. Gildea is a U.S. citizen whose principal business address is P.O. Box 938, 65 Vitti Street, New Canaan, Connecticut. Axia Value Partners LLC ( Axia Value Partners ) is a limited liability company organized under the laws of the State of Delaware with its principal office and business address at P.O. Box 938, 65 Vitti Street, New Canaan, Connecticut. Mr. Mills is the Chief Executive Officer of American Opportunity Trust. Mr. Mills is also a partner of North Atlantic Value. Gildea Management Company is the investment manager to Axia Value Partners and as such it has the authority to vote or dispose of the Company s common shares owned by Axia Value Partners. John W. Gildea is a managing director of Gildea Management Company and is also a director of American

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Opportunity Trust. The aggregate number and percentage of the outstanding common shares of the Company reported by the Group to be beneficially owned by each member and to the knowledge of the Group, by each other person who may be deemed to be a member of the Group is as follows:

<b>Group Member</b>	<b>Aggregate Number of Shares</b>	<b>Number of Shares: Sole Power to Vote</b>	<b>Number of Shares: Shared Power to Vote</b>	<b>Number of Shares: Sole Power to Dispose</b>	<b>Number of Shares: Shared Power to Dispose</b>	<b>Approximate Percentage</b>
North Atlantic Value	1,282,300		1,282,300		1,282,300	13.6%
Christopher H. B. Mills	1,282,300		1,282,300		1,282,300	13.6%
American Opportunity Trust	302,844		302,844		302,844	3.2%
Trident North Atlantic Fund	239,302		239,302		239,302	2.5%
Trident Holdings	123,670		123,670		123,670	1.3%
Trident High Tor	29,084		29,084		29,084	0.3%
John W. Gildea	107,800		107,800		107,800	1.1%
Gildea Management Company	105,000		105,000		105,000	1.1%
Axia Value Partners	105,000		105,000		105,000	1.1%

- (11) Includes aggregate holdings under a joint filing on Schedule 13D dated March 25, 2008 by Berggruen Holdings North America Ltd., Medici I Investments Corp., Berggruen Holdings Ltd., Tarragona Trust, Nicholas Berggruen, Resurgence Health Group, LLC, Philip H. Eastman and Anne S. Thompson. The following information is based solely on such filing. Berggruen Holdings North America Ltd., is a British Virgin Islands ( BVI ) international business company, with its principal office at 1114 Avenue of the Americas, 41st Floor, New York, New York, and is a direct, wholly owned subsidiary of Medici I Investments Corp., a BVI company, with its principal office at 1114 Avenue of the Americas, 41st Floor, New York, New York, which is a direct, wholly owned subsidiary of Berggruen Holdings Ltd., a BVI international business company ( Berggruen Holdings ) with its principal office at 1114 Avenue of the Americas, 41st Floor, New York, New York. All of the shares of Berggruen Holdings are owned by Tarragona Trust, a BVI trust ( Tarragona ) with its principal office at 9 Columbus Centre, Pelican Drive, Road Town, Tortola, British Virgin Islands. The trustee of Tarragona is Maitland Trustees Limited, a BVI corporation acting as an institutional trustee in the ordinary course of business. Mr. Berggruen is a U.S. citizen whose principal business address is 1114 Avenue of the Americas, 41st Floor, New York, New York. Mr. Berggruen is a director of Berggruen Holdings. Resurgence Health Group, LLC, a Georgia limited liability company ( Resurgence ) with its principal office at 1400 Buford Highway, Building R-3, Sugar Hill, Georgia. Mr. Eastman is a U.S. citizen whose principal business address is 1400 Buford Highway, Building R-3, Sugar Hill, Georgia. Mr. Eastman is the chief executive officer of Resurgence. Ms. Thompson is a U.S. citizen whose principal business address is 1400 Buford Highway, Building R-3, Sugar Hill, Georgia. Ms. Thompson is the chief operating officer of Resurgence.

- (12) Includes 510,999 shares that may be acquired under options exercisable within 60 days of September 30, 2014.



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. One class of directors is normally elected at each annual meeting of shareholders for a term of two (2) years. At the 2014 annual meeting, shareholders will elect four (4) members to the board of directors who will hold office until the annual meeting of shareholders in 2016. The board of directors has nominated Karen B. Brenner, 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 Karen B. Brenner, 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 Karen B. Brenner, 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.

<b>Current Nominees:</b>	<b>Name and Offices Presently Held with Company</b>	<b>Director Since</b>
Karen B. Brenner	Director	1996
C. Michael Ford	Director	1999
Howard E. Turner	Director	1999
Christopher H. B. Mills	Director	2007

<b>Directors Whose Term of Office Expires in 2015:</b>	<b>Name and Offices Presently Held with Company</b>	<b>Director Since</b>
Robert M. Thornton, Jr.	Director, Chairman, President and Chief Executive Officer	1996
Dr. Steven J. Baileys	Director	2000
Gene E. Burlison	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.

**Karen B. Brenner**, 61, has been President of Fortuna Asset Management, LLC, an investment advisory firm located in Newport Beach, California, since 2000. Fortuna Asset Management, LLC succeeded to the business of Fortuna

Advisors, Inc., which Ms. Brenner formed and operated from 1993 to 2000. From 1996 to 1998 Ms. Brenner served on the Board of Directors of Data Design Labs. From 1984 to 1993, Ms. Brenner was a partner in Allen Brenner, a financial consulting firm. Prior to 1984, Ms. Brenner was a consultant in the health and medical division of Booz Allen Hamilton. Ms. Brenner was deemed qualified to serve on the board for the reasons set forth below under *Director Qualifications*, including her business experience set forth herein.

**C. Michael Ford**, 75, has been President of Ocmulgee Land Trust, Inc. since April 1, 2014. Mr. Ford was the Chief Executive Officer of Newtown Macon, Inc. until March 21, 2014 and its Chief Financial Officer from

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October 2002 to November 2003. He was Chairman of the Board of In Home Health, Inc. from February 2000 to December 2000. Mr. Ford also served as Vice President of Development of Columbia/HCA Healthcare Corporation from September 1994 to September 1997, and was Vice President of Marketing of Meditrust Corp. from October 1993 to September 1994. Mr. Ford was deemed qualified to serve on the board for the reasons set forth below under *Director Qualifications*, including his business experience set forth herein.

**Howard E. Turner**, 72, has been a partner in the law firm of Smith, Gambrell & Russell, LLP, since 1971, where he is a member of the firm's executive committee. Mr. Turner was a director of Avlease, Ltd., a lessor of large commercial aircraft, and of Historic Motorsports Holdings, Ltd., a motorsports sanctioning body. Mr. Turner provides legal services to the Company through the law firm, Smith, Gambrell & Russell, LLP, as requested by the Company. Mr. Turner was deemed qualified to serve on the board for the reasons set forth below under *Director Qualifications*, including his business experience set forth herein.

**Christopher H. B. Mills**, 61, is a Director and the Chief Investment Officer of Harwood Capital Management and has served in such capacity since October 30, 2011. From January 1993 until October 2011, Mr. Mills was a Director and the Chief Investment Officer of J. O. Hambro. Mr. Mills also serves as the Managing Director/Investment Manager of North Atlantic Smaller Companies Investment Trust plc and Trident North Atlantic, positions he has held since 1998. From 1984 to 1993 Mr. Mills was a Director of MIM Management Limited. Mr. Mills was deemed qualified to serve on the board for the reasons set forth above under *Director Qualifications*, including his business experience set forth herein.

**Robert M. Thornton, Jr.**, 65, 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 has been 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 October 1994. Mr. Thornton was deemed qualified to serve on the board for the reasons set forth below under *Director Qualifications*, including his business experience set forth herein.

**Dr. Steven J. Baileys**, 60, is a private investor and was Chairman of the Board of Directors of SafeGuard Health Enterprises, Inc., a public dental care benefits company, from July 1995 to June 2004. Dr. Baileys was Chief Executive Officer of SafeGuard from April 1995 to February 2000, its President from December 1981 until May 1997, and its Chief Operating Officer from December 1981 until April 1995. Dr. Baileys is licensed to practice dentistry in the State of California. Dr. Baileys was deemed qualified to serve on the board for the reasons set forth below under *Director Qualifications*, including his business experience set forth herein.

**Gene E. Burleson**, 73, is a private investor and was Chairman of PET DRx Corporation from June 2005 to July 1, 2010 and its Chief Executive Officer from October 2008 until its acquisition by VCA Antech in July 2010. Mr. Burleson was a director of HealthMont Inc. from September 2000 until its acquisition by SunLink in October 2003. Mr. Burleson served as Chairman of Mariner Post-Acute Network, Inc. from January 2000 to June 2002. Mr. Burleson was Chairman of the Board of GranCare Inc. from October 1990 to November 1997 and President and Chief Executive Officer of GranCare Inc. from December 1989 to February 1997. From June 1986 to March 1989 Mr. Burleson served as President, Chief Operating Officer and Director of American Medical International Inc. (AMI). Mr. Burleson served as Managing Director of AMI's international operations from May 1981 to June 1986. Mr. Burleson was deemed qualified to serve on the board for the reasons set forth below under *Director Qualifications*, including his business experience set forth herein.



**Nominees For Election As Directors For A Two-Year Term Expiring In 2016**

*Nomination of Directors*

We currently do not have a standing nominating committee. Our entire board of directors performs the functions of the nominating committee. Our board does not believe that it needs a separate nominating committee

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because the full board is comprised predominately of independent directors and has the time and resources to perform the function of selecting board nominees. When our board performs its nominating function, it acts in accordance with our Articles of Incorporation and Code of Regulations but does not have a separate charter related to the nomination process.

*Director Qualifications*

The board of directors concluded that each continuing director and each director nominated for re-election was qualified to serve as a director of SunLink and recommended the nominees for election or re-election at the current year's annual meeting. No single factor was more important than any other factor in the evaluation of any director or selection of any director nominee and the board made its determination on the basis of its own experience and subjective evaluation of each individual, with reference to various objective criteria required by law or other regulatory requirements, including but not limited to independence requirements and stock exchange regulations, as well as the subjective criteria that each director has deemed desirable in evaluating nominations.

Each director nominated for re-election and each continuing director was deemed by the board to have: met applicable legal and regulatory definitions of independence excluding from such independence determination only Mr. Thornton, the Company's sole management director; met the criteria set forth in the Company's corporate governance guidelines; a reputation for and to have displayed, personal integrity and judgment; achieved professional prominence in their business careers; manifested concern for the interests of the Company's shareholders; sufficient time available for service on the SunLink board taking into account such person's other professional and personal commitments; demonstrated a commitment to the Company based on their current and historical service to the Company as a director and/or as an executive officer of the Company; a general understanding of marketing, finance, and other disciplines relevant to the success of a publicly traded company in today's business environment; and knowledge with respect to the current state of the Company based on their current and historical service to the Company as a director and/or as an executive officer of the Company.

