

IETF LLC

Legal and Financial Documents



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IETF 102



Agenda

- Draft legal agreements
 - LLC Agreement
 - Transition and Shared Services Agreement
- Next steps

LLC Agreement highlights

- LLC establishment
- LLC Board of Directors
- Safeguards
- Capital contributions from ISOC to LLC



LLC establishment

- Corporate legal home for IETF, IAB, and IRTF administration.
- Located in Delaware, US.
 - An easy place to set up as a legal/administrative matter.
 - Potentially reinforces external perception of independence of LLC from ISOC.
- LLC treated as “disregarded entity” for tax purposes.
 - Preservation of ISOC’s tax status.
 - Single tax return.
- LLC treated as an independent legal entity for other purposes.



LLC Board of Directors

- Relevant points from draft-ietf-iasa2-struct about composition, terms, etc. all captured in Exhibit A.
- LLC Board required to provide IETF community with opportunity to review and comment prior to adopting any amendments to Exhibit A.

Safeguards

- In case the LLC engages in a sustained material breach of its obligations to ISOC, ISOC has the right to dismiss any or all LLC Board Directors.
- Mutual agreement of ISOC and LLC is required to dissolve LLC or to transfer membership in LLC.
- ISOC reserves the right to approve:
 - Amendments to LLC Agreement.
 - Fundamental and material change to the nature of the LLC's activities.
 - Material change in accounting or tax policies previously agreed.
 - Admission of new members, mergers, sale of all LLC assets, etc.
 - Conversion of LLC to another form of legal entity.

Capital contributions from ISOC to the LLC



Goals

- Cover the LLC's annual operational expenses without needing to go back to ISOC (or others) for help closing gaps before the end of each fiscal year.
- Lay the foundation to allow the LLC to be successful.
- Accommodate increased expenses associated with running the LLC.
- Have flexibility to experiment with new initiatives that further the IETF's mission.

Proposed ISOC contributions

- Annual contribution: \$5M
- Up-front contributions:
 - \$9-10M Operating Reserve, defined as 2019 budgeted total IETF revenue less annual ISOC contribution less total IETF expenses multiplied by 3 (years).
 - \$2.6M IETF Endowment transfer.
- Re-evaluate after 2 years (September 2020).

Sample preliminary LLC budget (\$K)

	2018	2019	2020
Revenue			
ISOC annual contribution	\$2,692	\$5,000	\$5,000
ISOC in-kind	315	0	0
Meeting revenue	3,909	4,154	4,219
In-kind revenue	113	35	35
Total	\$7,029	\$9,189	\$9,254
Expenses			
Meeting expenses	\$3,089	\$3,172	\$3,215
RFC services	1,238	1,262	1,198
IETF secretariat	1,375	1,404	1,436
Operating costs	670	1,564	1,795
ISOC support	315	0	0
Transition costs	75	0	0
Special projects	50	50	50
Tools	217	221	226
Total	\$7,029	\$7,674	\$7,920
Net surplus		\$1,516	\$1,334

LLC reserve balance and endowment (\$K)

	2018	2019	2020
Prior year balance		\$9,000	\$10,980
Operational reserve	9,000		
Annual net surplus		1,516	1,334
Investment income		464	548
Reserve total	\$9,000	\$10,980	\$12,862
Endowment	\$2,610	115	115
Endowment total	\$2,610	\$2,725	\$2,840

Transition and Shared Service Agreement

- Transition: all IETF contracts and property to be assigned to LLC.
- Shared services: assumption that LLC will not be using ISOC services (IT, HR, accounting, etc.).

Next steps

- WG consensus on bits of draft-ietf-iasa2-struct reflected in LLC Agreement.
- Incorporate feedback in legal agreements from mailing list and today.
- Re-review from IETF and ISOC legal counsel.
- Post proposed final versions of agreements for short final review by IETF community.
- Execute agreements and create LLC.

Now



August 2018

Nomcom needs

- Number of LLC Board seats to fill
 - One 1-year appointment,
 - One 2-year appointment, and
 - One 3-year appointment?
- Timeline for getting appointments done, if different from usual
- LLC Board Director job description
- Advisor on LLC Board matters
- Directions from IAOC about (not) filling IAOC seats

Responsible parties for shepherding the transition

Oversight

IAOC →
Interim LLC Board

Operations

IAD + IETF Counsel

working with ISOC
and contractors

IETF Documentation

IASA2 WG

Discussion

