

THE FUTURE OF .ORG: COMMUNITY ENGAGEMENT

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MODERATOR: SHANE TEWS

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SHANE TEWS:

Today you will hear from Erik Brooks, who is the founder of Ethos Capital, Jon Nevett, CEO of PIR, Allen Grogan, Ethos legal advisor, and Nora Abusitta, who is the Chief Purpose Officer of Ethos Capital. And in a recent we'll be discussing the recent announcement that Ethos is bringing up around a binding Public Interest Commitment to the community.

Also joining for the Q&A portion will be Andrew Sullivan, President and CEO of the Internet Society. I would like to now introduce you to Erik, so he can share some background on this important development.

ERIK BROOKS:

Thank you, Shane. And good afternoon everyone. I'm Erik Brooks, Founder and CEO of Ethos Capital. When I founded Ethos, I saw an opportunity to change the current model that people were typically associating with investment firms. This is a really, this is a key driver for me of our investment philosophy, which is to help companies drive growth and transformation by employing new technologies, while importantly operating ethically and responsibly and in the best interest of all stakeholders and the broader communities they serve.

In thinking about the investment industry, which is an industry I've been in for 25 years, it's not traditionally accepted that thinking about stakeholders in a large scale is relevant. Typically, the investment business is a business focused on shareholders. And it's become clear to me that over the years of my investing, that that's a bit of a myopic perspective. And the thinking about stakeholders in the context of customers, vendors, and employees and the communities within which these companies operate really is the best outcome for everybody over the long term.

Since we announced our investment in PIR last fall, we welcomed the opportunity to engage with the .ORG registrants and users from a variety of different backgrounds to hear their ideas and talk about their concerns and questions. I understand this is novel to some folks, and the idea of an investor coming in and buying this business raises a lot of questions.

And I've tried really hard and hopefully done a good job over the past months answering some of these questions. In turn, we we've made several public commitments that I know everybody's heard for .ORG to address these concerns. We've heard the issues on pricing, and anti-abuse measures and data use policy. And in listening closely to the community, a key question that was raised was whether there would be strong enforceability measures.

How would those exist to assure the .ORG community that Ethos would stand behind those promises, the promises that we've made especially as it relates to limiting price increases and creating a Stewardship Council and investing back in the .ORG community more broadly.

I'm very happy today to discuss the accountability initiatives that we announced last week. As part of this initiative and in an effort to further assure the .ORG community of our firm commitment, we decided to voluntarily incorporate these commitments into a legally-binding amendment to PIR's registry agreement with ICANN.

Some of you understand what this is. It's called a Public Interest Commitment, or a PIC. And what it does is it makes those promises enforceable by ICANN and the .ORG community, and legally binding. We've listened to the feedback from the community, and focusing on accountability by PIR is something that we thought would be welcomed and important to everybody.

To be clear, these are legally-binding commitments. They are part of the ICANN contract itself. The .ORG community will have a mechanism to hold us accountable through ICANN's PIC dispute resolution policy. We've embraced the clearest and the most definitive statement we can to make all concerned comfortable that we're people of our word.

Before we dive into additional information on the initiative, I'd like to give some brief background as to why we believe .ORG's such a special domain. It's, it is different. People have said that and it's actually fundamental to why we've made the investment.

Now with more than 10 million registrations, .ORG is one of the most popular domains in the world, serving both not-for-profits and mission-driven organizations alike. With added investment, we believe it will continue to grow, especially overseas where it isn't widely used today.

There's tremendous potential to extend .ORG's reach around the world. We believe this is further going to expand and strengthen both the brand of .ORG and the community itself globally. When you think about it though, nearly half the world's population still lacks internet connectivity. And many countries and regions around the world also lack interoperability and an open internet infrastructure.

You know, part of the reason that we've made this investment and I think why ISOC was excited about accepting it, was that we'll have the ability to provide ISOC with a perpetual endowment that will enable it to continue to serve its mission around the world globally to build a more accessible and inclusive and secure internet.

Another way that our investment serves the public interest is Ethos will be able to re-invest in PIR for the first time in years to grow .ORG and support their ability to adapt to a changing internet and domain name

landscape. Under ISOC's ownership, all of the available funds generated from PIR were sent out and up to ISOC to support its worthy mission.

