

# 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)

**2008**

Open to Public Inspection

Department of the Treasury  
Internal Revenue Service

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

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

<b>B</b> Check if applicable: <input type="checkbox"/> Address change <input type="checkbox"/> Name change <input type="checkbox"/> Initial return <input type="checkbox"/> Termination <input type="checkbox"/> Amended return <input type="checkbox"/> Application pending	Please use IRS label or print or type. See Specific Instructions.	<b>C Name of organization</b> SHORE HEALTH SYSTEM, INC. Doing Business As Number and street (or P.O. box if mail is not delivered to street address) Room/suite 219 S WASHINGTON ST City or town, state or country, and ZIP + 4 EASTON, MD 21601	<b>D Employer identification number</b> 52-0610538 <b>E Telephone number</b> (410) 822-1000 EXT 5672	
	<b>F Name and address of principal officer:</b> JOSEPH ROSS, CEO 219 SOUTH WASHINGTON STREET EASTON, MD 21601		<b>G Gross receipts \$</b> 214,968,653. <b>H(a) Is this a group return for affiliates?</b> <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No <b>H(b) Are all affiliates included?</b> <input type="checkbox"/> Yes <input type="checkbox"/> No If "No," attach a list. (see instructions)	
	<b>I Tax-exempt status:</b> <input checked="" type="checkbox"/> 501(c) ( 3 ) ◀ (insert no.) <input type="checkbox"/> 4947(a)(1) or <input type="checkbox"/> 527		<b>J Website:</b> ▶ WWW.SHOREHEALTH.ORG <b>H(c) Group exemption number</b> ▶	
	<b>K Type of organization:</b> <input checked="" type="checkbox"/> Corporation <input type="checkbox"/> Trust <input type="checkbox"/> Association <input type="checkbox"/> Other ▶		<b>L Year of formation:</b> 1906 <b>M State of legal domicile:</b> MD	

**Part I Summary**

<b>Activities &amp; Governance</b>	1	Briefly describe the organization's mission or most significant activities: <u>SHORE HEALTH SYSTEM IS A REGIONAL, NOT-FOR-PROFIT NETWORK OF INPATIENT AND OUTPATIENT SERVICES WITH FACILITIES IN TALBOT, DORCHESTER, CAROLINE, AND QUEEN ANNE'S COUNTIES.</u>		
	2	Check this box <input type="checkbox"/> 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	17
	4	Number of independent voting members of the governing body (Part VI, line 1b)	4	12
	5	Total number of employees (Part V, line 2a)	5	1,943
	6	Total number of volunteers (estimate if necessary)	6	676
	7a	Total gross unrelated business revenue from Part VIII, line 12, column (C)	7a	7,529,502.
7b	Net unrelated business taxable income from Form 990-T, line 34	7b	-2,217,980.	
<b>Revenue</b>			<b>Prior Year</b>	<b>Current Year</b>
	8	Contribution and grants (Part VIII, line 1h)	5,174,056.	1,598,236.
	9	Program service revenue (Part VIII, line 2g)	197,904,464.	212,211,053.
	10	Investment income (Part VIII, column (A), lines 3, 4, and 7d)	-1,856,816.	-6,265,334.
	11	Other revenue (Part VIII, column (A), lines 5, 6d, 8c, 9c, 10c, and 11e)	-5,725,316.	199,445.
12	Total revenue - add lines 8 through 11 (must equal Part VIII, column (A), line 12)	195,496,388.	207,743,400.	
<b>Expenses</b>	13	Grants and similar amounts paid (Part IX, column (A), lines 1-3)		NONE
	14	Benefits paid to or for members (Part IX, column (A), line 4)		NONE
	15	Salaries, other compensation, employee benefits (Part IX, column (A), lines 5-10)	96,198,389.	100,537,006.
	16a	Professional fundraising fees (Part IX, column (A), line 11e)		NONE
	16b	Total fundraising expenses, Part IX, column (D), line 25		
	17	Other expenses (Part IX, column (A), lines 11a-11d, 11f-24f)	100,036,845.	115,197,490.
18	Total expenses. Add lines 13-17 (must equal Part IX, column (A), line 25)	196,235,234.	215,734,496.	
19	Revenue less expenses. Subtract line 18 from line 12	-738,846.	-7,991,096.	
<b>Net Assets or Fund Balances</b>			<b>Beginning of Year</b>	<b>End of Year</b>
	20	Total assets (Part X, line 16)	266,980,806.	255,112,703.
	21	Total liabilities (Part X, line 26)	113,537,547.	116,743,181.
22	Net assets or fund balances. Subtract line 21 from line 20	153,443,259.	138,369,522.	

**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** ▶ Walter Zajac Signature of officer Date 5/13/10

▶ Walter Zajac Type or print name and title Senior VP Finance/CFO

<b>Preparer's Use Only</b>	Preparer's signature ▶ <u>[Signature]</u>	Date <u>5/13/10</u>	Check if self-employed <input type="checkbox"/>	Preparer's identifying number (see instructions) P00451522
	Firm's name (or yours if self-employed), address, and ZIP + 4 ▶ <u>KPMG LLP</u> 1660 INTERNATIONAL DRIVE MCLEAN, VA 22102-4848	EIN ▶ <u>13-5565207</u>	Phone no. ▶ <u>703-286-8000</u>	

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

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

## Application for Extension of Time To File an Exempt Organization Return

▶ **File a separate application for each return.**

- If you are filing for an Automatic 3-Month Extension, complete only Part I and check this box
  - If you are filing for an Additional (Not Automatic) 3-Month Extension, complete only Part II (on page 2 of this form).
- Do not complete Part II unless you have already been granted an automatic 3-month extension on a previously filed Form 8868.**

**Part I Automatic 3-Month Extension of Time.** Only submit original (no copies needed).

A corporation required to file Form 990-T and requesting an automatic 6-month extension - check this box and complete Part I only

*All other corporations (including 1120-C filers), partnerships, REMICs, and trusts must use Form 7004 to request an extension of time to file income tax returns.*

**Electronic Filing (e-file).** Generally, you can electronically file Form 8868 if you want a 3-month automatic extension of time to file one of the returns noted below (6 months for a corporation required to file Form 990-T). However, you cannot file Form 8868 electronically if (1) you want the additional (not automatic) 3-month extension or (2) you file Forms 990-BL, 6069, or 8870, group returns, or a composite or consolidated Form 990-T. Instead, you must submit the fully completed and signed page 2 (Part II) of Form 8868. For more details on the electronic filing of this form, visit [www.irs.gov/efile](http://www.irs.gov/efile) and click on e-file for Charities & Nonprofits.

<b>Type or print</b>  <small>File by the due date for filing your return. See instructions.</small>	Name of Exempt Organization <b>SHORE HEALTH SYSTEM, INC.</b>	Employer identification number <b>52-0610538</b>
	Number, street, and room or suite no. If a P.O. box, see instructions. <b>219 S WASHINGTON ST</b>	
	City, town or post office, state, and ZIP code. For a foreign address, see instructions. <b>EASTON, MD 21601</b>	

**Check type of return to be filed (file a separate application for each return):**

- |  |   |                                    |
|--|---|------------------------------------|
| <input checked="" type="checkbox"/> Form 990 | <input type="checkbox"/> Form 990-T (corporation)                 | <input type="checkbox"/> Form 4720 |
| <input type="checkbox"/> Form 990-BL         | <input type="checkbox"/> Form 990-T (sec. 401(a) or 408(a) trust) | <input type="checkbox"/> Form 5227 |
| <input type="checkbox"/> Form 990-EZ         | <input type="checkbox"/> Form 990-T (trust other than above)      | <input type="checkbox"/> Form 6069 |
| <input type="checkbox"/> Form 990-PF         | <input type="checkbox"/> Form 1041-A                              | <input type="checkbox"/> Form 8870 |

• The books are in the care of ▶ SHORE HEALTH SYSTEM, INC.

Telephone No. ▶ 410 822-1000 FAX No. ▶ \_\_\_\_\_

- If the organization does not have an office or place of business in the United States, check this box
- If this is for a Group Return, enter the organization's four digit Group Exemption Number (GEN) \_\_\_\_\_ . If this is for the whole group, check this box  . If it is for part of the group, check this box  and attach a list with the names and EINs of all members the extension will cover.

1 I request an automatic 3-month (6 months for a corporation required to file Form 990-T) extension of time until 02/15, 2010, to file the exempt organization return for the organization named above. The extension is for the organization's return for:

- ▶  calendar year \_\_\_\_\_ or
- ▶  tax year beginning 07/01, 2008, and ending 06/30, 2009.

2 If this tax year is for less than 12 months, check reason:  Initial return  Final return  Change in accounting period

3a If this application is for Form 990-BL, 990-PF, 990-T, 4720, or 6069, enter the tentative tax, less any nonrefundable credits. See instructions.	<b>3a</b>	\$	NONE
3b If this application is for Form 990-PF or 990-T, enter any refundable credits and estimated tax payments made. Include any prior year overpayment allowed as a credit.	<b>3b</b>	\$	NONE
3c Balance Due. Subtract line 3b from line 3a. Include your payment with this form, or, if required, deposit with FTD coupon or, if required, by using EFTPS (Electronic Federal Tax Payment System). See instructions.	<b>3c</b>	\$	NONE

**Caution.** If you are going to make an electronic fund withdrawal with this Form 8868, see Form 8453-EO and Form 8879-EO for payment instructions.

**For Privacy Act and Paperwork Reduction Act Notice, see Instructions.**

• If you are filing for an Additional (Not Automatic) 3-Month Extension, complete only Part II and check this box  X

Note. Only complete Part II if you have already been granted an automatic 3-month extension on a previously filed Form 8868.

• If you are filing for an Automatic 3-Month Extension, complete only Part I (on page 1).

Part II Additional (Not Automatic) 3-Month Extension of Time. Only file the original (no copies needed).

Form fields for Name of Exempt Organization (SHORE HEALTH SYSTEM, INC.), Employer Identification number (52-0610538), and address (219 S WASHINGTON ST, EASTON, MD 21601).

Check type of return to be filed (File a separate application for each return):

Grid of checkboxes for return types: Form 980 (checked), Form 990-BL, Form 990-EZ, Form 990-PF, Form 990-T (sec. 401(a) or 408(a) trust), Form 990-T (trust other than above), Form 1041-A, Form 4720, Form 5227, Form 6069, Form 8870.

STOP! Do not complete Part II if you were not already granted an automatic 3-month extension on a previously filed Form 8868.

- The books are in the care of SHORE HEALTH SYSTEM, INC. Telephone No. 410 822-1000 FAX No.
If the organization does not have an office or place of business in the United States, check this box
If this is for a Group Return, enter the organization's four digit Group Exemption Number (GEN)...

4 I request an additional 3-month extension of time until 05/15/2010
5 For calendar year, or other tax year beginning 07/01/2008, and ending 06/30/2009
6 If this tax year is for less than 12 months, check reason: Initial return, Final return, Change in accounting period
7 State in detail why you need the extension INFORMATION NECESSARY TO PREPARE A COMPLETE A ACCURATE RETURN IS NOT YET AVAILABLE.

Table with 3 rows (8a, 8b, 8c) and 2 columns (Description, Amount). 8a: tentative tax less nonrefundable credits. 8b: refundable credits and estimated tax payments. 8c: Balance Due.

Signature and Verification

NONE

Under penalties of perjury, I declare that I have examined this form, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete, and that I am authorized to prepare this form.

Signature: [Handwritten Signature] Title: CPA Date: 11/9/09

KPMG LLP
2100 DOMINION TOWER
NORFOLK, VA 23510-3310

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

**1** Briefly describe the organization's mission:

SHORE HEALTH SYSTEM IS A REGIONAL, NOT-FOR-PROFIT NETWORK OF  
INPATIENT AND OUTPATIENT SERVICES WITH FACILITIES IN TALBOT,  
DORCHESTER, CAROLINE, AND QUEEN ANNE'S COUNTIES.

