

Global Digital LLC

1100 Glendon Ave.
17th Floor
Los Angeles, CA.
90024

December 2, 2011

AMENDED DECEMBER 5, 2011

Dear ICANN New gTLD Management

Comments Regarding The Financial Structure Of The Continuity Of Operations (COI) In The Applicant Guidebook

Thank you for the opportunity to submit my contribution regarding the financial structure of the Continuity Of Operations (COI) In The Applicant Guidebook.

If It Isn't Broken Don't Fix It.

For a number of years ICANN has successfully collected registry level fees based on a quarterly minimum payment schedule. Additional payments due for domain registrations that exceeded the guaranteed quarterly minimum payment are charged at a multiple of 18 cents per domain.

This guaranteed minimum payment program assures the ongoing operation of ICANN which is fair and reasonable and has a track record of success. Therefore, it is logical to apply this same financial structure to the COI.

The Guaranteed Minimum COI Registry Security Fee**How It Works**

Following the same ICANN model of collecting registry level fees, a COI Registry Security Fee would be collected along with the US \$6,250.00 per calendar quarter of registry operation. It is suggested that the quarterly COI Registry Security Fee prepayment would be half the Registry-Level Transaction Fee tracking at \$3,125.00 per calendar quarter.

This is a fair and reasonable payment tracking amount that automatically increases once registered domains surpass the quarterly prepayment reserve threshold.

In the same way that the ICANN Registry Fee is paid, the following suggested **COI Registry Security Fee Schedule** would link domains registered to the amounts of Registry Security Fees collected.

This model makes enormous sense as the implementation would be straightforward and RSF contribution will proportionately scale to registry growth. Once an agreed level of Registry Security Fees have been secured, approximately \$150k, the RSF would reduce to a nominal rate of one cent per domain registered.

COI Registry Security Fee “Pay As You Grow” Logic

There is a per gallon/liter road tax assessed at the pump for fuel. The more you drive, the more you pay. Similarly, a **RSF** “reserve per domain transaction” to cover possible registry disruptions should accumulate proportionate to the level of domain registries generated by a given registry. There is no “redistribution of wealth” issue and you pay your COI proportionate obligation as you grow your registry.

ICANN REGISTRY FEE	REGISTRY SECURITY FEE	TOTAL FEES	Domains Registered	Fees Collected	Accumulated Security Fees Collected
25 cents	10 cents	35 cents	Up to 100k domains	100k x 10 cts = \$10,000.00	\$10,000
25 cents	9 cents	34 cents	101k to 200k domains	100k x 9 cts = \$9,000.00	\$19,000
25 cents	8 cents	33 cents	201k to 300k domains	100k x 8 cts = \$8,000.00	\$27,000
25 cents	7 cents	32 cents	301k to 400k domains	100k x 7 cts = \$7,000.00	\$34,000
25 cents	6 cents	31 cents	401k to 500k domains	100k x 6 cts = \$6,000.00	\$40,000
25 cents	5 cents	30 cents	501 to 600k domains	100k x 5 cts = \$5,000.00	\$45,000

It is understood that The final **RSF** contribution levels may well be altered prior to implementation.


Year 1	Q1	Q2	Q3	Q4	Accumulated Security Fees Collected
ICANN REGISTRY LEVEL FEE	\$6,250	\$6,250	\$6,250	\$6,250	\$25,000
REGISTRY SECURITY LEVEL FEE	\$3,125	\$3,125	\$3,125	\$3,125	\$12,500
Year 2	Q1	Q2	Q3	Q4	
ICANN REGISTRY LEVEL FEE	\$6,250	\$6,250	\$6,250	\$6,250	\$25,000
REGISTRY SECURITY LEVEL FEE	\$3,125	\$3,125	\$3,125	\$3,125	\$12,500


This is a fairly cut and paste COI/COF **RSF Program** solution.

Key Advantages Of The COI Registry Security Fee Program

 The RSF Program will encourage New gTLD Registry Applicants to submit more realistic domain registration projections rather than tampered down numbers that are formulated to minimize COI upfront costs.