But none of those funds saw their way to the .ORG community as customers of PIR. Lastly, I want to reiterate that Ethos is going to maintain PIR's same exact infrastructure and management team. So .ORG is going to remain as secure and reliable and stable as it's always been.

We're committing to investing in the future of PIR and .ORG and hopefully over time I'm sure the customers of .ORG will see a lot of positive changes. The PIC itself provides a legally-binding commitment that I am confident will give everyone that's looking at this with honesty and discerning eyes an understanding what our commitment is here, comfort that we've made commitments, and now through a lot of hard work and creativity, I think have found a way to express those commitments in a legally-binding format that really sort of puts our money where our mouth is, so to speak, on accountability and our responsibility to the community.

So I hope that was a helpful introduction. With that I'd like to introduce Allen Grogan, who is our legal advisor, to walk us through the commitments that are going to be built into the ICANN agreement. Allen, happy for you to help people understand the PIC a little bit more clearly.

ALLEN GROGAN:

Thanks, Erik. Hi everybody. I'm Allen Grogan, legal advisor for Ethos. Let me first briefly explain what a Public Interest Commitment is for the .ORG registry agreement and then go into the specifics of the legally-binding commitments that we will be making.

Public Interest Commitments become part of a legally-binding amendment to the registry agreement with ICANN. And these commitments can be enforced in two ways: by ICANN itself, because they're part of a contract between ICANN and PIR. They can also be enforced directly by members of the community through an ICANN procedure known as the Public Interest Commitment Dispute Resolution Procedure.

And under ICANN policies, these legally-binding commitments cannot be unilaterally modified by PIR. They'll continue to apply to .ORG regardless of who operates .ORG in the future. So let's walk through the commitments that will now be built into the ICANN registry agreement and become legally binding.

The first one is a price commitment. So for a period of eight years from the effective date of the current registry agreement, fees charged to registrars for initial registration or renewal registration of the .ORG domain name would not increase by more than 10% a year on average.

There's a precise formula that explains how this works. But what it means is, at no point in time would the average exceed 10%, so that we would not be able to front load price increases. To be clear, that's not saying we will increase prices 10% each year. It only means if we ever do increase the price, it won't exceed that limit.

.ORG pricing is constrained by the competitive market of registrars and registrants. In addition to these price commitments, PIR would make three more commitments which would have no expiration date. So the second commitment is, we would form a Stewardship Council. And that Stewardship Council would have specific authority to veto modifications to PIR's policies regarding freedom of expression and protection of customer information.

The third commitment we'd make would be to establish and fund, a Community Enablement Fund, to help support the financing of initiatives that are undertaken in support of .ORG registrants. And the fourth commitment we would make is to publish an annual report assessing PIR's compliance with the PIC and the ways in which PIR's pursued activities for the benefit of .ORG registrants during the preceding year.

Hope this helps to explain the PIC and the commitments that we're prepared to make. Shane?

SHANE TEWS:

Yes, thanks Allen. Next we'd like to tie the commitment back to the key questions from the community regarding the transaction. So back to Erik, who will now lead our session addressing the key questions.

ERIK BROOKS:

Thanks, Shane. So there have been numerous questions asked and we've addressed them now with the Public Interest Commitment that we're putting in place. The next few slides will cover some of the most-asked questions from the community and how our solution, we think, addresses that through the PIC.

For those of you that don't have this on video, let me just quickly walk through the pricing commitment questions. The first one is: Will Ethos impose dramatic price increases that will be too expensive for not-for-profits? And why is the commitment to maintaining prices for eight years?

So, consistent with prior announcements, we're committed to limit any potential increase in price for a .ORG registration to no more than 10% per year on average. As Allen noted earlier, at no point in time would the average exceed 10%. So there could be no front loading of an increase. This is a measured, stable increase.

As Allen also said, this is a voluntary maximum price. It's just that. Any increases will not exceed the maximum price. But there is no requirement to increase .ORG prices up to the maximum every year. This is just a framework and a set of guard rails within which we've committed to work.

We're continue, we're committed to maintaining the prices within this framework. Something that I think people don't fully appreciate is the term that we've proposed is twice as long as the contractual limitations on prices for .COM and .NET, which are the only other TLDs currently subject to price caps.