**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 \$ 203,166,728. including grants of \$ \_\_\_\_\_) (Revenue \$ 212,211,053.)  
SEE STATEMENT 1

**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 ► \$ 203,166,728. (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	X	
2 Is the organization required to complete Schedule B, Schedule of Contributors?	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		X
4 Section 501(c)(3) organizations. Did the organization engage in lobbying activities? If "Yes," complete Schedule C, Part II	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		X
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		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		X
8 Did the organization maintain collections of works of art, historical treasures, or other similar assets? If "Yes," complete Schedule D, Part III		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		X
10 Did the organization hold assets in term, permanent, or quasi-endowments? If "Yes," complete Schedule D, Part V	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	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		X
13 Is the organization a school described in section 170(b)(1)(A)(ii)? If "Yes," complete Schedule E		X
14a Did the organization maintain an office, employees, or agents outside of the U.S.?		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		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		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		X
17 Did the organization report more than \$15,000 on Part IX, column (A), line 11e? If "Yes," complete Schedule G, Part I		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	X	
19 Did the organization report more than \$15,000 on Part VIII, line 9a? If "Yes," complete Schedule G, Part III		X
20 Did the organization operate one or more hospitals? If "Yes," complete Schedule H	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		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		X
23 Did the organization answer "Yes" to Part VII, Section A, questions 3, 4, or 5? If "Yes," complete Schedule J	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		X
b Did the organization invest any proceeds of tax-exempt bonds beyond a temporary period exception?		
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?		
d Did the organization act as an "on behalf of" issuer for bonds outstanding at any time during the year?		
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		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		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		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		X

**Part IV Checklist of Required Schedules (continued)**

	Yes	No
<b>28</b> During the tax year, did any person who is a current or former officer, director, trustee, or key employee:		
<b>a</b> 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)? <i>If "Yes," complete Schedule L, Part IV</i> . . . . .		X
<b>b</b> Have a family member who had a direct or indirect business relationship with the organization? <i>If "Yes," complete Schedule L, Part IV</i> . . . . .		X
<b>c</b> 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? <i>If "Yes," complete Schedule L, Part IV</i> . . . . .		X
<b>29</b> Did the organization receive more than \$25,000 in non-cash contributions? <i>If "Yes," complete Schedule M</i> . . . . .		X
<b>30</b> Did the organization receive contributions of art, historical treasures, or other similar assets, or qualified conservation contributions? <i>If "Yes," complete Schedule M</i> . . . . .		X
<b>31</b> Did the organization liquidate, terminate, or dissolve and cease operations? <i>If "Yes," complete Schedule N, Part I</i> . . . . .		X
<b>32</b> Did the organization sell, exchange, dispose of, or transfer more than 25% of its net assets? <i>If "Yes," complete Schedule N, Part II</i> . . . . .		X
<b>33</b> Did the organization own 100% of an entity disregarded as separate from the organization under Regulations section 301.7701-2 and 301.7701-3? <i>If "Yes," complete Schedule R, Part I</i> . . . . .	X	
<b>34</b> Was the organization related to any tax-exempt or taxable entity? <i>If "Yes," complete Schedule R, Parts II, III, IV, and V, line 1</i> . . . . .	X	
<b>35</b> Is any related organization a controlled entity within the meaning of section 512(b)(13)? <i>If "Yes," complete Schedule R, Part V, line 2</i> . . . . .	X	
<b>36</b> <b>Section 501(c)(3) organizations.</b> Did the organization make any transfers to an exempt non-charitable related organization? <i>If "Yes," complete Schedule R, Part V, line 2</i> . . . . .		X
<b>37</b> 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? <i>If "Yes," complete Schedule R, Part VI</i> . . . . .		X

**Part V Statements Regarding Other IRS Filings and Tax Compliance**

		Yes	No		
<b>1a</b>	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	192		
<b>1b</b>	Enter the number of Forms W-2G included in line 1a. Enter -0- if not applicable . . . . .	1b	NONE		
<b>1c</b>	Did the organization comply with backup withholding rules for reportable payments to vendors and reportable gaming (gambling) winnings to prize winners? . . . . .	1c	X		
<b>2a</b>	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	1,943		
<b>2b</b>	If at least one is reported on line 2a, did the organization file all required federal employment tax returns? . . . . . Note: If the sum of lines 1a and 2a is greater than 250, you may be required to e-file this return. (see instructions)	2b	X		
<b>3a</b>	Did the organization have unrelated business gross income of \$1,000 or more during the year covered by this return? . . . . .	3a	X		
<b>3b</b>	If "Yes," has it filed a Form 990-T for this year? If "No," provide an explanation in Schedule O . . . . .	3b	X		
<b>4a</b>	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>4b</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.				
<b>5a</b>	Was the organization a party to a prohibited tax shelter transaction at any time during the tax year? . . . . .	5a		X	
<b>5b</b>	Did any taxable party notify the organization that it was or is a party to a prohibited tax shelter transaction? . . . . .	5b		X	
<b>5c</b>	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			
<b>6a</b>	Did the organization solicit any contributions that were not tax deductible? . . . . .	6a		X	
<b>6b</b>	If "Yes," did the organization include with every solicitation an express statement that such contributions or gifts were not tax deductible? . . . . .	6b			
<b>7</b>	<b>Organizations that may receive deductible contributions under section 170(c).</b>				
<b>7a</b>	Did the organization provide goods or services in exchange for any quid pro quo contribution of more than \$75? . . . . .	7a	X		
<b>7b</b>	If "Yes," did the organization notify the donor of the value of the goods or services provided? . . . . .	7b	X		
<b>7c</b>	Did the organization sell, exchange, or otherwise dispose of tangible personal property for which it was required to file Form 8282? . . . . .	7c		X	
<b>7d</b>	If "Yes," indicate the number of Forms 8282 filed during the year . . . . .	7d			
<b>7e</b>	Did the organization, during the year, receive any funds, directly or indirectly, to pay premiums on a personal benefit contract? . . . . .	7e		X	
<b>7f</b>	Did the organization, during the year, pay premiums, directly or indirectly, on a personal benefit contract? . . . . .	7f		X	
<b>7g</b>	For all contributions of qualified intellectual property, did the organization file Form 8899 as required? . . . . .	7g			
<b>7h</b>	For contributions of cars, boats, airplanes, and other vehicles, did the organization file a Form 1098-C as required? . . . . .	7h			
<b>8</b>	<b>Section 501(c)(3) and other sponsoring organizations maintaining donor advised funds and section 509(a)(3) supporting organizations.</b> Did the supporting organization, or a fund maintained by a sponsoring organization, have excess business holdings at any time during the year? . . . . .	8		X	
<b>9</b>	<b>Section 501(c)(3) and other sponsoring organizations maintaining donor advised funds.</b>				
<b>9a</b>	Did the organization make any taxable distributions under section 4966? . . . . .	9a		X	
<b>9b</b>	Did the organization make a distribution to a donor, donor advisor, or related person? . . . . .	9b		X	
<b>10</b>	<b>Section 501(c)(7) organizations. Enter:</b>				
<b>10a</b>	Initiation fees and capital contributions included on Part VIII, line 12 . . . . .	10a			
<b>10b</b>	Gross receipts, included on Form 990, Part VIII, line 12, for public use of club facilities . . . . .	10b			
<b>11</b>	<b>Section 501(c)(12) organizations. Enter:</b>				
<b>11a</b>	Gross income from members or shareholders . . . . .	11a			
<b>11b</b>	Gross income from other sources (Do not net amounts due or paid to other sources against amounts due or received from them.) . . . . .	11b			
<b>12a</b>	<b>Section 4947(a)(1) non-exempt charitable trusts.</b> Is the organization filing Form 990 in lieu of Form 1041? . . . . .	12a			
<b>12b</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

Table with 3 columns: Question, Yes, No. Rows include questions about voting members, family relationships, management delegation, organizational changes, and document retention.

Section B. Policies

Table with 3 columns: Question, Yes, No. Rows include questions about conflict of interest policies, whistleblower policies, document retention, and compensation review.

Section C. Disclosure

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



**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.

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			
SEE SCHEDULE J-2										

**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			
<b>1b Total</b>							3,145,253.	886,842.	555,346.	

**2** Total number of individuals (including those in 1a) who received more than \$100,000 in reportable compensation from the organization **53**

	Yes	No
<b>3</b> Did the organization list any former officer, director or trustee, key employee, or highest compensated employee on line 1a? <i>If "Yes," complete Schedule J for such individual</i>		X
<b>4</b> 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? <i>If "Yes," complete Schedule J for such individual</i>	X	
<b>5</b> Did any person listed on line 1a receive or accrue compensation from any unrelated organization for services rendered to the organization? <i>If "Yes," complete Schedule J for such person</i>		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 2		

**2** Total number of independent contractors (including those in 1) who received more than \$100,000 in compensation from the organization **24**

**Part VIII Statement of Revenue**

52-0610538

			(A) Total revenue	(B) Related or exempt function revenue	(C) Unrelated business revenue	(D) Revenue excluded from tax under sections 512, 513, or 514	
<b>Contributions, gifts, grants and other similar amounts</b>	<b>1 a</b> Federated campaigns . . . . .	<b>1 a</b>					
	<b>b</b> Membership dues . . . . .	<b>1 b</b>					
	<b>c</b> Fundraising events . . . . .	<b>1 c</b> 75,008.					
	<b>d</b> Related organizations . . . . .	<b>1 d</b> 1,103,243.					
	<b>e</b> Government grants (contributions) . . . . .	<b>1 e</b> 229,314.					
	<b>f</b> All other contributions, gifts, grants, and similar amounts not included above . . . . .	<b>1 f</b> 190,671.					
	<b>g</b> Noncash contributions included in lines 1a-1f: \$ . . . . .						
	<b>h</b> Total. Add lines 1a-1f . . . . .		1,598,236.				
<b>Program Service Revenue</b>	<b>2 a</b> PATIENT SERVICE REVENUE		<b>Business Code</b> 621500	212,211,053.	204,681,551.	7,529,502.	
	<b>b</b>						
	<b>c</b>						
	<b>d</b>						
	<b>e</b>						
	<b>f</b> All other program service revenue . . . . .						
	<b>g</b> Total. Add lines 2a-2f . . . . .			212,211,053.			
	<b>Other Revenue</b>	<b>3</b> Investment income (including dividends, interest, and other similar amounts) . . . . .		STMT 3 . . . . .	934,000.		934,000.
<b>4</b> Income from investment of tax-exempt bond proceeds . . . . .			NONE				
<b>5</b> Royalties . . . . .			NONE				
<b>6 a</b> Gross Rents . . . . .		(i) Real	(ii) Personal				
		159,566.					
		<b>b</b> Less: rental expenses . . . . .					
		<b>c</b> Rental income or (loss) . . . . .	159,566.				
<b>d</b> Net rental income or (loss) . . . . .				159,566.		159,566.	
<b>7 a</b> Gross amount from sales of assets other than inventory . . . . .		(i) Securities	(ii) Other				
		<b>b</b> Less: cost or other basis and sales expenses . . . . .	7,199,334.				
		<b>c</b> Gain or (loss) . . . . .	-7,199,334.				
<b>d</b> Net gain or (loss) . . . . .				-7,199,334.		-7,199,334.	
<b>8 a</b> Gross income from fundraising events (not including \$ 75,008. of contributions reported on line 1c). See Part IV, line 18. . . . .		STMT 4					
		<b>a</b>	14,274.				
	<b>b</b> Less: direct expenses . . . . .	25,919.					
<b>c</b> Net income or (loss) from fundraising events . . . . .	STMT 5 . . . . .		-11,645.		-11,645.		
<b>9 a</b> Gross income from gaming activities. See Part IV, line 19. . . . .	<b>a</b>						
	<b>b</b> Less: direct expenses . . . . .	<b>b</b>					
	<b>c</b> Net income or (loss) from gaming activities . . . . .			NONE			
<b>10 a</b> Gross sales of inventory, less returns and allowances . . . . .	<b>a</b>						
	<b>b</b> Less: cost of goods sold . . . . .	<b>b</b>					
	<b>c</b> Net income or (loss) from sales of inventory . . . . .			NONE			
<b>Miscellaneous Revenue</b>		<b>Business Code</b>					
<b>11 a</b> JOINT VENTURE REVENUE	900099			51,524.	51,524.		
	<b>b</b>						
	<b>c</b>						
	<b>d</b> All other revenue . . . . .						
	<b>e</b> Total. Add lines 11a-11d . . . . .			51,524.			
<b>12</b> Total Revenue. Add lines 1h, 2g, 3, 4, 5, 6d, 7d, 8c, 9c, 10c, and 11e . . . . .			207,743,400.	204,733,075.	7,529,502.	-6,117,413.	

