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Form **990**

Department of the Treasury
Internal Revenue Service

Return of Organization Exempt From Income Tax

Under section 501(c), 527, or 4947(a)(1) of the Internal Revenue Code (except black lung benefit trust or private foundation)

▶ The organization may have to use a copy of this return to satisfy state reporting requirements

OMB No 1545-0047

2008

Open to Public Inspection

A For the 2008 calendar year, or tax year beginning 07/01 , **2008, and ending** 06/30 , **2009**

B Check if applicable:
- [ ] Address change
- [X] Name change
- [ ] Initial return
- [ ] Termination
- [ ] Amended return
- [ ] Application pending

Please use IRS label or print or type. See Specific Instructions.

C Name of organization: SMDC MEDICAL CENTER

Doing Business As:

Number and street (or P O box if mail is not delivered to street address): 502 EAST 2ND STREET — Room/suite:

City or town, state or country, and ZIP + 4: DULUTH, MN 55805

D Employer identification number: 41-1878730

E Telephone number: (218) 786-1421

G Gross receipts $ 220,861,289.

F Name and address of principal officer: BARBARA JOHNSON, CFO
407 EAST 3RD STREET DULUTH, MN 55805

H(a) Is this a group return for affiliates? [ ] Yes [X] No

H(b) Are all affiliates included? [ ] Yes [ ] No
If "No," attach a list (see instructions)

H(c) Group exemption number ▶

I Tax-exempt status: [X] 501(c)(3) ◀ (insert no.) [ ] 4947(a)(1) or [ ] 527

J Website: ▶ WWW.SMDC.ORG

K Type of organization: [X] Corporation [ ] Trust [ ] Association [ ] Other ▶

L Year of formation: 1933 **M** State of legal domicile: MN

Part I Summary

Activities & Governance

1 Briefly describe the organization's mission or most significant activities:
SMDC HEALTH SYSTEM BRINGS THE SOUL AND SCIENCE OF HEALING TO THE PEOPLE WE SERVE.

2 Check this box ▶ [ ] if the organization discontinued its operations or disposed of more than 25% of its assets

3	Number of voting members of the governing body (Part VI, line 1a)	3	5
4	Number of independent voting members of the governing body (Part VI, line 1b)	4	NONE
5	Total number of employees (Part V, line 2a)	5	NONE
6	Total number of volunteers (estimate if necessary)	6	83
7a	Total gross unrelated business revenue from Part VIII, line 12, column (C)	7a	143,777.
b	Net unrelated business taxable income from Form 990-T, line 34	7b	26,206.

Revenue

		Prior Year	Current Year
8	Contribution and grants (Part VIII, line 1h)	183,538.	479,644.
9	Program service revenue (Part VIII, line 2g)	90,082,923.	216,718,796.
10	Investment income (Part VIII, column (A), lines 3, 4, and 7d)	1,964,277.	-4,404,293.
11	Other revenue (Part VIII, column (A), lines 5, 6d, 8c, 9c, 10c, and 11e)	14,591,340.	1,636,864.
12	Total revenue - add lines 8 through 11 (must equal Part VIII, column (A), line 12)	106,822,078.	214,431,011.

Expenses

13	Grants and similar amounts paid (Part IX, column (A), lines 1-3)	NONE	1,144,408.
14	Benefits paid to or for members (Part IX, column (A), line 4)	NONE	NONE
15	Salaries, other compensation, employee benefits (Part IX, column (A), lines 5-10)	44,886,076.	153,518,548.
16a	Professional fundraising fees (Part IX, column (A), line 11e)	NONE	NONE
b	Total fundraising expenses, Part IX, column (D), line 25) ▶ 95,521.		
17	Other expenses (Part IX, column (A), lines 11a-11d, 11f-24f)	32,152,282.	73,161,772.
18	Total expenses Add lines 13-17 (must equal Part IX, column (A), line 25)	77,038,358.	227,824,728.
19	Revenue less expenses. Subtract line 18 from line 12	29,783,720.	-13,393,717.

Net Assets or Fund Balances

		Beginning of Year	End of Year
20	Total assets (Part X, line 16)	92,067,852.	307,759,856.
21	Total liabilities (Part X, line 26)	8,692,077.	241,943,340.
22	Net assets or fund balances. Subtract line 21 from line 20	83,375,775.	65,816,516.

RECEIVED
IRS MAY 21 2010
OGDEN UT

SCANNED JUL 21 2010

Part II Signature Block

Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete. Declaration of preparer (other than officer) is based on all information of which preparer has any knowledge.

Sign Here

▶ Signature of officer — Date: 5/12/10

▶ BARBARA JOHNSON CFO — CFO
Type or print name and title

Paid Preparer's Use Only

Preparer's signature: Susan Doll — Date: 5/9/2010 — Check if self-employed ▶ [ ] — Preparer's identifying number (see instructions)

Firm's name (or yours if self-employed), address, and ZIP + 4: ERNST & YOUNG U.S. LLP, 75 BEATTIE PLACE, SUITE 800 GREENVILLE, SC 29601 — EIN ▶ 34-6565596 — Phone no ▶ 864/242-5740

May the IRS discuss this return with the preparer shown above? (See instructions) [ ] Yes [X] No

For Privacy Act and Paperwork Reduction Act Notice, see the separate instructions. Form **990** (2008)

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2

Part III **Statement of Program Service Accomplishments** (see instructions)

1 Briefly describe the organization's mission

SMDC HEALTH SYSTEM BRINGS THE SOUL AND SCIENCE OF HEALING TO THE PEOPLE WE SERVE.

2 Did the organization undertake any significant program services during the year which were not listed on the prior Form 990 or 990-EZ? . . . . . ☐ Yes ☒ No

If "Yes" describe these new services on Schedule O

3 Did the organization cease conducting, or make significant changes in how it conducts, any program services? . . . . . ☐ Yes ☒ No

If "Yes," describe these changes on Schedule O.

4 Describe the exempt purpose achievements for each of the organization's three largest program services by expenses. Section 501(c)(3) and 501(c)(4) organizations and section 4947(a)(1) trusts are required to report the amount of grants and allocations to others, the total expenses, and revenue, if any, for each program service reported.

4a (Code _____) (Expenses $ 179,635,337. including grants of $ 1,144,408.) (Revenue $ 216,718,795.)

SMDC MEDICAL CENTER PROVIDED $552,853 IN CHARITY CARE AS WELL AS AN ADDITIONAL $205,638 IN DISCOUNTS TO UNINSURED PATIENTS DURING THE FISCAL YEAR ENDED JUNE 30, 2009. FURTHER COMMUNITY BENEFITS PROVIDED BY SMDC MEDICAL CENTER DURING THE FISCAL YEAR INCLUDE EDUCATION AND WORKFORCE DEVELOPMENT OF $939,623, SUBSIDIZED HEALTH SERVICES OF $35,436,648, AND CASH AND IN-KIND DONATIONS OF $1,144,408.

4b (Code _____) (Expenses $ _____ including grants of $ _____) (Revenue $ _____)

4c (Code _____) (Expenses $ _____ including grants of $ _____) (Revenue $ _____)

4d Other program services (Describe in Schedule O.)
(Expenses $ including grants of $) (Revenue $)

4e Total program service expenses ▶ $ 179,635,337. *(Must equal Part IX, Line 25, column (B))*

Part IV Checklist of Required Schedules

			Yes	No
1	Is the organization described in section 501(c)(3) or 4947(a)(1) (other than a private foundation)? *If "Yes," complete Schedule A*	1	X	
2	Is the organization required to complete Schedule B, Schedule of Contributors?	2	X	
3	Did the organization engage in direct or indirect political campaign activities on behalf of or in opposition to candidates for public office? *If "Yes," complete Schedule C, Part I*	3		X
4	**Section 501(c)(3) organizations.** Did the organization engage in lobbying activities? *If "Yes," complete Schedule C, Part II*	4		X
5	**Sections 501(c)(4), 501(c)(5), and 501(c)(6) organizations.** Is the organization subject to the section 6033(e) notice and reporting requirement and proxy tax? *If "Yes," complete Schedule C, Part III*	5		
6	Did the organization maintain any donor advised funds or any accounts where donors have the right to provide advice on the distribution or investment of amounts in such funds or accounts? *If "Yes," complete Schedule D, Part I*	6		X
7	Did the organization receive or hold a conservation easement, including easements to preserve open space, the environment, historic land areas, or historic structures? *If "Yes," complete Schedule D, Part II*	7		X
8	Did the organization maintain collections of works of art, historical treasures, or other similar assets? *If "Yes," complete Schedule D, Part III*	8		X
9	Did the organization report an amount in Part X, line 21, serve as a custodian for amounts not listed in Part X, or provide credit counseling, debt management, credit repair, or debt negotiation services? *If "Yes," complete Schedule D, Part IV*	9		X
10	Did the organization hold assets in term, permanent, or quasi-endowments? *If "Yes," complete Schedule D, Part V*	10		X
11	Did the organization report an amount in Part X, lines 10, 12, 13, 15, or 25? *If "Yes," complete Schedule D, Parts VI, VII, VIII, IX, or X as applicable*	11	X	
12	Did the organization receive an audited financial statement for the year for which it is completing this return that was prepared in accordance with GAAP? *If "Yes," complete Schedule D, Parts XI, XII, and XIII*	12		X
13	Is the organization a school described in section 170(b)(1)(A)(ii)? *If "Yes," complete Schedule E*	13		X
14a	Did the organization maintain an office, employees, or agents outside of the U.S.?	14a		X
b	Did the organization have aggregate revenues or expenses of more than $10,000 from grantmaking, fundraising, business, and program service activities outside the U.S.? *If "Yes," complete Schedule F, Part I*	14b		X
15	Did the organization report on Part IX, column (A), line 3, more than $5,000 of grants or assistance to any organization or entity located outside the United States? *If "Yes," complete Schedule F, Part II*	15		X
16	Did the organization report on Part IX, column (A), line 3, more than $5,000 of aggregate grants or assistance to individuals located outside the United States? *If "Yes," complete Schedule F, Part III*	16		X
17	Did the organization report more than $15,000 on Part IX, column (A), line 11e? *If "Yes," complete Schedule G, Part I*	17		X
18	Did the organization report more than $15,000 total on Part VIII, lines 1c and 8a? *If "Yes," complete Schedule G, Part II*	18		X
19	Did the organization report more than $15,000 on Part VIII, line 9a? *If "Yes," complete Schedule G, Part III*	19		X
20	Did the organization operate one or more hospitals? *If "Yes," complete Schedule H*	20	X	
21	Did the organization report more than $5,000 on Part IX, column (A), line 1? *If "Yes," complete Schedule I, Parts I and II*	21	X	
22	Did the organization report more than $5,000 on Part IX, column (A), line 2? *If "Yes," complete Schedule I, Parts I and III*	22		X
23	Did the organization answer "Yes" to Part VII, Section A, questions 3, 4, or 5,? *If "Yes," complete Schedule J*	23	X	
24a	Did the organization have a tax-exempt bond issue with an outstanding principal amount of more than $100,000 as of the last day of the year, that was issued after December 31, 2002? *If "Yes," answer questions 24b-24d and complete Schedule K If "No," go to question 25*	24a	X	
b	Did the organization invest any proceeds of tax-exempt bonds beyond a temporary period exception?	24b		X
c	Did the organization maintain an escrow account other than a refunding escrow at any time during the year to defease any tax-exempt bonds?	24c		X
d	Did the organization act as an "on behalf of" issuer for bonds outstanding at any time during the year?	24d		X
25a	**Section 501(c)(3) and 501(c)(4) organizations.** Did the organization engage in an excess benefit transaction with a disqualified person during the year? *If "Yes," complete Schedule L, Part I*	25a		X
b	Did the organization become aware that it had engaged in an excess benefit transaction with a disqualified person from a prior year? *If "Yes," complete Schedule L, Part I*	25b		X
26	Was a loan to or by a current or former officer, director, trustee, key employee, highly compensated employee, or disqualified person outstanding as of the end of the organization's tax year? *If "Yes," complete Schedule L, Part II*	26		X
27	Did the organization provide a grant or other assistance to an officer, director, trustee, key employee, or substantial contributor, or to a person related to such an individual? *If "Yes," complete Schedule L, Part III*	27		X

Part IV Checklist of Required Schedules *(continued)*

			Yes	No
28	During the tax year, did any person who is a current or former officer, director, trustee, or key employee			
a	Have a direct business relationship with the organization (other than as an officer, director, trustee, or employee), or an indirect business relationship through ownership of more than 35% in another entity (individually or collectively with other person(s) listed in Part VII, Section A)? *If "Yes," complete Schedule L, Part IV*	28a		X
b	Have a family member who had a direct or indirect business relationship with the organization? *If "Yes," complete Schedule L, Part IV*	28b		X
c	Serve as an officer, director, trustee, key employee, partner, or member of an entity (or a shareholder of a professional corporation) doing business with the organization? *If "Yes," complete Schedule L, Part IV*	28c		X
29	Did the organization receive more than $25,000 in non-cash contributions? *If "Yes," complete Schedule M*	29		X
30	Did the organization receive contributions of art, historical treasures, or other similar assets, or qualified conservation contributions? *If "Yes," complete Schedule M*	30		X
31	Did the organization liquidate, terminate, or dissolve and cease operations? *If "Yes," complete Schedule N, Part I*	31		X
32	Did the organization sell, exchange, dispose of, or transfer more than 25% of its net assets? *If "Yes," complete Schedule N, Part II*	32		X
33	Did the organization own 100% of an entity disregarded as separate from the organization under Regulations section 301.7701-2 and 301.7701-3? *If "Yes," complete Schedule R, Part I*	33		X
34	Was the organization related to any tax-exempt or taxable entity? *If "Yes," complete Schedule R, Parts II, III, IV, and V, line 1*	34	X	
35	Is any related organization a controlled entity within the meaning of section 512(b)(13)? *If "Yes," complete Schedule R, Part V, line 2*	35	X	
36	**Section 501(c)(3) organizations.** Did the organization make any transfers to an exempt non-charitable related organization? *If "Yes," complete Schedule R, Part V, line 2*	36		X
37	Did the organization conduct more than 5% of its activities through an entity that is not a related organization and that is treated as a partnership for federal income tax purposes? *If "Yes," complete Schedule R, Part VI*	37		X