Additionally, .ORG pricing is constrained, now and in the future, by competitive market forces of registrars and

registrants, and the growing market for many other domain names such as .FOUNDATION and .CHARITY. This is a business that constantly has new entrants coming in, and any dramatic increase in price would significantly curtail our ability to sign up new registrations. Additionally, registrants always have the protections in that they can renew their domain names for up to ten years before any price increase goes into effect.

The .ORG community, I think, will be able to judge ultimately Ethos by our track record going forward. We really believe profoundly that our performance will demonstrate to everybody that the claims that we've put forward are true and that we stand behind them.

And some of the more egregious and indiscriminate accusations that have been leveled are really quite unfounded. You know, this is very personal for me and something that I take to heart very seriously. And why in fact I even created Ethos was to find opportunities to make investments in businesses that can do good and add back. And honoring the commitments that I'm making to this community is fundamental to the person that I am and my intention for creating Ethos to begin with.

SHANE TEWS:

Thanks, Erik. Now, I'm going to turn it over to Nora to talk about the question of accountability to and the investment in the .ORG community. So, Nora.

NORA ABUSITTA-OURI:

Thank you, Shane. And very happy to be here and engaged with the community one more time on the topic of .ORG. I'm going to be covering the accountability to and investments in the .ORG community questions.

The first question being: How can a PE firm retain the unique character of .ORG as a home for a mission-driven organization?

And the second question: What can Ethos do for the .ORG community that PIR hasn't been able to do under the Internet Society's ownership?

Ethos and PIR have always believed the community needed to have a strong voice in shaping .ORG's future. That's why the .ORG Stewardship Council will play a powerful role in influencing PIR's decision making moving forward. The Council will be instrumental in ensuring that the needs of all .ORG registrants and users remain central to PIR. The council will determine how PIR invests in a bigger future for .ORG, and how to invest in philanthropic initiatives to benefit nonprofits and, overall, the community.

In addition to clarifying the role of the .ORG Stewardship Council within the PIC, we at Ethos also publicly released the charter for the .ORG Stewardship Council. This charter outlines concrete principles and protocols that will govern the administration and the operation of the council.

This includes overseeing a fund, the Community Enablement Fund, which is expected to receive a minimum of

\$10 million over the remaining life of the current registry agreement. This will finance not only existing initiatives, but also new ones that will serve the .ORG community, including the .ORG impact awards and other meaningful educational and outreach programs. Having a council of this nature play such an important role in shaping .ORG's future is unprecedented in .ORG's three decades of history.

As part of the PIC, PIR will also be required to release an annual report that assesses compliance with the PIC commitments. In the immediate future, we'll be announcing an additional webinar to just look at the Stewardship Council, its charter, and to answer specific questions on it. Thank you.

SHANE TEWS:

Thank you, Nora. Now I'm going to turn it over to Jon Nevett, who is the CEO of PIR, and he's going to discuss .ORG continuing to operate his exemplary registry.

JON NEVETT:

Thanks, Shane. So two questions that we've seen: (1) under Ethos, what will prevent PIR from selling registrant data and breaking privacy laws? And (2) under Ethos, will PIR regulate content?

The simple answer is: PIR's great management team will remain in place to continue operating .ORG in the same responsible manner under Ethos.

The Stewardship Council will be able to veto modifications to PIR's policies around anti-abuse measures and freedom of expression, and the use of .ORG policies around anti-abuse and free expression as well as use of data. The Stewardship Council will provide a backstop for that. They will have the authority to provide independent advice and a binding right to veto modifications proposed by PIR to PIR's policies, again regarding anti-abuse measures and freedom of expression as well as use of .ORG registrant data.

Regarding such data, there have been claims that PIR's access to domain name system data or DNS query data provides valuable information about the activities of end users. This is not accurate. PIR does not have any individual user query data. It cannot provide or sell what it does not have. There's simply not enough available on .ORG servers about any particular user to draw any conclusion about what a user is doing or to identify users at all. Even if there were, PIR is prohibited from commercializing any such data under various contracts and legal requirements.

Finally, PIR is not aware of any for-profit registry – and there are more than 1,000 of them— of ever having been accused of commercializing such data. So it's not reasonable to claim that Ethos would do so.