**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).**

<i>Do not include amounts reported on lines 6b, 7b, 8b, 9b, and 10b of Part VIII.</i>	(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 . . .	NONE			
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 . . . . .	2,397,128.	2,308,172.	88,956.	
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 . . . . .	76,140,584.	69,959,492.	6,181,092.	
8 Pension plan contributions (include section 401 (k) and section 403(b) employer contributions). . .	1,801,841.	1,655,567.	146,274.	
9 Other employee benefits . . . . .	14,622,232.	13,435,199.	1,187,033.	
10 Payroll taxes . . . . .	5,575,221.	5,122,625.	452,596.	
11 Fees for services (non-employees):				
a Management . . . . .	101,667.		101,667.	
b Legal . . . . .	310,513.	12,829.	297,684.	
c Accounting . . . . .	93,925.	9,680.	84,245.	
d Lobbying . . . . .	13,563.	13,563.		
e Professional fundraising services. See Part IV, line 17	NONE			
f Investment management fees . . . . .	NONE			
g Other . . . . .	20,604,720.	18,837,523.	1,767,197.	
12 Advertising and promotion . . . . .	839,306.	839,306.		
13 Office expenses . . . . .	10,581,475.	10,421,580.	159,895.	
14 Information technology . . . . .	3,901,892.	3,901,892.		
15 Royalties . . . . .	NONE			
16 Occupancy . . . . .	5,343,192.	5,343,192.		
17 Travel . . . . .	548,518.	403,777.	144,741.	
18 Payments of travel or entertainment expenses for any federal, state, or local public officials	NONE			
19 Conferences, conventions, and meetings . . . .	NONE			
20 Interest . . . . .	2,277,914.	2,137,571.	140,343.	
21 Payments to affiliates . . . . .	NONE			
22 Depreciation, depletion, and amortization . . . .	12,960,349.	12,161,856.	798,493.	
23 Insurance . . . . .	2,917,390.	2,764,308.	153,082.	
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 . . . . .	10,980,157.	10,980,157.		
b COST OF GOODS SOLD . . . . .	21,465,228.	21,465,228.		
c LOSS FROM SUBSIDIARIES . . . . .	10,538,668.	10,538,668.		
d EXPENDITURES FOR FUND PURPOSES . . . . .	254,950.	254,950.		
e EQUIPMENT RENTAL AND MAINTENANCE . . . . .	8,055,402.	7,748,953.	306,449.	
f All other expenses . . . . .	3,408,661.	2,850,640.	558,021.	
25 Total functional expenses. Add lines 1 through 24f	215,734,496.	203,166,728.	12,567,768.	
26 Joint Costs. Check here <input type="checkbox"/> 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
<b>Assets</b>	1 Cash - non-interest-bearing . . . . .	102,425.	1	97,460.
	2 Savings and temporary cash investments . . . . .	10,672,680.	2	19,595,717.
	3 Pledges and grants receivable, net . . . . .	150,000.	3	50,000.
	4 Accounts receivable, net . . . . .	25,777,188.	4	22,538,621.
	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 . . . . .		7	
	8 Inventories for sales or use . . . . .	3,854,646.	8	3,819,051.
	9 Prepaid expenses and deferred charges . . . . .	902,934.	9	644,701.
	10a Land, buildings, and equipment: cost basis . . . . .	10a 249,725,226.		
	b Less: accumulated depreciation. Complete Part VI of Schedule D. . . . .	10b 143,446,022.		
		99,795,813.	10c	106,279,204.
	11 Investments - publicly traded securities . . . . .	17,517,146.	11	10,277,372.
	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 . . . . .	108,207,974.	15	91,810,577.	
16 <b>Total assets.</b> Add lines 1 through 15 (must equal line 34) . . . . .	266,980,806.	16	255,112,703.	
<b>Liabilities</b>	17 Accounts payable and accrued expenses . . . . .	18,470,323.	17	20,191,390.
	18 Grants payable . . . . .		18	
	19 Deferred revenue . . . . .		19	
	20 Tax-exempt bond liabilities . . . . .	NONE	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 . . . . .	767,789.	23	1,366,485.
	24 Unsecured notes and loans payable . . . . .		24	
	25 Other liabilities. Complete Part X of Schedule D . . . . .	94,299,435.	25	95,185,306.
	26 <b>Total liabilities.</b> Add lines 17 through 25 . . . . .	113,537,547.	26	116,743,181.
<b>Net Assets or Fund Balances</b>	Organizations that follow SFAS 117, check here <input checked="" type="checkbox"/> and complete lines 27 through 29, and lines 33 and 34.			
	27 Unrestricted net assets . . . . .	132,141,211.	27	120,333,171.
	28 Temporarily restricted net assets . . . . .	9,840,414.	28	7,193,378.
	29 Permanently restricted net assets . . . . .	11,461,634.	29	10,842,973.
	Organizations that do not follow SFAS 117, check here <input type="checkbox"/> 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 <b>Total net assets or fund balances</b> . . . . .	153,443,259.	33	138,369,522.
34 <b>Total liabilities and net assets/fund balances</b> . . . . .	266,980,806.	34	255,112,703.	

**Part XI Financial Statements and Reporting**

		Yes	No
1	Accounting method used to prepare the Form 990: <input type="checkbox"/> Cash <input checked="" type="checkbox"/> Accrual <input type="checkbox"/> Other		
2a	Were the organization's financial statements compiled or reviewed by an independent accountant? . . . . .		X
b	Were the organization's financial statements audited by an independent accountant? . . . . .		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? . . . . .		
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? . . . . .	X	
b	If "Yes," did the organization undergo the required audit or audits? . . . . .	X	

**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
<b>1</b> Gifts, grants, contributions, and membership fees received. (Do not include any "unusual grants.") . . . . .						
<b>2</b> Tax revenues levied for the organization's benefit and either paid to or expended on its behalf . . . . .						
<b>3</b> The value of services or facilities furnished by a governmental unit to the organization without charge . . . . .						
<b>4</b> Total. Add lines 1-3 . . . . .						
<b>5</b> 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) . . . . .						
<b>6</b> 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
<b>7</b> Amounts from line 4. . . . .						
<b>8</b> Gross income from interest, dividends, payments received on securities loans, rents, royalties and income from similar sources . . . . .						
<b>9</b> Net income from unrelated business activities, whether or not the business is regularly carried on . . . . .						
<b>10</b> Other income. Do not include gain or loss from the sale of capital assets (Explain in Part IV.) . . . . .						
<b>11</b> Total support. Add lines 7 through 10 . . . . .						
<b>12</b> Gross receipts from related activities, etc. (See instructions.) . . . . .					12	
<b>13</b> 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 . . . . . ▶ <input type="checkbox"/>						

**Section C. Computation of Public Support Percentage**

<b>14</b> Public support percentage for 2008 (line 6, column (f) divided by line 11, column (f)) . . . . .	14	%
<b>15</b> Public support percentage from 2007 Schedule A, Part IV-A, line 26f . . . . .	15	%
<b>16a</b> 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 . . . . . ▶ <input type="checkbox"/>		
<b>b</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 . . . . . ▶ <input type="checkbox"/>		
<b>17a</b> 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 . . . . . ▶ <input type="checkbox"/>		
<b>b</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 organization meets the "facts-and-circumstances" test. The organization qualifies as a publicly supported organization . . . . . ▶ <input type="checkbox"/>		
<b>18</b> Private foundation. If the organization did not check a box on line 13, 16a, 16b, 17a, or 17b, check this box and see instructions . . . . . ▶ <input type="checkbox"/>		

**SCHEDULE A**  
(Form 990 or 990-EZ)

**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

Department of the Treasury  
Internal Revenue Service

Name of the organization <b>SHORE HEALTH SYSTEM, INC.</b>	Employer identification number 52-0610538
--	--

**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)(vii). (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?
  - (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? \_\_\_\_\_
  - (ii) A family member of a person described in (i) above? \_\_\_\_\_
  - (iii) A 35% controlled entity of a person described in (i) or (ii) above? \_\_\_\_\_

	Yes	No
11g(i)		
11g(ii)		
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	
<b>Total</b>									

**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 . . . . .





**SCHEDULE C**  
(Form 990 or 990-EZ)

Department of the Treasury  
Internal Revenue Service

**Political Campaign and Lobbying Activities**  
For Organizations Exempt From Income Tax Under section 501(c) and section 527

▶ To be completed by organizations described below.  
▶ Attach to Form 990 or Form 990-EZ.

OMB No. 1545-0047

**2008**  
**Open to Public Inspection**

If the organization answered "Yes," to Form 990, Part IV, line 3, or Form 990-EZ, Part VI, line 46 (Political Campaign Activities), then

- Section 501(c)(3) organizations: Complete Parts I-A and B. Do not complete Part I-C.
- Section 501(c) (other than section 501(c)(3)) organizations: Complete Parts I-A and C below. Do not complete Part I-B.
- Section 527 organizations: Complete Part I-A only.

If the organization answered "Yes," to Form 990, Part IV, line 4, or Form 990-EZ, Part VI, line 47 (Lobbying Activities), then

- Section 501(cy)(3) organizations that have filed Form 5768 (election under section 501(h)): Complete Part II-A. Do not complete Part II-B.
- Section 501(c)(3) organizations that have NOT filed Form 5768 (election under section 501(h)): Complete Part II-B. Do not complete Part II-A.

If the organization answered "Yes," to Form 990, Part IV, line 5 (Proxy Tax), then

- Section 501(c)(4), (5), or (6) organizations: Complete Part III.

Name of organization <b>SHORE HEALTH SYSTEM, INC.</b>	Employer identification number <b>52-0610538</b>
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**Part I-A To be completed by all organizations exempt under section 501(c) and section 527 organizations.**  
See the instructions for Schedule C for details.

- 1 Provide a description of the organization's direct and indirect political campaign activities in Part IV.
- 2 Political expenditures . . . . . ▶ \$ \_\_\_\_\_
- 3 Volunteer hours . . . . . \_\_\_\_\_

**Part I-B To be completed by all organizations exempt under section 501(c)(3).**  
See the instructions for Schedule C for details.

- 1 Enter the amount of any excise tax incurred by the organization under section 4955 . . . . . ▶ \$ \_\_\_\_\_
- 2 Enter the amount of any excise tax incurred by organization managers under section 4955 . . . . . ▶ \$ \_\_\_\_\_
- 3 If the organization incurred a section 4955 tax, did it file Form 4720 for this year? . . . . .  Yes  No
- 4a Was a correction made? . . . . .  Yes  No
- b If "Yes," describe in Part IV.

**Part I-C To be completed by all organizations exempt under section 501(c), except section 501(c)(3).**  
See the instructions for Schedule C for details.

- 1 Enter the amount directly expended by the filing organization for section 527 exempt function activities . . . . . ▶ \$ \_\_\_\_\_
- 2 Enter the amount of the filing organization's funds contributed to other organizations for section 527 exempt function activities . . . . . ▶ \$ \_\_\_\_\_
- 3 Total of direct and indirect exempt function expenditures. Add lines 1 and 2 and enter here and on Form 1120-POL, line 17b . . . . . ▶ \$ \_\_\_\_\_
- 4 Did the filing organization file Form 1120-POL for this year? . . . . .  Yes  No
- 5 State the names, addresses and employer identification number (EIN) of all section 527 political organizations to which payments were made. Enter the amount paid and indicate if the amount was paid from the filing organization's funds or were political contributions received and promptly and directly delivered to a separate political organization, such as a separate segregated fund or a political action committee (PAC). If additional space is needed, provide information in Part IV.

(a) Name	(b) Address	(c) EIN	(d) Amount paid from filing organization's funds. If none, enter -0-.	(e) Amount of political contributions received and promptly and directly delivered to a separate political organization. If none, enter -0-.

**Part II-A** To be completed by organizations exempt under section 501(c)(3) that filed Form 5768 (election under section 501(h)). See the instructions for Schedule C for details.

- A Check  if the filing organization belongs to an affiliated group.  
 B Check  if the filing organization checked box A and "limited control" provisions apply.