Part V Statements Regarding Other IRS Filings and Tax Compliance

			Yes	No
1a	Enter the number reported in Box 3 of Form 1096, Annual Summary and Transmittal of U S. Information Returns. Enter -0- if not applicable	1a 29		
b	Enter the number of Forms W-2G included in line 1a. Enter -0- if not applicable	1b NONE		
c	Did the organization comply with backup withholding rules for reportable payments to vendors and reportable gaming (gambling) winnings to prize winners?	1c	X	
2a	Enter the number of employees reported on Form W-3, Transmittal of Wage and Tax Statements, filed for the calendar year ending with or within the year covered by this return	2a NONE		
b	If at least one is reported on line 2a, did the organization file all required federal employment tax returns?	2b		
	Note: If the sum of lines 1a and 2a is greater than 250, you may be required to *e-file* this return (see instructions)			
3a	Did the organization have unrelated business gross income of $1,000 or more during the year covered by this return?	3a	X	
b	If "Yes," has it filed a Form 990-T for this year? *If "No," provide an explanation in Schedule O*	3b	X	
4a	At any time during the calendar year, did the organization have an interest in, or a signature or other authority over, a financial account in a foreign country (such as a bank account, securities account, or other financial account)?	4a		X
b	If "Yes," enter the name of the foreign country ▶ See the instructions for exceptions and filing requirements for Form TD F 90-22 1, Report of Foreign Bank and Financial Accounts			
5a	Was the organization a party to a prohibited tax shelter transaction at any time during the tax year?	5a		X
b	Did any taxable party notify the organization that it was or is a party to a prohibited tax shelter transaction?	5b		X
c	If "Yes," to question 5a or 5b, did the organization file Form 8886-T, Disclosure by Tax-Exempt Entity Regarding Prohibited Tax Shelter Transaction?	5c		
6a	Did the organization solicit any contributions that were not tax deductible?	6a		X
b	If "Yes," did the organization include with every solicitation an express statement that such contributions or gifts were not tax deductible?	6b		
7	**Organizations that may receive deductible contributions under section 170(c).**			
a	Did the organization provide goods or services in exchange for any quid pro quo contribution of more than $75?	7a		X
b	If "Yes," did the organization notify the donor of the value of the goods or services provided?	7b		
c	Did the organization sell, exchange, or otherwise dispose of tangible personal property for which it was required to file Form 8282?	7c		X
d	If "Yes," indicate the number of Forms 8282 filed during the year	7d		
e	Did the organization, during the year, receive any funds, directly or indirectly, to pay premiums on a personal benefit contract?	7e		X
f	Did the organization, during the year, pay premiums, directly or indirectly, on a personal benefit contract?	7f		X
g	For all contributions of qualified intellectual property, did the organization file Form 8899 as required?	7g		
h	For contributions of cars, boats, airplanes, and other vehicles, did the organization file a Form 1098-C as required?	7h		
8	**Section 501(c)(3) and other sponsoring organizations maintaining donor advised funds and section 509(a)(3) supporting organizations.** Did the supporting organization, or a fund maintained by a sponsoring organization, have excess business holdings at any time during the year?	8		
9	**Section 501(c)(3) and other sponsoring organizations maintaining donor advised funds.**			
a	Did the organization make any taxable distributions under section 4966?	9a		
b	Did the organization make a distribution to a donor, donor advisor, or related person?	9b		
10	**Section 501(c)(7) organizations.** Enter			
a	Initiation fees and capital contributions included on Part VIII, line 12	10a		
b	Gross receipts, included on Form 990, Part VIII, line 12, for public use of club facilities	10b		
11	**Section 501(c)(12) organizations.** Enter			
a	Gross income from members or shareholders	11a		
b	Gross income from other sources (Do not net amounts due or paid to other sources against amounts due or received from them)	11b		
12a	**Section 4947(a)(1) non-exempt charitable trusts.** Is the organization filing Form 990 in lieu of Form 1041?	12a		
b	If "Yes," enter the amount of tax-exempt interest received or accrued during the year	12b		

Part VI **Governance, Management, and Disclosure** *(Sections A, B, and C request information about policies not required by the Internal Revenue Code)*

Section A. Governing Body and Management

			Yes	No
	For each "Yes" response to lines 2-7b below, and for a "No" response to lines 8 or 9b below, describe the circumstances, process, or changes in Schedule O See instructions			
1a	Enter the number of voting members of the governing body 1a 5			
b	Enter the number of voting members that are independent . . . . . 1b NONE			
2	Did any officer, director, trustee, or key employee have a family relationship or a business relationship with any other officer, director, trustee, or key employee?	2		X
3	Did the organization delegate control over management duties customarily performed by or under the direct supervision of officers, directors or trustees, or key employees to a management company or other person? . . .	3		X
4	Did the organization make any significant changes to its organizational documents since the prior Form 990 was filed?	4	X	
5	Did the organization become aware during the year of a material diversion of the organization's assets?	5		X
6	Does the organization have members or stockholders?	6		X
7a	Does the organization have members, stockholders, or other persons who may elect one or more members of the governing body?	7a	X	
b	Are any decisions of the governing body subject to approval by members, stockholders, or other persons?	7b	X	
8	Did the organizations contemporaneously document the meetings held or written actions undertaken during the year by the following			
a	The governing body?	8a	X	
b	Each committee with authority to act on behalf of the governing body?	8b	X	
9a	Does the organization have local chapters, branches, or affiliates?	9a		X
b	If "Yes," does the organization have written policies and procedures governing the activities of such chapters, affiliates, and branches to ensure their operations are consistent with those of the organization?	9b		
10	Was a copy of the Form 990 provided to the organization's governing body before it was filed? All organizations must describe in Schedule O the process, if any, the organization uses to review the Form 990	10	X	
11	Is there any officer, director or trustee, or key employee listed in Part VII, Section A, who cannot be reached at the organization's mailing address? *If "Yes," provide the names and addresses in Schedule O*	11		X

Section B. Policies

			Yes	No
12a	Does the organization have a written conflict of interest policy? *If "No," go to line 13*	12a	X	
b	Are officers, directors or trustees, and key employees required to disclose annually interests that could give rise to conflicts?	12b	X	
c	Does the organization regularly and consistently monitor and enforce compliance with the policy? *If "Yes," describe in Schedule O how this is done*	12c	X	
13	Does the organization have a written whistleblower policy?	13	X	
14	Does the organization have a written document retention and destruction policy?	14	X	
15	Did the process for determining compensation of the following persons include a review and approval by independent persons, comparability data, and contemporaneous substantiation of the deliberation and decision			
a	The organization's CEO, Executive Director, or top management official?	15a	X	
b	Other officers or key employees of the organization?	15b	X	
	Describe the process in Schedule O. (see instructions)			
16a	Did the organization invest in, contribute assets to, or participate in a joint venture or similar arrangement with a taxable entity during the year?	16a		X
b	If "Yes," has the organization adopted a written policy or procedure requiring the organization to evaluate its participation in joint venture arrangements under applicable federal tax law, and taken steps to safeguard the organization's exempt status with respect to such arrangements?	16b		

Section C. Disclosure

17 List the states with which a copy of this Form 990 is required to be filed ▶ MN

18 Section 6104 requires an organization to make its Forms 1023 (or 1024 if applicable), 990, and 990-T (501(c)(3)s only) available for public inspection. Indicate how you make these available. Check all that apply

☐ Own website ☐ Another's website ☒ Upon request

19 Describe in Schedule O whether (and if so, how), the organization makes its governing documents, conflict of interest policy, and financial statements available to the public

20 State the name, physical address, and telephone number of the person who possesses the books and records of the organization ▶ BARBARA JOHNSON, CFO 407 EAST THIRD STREET DULUTH, MN 55805 218-786-1421

Part VII Compensation of Officers, Directors, Trustees, Key Employees, Highest Compensated Employees, and Independent Contractors

Section A. Officers, Directors, Trustees, Key Employees, and Highest Compensated Employees

1a Complete this table for all persons required to be listed Use Schedule J-2 if additional space is needed.

- List all of the organization's **current** officers, directors, trustees (whether individuals or organizations), regardless of amount of compensation, and **current** key employees Enter -0- in columns (D), (E), and (F) if no compensation was paid.
- List the organization's five **current** highest compensated employees (other than an officer, director, trustee, or key employee) who received reportable compensation (Box 5 of Form W-2 and/or Box 7 of Form 1099-MISC) of more than $100,000 from the organization and any related organizations.
- List all of the organization's **former** officers, key employees, and highest compensated employees who received more than $100,000 of reportable compensation from the organization and any related organizations
- List all of the organization's **former directors or trustees** that received, in the capacity as a former director or trustee of the organization, more than $10,000 of reportable compensation from the organization and any related organizations.

List persons in the following order individual trustees or directors, institutional trustees; officers, key employees, highest compensated employees, and former such persons.

[X] Check this box if the organization did not compensate any officer, director, trustee, or key employee.

(A) Name and Title	(B) Average hours per week	(C) Position (check all that apply)						(D) Reportable compensation from the organization (W-2/1099-MISC)	(E) Reportable compensation from related organizations (W-2/1099-MISC)	(F) Estimated amount of other compensation from the organization and related organizations
		Individual trustee or director	Institutional trustee	Officer	Key employee	Highest compensated employee	Former			
MATTHEW J. ECKMAN, MD MDMC BOARD DIRECTOR	60.	X						NONE	113,710.	25,273.
BARBARA J. FULTON MDMC BOARD DIRECTOR	60.	X						NONE	122,988.	40,073.
JEFFREY S. GARLAND, MD MDMC BOARD DIRECTOR	60.	X						NONE	295,519.	43,406.
HUGH P. RENIER, MD MDMC BOARD DIRECTOR	60.	X						NONE	342,313.	67,917.
THOMAS G. PATNOE MDMC BOARD DIRECTOR	60.	X						NONE	475,004.	68,002.
ROBERT NORMAN CHIEF FINANCIAL OFFICER	60.			X				NONE	551,232.	110,270.
ROCKLON B. CHAPIN EXECUTIVE VP HOSP. DIV. COO	60.			X				NONE	361,105.	63,925.
MICHAEL C. METCALF EXECUTIVE VP CLINIC DIVISION	60.				X			NONE	380,067.	72,738.
MARIBETH OLSON CHIEF OPERATING OFFICER - SMMC	60.				X			NONE	288,208.	74,448.
DIANE T. DAVIDSON SENIOR VP HUMAN RESOURCES	60.				X			NONE	203,182.	44,012.
TERRI L. RUBERG VP PATIENT CARE OPERATIONS	60.				X			NONE	180,815.	53,595.
DAVID H. AMUNDSON SENIOR VICE PRESIDENT FINANCE	NONE						X	NONE	428,472.	13,288.
GERRY G. GILBERTSON CHIEF OPERATING OFFICER - MDMC	NONE						X	NONE	123,461.	3,708.

Part VII Section A. Officers, Directors, Trustees, Key Employees, and Highest Compensated Employees *(continued)*

(A) Name and title	(B) Average hours per week	(C) Position (check all that apply)						(D) Reportable compensation from the organization (W-2/1099-MISC)	(E) Reportable compensation from related organizations (W-2/1099-MISC)	(F) Estimated amount of other compensation from the organization and related organizations
		Individual trustee or director	Institutional trustee	Officer	Key employee	Highest compensated employee	Former			
1b Total ▶								NONE	3,866,076.	680,655.

2 Total number of individuals (including those in 1a) who received more than $100,000 in reportable compensation from the organization ▶ NONE

		Yes	No
3	Did the organization list any **former** officer, director or trustee, key employee, or highest compensated employee on line 1a? *If "Yes," complete Schedule J for such individual*	3 X	
4	For any individual listed on line 1a, is the sum of reportable compensation and other compensation from the organization and related organizations greater than $150,000? *If "Yes," complete Schedule J for such individual*	4 X	
5	Did any person listed on line 1a receive or accrue compensation from any unrelated organization for services rendered to the organization? *If "Yes," complete Schedule J for such person*	5	X

Section B. Independent Contractors

1 Complete this table for your five highest compensated independent contractors that received more than $100,000 of compensation from the organization.

(A) Name and business address	(B) Description of services	(C) Compensation
SEE STATEMENT 1		

2 Total number of independent contractors (including those in 1) who received more than $100,000 in compensation from the organization ▶ 4

Part VIII Statement of Revenue 41-1878730

			(A) Total revenue	(B) Related or exempt function revenue	(C) Unrelated business revenue	(D) Revenue excluded from tax under sections 512, 513, or 514
Contributions, gifts, grants and other similar amounts	1a Federated campaigns	1a				
	b Membership dues	1b				
	c Fundraising events	1c				
	d Related organizations	1d				
	e Government grants (contributions)	1e	479,644.			
	f All other contributions, gifts, grants, and similar amounts not included above	1f				
	g Noncash contributions included in lines 1a-1f $					
	h **Total.** Add lines 1a-1f		479,644.			
Program Service Revenue		**Business Code**				
	2a PATIENT REVENUE	621400	216,575,019.	216,575,019.		
	b AUDIOLOGY	621990	1,515.		1,515.	
	c OPTICAL SHOP	621990	34,661.		34,661.	
	d SKIN RENEWAL	621990	107,601.		107,601.	
	e					
	f All other program service revenue					
	g **Total.** Add lines 2a-2f		216,718,796.			
Other Revenue	3 Investment income (including dividends, interest, and other similar amounts)		752,090.			752,090.
	4 Income from investment of tax-exempt bond proceeds					
	5 Royalties					
		(i) Real	(ii) Personal			
	6a Gross Rents	1,419.				
	b Less rental expenses					
	c Rental income or (loss)	1,419.				
	d Net rental income or (loss)			1,419.			1,419.
		(i) Securities	(ii) Other			
	7a Gross amount from sales of assets other than inventory	1,258,100.	-81,677.			
	b Less cost or other basis and sales expenses	6,200,917.	131,889.			
	c Gain or (loss)	-4,942,817.	-213,566.			
	d Net gain or (loss)			-5,156,383.			-5,156,383.
	8a Gross income from fundraising events (not including $ _____ of contributions reported on line 1c) See Part IV, line 18 a					
	b Less direct expenses b					
	c Net income or (loss) from fundraising events					
	9a Gross income from gaming activities. See Part IV, line 19 a					
	b Less direct expenses b					
	c Net income or (loss) from gaming activities					
	10a Gross sales of inventory, less returns and allowances a	237,197.				
	b Less cost of goods sold b	97,472.				
	c Net income or (loss) from sales of inventory			139,725.			139,725.
	Miscellaneous Revenue	**Business Code**				
	11a CAFETERIA REVENUE	722100	994,819.			994,819.
	b PARKING REVENUE	812930	370,574.			370,574.
	c ALL OTHER REVENUE	900099	130,327.			130,327.
	d All other revenue					
	e **Total.** Add lines 11a-11d		1,495,720.			
	12 **Total Revenue.** Add lines 1h, 2g, 3, 4, 5, 6d, 7d, 8c, 9c, 10c, and 11e		214,431,011.	216,575,019.	143,777.	-2,767,429.

Part IX Statement of Functional Expenses

Section 501(c)(3) and 501(c)(4) organizations must complete all columns.
All other organizations must complete column (A) but are not required to complete columns (B), (C), and (D).

