Nonprofit Corporation Law Discussion Document

Your client, St. Lawrence Hospital, has begun to ramp up its physician integration efforts. Indeed, over the past three years it has greatly increased the number of employed physicians. To date, these physicians have been directly employed by the Hospital. Management is now wondering whether it makes sense to place its employed physicians into a separate corporate entity and has asked you to advise it on issues pertaining to Illinois corporate law.

1. Can the St. Lawrence Medical Group ("SLMG") be structured as a nonprofit corporation?

2. How would SLMG go about becoming a nonprofit corporation?
   - "Charter"

3. Identify the key "actors" in a nonprofit corporation.
   - What are their functions?
   - How prescribed are their roles? (Reserved Powers)
   - Must a corporation have Members?
   - What "types" of Members are there?
   - Classes of Members

4. Can SLMG declare a dividend in order to transfer money to St. Lawrence?

5. How should SLMG minimize the risk of:
   - Ultra vires activities
   - Piercing the corporate veil

6. What is the difference between nonprofit and tax-exempt?

7. Three years later St. Lawrence management decides that a separately incorporated medical group is a bad idea. It moves to dissolve SLMG.
   - Who gets the assets?
   - Are there any limitations on who can receive assets?
8. Draw a simple non-profit corporate structure. Explain the pros and cons of this structure.

9. Last minute change of plans: SLMG is not dissolved.
   - Draw and describe the relationship between St. Lawrence and SLMG.
   - What are the pros and cons of this corporate structure?

10. St. Lawrence wishes to capitalize upon its expertise in IT, and begins to sell services to other health care entities. Business really takes off, and now St. Lawrence is supporting ten other organizations.
   - How might this activity be structured?
   - What should be St. Lawrence’s relationship to this entity?

11. Explain the difference between a holding company and an operating company.

12. St. Lawrence just cannot make up its mind: it now decides to “sell” SLMG.
   - What are its options to structure this transaction?
   - Pros and cons related to each?
   - How do the structuring options differ, if at all, from how a “sale” of the St. Lawrence I.T. Company would be structured?

13. St. Lawrence is approached by a neighboring nonprofit hospital, Beazley Health, which wishes to join the St. Lawrence health system.
   - What are the options that St. Lawrence can offer it?
   - Pros and cons related to each?
   - What should be the name of the new system?

14. LLC, PLLC, P.C., S.C. entities