Board members with long board service to the Company (Baileys, Brenner, Burleson, Ford, Thornton and Turner), prior experience in the healthcare services industry (Burleson, Ford and Thornton), current and prior experience providing legal services to clients in the healthcare industry (Turner), prior experience in businesses ancillary to the healthcare services industry (Burleson, Ford and Thornton), or a combination thereof, as set forth in greater detail in their individual biographies, were deemed to have applicable industry or related industry experience relevant to the Company. Board members identified in greater detail in their individual biographies as having served as officers of other healthcare services providers (Burleson, Ford and Thornton) or a current officer of the Company (Thornton) were deemed to have had operational experience relevant to the Company. Directors identified elsewhere in this Proxy Statement in greater detail as serving on specific committees of the board were deemed to have experience in matters relevant to their current committee assignments including executive compensation (Baileys, Brenner, and Burleson), and financial expertise (Brenner and Ford). Each director identified in greater detail in their biographies as an incumbent director of SunLink or as having served as an officer, director or both of one or more other public companies (Baileys, Burleson, Thornton and Mills) was deemed to have experience relevant to SunLink as a public company and to the discharge of the duties of such persons as directors of a public company. Each director with prior CEO experience (Baileys, Burleson and Ford) and corporate legal experience (Turner) was deemed to have experience relevant to their oversight of the Company's management in general and its CEO in particular. Each director identified in their biography as having applicable healthcare services industry experience (Baileys, Burleson, Ford and Thornton), or healthcare legal experience (Turner) was deemed to have applicable industry regulatory experience. Each director identified as having experience in industries which are or have been highly competitive (all) or highly regulated, especially the financial services industries (Brenner and Mills), were deemed to have experience relevant to the Company in its own business which is both highly competitive as well as highly regulated. Each director was

deemed of sufficient age and maturity to have accumulated the life experiences, viewpoints, and expertise necessary to perform the duties of a public company director, as well as being able to vigorously perform his or her duties as a director of the Company.

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The board conceptualizes diversity expansively to include differences of viewpoint, professional experience and skill sets, especially in matters of healthcare service operations and regulations, financing, marketing, and human resources, as well as a subjective determination of individual qualities, attributes and differences. The board has taken into account the benefits of, but has not ascribed any specific weight to, or adopted any formal policy with respect to, matters of geographic and cultural background, race and gender. The board evaluates each individual in the context of the board as a whole, with the objective of recommending a group that can best facilitate the success of SunLink's business and represent shareholder interests through the exercise of sound judgment using its diversity of experience. The board evaluates each incumbent director to determine whether he or she should be nominated to stand for re-election based on the types of criteria outlined above as well as the director's contributions to the board during their current term. Because the assessment of the diversity of the board as well as the effectiveness of the current factors in achieving diversity from a variety of perspectives is based on the individual subjective evaluation of each of the board members, the Company does not engage in any formal benchmarking procedure.

**Board Meetings**

The board of directors held six (6) meetings during fiscal 2014. The board has four (4) standing committees: an executive committee, an audit committee, a compensation committee and a strategic planning committee. Each standing committee had the right to retain, in the fiscal year ended June 30, 2014, its own legal and other advisors. During the fiscal year ended June 30, 2014, all directors, except Mr. Mills, attended 75% or more of the meetings of the full board of directors. During the fiscal year ended June 30, 2014, all directors attended 75% or more of the meetings of the individual committees of the board of directors upon which they served.

**Committees Of The Board Of Directors Overview****Membership On Board Committees**

This table lists the four (4) board committees in existence during our last fiscal year and the directors who currently serve on them and the number of committee meetings held in the fiscal year ended June 30, 2014.

<b>Name</b>	<b>Audit</b>	<b>Compensation</b>	<b>Executive</b>	<b>Strategic</b>
Dr. Baileys				C
Ms. Brenner				
Mr. Burleson		C		
Mr. Ford	C			
Mr. Mills				
Mr. Thornton			C	
Mr. Turner				
2014 Meetings	4	2	0	0

C = Chairperson

= Member  
**Audit Committee**

The audit committee's primary function is to assist the board of directors in fulfilling its oversight responsibilities by:

selecting the Company's independent registered public accounting firm and evaluating the independence, performance, and continued retention of such accounting firm;

reviewing the Company's auditing, accounting and financial reporting processes generally;

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reviewing the Company's systems of internal controls regarding finance, accounting, legal, and compliance that management and the board have established;

reviewing the integrity of the financial statements and other financial information provided by the Company to the Company's shareholders, the general public and the SEC, including:

reviewing and discussing with management and the independent registered public accounting firm the financial statements to be included in the Company's annual report on Form 10-K for filing with the SEC;

discussing with the independent registered public accounting firm the conduct of the audit, the adequacy and effectiveness of the Company's accounting and financial controls, and the written disclosures required by Independence Standards Board Standard No. 1 regarding such firm's independence;

meeting separately with the independent registered public accounting firm and with the Company's internal auditors, as well as the Company's management, to discuss the results of their audits; and

reviewing and discussing with management and the independent registered public accounting firm the Company's interim financial statements as included in the Company's quarterly reports;

reviewing the potential engagement of the Company's independent registered public accounting firm for non-audit services prior to any such engagement and approving any such engagement;

reassessing annually the adequacy of the audit committee charter and recommending any proposed changes to the board for approval;

reporting to the Company's board of directors the conclusions with respect to the matters that the audit committee has considered; and

examining such other areas or activities consistent with the audit committee charter, the Company's Code of Regulations and governing law as the audit committee or board deem appropriate.

The audit committee has adopted a procedure to receive allegations on any fraudulent accounting issues through a toll-free telephone number and email as set out in the Company's Code of Conduct.

Each member of the audit committee is independent as defined in Section 803(A) of the NYSE Amex Company Guide and Rule 10A-3 of the Securities Exchange Act of 1934 (the "1934 Act"). The board has also determined that Mr. Ford meets the requirements for being an audit committee financial expert pursuant to Section 407 of the Sarbanes-Oxley Act of 2002. Our audit committee charter is available on our website at [www.sunlinkhealth.com](http://www.sunlinkhealth.com).

## **Compensation Committee**

### *Composition; Independence; Compensation Committee Interlocks And Insider Participation*

Our compensation committee is composed entirely of independent members of the board of directors. All three (3) members of the compensation committee are independent, as defined in Section 803(A) of the NYSE Amex Company Guide and each of them qualifies as an outside director (as such term is defined in Section 162(m) of the Internal Revenue Code of 1986, as amended (the Code) and the regulations thereunder). Our compensation committee charter is available on our website at [www.sunlinkhealth.com](http://www.sunlinkhealth.com). No member of the committee is a current or former employee or officer of the Company or any of its affiliates.

### *Compensation Review Process; And Management Participation In Compensation Determinations*

The compensation of our executive officers is determined by the compensation committee on an annual basis subject to minimum compensation pursuant to employment agreements and letters previously approved by

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the committee. Our compensation committee considers all elements of compensation in making its determinations. With respect to those executive officers who do not serve on our board of directors, our compensation committee also considers the recommendations of our chairman of the board and chief executive officer. The committee meets at various times during the year, and it also considers and takes action by written consent. The committee chairperson reports on committee actions and recommendations at board meetings.

### *Responsibilities*

The compensation committee has the power and authority of the board to perform and performs the following duties and responsibilities:

Develops guidelines and, on an annual basis, reviews the compensation and performance of the Company's senior executive officers; reviews and approves corporate goals relevant to the compensation of the chief executive officer; evaluates the chief executive officer's performance in light of these goals and objectives; sets the chief executive officer's compensation based on such evaluation; evaluates the performance of the Company's senior executive officers and approves their annual compensation; and produces an annual report on executive compensation for inclusion in the Company's annual proxy statement, in accordance with all applicable rules and regulations;

Makes recommendations to the board with respect to incentive compensation plans and equity-based plans, and administers such plans by establishing criteria for granting of awards to the Company's officers and other employees and reviews and approves the granting of awards in accordance with such criteria;

Reviews and approves plans for managerial succession of the Company;

Reviews director compensation levels and practices, and recommends to the board, from time to time, changes in such compensation levels and practices (including retainers, meetings fees, committee fees, stock options and other similar items as appropriate);

Annually reviews and assesses the adequacy of the Compensation Committee Charter and recommends any proposed changes to the board for approval; and

Performs such other activities consistent with the Compensation Committee Charter, the Company's Code of Regulations and governing law as the committee or the board deems appropriate.

### **Executive Committee**

The executive committee is empowered to exercise all of the authority of the board of directors except as to matters not delegable to a committee under the General Corporation Law of Ohio.

### **Strategic Planning Committee**



The strategic planning committee is empowered to, among other things, conduct periodic evaluations of the Company's strategic alternatives. The committee has the power and authority of the board to perform and performs the following duties and responsibilities:

Recommends for board approval actions that address the Company's strategic alternatives, including, but not limited to solicited and unsolicited takeover offers, possible acquisition targets, asset sales or major purchases;

Discusses with the Company's regular outside counsel or special counsel any legal matters that could reasonably be expected to have a material impact on the Company's long-term strategies;

Annually evaluates performance of the committee; and

Annually reviews and assesses the committee charter and submits recommended changes to the board. The strategic planning committee charter is available on our website at [www.sunlinkhealth.com](http://www.sunlinkhealth.com).

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**Nomination Procedures And Shareholder Nominations**

The board does not have a nominating committee but has adopted a nominating resolution which provides that the board believes it to be in the best interest of the Company and the best interest of the Company's shareholders to authorize the entire board to identify and nominate, by majority vote of the entire board of directors then in office, directors to serve on the Company's board so long as, pursuant to NYSE Amex rules, director nominees so selected are approved by a majority of the independent directors and, when vacancies occur on the board which are to be filled, that the board will actively seek individuals qualified to become board members based on business experience, professional expertise, industry experience and diversity. Shareholders who wish to submit nominees for election at an annual or special meeting of shareholders should follow the procedure generally described in *Requirements, Including Deadlines, For Submission Of Proxy Proposals, Nomination Of Directors And Other Business Of Shareholders* on page 42 of this Proxy Statement and more particularly, in the Company's Code of Regulations. The board of directors applies the same standards in considering candidates submitted by shareholders as it does in evaluating candidates submitted by members of the board of directors. The board does not have a separate policy with regard to the consideration of candidates recommended by shareholders other than the process provided in the nominating resolution.

Table of Contents**COMPENSATION OF DIRECTORS FOR FISCAL YEAR 2014****Management Directors**

We do not pay directors who are also our employees any additional compensation for serving as a director, other than customary reimbursement of expenses.

**Non-Management Directors**

The Company believes that the compensation of non-management directors should be at a level which is sufficient to attract talented and diverse individuals to serve on the Company's board of directors while, at the same time, avoiding compensation levels where the level of compensation might present the appearance of a potential lack of director independence. However, in recent years, the board of directors has limited director compensation in light of the Company's recent financial performance to levels below those which the board would otherwise deem appropriate.

The following chart discloses the compensation of each non-management director for the fiscal year ended June 30, 2014:

Name	Fees Earned or Paid in Cash (\$) <sup>(1)</sup>	Stock Awards (\$)	Option Awards (\$) <sup>(2)</sup>	Non-Equity Incentive Plan Compensation (\$)	Change in Pension Value and Nonqualified Deferred Earnings	All Other Compensation (\$)	Totals (\$)
Dr. Steven J. Baileys	36,000	N/A	2,130	N/A	N/A	N/A	38,130
Karen B. Brenner	36,000	N/A	2,130	N/A	N/A	N/A	38,130
Gene E. Burlson	36,000	N/A	2,130	N/A	N/A	N/A	38,130
C. Michael Ford	36,000	N/A	2,130	N/A	N/A	N/A	38,130
Michael W. Hall <sup>(3)</sup>	36,000	N/A	2,130	N/A	N/A	N/A	38,130
Christopher H. B. Mills	36,000	N/A	2,130	N/A	N/A	N/A	38,130
Howard E. Turner <sup>(4)</sup>	36,000	N/A	2,130	N/A	N/A	N/A	38,130

(1) **Cash Compensation.** Non-management directors receive a flat fee for director compensation of \$25,000 per year, payable on a monthly basis in equal installments. In addition each non-employee director received a onetime payment for fiscal 2014 of \$11,000 paid in 12 equal installments. We also reimburse customary expenses for attending board, committee and shareholder meetings.

