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May 13, 2024

Board of Directors  
Suburban Friendship League  
2416 Rosedown Drive  
Reston, Virginia 20191

Re: Suburban Friendship League Dissolution

Dear Sirs and Madam:

You have asked that this firm provide its opinion concerning the dissolution of the Suburban Friendship League and the associated distribution of funds to its member clubs.

Our opinions expressed herein are as of the date hereof, and we undertake no obligation to advise you of any changes in applicable law or any other matters that may come to our attention after the date hereof that may affect our opinions expressed herein.

This opinion letter is delivered solely for your benefit in connection with the Transaction and may not be used or relied upon by any other person or for any other purpose without our prior written consent in each instance. As we have discussed, you have the right to disclose this letter in your discretion, both to individuals and individual entities and by posting to websites or otherwise. Such disclosure does not provide any person other than the corporation with any standing to rely on the opinion letter for any purpose.

We have acted as counsel to the Suburban Friendship League (the "SFL" ) in connection with the dissolution of the SFL as an entity (the "Transaction"). The opinions set forth herein are limited to matters governed by the laws of the Commonwealth of Virginia and the federal laws of the United States, and no opinion is expressed herein as to the laws of any other jurisdiction.

We express no opinion concerning any matter respecting or affected by any laws other than laws that a lawyer in Virginia exercising customary professional diligence would reasonably recognize as being directly applicable to the SFL, the Transaction or both.

In forming our opinion, we have reviewed the following documents:

1. Background Material and Questions Relating to the SFL's Dissolution Process (February 11, 2023)
2. Club Approved Suburban Friendship League Dissolution Process
3. Agenda Items for Meeting With Legal Counsel Relating to the SFL Dissolution Process
4. Minutes of SFL Dissolution Process Meeting (slide format) April 19, 2024
5. SFL 990 (2022 and 2023)
6. SFL initial determination letter from IRS
7. IRS Non-Profit forms and instructions
  1. <https://www.irs.gov/charities-non-profits/termination-of-an-exempt-organization>
  2. SCHEDULE N (Form 990) with instructions
8. SFL corporate documents (charter and other documents available on SFL website and SFL Articles of Incorporation)
9. Letters to multiple soccer clubs dealing with individual issues relating to those clubs uniquely.

We have also reviewed the information concerning the SFL and its member clubs available on the IRS site: <https://www.irs.gov/charities-non-profits/search-for-tax-exempt-organizations>.

In connection with this dissolution, you have requested that we opine concerning various matters. The questions presented are the following (in some cases the question presented has been paraphrased or combined with a similar question):

1. Are the definitions used in the Dissolution Process document acceptable? (Several questions concerning the acceptability of the terms used in the document).
2. Are the processes to determine the appropriate entities entitled to vote and the necessary quorum and other procedural issues for such vote laid out in the Dissolution Process Document or otherwise used to notify interested parties and conduct the meeting of those entities acceptable? (Several questions concerning notice, eligible entities and interested parties, notice requirements and quorum and other meeting issues).
3. Are the processes used to distribute the funds available upon dissolution appropriate and are those determinations concerning which entities are eligible for distribution acceptable? In addition, are the deductions or other diminution of distributions to certain entities appropriate?
4. Can the SFL undertake dissolution activities and then formally terminate its existence after all such activities have occurred?
5. As conducted, is the overall process of dissolution of the SFL legally appropriate and sufficient to comply with Virginia and federal government (IRS) requirements?

## **FACTUAL CONCLUSIONS**

As noted in the documents provided to this firm, since the Spring 2000 season, over 22,000 teams representing over thirty (30) clubs participated in the SFL. Many of the current SFL clubs have been with the SFL for a long time. Other clubs participated in the past and dropped out for a variety of reasons such as the club is no longer viable or the club no longer desired to use the SFL's services while other clubs have joined the SFL recently. This variation in the experience of a given club in its interactions with the SFL makes it necessary to establish a reasonably complex scheme for distribution of funds from the SFL upon its dissolution. In particular, the various nature of the tax status of the individual clubs determines what, if any, distribution may be made to a club. Additionally, there are accounting issues unique to each club which affect whether any payment is due to that club.

Initially, it should be recognized that the rules related to the distribution of funds from any non-profit upon its dissolution are governed by the strict regulations concerning appropriate recipients imposed by the Internal Revenue Service (IRS) and the Virginia Code. (See Internal Revenue Code Section 6043(b), Treasury Regulations Section 1.6043-3, and VA Code § 13.1-907. Distribution and plan of distribution of assets). The

overall process is governed by the instructions laid out in Schedule N (Form 990) 2023. Additionally, the Articles of Incorporation reflect the limitations imposed by state and federal law, providing that "... all assets remaining after the payment of the Corporation's debts shall be conveyed or distributed to an organization or organizations created and operated exclusively for charitable and non-profit purposes similar to those of the Corporation and consistent with the exempt purposes provided for under §501 (c)(3) of the Code."