Do not include amounts reported on lines 6b, 7b, 8b, 9b, and 10b of Part VIII.	(A) Total expenses	(B) Program service expenses	(C) Management and general expenses	(D) Fundraising expenses
1 Grants and other assistance to governments and organizations in the U.S. See Part IV, line 21	1,144,408.	1,144,408.		
2 Grants and other assistance to individuals in the U.S See Part IV, line 22	NONE			
3 Grants and other assistance to governments, organizations, and individuals outside the U S See Part IV, lines 15 and 16	NONE			
4 Benefits paid to or for members	NONE			
5 Compensation of current officers, directors, trustees, and key employees	2,941,415.	2,941,415.		
6 Compensation not included above, to disqualified persons (as defined under section 4958(f)(1)) and persons described in section 4958(c)(3)(B)	NONE			
7 Other salaries and wages	113,592,211.	99,846,271.	13,745,940.	
8 Pension plan contributions (include section 401 (k) and section 403(b) employer contributions)	6,345,211.	4,972,678.	1,372,533.	
9 Other employee benefits	22,416,019.	12,083,174.	10,332,845.	
10 Payroll taxes	8,223,692.	6,569,595.	1,654,097.	
11 Fees for services (non-employees)				
a Management	NONE			
b Legal	196,595.	12,339.	184,256.	
c Accounting	195,354.		195,354.	
d Lobbying	NONE			
e Professional fundraising services See Part IV, line 17	NONE			
f Investment management fees	NONE			
g Other	3,158,262.	2,763,274.	394,988.	
12 Advertising and promotion	557,143.	844.	556,299.	
13 Office expenses	26,388,586.	23,593,857.	2,794,729.	
14 Information technology	4,384,558.	951,867.	3,432,691.	
15 Royalties	NONE			
16 Occupancy	3,384,408.	303,727.	3,080,681.	
17 Travel	457,427.	431,612.	25,815.	
18 Payments of travel or entertainment expenses for any federal, state, or local public officials	NONE			
19 Conferences, conventions, and meetings	306,681.	156,533.	150,148.	
20 Interest	644,034.		644,034.	
21 Payments to affiliates	83,206.	83,206.		
22 Depreciation, depletion, and amortization	11,474,224.	3,578,230.	7,895,994.	
23 Insurance	1,766,559.	1,330,769.	435,790.	
24 Other expenses Itemize expenses not covered above (Expenses grouped together and labeled miscellaneous may not exceed 5% of total expenses shown on line 25 below.)				
a BAD_DEBT_EXPENSE	7,551,926.	7,491,746.	60,180.	
b PURCHASED_SERVICES	5,290,551.	5,154,656.	135,895.	
c MINNESOTA_CARE_TAX	2,635,510.	2,611,536.	23,974.	
d CONTRACT_SERVICE-MAINTENANCE	1,337,525.	1,276,436.	61,089.	
e MEDICARE_SURCHARGES	872,648.	872,648.		
f All other expenses	2,476,575.	1,464,516.	916,538.	95,521.
25 **Total functional expenses.** Add lines 1 through 24f	227,824,728.	179,635,337.	48,093,870.	95,521.
26 **Joint Costs.** Check here ▶ ☐ If following SOP 98-2 Complete this line only if the organization reported in column (B) joint costs from a combined educational campaign and fundraising solicitation				

Part X Balance Sheet

			(A) Beginning of year		(B) End of year
Assets	1	Cash - non-interest-bearing	3,077,622.	1	6,452,364.
	2	Savings and temporary cash investments	14,193,281.	2	13,233,947.
	3	Pledges and grants receivable, net		3	
	4	Accounts receivable, net	27,380,212.	4	37,485,477.
	5	Receivables from current and former officers, directors, trustees, key employees, or other related parties. Complete Part II of Schedule L		5	
	6	Receivables from other disqualified persons (as defined under section 4958(f)(1)) and persons described in section 4958(c)(3)(B). Complete Part II of Schedule L		6	
	7	Notes and loans receivable, net	152,158.	7	175,293,517.
	8	Inventories for sales or use	1,939,205.	8	2,978,885.
	9	Prepaid expenses and deferred charges	732,234.	9	1,952,591.
	10a	Land, buildings, and equipment cost basis. 10a 188,507,285.			
	b	Less accumulated depreciation. Complete Part VI of Schedule D. 10b 135,426,124.	24,776,670.	10c	53,081,161.
	11	Investments - publicly traded securities	8,917,319.	11	16,647,205.
	12	Investments - other securities. See Part IV, line 11		12	
	13	Investments - program-related. See Part IV, line 11		13	
	14	Intangible assets		14	
	15	Other assets. See Part IV, line 11	10,899,151.	15	634,709.
	16	**Total assets.** Add lines 1 through 15 (must equal line 34)	92,067,852.	16	307,759,856.
Liabilities	17	Accounts payable and accrued expenses	6,242,284.	17	17,710,549.
	18	Grants payable		18	
	19	Deferred revenue		19	
	20	Tax-exempt bond liabilities	346,204.	20	NONE
	21	Escrow account liability Complete Part IV of Schedule D		21	
	22	Payables to current and former officers, directors, trustees, key employees, highest compensated employees, and disqualified persons. Complete Part II of Schedule L		22	
	23	Secured mortgages and notes payable to unrelated third parties		23	
	24	Unsecured notes and loans payable		24	
	25	Other liabilities. Complete Part X of Schedule D	2,103,589.	25	224,232,791.
	26	**Total liabilities.** Add lines 17 through 25	8,692,077.	26	241,943,340.
Net Assets or Fund Balances		**Organizations that follow SFAS 117, check here ▶ [X] and complete lines 27 through 29, and lines 33 and 34.**			
	27	Unrestricted net assets	83,140,950.	27	65,708,912.
	28	Temporarily restricted net assets	200,825.	28	73,604.
	29	Permanently restricted net assets	34,000.	29	34,000.
		Organizations that do not follow SFAS 117, check here ▶ [ ] and complete lines 30 through 34.			
	30	Capital stock or trust principal, or current funds		30	
	31	Paid-in or capital surplus, or land, building, or equipment fund		31	
	32	Retained earnings, endowment, accumulated income, or other funds		32	
	33	Total net assets or fund balances	83,375,775.	33	65,816,516.
	34	Total liabilities and net assets/fund balances	92,067,852.	34	307,759,856.

Part XI Financial Statements and Reporting

			Yes	No
1	Accounting method used to prepare the Form 990 [ ] Cash [X] Accrual [ ] Other			
2a	Were the organization's financial statements compiled or reviewed by an independent accountant?	2a		X
b	Were the organization's financial statements audited by an independent accountant?	2b		X
c	If "Yes" to lines 2a or 2b, does the organization have a committee that assumes responsibility for oversight of the audit, review, or compilation of its financial statements and selection of an independent accountant?	2c		
3a	As a result of a federal award, was the organization required to undergo an audit or audits as set forth in the Single Audit Act and OMB Circular A-133?	3a		X
b	If "Yes," did the organization undergo the required audit or audits?	3b		

SCHEDULE A (Form 990 or 990-EZ)

Department of the Treasury
Internal Revenue Service

Public Charity Status and Public Support

To be completed by all section 501(c)(3) organizations and section 4947(a)(1) nonexempt charitable trusts.

▶ **Attach to Form 990 or Form 990-EZ.** ▶ **See separate instructions.**

OMB No 1545-0047

2008

Open to Public Inspection

Name of the organization SMDC MEDICAL CENTER
F/K/A MILLER-DWAN MEDICAL CENTER

Employer identification number 41-1878730

Part I Reason for Public Charity Status (All organizations must complete this part.) (see instructions)

The organization is not a private foundation because it is. (Please check only **one** organization)

1 ☐ A church, convention of churches, or association of churches described in **section 170(b)(1)(A)(i).**

2 ☐ A school described in **section 170(b)(1)(A)(ii).** (Attach Schedule E.)

3 ☒ A hospital or a cooperative hospital service organization described in **section 170(b)(1)(A)(iii).** (Attach Schedule H.)

4 ☐ A medical research organization operated in conjunction with a hospital described in **section 170(b)(1)(A)(iii).** Enter the hospital's name, city, and state _____

5 ☐ An organization operated for the benefit of a college or university owned or operated by a governmental unit described in **section 170(b)(1)(A)(iv).** (Complete Part II)

6 ☐ A federal, state, or local government or governmental unit described in **section 170(b)(1)(A)(v).**

7 ☐ An organization that normally receives a substantial part of its support from a governmental unit or from the general public described in **section 170(b)(1)(A)(vi).** (Complete Part II)

8 ☐ A community trust described in **section 170(b)(1)(A)(vi).** (Complete Part II)

9 ☐ An organization that normally receives (1) more than 33 1/3 % of its support from contributions, membership fees, and gross receipts from activities related to its exempt functions - subject to certain exceptions, and (2) no more than 33 1/3% of its support from gross investment income and unrelated business taxable income (less section 511 tax) from businesses acquired by the organization after June 30, 1975. See **section 509(a)(2).** (Complete Part III)

10 ☐ An organization organized and operated exclusively to test for public safety. See **section 509(a)(4).** (see instructions)

11 ☐ An organization organized and operated exclusively for the benefit of, to perform the functions of, or to carry out the purposes of one or more publicly supported organizations described in section 509(a)(1) or section 509(a)(2) See **section 509(a)(3).** Check the box that describes the type of supporting organization and complete lines 11e through 11h

a ☐ Type I b ☐ Type II c ☐ Type III - Functionally Integrated d ☐ Type III - Other

e ☐ By checking this box, I certify that the organization is not controlled directly or indirectly by one or more disqualified persons other than foundation managers and other than one or more publicly supported organizations described in section 509(a)(1) or section 509(a)(2).

f If the organization received a written determination from the IRS that it is a Type I, Type II or Type III supporting organization, check this box . . . . . ☐

g Since August 17, 2006, has the organization accepted any gift or contribution from any of the following persons?

		Yes	No
(i)	A person who directly or indirectly controls, either alone or together with persons described in (ii) and (iii) below, the governing body of the supported organization?	11g(i)	
(ii)	A family member of a person described in (i) above?	11g(ii)	
(iii)	A 35% controlled entity of a person described in (i) or (ii) above?	11g(iii)	

h Provide the following information about the organizations the organization supports.

(i) Name of supported organization	(ii) EIN	(iii) Type of organization (described on lines 1-9 above or IRC section (see instructions))	(iv) Is the organization in col. (i) listed in your governing document?		(v) Did you notify the organization in col (i) of your support?		(vi) Is the organization in col. (i) organized in the U.S.?		(vii) Amount of support
			Yes	No	Yes	No	Yes	No	
Total									

Part II **Support Schedule for Organizations Described in Sections 170(b)(1)(A)(iv) and 170(b)(1)(A)(vi)**
(Complete only if you checked the box on line 5, 7, or 8 of Part I.)

Section A. Public Support

Calendar year (or fiscal year beginning in) ▶	(a) 2004	(b) 2005	(c) 2006	(d) 2007	(e) 2008	(f) Total
1 Gifts, grants, contributions, and membership fees received (Do not include any "unusual grants.")						
2 Tax revenues levied for the organization's benefit and either paid to or expended on its behalf						
3 The value of services or facilities furnished by a governmental unit to the organization without charge						
4 **Total.** Add lines 1-3						
5 The portion of total contributions by each person (other than a governmental unit or publicly supported organization) included on line 1 that exceeds 2% of the amount shown on line 11, column (f)						
6 **Public support.** Subtract line 5 from line 4.						

Section B. Total Support

Calendar year (or fiscal year beginning in) ▶	(a) 2004	(b) 2005	(c) 2006	(d) 2007	(e) 2008	(f) Total
7 Amounts from line 4						
8 Gross income from interest, dividends, payments received on securities loans, rents, royalties and income from similar sources						
9 Net income from unrelated business activities, whether or not the business is regularly carried on						
10 Other income. Do not include gain or loss from the sale of capital assets (Explain in Part IV)						
11 **Total support.** Add lines 7 through 10						

12 Gross receipts from related activities, etc. (See instructions.) 12

13 **First five years.** If the Form 990 is for the organization's first, second, third, fourth, or fifth tax year as a 501(c)(3) organization, check this box and **stop here** ▶ ☐

Section C. Computation of Public Support Percentage

14 Public support percentage for 2008 (line 6, column (f) divided by line 11, column (f)) 14 %

15 Public support percentage from 2007 Schedule A, Part IV-A, line 26f 15 %

16a **33 1/3% support test - 2008.** If the organization did not check the box on line 13, and line 14 is 33 1/3% or more, check this box and **stop here.** The organization qualifies as a publicly supported organization ▶ ☐

b **33 1/3% support test - 2007.** If the organization did not check a box on line 13 or 16a, and line 15 is 33 1/3% or more, check this box and **stop here.** The organization qualifies as a publicly supported organization ▶ ☐

17a **10%-facts-and-circumstances test - 2008.** If the organization did not check a box on line 13, 16a or 16b, and line 14 is 10% or more, and if the organization meets the "fact-and-circumstances" test, check this box and **stop here.** Explain in Part IV how the organization meets the "facts and circumstances" test The organization qualifies as a publicly supported organization ▶ ☐

b **10%-facts-and-circumstances test - 2007.** If the organization did not check a box on line 13, 16a, 16b, or 17a, and line 15 is 10% or more, and if the organization meets the "facts and circumstances" test, check this box and **stop here.** Explain in Part IV how the organzation meets the "facts-and-circumstances"" test. The organization qualifies as a publicly supported organization ▶ ☐

18 **Private foundation.** If the organization did not check a box on line 13, 16a, 16b, 17a, or 17b, check this box and see instructions ▶ ☐

Part III Support Schedule for Organizations Described in Section 509(a)(2)
(Complete only if you checked the box on line 9 of Part I.)

Section A. Public Support

Calendar year (or fiscal year beginning in) ▶	(a) 2004	(b) 2005	(c) 2006	(d) 2007	(e) 2008	(f) Total
1 Gifts, grants, contributions, and membership fees received (Do not include any "unusual grants.")						
2 Gross receipts from admissions, merchandise sold or services performed, or facilities furnished in any activity that is related to the organization's tax-exempt purpose						
3 Gross receipts from activities that are not an unrelated trade or business under section 513						
4 Tax revenues levied for the organization's benefit and either paid to or expended on its behalf						
5 The value of services or facilities furnished by a governmental unit to the organization without charge						
6 **Total.** Add lines 1-5						
7a Amounts included on lines 1, 2, and 3 received from disqualified persons						
b Amounts included on lines 2 and 3 received from other than disqualified persons that exceed the greater of 1% of the total of lines 9, 10c, 11, and 12 for the year or $5,000						
c Add lines 7a and 7b						
8 **Public support** (Subtract line 7c from line 6.)						

Section B. Total Support

Calendar year (or fiscal year beginning in) ▶	(a) 2004	(b) 2005	(c) 2006	(d) 2007	(e) 2008	(f) Total
9 Amounts from line 6						
10a Gross income from interest, dividends, payments received on securities loans, rents, royalties and income from similar sources						
b Unrelated business taxable income (less section 511 taxes) from businesses acquired after June 30, 1975						
c Add lines 10a and 10b						
11 Net income from unrelated business activities not included in line 10b, whether or not the business is regularly carried on						
12 Other income. Do not include gain or loss from the sale of capital assets (Explain in Part IV)						
13 **Total support.** (Add lines 9, 10c, 11, and 12.)						

14 **First five years.** If the Form 990 is for the organization's first, second, third, fourth, or fifth tax year as a section 501(c)(3) organization, check this box and **stop here** ▶ ☐

Section C. Computation of Public Support Percentage

15	Public support percentage for 2008 (line 8, column (f) divided by line 13, column (f))	15	%
16	Public support percentage from 2007 Schedule A, Part IV-A, line 27g	16	%

Section D. Computation of Investment Income Percentage

17	Investment income percentage for **2008** (line 10c, column (f) divided by line 13, column (f))	17	%
18	Investment income percentage from **2007** Schedule A, Part IV-A, line 27h	18	%

19a **33 1/3% support tests - 2008.** If the organization did not check the box on line 14, and line 15 is more than 33 1/3%, and line 17 is not more than 33 1/3%, check this box and **stop here** The organization qualifies as a publicly supported organization ▶ ☐

b **33 1/3% support tests - 2007.** If the organization did not check a box on line 14 or line 19a, and line 16 is more than 33 1/3%, and line 18 is not more than 33 1/3%, check this box and **stop here.** The organization qualifies as a publicly supported organization ▶ ☐

20 **Private foundation.** If the organization did not check a box on line 14, 19a, or 19b, check this box and see instructions ▶ ☐

Part IV **Supplemental Information.** Complete this part to provide the explanation required by Part II, line 10; Part II, line 17a or 17b, or Part III, line 12. Provide any other additional information. (see instructions)

SCHEDULE D (Form 990)

Department of the Treasury
Internal Revenue Service

Supplemental Financial Statements

▶ Attach to Form 990. To be completed by organizations that answered "Yes," to Form 990, Part IV, line 6, 7, 8, 9, 10, 11, or 12.