With regards to registration data, same answer. Post GDPR and other privacy regulations and the use of registrars' privacy and proxy services most of the information and data stays with registrars. We don't get much data. And we would be, we are governed by privacy laws and contracts as well in that case.

With regard to DNS abuse, PIR will continue to serve as the leading voice for registries in combatting DNS abuse.

There have been false accusations that Ethos and PIR would start to curb free expression on .ORG websites. This absolutely is not going to happen. Again, we will continue to fight DNS abuse while honoring free expression and continuing what we do today. We stand firmly by these commitments. For example, with regards to child sexual abuse material, we have a trusted notifier relationship with the National Center for Missing and Exploited Children, or NCMEC, as well as the Internet Watch Foundation in the U.K. They provide us advice on child sexual abuse material that may be in .ORG. This is not outsourcing censorship, as some allege. This is doing the right thing. And we will continue to do that. And we will have the backstop of the Stewardship Council to make sure we continue to do so.

We will not avoid the Stewardship Council. They'll be an important part of this process. Because avoiding the Stewardship Council would be a violation of our registry agreement and would risk the registry contract in itself.

Transparency is important now and will continue to be important going forward. PIR will produce an annual report, as you've heard, informing the .ORG community about our activities. We already do that. And we'll continue to do that. We will benefit the .ORG registrants and the community by this transparency, and we will continue a level of transparency that exists today and demonstrates Ethos' continuing commitment to openness. Thank you.

ALLEN GROGAN:

Thanks, Jon.

ERIK BROOKS:

We've heard and listened intently to the community about their questions to Ethos and how we're going to keep our promises that we've made over the past few months. The feedback is a key reason why we've taken the crucial step of making these promises legally binding and hopefully answering people's questions about accountability.

I'm looking forward to continuing to engage with the community and working together to help build a stronger PIR and a .ORG for the future for all of its registrants, and really proving to folks over time that we're the kind of people that do what we say we're going to do. So appreciate everybody taking the time today and hearing us out. Thank you.

SHANE TEWS:

Thanks, Erik. And with that, we are now going to begin the Q&A portion of the session. We've been actively monitoring the questions coming in since this was announced, and so we're going to start with those questions. And then we'll try to get to as many community questions as possible. So to start off this process, I

see our first question here...you were paying attention just, it's a reiteration: What does a PIC mean? I think Allen, this one goes to you.

ALLEN GROGAN:

So, we listened to the community. We listened to stakeholder feedback, both positive and negative. And we've been working diligently to try to address some of the criticisms head on that we've heard from the community. In response to those, we voluntarily propose to add an amendment to the .ORG registry agreement in the form a PIC.

And I did describe this briefly before, but let me reiterate. It'll formalize our commitments. It will make them legally binding and enforceable both by ICANN and by members of the community through the Public Interest Commitment Dispute Resolution Procedure. And the commitments that we're making in the PIC are price limits on .ORG domain names to not to exceed 10% per year; formation of a .ORG Stewardship Council that, among other things, would have the authority to ratify strong rules on censorship and use of personal data; establishment of a Community Enablement Fund to pursue initiatives for the benefit of the .ORG community; and publication of an annual public report that assesses PIR's compliance with the PIC. This is a very clear signal that we intend to make good on all of our promises and to make them enforceable by ICANN and by the community.

SHANE TEWS:

Great. Thanks, Allen. Erik, I think this next goes to you. It is about the PIC. There is a question as to why did you agree to this, and how did it come about?

ERIK BROOKS:

Sure. So we had come out with our initial commitment to having price increases of no more than 10% on average per year a number of months ago. And I've had dozens of conversations with a variety of members of the community after we made that announcement.

And consistently was asked, "Well, what's the backstop? What's to prevent you from just deciding you're going to change your mind and increase prices by more than that?" And my response was, "Well, that's not how we do business. That's not who we are."

And it took us a lot of time to try and really go through systematically to figure out what could we provide that would be more concrete. What could we provide that would be sort of unassailable by folks that were asking me that question. Okay, we take your word for it. But what if?

And I think the PIC was a way for us to put something in place that was completely objective, that folks could, folks could look to and understand this was a third-party measure that was enforceable by ICANN and the community.

