Rev 7-21-11

Proposal for Establishment of Continued Operations Fund

Registries Stakeholder Group

Appendix 8 to the New gTLD Registry Agreement included in the approved Applicant Guidebook contemplates a Continued Operations Instrument (COI) designed to ensure the continued operations of a new gTLD registry in the event of the early termination of the Registry Agreement between the Registry Operator (RO) and ICANN. The Registries Stakeholder Group (RySG) agrees that it is important to set in place measures designed to ensure such continuity of registry services. At the same time, the RySG believes strongly that the measures implemented toward this goal should not be so burdensome as to actually become a roadblock to the success of new registries by causing capital to be tied up unduly. We believe that the important protections sought in Appendix 8 can be achieved in an equitable manner that is responsive to the community's expectation of a stable and reliable TLD namespace, while at the same time allowing for greater competition and innovation from entrepreneurial companies, all in keeping with ICANN's mission. In that light, we propose the following:

- A Continued Operations Fund (COF) will be established for the purpose of providing finances required to ensure that any new gTLD registry that fails can be successfully transferred to a new operator without disruption of service to end-users.

- The COF will be funded by all ROs that are awarded new gTLD contracts. Upon entry of a Registry Agreement with ICANN, the RO would be required to place US$50,000 into escrow with a designated escrow agent. Once the applicable new gTLD is entered into the root, the US$50,000 would be transferred to the COF.

- The Registry Agreement will contain a provision that requires the RO of each new gTLD to pay into the COF an amount equal to US$0.05 per domain year registered in the registry (the "PDY Fee"). Such payments will be made to ICANN on a quarterly basis, provided, that if the annual fee as calculated above would be less than US$50 for a new gTLD, such fee would be waived for that quarter.

- If at any time in the future, the aggregate COF reaches a balance of US$20,000,000 ("Target Balance"), ICANN shall provide notice of such event to the applicable ROs and sixty (60) days following such notice the obligation to pay the PDY Fee shall abate. In the event that at a future time the balance of the COF is below $18,000,000, ICANN shall provide notice of such event to the applicable ROs and sixty (60) days following such notice the obligation to pay the PDY Fee shall be reinstated until such time as the Target Balance is restored.

This addendum was sent to ICANN by the Registries Stakeholder Group (RySG) on July 21, 2011 and is accompanied by the "Proposed Continuing Operations Instrument" memo produced by Afilias and PIR.

- If at any point the Target Balance is deemed by the ICANN Board to be insufficient to provide an adequate level of protection, the RySG and ICANN will negotiate a new Target Balance. Any such negotiation will include an actuarial or similar study prepared by a third party selected by agreement of the RySG and ICANN. The costs associated with such study shall be funded by the COF.

- The COF shall be administered by ICANN in a segregated trust account. If, at any time, the transition of a new gTLD registry is caused by the early termination of an RO's Registry Agreement with ICANN, ICANN may recover from the COF the costs of such transition; provided that the COF may only be drawn upon to fund the operating costs of the transitioned registry for a period of three (3) years following such transition. ICANN shall provide quarterly public reports of all activity within the COF.

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