Limits on Lobbying Expenditures (The term "expenditures" means amounts paid or incurred.)		(a) Filing organization's totals	(b) Affiliated group totals												
1 a	Total lobbying expenditures to influence public opinion (grass roots lobbying) . . . . .														
b	Total lobbying expenditures to influence a legislative body (direct lobbying) . . . . .														
c	Total lobbying expenditures (add lines 1a and 1b) . . . . .														
d	Other exempt purpose expenditures . . . . .														
e	Total exempt purpose expenditures (add lines 1c and 1d) . . . . .														
f	Lobbying nontaxable amount. Enter the amount from the following table in both columns.														
<table border="1"> <thead> <tr> <th>If the amount on line 1e, column (a) or (b) is:</th> <th>The lobbying nontaxable amount is:</th> </tr> </thead> <tbody> <tr> <td>Not over \$500,000</td> <td>20% of the amount on line 1e.</td> </tr> <tr> <td>Over \$500,000 but not over \$1,000,000</td> <td>\$100,000 plus 15% of the excess over \$500,000.</td> </tr> <tr> <td>Over \$1,000,000 but not over \$1,500,000</td> <td>\$175,000 plus 10% of the excess over \$1,000,000.</td> </tr> <tr> <td>Over \$1,500,000 but not over \$17,000,000</td> <td>\$225,000 plus 5% of the excess over \$1,500,000.</td> </tr> <tr> <td>Over \$17,000,000</td> <td>\$1,000,000.</td> </tr> </tbody> </table>		If the amount on line 1e, column (a) or (b) is:	The lobbying nontaxable amount is:	Not over \$500,000	20% of the amount on line 1e.	Over \$500,000 but not over \$1,000,000	\$100,000 plus 15% of the excess over \$500,000.	Over \$1,000,000 but not over \$1,500,000	\$175,000 plus 10% of the excess over \$1,000,000.	Over \$1,500,000 but not over \$17,000,000	\$225,000 plus 5% of the excess over \$1,500,000.	Over \$17,000,000	\$1,000,000.		
If the amount on line 1e, column (a) or (b) is:	The lobbying nontaxable amount is:														
Not over \$500,000	20% of the amount on line 1e.														
Over \$500,000 but not over \$1,000,000	\$100,000 plus 15% of the excess over \$500,000.														
Over \$1,000,000 but not over \$1,500,000	\$175,000 plus 10% of the excess over \$1,000,000.														
Over \$1,500,000 but not over \$17,000,000	\$225,000 plus 5% of the excess over \$1,500,000.														
Over \$17,000,000	\$1,000,000.														
g	Grassroots nontaxable amount (enter 25% of line 1f) . . . . .														
h	Subtract line 1g from line 1a. Enter -0- if line g is more than line a . . . . .														
i	Subtract line 1f from line 1c. Enter -0- if line f is more than line c . . . . .														
j	If there is an amount other than zero on either line 1h or line 1i, did the organization file Form 4720 reporting section 4911 tax for this year? . . . . .		<input type="checkbox"/> Yes <input type="checkbox"/> No												

**4-Year Averaging Period Under Section 501(h)**  
 (Some organizations that made a section 501(h) election do not have to complete all of the five columns below. See the instructions for lines 2a through 2f of the instructions.)

Lobbying Expenditures During 4-Year Averaging Period					
Calendar year (or fiscal year beginning in)	(a) 2005	(b) 2006	(c) 2007	(d) 2008	(e) Total
2 a	Lobbying non-taxable amount				
b	Lobbying ceiling amount (150% line 2a, column(e))				
c	Total lobbying expenditures				
d	Grassroots non-taxable amount				
e	Grassroots ceiling amount (150% of line 2d, column (e))				
f	Grassroots lobbying expenditures				

**Part II-B To be completed by organizations exempt under section 501(c)(3) that have NOT filed Form 5768 (election under section 501(h)). See the instructions for Schedule C for details.**

	(a)		(b)
	Yes	No	Amount
1 During the year, did the filing organization attempt to influence foreign, national, state or local legislation, including any attempt to influence public opinion on a legislative matter or referendum, through the use of:			
a Volunteers?		X	
b Paid staff or management (include compensation in expenses reported on lines 1c through 1i)?		X	
c Media advertisements?		X	
d Mailings to members, legislators, or the public?		X	
e Publications, or published or broadcast statements?		X	
f Grants to other organizations for lobbying purposes?		X	
g Direct contact with legislators, their staffs, government officials, or a legislative body?		X	
h Rallies, demonstrations, seminars, conventions, speeches, lectures, or any other means?		X	
i Other activities? If "Yes," describe in Part IV	X		13,563.
j Total lines 1c through 1i			13,563.
2 a Did the activities in line 1 cause the organization to be not described in section 501(c)(3)?		X	
b If "Yes," enter the amount of any tax incurred under section 4912			
c If "Yes," enter the amount of any tax incurred by organization managers under section 4912			
d If the filing organization incurred a section 4912 tax, did it file Form 4720 for this year?		X	

**Part III-A To be completed by all organizations exempt under section 501(c)(4), section 501(c)(5), or section 501(c)(6). See the instructions for Schedule C for details.**

	Yes	No
1 Were substantially all (90% or more) dues received nondeductible by members?	1	
2 Did the organization make only in-house lobbying expenditures of \$2,000 or less?	2	
3 Did the organization agree to carryover lobbying and political expenditures from the prior year?	3	

**Part III-B To be completed by all organizations exempt under section 501(c)(4), section 501(c)(5), or section 501(c)(6) if BOTH Part III-A, questions 1 and 2 are answered "No" OR if Part III-A, question 3 is answered "Yes." See Schedule C instructions for details.**

1 Dues, assessments and similar amounts from members	1	
2 Section 162(e) non-deductible lobbying and political expenditures (do not include amounts of political expenses for which the section 527(f) tax was paid).		
a Current year	2a	
b Carryover from last year	2b	
c Total	2c	
3 Aggregate amount reported in section 6033(e)(1)(A) notices of nondeductible section 162(e) dues	3	
4 If notices were sent and the amount on line 2c exceeds the amount on line 3, what portion of the excess does the organization agree to carryover to the reasonable estimate of nondeductible lobbying and political expenditure next year?	4	
5 Taxable amount of lobbying and political expenditures (line 2c total minus 3 and 4)	5	

**Part IV Supplemental Information**

Complete this part to provide the descriptions required for Part I-A, line 1; Part I-B, line 4; Part I-C, line 5 and Part II-B, line 1i. Also, complete this part for any additional information.

SEE PAGE 4

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**Part IV** Supplemental Information (continued)

LOBBYING EXPENDITURES

THE ORGANIZATION DOES NOT ENGAGE IN ANY DIRECT LOBBYING ACTIVITIES. THE ORGANIZATION PAYS MEMBERSHIP DUES TO THE MARYLAND HOSPITAL ASSOCIATION (MHA) AND THE AMERICAN HOSPITAL ASSOCIATION (AHA). MHA AND AHA ENGAGE IN MANY SUPPORT ACTIVITIES INCLUDING LOBBYING AND ADVOCATING FOR THEIR MEMBER HOSPITALS. THE MHA AND AHA REPORTED THAT 14.51% AND 26.13% RESPECTIVELY OF MEMBER DUES WERE USED FOR LOBBYING PURPOSES AND AS SUCH, THE ORGANIZATION HAS REPORTED THIS AMOUNT ON SCHEDULE C PART II-B LINE 11 AS LOBBYING ACTIVITIES.

SCHEDULE D (Form 990)

Supplemental Financial Statements

OMB No. 1545-0047

2008

Open to Public Inspection

Department of the Treasury Internal Revenue Service

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.

Name of the organization

Employer identification number

SHORE HEALTH SYSTEM, INC.

52-0610538

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.

Table with 2 columns: (a) Donor advised funds, (b) Funds and other accounts. Rows 1-4: Total number at end of year, Aggregate contributions to (during year), Aggregate grants from (during year), Aggregate value at end of year. Rows 5-6: Did the organization inform all donors and donor advisors in writing that the assets held in donor advised funds are the organization's property... Did the organization inform all grantees, donors, and donor advisors in writing that grant funds may be used only for charitable purposes...

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). 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. Table: Held at the End of the Year. Rows 2a-2d: Total number of conservation easements, Total acreage restricted by conservation easements, Number of conservation easements on a certified historic structure included in (a), Number of conservation easements included in (c) acquired after 8/17/06. Rows 3-9: Number of conservation easements modified, transferred, released, extinguished, or terminated by the organization during the taxable year; Number of states where property subject to conservation easement is located; Does the organization have a written policy regarding the periodic monitoring, inspection, violations, and enforcement of the conservation easements it holds?; Staff or volunteer hours devoted to monitoring, inspecting, and enforcing easements during the year; Amount of expenses incurred in monitoring, inspecting, and enforcing easements during the year; 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)?; 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. 1b 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.

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

Schedule D (Form 990) 2008

**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 . . . . .	2,404,542.				
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 . . . . .	2,404,542.				

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

- a Board designated or quasi-endowment ▶ \_\_\_\_\_ %
- b Permanent endowment ▶ 100.0000 %
- 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)	X
(ii) related organizations . . . . .	3a(ii)	X
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 . . . . .	424,868.	2,874,541.		3,299,409.
b Buildings . . . . .		102,378,520.	35,052,832.	67,325,688.
c Leasehold improvements . . . . .				
d Equipment . . . . .		143,842,233.	108,393,190.	35,449,043.
e Other . . . . .		205,064.		205,064.
<b>Total. Add lines 1a-1e. (Column (d) should equal Form 990, Part X, column (B), line 10(c).)</b> . . . . . ▶				106,279,204.

**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 -----		
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<b>Total.</b> (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
<b>Total.</b> (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
ASSETS WHOSE USE IS LIMITED	33,309,882.
OTHER RECEIVABLES	12,827,315.
ECONOMIC INTERESTS IN NET	
ASSETS OF RELATED ORGANIZATION	37,380,895.
INVESTMENT IN SUBSIDIARIES AND	
OTHER ASSETS	8,016,485.
SELF-INSURANCE TRUST -	
CURRENT POSITION	276,000.
<b>Total.</b> (Column (b) should equal Form 990, Part X, col. (B) line 15.) ▶	91,810,577.

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

(a) Description of liability	(b) Amount	
Federal income taxes		
ADVANCES FROM 3RD PARTY PAYORS	4,412,400.	
OTHER LIABILITIES	11,525,974.	
DUE TO UMMS	79,246,932.	
<b>Total.</b> (Column (b) should equal Form 990, Part X, col. (B) line 25.) ▶	95,185,306.	

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

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**Part XIV** Supplemental Information (continued)

FIN 48 FOOTNOTE PER AUDIT REPORT

THE ORGANIZATION IS A SUBSIDIARY OF UNIVERSITY OF MARYLAND MEDICAL SYSTEM

CORPORATION (THE CORPORATION). THE CORPORATION ADOPTED THE PROVISIONS OF

FASB INTERPRETATION NO. 48, ACCOUNTING FOR UNCERTAINTY IN INCOME TAXES

(FIN 48), ON JULY 1, 2007. FIN 48 PRESCRIBES A THRESHOLD OF

MORE-LIKELY-THAN-NOT FOR RECOGNITION AND DERECOGNITION OF TAX POSITIONS

TAKEN OR EXPECTED TO BE TAKEN IN A TAX RETURN. FIN 48 ALSO RECOGNIZES

RELATED GUIDANCE ON MEASUREMENT, CLASSIFICATION, INTEREST AND PENALTIES,

AND DISCLOSURE. THE IMPLEMENTATION OF FIN 48 DID NOT HAVE A SIGNIFICANT

IMPACT ON THE CORPORATION'S BALANCE SHEET OR STATEMENT OF OPERATIONS.

MANAGEMENT DOES NOT BELIEVE THAT THERE ARE ANY UNRECOGNIZED TAX BENEFITS

THAT SHOULD BE RECOGNIZED.

ENDOWMENT FUNDS

PART V, LINE 4

ENDOWMENT FUNDS ARE USED TO SUPPORT THE HEALTHCARE MISSION OF SHORE

HEALTH SYSTEM.

SCHEDULE G  
(Form 990 or 990-EZ)

Department of the Treasury  
Internal Revenue Service

Supplemental Information Regarding  
Fundraising or Gaming Activities

▶ Attach to Form 990 or Form 990-EZ. Must be completed by organizations that answer "Yes" to Form 990, Part IV, lines 17, 18, or 19, and by organizations that enter more than \$15,000 on Form 990-EZ, line 6a.

OMB No. 1545-0047

2008

Open To Public  
Inspection

Name of the organization

SHORE HEALTH SYSTEM, INC.

Employer identification number

52-0610538

Part I Fundraising Activities. Complete if the organization answered "Yes" to Form 990, Part IV, line 17.

1 Indicate whether the organization raised funds through any of the following activities. Check all that apply.

- a  Mail solicitations
- b  Email solicitations
- c  Phone solicitations
- d  In-person solicitations
- e  Solicitation of non-government grants
- f  Solicitation of government grants
- g  Special fundraising events

2a Did the organization have a written or oral agreement with any individual (including officers, directors, trustees or key employees listed in Form 990, Part VII) or entity in connection with professional fundraising activities?  Yes  No

b If "Yes," list the ten highest paid individuals or entities (fundraisers) pursuant to agreements under which the fundraiser is to be compensated at least \$5,000 by the organization. Form 990-EZ filers are not required to complete this table.