And it was something voluntary. This is not something we negotiated with anybody. This is something that we developed completely on our own spending a lot of time thinking about the best mechanism for the community in a structure they're familiar with to sort of stand behind what it was we were promising.

And it's something that I was very comfortable agreeing to, candidly, once we figured out the best mechanism to put this in place. So I would say it was a lot of hard work on our own behalf spending time with Jon and the management team and the attorneys, collectively trying to figure out what can we proactively deliver to the community that would make them feel great from an accountability perspective.

So, it came about as a result of questions from the community. And it came about as a result of our just trying to work through, internally, the mechanisms that we could put in place to give people comfort that there was some third-party establishment behind the promises that we were making.

SHANE TEWS:

Thanks, Erik. Our third question is: How is this different from other commitments that you've previously made? Allen, I think, does that go to you?

ALLEN GROGAN:

Yeah, I think that goes to me. So, I think Erik has largely addressed that question. We had heard from the community that they wanted to be sure that there were mechanisms in place to provide for enforcement of the commitments that we made, for us not to simply say, "Trust us. We'll abide by our word."

And we thought the best mechanism to do that was to build it into the ICANN contract as an amendment so that ICANN can enforce it, and so that the community members can enforce it through the PICDRP process. So what's different is basically the enforcement mechanisms. It gives both ICANN and the community the ability to make sure that we live up to our commitments.

SHANE TEWS:

That is a little bit of a repeat question, but just to make sure that we're clear, the question is: How is the PIC enforceable in practice?

ALLEN GROGAN:

Sure. So, I can delve into that in a little more detail. So there are kind of two ways that it's enforceable. One is through ICANN, and ICANN does that through its compliance department, which I used to run, as some of you know. So if ICANN compliance learns of a potential breach of any of these obligations, which it might learn about on its own or it might receive a complaint from somebody in the community, the compliance team will investigate. And if PIR is found to have breached those commitments, and it fails to cure that, ICANN can pursue remedies that eventually could lead to termination of the registry agreement.

In addition to being directly enforceable by ICANN through its compliance team, anyone in the community

who believes that they've been harmed as a result of a breach of these commitments could file a complaint with ICANN.

It could be referred to a PICDRP panel. This is the dispute resolution mechanism we've talked about. And if a PICDRP panel rules against PIR, that ruling is binding on PIR. And ICANN can determine appropriate remedies and again require PIR to cure the non-compliance and eventually terminate the agreement if PIR doesn't.

SHANE TEWS:

Thanks, Allen. It's another clarifying question. How long are the commitments valid for?

ALLEN GROGAN:

So what we've said is that the price limits would remain in effect for eight years from the date the registry agreement was signed. And again that's under a precise formula that's set forth in PIC that doesn't permit any front loading of those price increases.

All of the other commitments that I talked about would not sunset at all. So through this commitment .ORG would become one of the only TLDs to have a price restriction. It would remain one of the most affordable domains in the world. And all of these commitments would be binding not only on PIR, but on any future successor to PIR.

SHANE TEWS:

And I think this is a clarifying question to what you just said. But if Ethos were to decide to sell PIR, can the PIC be reversed?

ALLEN GROGAN:

No. So this PIC would be legally enforceable. And it's part of the contract, and as part of the contract, the contract would be assumed by any subsequent buyer who would be subject to the same limitations.

SHANE TEWS:

Everybody has a bit of suspicion here, they're wondering if, did ICANN require you to add the PIC in order to get the deal approved? Erik, that...

ERIK BROOKS:

I'll take that one. So we have had no conversations as far as the deal being approved. This is something that we've taken on ourselves, candidly, in response to all of the feedback that we've received from the community. Very candidly, we hope this is helpful, and we hope ICANN views this positively as it looks at and evaluates our application for them to approve the change of control.

So of course this is something that we hope they think is a good idea, but this is something that we've done completely on our own voluntarily. So I'm hopeful it will make a difference, but this is not something that

ICANN has reached out to us in any way, shape or form to say, "You should do this. And you'll get the deal approved."

SHANE TEWS:

Looks like we might have finally answered some of the basic PIC questions. So the next one is: What is the role of the .ORG Stewardship? Nora, that one kind of goes to you.