(2) **Equity Compensation.** The Company made equity-based compensation awards to directors during fiscal year 2014 in the form of options, all of which were vested as of the grant date of September 16, 2013. Each non-employee director is eligible to participate in the 2011 Directors Stock Option Plan, and each award during fiscal year 2014 was awarded under such plan. Although each non-employee director is technically eligible to

participate in the Company's 2001 Outside Directors' Stock Ownership and Stock Option Plan and in the 2005 Equity Incentive Plan, the last shares available for new grants to directors under either such plan were utilized in 2005.

- (3) Mr. Michael W. Hall was a member of the Company's board of directors until his death on June 30, 2014.
- (4) **Other Arrangements.** Mr. Turner is a partner of the law firm of Smith, Gambrell & Russell, LLP. Such law firm provided legal services to the Company in the fiscal year ended June 30, 2014 at customary rates and continues to provide such services to the Company in the fiscal year ending June 30, 2015.

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The following chart discloses certain information with respect to stock awards and option awards held by each non-management director as of the fiscal year ended June 30, 2014:

Name	Option Awards				Stock Awards				
	Equity Incentive Plan Awards: Number of Securities Underlying Unexercised Options (#) <sup>(1)</sup>	Equity Incentive Plan Awards: Number of Securities Underlying Exercisable Options (#) <sup>(1)</sup>	Equity Incentive Plan Awards: Number of Securities Underlying Exercised Options (#)	Option Exercise Price (\$)	Option Expiration Date	Number of Shares or Units of Stock That Have Not Vested (#) <sup>(2)</sup>	Market Value of Shares or Units of Stock That Have Not Vested (\$)	Unearned Shares or Units of Stock That Have Not Vested (#)	Unearned Shares or Units of Stock That Have Not Vested (\$)
Dr. Steven J. Baileys	5,500			9.63	11/10/2015	N/A	N/A	N/A	N/A
	5,500			6.55	05/15/2017				
	4,857			8.00	09/23/2017				
	10,000			1.67	11/10/2021				
	20,000			1.22	09/05/2022				
	3,000			0.71	09/16/2023				
Karen B. Brenner	5,500			9.63	11/10/2015	N/A	N/A	N/A	N/A
	5,500			6.55	05/15/2017				
	4,857			8.00	09/23/2017				
	10,000			1.67	11/10/2021				
	20,000			1.22	09/05/2022				
	3,000			0.71	09/16/2023				
Gene E. Burleson	5,500			9.63	11/10/2015	N/A	N/A	N/A	N/A
	5,500			6.55	05/15/2017				
	4,857			8.00	09/23/2017				
	10,000			1.67	11/10/2021				
	20,000			1.22	09/05/2022				
	3,000			0.71	09/16/2023				
C. Michael Ford	5,500			9.63	11/10/2015	N/A	N/A	N/A	N/A
	5,500			6.55	05/15/2017				

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	4,857	8.00	09/23/2017				
	10,000	1.67	11/10/2021				
	20,000	1.22	09/05/2022				
	3,000	0.71	09/16/2023				
Michael W. Hall <sup>(3)</sup>	5,500	9.63	11/10/2015	N/A	N/A	N/A	N/A
	5,500	6.55	05/15/2017				
	4,857	8.00	09/23/2017				
	10,000	1.67	11/10/2021				
	20,000	1.22	09/05/2022				
	3,000	0.71	09/16/2023				
Christopher H. B. Mills	4,857	8.00	09/23/2017	N/A	N/A	N/A	N/A
	10,000	1.67	11/10/2021				
	20,000	1.22	09/05/2022				
	3,000	0.71	09/16/2023				

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Name	Option Awards				Stock Awards				
	Number of Securities Underlying Unexercised Options (#) <sup>(1)</sup>	Number of Securities Underlying Exercised Options (#) <sup>(1)</sup>	Number of Securities Underlying Inearned Options (#)	Exercise Price (\$)	Option Expiration Date	Number of Shares or Units of Stock That Have Not Vested (#) <sup>(2)</sup>	Market Value of Shares or Units of Stock That Have Not Vested (\$)	Number of Shares or Units of Other Rights That Have Not Vested (#)	Unearned Shares or Units of Other Rights That Have Not Vested (\$)
Howard E. Turner	5,500			9.63	11/10/2015	N/A	N/A	N/A	N/A
	5,500			6.55	05/15/2017				
	4,857			8.00	09/23/2017				
	10,000			1.67	11/10/2021				
	20,000			1.22	09/05/2022				
	3,000			0.71	09/16/2023				

- (1) Includes grants of options under the Company's 2001 Outside Directors' Stock Ownership and Stock Option Plan, the 2005 Equity Incentive Plan and the 2011 Directors Stock Option Plan.
- (2) If we grant stock awards in the future, we will report the named director holding unvested securities, the vesting date for such securities and the number of securities vesting on the applicable date.
- (3) Mr. Michael W. Hall was a member of the Company's board of directors until his death on June 30, 2014. Upon Mr. Hall's death all of his outstanding options became exercisable by his estate for a period of 180 days, after which period such options, if not exercised, will expire.

Table of Contents**EXECUTIVE OFFICERS**

Our executive officers, as of October 3, 2014, their positions with the Company or our subsidiaries, and the ages of such executive officers are as follows:

<b>Name</b>	<b>Office</b>	<b>Age</b>
Robert M. Thornton, Jr.	Director, Chairman of the Board of Directors, President and Chief Executive Officer	65
Mark J. Stockslager	Chief Financial Officer and Principal Accounting Officer	55
Byron D. Finn <i>Current Executive Officers</i>	President, SunLink ScriptsRx, LLC	64

All of our executive officers hold office for an indefinite term, subject to the discretion of the board of directors.

Biographical information for our non-director executive officers is set forth below:

**Mark J. Stockslager**, 55, has been SunLink's Chief Financial Officer since July 1, 2007. He was interim Chief Financial Officer from November 6, 2006 until June 30, 2007. He has been the Principal Accounting Officer since March 11, 1998 and was Corporate Controller from November 6, 1996 to June 4, 2007. He has been associated continuously with our accounting and finance operations since June 1988 and has held various positions, including Manager of U.S. Accounting, from June 1993 until November 1996. From June 1982 through May 1988, Mr. Stockslager was employed by Price Waterhouse & Co.

**Byron D. Finn**, 64, has been the President of SunLink ScriptsRx, a subsidiary of the Company, since October 1, 2010. From 1982 to October 1, 2010, Mr. Finn was President of Byron D. Finn, CPA, PC, (or its predecessor companies), a provider of accounting, financial consulting and litigation support services for clients, including numerous healthcare clients.



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**EXECUTIVE COMPENSATION**

**Compensation Process**

*Compensation Review Process; Management Participation in Compensation Determinations; Delegation of Authority*

The compensation of our executive officers is determined by the compensation committee of our board of directors on an annual basis subject to the provisions of employment agreements and employment letters. The committee considers all elements of compensation in making its determinations. With respect to those executive officers who do not serve on our board of directors, the committee also considers the recommendations of our chairman of the board and chief executive officer. The committee meets at various times during the year, and it also considers and takes action by written consent. The committee chair reports on committee actions and recommendations at board meetings.

Periodically, the committee conducts a review of the Company's executive compensation program (the "Compensation Review"). The Compensation Review may include (a) an internal report evaluating executive compensation throughout the Company to review consistency and program effectiveness, (b) a report evaluating the competitiveness of executive compensation at the Company relative to other healthcare companies and public corporations employing similar executive talent, which report may be internally generated or produced by outside consultants or (c) both. As part of the evaluation process, the committee considers the recommendations of management; particularly the recommendation of the Company's chief executive officer, in setting the compensation of the Company's named executive officers.

The committee may delegate limited authority to the compensation and benefits group in SunLink's human resources (HR) department to support the committee in its work and, in some cases, act pursuant to delegated authority to fulfill various functions in administering SunLink's compensation programs.

*Authority To Utilize Compensation Consultants*

The compensation committee has the authority to engage and has in the past engaged, outside advisers, experts, and others to assist it in various ways including providing it with comparative data. The compensation committee has established procedures that it considers adequate to ensure that advice to the committee remains objective and is not influenced by the Company's management, including a direct reporting relationship of any compensation consultant to the committee. If the committee elects to engage any consultant, it is contemplated that under the terms of any agreement with any such consultant the committee will be able to contact the consultant without any interaction from Company management and the committee will require both the consultant and the Company to report any engagement of the consultant by the Company and the amount of fees paid or anticipated to be paid in connection with such engagement in order that the committee may evaluate the independence of such consultant in its role as the committee's compensation consultant.

**Compensation Disclosure And Analysis**

This Compensation Disclosure and Analysis discusses components for the year ended June 30, 2014 (fiscal year 2014) and the other periods specified herein.

*Objectives and Goals*

We have five major objectives for the Company's compensation structure:

1. Accountability Through Measurable Goals, through revenue and EBITDA goals; expense control measures, which align our compensation programs with internal financial objectives for revenue, EBITDA and cost control; and repositioning goals for our business both internally and through strategic transactions, including the disposition of underperforming assets.

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2. Congruence between Executive Pay and Business Performance, through compensation programs designed to reward high performance with high compensation over different time horizons.
3. External Competitiveness, through compensation programs that are intended to motivate management with compensation that takes into account relative compensation and performance within the healthcare industry and compensation relative to other companies of similar size and complexity and performance, as well as to promote management continuity and succession planning.
4. At Risk Compensation, through compensation programs that are intended to encourage strategic goals and provide continued at risk compensation, including equity-linked compensation programs, as well as a stock ownership requirement for our named executive officers (our NEOs).
5. Risk Appropriateness, through compensation programs that encourage boldness and innovation but do not encourage undue or excessive risk and do not sacrifice long term growth or goals for transient success. To achieve this goal, we seek to use compensation programs that balance short and long term incentives and which do not utilize open-ended incentives. We also do not utilize certain performance measures, which we believe could encourage undue risk taking. We consider adjusting targets when warranted by economic conditions or changes in the Company's business strategy. We endeavor not to pay excessive compensation when macroeconomic conditions are playing a significant role in the Company's success and conversely we endeavor not to overly penalize the Company's officers when macroeconomic conditions have adversely affected the Company's success; however, we do evaluate how the Company's officers guide the Company in responding to macroeconomic challenges.

### *Use Of Compensation Consultants*

During fiscal year 2014, the committee did not retain any compensation consultants or engage in any formal benchmarking. In fiscal 2005, the compensation committee retained a compensation consulting firm to review and evaluate the current compensation packages for the three highest paid executives of the Company as compared to those of the executives of other healthcare companies with comparable revenues. However, due to the age of such survey, the committee did not give it material weight in determining the reasonableness of potential compensation levels during fiscal year 2014. The committee did not materially adjust compensation in 2010, 2011, 2012, 2013 or 2014.

### *Major Compensation Components*

In fiscal year 2014, the principal components of compensation for our executive officers were base salary and short-term incentives, in the form of two cash bonus programs. Although historically we also utilized long-term equity based incentives, we believe that the Company's current goals are best met by utilizing an approach to compensation focused on base salary and short-term bonus incentives.

*Base Salaries.* The Company's base salaries are intended to be consistent with its understanding of competitive practices, levels of executive responsibility, qualifications necessary for the particular executive position and the expertise and experience of the executive officer. Salary adjustments reflect the compensation committee's belief as to competitive trends, the performance of the individual and, to some extent, the overall financial condition of the Company.

Base salary amounts in fiscal year 2014 were unchanged from fiscal 2013.