OMB No 1545-0047

2008

Open to Public Inspection

Name of the organization: SMDC MEDICAL CENTER
F/K/A MILLER-DWAN MEDICAL CENTER

Employer identification number: 41-1878730

Part I **Organizations Maintaining Donor Advised Funds or Other Similar Funds or Accounts.** Complete if the organization answered "Yes" to Form 990, Part IV, line 6.

		(a) Donor advised funds	(b) Funds and other accounts
1	Total number at end of year		
2	Aggregate contributions to (during year)		
3	Aggregate grants from (during year)		
4	Aggregate value at end of year		

5 Did the organization inform all donors and donor advisors in writing that the assets held in donor advised funds are the organization's property, subject to the organization's exclusive legal control? ☐ Yes ☐ No

6 Did the organization inform all grantees, donors, and donor advisors in writing that grant funds may be used only for charitable purposes and not for the benefit of the donor or donor advisor or other impermissible private benefit? ☐ Yes ☐ No

Part II **Conservation Easements.** Complete if the organization answered "Yes" to Form 990, Part IV, line 7.

1 Purpose(s) of conservation easements held by the organization (check all that apply)

☐ Preservation of land for public use (e g , recreation or pleasure)
☐ Protection of natural habitat
☐ Preservation of open space
☐ Preservation of an historically importantly land area
☐ Preservation of certified historic structure

2 Complete lines 2a-2d if the organization held a qualified conservation contribution in the form of a conservation easement on the last day of the tax year

			Held at the End of the Year
a	Total number of conservation easements	2a	
b	Total acreage restricted by conservation easements	2b	
c	Number of conservation easements on a certified historic structure included in (a)	2c	
d	Number of conservation easements included in (c) acquired after 8/17/06	2d	

3 Number of conservation easements modified, transferred, released, extinguished, or terminated by the organization during the taxable year ▶ _____

4 Number of states where property subject to conservation easement is located ▶ _____

5 Does the organization have a written policy regarding the periodic monitoring, inspection, violations, and enforcement of the conservation easements it holds? ☐ Yes ☐ No

6 Staff or volunteer hours devoted to monitoring, inspecting, and enforcing easements during the year ▶ _____

7 Amount of expenses incurred in monitoring, inspecting, and enforcing easements during the year ▶ $ _____

8 Does each conservation easement reported on line 2(d) above satisfy the requirements of section 170(h)(4)(B)(i) and 170(h)(4)(B)(ii)? ☐ Yes ☐ No

9 In Part XIV, describe how the organization reports conservation easements in its revenue and expense statement, and balance sheet, and include, if applicable, the text of the footnote to the organization's financial statements that describes the organization's accounting for conservation easements

Part III **Organizations Maintaining Collections of Art, Historical Treasures, or Other Similar Assets.** Complete if the organization answered "Yes" to Form 990, Part IV, line 8.

1a If the organization elected, as permitted under SFAS 116, not to report in its revenue statement and balance sheet works of art, historical treasures, or other similar assets held for public exhibition, education, or research in furtherance of public service, provide, in Part XIV, the text of the footnote to its financial statements that describes these items.

b If the organization elected, as permitted under SFAS 116, to report in its revenue statement and balance sheet works of art, historical treasures, or other similar assets held for public exhibition, education, or research in furtherance of public service, provide the following amounts relating to these items

(i) Revenues included in Form 990, Part VIII, line 1 ▶ $ _____

(ii) Assets included in Form 990, Part X ▶ $ _____

2 If the organization received or held works of art, historical treasures, or other similar assets for financial gain, provide the following amounts required to be reported under SFAS 116 relating to these items

a Revenues included in Form 990, Part VIII, line 1 ▶ $ _____

b Assets included in Form 990, Part X ▶ $ _____

Part III Organizations Maintaining Collections of Art, Historical Treasures, or Other Similar Assets *(continued)*

3 Using the organization's accession and other records, check any of the following that are a significant use of its collection items (check all that apply):

a ☐ Public exhibition
b ☐ Scholarly research
c ☐ Preservation for future generations
d ☐ Loan or exchange programs
e ☐ Other _____

4 Provide a description of the organization's collections and explain how they further the organization's exempt purpose in Part XIV.

5 During the year, did the organization solicit or receive donations of art, historical treasures, or other similar assets to be sold to raise funds rather than to be maintained as part of the organization's collection? ☐ Yes ☐ No

Part IV Trust, Escrow and Custodial Arrangements. Complete if organization answered "Yes" to Form 990, Part IV, line 9, or reported an amount on Form 990, Part X, line 21.

1a Is the organization an agent, trustee, custodian or other intermediary for contributions or other assets not included on Form 990, Part X? ☐ Yes ☐ No

b If "Yes," explain the arrangement in Part XIV and complete the following table

		Amount
c Beginning balance	1c	
d Additions during the year	1d	
e Distributions during the year	1e	
f Ending balance	1f	

2a Did the organization include an amount on Form 990, Part X, line 21? ☐ Yes ☐ No

b If "Yes," explain the arrangement in Part XIV

Part V Endowment Funds. Complete if organization answered "Yes" to Form 990, Part IV, line 10.

	(a) Current Year	(b) Prior year	(c) Two years back	(d) Three years back	(e) Four years back
1a Beginning of year balance					
b Contributions					
c Investment earnings or losses					
d Grants or scholarships					
e Other expenditures for facilities and programs					
f Administrative expenses					
g End of year balance					

2 Provide the estimated percentage of the year end balance held as

a Board designated or quasi-endowment ▶ _____ %
b Permanent endowment ▶ _____ %
c Term endowment ▶ _____ %

3a Are there endowment funds not in the possession of the organization that are held and administered for the organization by

		Yes	No
(i) unrelated organizations	3a(i)		
(ii) related organizations	3a(ii)		
b If "Yes" to 3a(ii), are the related organizations listed as required on Schedule R?	3b		

4 Describe in Part XIV the intended uses of the organization's endowment funds.

Part VI Investments - Land, Buildings, and Equipment. See Form 990, Part X, line 10.

Description of investment	(a) Cost or other basis (investment)	(b) Cost or other basis (other)	(c) Depreciation	(d) Book value
1a Land		2,081,807.		2,081,807.
b Buildings		40,587,051.	26,338,493.	14,248,558.
c Leasehold improvements		737,022.	218,723.	518,299.
d Equipment		144,973,195.	107,435,301.	37,537,894.
e Other		128,210.	1,433,607.	-1,305,397.
Total. Add lines 1a-1e. *(Column (d) should equal Form 990, Part X, column (B), line 10(c).)* ▶				53,081,161.

Part VII Investments - Other Securities. See Form 990, Part X, line 12.

(a) Description of security or category (including name of security)	(b) Book value	(c) Method of valuation Cost or end-of-year market value
Financial derivatives and other financial products		
Closely-held equity interests		
Other		
Total. *(Column (b) should equal Form 990, Part X, col (B) line 12)* ▶		

Part VIII Investments - Program Related. See Form 990, Part X, line 13.

(a) Description of investment type	(b) Book value	(c) Method of valuation Cost or end-of-year market value
Total. *(Column (b) should equal Form 990, Part X, col (B) line 13)* ▶		

Part IX Other Assets. See Form 990, Part X, line 15.

(a) Description	(b) Book value
Total. *(Column (b) should equal Form 990, Part X, col (B) line 15)* ▶	

Part X Other Liabilities. See Form 990, Part X, line 25.

(a) Description of liability	(b) Amount
Federal income taxes	NONE
OTHER CURRENT LIABILITIES	1,545,699.
DUE TO AFFIIATES	216,774,618.
OTHER NON-CURRENT LIABILITIES	5,372,708.
INSURANCE	539,766.
Total. *(Column (b) should equal Form 990, Part X, col (B) line 25)* ▶	224,232,791.

In Part XIV, provide the text of the footnote to the organization's financial statements that reports the organization's liability for uncertain tax positions under FIN 48

Part XI Reconciliation of Change in Net Assets from Form 990 to Financial Statements

1	Total revenue (Form 990, Part VIII, column (A), line 12)	1	
2	Total expenses (Form 990, Part IX, column (A), line 25)	2	
3	Excess or (deficit) for the year. Subtract line 2 from line 1	3	
4	Net unrealized gains (losses) on investments	4	
5	Donated services and use of facilities	5	
6	Investment expenses	6	
7	Prior period adjustments	7	
8	Other (Describe in Part XIV)	8	
9	Total adjustments (net) Add lines 4-8	9	
10	Excess or (deficit) for the year per financial statements. Combine lines 3 and 9	10	

Part XII Reconciliation of Revenue per Audited Financial Statements With Revenue per Return

1	Total revenue, gains, and other support per audited financial statements			1	
2	Amounts included on line 1 but not on Form 990, Part VIII, line 12				
a	Net unrealized gains on investments	2a			
b	Donated services and use of facilities	2b			
c	Recoveries of prior year grants	2c			
d	Other (Describe in Part XIV)	2d			
e	Add lines **2a** through **2d**			2e	
3	Subtract line **2e** from line **1**			3	
4	Amounts included on Form 990, Part VIII, line 12, but not on line **1**				
a	Investment expenses not included on Form 990, Part VIII, line 7b	4a			
b	Other (Describe in Part XIV)	4b			
c	Add lines **4a** and **4b**			4c	
5	Total revenue Add lines **3** and **4c.** (This should equal Form 990, Part I, line 12.)			5	

Part XIII Reconciliation of Expenses per Audited Financial Statements With Expenses per Return

1	Total expenses and losses per audited financial statements			1	
2	Amounts included on line 1 but not on Form 990, Part IX, line 25				
a	Donated services and use of facilities	2a			
b	Prior year adjustments	2b			
c	Losses reported on Form 990, Part IX, line 25	2c			
d	Other (Describe in Part XIV)	2d			
e	Add lines **2a** through **2d**			2e	
3	Subtract line **2e** from line **1**			3	
4	Amounts included on Form 990, Part IX, line 25, but not on line **1**				
a	Investment expenses not included on Form 990, Part VIII, line 7b	4a			
b	Other (Describe in Part XIV)	4b			
c	Add lines **4a** and **4b**			4c	
5	Total expenses. Add lines **3** and **4c.** (This should equal Form 990, Part I, line 18)			5	

Part XIV Supplemental Information

Complete this part to provide the descriptions required for Part II, lines 3, 5, and 9, Part III, lines 1a and 4, Part IV, lines 1b and 2b, Part V, line 4, Part X, Part XI, line 8, Part XII, lines 2d and 4b, and Part XIII, lines 2d and 4b.

SEE PAGE 5

Part XIV Supplemental Information *(continued)*

FIN 48 FOOTNOTE

FORM 990, SCHEDULE D, PART X

SMDC MEDICAL CENTER'S FINANCIAL STATEMENTS WERE AUDITED BY AN INDEPENDENT ACCOUNTANT AS PART OF ESSENTIA HEALTH'S CONSOLIDATED FINANCIAL STATEMENTS. DURING 2008, ESSENTIA ADOPTED FASB INTERPRETATION NO. 48, ACCOUNTING FOR UNCERTAINTY IN INCOME TAX - AN INTERPRETATION OF FASB STATEMENT NO. 109, ACCOUNTING FOR INCOME TAXES. THE ADOPTING OF THIS INTERPRETATION HAD NO MATERIAL IMPACT ON THE CONSOLIDATED FINANCIAL STATEMENTS.

SCHEDULE H (Form 990)

Department of the Treasury
Internal Revenue Service

Hospitals

▶ To be completed by organizations that answer "Yes" to Form 990, Part IV, line 20.

▶ Attach to Form 990.

OMB No 1545-0047

2008

Open to Public Inspection

Name of the organization: SMDC MEDICAL CENTER
F/K/A MILLER-DWAN MEDICAL CENTER

Employer identification number: 41-1878730

Part I Charity Care and Certain Other Community Benefits at Cost *(Optional for 2008)*

			Yes	No
1a	Does the organization have a charity care policy? If "No," skip to question 6a	1a		
b	If "Yes," is it a written policy?	1b		
2	If the organization has multiple hospitals, indicate which of the following best describes application of the charity care policy to the various hospitals ☐ Applied uniformly to all hospitals ☐ Applied uniformly to most hospitals ☐ Generally tailored to individual hospitals			
3	Answer the following based on the charity care eligibility criteria that applies to the largest number of the organization's patients			
a	Does the organization use Federal Poverty Guidelines (FPG) to determine eligibility for providing *free* care to low income individuals? If "Yes," indicate which of the following is the family income limit for eligibility for free care ☐ 100% ☐ 150% ☐ 200% ☐ Other _____ %	3a		
b	Does the organization use FPG to determine eligibility for providing *discounted* care to low income individuals? If "Yes," indicate which of the following is the family income limit for eligibility for discounted care ☐ 200% ☐ 250% ☐ 300% ☐ 350% ☐ 400% ☐ Other _____ %	3b		
c	If the organization does not use FPG to determine eligibility, describe in Part VI the income based criteria for determining eligibility for free or discounted care Include in the description whether the organization uses an asset test or other threshold, regardless of income, to determine eligibility for free or discounted care.			
4	Does the organization's policy provide free or discounted care to the "medically indigent"?	4		
5a	Does the organization budget amounts for free or discounted care provided under its charity care policy?	5a		
b	If "Yes," did the organization's charity care expenses exceed the budgeted amount?	5b		
c	If "Yes" to 5b, as a result of budget considerations, was the organization unable to provide free or discounted care to a patient who was eligible for free or discounted care?	5c		
6a	Does the organization prepare an annual community benefit report?	6a		
b	If "Yes," does the organization make it available to the public?	6b		

Complete the following table using the worksheets provided in the Schedule H instructions. Do not submit these worksheets with the Schedule H.

