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)

<table>
<thead>
<tr>
<th></th>
<th>2018</th>
<th>2019</th>
<th>2020</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Revenue</strong></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>ISOC annual contribution</td>
<td>$2,692</td>
<td>$5,000</td>
<td>$5,000</td>
</tr>
<tr>
<td>ISOC in-kind</td>
<td>315</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Meeting revenue</td>
<td>3,909</td>
<td>4,154</td>
<td>4,219</td>
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<tr>
<td>In-kind revenue</td>
<td>113</td>
<td>35</td>
<td>35</td>
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<tr>
<td><strong>Total</strong></td>
<td><strong>$7,029</strong></td>
<td><strong>$9,189</strong></td>
<td><strong>$9,254</strong></td>
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<tr>
<td><strong>Expenses</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Meeting expenses</td>
<td>$3,089</td>
<td>$3,172</td>
<td>$3,215</td>
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<tr>
<td>RFC services</td>
<td>1,238</td>
<td>1,262</td>
<td>1,198</td>
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<tr>
<td>IETF secretariat</td>
<td>1,375</td>
<td>1,404</td>
<td>1,436</td>
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<tr>
<td>Operating costs</td>
<td>670</td>
<td>1,564</td>
<td>1,795</td>
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<tr>
<td>ISOC support</td>
<td>315</td>
<td>0</td>
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<td>Transition costs</td>
<td>75</td>
<td>0</td>
<td>0</td>
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<tr>
<td>Special projects</td>
<td>50</td>
<td>50</td>
<td>50</td>
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<tr>
<td>Tools</td>
<td>217</td>
<td>221</td>
<td>226</td>
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<tr>
<td><strong>Total</strong></td>
<td><strong>$7,029</strong></td>
<td><strong>$7,674</strong></td>
<td><strong>$7,920</strong></td>
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<tr>
<td><strong>Net surplus</strong></td>
<td></td>
<td><strong>$1,516</strong></td>
<td><strong>$1,334</strong></td>
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</tbody>
</table>
## LLC reserve balance and endowment ($K)

<table>
<thead>
<tr>
<th></th>
<th>2018</th>
<th>2019</th>
<th>2020</th>
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</thead>
<tbody>
<tr>
<td>Prior year balance</td>
<td></td>
<td>$9,000</td>
<td>$10,980</td>
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<tr>
<td>Operational reserve</td>
<td>9,000</td>
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<td></td>
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<tr>
<td>Annual net surplus</td>
<td></td>
<td>1,516</td>
<td>1,334</td>
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<tr>
<td>Investment income</td>
<td></td>
<td>464</td>
<td>548</td>
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<tr>
<td><strong>Reserve total</strong></td>
<td><strong>$9,000</strong></td>
<td><strong>$10,980</strong></td>
<td><strong>$12,862</strong></td>
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<tr>
<td>Endowment</td>
<td>$2,610</td>
<td>115</td>
<td>115</td>
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<tr>
<td><strong>Endowment total</strong></td>
<td><strong>$2,610</strong></td>
<td><strong>$2,725</strong></td>
<td><strong>$2,840</strong></td>
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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.
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