 The RSF Program will enable New gTLD Applicants to invest higher levels of strategic capital for building-out New gTLD relevance in their multi-national vertical community. ICANN understands how important prelaunch marketing investments can be to the success of New gTLD's as evidenced by the recent investment made by ICANN in its New gTLD Global Awareness Program.

 **It doesn't make sense to pay life insurance on the yet unborn.** Committing capital or arranging LC'S to assure the ongoing function of a New gTLD Registry that will not exist (or begin to risk failure) until at least Q2 of 2013 is illogical and overreaches the intent of the COI. As in the case of the ICAAN Registry Level Fee, the Registry Security Fee Program requires steady fair and reasonable quarterly payments that will enable small, culturally linguistic TLD's to be participants in the New gTLD Program.

 **The COI Registry Security Fee Program will also support the** RySG's proposed Continued Operations Fund ("COF") intent of providing a COI funding mechanism which saves ICANN from being the banker of last resort if a given registry fails. This program draws a bright line of financial responsibility.

In the event a registry cannot afford to contribute to the "pay as you grow" COI payment plan (as provided by the aforementioned COI Registry Security Fee Program) any such registry operator would probably not be able to pay the required quarterly ICANN registry fee payments.

What The COI Registry Security Fee Program is Not

●The COI Registry Security Fee Program **does not** turn ICANN into an Insurer. Any Registry Security Fee payments are to be held in a fiduciary trust escrow account that reports directly to ICANN. Acting as a non-profit, it would serve ICANN's best interest not to commingle or intake these funds as part of their normal course of business. **In short, the COI RSF is not ICANN income.**

An independent third party can be appointed to hold these funds (such as Escrow.Com who has, over the years, earned the trust of the domain industry) who would be paid a pre-arranged nominal management fee to transparently hold such COI RSF funds. Such escrow fees charged would be paid from the interest accrued from COI Registry Security Funds on deposit in the COI RSF escrow account(s). Upon the successful operation of a given registry for the 5 year COI term, ICANN will authorize the Escrow company to return the accumulated COI Registry Security Fee back to the registry operator with any accumulated interest.

E.B.E.R.O. Participant Obligation

In the highly unlikely, mathematically impossible, event that the accumulated amount of COI RSF fees are not sufficient to cover the cost of transfer of failing registry operations, E.B.E.R.O. registry providers would cover the cost of any such nominal financial shortfall. This is fair and reasonable due the fact that any such E.B.E.R.O. registry would be acquiring a TLD extension for global commercialization at fractions of pennies in comparison to the original registry investment. In the event a given E.B.E.R.O declines the registry acquisition "cost of opportunity" another E.B.E.R.O. would have the opportunity to acquire the registry.

In the highly unlikely event no E.B.E.R.O. registry service provider elects to acquire a given failing registry operation, any other ICANN recognized back-end registry would have the opportunity to acquire the failing or abandoned registry.

In Conclusion

What has been proposed is that an Escrow Managed self-funding COI/COF Registry Security Fee Program will secure the ongoing operation of a given TLD whilst protecting ICANN from unintended failing registry consequences that would contradict their organizational charter.

The escrow managed self-funding COI/COF Registry Security Fee Program gives smaller but still culturally important TLD's the opportunity to prove themselves commercially without imposing any extraneous financial obligation on other TLD registries or ICANN.

ICANN management has received a barrage of complaints about the COI. It is believed that the "Occupy the COI" movement can be resolved by adapting the same successfully time tested financial program that ICANN employs with the quarterly registry fee minimum payment program. This solution to resolving the COI/COF is just common sense.

May I thank ICANN for your very kind consideration of this contribution and look forward to the successful launch of the New gTLD program.

Yours Sincerely,

Matt Harper
Managing Partner
Global Digital LLC
1100 Glendon Ave.
17th Floor
Los Angeles, CA.
90024

V. 805 208 6769 UTC -8

F. 310 689 7272