7 Charity Care and Certain Other Community Benefits at Cost

Charity Care and Means-Tested Government Programs	(a) Number of activities or programs (optional)	(b) Persons served (optional)	(c) Total community benefit expense	(d) Direct offsetting revenue	(e) Net community benefit expense	(f) Percent of total expense
a Charity care at cost (from *Worksheets 1 and 2*)						
b Unreimbursed Medicaid (from *Worksheet 3, column a*)						
c Unreimbursed costs - other means-tested government programs (from *Worksheet 3, column b*)						
d Total Charity Care and Means-Tested Government Programs						
Other Benefits						
e Community health improvement services and community benefit operations (from Worksheet 4)						
f Health professions education (from Worksheet 5)						
g Subsidized health services (from Worksheet 6)						
h Research (from Worksheet 7)						
i Cash and in-kind contributions to community groups (from Worksheet 8)						
j Total Other Benefits						
k Total (line 7d and 7j)						

Part II **Community Building Activities** Complete this table if the organization conducted any community building activities. *(Optional for 2008)*

	(a) Number of activities or programs (optional)	(b) Persons served (optional)	(c) Total community building expense	(d) Direct offsetting revenue	(e) Net community building expense	(f) Percent of total expense
1 Physical improvements and housing						
2 Economic development						
3 Community support						
4 Environmental improvements						
5 Leadership development and training for community members						
6 Coalition building						
7 Community health improvement advocacy						
8 Workforce development						
9 Other						
10 **Total**						

Part III **Bad Debt, Medicare, & Collection Practices** *(Optional for 2008)*

Section A. Bad Debt Expense

			Yes	No
1	Does the organization report bad debt expense in accordance with Healthcare Financial Management Association Statement No 15?	1		
2	Enter the amount of the organization's bad debt expense (at cost)	2		
3	Enter the estimated amount of the organization's bad debt expense (at cost) attributable to patients eligible under the organization's charity care policy	3		
4	Provide in Part VI the text of the footnote to the organization's financial statements that describes bad debt expense. In addition, describe the costing methodology used in determining the amounts reported on lines 2 and 3, or rationale for including other bad debt amounts in community benefit			

Section B. Medicare

5	Enter total revenue received from Medicare (including DSH and IME)	5		
6	Enter Medicare allowable costs of care relating to payments on line 5	6		
7	Enter line 5 less line 6 - surplus or (shortfall)	7		
8	Describe in Part VI the extent to which any shortfall reported in line 7 should be treated as community benefit and the costing methodology or source used to determine the amount reported on line 6, and indicate which of the following methods was used			

☐ Cost accounting system ☐ Cost to charge ratio ☐ Other

Section C. Collection Practices

9a	Does the organization have a written debt collection policy?	9a		
b	If "Yes," does the organization's collection policy contain provisions on the collection practices to be followed for patients who are known to qualify for charity care or financial assistance? Describe in Part VI	9b		

Part IV **Management Companies and Joint Ventures** *(Optional for 2008)*

	(a) Name of entity	(b) Description of primary activity of entity	(c) Organization's profit % or stock ownership %	(d) Officers, directors trustees, or key employees' profit % or stock ownership %	(e) Physicians' profit % or stock ownership %
1					
2					
3					
4					
5					
6					
7					
8					
9					
10					
11					
12					
13					
14					

Part V Facility Information *(Required for 2008)*

Name and address	Licensed hospital	General medical & surgical	Children's hospital	Teaching hospital	Critical access hospital	Research facility	ER - 24 hours	ER - other	Other (Describe)
SMDC MEDICAL CENTER 502 EAST SECOND STREET DULUTH MN 55805	X	X							

Part VI Supplemental Information *(Optional for 2008)*

Complete this part to provide the following information

1 Provide the description required for Part I, line 3c, Part I, line 6a, Part I, line 7g; Part I, line 7, column (f), Part I, line 7, Part III, line 4, Part III, line 8, Part III, line 9b, and Part V. See Instructions.

2 **Needs assessment.** Describe how the organization assesses the health care needs of the communities it serves

3 **Patient education of eligibility for assistance.** Describe how the organization informs and educates patients and persons who may be billed for patient care about their eligibility for assistance under federal, state, or local government programs or under the organization's charity care policy.

4 **Community information.** Describe the community the organization serves, taking into account the geographic area and demographic constituents it serves.

5 **Community building activities.** Describe how the organization's community building activities, as reported in Part II, promote the health of the communities the organization serves.

6 Provide any other information important to describing how the organization's hospitals or other health care facilities further its exempt purpose by promoting the health of the community (e.g , open medical staff, community board, use of surplus funds, etc).

7 If the organization is part of an affiliated health care system, describe the respective roles of the organization and its affiliates in promoting the health of the communities served.

8 If applicable, identify all states with which the organization, or a related organization, files a community benefit report.

SCHEDULE I (Form 990)

Department of the Treasury
Internal Revenue Service

Grants and Other Assistance to Organizations, Governments, and Individuals in the U.S.

▶ Complete if the organization answered "Yes," on Form 990, Part IV, lines 21 or 22.
▶ Attach to Form 990.

OMB No 1545-0047

2008

Open to Public Inspection

Name of the organization SMDC MEDICAL CENTER
F/K/A MILLER-DWAN MEDICAL CENTER

Employer identification number 41-1878730

Part I General Information on Grants and Assistance

1 Does the organization maintain records to substantiate the amount of the grants or assistance, the grantees' eligibility for the grants or assistance, and the selection criteria used to award the grants or assistance? . . . . . [X] Yes [ ] No

2 Describe in Part IV the organization's procedures for monitoring the use of grant funds in the United States

Part II Grants and Other Assistance to Governments and Organizations in the United States.

Complete if the organization answered "Yes" on Form 990, Part IV, line 21, for any recipient that received more than $5,000. Check this box if no one recipient received more than $5,000. Use Part IV and Schedule I-1 (Form 990) if additional space is needed . . . . . ▶ [ ]

1 (a) Name and address of organization or government	(b) EIN	(c) IRC section if applicable	(d) Amount of cash grant	(e) Amount of non-cash assistance	(f) Method of valuation (book, FMV, appraisal, other)	(g) Description of non-cash assistance	(h) Purpose of grant or assistance
SEE SCHEDULE I-1							

2 Enter total number of section 501(c)(3) and government organizations . . . . . ▶ 12

3 Enter total number of other organizations . . . . . ▶ 1

Part III **Grants and Other Assistance to Individuals in the United States.** Complete if the organization answered "Yes" on Form 990, Part IV, line 22. Use Schedule I-1 (Form 990) if additional space is needed.

(a) Type of grant or assistance	(b) Number of recipients	(c) Amount of cash grant	(d) Amount of non-cash assistance	(e) Method of valuation (book, FMV, appraisal, other)	(f) Description of non-cash assistance

Part IV **Supplemental Information.** Complete this part to provide the information required in Part I, line 2, and any other additional information.

DESCRIPTION OF ORGANIZATION'S PROCEDURES FOR MONITORING THE USE OF GRANTS

FORM 990, SCHEDULE I, PART 1, LINE 2

FOR GRANTS OVER $5000, RECIPIENTS ARE REQUIRED TO PROVIDE A WRITTEN

REPORT TO THE GRANT COMMITTEE.

SCHEDULE I-1 (Form 990)

Department of the Treasury
Internal Revenue Service

Continuation Sheet for Schedule I (Form 990)

▶ Attach to Form 990 to list additional information for Part II and Part III, Schedule I (Form 990)

OMB No 1545-0047

2008

Open to Public Inspection

Name of the organization SMDC MEDICAL CENTER
F/K/A MILLER-DWAN MEDICAL CENTER

Employer identification number 41-1878730

Part I Continuation of Grants and Other Assistance to Governments and Organizations in the U.S. (Schedule I (Form 990), Part II.)

(a) Name and address of organization or government	(b) EIN	(c) IRC Code section if applicable	(d) Amount of cash grant	(e) Amount of non-cash assistance	(f) Method of valuation (book, FMV, appraisal, other)	(g) Description of non-cash assistance	(h) Purpose of grant or assistance
CHURCHES UNITED IN MINISTRY 102 W 2ND ST DULUTH, MN 55802	41-1227969	501(C)(3)	24,000.				NURSES DROP-CLINIC EMERGENCY FOOD SELF
COLLEGE OF ST SCHOLASTICA 1200 KENWOOD AVE DULUTH, MN 55811-4199	41-0698301	501(C)(3)	500,000.				SCIENCE INITIATIVE
DULUTH PLAYHOUSE 506 W MICHIGAN ST DULUTH, MN 55802	41-0694692	501(C)(3)	10,000.				PROGRAM SPONSOR
DULUTH SUPERIOR SYMPHONY ASSOC 506 W MICHIGAN ST DULUTH, MN 55802-1579	41-0760835	501(C)(3)	100,000.				ACOUSTICAL SHELL
ESKO PUBLIC SCHOOLS P O BOX 10 ESKO, MN 55733	41-6000444	501(C)(3)	10,000.				PROGRAM SPONSOR
GRANDMAS MARATHON - DULUTH, INC. 525 LAKE AVE S DULUTH, MN 55802	41-1573627	501(C)(3)	10,000.				2009 SPONSORSHIP
GRANT COMMUNITY SCHOOL COLLABORATIVE 1027 8TH AVE E DULUTH, 55805	41-2002724	501(C)(3)	15,000.				YOUTH DEVELOPMENT
LAKE SUPERIOR COMMUNITY HEALTH CENTER 4325 GRAND AVENUE DULUTH, MN 55807	23-7167576	501(C)(3)	10,000.				FORGIVENESS OF LOAN
NORTHERN COMMUNITIES LAND TRUST 206 W 4TH ST DULUTH, MN 55806	41-1678328	501(C)(3)	10,000.				HOMELAND PROGRAM
POSITIVE ENERGY FOR YOUTH 4757 DATKA ROAD DULUTH, MN 55811	36-4560104	501(C)(3)	10,000.				PROGRAM SUPPORT
PROGRAM FOR AID TO VICTIMS OF SEXUAL ASSAUL 32 E 1ST ST STE 200 DULUTH, MN 55802	41-1350021	501(C)(3)	15,000.				SANE PROGRAM
UNION GOSPEL MISSION 219 1/2 E 1ST ST DULUTH, MN 55802-2135	41-0724066	501(C)(3)	7,500.				FOOD PROGRAM
UNIVERSITY OF MINNESOTA CPHEO MINNEAPOLIS, MN 55414	41-6007513	501(C)(3)	360,000.				MOLECULAR GENETICS

2 Enter total number of Section 501(c)(3) and government organizations . . . . . ▶ 12

3 Enter total number of other organizations . . . . . ▶ 1

Part III Continuation of Grants and Other Assistance to Individuals in the U.S. (Schedule I (Form 990), Part III.)

(a) Type of grant or assistance	(b) Number of recipients	(c) Amount of cash grant	(d) Amount of non-cash assistance	(e) Method of valuation (book, FMV, appraisal, other)	(f) Description of non-cash assistance

SCHEDULE J (Form 990)

Department of the Treasury
Internal Revenue Service

Compensation Information

For certain Officers, Directors, Trustees, Key Employees, and Highest Compensated Employees

▶ **Attach to Form 990. To be completed by organizations that answered "Yes" to Form 990, Part IV, line 23.**

OMB No 1545-0047

2008

Open to Public Inspection

Name of the organization SMDC MEDICAL CENTER
F/K/A MILLER-DWAN MEDICAL CENTER

Employer identification number 41-1878730

Part I Questions Regarding Compensation

			Yes	No
1a	Check the appropriate box(es) if the organization provided any of the following to or for a person listed in Form 990, Part VII, Section A, line 1a. Complete Part III to provide any relevant information regarding these items.			
	☐ First-class or charter travel	☐ Housing allowance or residence for personal use		
	☐ Travel for companions	☐ Payments for business use of personal residence		
	☐ Tax indemnification and gross-up payments	☐ Health or social club dues or initiation fees		
	☐ Discretionary spending account	☐ Personal services (e.g., maid, chauffeur, chef)		
b	If line 1a is checked, did the organization follow a written policy regarding payment or reimbursement or provision of all of the expenses described above? If "No," complete Part III to explain	1b		
2	Did the organization require substantiation prior to reimbursing or allowing expenses incurred by all officers, directors, trustees, and the CEO/Executive Director, regarding the items checked in line 1a?	2		
3	Indicate which, if any, of the following the organization uses to establish the compensation of the organization's CEO/Executive Director. Check all that apply.			
	☒ Compensation committee	☐ Written employment contract		
	☒ Independent compensation consultant	☐ Compensation survey or study		
	☐ Form 990 of other organizations	☐ Approval by the board or compensation committee		
4	During the year, did any person listed in Form 990, Part VII, Section A, line 1a			
a	Receive a severance payment or change of control payment?	4a	X	
b	Participate in, or receive payment from, a supplemental nonqualified retirement plan?	4b	X	
c	Participate in, or receive payment from, an equity-based compensation arrangement?	4c		X
	If "Yes" to any of lines 4a-c, list the persons and provide the applicable amounts for each item in Part III			
	Only 501(c)(3) and 501(c)(4) organizations must complete lines 5-8.			
5	For persons listed in Form 990, Part VII, Section A, line 1a, did the organization pay or accrue any compensation contingent on the revenues of			
a	The organization?	5a		X
b	Any related organization?	5b		X
	If "Yes" to line 5a or 5b, describe in Part III.			
6	For persons listed in Form 990, Part VII, Section A, line 1a, did the organization pay or accrue any compensation contingent on the net earnings of			
a	The organization?	6a		X
b	Any related organization?	6b		X
	If "Yes" to line 6a or 6b, describe in Part III			
7	For persons listed in Form 990, Part VII, Section A, line 1a, did the organization provide any non-fixed payments not described in lines 5 and 6? If "Yes," describe in Part III	7		X
8	Were any amounts reported in Form 990, Part VII, paid or accrued pursuant to a contract that was subject to the initial contract exception described in Regs section 53.4958-4(a)(3)? If "Yes," describe in Part III	8		X

Part II Officers, Directors, Trustees, Key Employees, and Highest Compensated Employees. Use Schedule J-1 if additional space is needed.

For each individual whose compensation must be reported in Schedule J, report compensation from the organization on row (i) and from related organizations, described in the instructions, on row (ii). Do not list any individuals that are not listed on Form 990, Part VII.

Note. The sum of columns (B)(i)-(iii) must equal the applicable column (D) or column (E) amounts on Form 990, Part VII, line 1a.

(A) Name		(B) Breakdown of W-2 and/or 1099-MISC compensation			(C) Deferred compensation	(D) Nontaxable benefits	(E) Total of columns (B)(i)-(D)	(F) Compensation reported in prior Form 990 or Form 990-EZ
		(i) Base compensation	(ii) Bonus & incentive compensation	(iii) Other reportable compensation				
	(i)	NONE	NONE	NONE	NONE	NONE	NONE	NONE
ROBERT NORMAN	(ii)	379,275.	106,765.	65,192.	78,382.	31,888.	661,502.	255,638.
	(i)	NONE	NONE	NONE	NONE	NONE	NONE	NONE
ROCKLON B. CHAPIN	(ii)	310,800.	50,305.	NONE	51,221.	12,704.	425,030.	208,919.
	(i)	NONE	NONE	NONE	NONE	NONE	NONE	NONE
BARBARA J. FULTON	(ii)	121,776.	1,212.	NONE	5,374.	34,699.	163,061.	68,830.
	(i)	NONE	NONE	NONE	NONE	NONE	NONE	NONE
JEFFREY S. GARLAND, MD	(ii)	295,519.	NONE	NONE	22,500.	20,906.	338,925.	166,038.
	(i)	NONE	NONE	NONE	NONE	NONE	NONE	NONE
HUGH P. RENIER, MD	(ii)	282,948.	35,370.	23,995.	41,603.	26,314.	410,230.	198,987.
	(i)	NONE	NONE	NONE	NONE	NONE	NONE	NONE
THOMAS G. PATNOE	(ii)	475,004.	NONE	NONE	44,355.	23,647.	543,006.	255,780.
	(i)	NONE	NONE	NONE	NONE	NONE	NONE	NONE
MICHAEL C. METCALF	(ii)	307,099.	72,968.	NONE	48,490.	24,248.	452,805.	221,307.
	(i)	NONE	NONE	NONE	NONE	NONE	NONE	NONE
MARIBETH OLSON	(ii)	240,760.	27,634.	19,814.	50,520.	23,928.	362,656.	176,392.
	(i)	NONE	NONE	NONE	NONE	NONE	NONE	NONE
DIANE T. DAVIDSON	(ii)	173,820.	29,362.	NONE	24,593.	19,419.	247,194.	NONE
	(i)	NONE	NONE	NONE	NONE	NONE	NONE	NONE
TERRI L. RUBERG	(ii)	151,804.	14,731.	14,280.	31,593.	22,002.	234,410.	113,233.
	(i)	NONE	NONE	NONE	NONE	NONE	NONE	NONE
DAVID H. AMUNDSON	(ii)	7,725.	8,032.	412,715.	NONE	13,288.	441,760.	220,880.
	(i)	NONE	NONE	NONE	NONE	NONE	NONE	NONE
GERRY G. GILBERTSON	(ii)	NONE	NONE	123,461.	NONE	3,708.	127,169.	NONE
	(i)							
	(ii)							
	(i)							
	(ii)							
	(i)							
	(ii)							
	(i)							
	(ii)							

Part III Supplemental Information

Complete this part to provide the information, explanation, or descriptions required for Part I, lines 1a, 1b, 4c, 5a, 5b, 6a, 6b, 7, and 8. Also complete this part for any additional information.