NORA ABUSITTA-OURI:

Yes. Thank you, Shane. A bit of a longer answer, but I think it's important to get some details about the Stewardship Council here. There's a couple of things. We clarified the role of the Stewardship Council in the PIC. But we also released the charter.

And the charter, as I said earlier, outlines the principles and protocols that will govern the administration and the operation of the Council. It will have the power to veto changes to the .ORG policies in two essential areas, consistent with the values of .ORG community and PIR's anti-abuse policy.

So it can veto limitations and safeguards against censorship of free expression in the .ORG domain name space. And then the second thing is the limitations and safeguards regarding use or disclosure of registration data or other personal data of .ORG domain name registrants and users.

There's another way it can veto certain things. And that is any changes to .ORG Stewardship Council charter that would diminish its own rights with respect to policy, right. So there's a lot of mechanisms to make sure that what this Council does is powerful and effective.

The Council will also provide the board of PIR with independent strategic advice and recommendations to help guide PIR in considering and balancing the best interests of all .ORG stakeholders in order to help the PIR board assess how it can promote values that serve the mission-driven goals of the .ORG community.

And then finally, one more point. The council will provide recommendations and advice regarding the Community Enablement Fund that is established by PIR to provide support for initiatives benefiting the registrants of .ORG that are consistent with the mission and values of the community.

SHANE TEWS:

Thanks. Actually another question for you, Nora, is: When are you planning to announce the names of the members of the Stewardship Council?

NORA ABUSITTA-OURI:

We're hoping to announce some of the names in the next two weeks, two or three weeks, something like that.

SHANE TEWS:

And then one more question for you is: What exactly will the Community Enablement Fund do?

NORA ABUSITTA-OURI:

The fund will provide support for initiatives that will benefit the registrants. And what it does, the fund has to be approved by the Council obviously. The commission charter and funding of the Community Enablement Fund will be established by the board of PIR with input from the council.

And the Council itself will be responsible for providing recommendations and advice regarding the Community Enablement Fund. So the appropriations of the money will be subject to approval of the PIR board. And we believe that PIR will contribute about \$10 million, as I mentioned earlier, to the Community Enablement Fund over the remaining life of the current registry agreement.

SHANE TEWS:

Thanks, Nora. So now the next question says: Ethos keeps talking about investing in .ORG, but users are happy with it as is. So what are these investments, and why are they benefiting users? Jon, does that go to you?

JON NEVETT:

Sure, I'm happy to take that. Essentially, .ORG and PIR have been in perpetual harvest mode for the past few years. Everything we make, we contribute to the Internet Society for their great work. So our net income goes to their annual operating expense and the creation of their, and use of their, foundation.

So we haven't been able to invest in PIR and .ORG as much as we would like. And Ethos capital will bring investment into value-added products and services and things that will grow the .ORG brand. For example, we want to get into some more international markets. There's a high penetration of .ORG in the in North America, but less so elsewhere in the world. And that's an expensive venture that probably won't have a one-year payback, so it'll take several years of investment to form the relationships to get into the local markets and penetrate those markets.

So having that kind of level of investment and a longer time horizon with the ability to do that is very beneficial. And again, we will be conducting market studies and surveys related to value-added products and services to help identify those that can further build the online presence and of the mission-driven organizations around the world that use .ORG. You know, we want to improve our brand. And when we improve our brand, we improve our customers' brand as well. And having that level of investment will help us do that. Thanks.

SHANE TEWS:

Next question is: Is Ethos hearing any early feedback about the commitments? Nora, does that go to you?

NORA ABUSITTA-OURI:

Yes, sorry. Actually, we consulted with several leaders and members of the community before we decided to make our commitments legally binding. And the reason we proceeded to make them legally binding is in part because of the positive reaction we received. Our actions today answer the very request that the community has been making, to make the commitments that we've offered from the outset legally binding and enforceable.

SHANE TEWS:

Great. We actually have a money question. So Erik, I think this one probably goes to you. Ethos is paying \$1 billion for PIR. That's a very large number. How will you make money without dramatically raising prices or cutting services?

ERIK BROOKS:

Yeah, so that seems to be a question that has come up a lot. And I guess it's something I obviously think about all the time, because that's why we've made this investment. We think that PIR is an incredible business with an incredible management team, and something that's going to grow in value over time.