Base salaries for the Company's named executive officers at June 30, 2014, effective from July 1, 2013, were as follows:

<b>Name</b>	<b>Base Salary</b>
Robert M. Thornton, Jr	\$ 359,700
Mark J. Stockslager	\$ 182,585
Byron D. Finn	\$ 200,000

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In setting base salaries for fiscal year 2014, the committee considered a number of factors including, but not limited to: the fact that no material adjustments were made to base compensation during fiscal year 2013; the Company's performance in fiscal year 2013; and the steps taken by the Company's executive officers in fiscal years 2013 and 2014 to respond to the various events which have negatively impacted the Company's business. The absence of specific salary adjustments in fiscal year 2014 also reflected the committee's beliefs as to competitive trends, the performance of the individual, internal equity, the appropriateness of the rate at which adjustments should be made, and, to some extent, the overall financial condition of the Company. Individual variances also were based on the committee's subjective evaluation of other factors including length of service in position, the extent of any difference between an officer's base salary and the base salaries of other officers, the nature of an individual officer's duties, and other factors which may have been deemed relevant by the individual members of the compensation committee.

During fiscal year 2014, the CEO, Mr. Thornton, was employed under an employment agreement which provided for an annual base salary of not less than \$335,000. The compensation committee believes, based in part on consultation with a compensation consulting firm at the end of fiscal year 2005 that Mr. Thornton's salary is on the low end of salaries for CEOs of regional hospital management companies.

*Short-Term Incentives*

In light of the incomplete achievement of the Company's strategic plans in fiscal year 2013, in September 2013 management proposed and the compensation committee approved changes to the short term incentive bonus arrangements for the Company's executive officers for fiscal year 2014. The principal change to such arrangements was to bifurcate the total amount of cash incentives which might otherwise be available under an annual cash bonus plan of the type applicable in fiscal year 2013 and allocate such incentives between a Milestone Bonus Plan (the 2014 MBP) and an Operating Bonus Plan (the 2014 OBP). Pursuant to such plans, the compensation committee could, in the exercise of its subjective discretion, award cash bonuses to executive officers, non-executive officers, and other employees based on the achievement by the Company of various strategic objectives, in the case of the 2014 MBP, and annual operating objectives, in the case of the 2014 OBP. In establishing the 2014 MBP and 2014 OBP, the compensation committee determined and management concurred that the combined maximum bonus opportunity for the participating executive officers under the 2014 MBP and the 2014 OBP would not exceed the maximum annual amounts for fiscal year 2014 for which such officers are entitled to be considered under their employment or other agreements with the Company.

2014 Milestone Bonus Plan. The intent of the committee in adopting the 2014 MBP was to sharpen the focus on and distinguish the strategic objectives from the annual operating goals. Objectives under the 2014 MBP included the disposition of underperforming assets and a reduction in costs by deregistering the Company's common shares under the 1934 Act. The compensation committee retained full authority to determine the amount of bonuses payable (if at all) under the 2014 MBP, to determine whether objectives had been achieved, to add, modify or delete objectives from the 2014 MBP, and to payout portions of bonuses under the 2014 MBP over and/or for 12 months of fiscal 2014.

The compensation committee ultimately determined that no bonuses would be payable to the Company's executive officers under the 2014 MBP for fiscal year 2014. In determining whether to pay any bonuses under the 2014 MBP the compensation committee considered the Company's lack of success in disposing of underperforming assets and the Company's inability to deregister its shares under the 1934 Act.

2014 Operating Bonus Plan. The aggregate annual amount of bonus potential for all participants under the 2014 OBP was approximately \$280,000. Criteria for bonuses under the 2014 OBP focused on operating criteria. In exercising its discretion as to whether to make any awards under the 2014 OBP, the committee considered the Company's failure to achieve its budgeted consolidated operating EBITDA, the Company's success in achieving certain business line

EBITDA and the Company's lack of success in obtaining acceptable business line financing for one or more of the Company's business lines. Executive officers participating in the 2014 OBP consisted of Messrs.

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Thornton, Stockslager and Finn. No awards were made to either Mr. Thornton or Mr. Stockslager under the 2014 OBP. Mr. Finn was awarded \$82,000 under the 2014 OBP.

The following table sets forth, for each named executive officer, information regarding each incentive award for the year ended June 30, 2014:

<b>Short-Term Incentive Plan Participant</b>	<b>Award Percentage to Objective/ Subjective Criteria (%)<sup>(1)</sup></b>	<b>Target Incentive Award as a Percentage of Base Salary (%)</b>	<b>Actual Annual Incentive Award (\$)</b>	<b>Actual Annual Incentive Award as a Percentage of Target (%)</b>	<b>Actual Incentive Award as a Percentage of 2014 Base Salary (%)</b>
<b>(Name and Position)</b> Robert M. Thornton, Jr., Director, Chairman of the Board of Directors, President and Chief Executive Officer	0/100	N/A	0	N/A	0
Mark J. Stockslager, Chief Financial Officer and Principal Accounting Officer	0/100	N/A	0	N/A	0
Byron D. Finn, President, SunLink ScriptsRx, LLC	0/100	N/A	82,000	N/A	41

<sup>(1)</sup> Under each of the bonus plans for fiscal year 2014, the bonus opportunities for such year were based 100% on certain un-weighted discretionary criteria.

**2015 Bonus Plan.** For fiscal 2015, the compensation committee approved a single bonus plan with a pool thereunder in the amount of \$382,000 (the 2015 Bonus Plan). The 2015 Bonus Plan includes participants in addition to the Company's executive officers. Bonuses to executive officers under the 2015 Bonus Plan may not exceed the maximum annual amounts for fiscal year 2015 for which such officers are entitled to be considered under their employment or other agreements with the Company. Relative weighing among criteria and allocations will be fixed in the Committee's discretion based on the achievement of milestone and operating objectives, the identity of the plan participants and their relative responsibilities for achieving objectives. Milestone objectives again include the disposition of underperforming assets and a reduction in costs by deregistering under the Exchange Act. Operative objectives again include whether the Company achieves its budgeted consolidated and business line operating EBITDA and whether the Company obtains business line financing for one or more of the Company's lines of business. The compensation committee retains full authority under the 2015 Bonus Plan to: determine the identity of participants to whom bonuses will be payable (if at all), to determine the amount of bonuses payable under the 2015 Plan (if at all), to determine whether objectives under the 2015 Bonus Plan have been achieved, to add, modify or delete objectives under the 2015 Bonus Plan, and to determine the timing in whole or in part of payouts (if any) under the 2015 Bonus Plan.

*Long-Term Equity Incentives.* The compensation committee has placed less emphasis on long term awards in recent years in light of the Company's goal of going private. In particular, the compensation committee has placed less emphasis on equity awards as either a long-term or short-term incentive in light of the very thinly traded market for the Company's common shares and the Company's goal of going private, as well as in light of the limited availability of common shares under the Company's existing equity plans, the trading prices for the Company's common shares over the last several years, the substantial number of outstanding options with exercise prices above recent trading prices for the Company's common shares, the underperformance of Company financially, the prospects for slow growth in the Company's business, the Company's desire to dispose of underperforming assets, the current healthcare environment, especially for rural hospitals, and the prospects for continued slow economic growth in the United States in general. At June 30, 2014, the Company had only 412,676 common shares available for future issuance under its 2005 Equity Incentive Plan. For the 2015 fiscal year, the compensation committee has preliminarily approved the award of options to purchase 90,000 common shares of the Company, all of which are expected to be issued to the Company's executive officers.



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**Table of Contents***Equity Award Timing*

Our current policy with respect to equity awards to key employees, including our executive officers (but excluding grants to newly hired employees), is that equity awards occur at the time of the compensation committee meeting to be effective as of a specified date no sooner than 48 hours after earnings are released covering the period in which the award is made.

*Other Benefits*

All of the Company's executives are eligible to participate in the Company's health care, insurance and other welfare and employee benefit programs, which generally are the same for all eligible employees, including SunLink's executive officers.

**401(k) Retirement Savings Plan.** SunLink offers tax advantaged savings benefits to its employees through an employee-funded 401(k) retirement savings plan with an annual discretionary company match as determined by SunLink's board of directors. The 401(k) savings plan provides a long-term savings vehicle that allows for pre-tax contributions by an employee and tax-deferred earnings. Employees may generally contribute up to 100% of eligible annual pay to the 401(k) savings plan, not to exceed the annual IRS limit (generally \$17,500 for 2014). Employees attaining at least 50 years of age by the end of 2012 were eligible to make 401(k) catch-up contributions to an annual maximum of \$5,500 additional dollars. Employees direct their own investments in the 401(k) savings plan. The benefits under such tax-qualified savings plans for SunLink's executive officers are the same as those available for other eligible employees. Individual participant balances reflect a combination of: (1) a differing annual amount contributed by the Company or the employee; (2) the annual contributions and/or deferred amounts being invested at the discretion of the employee (the same investment choices are available to all participants); and (3), as in (2), the continuing reinvestment of the investment returns until the accounts are paid out. This means that similarly situated employees, including SunLink's executive officers, may have materially different account balances because of a combination of factors: the number of years that the person has participated in the plan; the amount of money contributed or compensation deferred at the election of the participant from year to year; and the investments chosen by the participant. The 401(k) savings plan does not promise any guaranteed minimum returns or above-market returns; the investment returns are dependent upon actual investment results. Accordingly, when determining annual compensation for executive officers, the compensation committee does not consider the individuals' retirement plan balances and payout projections.

*Use Of Employment And Severance Agreements*

In the past, the compensation committee has determined that competitive considerations merited the use of employment contracts or severance agreements for certain members of senior management. Currently, Mr. Thornton is employed pursuant to employment contract, while Messrs. Stockslager and Finn are employed pursuant to employment letters. Mr. Thornton's agreement and Messrs. Stockslager's and Finn's letters include severance benefits under certain circumstances. The Company's severance benefits take effect in connection with severance other than for death, disability or cause. Additionally Messrs. Thornton, Stockslager and Finn are entitled to severance benefits in connection with a change in control. We have designed these severance benefits to help keep employees focused on their jobs, especially during the uncertainty that accompanies a change in control, to preserve benefits after a change in control transaction, and to help us attract and retain key talent. Compensation criteria for officers employed pursuant to employment agreements or employment letters with severance benefits may be more difficult to adjust on an annual basis. For more information on employment or severance contracts please refer to *Employment Contracts, Termination Of Employment And Change-In-Control Arrangements* beginning on page 33 of these Proxy Materials.



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### *Change In Control Compensation*

Provisions for additional or continued compensation in connection with a change in control of the Company are located in two areas: (1) specifically in the Company's employment agreements and employment letters as discussed above; (2) and, more generally, in the Company's equity incentive plans and/or award agreements thereunder, whereby the committee administering such plans and awards has the power to accelerate the vesting of such awards upon a change in control or where such plans or awards provide for automatic vesting in the event of such change, whether merely upon the occurrence of such event or upon the occurrence of such event and an adverse occurrence for the participant, such as termination of employment.

The change in control provisions set forth in the Company's employment agreements and employment letters employ several approaches to cause a triggering event. In some cases, change in control benefits are payable in the ordinary course upon the occurrence of the event. Payment of benefits is not restricted only to situations involving the involuntary termination of the officer afforded such change in control protection. In other cases, benefits are payable in the case of involuntary terminations or where the executive, in connection with or within one year of the transaction, elects to terminate his employment. The compensation committee believes this approach helps to ensure the continued availability of the services of the executive during the times of uncertainty inherent with any change in control, including especially in the immediate post-event period under new ownership and/or management, while at the same time limiting windfall benefits by making the benefits payable only after a termination of employment. By providing post-event coverage, the executive is encouraged to remain in the employ of the Company without the need to be concerned about a post-event restructuring which may result in a material diminishment of the executive's duties or post-event management or ownership changes with respect to which the executive may have concerns or reservations.