(i) Name of individual or entity (fundraiser)	(ii) Activity	(iii) Did fundraiser have custody or control of contributions?		(iv) Gross receipts from activity	(v) Amount paid to (or retained by) fundraiser listed in col. (i)	(vi) Amount paid to (or retained by) organization
		Yes	No			
Total . . . . . ▶						

3 List all states in which the organization is registered or licensed to solicit funds or has been notified it is exempt from registration or licensing.

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**Part II Fundraising Events.** Complete if the organization answered "Yes" to Form 990, Part IV, line 18, or reported more than \$15,000 on Form 990-EZ, line 6a. List events with gross receipts greater than \$5,000.

		(a) Event #1	(b) Event #2	(c) Other Events	(d) Total Events (Add col. (a) through col. (c))	
		DINNER/DANCE (event type)	(event type)	NONE (total number)		
Revenue	1	Gross receipts	89,281.		89,281.	
	2	Less: Charitable contributions	75,008.		75,008.	
	3	Gross revenue (line 1 minus line 2)	14,273.		14,273.	
Direct Expenses	4	Cash prizes				
	5	Non-cash prizes				
	6	Rent/facility costs				
	7	Other direct expenses	25,919.		25,919.	
	8	Direct expense summary. Add lines 4 through 7 in column (d)				( 25,919. )
	9	Net income summary. Combine lines 3 and 8 in column (d)				-11,646.

**Part III Gaming.** Complete if the organization answered "Yes" to Form 990, Part IV, line 19, or reported more than \$15,000 on Form 990-EZ, line 6a.

		(a) Bingo	(b) Pull tabs/Instant bingo/progressive bingo	(c) Other gaming	(d) Total gaming (Add col. (a) through col. (c))	
Revenue	1	Gross revenue				
Direct Expenses	2	Cash prizes				
	3	Non-cash prizes				
	4	Rent/facility costs				
	5	Other direct expenses				
	6	Volunteer labor	Yes _____ % No _____ %	Yes _____ % No _____ %	Yes _____ % No _____ %	
	7	Direct expense summary. Add lines 2 through 5 in column (d)				( )
	8	Net gaming income summary. Combine lines 1 and 7 in column (d)				

	Yes	No
9 Enter the state(s) in which the organization operates gaming activities: _____		
a Is the organization licensed to operate gaming activities in each of these states? _____	9a	
b If "No," Explain: _____		
10a Were any of the organization's gaming licenses revoked, suspended or terminated during the tax year? _____	10a	
b If "Yes," Explain: _____		
11 Does the organization operate gaming activities with nonmembers? _____	11	
12 Is the organization a grantor, beneficiary or trustee of a trust or a member of a partnership or other entity formed to administer charitable gaming? _____	12	

		Yes	No
<b>13</b>	Indicate the percentage of gaming activity operated in:		
<b>a</b>	The organization's facility . . . . . <b>13a</b> %		
<b>b</b>	An outside facility . . . . . <b>13b</b> %		
<b>14</b>	Provide the name and address of the person who prepares the organization's gaming/special event books and records:		
	Name ▶ _____		
	Address ▶ _____		
<b>15a</b>	Does the organization have a contract with a third party from whom the organization receives gaming revenue? . . . . . <b>15a</b>		
<b>b</b>	If "Yes," enter the amount of gaming revenue received by the organization ▶ \$ _____ and the amount of gaming revenue retained by the third party ▶ \$ _____		
<b>c</b>	If "Yes," enter name and address:		
	Name ▶ _____		
	Address ▶ _____		
<b>16</b>	Gaming manager information:		
	Name ▶ _____		
	Gaming manager compensation ▶ \$ _____		
	Description of services provided ▶ _____		
	<input type="checkbox"/> Director/officer <input type="checkbox"/> Employee <input type="checkbox"/> Independent contractor		
<b>17</b>	Mandatory distributions:		
<b>a</b>	Is the organization required under state law to make charitable distributions from the gaming proceeds to retain the state gaming license? . . . . . <b>17a</b>		
<b>b</b>	Enter the amount of distributions required under state law distributed to other exempt organizations or spent in the organization's own exempt activities during the tax year ▶ \$ _____		

**SCHEDULE H**  
**(Form 990)**

**Hospitals**

OMB No. 1545-0047

**2008**

**Open to Public Inspection**

Department of the Treasury  
Internal Revenue Service  
Name of the organization

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

Employer identification number

SHORE HEALTH SYSTEM, INC.

52-0610538

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

	Yes	No
<b>1 a</b> Does the organization have a charity care policy? If "No," skip to question 6a . . . . .		
<b>1 b</b> If "Yes," is it a written policy? . . . . .		
<b>2</b> If the organization has multiple hospitals, indicate which of the following best describes application of the charity care policy to the various hospitals. <input type="checkbox"/> Applied uniformly to all hospitals <input type="checkbox"/> Applied uniformly to most hospitals <input type="checkbox"/> Generally tailored to individual hospitals		
<b>3</b> Answer the following based on the charity care eligibility criteria that applies to the largest number of the organization's patients. <b>a</b> Does the organization use Federal Poverty Guidelines (FPG) to determine eligibility for providing <i>free</i> care to low income individuals? If "Yes," indicate which of the following is the family income limit for eligibility for free care: . . . . . <input type="checkbox"/> 100% <input type="checkbox"/> 150% <input type="checkbox"/> 200% <input type="checkbox"/> Other _____ %		
<b>b</b> Does the organization use FPG to determine eligibility for providing <i>discounted</i> care to low income individuals? If "Yes," indicate which of the following is the family income limit for eligibility for discounted care: . . . . . <input type="checkbox"/> 200% <input type="checkbox"/> 250% <input type="checkbox"/> 300% <input type="checkbox"/> 350% <input type="checkbox"/> 400% <input type="checkbox"/> Other _____ %		
<b>c</b> 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.		
<b>4</b> Does the organization's policy provide free or discounted care to the "medically indigent"? . . . . .		
<b>5 a</b> Does the organization budget amounts for free or discounted care provided under its charity care policy? . . . . .		
<b>b</b> If "Yes," did the organization's charity care expenses exceed the budgeted amount? . . . . .		
<b>c</b> 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? . . . . .		
<b>6 a</b> Does the organization prepare an annual community benefit report? . . . . .		
<b>b</b> If "Yes," does the organization make it available to the public? . . . . .		

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**

	(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
<b>a</b> Charity care at cost (from Worksheets 1 and 2) . . . . .						
<b>b</b> Unreimbursed Medicaid (from Worksheet 3, column a) . . . . .						
<b>c</b> Unreimbursed costs - other means-tested government programs (from Worksheet 3, column b) . . . . .						
<b>d</b> Total Charity Care and Means-Tested Government Programs . . . . .						
<b>Other Benefits</b>						
<b>e</b> Community health improvement services and community benefit operations (from Worksheet 4) . . . . .						
<b>f</b> Health professions education (from Worksheet 5) . . . . .						
<b>g</b> Subsidized health services (from Worksheet 6) . . . . .						
<b>h</b> Research (from Worksheet 7) . . . . .						
<b>i</b> Cash and in-kind contributions to community groups (from Worksheet 8) . . . . .						
<b>j</b> Total Other Benefits . . . . .						
<b>k</b> Total (line 7d and 7j) . . . . .						

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

Schedule H (Form 990) 2008

**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

- 1 Does the organization report bad debt expense in accordance with Healthcare Financial Management Association Statement No. 15? . . . . .
- 2 Enter the amount of the organization's bad debt expense (at cost) . . . . .
- 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 . . . . .
- 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.

	Yes	No
1		
2		
3		
4		
5		
6		
7		
9a		
9b		

Section B. Medicare

- 5 Enter total revenue received from Medicare (including DSH and IME) . . . . .
- 6 Enter Medicare allowable costs of care relating to payments on line 5 . . . . .
- 7 Enter line 5 less line 6 - surplus or (shortfall) . . . . .
- 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? . . . . .
- 9b 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. . . . .

**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)
THE MEMORIAL HOSPITAL AT EASTON 219 S. WASHINGTON STREET EASTON MD 21601	X	X					X		
DORCHESTER GENERAL HOSPITAL 300 BYRN STREET CAMBRIDGE MD 21613	X	X					X		
CHESAPEAKE NEUROLOGICAL SURGERY LLC 505 DUTCHMANS LANE EASTON MD 21601									OUTPATIENT PHYSICIAN OFFICE
CHESAPEAKE ENT, SINUS, & HEARING CENTER 29466 PINTAIL DRIVE EASTON MD 21601									OUTPATIENT PHYSICIAN OFFICE
CRITICAL CARE UNIVERSITY 505 BYRN STREET CAMBRIDGE MD 21613									NURSES TRAINING FACILITY
SHORE HEALTH LABORATORIES 301 BAY STREET, SUITE 201 EASTON MD 21601									OFFSITE LABORATORY
INTEGRATIVE MEDICINE 607 DUTCHMANS LANE EASTON MD 21601									OUTPATIENT FACILITY
CANCER CENTER 509 IDLEWILD AVENUE EASTON MD 21601									OUTPATIENT CANCER CLINIC
DENTON DIAGNOSTIC CENTER 920 MARKET STREET DENTON MD 21629									DIAGNOSTIC CENTER
DIGESTIVE DISEASE CENTER 511 IDLEWILD AVENUE EASTON MD 21601									DIGESTIVE CENTER
SUNBURST CENTER ROUTE 50 CAMBRIDGE MD 21613									REHABILITATION CLINIC
DOCTOR'S OFFICE/SHORE WORKS 2 AURORA STREET CAMBRIDGE MD 21613									OUTPATIENT PHYSICIAN OFFICE/EMPLOYEE HEALTH FACILITY
OFFICE 800 J. TALBOT STREET ST. MICHAELS MD 21663									OUTPATIENT PHYSICIAN OFFICE
DIAGNOSTIC CENTER 10 MARTIN COURT EASTON MD 21601									DIAGNOSTIC CENTER
DOCTOR'S OFFICE 400-408 BYRN STREET CAMBRIDGE MD 21613									OUTPATIENT PHYSICIAN OFFICE



**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.

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**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

SHORE HEALTH SYSTEM, INC.

Employer identification number

52-0610538

**Part I Questions Regarding Compensation**

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.

- |  |   |
|--|---|
| <input type="checkbox"/> First-class or charter travel             | <input type="checkbox"/> Housing allowance or residence for personal use          |
| <input type="checkbox"/> Travel for companions                     | <input type="checkbox"/> Payments for business use of personal residence          |
| <input type="checkbox"/> Tax indemnification and gross-up payments | <input checked="" type="checkbox"/> Health or social club dues or initiation fees |
| <input type="checkbox"/> Discretionary spending account            | <input type="checkbox"/> 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

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?

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.