COMPENSATION OF CEO/EXECUTIVE DIRECTOR

SCHEDULE J, PART I, LINE 3

SMDC MC RELIED ON THE FOLLOWING METHODS FOR ESTABLISHING THE COMPENSATION OF ROCKY CHAPIN, COO AND EVP: A COMPENSATION COMMITTEE, INDEPENDENT COMPENSATION CONSULTANT, AND APPROVAL BY THE BOARD OR COMPENSATION COMMITTEE.

SEVERANCE PAYMENT OR CHANGE OF CONTROL PAYMENT

SCHEDULE J, PART I, LINE 4A

FORMER OFFICER, DAVID AMUNDSON, RECEIVED PAYMENT TOTALING $274,498 IN TAX YEAR 2008 RELATED TO HIS TERMINATION. THE TERMINATION TERMS ARE JANUARY 7, 2008 UNTIL JULY 7, 2009. MR. AMUNDSON WILL RECEIVE PAY TOTALING $457,260 AND BENEFITS TOTALING $14,581 RELATED TO HIS TERMINATION.

FORMER OFFICER, GERRY GILBERTSON, RECEIVED PAYMENT TOTALING $123,461 IN TAX YEAR 2008 RELATED TO HIS TERMINATION. THE TERMINATION TERMS ARE NOVEMBER 2, 2007 UNTIL JULY 11, 2008. MR. GILBERTSON WILL RECEIVE PAY TOTALING $149,012 AND BENEFITS TOTALING $4,131 RELATED TO HIS

Part III Supplemental Information

Complete this part to provide the information, explanation, or descriptions required for Part I, lines 1a, 1b, 4c, 5a, 5b, 6a, 6b, 7, and 8. Also complete this part for any additional information.

TERMINATION.

SUPPLEMENTAL NONQUALIFIED RETIREMENT PLAN 457(F):

SCHEDULE J, PART I, LINE 4B

THE FOLLOWING INDIVIDUALS LISTED IN FORM 990, PART VII, SECTION A, LINE 1A RECEIVED PAYMENT FROM A SUPPLEMENTAL NONQUALIFIED RETIREMENT PLAN DURING THE YEAR:

ROBERT NORMAN (ECHC) $64,496

DAVID AMUNDSON (SMDC) $138,218

MARIBETH OLSON (SMDC) $19,814

HUGH RENIER (SMDC) $23,995

TERRI RUBERG (SMDC) $14,280

ST. MARY'S DULUTH CLINIC HEALTH SYSTEM'S NONQUALIFIED RETIREMENT PLAN IS OFFERED TO DESIGNATED ST. MARY'S DULTH CLINIC HEALTH SYSTEM'S EXECUTIVES.

THERE IS A MINIMUM TWO YEAR VESTING DATE, BENEFITS ARE SUBJECT TO INCOME

Part III Supplemental Information

Complete this part to provide the information, explanation, or descriptions required for Part I, lines 1a, 1b, 4c, 5a, 5b, 6a, 6b, 7, and 8. Also complete this part for any additional information.

TAXES UPON VESTING AND BENEFITS ARE PAYABLE FROM SMDC HEALTH SYSTEM'S GENERAL ASSETS.

ECHC'S NONQUALIFIED RETIREMENT PLAN IS OFFERED TO ECHC EXECUTIVES. THERE IS A MINIMUM TWO YEAR VESTING DATE, BENEFITS ARE SUBJECT TO INCOME TAXES UPON VESTING AND BENEFITS ARE PAYABLE FROM ECHC'S GENERAL ASSETS.

SCHEDULE K
(Form 990)

Department of the Treasury
Internal Revenue Service

Supplemental Information on Tax-Exempt Bonds

▶ Attach to Form 990. To be completed by organizations that answered "Yes" to Form 990, Part IV, line 24a. Provide descriptions, explanations, and any additional information on Schedule O (Form 990).

OMB No 1545-0047

2008

Open to Public Inspection

Name of the organization SMDC MEDICAL CENTER
F/K/A MILLER-DWAN MEDICAL CENTER

Employer identification number 41-1878730

Part I Bond Issues (Required for 2008)

	(a) Issuer name	(b) Issuer EIN	(c) CUSIP #	(d) Date issued	(e) Issue price	(f) Description of purpose	(g) Defeased Yes	(g) Defeased No	(h) On behalf of issuer Yes	(h) On behalf of issuer No
A	MN AGRICULTURAL AND ECONOMIC DEVELOPMENT BOARD	41-6007162	604920Z43	05/02/2008	42,909,274.	REFINANCE SERIES 1997 BONDS		X		X
B										
C										
D										
E										

Part II Proceeds (Optional for 2008)

	A	B	C	D	E
1 Total proceeds of issue					
2 Gross proceeds in reserve funds					
3 Proceeds in refunding or defeasance escrows					
4 Other unspent proceeds					
5 Issuance costs from proceeds					
6 Working capital expenditures from proceeds					
7 Capital expenditures from proceeds					
8 Year of substantial completion					

	A Yes	A No	B Yes	B No	C Yes	C No	D Yes	D No	E Yes	E No
9 Were the bonds issued as part of a current refunding issue?										
10 Were the bonds issued as part of an advance refunding issue?										
11 Has the final allocation of proceeds been made?										
12 Does the organization maintain adequate books and records to support the final allocation of proceeds?										

Part III Private Business Use (Optional for 2008)

	A Yes	A No	B Yes	B No	C Yes	C No	D Yes	D No	E Yes	E No
1 Was the organization a partner in a partnership, or a member of an LLC, which owned property financed by tax-exempt bonds?										
2 Are there any lease arrangements with respect to the financed property which may result in private business use?										

Part III Private Business Use *(Continued)*

	A		B		C		D		E	
	Yes	No	Yes	No	Yes	No	Yes	No	Yes	No
3a Are there any management or service contracts with respect to the financed property which may result in private business use?										
b Are there any research agreements with respect to the financed property which may result in private business use?										
c Does the organization routinely engage bond counsel or other outside counsel to review any management or service contracts or research agreements relating to the financed property?										
4 Enter the percentage of financed property used in a private business use by entities other than a section 501(c)(3) organization or a state or local government ▶	%		%		%		%		%	
5 Enter the percentage of financed property used in a private business use as a result of unrelated trade or business activity carried on by your organization, another section 501(c)(3) organization, or a state or local government ▶	%		%		%		%		%	
6 Total of lines 4 and 5	%		%		%		%		%	
7 Has the organization adopted management practices and procedures to ensure the post-issuance compliance of its tax-exempt bond liabilities?										

Part IV Arbitrage *(Optional for 2008)*

	A		B		C		D		E	
	Yes	No	Yes	No	Yes	No	Yes	No	Yes	No
1 Has a Form 8038-T, Arbitrage Rebate, Yield Reduction and Penalty in Lieu of Arbitrage Rebate, been filed with respect to the bond issue?										
2 Is the bond issue a variable rate issue?										
3a Has the organization or the governmental issuer identified a hedge with respect to the bond issue on its books and records?										
b Name of provider										
c Term of hedge										
4a Were gross proceeds invested in a GIC?										
b Name of provider										
c Term of GIC										
d Was the regulatory safe harbor for establishing the fair market value of the GIC satisfied?										
5 Were any gross proceeds invested beyond an available temporary period?										
6 Did the bond issue qualify for an exception to rebate?										

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DESCRIPTION OF SIGNIFICANT CHANGES TO ORGANIZING OR ENABLING DOCUMENT

FORM 990, PART VI, QUESTION 4

SMDC MEDICAL CENTER WAS PREVIOUSLY KNOWN/OPERATED AS MILLER-DWAN MEDICAL CENTER (MDMC) IN THE PRIOR YEARS 990 FILINGS. ON JANUARY 1, 2009 MDMC COMBINED WITH MULTIPLE DEPARTMENTS FROM THE DULUTH CLINIC AND ST. MARY'S MEDICAL CENTER TO FORM THE SMDC MEDICAL CENTER.

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DESCRIPTION OF CLASSES OF PERSONS AND THE NATURE OF THEIR RIGHTS

FORM 990, PART VI, QUESTION 7A

THE SMDC MEDICAL CENTER IS A SUBSIDIARY OF ESSENTIA HEALTH, WHOSE BOARD OF DIRECTORS HAS RESERVED POWERS WITH RESPECT TO THIS CORPORATION AND ITS SUBSIDIARIES, AND ALL OF THE OTHER DIRECT AND INDIRECT SUBSIDIARIES OF ESSENTIA HEALTH (COLLECTIVELY, THE "SYSTEM"). THOSE EXTENDED POWERS RESERVE THE RIGHT TO TO ELECT ONE OR MORE MEMBERS OF SMDC'S GOVERNING BODY.

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DESCR CLASSES OF PERSONS, DECISIONS REQUIRING APPR & TYPE OF VOTING RIGHTS

FORM 990, PART VI, QUESTION 7B

THE SMDC MEDICAL CENTER IS A SUBSIDIARY OF ESSENTIA HEALTH, WHOSE BOARD OF DIRECTORS HAS RESERVED POWERS WITH RESPECT TO THIS CORPORATION AND ITS SUBSIDIARIES, AND ALL OF THE OTHER DIRECT AND INDIRECT SUBSIDIARIES OF ESSENTIA HEALTH (COLLECTIVELY, THE "SYSTEM").

ESSENTIA HEALTH'S RESERVED POWERS ARE AS FOLLOWS:

STRATEGIC AND BUSINESS PLANS. AUTHORITY TO CREATE, AND TO APPROVE, THE SYSTEM'S STRATEGIC AND BUSINESS PLANS.

MISSION. AUTHORITY TO CREATE, AND TO APPROVE, THE MISSION, PURPOSE AND VISION STATEMENTS FOR ALL ENTITIES IN THE SYSTEM BY THE AFFIRMATIVE VOTE OF AT LEAST 67% OF THE ESSENTIA HEALTH BOARD OF DIRECTORS.

DEBT. APPROVAL OF THE INCURRENCE OF DEBT BY, AND THE CREATION OF ALL MORTGAGES, LIENS, SECURITY INTERESTS, OR OTHER ENCUMBRANCES ON THE ASSETS OF, ALL ENTITIES IN THE SYSTEM IN EXCESS OF THE SINGLE OR ANNUAL AGGREGATE DOLLAR LIMITS PRESCRIBED IN WRITING BY THE ESSENTIA HEALTH BOARD OF DIRECTORS, AND THE AUTHORITY TO CAUSE ALL ENTITIES IN THE SYSTEM TO PARTICIPATE IN SYSTEM BORROWING.

GOVERNING INSTRUMENTS. AUTHORITY TO CAUSE, AND TO APPROVE, AMENDMENTS OF THE ARTICLES OF INCORPORATION AND BYLAWS OF ALL ENTITIES IN THE SYSTEM.

MERGERS AND ACQUISITIONS. AUTHORITY TO CAUSE, AND TO APPROVE, ALL

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MERGERS, CONSOLIDATIONS, AND DISSOLUTIONS OF ALL ENTITIES IN THE SYSTEM.

AFFILIATIONS AND JOINT VENTURES. AUTHORITY TO CAUSE, AND TO APPROVE, ALL AFFILIATIONS, JOINT VENTURES AND OTHER ALLIANCES WITH THIRD PARTIES OF ALL ENTITIES IN THE SYSTEM.

TRANSFER OF ASSETS WITHIN THE SYSTEM. AUTHORITY TO TRANSFER ASSETS, INCLUDING CASH, BETWEEN AND AMONG ENTITIES WITHIN THE SYSTEM; PROVIDED, HOWEVER, THAT ESSENTIA HEALTH SHALL NOT HAVE AUTHORITY TO REQUIRE ANY ENTITY IN THE SYSTEM TO TRANSFER ASSETS (A) THAT WOULD CAUSE SUCH ENTITY TO BE IN DEFAULT OF ITS COVENANTS OR OBLIGATIONS UNDER ANY BOND OR OTHER FINANCING DOCUMENTS; (B) FROM THE CATHOLIC ENTITIES TO THE SECULAR ENTITIES OR FROM THE SECULAR ENTITIES TO THE CATHOLIC ENTITIES IN A MANNER OR TO AN EXTENT THAT WOULD CAUSE THE CATHOLIC ENTITIES TO BE IN VIOLATION OF THE ETHICAL AND RELIGIOUS DIRECTIVES FOR CATHOLIC HEALTH CARE SERVICES IN THE JUDGMENT OF THE LOCAL ORDINARY; OR (C) SUCH THAT MONEY GENERATED BY SERVICES AT SECULAR FACILITIES WITHIN THE SYSTEM BY PROCEDURES THAT ARE CONTRARY TO THE ETHICAL AND RELIGIOUS DIRECTIVES FOR CATHOLIC HEALTH CARE SERVICES WOULD BE USED AT THE CATHOLIC ENTITIES OR MONEY GENERATED BY CATHOLIC ENTITIES WOULD BE USED IN THE PROVIDING OF SERVICES CONTRARY TO THE ETHICAL AND RELIGIOUS DIRECTIVES FOR CATHOLIC HEALTH CARE SERVICES AT SECULAR FACILITIES WITHIN THE SYSTEM.

TRANSFER OF ASSETS OUTSIDE THE SYSTEM. AUTHORITY TO CAUSE, AND TO APPROVE, THE SALE, LEASE OR OTHER TRANSFER OF ASSETS OF ALL ENTITIES IN THE SYSTEM TO PARTIES OUTSIDE OF THE SYSTEM WHEN THE ASSET'S VALUE EXCEEDS THE SINGLE OR ANNUAL AGGREGATE DOLLAR LIMITS PRESCRIBED IN WRITING BY THE ESSENTIA HEALTH BOARD OF DIRECTORS.

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SERVICES. AUTHORITY TO CAUSE, AND TO APPROVE, THE ADDITION OF NEW SERVICES AND SERVICE LOCATIONS AND THE DISCONTINUANCE OF SERVICES AND SERVICE LOCATIONS WITHIN ALL ENTITIES IN THE SYSTEM.

BUDGETS. APPROVAL OF CAPITAL AND OPERATING BUDGETS OF ALL ENTITIES IN THE SYSTEM.

PROFESSIONAL SERVICES. SELECTION OF THE GENERAL LEGAL COUNSEL AND EXTERNAL AUDITORS OF ALL ENTITIES IN THE SYSTEM.