The definition of change in control is intended to be broad in scope and to capture most, if not all, of the scenarios where an actual change in control has occurred. Automatic vesting under the terms of our equity compensation plans, if any, is based on the compensation committee's belief as to market practices at the time of award and recognition that the value of equity compensation can be radically affected by a change in control, whether or not existing management is retained.

In connection with providing severance benefits to the Company's other executive officers, the compensation committee has evaluated, and expects to continue to examine, the amounts which could be realized by persons granted such rights upon a change in control.

### *Internal Equity*

Internal equity has generally been evaluated based on a subjective assessment of the relative contributions of the members of the management team. For the fiscal year ended June 30, 2014, the compensation committee did not undertake any formal audit or similar analysis of compensation equity with respect to Mr. Thornton relative to the other members of the management team or with respect to the management team relative to the Company's employees generally. However, the committee believes that the relative difference between the compensation of the Company's chairman and chief executive officer and the compensation of the Company's other executives is not inconsistent with the differences found in the healthcare industry group and the market for executive level personnel for similarly sized public companies.

### *Wealth Accumulation*

The compensation committee does not engage in a specific process which attempts to justify compensation levels based on wealth accumulation. The compensation committee does not analyze proposed annual compensation for any individual versus the accrued wealth of such individual, or the accrued wealth of persons with similar job titles at other companies. The compensation committee believes that no such meaningful analysis can be performed due to, among other things, disparate actual duties versus job titles, different employment histories, different life experiences or needs or social inequalities.

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**Table of Contents***Recapture And Forfeiture Policies*

Historically, the Company has not had formal policies with respect to the adjustment or recapture of performance-based awards where the financial measures on which such awards are or were based, are adjusted for changes in reported results such as, but not limited to, instances where the Company's financial statements are restated. The compensation committee does not believe that repayment generally should be required where the plan participant has acted in good faith and the errors are not attributable to the participants' gross negligence or willful misconduct. However, the compensation committee has in the past and may in the future take such errors into account, including whether the conduct was negligent or without fault, in setting and awarding current or future compensation, including discretionary compensation. The compensation committee believes the Company has or will have available negotiated or legal remedies in many situations. Furthermore, the compensation committee may elect to take into account factors such as the timing and amount of any financial restatement or adjustment, the amounts of benefits received and the clarity of accounting requirements leading to any restatement in determining current or future compensation of the responsible officer or officers.

*Deductibility Of Compensation And Related Tax Considerations*

As one of the factors in its review of compensation matters, the compensation committee considers the anticipated tax treatment to the Company and to the executives of various payments and benefits.

*Section 162(m).* Section 162(m) of the Code generally limits to \$1 million the amount that a publicly held corporation is allowed each year to deduct for the compensation paid to each of the corporation's chief executive officer and the corporation's four most highly compensated executive officers, other than the chief executive officer. However, compensation that qualifies under applicable IRS regulations as performance-based compensation is not subject to the \$1 million deduction limit. In general, to qualify as performance-based compensation, the following requirements must be satisfied: (i) payments must be computed on the basis of an objective, performance-based compensation standard determined within applicable timeframes by a committee consisting solely of two or more outside directors; (ii) the material terms under which the compensation is to be paid, including the business criteria upon which the performance goals are based, and a limit on the maximum amount which may be paid to any participant pursuant to any award with respect to any performance period, are approved by a majority of the corporation's shareholders; and (iii) the committee certifies that the applicable performance goals were satisfied before payment of any performance-based compensation is made.

Under the Company's executive benefits agreements, certain terminations following a change of control give rise to a payment obligation based on the amount of the officer's salary and prior bonus amounts. Under IRS rulings, performance-based pay which could become due under a plan or agreement upon a termination without cause, for good reason, or as a result of voluntary retirement and which is payable regardless of whether performance-based goals are met, will not qualify as Section 162(m) performance-based compensation and will not be eligible for exclusion from the Section 162(m) \$1 million compensation limit.

The Company's stock option plans generally have been structured with the goal of complying with the requirements of Section 162(m), and the compensation committee believes stock options awarded thereunder should qualify as performance-based compensation exempt from limitations on deductibility under Section 162(m); however, the deductibility of any compensation has not been a condition to any compensation decision. Based on current

compensation levels, the Company does not expect its ability to deduct executive compensation to be limited by operation of Section 162(m).

The compensation committee will continue to consider the impact of Section 162(m) when designing compensation programs, and in making compensation decisions affecting the Company's Section 162(m) covered executives, if any.

*Section 280G.* Code Section 280G generally denies a deduction for a significant portion of certain compensatory payments made to corporate officers, certain shareholders and certain highly-compensated employees if the payments are contingent on a change in control of the employer and the

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aggregate amounts of the payments to the relevant individual exceed a specified relationship to that individual's average compensation from the employer over the preceding five years. In addition, Code Section 4999 imposes on that individual a 20% excise tax on the same portion of the payments received for which the employer is denied a deduction under Section 280G. In determining whether to approve an obligation to make payments for which Section 280G would deny the Company a deduction or whether to approve an obligation to indemnify (or gross-up) an executive against the effects of the Section 4999 excise tax, the committee has adopted an approach similar to that described above with respect to payments which may be subject to the deduction limitations of Section 162(m).

### *Duration Of Benefits*

The duration of benefits for our executive officers is based on a variety of factors including the purpose of the benefit, historical expectations, competitive factors and the cost of providing the benefit. Historically, we have provided no lifetime benefits.

### *Chief Executive Officer Compensation*

Except as otherwise noted, the compensation policies described in this report apply equally to the compensation of the Chief Executive Officer.

### *Compensation Committee Conclusions*

The compensation committee believes the SunLink fiscal year 2014 compensation program and the total compensation (and, in the case of the severance and change-in-control scenarios, the potential payouts) awarded to the Company's named executive officers in the aggregate to be reasonable and not excessive.

### *Compensation Committee And Management Reviews And Authorization*

The compensation committee has reviewed the above Compensation Disclosure and Analysis with the Company's Chief Executive Officer and Chief Financial Officer. Based on a review of this Compensation Disclosure and Analysis and discussion between the compensation committee and the Company's Chief Executive Officer and Chief Financial Officer, the compensation committee has recommended the board include the Compensation Disclosure and Analysis in this Proxy Statement.

### *Authorization*

This report has been submitted by the compensation committee:

Gene E. Burluson (Chairperson)

Dr. Steven J. Baileys

Karen B. Brenner

Table of Contents**Other Executive Compensation Information**

The following sections of this Proxy Statement set forth compensation information relating to the Chief Executive Officer and the two most highly compensated executive officers of the Company, other than the Chief Executive Officer whose compensation exceeds \$100,000 per year (if any) (collectively, the *named executive officers*), for the fiscal year ended June 30, 2014.

The following table shows the compensation awarded or paid by SunLink for services rendered for the fiscal years ended June 30, 2014, 2013 and 2012 to the named executive officers.

**Summary Compensation Table**

Name and Principal Position	Year	Salary (\$)	Bonus (\$)	Awards (\$)	Awards (\$) <sup>(1)</sup>	Non-Equity Incentive Compensation (\$)	Change in Pension Value and Nonqualified Deferred All Other Compensation (\$) <sup>(2)</sup>	Total (\$)
Robert M. Thornton, Jr. Chairman, President and Chief Executive Officer	2014	359,700	0		0		272 <sup>(3)</sup>	359,972
	2013	359,700	25,000		73,200		3,329 <sup>(4)</sup>	461,229
	2012	359,700	57,806		209,000		6,141 <sup>(4)</sup>	632,647
Mark J. Stockslager Chief Financial Officer and Principal Accounting Officer	2014	182,585	0				272 <sup>(3)</sup>	182,857
	2013	182,585	7,000		36,600		2,379 <sup>(4)</sup>	228,564
	2012	182,585	20,354		41,800		6,274 <sup>(4)</sup>	251,013
Byron D. Finn President, SunLink ScriptsRx, LLC	2014	200,000	82,000				170 <sup>(3)</sup>	282,170
	2013	200,000	14,500				3,227 <sup>(5)</sup>	217,727
	2012	200,000	17,500				6,039 <sup>(5)</sup>	223,539

(1) As disclosed in Note 2 of Notes to Consolidated Financial Statements in the Company's Form 10-K for 2012, the Company records share-based compensation expense for share options issued in accordance with the Financial Accounting Standards Board (FASB), Accounting Standards Codification (ASC) 718-10, *Compensation Stock Compensation* (ASC 718-10). The fair value of the share options is estimated using the Black-Scholes option pricing model and the compensation expense is recognized for financial reporting purposes in the periods in which the share options vest. However, for purposes herein, the total fair value of the share options is presented.

(2)



All other compensation consists solely of life, medical and dental insurance premiums paid above those premiums which are generally paid for all employees and 401k contributions made by the Company.

- (3) Consists solely of life insurance premiums.
- (4) Includes \$272 life, and the remainder in medical insurance premium payments.
- (5) Includes \$170 in life insurance premium payments and the remainder in medical insurance premium payments.

**Table of Contents****Grants Of Plan-Based Awards In Last Fiscal Year**

The Company made no plan-based awards in fiscal year 2014 to the named executive officers.

Name	Grant Date	Estimated Future Payouts Under Non-Equity Incentive Plan Awards			Estimated Future Payouts Under Equity Incentive Plan Awards <sup>(1)</sup>			All Other Stock Awards: Number of Shares of Stock or Underlying Units	All Other Options Awards: Number of Options	Exercise Price of Stock or Underlying Options (\$/Sh)	Grant Date Fair Value of Stock or Option Awards (\$)
		Threshold (\$)	Target (\$)	Maximum (\$)	Threshold (#)	Target (\$)	Maximum (#)	Units (#)	Options (#) <sup>(2)</sup>		
Robert M. Thornton, Jr.	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	0	N/A	N/A
Mark J. Stockslager	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	0	N/A	N/A
Byron D. Finn	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	0	N/A	N/A

<sup>(1)</sup> The Company has not granted any awards under equity incentive plans the vesting of which is contingent upon the achievement of any performance-based criteria. Vesting of equity awards is generally based on continued service and the passage of time, subject to acceleration upon the occurrence of various events.

<sup>(2)</sup> The amounts shown represent grants under our 2005 Equity Incentive Plan.

Table of Contents**Outstanding Equity Awards At Fiscal Year-End**

The following table provides information with respect to common shares that may be issued upon the exercise of options and other awards outstanding under the Company's existing equity compensation plans as of June 30, 2014.

Name <sup>(2)</sup>	Option Awards					Stock Awards			
	Number of Securities Underlying Unexercised Options (#) <sup>(1)</sup>	Number of Securities Underlying Unexercised Options (#) <sup>(1)</sup>	Equity Incentive Plan Awards: Number of Securities Underlying Unexercised Options (#)	Exercise Price (\$)	Option Expiration Date	Number of Shares or Units of Stock That Have Not Vested	Market Value of Shares or Units of Stock That Have Not Vested (\$)	Equity Incentive Plan Awards: Number of Shares, Units or Rights That Have Not Vested (#)	Value of Unearned Shares, Units or Rights That Have Not Vested (\$)
Robert M. Thornton, Jr.	33,333			2.09	09/12/2021				
	33,333			2.09	09/12/2021				
		33,334		2.09	09/12/2021				
	20,000			1.22	09/05/2022				
		20,000		1.22	09/05/2022				
		20,000		1.22	09/05/2022				
Mark J. Stockslager	6,666			2.09	09/12/2021				
	6,667			2.09	09/12/2021				
		6,667		2.09	09/12/2021				
	10,000			1.22	09/05/2022				
		10,000		1.22	09/05/2022				
		10,000	1.22	09/05/2022					

<sup>(1)</sup> Includes each grant of both exercisable and unexercisable options under the Company's 2001 Long-Term Stock Option Plan and the 2005 Equity Incentive Plan.