The process required by the applicable IRS regulations and the Virginia Code limits distributions to recognized 501(c)(3) organizations (the regulations and Code also limit distributions to organizations which conduct activities similar to that of the dissolving organization, but that test is met by simply returning funds to the actual member clubs if they otherwise qualify).

The documents provided to this firm exhaustively document the status of the various clubs as qualified 501(c)(3) organizations except in a limited number of circumstances. In those circumstances, either the failure of a club to qualify is documented, or this firm was asked to query the club to obtain confirmation of its status. As of the date of this letter, this firm has not received any communications in response to its letters to those clubs about which there was a question. This firm has reviewed the status of each of those clubs using the IRS look-up tool. The two clubs which could not be confirmed as exempt are not otherwise listed as eligible to participate in the distribution.

## **OPINION RELATED TO QUESTIONS PRESENTED**

Based upon and subject to the foregoing and any further assumptions, limitations and qualifications hereinafter expressed, it is our opinion that:

1. **Definitions.** The plan of dissolution also exhaustively documents the status of each affected club in terms of the amounts paid in, due from, and otherwise related to participation and qualification for distribution. In documenting these distinctions, the definitions established for the process on Pages 1-2 and Appendix 1 of the plan are accurate and based upon the actual distinctions in the different clubs which lead to differing treatment under the distribution process. In particular, the discussion of the non-profit status and the documentation of that status is crucial to the qualification for distribution under the plan.
2. **Process.** The plan of dissolution properly documents the rationale for varying amounts of distribution of the surplus of the SFL. Additionally, the process used for the determination of the quorum, meeting procedures, and

voting rights and processes are all within the bounds of Virginia non-profit law concerning the management of the corporation.

3. **Dissolution and Termination.** The process proposed in the plan of dissolution properly contemplates dissolution and then the termination of corporate existence. The Virginia Code contemplates that just such a process will be followed.

**The actual termination of the corporate existence:** Under the Code and Virginia SCC procedures, the corporation must (1) prepare and implement: [a] plan providing for the distribution of assets, and (2) in accordance with that plan rid itself of all of its assets by paying claims, liquidating dividends, or assigning to a trustee or trustees for the benefit of claimants or shareholders, in order to file these articles. Only after that may it file the Articles of Termination (See, § 13.1-907 - § 13.1-912)

4. **Is the Process Legally Appropriate and Sufficient.**

- a. Under the plan:

- i. The dissolved corporation shall deliver to each of its known claimants written notice of the dissolution at any time after its effective date. Notice to others by publication is discretionary.<sup>1</sup>
- ii. Thereafter, "The board of directors shall cause the dissolved corporation to apply its remaining assets to discharge or make reasonable provision for the payment of claims and make distributions of assets to members after payment or provision for claims."<sup>2</sup>
- iii. When a corporation has distributed all of its assets and voluntary dissolution proceedings have not been revoked, it shall file articles of termination of corporate existence with the Commission.<sup>3</sup>

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<sup>1</sup> A dissolved corporation **may** also ... (ii) publish notice of its dissolution one time in a newspaper of general circulation in the city or county where the dissolved corporation's principal office, or, if none in the Commonwealth, its registered office, is or was last located. (*emphasis added*)

<sup>2</sup> § 13.1-908.3. Director duties.

<sup>3</sup> § 13.1-912. Articles of termination of corporate existence.

- b. "If the [Virginia State Corporation] Commission finds that the articles of termination of corporate existence comply with the requirements of law and that all required fees have been paid, it shall by order issue a certificate of termination of corporate existence. Upon the issuance of such certificate, the existence of the corporation shall cease, except for the purpose of suits, other proceedings and appropriate corporate action by members, directors and officers as provided in this Act." <sup>4</sup>

The plan provides for each required step and is therefore legally appropriate and sufficient to fully satisfy the requirements of the Commonwealth.

Since the plan carefully limits the distribution to those organizations that qualify as 501(c)(3) organizations and all of the organizations to which distribution is contemplated are engaged in activities similar to that of the SFL, the plan is also legally appropriate and sufficient to comply with Federal and State tax requirements limiting distribution to such qualifying firms.

Sincerely,



J. Michael Slocum