ACQUISITIONS. AUTHORITY TO CAUSE, AND TO APPROVE, ALL ACQUISITIONS BY AND FORMATIONS OF ENTITIES IN THE SYSTEM.

MARKETING, AUTHORITY TO IMPLEMENT SYSTEM-WIDE MARKETING AND PROMOTIONAL ACTIVITIES.

COMPLIANCE PLANS. AUTHORITY TO CREATE, AND TO APPROVE, CORPORATE COMPLIANCE, SAFETY AND RISK MANAGEMENT PLANS FOR ENTITIES WITHIN THE SYSTEM.

QUALITY PLAN. AUTHORITY TO CREATE, AND TO APPROVE, THE SYSTEM'S QUALITY PLAN.

NON-BUDGETED PURCHASES. APPROVAL OF NON-BUDGETED CAPITAL PURCHASES AND LEASES IN EXCESS OF THE SINGLE OR ANNUAL AGGREGATE DOLLAR LIMITS PRESCRIBED IN WRITING BY ESSENTIA HEALTH FOR ENTITIES WITHIN THE SYSTEM.

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HUMAN RESOURCES. AUTHORITY TO CREATE HUMAN RESOURCE POLICIES AND PROCEDURES WITHIN THE SYSTEM.

RESERVED POWERS. AUTHORITY TO CREATE ADDITIONAL ESSENTIA HEALTH RESERVED POWERS BY THE AFFIRMATIVE VOTE OF AT LEAST 80% OF THE ESSENTIA HEALTH BOARD OF DIRECTORS (EXCLUDING THE ESSENTIA HEALTH CEO); PROVIDED, HOWEVER, THAT ANY ADDITIONAL ESSENTIA HEALTH RESERVED POWERS SHALL NOT CONTRAVENE OR HINDER THE RESERVED POWERS OF BENEDICTINE SISTERS BENEVOLENT ASSOCIATION.

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DESCRIBE THE PROCESS USED BY MANAGEMENT &/OR GOVERNING BODY TO REVIEW 990 FORM 990, PART VI, QUESTION 10

THE CHIEF FINANCIAL OFFICER OF SMDC PRESENTED A DRAFT FORM 990 OF ALL SMDC ENTITIES TO SENIOR MANAGEMENT AND THE SMDC BOARD MEMBERS AT THE MARCH 3, 2010 BOARD MEETING. THE ORGANIZATION'S FINAL FORM 990'S, INCLUDING REQUIRED SCHEDULES, WILL BE PROVIDED IN ELECTRONIC FORMAT TO SENIOR MANAGEMENT AND EACH SMDC BOARD MEMBER PRIOR TO FILING.

Name of the organization SMDC MEDICAL CENTER
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DESCRIPTION OF PROCESS TO MONITOR TRANSACTIONS FOR CONFLICTS OF INTEREST

FORM 990, PART VI, QUESTION 12C

I. INTERESTED PERSONS SHALL ANNUALLY DISCLOSE RELATIONSHIPS WHICH MIGHT LEAD TO A CONFLICT OF INTEREST BY COMPLETING A CONFLICT OF INTEREST DISCLOSURE FORM SUCH AS THAT ATTACHED AS APPENDIX B. THE GENERAL COUNSEL MAY REVISE AND UPDATE THE FORM PERIODICALLY WITHIN HIS/HER PROFESSIONAL DISCRETION.

II. SMDC MEDICAL CENTER SHALL BE RESPONSIBLE FOR THE ANNUAL DISTRIBUTION OF CONFLICT OF INTEREST FORMS AND REVIEW OF DISCLOSURES FOR THE GOVERNING BODIES OF SMDC MEDICAL CENTER AND EOMS AND FOR SENIOR MANAGEMENT EMPLOYEES OF SMDC MEDICAL CENTER.

III. SENIOR MANAGEMENT OF THE EOMS SHALL BE RESPONSIBLE FOR THE IMPLEMENTATION OF THIS POLICY AND PROCEDURE WITHIN THEIR RESPECTIVE DIRECT AND INDIRECT SUBSIDIARIES.

IV. TRANSACTIONS WITH PARTIES WITH WHOM A CONFLICT OF INTEREST EXISTS MAY BE UNDERTAKEN ONLY IF ALL OF THE FOLLOWING ARE OBSERVED:

A. THE CONFLICT OF INTEREST IS FULLY DISCLOSED;

B. THE INTERESTED PERSON WITH THE CONFLICT OF INTEREST DOES NOT PARTICIPATE IN THE APPROVAL OF SUCH TRANSACTIONS;

C. IF PRACTICAL OR APPROPRIATE, A COMPETITIVE BID OR COMPARABLE VALUATION IS OBTAINED; AND

D. THE BOARD OR COMMITTEE OF THE BOARD HAS DETERMINED THAT THE TRANSACTION IS IN THE BEST INTEREST OF THE ORGANIZATION.

V. DISCLOSURE BY ANY INTERESTED PERSON OTHER THAN A BOARD OR COMMITTEE MEMBER SHOULD BE MADE TO THE CHIEF EXECUTIVE OFFICER (OR IF SHE OR HE IS THE ONE WITH THE CONFLICT, THEN TO THE BOARD CHAIR), WHO SHALL BRING THE

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MATTER TO THE ATTENTION OF THE BOARD OR AN APPROPRIATE COMMITTEE OF THE BOARD. DISCLOSURE INVOLVING BOARD OR COMMITTEE MEMBERS SHALL BE MADE TO THE BOARD CHAIR (OR IF SHE OR HE IS THE ONE WITH THE CONFLICT, THEN TO THE BOARD VICE-CHAIR), WHO SHALL BRING THESE MATTERS TO THE BOARD OR AN APPROPRIATE COMMITTEE OF THE BOARD.

VI. THE BOARD OR COMMITTEE OF THE BOARD SHALL DETERMINE WHETHER A CONFLICT EXISTS AND IF SO, WHETHER THE CONTEMPLATED TRANSACTION MAY BE AUTHORIZED AS JUST, FAIR, AND REASONABLE TO SMDC MEDICAL CENTER OR ITS AFFILIATE(S). THE DECISION OF THE BOARD OR A DULY CONSTITUTED COMMITTEE OF THE BOARD ON THESE MATTERS WILL BE AT ITS SOLE DISCRETION, AND ITS CONCERN MUST BE THE WELFARE OF SMDC MEDICAL CENTER AND ITS AFFILIATE(S) AND THE ADVANCEMENT OF ITS PURPOSES. THE DECISION OF THE BOARD IS FINAL.

IF THE BOARD DETERMINES A CONFLICT DOES NOT EXIST, THE INTERESTED PERSON MAY PROCEED WITH THE TRANSACTION; HOWEVER, HE OR SHE WILL NOT BE ELIGIBLE TO VOTE ON RELATED ISSUES SHOULD THEY ARISE. IF THE BOARD DETERMINES A CONFLICT DOES EXIST, THE INTERESTED PERSON WILL BE NOTIFIED OF THE DECISION REGARDING WHETHER THE CONTEMPLATED TRANSACTION WILL BE AUTHORIZED AS JUST, FAIR, AND REASONABLE.

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OFFICES & POSITIONS FOR WHICH PROCESS WAS USED, & YEAR PROCESS WAS BEGUN

FORM 990, PART VI, QUESTION 15A

THE EXECUTIVE COMPENSATION COMMITTEE OF THE BOARD OF DIRECTORS OF SMDC HEALTH SYSTEM FULFILLS THE BOARD'S RESPONSIBILITIES REGARDING COMPENSATION OF SMDC HEALTH SYSTEM'S (SMDC) EXECUTIVES CONSISTENT WITH SMDC'S MISSION, VALUES AND TAX EXEMPT STATUS. THE COMMITTEE REVIEWS AND MAKES DECISIONS BASED ON INFORMATION PRESENTED BY THE SMDC PRESIDENT AND CHIEF ADMINISTRATIVE OFFICER CONCERNING THE PERFORMANCE OF THE SYSTEM AND SENIOR EXECUTIVES OF SMDC. THE COMMITTEE PROVIDES OVERSIGHT FOR INCENTIVE COMPENSATION PROGRAM(S) IN A MANNER CONSISTENT WITH THE EXECUTIVE COMPENSATION PHILOSOPHY. ANNUALLY THEY EVALUATE THE PERFORMANCE OF SMDC AGAINST APPROVED CORPORATE GOALS AND OBJECTIVES, INCLUDING A REVIEW OF SYSTEM RESULTS AND SUPPORTING DOCUMENTATION FOR ALL MEMBERS COVERED BY THE SMDC INCENTIVE COMPENSATION PROGRAM AND REPORT SUCH FINDINGS TO THE ESSENTIA HEALTH EXECUTIVE COMPENSATION COMMITTEE.

- THE YEAR THIS PROCESS WAS LAST UNDERTAKEN FOR SMDC WAS 2008.

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OFFICES & POSITIONS FOR WHICH PROCESS WAS USED, & YEAR PROCESS WAS BEGUN

FORM 990, PART VI, QUESTION 15B

THE EXECUTIVE COMPENSATION COMMITTEE OF THE BOARD OF DIRECTORS OF SMDC HEALTH SYSTEM FULFILLS THE BOARD'S RESPONSIBILITIES REGARDING COMPENSATION OF SMDC HEALTH SYSTEM'S (SMDC) EXECUTIVES CONSISTENT WITH SMDC'S MISSION, VALUES AND TAX EXEMPT STATUS. THE COMMITTEE REVIEWS AND MAKES DECISIONS BASED ON INFORMATION PRESENTED BY THE SMDC PRESIDENT AND CHIEF ADMINISTRATIVE OFFICER CONCERNING THE PERFORMANCE OF THE SYSTEM AND SENIOR EXECUTIVES OF SMDC. THE COMMITTEE PROVIDES OVERSIGHT FOR INCENTIVE COMPENSATION PROGRAM(S) IN A MANNER CONSISTENT WITH THE EXECUTIVE COMPENSATION PHILOSOPHY. ANNUALLY THEY EVALUATE THE PERFORMANCE OF SMDC AGAINST APPROVED CORPORATE GOALS AND OBJECTIVES, INCLUDING A REVIEW OF SYSTEM RESULTS AND SUPPORTING DOCUMENTATION FOR ALL MEMBERS COVERED BY THE SMDC INCENTIVE COMPENSATION PROGRAM AND REPORT SUCH FINDINGS TO THE ESSENTIA HEALTH EXECUTIVE COMPENSATION COMMITTEE.

- THE YEAR THIS PROCESS WAS LAST UNDERTAKEN FOR SMDC WAS 2008.

ESSENTIA'S CHIEF FINANCIAL OFFICER'S COMPENSATION IS DETERMINED BY THE EXECUTIVE COMPENSATION COMMITTEE OF ESSENTIA HEALTH'S BOARD OF DIRECTORS.

THE EXECUTIVE COMPENSATION COMMITTEE OF ESSENTIA HEALTH'S BOARD OF DIRECTORS IS AUTHORIZED TO FULFILL THE BOARD'S RESPONSIBILITIES REGARDING EXECUTIVE COMPENSATION CONSISTENT WITH ESSENTIA'S MISSION, VALUES & TAX-EXEMPT STATUS, & THE EXECUTIVE COMPENSATION COMMITTEE'S CHARTER. THE EXECUTIVE COMPENSATION COMMITTEE MEETS AT LEAST TWICE ANNUALLY TO CARRY OUT ITS RESPONSIBILITIES, WHICH INCLUDE, BUT ARE NOT LIMITED TO, ESTABLISHING, REVIEWING & MODIFYING, AS APPROPRIATE, REASONABLE COMPENSATION & BENEFITS FOR ESSENTIA'S CHIEF EXECUTIVE OFFICER. THE

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EXECUTIVE COMPENSATION COMMITTEE ENGAGES QUALIFIED INDEPENDENT COMPENSATION ADVISORS TO PROVIDE OBJECTIVE & IMPARTIAL COMPARATIVE DATA & TO EXPRESS OPINIONS ON TOTAL COMPENSATION REASONABLENESS. THE EXECUTIVE COMPENSATION COMMITTEE MAY REQUEST ITS INDEPENDENT ADVISORS TO: MONITOR COMPARABILITY DATA & MARKETPLACE TRENDS; MAKE APPROPRIATE RECOMMENDATIONS REGARDING SALARY RANGES; & PERIODICALLY REVIEW THE MARKET COMPETITIVENESS OF ESSENTIA EXECUTIVE COMPENSATION PACKAGES. PRIOR TO ESTABLISHING OR ADJUSTING EXECUTIVE COMPENSATION, THE EXECUTIVE COMPENSATION COMMITTEE WILL OBTAIN & RELY UPON APPROPRIATE DATA AS TO COMPARABILITY OF THE PROPOSED COMPENSATION OR ADJUSTMENTS. THE EXECUTIVE COMPENSATION COMMITTEE WILL ADEQUATELY DOCUMENT THE BASIS FOR ITS DETERMINATION CONCURRENTLY WITH MAKING THOSE DETERMINATIONS. THE EXECUTIVE COMPENSATION COMMITTEE MINUTES SHALL INCLUDE: THE TERMS OF THE APPROVED COMPENSATION & THE DATE APPROVED; THE EXECUTIVE COMPENSATION COMMITTEE MEMBERS PRESENT DURING THE REVIEW, DISCUSSION & APPROVAL OF THE PROPOSED COMPENSATION & THOSE WHO VOTED ON THE PROPOSED COMPENSATION; IDENTIFICATION OF THE COMPARABILITY DATA OBTAINED & RELIED UPON BY THE EXECUTIVE COMPENSATION COMMITTEE & HOW THE DATA WAS OBTAINED; ANY ACTIONS BY A MEMBER OF THE EXECUTIVE COMPENSATION COMMITTEE HAVING A CONFLICT OF INTEREST; & DOCUMENTATION OF THE BASIS FOR THE DETERMINATION.

- THE YEAR THIS PROCESS WAS LAST UNDERTAKEN FOR ESSENTIA'S CFO WAS 2008.

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AVAIL OF GOV DOCS, CONFLICT OF INTEREST POLICY, & FIN STMTS TO GEN PUBLIC

FORM 990, PART VI, QUESTION 19

SMDC MEDICAL CENTER MAKES ITS GOVERNING DOCUMENTS, CONFLICT OF INTEREST POLICY, AND FINANCIAL STATEMENTS AVAILABLE TO THE PUBLIC. SMDC MEDICAL CENTER'S GOVERNING DOCUMENTS, CONFLICT OF INTEREST POLICY, AND FINANCIAL STATEMENTS ARE AVAILABLE TO THE PUBLIC UPON REQUEST. SMDC MEDICAL CENTER IS PART OF ESSENTIA HEALTH'S CONSOLIDATED FINANCIALS STATEMENTS WHICH ARE INCLUDED IN ESSENTIA HEALTH'S ANNUAL REPORT WHICH IS POSTED ON ESSENTIA HEALTH'S WEB SITE.

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ESSENTIA HEALTH CONSOLIDATED FINANCIAL STATEMENTS

FORM 990, PART XI, LINE 2

THE SMDC MEDICAL CENTER FINANCIAL STATEMENTS WERE AUDITED BY AN INDEPENDENT ACCOUNTANT AS PART OF ESSENTIA HEALTH'S CONSOLIDATED FINANCIAL STATEMENTS ONLY. THE CONSOLIDATED AUDIT IS REVIEWED BY THE ESSENTIA HEALTH FINANCE PLANNING & AUDIT COMMITTEES.