<sup>(2)</sup> The identity of the named executive officers holding unvested securities as of the date of this table, the vesting date for such securities and the number of securities vesting on the applicable date is as follows:

<b>Officer</b>	<b>Vesting Date</b>	<b>Shares Vesting</b>
Robert M. Thornton, Jr.	09/12/2014	33,334
	09/05/2014	20,000
	09/05/2015	20,000
Mark J. Stockslager	09/12/2014	6,667
	09/05/2014	10,000
	09/05/2015	10,000

**Table of Contents****Options Exercised and Stock Vested**

The following table provides information with respect to common shares which were issued pursuant to the exercise of options or which were shares of restricted stock that vested, in each case between July 1, 2013 and June 30, 2014 for the named executive officers:

Name	Option Awards		Stock Awards	
	Number of Shares Acquired on Exercise (#)	Value Realized on Exercise <sup>(1)</sup> (\$)	Number of Shares Acquired on Vesting (#)	Value Realized on Vesting (\$)
Robert M. Thornton, Jr.	0	0	N/A	N/A
Mark J. Stockslager	0	0	N/A	N/A
Byron D. Finn	0	0	N/A	N/A

<sup>(1)</sup> We compute this value, if any, on the spread between the exercise price and the closing price of our common shares on NYSE Amex at exercise.

**Long-Term Incentive Plan Awards**

The Company granted awards to named executive officers during the fiscal year 2014 as disclosed in the *Grants Of Plan-Based Awards In Last Fiscal Year* on page 31 of this Proxy Statement.

**Pension Plan Benefits**

Effective February 28, 1997, SunLink amended its domestic retirement plan to freeze participant benefits and close the plan to new participants. Accordingly, compensation earned after February 28, 1997 is not used in determining a participant's accrued benefit. Mr. Thornton and Mr. Stockslager are the only named executive officers of the Company who are participants in the plan. The estimated monthly benefits to be received by them at age 65 are \$159.94 and \$601.24, respectively.

Name	Plan Name	Number of Years Credited Service (#)	Present Value of Accumulated Benefit (\$)	Payments During Last Fiscal Year (\$)
Robert M. Thornton, Jr.	KRUG International Corp. Retirement Plan	2	25,990	0
Mark J. Stockslager	KRUG International Corp. Retirement Plan	8	53,868	0
Byron D. Finn	N/A	N/A	N/A	N/A

**Nonqualified Deferred Compensation**

The Company does not generally offer nonqualified deferred compensation to its officers, and none of its named executive officers currently participates or has participated in any nonqualified deferred compensation plan during the past fiscal year.

### **Employment Contracts, Termination Of Employment And Change-In-Control Arrangements**

#### *Employment Agreements*

*Robert M. Thornton, Jr.* Mr. Thornton, Chairman, President and Chief Executive Officer, is currently employed by the Company under the terms of an employment agreement effective July 1, 2005, as amended to date, for a term ending June 30, 2014. Absent notice, the contract provides for automatic renewal at the end of its then current term for a period of eighteen months. As notice of non-renewal was not provided under the terms of

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the employment agreement, the agreement was automatically renewed upon its expiration for an additional eighteen months, or until December 31, 2015. Mr. Thornton's current employment agreement provides for a base salary at a rate of not less than \$335,000 per annum plus any increases that may be granted at least annually by the Company.

Mr. Thornton's current salary is \$359,700. Mr. Thornton is eligible to participate in the Company's employee equity compensation plans if equity is available thereunder and if the compensation committee decides to grant him additional equity compensation. Under his employment agreement, Mr. Thornton is also eligible to receive an annual bonus of up to seventy percent of his annual base salary if certain criteria established by the compensation committee (in consultation with him) are met. Mr. Thornton is eligible to participate in the Company's medical, dental, life, and disability programs.

Mr. Thornton's employment agreement also provides for severance payments in the event Mr. Thornton ceases to be employed by the Company. If Mr. Thornton is terminated due to death, disability or cause, he is entitled to the accrued compensation under his employment agreement, including a pro rata share of any annual bonus. Except as described below with respect to payments in connection with a change in control, if Mr. Thornton is terminated other than for death, disability or cause, he is entitled to receive severance payments equal to thirty months of his then current salary, a pro rata portion of any annual bonus for which goals have been proportionately met, and continuation of certain benefits for and during the thirty months following termination.

*Mark J. Stockslager.* Mr. Stockslager, Chief Financial Officer and Principal Accounting Officer, is currently employed by the Company under the terms of an employment letter effective January 1, 2001. Mr. Stockslager's current employment letter provides for a salary of at least \$7,333 per month or \$88,000 on an annualized basis, which will be reevaluated at least annually to determine if any adjustments should be made. Currently, Mr. Stockslager's salary is \$15,215 per month or \$182,585 on an annualized basis. Additionally, Mr. Stockslager is also eligible to receive an annual bonus of up to sixty percent of his annual base salary if certain criteria established by the compensation committee are met. Mr. Stockslager is eligible to participate in the Company's employee equity compensation plans, as well as the Company's medical, dental, life and disability programs. Except as described below with respect to payments in connection with a change in control, if Mr. Stockslager is terminated, other than for cause, as determined by the board of directors in its sole discretion, he is entitled to severance pay by continuation of his base salary for nine months.

*Byron D. Finn.* Mr. Finn, President, SunLink ScriptsRx, LLC is currently employed by the Company under the terms of an employment letter effective September 30, 2010. Mr. Finn's current employment letter provides for a salary of \$16,667 per month or \$200,000 on an annualized basis, which will be reevaluated at least annually to determine if any adjustments should be made. Additionally, Mr. Finn is eligible to receive an annual bonus of up to sixty percent of his annual base salary if certain criteria established by the compensation committee are met. Mr. Finn is eligible to participate in the Company's employee equity compensation plans, as well as the Company's medical, dental, life and disability programs. If Mr. Finn is terminated, other than for cause, Mr. Finn will be entitled to receive severance pay by continuation of his base salary for six (6) months.

#### *Change In Control Arrangements*

With regard to the employment agreements with Mr. Thornton, Mr. Stockslager and Mr. Finn, a change in control will be deemed to have occurred in the event that any of the following events shall have occurred (with defined terms, not otherwise defined herein, having the meanings associated with them in the employment agreements):

Any Person, or Persons acting together that would constitute a group, together with any Affiliates or Related Persons thereof (other than any employee stock ownership plan), beneficially owns 40% or more of the total voting power of all classes of Voting Stock of the Company, except an acquisition by (i) an employee benefit plan maintained by the Company or another corporation controlled directly or indirectly by the Company; (ii) the Company or any Subsidiary; (iii) Executive or any Person controlled by an Executive, under common control with Executive or acting in concert with Executive; or (iv) any Person in connection with a non-control transaction;



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The individuals who, as of the date of the agreement, are members of the board (the incumbent board ) cease for any reason to constitute at least two-thirds of the board; *provided, however*, that if the election, or nomination for election by the Company's stockholders, of any new director was approved by a vote of at least two-thirds of the incumbent board, such new director shall, for purposes of change in control, be considered as a member of the incumbent board; *provided, further, however*, that no individual shall be considered a member of the incumbent board if such individual initially assumed office as a result of either an actual or threatened Election Contest (as described in Rule 14a-11 promulgated under the 1934 Act) or other actual or threatened solicitation of proxies or consents by or on behalf of a Person other than the board (a proxy contest ) including by reason of any agreement intended to avoid or settle any Election Contest or proxy contest;

Approval by shareholders of SunLink of a merger, consolidation or reorganization involving the Company, unless

the shareholders of the Company, immediately before such merger, consolidation or reorganization, own, directly or indirectly, immediately following such merger, consolidation or reorganization, at least two-thirds of the combined voting power of the outstanding voting securities of the corporation resulting from such merger or consolidation or reorganization (the surviving corporation ) in substantially the same proportion as their ownership of the voting securities immediately before such merger, consolidation or reorganization, and

the individuals who were members of the incumbent board immediately prior to the execution of the agreement providing for such merger, consolidation or reorganization constitute at least two-thirds of the members of the board of directors of the surviving corporation; or

If the executive's employment is terminated prior to a change in control and the executive reasonably demonstrates that such termination (A) was at the request of a third party who has indicated an intention or taken steps reasonably calculated to effect a change-in-control and who effectuates a change in control (a third party ) or (B) otherwise occurred in connection with, or in anticipation of, a change-in-control which actually occurs, then for all purposes, the date of a change in control with respect to the executive shall mean the date immediately prior to the date of such termination of the executive's employment.

Upon a change in control, if Mr. Thornton's employment is thereafter terminated for any reason other than cause or if he terminates his employment within one (1) year of the change in control, he is entitled to (a) thirty months of base pay, to be paid in accordance with the Company's payroll practices; (b) accrued compensation, including a pro rata portion of any annual bonus for which goals have been proportionately met; (c) health and certain ancillary benefits for twenty four months following termination; and (d) full vesting of any then unvested stock options.

Upon a change in control, if Mr. Stockslager's employment is thereafter terminated for any reason other than cause or if he terminates his employment within one (1) year of the change-in-control, he is entitled to twelve months of base pay, to be paid in accordance with the Company's payroll practices.

Upon a change in control, if Mr. Finn's employment is terminated within 90 days thereafter for any reason other than death, disability or cause, he is entitled to six months of base pay, to be paid in accordance with the Company's payroll practices.



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The following table sets forth certain potential benefits which would have been realized in connection with a *change in control and termination of employment* for the Company's principal executive officer, principal financial officer and three other most highly compensated executive officers (two of whom are former executive officers) for fiscal year 2014 assuming the change in control and termination occurred as of the last day of the most recently completed fiscal year.

<b>Name and Principal Position</b>	<b>Continued Base Salary<sup>(1)</sup></b>	<b>Lump Sum Salary Bonus and Incentive Compensation Payment<sup>(2)</sup></b>	<b>Value of Health and Insurance Benefits<sup>(3)</sup></b>	<b>Value of Accelerated Equity Awards<sup>(4)</sup></b>	<b>Total Termination Benefits</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Robert M. Thornton, Jr. Chairman, President and Chief Executive Officer	899,250	0	15,444	0	914,694
Mark J. Stockslager Chief Financial Officer and Principal Accounting Officer	182,585	N/A	N/A	N/A	182,585
Byron D. Finn President, SunLink ScriptsRx, LLC	100,000	N/A	N/A	N/A	100,000

(1) The continued base salary benefit is to be paid in accordance with the Company's regularly scheduled pay periods over the applicable benefits period.

(2) Calculated as a pro rata portion of any annual bonus for which goals have been proportionately met prior to termination and without regard to any requirement to be employed on payment date. Such payment shall be made after an audit of annual results in accordance with the applicable plan.

(3) Calculated based on the lesser of aggregate premiums amounts payable and assuming the exercise of all rights of the covered individual under COBRA plus supplemental life insurance, without adjustment for inflation, multiplied by the assumed actuarial lives of the persons provided benefits or the maximum benefit period if shorter.

(4) Calculated based on the sum of the number of accelerated option awards multiplied by the positive difference, if any, between the exercise price of such option and the market price of the Company's common shares at June 30, 2014. All acceleratable options had an exercise price equal to or in excess of the closing market price of the Company's common shares at June 30, 2014 of \$1.22.

The following table sets forth certain potential benefits which would have been realized in connection with a termination of employment due to *disability* for the Company's principal executive officer, principal financial officer and three other most highly compensated executive officers (two of whom are former executive officers) for fiscal year 2014 assuming the qualifying event and termination occurred as of the last day of the most recently completed fiscal year.

