Article #: 030046	Date: 15 November 2011
Article Name: Evaluation question #46: Projections Template	AGB Reference: Sections 1.2.2, 2.2.2.2, 2.2.2.3, 2.3.2, 2.4.1, attachment to Module 2 – Evaluation Questions and Criteria
Version #: v01	Category: Supplemental Notes

Supplemental Notes
Question Text
Best Practice Suggestions

1. SUPPLEMENTAL NOTES

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1.1 The projections template must not be modified. If applicants believe additional schedules are needed as support, attach the additional schedules within the application response.

1.2 Explanations should be provided for each line item of the projections template, even if applicants input $0.

1.3 Funds to be used in the event of a string contention auction process should not be accounted for in any part of the projections template. The monies accounted for in the template must not be impacted by expected funds to be used for the auction process.

1.4 If an applicant who has existing registry operations wishes to apply to operate additional TLDs, the applicant may divide the cost of operations between all of the registries (commonly called "cost allocation") – those currently supported and the new ones that the applicant proposes. However, each application must "stand-alone." For example, if an applicant is submitting multiple applications, the applicant should:

- Describe the cost allocation method for the proposed gTLD string
- Provide only the costs associated with running the proposed gTLD string in the projections template
- Describe the impact to allocated costs if other applied-for strings do not pass in Question 49 – Worst Case Scenario

1.5 The applicant should ensure that only funding associated with the running of the proposed gTLD string are provided on the projections template. Where multiple applications for New gTLDs are being submitted by the same applicant, do not provide the full funding secured for all applications. Only provide the funding secured for each individual applied-for gTLD.

Section	Notes
I. Projected Cash Inflows and Outflows	
A) Forecasted Registration Volume	Forecasted Registration volume includes new registrations AND renewals. The applicant should provide details of new and renewal registrations for each year. A supplemental schedule should be used to capture this data. The schedule can be attached as supporting documentation in the TLD Application System. An example of a Supplemental Schedule (supplement schedule A) is provided below.
B) Registration Fee	Line I – B) should reflect the average fee (i.e., cash inflow) for total anticipated registrations sold/renewed during the year as defined above in I - A). In the notes field for this line item, the applicant should describe the range of anticipated fees (see example supplemental schedule B below), how those amounts were derived, and how the average fee was calculated for each year.
D) Other Cash Inflows	Other Cash Inflows represents other revenue related cash inflows that will be used to support the registry. The applicant should describe the type and source of other cash inflows. Do not include <u>funding</u> here as part of Other Cash Inflows. Funding should be accounted for in section IV.
F) Labor (Marketing, Customer Support, Technical)	Represents the total costs for the proposed registry for each year.
G) Marketing	
H) Facilities	If costs represent a share of the applicant's existing

	I) General & Administrative	operations, the applicant should indicate how the allocation was determined for the proposed registry.
	J) Interest and Taxes	
	K) Outsourcing Operating Costs, if any	Cost structures in the application must be reflective of the applying registry only (i.e., "stand-alone") and not be dependent on another application.
	L) Other Operating Costs	ICANN annual fees as well as the registry-level transaction fees should be included here.

	A) Operation of SRS	The cash outflow for each year must be based on the total domains under management.
	B) Provision of Whois	
	C) DNS Resolution for Registered Domain Names	
	D) Registry Data Escrow	
	E) Maintenance of Zone in Accordance with DNSSEC	
	F) Total Critical Registry Function Cash Outflows	
	H) 3-Year Total	This 3-Year Total amount should not be equated to the amount of the applicant's Continuing Operations Instrument (COI) for Question 50. This 3-Year Total is only an estimate of the total costs of the critical registry functions during the first three years of operations. As stated in the Applicant Guidebook (Notes section of Question 50) "the actual amount required for the COI will be tied to the cost for a third party to provide the functions, not to the applicant's actual in-house or subcontracting costs for provision of these functions. ICANN is building a model for these costs in conjunction with potential Emergency Back-End Registry Operators (EBERO) service providers. ICANN hopes to be able to

		share guidelines for determining the appropriate amount for the COI with applicants soon. However, absent these guidelines, the applicant is still required to provide its own estimates and explanation for the calculation of the COI Question 50."
IV. Projected Assets & Liabilities		
	A) Cash	Line IV – A should reflect unrestricted cash and cash equivalents only. Escrow balances and restricted cash relating to the requirements of Question #50 should not be included in this line item. Funding required in Question #48 for operation of the registry should be included here.
	J) 3-year Reserve	Line IV – J should only be used if the applicant has restricted cash balances related to a cash escrow account and/or if the applicant has collateralized cash (or other assets) for the purpose of securing a letter of credit, or similar instrument to satisfy requirements of Question #50. In such cases, the cash balance(s) shown on this line should be excluded from line IV – A. Any balance(s) shown in line IV – J are not expected to be reduced over the 3-year period. Applicant should explicitly describe and explain circumstances that deviate from this expectation. If a Letter of Credit is secured in conjunction with meeting the requirements of Question 50, the financial instrument is not expected to be reflected in the financial template with the exception of restricted asset balances (such cash escrows or collateralized cash) which should be detailed in line IV – J. The cost of finance of the LOC included in the General and Administrative line I.

Example Supplemental Schedule A (for illustrative purposes only)

Forecasted Domain Registrations				
Registration Type	**Year 1**	**Year 2**	**Year 3**	**Comments**
New				
Annual	10000	54000	27000	
2 Year	30000	10000	2000	
5 Year	20000	7000	1000	
10 Year	2000	1600	780	
Renewals				
Annual	- 0 -	9000	50400	• Year 2 renewals of 9000 are based on a 90% retention rate of Year 1 new registrations sold of 10000 • Year 3 renewals of 50400 are based on an approximate 80% retention rate of total Year 2 registrations sold of 63000 (54000 new plus 9000 renewal)
2 Year	- 0 -	- 0 -	24000	• Year 3 renewals of 24000 are based on an 80% retention rate of Year 1 new registrations sold of 30000
5 Year	- 0 -	- 0 -	- 0 -	• No renewals due
10 Year	- 0 -	- 0 -	- 0 -	• No renewals due
Total Forecasted Registrations	**62000**	**81600**	**105180**	

Example Supplemental Schedule B (for illustrative purposes only)

Registration Fee – Year 1			
Registration Type	**No of Registrations**	**Registration Fee**	**Total Forecasted**

			Registration Revenue
New			
Annual	10000	$2.00	$20,000
2 Year	30000	$3.75	$112,500
5 Year	20000	$7.50	$150,000
10 Year	2000	$13.75	$27,500
Total	**62,000**	**$5.00**	**$310,000**

2. QUESTION TEXT:

Provide financial projections for costs and funding using Template 1, Most Likely Scenario.

Note, if certain services are outsourced, reflect this in the relevant cost section of the template.

The template is intended to provide commonality among TLD applications and thereby facilitate the evaluation process.

A complete answer is expected to be no more than 10 pages in addition to the template.

3. BEST PRACTICE SUGGESTIONS:

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3.1 Applicants should read each evaluation question in its entirety, including the notes, criteria, and scoring text. The answer should address all criteria specified, and include detailed rationale demonstrating a thorough understanding of the criteria (i.e., show your work).

3.2 If acronyms are used, applicants should spell out the first instance, even if the acronyms represent a common term/product/service.

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