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ESSENTIA HEALTH CONSOLIDATED A-133

FORM 990, PART XI, LINE 3

THE SMDC MEDICAL CENTER, AS PART OF ESSENTIA HEALTH'S CONSOLIDATED FINANCIAL STATEMENTS, WAS REQUIRED & UNDERWENT A CONSOLIDATED AUDIT SET FORTH IN THE SINGLE AUDIT ACT & OMB CIRCULAR A-133. THE CONSOLIDATED AUDIT IS REVIEWED BY THE ESSENTIA HEALTH AUDIT COMMITTEES.

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DESCRIPTION OF DISCLOSURE REGARDING BOND ISSUES 2008

FORM 990, SCHEDULE K

ESSENTIA HEALTH HAS AN OBLIGATED GROUP CREATED UNDER THE MASTER INDENTURE WHICH IS COMPOSED OF THE FOLLOWING MEMBERS: ESSENTIA HEALTH, ECHC, ST. MARY'S DULUTH CLINIC HEALTH SYSTEM, ST. JOSEPH'S MEDICAL CENTER, ST. MARY'S REGIONAL HEALTH CENTER, ST. MARY'S MEDICAL CENTER, INC., SMDC MEDICAL CENTER, FORMERLY KNOWN AS MILLER-DWAN MEDICAL CENTER, INC., NAT G. POLINSKY MEMORIAL REHABILITATION CENTER, INC., ST. MARY'S HOSPITAL OF SUPERIOR, BRAINERD MEDICAL CENTER, INC., BRAINERD LAKES INTEGRATED HEALTH SYSTEM AND ST. MARY'S INNOVIS HEALTH, THE DULUTH CLINIC, LTD. AND INNOVIS HEALTH, LLC (THE "OBLIGATED GROUP MEMBERS" OR THE "MEMBERS OF THE OBLIGATED GROUP").

THE MEMBERS OF THE OBLIGATED GROUP ARE JOINTLY AND SEVERALLY OBLIGATED ON ALL INDEBTEDNESS EVIDENCED OR SECURED BY NOTES ISSUED UNDER THE MASTER INDENTURE. THE SERIES 2008E BONDS ARE SECURED BY NOTES ISSUED UNDER THE MASTER INDENTURE.

THE OBLIGATED GROUP MEMBERS: ST. MARY'S DULUTH CLINIC HEALTH SYSTEM, THE DULUTH CLINIC, LTD., ESSENTIA HEALTH, ST. MARY'S MEDICAL CENTER, INC. AND SMDC MEDICAL CENTER ARE THE CONDUIT BORROWERS OF THE SERIES 2008E BONDS.

THE OBLIGATED GROUP MEMBER, INNOVIS HEALTH, LLC, IS AN INDIRECT BENEFICIARY OF A PORTION OF THE SERIES 2008E BORROWING AND HAS RECORDED A PORTION OF THE BOND LIABILITY ON ITS BALANCE SHEET WHICH IS CONSOLIDATED WITH ESSENTIA HEALTH.

SCHEDULE R (Form 990)

Department of the Treasury
Internal Revenue Service

Related Organizations and Unrelated Partnerships

▶ Attach to Form 990. To be completed by organizations that answered "Yes" to Form 990, Part IV, line 33, 34, 35, 36, or 37.

▶ See separate instructions.

OMB No. 1545-0047

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Open to Public Inspection

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Part I Identification of Disregarded Entities

(A) Name, address, and EIN of disregarded entity	(B) Primary activity	(C) Legal domicile (state or foreign country)	(D) Total income	(E) End-of-year assets	(F) Direct controlling entity

Part II Identification of Related Tax-Exempt Organizations

(A) Name, address, and EIN of related organization	(B) Primary activity	(C) Legal domicile (state or foreign country)	(D) Exempt Code section	(E) Public charity status (if section 501(c)(3))	(F) Direct controlling entity
SEE SCHEDULE R-1					

For Privacy Act and Paperwork Reduction Act Notice, see the Instructions for Form 990.

Schedule R (Form 990) 2008

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Part III Identification of Related Organizations Taxable as a Partnership

(A) Name, address, and EIN of related organization	(B) Primary activity	(C) Legal domicile (state or foreign country)	(D) Direct controlling entity	(E) Predominant income (related, investment, unrelated)	(F) Share of total income	(G) Share of end-of-year assets	(H) Disproportionate allocations? Yes	(H) No	(I) Code V-UBI amount in box 20 of Schedule K-1 (Form 1065)	(J) General or managing partner? Yes	(J) No

Part IV Identification of Related Organizations Taxable as a Corporation or Trust

(A) Name, address, and EIN of related organization	(B) Primary activity	(C) Legal domicile (state or foreign country)	(D) Direct controlling entity	(E) Type of entity (C corp, S corp, or trust)	(F) Share of total income	(G) Share of end-of-year assets	(H) Percentage ownership
EHIS BUCKINGHAM SQ, 720 W BAY RD KY1-1102 GRAND CAYMAN,	INSURANCE	CJ	N/A	FOREIGN CORP			

Part V Transactions With Related Organizations

			Yes	No
Note. Complete line 1 if any entity is listed in Parts II, III, or IV				
1	During the tax year did the organization engage in any of the following transactions with one or more related organizations listed in Parts II–IV?			
a	Receipt of **(i)** interest **(ii)** annuities **(iii)** royalties **(iv)** rent from a controlled entity	1a	X	
b	Gift, grant, or capital contribution to other organization(s)	1b		X
c	Gift, grant, or capital contribution from other organization(s)	1c		X
d	Loans or loan guarantees to or for other organization(s)	1d		X
e	Loans or loan guarantees by other organization(s)	1e		X
f	Sale of assets to other organization(s)	1f		X
g	Purchase of assets from other organization(s)	1g		X
h	Exchange of assets	1h		X
i	Lease of facilities, equipment, or other assets to other organization(s)	1i	X	
j	Lease of facilities, equipment, or other assets from other organization(s)	1j		X
k	Performance of services or membership or fundraising solicitations for other organization(s)	1k		X
l	Performance of services or membership or fundraising solicitations by other organization(s)	1l	X	
m	Sharing of facilities, equipment, mailing lists, or other assets	1m		X
n	Sharing of paid employees	1n	X	
o	Reimbursement paid to other organization for expenses	1o	X	
p	Reimbursement paid by other organization for expenses	1p	X	
q	Other transfer of cash or property to other organization(s)	1q	X	
r	Other transfer of cash or property from other organization(s)	1r	X	

2 If the answer to any of the above is "Yes," see the instructions for information on who must complete this line, including covered relationships and transaction thresholds

	(A) Name of other organization(s)	(B) Transaction type (a–r)	(C) Amount involved
(1)	SEE SCHEDULE R-1		
(2)			
(3)			
(4)			
(5)			
(6)			

Part VI Unrelated Organizations Taxable as a Partnership

Provide the following information for each entity taxed as a partnership through which the organization conducted more than five percent of its activities (measured by total assets or gross revenue) that was not a related organization See Instructions regarding exclusion for certain investment partnerships.

(A) Name, address, and EIN of entity	(B) Primary activity	(C) Legal domicile (state or foreign country)	(D) Are all partners section 501(c)(3) organizations?		(E) Share of end-of-year assets	(F) Disproportionate allocations?		(G) Code V-UBI amount in box 20 of Schedule K-1 (Form 1065)	(H) General or managing partner?	
			Yes	No		Yes	No		Yes	No

JSA
8E1310 1 000

Part II **Continuation of Identification of Related Tax-Exempt Organizations**

(A) Name, address, and EIN of related organization	(B) Primary activity	(C) Legal domicile (state or foreign country)	(D) Exempt Code section	(E) Public charity status (if section 501(c)(3))	(F) Direct controlling entity
BRAINERD LAKES INTEGRATED HEALTH SYSTEM 37-1532145 2024 S 6TH ST BRAINERD, MN 56401	SUPPORT ORG	MN	501(C)(3)	11 TYPE II	ECHC
BRAINERD MEDICAL CENTER, INC. 37-1532148 2024 S 6TH ST BRAINERD, MN 56401	CLINIC	MN	501(C)(3)	3	BLIHS
BRIDGES MEDICAL CENTER 20-0479568 201 9TH ST W ADA, MN 56510	CLINIC/HOSP	MN	501(C)(3)	3	ECHC
CLEARWATER VALLEY HOSPITAL AND CLINICS, 82-0497771 301 CEDAR OROFINO, ID 83544	CLINIC/HOSP	ID	501(C)(3)	3	ECHC
DIVINE MEDICAL SERVICES 20-2773717 709 N LINCOLN JEROME, ID 83338	EMERGNCY SVC	ID	501(C)(3)	3	SBFMC
DL SURGERY CENTER 26-3837203 1027 WASHINGTON AVE DETROIT LAKES, MN 56501	ASC	MN	501(C)(3)	3	ECHC
ECHC FOUNDATION 26-3359418 502 E 2ND ST DULUTH, MN 55805	FUND RAISING	MN	501(C)(3)	11 TYPE I	ECHC
ECHC 26-1219624 503 E 3RD ST STE 400 DULUTH, MN 55805	SUPPORT ORG	MN	501(C)(3)	11 TYPE II	ESSENTIA
ST. BENEDICT'S FAMILY MEDICAL CENTER 82-0227163 709 N LINCOLN JEROME, ID 83338	CLINIC/HOSP	ID	501(C)(3)	3	ECHC
ST. JOSEPH'S MEDICAL CENTER 41-0695602 523 N 3RD ST BRAINERD, MN 56401	HOSPITAL	MN	501(C)(3)	3	BLIHS
ST. MARY'S EMS 41-1805811 1027 WASHINGTON AVE DETROIT LAKES, MN 56501	EMERGNCY SVC	MN	501(C)(3)	9	SMRHC
ST. MARY'S HOSPITAL & CLINICS, INC. 82-0226453 PO BOX 137, COTTONWOOD, ID 83522	CLINIC/HOSP	ID	501(C)(3)	3	ECHC
ST. MARY'S INNOVIS HEALTH 26-2861321 1027 WASHINGTON AVE DETROIT LAKES, MN 56501	CLINIC	MN	501(C)(3)	3	ECHC
ST. MARY'S REGIONAL HEALTH CENTER DBA ST 41-1620386 1027 WASHINGTON AVE DETROIT LAKES, MN 56501	CLINIC/HOSP	MN	501(C)(3)	3	ECHC
ESSENTIA HEALTH 20-0360007 502 E 2ND ST DULUTH, MN 55805	SUPPORT ORG	MN	501(C)(3)	11 TYPE III	N/A

Part II **Continuation of Identification of Related Tax-Exempt Organizations**

(A) Name, address, and EIN of related organization	(B) Primary activity	(C) Legal domicile (state or foreign country)	(D) Exempt Code section	(E) Public charity status (if section 501(c)(3))	(F) Direct controlling entity
INNOVIS HEALTH, LLC (7/1/08 - 10/31/08 26-1175213 1702 S UNIVERSITY DR FARGO, ND 58103	CLINIC/HOSP	DE	501(C)(3)	3	ESSENTIA
MIDWEST MEDICAL EQUIPMENT & SUPPLY INC. 41-1674021 4418 HAINES RD DULUTH, MN 55811	MED EQUIPMNT	MN	501(C)(3)	9	SMDC
PINE MEDICAL CENTER 41-1884597 109 COURT AVE S SANDSTONE, MN 55072	CLINIC/HOSP	MN	501(C)(3)	3	SMDC
POLINSKY MEDICAL REHABILITATION CENTER 41-0691275 530 E 2ND ST DULUTH, MN 55805	CLINIC/HOSP	MN	501(C)(3)	3	SMMC
ST. MARY'S DULUTH CLINIC FOUNDATION 41-2016979 400 E 3RD ST DULUTH, MN 55805	FUND RAISING	MN	501(C)(3)	7	SMDC
ST. MARY'S DULUTH CLINIC HEALTH SYSTEM 41-1836633 407 E 3RD ST DULUTH, MN 55805	CLINIC/HOSP	MN	501(C)(3)	3	ESSENTIA
ST. MARY'S MEDICAL CENTER 41-0695604 407 E 3RD ST DULUTH, MN 55805	CLINIC/HOSP	MN	501(C)(3)	3	SMDC
THE DULUTH CLINIC, LTD. 41-0883623 400 E 3RD ST DULUTH, MN 55805	CLINIC/HOSP	MN	501(C)(3)	3	SMDC
ST. MARY'S HOSPITAL OF SUPERIOR 41-1811073 3500 TOWER AVE SUPERIOR, WI 55805	CLINIC/HOSP	WI	501(C)(3)	3	SMMC

Part III Continuation of Identification of Related Organizations Taxable as a Partnership

(A) Name, address, and EIN of related organization	(B) Primary activity	(C) Legal domicile (state or foreign country)	(D) Direct controlling entity	(E) Predominant income (related, investment, unrelated)	(F) Share of total income	(G) Share of end-of-year assets	(H) Disproportionate allocations? Yes	(H) No	(I) Code V-UBI amount on box 20 of K-1	(J) General or managing partner? Yes	(J) No

Part IV Continuation of Identification of Related Organizations Taxable as a Corporation or Trust

(A) Name, address, and EIN of related organization	(B) Primary activity	(C) Legal domicile (state or foreign country)	(D) Direct controlling entity	(E) Type of entity (C corp, S corp, or trust)	(F) Share of total income	(G) Share of end-of-year assets	(H) Percentage ownership

Part V **Continuation of Transactions With Related Organizations** (Schedule R (Form 990), Part V, line 2)

(A) Name of other organization	(B) Transaction type (a-r)	(C) Amount involved
(7) ST. MARY'S MEDICAL CENTER	Q	28,000,000.
(8) ECHC	O	977,875.
(9) THE DULUTH CLINIC LTD	R	121,310,396.
(10) ESSENTIA	P	666,598.
(11) ESSENTIA	A	94,500.
(12) ESSENTIA	L	3,380,532.
(13) ESSENTIA	N	4,822,296.
(14) ST. MARY'S MEDICAL CENTER	O	3,553,585.
(15) THE DULUTH CLINIC LTD	O	15,829,826.
(16) THE DULUTH CLINIC LTD	Q	15,000,000.
(17) MIDWEST MEDICAL EQUIPMENT SUPPLY	I	834,120.
(18)		
(19)		
(20)		
(21)		
(22)		
(23)		
(24)		

990, PART VII- COMPENSATION OF THE FIVE HIGHEST PAID IND. CONTRACTORS

NAME AND ADDRESS	DESCRIPTION OF SERVICES	COMPENSATION
SISU MEDICAL SYSTEMS 5 WEST 1ST ST, STE 200 DULUTH, MN 55802	S/W MAINTENANCE SRVC	1,570,197.
RADIATION PHYSICS CONSULTANTS 1400 OLD HOWARD MILL RD DULUTH, MN 55804	MEDICAL CONSULTING	993,683.
LAKE SUPERIOR CLEANERS P O BOX 488 SUPERIOR, WI 54880	LAUNDRY & CLEANING	348,977.
JOHNSON WILSON CONSTRUCTORS 4431 W MICHIGAN ST DULUTH, MN 55816	CONSTRUCTION/REMODEL	249,537.
	TOTAL COMPENSATION	3,162,394.

STATEMENT 1