<b>Name and Principal Position</b>	<b>Continued Base Salary</b>	<b>Lump Sum Salary Bonus and Incentive Compensation Payment<sup>(1)</sup></b>	<b>Value of Health and Insurance Benefits</b>	<b>Value of Accelerated Equity Awards</b>	<b>Total Termination Benefits</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Robert M. Thornton, Jr. Chairman, President and Chief Executive Officer	N/A	0	N/A	N/A	0
Mark J. Stockslager Chief Financial Officer and Principal Accounting Officer	N/A	N/A	N/A	N/A	N/A
Byron D. Finn President, SunLink ScriptsRx, LLC	N/A	N/A	N/A	N/A	N/A

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(1) Calculated as a pro rata portion of any annual bonus for which goals have been proportionately met prior to termination and without regard to any requirement to be employed on payment date. Such payment shall be made after an audit of annual results in accordance with the applicable plan.

The following table sets forth certain potential benefits which would have been realized in connection with a termination of employment due to *death* for the Company's principal executive officer, principal financial officer and three other most highly compensated executive officers (two of whom are former executive officers) for fiscal 2014 assuming the qualifying event and termination occurred as of the last day of the most recently completed fiscal year.

<b>Name and Principal Position</b>	<b>Continued Base Salary</b>	<b>Lump Sum Salary Bonus and Incentive Compensation Payment<sup>(1)</sup></b>	<b>Value of Health and Insurance Benefits</b>	<b>Value of Accelerated Equity Awards</b>	<b>Total Termination Benefits</b>
	\$	\$	\$	\$	\$
Robert M. Thornton, Jr. Chairman, President and Chief Executive Officer	N/A	0	N/A	N/A	0
Mark J. Stockslager Chief Financial Officer and Principal Accounting Officer	N/A	N/A	N/A	N/A	N/A
Byron D. Finn President, SunLink ScriptsRx, LLC	N/A	N/A	N/A	N/A	N/A

(1) Calculated as a pro rata portion of any annual bonus for which goals have been proportionately met prior to termination and without regard to any requirement to be employed on payment date. Such payment shall be made after an audit of annual results in accordance with the applicable plan.

The following table sets forth certain potential benefits which would have been realized in connection with a termination of employment due to *termination of employment for cause* for the Company's principal executive officer, principal financial officer and three other most highly compensated executive officers (two of whom are former executive officers) for fiscal year 2014 assuming the termination occurred as of the last day of the most recently completed fiscal year.

<b>Name and Principal Position</b>	<b>Continued Base Salary</b>	<b>Lump Sum Salary</b>	<b>Value of Health</b>	<b>Value of Accelerated</b>	<b>Total Termination Benefits</b>
	\$				

		<b>Bonus and Incentive Compensation Payment<sup>(1)</sup> \$</b>	<b>and Insurance Benefits \$</b>	<b>Equity Awards \$</b>	<b>\$</b>
Robert M. Thornton, Jr. Chairman, President and Chief Executive Officer	N/A	0	N/A	N/A	0
Mark J. Stockslager Chief Financial Officer and Principal Accounting Officer	N/A	N/A	N/A	N/A	N/A
Byron D. Finn President, SunLink ScriptsRx, LLC	N/A	N/A	N/A	N/A	N/A

- (1) Calculated as a pro rata portion of any annual bonus for which goals have been proportionately met prior to termination and without regard to any requirement to be employed on payment date. Such payment shall be made after an audit of annual results in accordance with the applicable plan.

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The following table sets forth certain potential benefits which would have been realized in connection with a termination of employment due to *termination of employment without cause* for the Company's principal executive officer, principal financial officer and three other most highly compensated executive officers (two of whom are former executive officers) for fiscal year 2014 assuming the termination occurred as of the last day of the most recently completed fiscal year.

<b>Name and Principal Position</b>	<b>Continued Base Salary<sup>(1)</sup></b>	<b>Lump Sum Salary Bonus and Incentive Compensation Payment<sup>(2)</sup></b>	<b>Value of Health and Insurance Benefits<sup>(3)</sup></b>	<b>Value of Accelerated Equity Awards<sup>(4)</sup></b>	<b>Total Termination Benefits</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Robert M. Thornton, Jr. Chairman, President and Chief Executive Officer	899,250	0	15,444	0	914,694
Mark J. Stockslager Chief Financial Officer and Principal Accounting Officer	136,939	N/A	N/A	N/A	136,939
Byron D. Finn President, SunLink ScriptsRx, LLC	100,000	N/A	N/A	N/A	100,000

- (1) The continued base salary benefit is to be paid in the ordinary course over the applicable period.
- (2) Calculated as a pro rata portion of any annual bonus for which goals have been proportionately met prior to termination and without regard to any requirement to be employed on payment date. Such payment shall be made after an audit of annual results in accordance with the applicable plan.
- (3) Calculated based on the lesser of aggregate premiums amounts payable and assuming the exercise of all rights of the covered individual under COBRA plus supplemental life insurance, without adjustment for inflation, multiplied by the assumed actuarial lives of the persons provided benefits or the maximum benefit period if shorter.
- (4) Calculated based on the sum of the number of accelerated option awards multiplied by the positive difference, if any, between the exercise price of such option and the market price of the Company's common shares at June 30, 2014. All acceleratable options, if any, had an exercise price equal to or in excess of the closing market price of the Company's common shares at June 30, 2014 of \$1.22.





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**PROPOSAL 2 TO BE VOTED ON BY SHAREHOLDERS**

**Proposal 2 Ratification of Independent Registered Public Accounting Firm**

Cherry Bekaert LLP was engaged to perform the Company's annual audit for the fiscal year ended June 30, 2014. We anticipate that representatives of Cherry Bekaert LLP will be present at the 2014 annual meeting of shareholders to respond to appropriate questions and to make a statement if such representatives so desire.

The audit committee of the board of directors of the Company has appointed Cherry Bekaert LLP to serve as our independent registered public accounting firm for the fiscal year beginning July 1, 2014. We are asking our shareholders to ratify the selection of Cherry Bekaert LLP as our independent registered public accounting firm. Although ratification is not required by our Code of Regulations or otherwise, the board is submitting the selection of Cherry Bekaert LLP to our shareholders for ratification as a matter of good corporate practice. If the selection is not ratified, the audit committee will consider whether it is appropriate to select another independent registered public accounting firm. Even if the selection is ratified, the audit committee, in its discretion, may select a different independent registered public accounting firm at any time during the year and may periodically request proposals from other independent registered public accounting firms and as a result of such process may select Cherry Bekaert LLP or another independent registered public accounting firm if the audit committee determines that such a change or action would be in the best interests of the Company and our shareholders.

*The board of directors unanimously recommends a vote FOR the ratification of the appointment of Cherry Bekaert LLP as our independent registered public accounting firm.*

**CERTAIN ACCOUNTING AND AUDITING MATTERS**

**Report Of The Audit Committee**

The authority, duties and responsibilities of the audit committee of the board of directors of the Company are set forth in detail in the written audit committee charter, which was adopted by the board of directors of the Company and which complies with the applicable rules of NYSE Amex. The audit committee has three members, each of whom is independent under the applicable rules of NYSE Amex. In accordance with section 407 of the Sarbanes-Oxley Act of 2002, Mr. Ford has been identified as an Audit Committee Financial Expert.

The audit committee reviews and assesses the adequacy of its charter on an annual basis. A copy of the Audit Committee Charter is available on the Company's website at [www.sunlinkhealth.com](http://www.sunlinkhealth.com).

The audit committee is responsible for overseeing the Company's financial reporting process on behalf of the board of directors. Management of the Company has the primary responsibility for the Company's financial reporting process, principles and internal controls as well as preparation of its financial statements in accordance with generally accepted accounting principles. The Company's independent auditors are responsible for performing an audit of the Company's financial statements and expressing an opinion as to the conformity of such financial statements with generally accepted accounting principles in the United States.

The audit committee met four (4) times during fiscal year 2014. In addition, the members of the audit committee reviewed, and the chairperson of the committee discussed with management and the Company's independent auditors, the interim financial information contained in each quarterly earnings release prior to the release of such information to the public.

The audit committee has reviewed and discussed the Company's audited financial statements as of and for the year ended June 30, 2014 with management and the independent auditors. The audit committee has discussed with the independent auditors the matters required to be discussed under Standards of the Public Company Accounting Oversight Board ( PCAOB ), including those matters set forth in Interim Auditing Standards ( AU ) 380, *Communication with Audit Committees*, as adopted by the PCAOB in Rule 3200T. In addition, the

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audit committee received from the independent registered public accounting firm the written disclosures and the letter required by the PCAOB's applicable requirements and has discussed with them their independence from the Company and its management. The audit committee has considered whether the independent registered public accounting firm's provision of non-audit services to the Company is compatible with maintaining the independent registered public accounting firm's independence. The audit committee has concluded that the independent auditors are independent from the Company and its management.

The audit committee discussed with the Company's independent auditors the overall scope and plans for their respective audits. In addition, the audit committee met with the Chief Executive Officer and Chief Financial Officer of the Company to discuss the processes that they have undertaken to evaluate the accuracy and fair presentation of the Company's financial statements and the effectiveness of the Company's system of disclosure controls and procedures.

In fulfilling its oversight responsibilities and as part of its review of the Company's 2014 Annual Report, the audit committee met with the Company's independent auditors, with and without management present, to discuss their evaluations of the Company's internal controls as well as the overall quality of its financial reporting.

The fees paid to the Company's auditors, Cherry Bekaert LLP, as well as the policy on pre-approval of audit and non-audit services are set forth elsewhere in this Proxy Statement.

As a result of the reviews and discussions with management and Cherry Bekaert LLP referred to above, the audit committee recommended to the board and the board has approved that the audited financial statements of the Company be included in the Annual Report on Form 10-K for the fiscal year ended June 30, 2014 for filing with the Securities and Exchange Commission.

This report has been submitted by the audit committee:

C. Michael Ford (Chairperson)

Karen B. Brenner

Gene E. Burleson

*The foregoing report shall not be deemed incorporated by reference by any general statement incorporating by reference this Proxy Statement into any filing under the Securities Act of 1933.*

**Policy On Pre-Approval Of Services Provided By Independent Registered Public Accounting Firm**

Pursuant to the requirements of the Sarbanes-Oxley Act of 2002, the terms of the engagement of Cherry Bekaert LLP with respect to all auditing services and non-audit services to be performed for the Company by its independent registered public accountants are subject to the specific pre-approval of the audit committee (except where such services are determined to be de minimis under the 1934 Act). All audit and permitted non-audit services to be performed by Cherry Bekaert LLP require pre-approval by the audit committee in accordance with pre-approved procedures established by the audit committee. The audit committee may delegate to one or more designated members of the audit committee who are independent directors of the board of directors, the authority to grant such pre-approvals. The decisions of any member to whom such authority is delegated are presented to the full audit committee at the next scheduled meeting of the committee. The procedures require all proposed engagements of Cherry Bekaert LLP for services of any kind to be directed to the Company's Principal Accounting Officer and then submitted for approval to the audit committee prior to the beginning of any services.

In fiscal year 2014, 100% of the audit fees, audit-related fees and tax fees billed by Cherry Bekaert LLP were approved either by the audit committee or its designee. The fees billed by Cherry Bekaert LLP that are shown in the

following table for fiscal year 2013 were also pre-approved by the audit committee or its designee. The audit committee has considered whether the provision of non-audit services by the Company's independent registered public accounting firm is compatible with maintaining auditor independence and believes that the provision of such services is compatible.

**Table of Contents****Independent Registered Public Accounting Firm Fees**

The following tables show the type of services and the aggregate fees billed to the Company for such services during the fiscal years ended June 30, 2014 and 2013 by SunLink's independent registered public accounting firm, Cherry Bekaert LLP. Descriptions of the service types follow the table.