- |  |  |
|--|--|
| <input type="checkbox"/> Compensation committee              | <input type="checkbox"/> Written employment contract                     |
| <input type="checkbox"/> Independent compensation consultant | <input type="checkbox"/> Compensation survey or study                    |
| <input type="checkbox"/> Form 990 of other organizations     | <input type="checkbox"/> 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?
- b Participate in, or receive payment from, a supplemental nonqualified retirement plan?
- c Participate in, or receive payment from, an equity-based compensation arrangement?
- 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?
- b Any related organization?
- 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?
- b Any related organization?
- 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

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

	Yes	No
1b	X	
2	X	
4a		X
4b	X	
4c		X
5a		X
5b		X
6a		X
6b		X
7		X
8		X

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

Schedule J (Form 990) 2008

**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				
JOSEPH P ROSS	(i) 387,791.	134,500.	24,716.	58,469.	18,369.	623,845.	NONE
	(ii) NONE	NONE	NONE	NONE	NONE	NONE	NONE
WALTER J ZAJAC CPA	(i) 141,196.	38,500.	35,230.	21,779.	15,909.	252,614.	NONE
	(ii) NONE	NONE	NONE	NONE	NONE	NONE	NONE
CATHERINE FERARA	(i) 136,559.	NONE	6,983.	6,299.	5,335.	155,176.	NONE
	(ii) NONE	NONE	NONE	NONE	NONE	NONE	NONE
CHRISTOPHER J PARKER	(i) 173,002.	63,027.	8,091.	20,760.	15,909.	280,789.	NONE
	(ii) NONE	NONE	NONE	NONE	NONE	NONE	NONE
GEORGE SHOENER	(i) 124,076.	13,489.	20,500.	7,477.	5,938.	171,480.	NONE
	(ii) NONE	NONE	NONE	NONE	NONE	NONE	NONE
GERALD M WALSH	(i) 214,079.	48,121.	2,894.	32,112.	15,909.	313,115.	NONE
	(ii) NONE	NONE	NONE	NONE	NONE	NONE	NONE
JOHN SAWYER	(i) 139,621.	NONE	7,558.	6,594.	6,250.	160,023.	NONE
	(ii) NONE	NONE	NONE	NONE	NONE	NONE	NONE
JULIA MARLOWE	(i) 162,828.	28,265.	5,243.	19,659.	7,535.	223,530.	NONE
	(ii) NONE	NONE	NONE	NONE	NONE	NONE	NONE
MICHAEL C TOOKE MD	(i) 238,004.	74,495.	8,407.	36,091.	15,909.	372,906.	NONE
	(ii) NONE	NONE	NONE	NONE	NONE	NONE	NONE
MICHAEL J ZIMMERMAN	(i) 165,657.	46,087.	6,675.	20,178.	18,369.	256,966.	NONE
	(ii) NONE	NONE	NONE	NONE	NONE	NONE	NONE
ROBERT A. CHRENCIK	(i) NONE	NONE	NONE	NONE	NONE	NONE	NONE
	(ii) 640,584.	232,530.	13,728.	116,748.	15,527.	1,019,117.	NONE
TIMOTHY SCHNEIDER MD	(i) 292,103.	113,824.	15,500.	14,650.	16,817.	452,894.	NONE
	(ii) NONE	NONE	NONE	NONE	NONE	NONE	NONE
WILLIAM ROTH	(i) 123,460.	12,782.	3,770.	5,667.	14,739.	160,418.	NONE
	(ii) NONE	NONE	NONE	NONE	NONE	NONE	NONE
	(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.

HEALTH CLUB DUES AND HEALTH MAINTENANCE FEES

PART I

UMMS EXECUTIVES RECEIVE A BENEFIT PACKAGE WHICH MAY BE USED TOWARDS

HEALTH CLUB DUES OR OTHER HEALTH MAINTENANCE PROGRAMS. SUCH BENEFITS ARE

CAPPED AT \$7,000, \$5,000, OR \$3,000 DEPENDING ON JOB TITLE AS DESCRIBED

IN THE PROGRAM DOCUMENTS.

SUPPLEMENTAL NONQUALIFIED RETIREMENT PLAN

PART I, LINE 4B

THE FOLLOWING INDIVIDUALS PARTICIPATE IN A SECTION 457(F) SUPPLEMENTAL,

NONQUALIFIED RETIREMENT PLAN ("THE PLAN") SPONSORED BY THE FILING

ORGANIZATION OR A RELATED ORGANIZATION:

ROBERT A. CHRENCIK

JEFFREY L. JOHNSON

CHRISTOPHER J. PARKER

JOSEPH P. ROSS

MICHAEL C. TOOKE

**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.

GERARD M. WALSH

PATTI K. WILLIS

WALTER J. ZAJAC

MICHAEL J. ZIMMERMAN

**SCHEDULE J-2  
(Form 990)**

**Continuation Sheet for Form 990**

OMB No. 1545-0047

**2008**

**Open to Public  
Inspection**

Department of the Treasury  
Internal Revenue Service

▶ Attach to Form 990 to list additional information for Form 990, Part VII, Section A, line 1a.

Name of the Organization

Employer Identification number

SHORE HEALTH SYSTEM, INC.

52-0610538

**Part I Continuation of Officers, Directors, Trustees, Key Employees, and Highest Compensated Employees**

(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			
JOHN DILLON CHAIRMAN	1.	X		X				NONE	NONE	NONE
MR RICHARD LOEFFLER VICE CHAIR	1.	X		X				NONE	NONE	NONE
CHARLES LEA JR VICE CHAIR	2.	X		X				NONE	NONE	NONE
JOSEPH P ROSS PRESIDENT/CEO	40.	X		X			547,007.	NONE	76,838.	
STUART BOUNDS PHD SECRETARY	1.	X		X				NONE	NONE	NONE
MICHAEL MORAN M D BOARD MEMBER	1.	X						NONE	NONE	NONE
LUDWIG EGLSEDER III M D BOARD MEMBER	1.	X					48,000.	NONE	NONE	
MR JAMES PETERSON BOARD MEMBER	1.	X						NONE	NONE	NONE
MR DAVID MILLIGAN BOARD MEMBER	1.	X						NONE	NONE	NONE
MR NEIL MUFSON BOARD MEMBER	1.	X						NONE	NONE	NONE
MR ROBERT CARMEAN BOARD MEMBER	1.	X						NONE	NONE	NONE
MRS MARLENE FELDMAN BOARD MEMBER	1.	X						NONE	NONE	NONE
MICHAEL JOYCE M D BOARD MEMBER	1.	X						NONE	NONE	NONE
JACK P STOLZ BOARD MEMBER	1.	X						NONE	NONE	NONE
KEITH MCMAHAN BOARD MEMBER	1.	X						NONE	NONE	NONE
MARTHA RUSSELL TREASURER	1.	X		X				NONE	NONE	NONE
ROBERT A CHRENCIK PRESIDENT - UMMS	1.	X		X				NONE	886,842.	132,275.
PHYLLIS MATTHAI ASST SECRETARY	40.			X			80,220.	NONE	16,348.	
WALTER J ZAJAC CPA CFO	40.			X			214,926.	NONE	37,688.	
CHRISTOPHER J PARKER CNO	40.			X			244,120.	NONE	36,669.	
GERALD M WALSH COO	40.			X			265,094.	NONE	48,021.	

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

Schedule J-2 (Form 990) 2008

SCHEDULE J-2  
(Form 990)

Continuation Sheet for Form 990

OMB No. 1545-0047

2008

Open to Public  
Inspection

Department of the Treasury  
Internal Revenue Service

▶ Attach to Form 990 to list additional information for Form 990, Part VII, Section A, line 1a.

Name of the Organization

Employer Identification number

SHORE HEALTH SYSTEM, INC.

52-0610538

**Part I** Continuation of Officers, Directors, Trustees, Key Employees, and Highest Compensated Employees

(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			
JULIA MARLOWE VP/FOUNDATION	40.				X			196,336.	NONE	27,194.
MICHAEL C. TOOKE MD CMO	40.				X			320,906.	NONE	52,000.
MICHAEL J. ZIMMERMAN VP/HR	40.				X			218,419.	NONE	38,547.
CATHERINE FERARA CLINICAL PHARMACIST	40.					X		143,542.	NONE	11,634.
GEORGE SHOENER DIRECTOR/FACILITIES MGMT	40.					X		158,065.	NONE	13,415.
JOHN SAWYER LEAD MEDICAL PHYSICIST	40.					X		147,179.	NONE	12,844.
TIMOTHY SCHNEIDER MD PHYSICIAN	40.					X		421,427.	NONE	31,467.
WILLIAM ROTH EXECUTIVE DIRECTOR/REHAB	40.					X		140,012.	NONE	20,406.

Name of the organization

Employer identification number

SHORE HEALTH SYSTEM, INC.

52-0610538

TAX EXEMPT BOND ISSUEFORM 990, PART IVPURSUANT TO A MASTER LOAN AGREEMENT DATED JUNE 20, 1991 (THE "MASTER LOANAGREEMENT"), AS AMENDED, THE UNIVERSITY OF MARYLAND MEDICAL SYSTEMCORPORATION (THE "CORPORATION") AND SEVERAL OF ITS SUBSIDIARIES HAVEISSUED DEBT THROUGH THE MARYLAND HEALTH AND HIGHER EDUCATIONAL FACILITIESAUTHORITY (THE "AUTHORITY"). AS SECURITY FOR THE PERFORMANCE OF THE BONDOBLIGATION UNDER THE MASTER LOAN AGREEMENT, THE AUTHORITY MAINTAINS ASECURITY INTEREST IN THE REVENUE OF THE OBLIGORS. THE MASTER LOANAGREEMENT CONTAINS CERTAIN RESTRICTIVE COVENANTS. THESE COVENANTS REQUIRETHAT RATES AND CHARGES BE SET AT CERTAIN LEVELS, LIMIT INCURRENCE OFADDITIONAL DEBT, REQUIRE COMPLIANCE WITH CERTAIN OPERATING RATIOS ANDRESTRICT THE DISPOSITION OF ASSETS.THE OBLIGATED GROUP UNDER THE MASTER LOAN AGREEMENT INCLUDES THECORPORATION, UNIVERSITY SPECIALTY HOSPITAL, THE JAMES LAWRENCE KERNANHOSPITAL, MARYLAND GENERAL HOSPITAL, BALTIMORE WASHINGTON MEDICAL CENTERAND SHORE HEALTH SYSTEM. EACH MEMBER OF THE OBLIGATED GROUP IS JOINTLYAND SEVERALLY LIABLE FOR THE REPAYMENT OF THE OBLIGATIONS UNDER THEMASTER LOAN AGREEMENT OF THE CORPORATION'S \$885,495,000 OF OUTSTANDINGAUTHORITY BONDS ON JUNE 30, 2009.ALL OF THE BONDS WERE ISSUED IN THE NAME OF THE UNIVERSITY OF MARYLANDMEDICAL SYSTEM CORPORATION, WITH THE EXCEPTION OF THOSE BONDS ISSUED INTHE NAME OF SHORE HEALTH SYSTEM PRIOR TO SHORE HEALTH SYSTEM JOINING THEOBLIGATED GROUP ON JULY 1ST, 2007, AND ARE REPORTED ON SCHEDULE K OF THECORPORATION'S FORM 990.



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## FORM 990 PREPARATION AND REVIEW PROCESS

## PART VI, SECTION A, LINE 10:

THE IRS FORM 990 IS PREPARED AND REVIEWED BY THE INDEPENDENT ACCOUNTING FIRM OF KPMG. ACCOUNTING PERSONNEL IN FINANCE SHARED SERVICES AT THE UNIVERSITY OF MARYLAND MEDICAL SYSTEM GATHER THE INFORMATION NEEDED TO COMPLETE THE RETURN AND INPUT THE DATA INTO THE KPMG TAX ORGANIZER, WHICH IS A WEB-BASED SYSTEM.

WHEN ALL DATA HAS BEEN ENTERED, THE INFORMATION IS SUBMITTED TO KPMG FOR IMPORTATION INTO ITS TAX SOFTWARE. AT THIS POINT, KPMG STAFF MEMBERS REVIEW THE DATA, ASK FOR ADDITIONAL INFORMATION AND CLARIFICATIONS IF NEEDED AND PREPARE THE TAX RETURN. EACH RETURN IS REVIEWED AT SEVERAL LEVELS AT KPMG INCLUDING THE TAX PARTNER. AFTER THEIR REVIEW PROCESS, A DRAFT RETURN IS SENT TO THE ACCOUNTING STAFF AT UMMS FOR AN IN-HOUSE REVIEW.

UPON COMPLETION OF THE IN-HOUSE REVIEW, KPMG IS INSTRUCTED TO MAKE ANY NECESSARY CHANGES AND TO PREPARE THE FINAL DRAFT TAX RETURN. THE FINAL DRAFT RETURN UNDERGOES ANOTHER REVIEW BY THE ACCOUNTING STAFF AT FINANCE SHARED SERVICES AND IS ALSO REVIEWED BY THE ACCOUNTING MANAGER, THE DIRECTOR OF FINANCIAL REPORTING, THE VICE PRESIDENT OF FINANCE, AND THE CFO WHO SIGNS THE RETURN.

PRIOR TO FILING THE IRS FORM 990, THE ORGANIZATION'S BOARD CHAIRMAN, TREASURER, AUDIT COMMITTEE CHAIRMAN, EXECUTIVE COMMITTEE CHAIRMAN OR OTHER MEMBER OF THE BOARD WITH SIMILAR AUTHORITY WILL REVIEW THE IRS FORM 990. AT THE DISCRETION OF THE REVIEWING BOARD MEMBER, SUCH MEMBER WILL

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BRING ANY ISSUES OR QUESTIONS RELATED TO THE COMPLETED IRS FORM 990 TO  
 THE ATTENTION OF THE BOARD. NOTWITHSTANDING THE ABOVE, A BOARD  
 RESOLUTION IS NOT REQUIRED FOR THE FILING OF THE ORGANIZATION'S IRS FORM  
 990. THE BOARD IS GIVEN A COPY OF THE FINAL IRS FORM 990 BEFORE IT IS  
 FILED.

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CONFLICT OF INTEREST POLICYPART VI, SECTION B, LINE 12C:THE ORGANIZATION'S OFFICERS, DIRECTORS, EMPLOYEES AND MEDICAL STAFFMEMBERS, AS APPLICABLE, SHALL DISCLOSE CONFLICTS OF INTERESTS ORPOTENTIAL CONFLICTS OF INTEREST BETWEEN THEIR PERSONAL INTERESTS AND THEINTERESTS OF THE ORGANIZATION, OR ANY ENTITY CONTROLLED BY OR OWNED INSUBSTANTIAL PART BY THE ORGANIZATION.A QUESTIONNAIRE WHICH DISCLOSES POTENTIAL CONFLICTS OF INTEREST ISDISTRIBUTED ANNUALLY TO ALL OFFICERS, DIRECTORS AND KEY EMPLOYEES. THEGENERAL COUNSEL OF THE UNIVERSITY OF MARYLAND MEDICAL SYSTEM CORPORATION(UMMSC) REVIEWS THE RESPONSES FOR UMMSC, UNIVERSITY SPECIALTY HOSPITALAND JAMES LAWRENCE KERNAN HOSPITAL. THE CEO OR CFO OF EACH OF THE OTHERENTITIES IN THE UNIVERSITY OF MARYLAND MEDICAL SYSTEM REVIEWS THERESPONSES FOR THOSE ENTITIES.THE GENERAL COUNSEL, IN CONSULTATION WITH THE AUDIT COMMITTEE, IFNECESSARY, WOULD DETERMINE IF A CONFLICT OF INTEREST EXISTED FOR UMMSC,UNIVERSITY SPECIALTY HOSPITAL AND JAMES LAWRENCE KERNAN HOSPITAL. WITHRESPECT TO THE OTHER ENTITIES IN THE UNIVERSITY OF MARYLAND MEDICALSYSTEM, THE GENERAL COUNSEL MAY BE CALLED FOR CONSULT. IF SO, THEGENERAL COUNSEL MAY CONSULT THE AUDIT COMMITTEE IF NECESSARY.WHENEVER A CONFLICT OR POTENTIAL CONFLICT OF INTEREST EXISTS, THE NATUREOF THE CONFLICT OR POTENTIAL CONFLICT OF INTEREST MUST BE DISCLOSED INWRITING TO THE ORGANIZATION'S BOARD, BOARD COMMITTEE, AN OFFICER OF THEORGANIZATION OR OTHER APPROPRIATE EXECUTIVE. SUCH INDIVIDUAL HAVING A

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POTENTIAL CONFLICT OF INTEREST SHALL PLAY NO ROLE ON BEHALF OF THE ORGANIZATION, OR ANY ORGANIZATION CONTROLLED OR SUBSTANTIALLY OWNED, IN ANY TRANSACTION IN WHICH A CONFLICT EXISTS.

ALL INVITATIONS FOR BIDS, PROPOSALS OR SOLICITATIONS FOR OFFERS INCLUDE THE FOLLOWING PROVISION: ANY VENDOR, SUPPLIER OR CONTRACTOR MUST DISCLOSE ANY ACTUAL OR POTENTIAL TRANSACTION WITH ANY ORGANIZATION OFFICER, DIRECTOR, EMPLOYEE OR MEMBER OF THE MEDICAL STAFF, INCLUDING FAMILY MEMBERS WITHIN FIVE DAYS OF THE TRANSACTION. FAILURE TO COMPLY WITH THIS PROVISION IS A MATERIAL BREACH OF AGREEMENT.

IN ADDITION, A BOARD DISCLOSURE REPORT IS FILED WITH THE MARYLAND HEALTH SERVICES COST REVIEW COMMISSION ON AN ANNUAL BASIS SHOWING ANY BUSINESS TRANSACTIONS BETWEEN THE BOARD MEMBERS AND THE ORGANIZATION.

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EXECUTIVE COMPENSATION

PART VI, SECTION, LINE 15:

THE ORGANIZATION DETERMINES THE EXECUTIVE COMPENSATION PAID TO ITS

EXECUTIVES IN THE FOLLOWING MANNER PRESCRIBED IN THE IRS REGULATIONS:

EXECUTIVE COMPENSATION PACKAGES ARE DETERMINED BY A COMMITTEE OF THE

BOARD THAT IS COMPOSED ENTIRELY OF BOARD MEMBERS WHO HAVE NO CONFLICT OF

INTEREST.

THE INDEPENDENT COMMITTEE ACQUIRES CREDIBLE COMPARABILITY MARKET DATA

CONCERNING THE COMPENSATION PACKAGES OF SIMILARLY SITUATED EXECUTIVES.

THE COMMITTEE CAREFULLY REVIEWS THAT DATA, THE EXECUTIVE'S PERFORMANCE

AND THE PROPOSED COMPENSATION PACKAGES DURING THE DECISION MAKING

PROCESS.

THE COMMITTEE MEMORIALIZES ITS DELIBERATIONS AND DECISIONS IN DETAILED

MINUTES REVIEWED AND ADOPTED AT THE NEXT-FOLLOWING MEETING.

THE COMMITTEE SEEKS AN OPINION OF COUNSEL THAT IT HAS MET THE

REQUIREMENTS OF THE IRS INTERMEDIATE SANCTIONS REGULATIONS.

THIS PROCESS IS USED TO DETERMINE THE COMPENSATION PACKAGES FOR ALL

MANAGEMENT EMPLOYEES FROM THE VICE PRESIDENT LEVEL AND UP.

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## PUBLIC DISCLOSURE

## PART VI, SECTION C, LINE 19

IN GENERAL, FINANCIAL AND TAX INFORMATION RELATING TO THE ORGANIZATION IS DEEMED PROPRIETARY AND NOT SUBJECT TO DISCLOSURE UPON REQUEST. HOWEVER, SPECIFIC PROVISIONS OF FEDERAL AND STATE LAW REQUIRE THE ORGANIZATION TO DISCLOSE CERTAIN LIMITED FINANCIAL AND TAX DATA UPON A SPECIFIC REQUEST FOR THAT INFORMATION.

## REQUESTS FOR FORM 990 AND FORM 1023:

A REQUESTOR SEEKING TO REVIEW AND/OR OBTAIN A COPY OF THE ORGANIZATION'S IRS FORM 990 OR FORM 1023 AS FILED WITH THE INTERNAL REVENUE SERVICE, INCLUDING ALL SCHEDULES AND ATTACHMENTS, MAY APPEAR IN PERSON OR SUBMIT A WRITTEN REQUEST. THE MOST RECENT THREE YEARS OF IRS FORM 990 MAY BE REQUESTED.

IF THE REQUESTER APPEARS IN PERSON, THE INDIVIDUAL IS DIRECTED TO THE OFFICE OF THE CHIEF FINANCIAL OFFICER FOR THE ORGANIZATION AND THE FORM 990 AND/OR FORM 1023 ARE MADE AVAILABLE FOR INSPECTION. THE INDIVIDUAL IS PERMITTED TO REVIEW THE RETURN, TAKE NOTES AND REQUEST A COPY. IF REQUESTED, A COPY IS PROVIDED ON THE SAME DAY. A NOMINAL FEE IS CHARGED FOR MAKING THE COPIES. THE ORGANIZATION MAY HAVE AN EMPLOYEE PRESENT DURING THE PUBLIC INSPECTION OF THE DOCUMENT.

WRITTEN REQUESTS FOR AN ENTITY'S FORM 990 OR FORM 1023 ARE DIRECTED IMMEDIATELY TO THE OFFICE OF THE CHIEF FINANCIAL OFFICER FOR THE ORGANIZATION. THE REQUESTED COPIES ARE MAILED WITHIN 30 DAYS OF THE

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REQUEST. REPRODUCTION FEES AND MAILING COSTS ARE CHARGED TO THE REQUESTOR.

CONFLICT OF INTEREST POLICY AND GOVERNING DOCUMENTS:

IF THE GOVERNING DOCUMENTS AND CONFLICT OF INTEREST POLICY OF OUR ORGANIZATION ARE SUBJECT TO THE FEDERAL PUBLIC DISCLOSURE RULES (OR STATE PUBLIC DISCLOSURE RULES), THESE DOCUMENTS WILL BE MADE PUBLICLY AVAILABLE AS APPLICABLE LAW MAY REQUIRE. OTHERWISE, THE GOVERNING DOCUMENTS AND CONFLICT OF INTEREST POLICY WILL BE PROVIDED TO THE PUBLIC AT THE DISCRETION OF MANAGEMENT

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AUDIT FINANCIAL STATEMENTS

PART IV, LINE 12:

THE ORGANIZATION DID NOT RECEIVE A STAND ALONE AUDITED FINANCIAL

STATEMENT FOR THE YEAR FOR WHICH IT IS COMPLETING THIS RETURN. HOWEVER,

THE ORGANIZATION WAS INCLUDED IN THE CONSOLIDATED FINANCIAL STATEMENT

AUDIT PERFORMED FOR THE UNIVERSITY OF MARYLAND MEDICAL SYSTEM AND

SUBSIDIARIES FOR THE REPORTING YEAR BY OUR AUDITING FIRM, KPMG.



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MEMBERS

PART VI, LINES 6 AND 7

THE UNIVERSITY OF MARYLAND MEDICAL SYSTEM CORPORATION IS A MEMBER OF

SHORE HEALTH SYSTEM, INC., SHORE HEALTH SYSTEMS, INC. AND UNIVERSITY OF

MARYLAND MEDICAL SYSTEM CORPORATION MAY ELECT MEMBERS AND APPROVE

DECISIONS OF THE SHORE HEALTH SYSTEM BOARD.

**SCHEDULE R  
(Form 990)**

**Related Organizations and Unrelated Partnerships**

OMB No. 1545-0047

**2008**

Open to Public Inspection

Department of the Treasury  
Internal Revenue Service

▶ 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.

Name of the organization

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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
CHESAPEAKE NEUROLOGICAL SURGERY 20-2995904 219 S. WASHINGTON STREET EASTON, MD 21601	HEALTHCARE	MD	2,053,050.	472,032.	SHORE HEALTH
CHESAPEAKE EAR, NOSE, THROAT & SINUS 20-2995846 219 S. WASHINGTON STREET EASTON, MD 21601	HEALTHCARE	MD	1,366,870.	251,745.	SHORE HEALTH

**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

**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?		(I) Code V-UBI amount in box 20 of Schedule K-1 (Form 1065)	(J) General or managing partner?	
							Yes	No		Yes	No
SEE SCHEDULE R-1											

**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
SEE SCHEDULE R-1							

**Part V Transactions With Related Organizations**

Note. Complete line 1 if any entity is listed in Parts II, III, or IV.