<b>Services Rendered by Cherry Bekaert LLP</b>	<b>Fiscal 2014</b>	<b>Fiscal 2013</b>
Audit Fees	\$ 240,727	\$ 407,000
Audit-Related Fees	0	6,363
Tax Fees	79,840	74,850
All Other Fees	9,947	38,690
<b>TOTAL</b>	<b>\$ 330,514</b>	<b>\$ 526,903</b>

*Audit Fees*

The aggregate fees billed by Cherry Bekaert LLP for each of the last two fiscal years include fees for professional services rendered for the audit of the Company's annual financial statements, review of financial statements included in the Company's Quarterly Reports on Form 10-Q, and consents and assistance with and review of other documents filed with the SEC, and accounting and financial reporting consultations and other attest services and the issuance of consents.

*Audit-Related Fees*

The aggregate fees billed by Cherry Bekaert LLP in each of the last two fiscal years include fees for assurance and related services that are reasonably related to the performance of the audit or review of the Company's financial statements. The nature of the services performed for these fees may include, among other things, employee benefit plan audits, internal control reviews, attest services not required by statute or regulation and consultations concerning financial accounting and reporting matters not classified as an audit.

*Tax Fees*

The aggregate fees billed by Cherry Bekaert LLP in each of the last two fiscal years include fees for professional services rendered for tax compliance, including assisting the Company with tax audits.

*All Other Fees*

These fees generally relate to assistance in connection with regulatory filings and accounting and disclosure consultation.

**SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE**

Section 16(a) of the Securities Exchange Act of 1934, as amended, requires directors and certain officers of the Company and owners of more than 10% of the Company's common shares to file an initial ownership report with the Securities and Exchange Commission and any subsequent current reports reflecting any changes in their ownership of any of the Company's equity securities. The Company believes, based solely on a review of the copies of those reports

furnished to the Company during the past year and written representations to it that no other reports were required, that during the period from July 1, 2013 through June 30, 2014 all filing requirements have been met.

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**COST OF SOLICITATION**

The cost of solicitation of proxies will be borne by the Company. In addition to the use of the mails, proxy solicitations may be made by directors, officers and employees of the Company, personally or by telephone or other means of communication, without receiving additional compensation. It is also anticipated that banks, brokerage houses and other custodians, nominees and fiduciaries will be requested to forward soliciting material to their principals and to obtain authorization for the execution of proxies. The Company will reimburse banks, brokerage houses and other custodians, nominees and fiduciaries for their out-of-pocket expenses.

**REQUIREMENTS, INCLUDING DEADLINES, FOR SUBMISSION OF PROXY PROPOSALS,  
NOMINATION OF DIRECTORS AND OTHER BUSINESS OF SHAREHOLDERS**

We plan to hold our 2015 annual meeting of shareholders during the month of November. Any proposal of a shareholder intended to be presented at the 2015 annual meeting of shareholders must be received by us for inclusion in the Proxy Statement and form of proxy for that meeting no later than June 5, 2015, 120 days before the anniversary of the date of this Proxy Statement. If any proposal is submitted after that date, we are not required to include it in our Proxy Materials. Any proposal of a shareholder intended to be presented at the 2015 annual meeting of shareholders that is not required to be included in the Proxy Statement and form of proxy must be received by us for that meeting no later than August 19, 2015, 45 days before the anniversary of the date of this Proxy Statement. Proposals should be submitted to the following address:

Corporate Secretary

SunLink Health Systems, Inc.

900 Circle 75 Parkway, Suite 1120

Atlanta, Georgia 30339

A notice of a proposed item of business should include a description of, and the reasons for, bringing the proposed business to the meeting, any material interest of the shareholder in the business, and certain other information about the shareholder.

Under our Code of Regulations, and as SEC rules permit, shareholders must follow certain procedures to nominate a person for election as a director at an annual or special meeting. Under these procedures, shareholders must submit the proposed nominee by delivering a notice to the Secretary of the Company at our principal executive offices. Normally, we must receive notice of a shareholder's intention to introduce a nomination at an annual meeting not less than 50 days nor more than 75 days before the next meeting. Assuming that our 2015 Annual Meeting of Shareholders is held on November 9, 2015, we must receive notice pertaining to the 2015 Annual Meeting no earlier than August 26, 2015 and no later than September 21, 2015. However, if we give less than 60 days notice or public announcement of the annual meeting date, we must receive the notice no later than the close of business ten (10) days after the earlier of the date we first provide notice of the meeting to shareholders or announce it publicly.

If we hold a special meeting to elect directors with less than 60 days notice, the effect of our Code of Regulations will be that we must receive a shareholder's notice of intention to introduce a nomination no later than the close of business ten (10) days after the earlier of the date we first provide notice of the meeting to shareholders or announce it publicly.

A notice of a proposed nomination must include certain information about the shareholder and the nominee, as well as a written consent of the proposed nominee to serve if elected.



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**WHERE YOU CAN FIND ADDITIONAL INFORMATION**

WE HAVE MAILED, AND POSTED ON THE INTERNET, OUR 2014 ANNUAL REPORT TO SHAREHOLDERS IN CONNECTION WITH THIS PROXY SOLICITATION. IF YOU WOULD LIKE AN ADDITIONAL PHYSICAL COPY OF OUR 2014 FORM 10-K, EXCLUDING CERTAIN EXHIBITS, PLEASE CONTACT SUNLINK HEALTH SYSTEMS, INC., 900 CIRCLE 75 PARKWAY, SUITE 1120, ATLANTA, GEORGIA 30339.

**OTHER MATTERS**

**Admission To Meeting**

All shareholders as of the record date, or their duly appointed proxies, may attend the meeting. Seating, however, may be limited. Admission to the meeting will be on a first-come, first-served basis. Please note that if you hold your shares in street name (that is, through a broker or other nominee), you will need to bring a copy of a brokerage statement reflecting your stock ownership as of the record date. Only shareholders as of the record date may attend the meeting. Each shareholder may be asked to present valid picture identification, such as a driver's license or passport. Cameras, recording devices, cellular telephones, beepers and other electronic devices will not be permitted at the meeting.

**Action On Other Matters At The Annual Meeting**

At this time, we do not know of any other matters to be presented for action at the Annual Meeting other than those mentioned in the Notice of Annual Meeting of Shareholders and referred to in this Proxy Statement. If any other matter properly comes before the meeting, it is intended that the proxies will be voted in respect thereof in accordance with the judgment of the persons voting the proxies.

*Shareholders are urged to date, sign and return promptly the enclosed proxy in the accompanying envelope, which requires no postage if mailed in the United States, or to vote their shares via telephone or the Internet. Your cooperation is appreciated. Your proxy will be voted, with respect to the matters identified thereon, in accordance with any specifications on the proxy.*

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**SUNLINK HEALTH SYSTEMS, INC.**

900 Circle 75 Parkway, Suite 1120

Atlanta, Georgia 30339

(770) 933-7000

NYSE Amex: SSY

[www.sunlinkhealth.com](http://www.sunlinkhealth.com)

[sunlink@sunlinkhealth.com](mailto:sunlink@sunlinkhealth.com)

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**PROXY VOTING INSTRUCTIONS**

*SUNLINK HEALTH SYSTEMS, INC.*

*900 CIRCLE 75 PARKWAY*

*SUITE 1120*

*ATLANTA, GEORGIA 30339*

**VOTE BY INTERNET [www.proxyvote.com](http://www.proxyvote.com)**

Use the Internet to transmit your voting instructions and for electronic delivery of information up until 11:59 P.M. Eastern Time the day before the cut-off date or meeting date. Have your proxy card in hand when you access the website and follow the instructions to obtain your records and to create an electronic voting instruction form.

**VOTE BY PHONE 1-800-690-6903**

Use any touch-tone telephone to transmit your voting instructions up until 11:59 P.M. Eastern Time the day before the cut-off date or meeting date. Have your proxy card in hand when you call and then follow the instructions.

**VOTE BY MAIL**

Mark, sign and date your proxy card and return it in the postage-paid envelope we have provided or return it to Voting Processing, c/o Broadridge, 51 Mercedes Way, Edgewood, NY 11717.

**If you vote your proxy by Internet or by telephone you do NOT need to mail back your proxy card.**

TO VOTE, MARK BLOCKS BELOW IN BLUE OR BLACK INK AS FOLLOWS:

M50570-P30448

KEEP THIS PORTION FOR YOUR RECORDS

**THIS PROXY CARD IS VALID ONLY WHEN DETACH AND RETURN THIS PORTION ONLY SIGNED AND DATED.**

**SUNLINK HEALTH SYSTEMS, INC.**

**For All    Withhold All    For All Except**

To withhold authority to vote for any individual nominee(s), mark For All Except and write the number(s)

**Vote on Directors**

of the nominee(s)  
on the line below.

1. To elect four .. .. .  
(4) directors to the  
Board of Directors to  
serve for a two-year  
term and until their  
successors are elected  
and qualified.

**Nominees:**

- 01) Karen B. Brenner
- 02) C. Michael Ford
- 03) Howard E.  
Turner
- 04) Christopher H. B.  
Mills

**Vote on Proposal**

**For Against Abstain**  
.. .. .

2. To Ratify the Appointment of Cherry Bekaert LLP as our Independent  
Registered Public Accounting Firm for Fiscal Year 2015.

**NOTE: TO TRANSACT SUCH OTHER BUSINESS THAT MAY PROPERLY  
COME BEFORE THE MEETING.**

**THE BOARD OF DIRECTORS FAVORS A VOTE FOR ALL IN THE  
ELECTION OF DIRECTORS, AND FOR RATIFICATION OF THE  
INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM AND  
UNLESS INSTRUCTIONS TO THE CONTRARY ARE INDICATED IN  
THE SPACE PROVIDED, THIS PROXY WILL BE SO VOTED.**

**PLEASE SIGN, DATE AND RETURN PROMPTLY IN THE ENCLOSED  
ENVELOPE.**

**Yes No**

Please indicate if you plan to .. .. .  
attend this meeting.

**NOTE:** Please sign exactly as your name or names appear(s) on this Proxy.  
When shares are held jointly, each holder should sign. When signing as executor,  
administrator, attorney, trustee or guardian, please give full title as such. If the  
signer is a corporation, please sign full corporate name by duly authorized

officer, giving full title as such. If signer is a partnership, please sign in partnership name by authorized person.

Signature [PLEASE SIGN WITHIN BOX]	Signature (Joint Owners)	Date
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**Important Notice Regarding the Availability of Proxy Materials for the Annual Meeting:**

The Notice and Proxy Statement and Annual Report are available at [www.proxyvote.com](http://www.proxyvote.com).

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**ANNUAL MEETING OF SHAREHOLDERS OF**

**P** **SUNLINK HEALTH SYSTEMS, INC.**

**R** **November 10, 2014**

**O THIS PROXY IS SOLICITED ON BEHALF OF THE BOARD OF DIRECTORS FOR THE**

**X 2014 ANNUAL MEETING OF SHAREHOLDERS.**

**Y** The undersigned hereby appoints Robert M. Thornton, Jr. and C. Michael Ford, and either of them, with power of substitution to each, the proxies of the undersigned to vote the common shares of the undersigned at the annual meeting of shareholders of SUNLINK HEALTH SYSTEMS, INC. to be held on November 10, 2014, at 10:00 a.m. at the Hyatt House Hotel, 3595 Cumberland Blvd. SE, Atlanta, GA 30339, and any adjournments or postponements thereof, as indicated on the reverse side of this proxy card with respect to the proposals set forth in the proxy statement, and in their discretion upon any matter that may properly come before the annual meeting or any adjournments or postponements thereof. The undersigned hereby revokes any previously submitted proxies.

**(To be signed, dated and voted on reverse side.)**