	Yes	No
<b>1</b> 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?		
<b>a</b> Receipt of (i) interest (ii) annuities (iii) royalties (iv) rent from a controlled entity	X	
<b>b</b> Gift, grant, or capital contribution to other organization(s)	X	
<b>c</b> Gift, grant, or capital contribution from other organization(s)	X	
<b>d</b> Loans or loan guarantees to or for other organization(s)		X
<b>e</b> Loans or loan guarantees by other organization(s)	X	
<b>f</b> Sale of assets to other organization(s)		X
<b>g</b> Purchase of assets from other organization(s)		X
<b>h</b> Exchange of assets		X
<b>i</b> Lease of facilities, equipment, or other assets to other organization(s)		X
<b>j</b> Lease of facilities, equipment, or other assets from other organization(s)	X	
<b>k</b> Performance of services or membership or fundraising solicitations for other organization(s)	X	
<b>l</b> Performance of services or membership or fundraising solicitations by other organization(s)	X	
<b>m</b> Sharing of facilities, equipment, mailing lists, or other assets		X
<b>n</b> Sharing of paid employees		X
<b>o</b> Reimbursement paid to other organization for expenses	X	
<b>p</b> Reimbursement paid by other organization for expenses	X	
<b>q</b> Other transfer of cash or property to other organization(s)		X
<b>r</b> Other transfer of cash or property from other organization(s)		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) SHORE HEALTH ENTERPRISES	A	80,857.
(2) SHORE HEALTH ENTERPRISES	J	57,000.
(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

**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
BALTIMORE WASHINGTON EMERGENCY PHYS., INC. 52-1756326 301 HOSPITAL DRIVE GLEN BURNIE, MD 21061	HEALTH CARE	MD	501 (C) (3)	11	BWMS
BALTIMORE WASHINGTON HEALTHCARE SERVICES 52-1830243 301 HOSPITAL DRIVE GLEN BURNIE, MD 21061	HEALTH CARE	MD	501 (C) (3)	11	BWMS
BALTIMORE WASHINGTON MEDICAL CENTER, INC. 52-0689917 301 HOSPITAL DRIVE GLEN BURNIE, MD 21061	HEALTH CARE	MD	501 (C) (3)	3	BWMS
BALTIMORE WASHINGTON MEDICAL SYSTEM, INC. 52-1830242 301 HOSPITAL DRIVE GLEN BURNIE, MD 21061	HEALTH CARE	MD	501 (C) (3)	11	UMMSC
BW MEDICAL CENTER FOUNDATION, INC. 52-1813656 301 HOSPITAL DRIVE GLEN BURNIE, MD 21061	FUNDRAISING	MD	501 (C) (3)	11	BWMS
NORTH ARUNDEL DEVELOPMENT CORPORATION 52-1318404 301 HOSPITAL DRIVE GLEN BURNIE, MD 21061	REAL ESTATE	MD	501 (C) (2)		BWMS
NORTH COUNTY CORPORATION 52-1591355 301 HOSPITAL DRIVE GLEN BURNIE, MD 21061	REAL ESTATE	MD	501 (C) (2)		BWMS
CHESTER RIVER HEALTH FOUNDATION, INC. 52-1338861 100 BROWN STREET CHESTERTOWN, MD 21620	FUNDRAISING	MD	501 (C) (3)	11	CRHS
CHESTER RIVER HEALTH SYSTEM, INC. 52-2046500 100 BROWN STREET CHESTERTOWN, MD 21620	HEALTH CARE	MD	501 (C) (3)	11	UMMSC
CHESTER RIVER HOSPITAL CENTER, INC. 52-0679694 100 BROWN STREET CHESTERTOWN, MD 21620	HEALTH CARE	MD	501 (C) (3)	3	CRHS
CHESTER RIVER MANOR, INC. 52-6070333 200 MORGNEC ROAD CHESTERTOWN, MD 21620	HEALTH CARE	MD	501 (C) (3)	11	CRHS
MARYLAND GENERAL CLINICAL PRACTICE GROUP 52-1566211 827 LINDEN AVENUE BALTIMORE, MD 21201	HEALTH CARE	MD	501 (C) (3)	11	MGHS
MARYLAND GENERAL COMM. HEALTH FOUNDATION 52-2147532 827 LINDEN AVENUE BALTIMORE, MD 21201	FUNDRAISING	MD	501 (C) (3)	11	MGHS
MARYLAND GENERAL HEALTH SYSTEMS, INC. 52-1175337 827 LINDEN AVENUE BALTIMORE, MD 21201	HEALTH CARE	MD	501 (C) (3)	11	UMMSC
MARYLAND GENERAL HOSPITAL, INC. 52-0591667 827 LINDEN AVENUE BALTIMORE, MD 21201	HEALTH CARE	MD	501 (C) (3)	3	MGHS

Schedule R-1 (Form 990) 2008

**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
CARE HEALTH SERVICES, INC. 52-1510269 219 SOUTH WASHINGTON STREET EASTON, MD 21601	HEALTH CARE	MD	501 (C) (3)	11	SHS
DORCHESTER GENERAL HOSPITAL FOUNDATION 52-1703242 219 SOUTH WASHINGTON STREET EASTON, MD 21601	FUNDRAISING	MD	501 (C) (3)	11	SHS
MEMORIAL HOSPITAL FOUNDATION, INC. 52-1282080 219 SOUTH WASHINGTON STREET EASTON, MD 21601	FUNDRAISING	MD	501 (C) (3)	11	SHS
SHORE CLINICAL FOUNDATION, INC. 52-1874111 219 SOUTH WASHINGTON STREET EASTON, MD 21601	HEALTH CARE	MD	501 (C) (3)	11	SHS
SHORE HEALTH SYSTEM, INC. 52-0610538 219 SOUTH WASHINGTON STREET EASTON, MD 21601	HEALTH CARE	MD	501 (C) (3)	3	UMMSC
JAMES LAWRENCE KERNAN HOSP. ENDOW FD 23-7360743 2200 KERNAN DRIVE BALTIMORE, MD 21207	FUNDRAISING	MD	501 (C) (3)	11	UMMSC
JAMES LAWRENCE KERNAN HOSPITAL, INC. 52-0591639 2200 KERNAN DRIVE BALTIMORE, MD 21207	HEALTH CARE	MD	501 (C) (3)	3	UMMSC
SHIPLEY'S CHOICE MEDICAL PARK, INC. 04-3643849 22 SOUTH GREENE STREET BALTIMORE, MD 21201	REAL ESTATE	MD	501 (C) (2)		UMMSC
UMMS FOUNDATION, INC. 52-2238893 22 SOUTH GREENE STREET BALTIMORE, MD 21201	FUNDRAISING	MD	501 (C) (3)	11	UMMSC
UNIVERSITY OF MD. MEDICAL SYSTEM CORP. 52-1362793 22 SOUTH GREENE STREET BALTIMORE, MD 21201	HEALTH CARE	MD	501 (C) (3)	3	UMMSC
UNIVERSITY SPECIALTY HOSPITAL 52-0882914 611 SOUTH CHARLES STREET BALTIMORE, MD 21230	HEALTH CARE	MD	501 (C) (3)	3	UMMSC

**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?		(I) Code V-UBI amount on box 20 of K-1	(J) General or managing partner?	
							Yes	No		Yes	No
ARUNDEL PHYSICIANS ASSOCIATES, 301 HOSPITAL DRIVE	HEALTH CARE	MD	APA, INC					X			X
CENTRAL MD REHABILITATION CENT 22 SOUTH GREENE STREET	HEALTH CARE	MD	UMMSC					X			X
HELEN P. DENIT CANCER TREATMEN 22 SOUTH GREENE STREET	HEALTH CARE	MD	UMMSC					X			X
INNOVATIVE HEALTH, LLC 52-1997 23165 CANVASBACK DRIVE, SUITE	BILLING	MD	SHS					X			X
NORTH ARUNDEL PET CENTER, LLC 301 HOSPITAL DRIVE	HEALTH CARE	MD	BWPS, INC.					X			X
NORTH ARUNDEL SENIOR LIVING, L 301 HOSPITAL DRIVE	HEALTH CARE	MD	BWNE, INC.					X			X
NAH/SUNRISE OF SEVERNA PARK, L 301 HOSPITAL DRIVE	HEALTH CARE	MD	BWNE, INC.					X			X
SHIPLEY'S IMAGING CENTER, LLC 22 SOUTH GREENE STREET	HEALTH CARE	MD	UMMSC					X			X
UNIVERSITYCARE, LLC 52-1914892 22 SOUTH GREENE STREET	HEALTH CARE	MD	UMMSC					X			X
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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
ARUNDEL PHYSICIANS ASSOCIATE 52-1992649 301 HOSPITAL DRIVE GLEN BURNIE, MD 21061	HEALTH CARE	MD	BWHE	C CORP			
BALTIMORE WASHINGTON HEALTH 52-1936656 301 HOSPITAL DRIVE GLEN BURNIE, MD 21061	HEALTH CARE	MD	BWMS	C CORP			
BW PROFESSIONAL SERVICES, IN 52-1655640 301 HOSPITAL DRIVE GLEN BURNIE, MD 21061	HEALTH CARE	MD	BWHE	C CORP			
COUNCIL OF UNIT OWNERS OF MD 52-1891126 827 LINDEN AVENUE BALTIMORE, MD 21201	REAL ESTATE	MD	MGHS	C CORP			
SHORE HEALTH ENTERPRISES, IN 52-1363201 219 SOUTH WASHINGTON STREET EASTON, MD 21601	REAL ESTATE	MD	SHS	C CORP	57,184.	752,111.	100.0000
UNIVERSITY LITHOTRIPTER, INC 52-1451021 22 SOUTH GREENE STREET BALTIMORE, MD 21201	HEALTH CARE	MD	UMMSC	C CORP			
UMMS SELF INSURANCE TRUST 52-6315433 22 SOUTH GREENE STREET BALTIMORE, MD 21201	INSURANCE	MD	UMMSC	TRUST			
TERRAPIN INSURANCE COMPANY 98-0129232 P.O. BOX 1109 KY1-1102 GRAND CAYMAN, CAYMAN ISLANDS	INSURANCE	CJ	UMMSC	C CORP			
NA EXECUTIVE BUILDING CONDO 52-1992649 301 HOSPITAL DRIVE GLEN BURNIE, MD 21061	REAL ESTATE	MD	NADCO	C CORP			

**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-v)	(C) Amount involved
(7)		
(8)		
(9)		
(10)		
(11)		
(12)		
(13)		
(14)		
(15)		
(16)		
(17)		
(18)		
(19)		
(20)		
(21)		
(22)		
(23)		
(24)		

FORM 990, PART III - PROGRAM SERVICES

4A PROGRAM SERVICE

SHORE HEALTH SYSTEM, INC. IS A 212 LICENSED BED COMMUNITY HOSPITAL PROVIDING A FULL RANGE OF INPATIENT AND OUTPATIENT CLINICAL SERVICES TO THE MARYLAND MID-SHORE AREA; INCLUDING GENERAL HOSPITAL, EMERGENCY, AND SPECIALIZED SERVICES AS WELL AS OUTPATIENT CENTERS FOR PRIMARY CARE, DIAGNOSTICS, TREATMENT, EDUCATION, AND REHABILITATION. THE SYSTEM OFFERS FREE EDUCATION PROGRAMS AND SERVICES TO PROMOTE HEALTH AWARENESS IN THE COMMUNITY.

DURING FY 2009, THE SYSTEM PROVIDED CARE FOR 14,918 INPATIENTS RESULTING IN 54,594 DAYS OF PATIENT CARE, TREATED 57,635 PATIENTS IN THE ER, AND PERFORMED 14,937 SURGERIES IN THE OR. THE SYSTEM'S ANCILLARY SERVICE DEPARTMENTS REALIZED 339,390 OUTPATIENT ENCOUNTERS. HOME HEALTH/HOSPICE SERVICES WERE PROVIDED TO 1,901 PATIENTS IN 31,343 NURSING VISITS.

THE SYSTEMS MISSION STATEMENT IS "TO EXCEL IN QUALITY CARE AND PATIENT SATISFACTION". ITS STRATEGIC PRINCIPLE IS "EXCEPTIONAL CARE, EVERY DAY", AND ITS VALUES STATEMENT IS "EVERY INTERACTION WITH ANOTHER IS AN OPPORTUNITY TO CARE". AS A PART OF ITS MISSION, THE SYSTEM PROVIDES CHARITY CARE TO PATIENTS UNABLE TO PAY, PROVIDING \$4.3 MILLION OF CHARITY CARE IN FY 2009.

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

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NAME AND ADDRESS -----	DESCRIPTION OF SERVICES	COMPENSATION -----
WILLOW CONSTRUCTION 400 MARYLAND AVENUE EASTON, MD 21601	CONSTRUCTION	1,359,600.
EAGLE HOSPITAL PHYSICIANS LLC 5901C PEACHTREE DUNWOODY RD ATLANTA, GA 30328	PHYSICIAN	3,148,272.
TIDEWATER ANESTHESIA ASSOCIATES, PA PO BOX 1208 EASTON, MD 21601	PHYSICIANS	798,352.
INNOVATIVE HEALTH SERVICES LLC PO BOX 778 EASTON, MD 21601	BENEFITS ADMIN	707,720.
MEDICUS ANESTHESIA PHYSICIAN SERVICE 7 INDUSTRIAL WAY, UNIT 5 SALEM, NH 03079	PHYSICIAN	523,233.
TOTAL COMPENSATION		----- 6,537,177. =====

SHORE HEALTH SYSTEM, INC.

52-0610538

FORM 990, PART VIII - INVESTMENT INCOME

DESCRIPTION -----	(A) TOTAL REVENUE -----	(B) RELATED OR EXEMPT REVENUE -----	(C) UNRELATED BUSINESS REV. -----	(D) EXCLUDED REVENUE -----
INTEREST, DIVIDENDS	934,000.	-----	-----	934,000.
TOTALS	934,000.	-----	-----	934,000.

SHORE HEALTH SYSTEM, INC.

52-0610538

FORM 990, PART VIII - FUNDRAISING EVENTS  
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DESCRIPTION -----	GROSS INCOME -----	DIRECT EXPENSES -----	NET INCOME -----
DGH 2009 SNOWBALL	14,274.	25,919.	-11,645.
TOTALS	14,274.	25,919.	-11,645.