So again, I understand this is not sort of everyday stuff for most folks, even though it is for me. So let me just take a step back and kind of break down the pieces to hope folks understand.

So we think about PIR as an investment, but PIR is a business. It's a living, breathing thing that has grown for the past 30 years. The business itself has value, and that value is something that grows over time. So when we pay a billion dollars for the company, it's not as if we have to get a billion dollars back over some restricted period of time through cash flow. Far from that. The value of the company itself is something inherently that grows over time. So when you step back and look at it, you have the cash flow that comes out of the business. The company does about \$100 million year of revenue. And off of that \$100 million a year comes about \$50 to \$55 million of funds, historically, that have been sent back up to ISOC to help them grow and build their mission, and provide services to their constituents.

Once this transaction closes, PIR still generates \$100 million of revenue and still generates about \$50 to \$55 million of available cash every year, that then can stay at PIR and doesn't have to go back up to the Internet Society.

That \$55 million will be used for a variety of purposes. It will be used to repay some of the debt that we're using to make the acquisition. And again, you know, we've heard wild speculation in the market that this is a dramatic amount of debt. In fact, we're actually only financing about 30% of the total acquisition price with debt. That means, 70% of the purchase price of this business is being funded by equity.

Think about it if you were buying a home. Most people don't put up 70% of the value that they invest when

they buy a home. Typically, when they buy a home, they're putting up 20% or 30% of the value. In this case, if PIR's our home, we're putting up about 70% of the value in common equity. So this is an incredibly conservatively-structured transaction. And the amount of money that we are going to have to pay on that debt every year is actually less than half the cash flow that's gonna come off the business every year.

So let's just keep round numbers. If there's about \$55 million of cash that comes off the business every year, and somewhere between \$20 to \$25 million goes to service the debt and principal and interest for the loan, that leaves in excess of \$20 to \$25 million a year that we can reinvest back in the business to grow new services, to reinvest in the Community Fund to put to work in ways that will grow the business.

And again, let's get back to the question, which is, how does Ethos make money by investing a billion dollars into this business? Well, we make money by growing the value of the company. If you look back historically over the past eight to ten years or so, PIR has grown that cash flow of the business at a compound rate of about 10% or 11% per year. If PIR continues to grow that cash flow at a rate of 10% to 11% per year, then the value of our investment will grow in excess of 10% to 11% per year.

That is a very attractive rate of return for a company that has the stable, predictable, recurring revenue, the strong profitability, the brand equity that a company like PIR has. So the way Ethos will ultimately generate an attractive return on its investment in PIR over the decades of time that we plan on owning it is very simply by thinking about PIR as our home. And our home is going to increase in value over time, as the cash flow coming off of that business continues to grow and build over time. So I hope that (UNINTEL) down something.

SHANE TEWS:

Thanks. The next question's actually to me. It's wondering if we're going to have Bingo during Virtual ICANN67, and the answer's yes. Stay tuned on social media. I'll get that for you. All right. Erik, I think you've got another one here. It's money. Under the new affordability provision, domain prices can't increase more than 10% a year on average for eight years from the start of the registry permit. What happens after eight years?

ERIK BROOKS:

Sure. So, you know, the reason that we've decided to pick eight years was to try and make it a long enough period of time such that people were very comfortable that they would have clear line of sight to stable, predictable prices.

So it's not just, to be clear, it's not just eight years of predictability. Any point in time within that period, people have the ability to renew for ten years on top of that. So if folks just waited until right before the end of the contract, we actually are providing 18 years of potential visibility for prices. What will happen at that point in time is, we'll look at the market, and we'll look at what are competitive dynamics. And we'll also look at the cost structure.

And, you know, eight years is a very long period of time in the world of technology. Think about you know, the

fact that the iPhone is 11 years old. A lot of things happen in eight years. It's important, we think, to protect all of the registrants and the customers of .ORG such that we have the ability to constantly evaluate and make sure that we're staying up to date with all of the different changes that are going on in the domain name space. So we thought eight years was a reasonable period of time within which to give people security, but also you know, give ourselves the opportunity collectively to make good decisions for the community and the business.

SHANE TEWS:

Great. I think, Allen, this came up in your presentation. So the question is, "What other TLDs have price caps?" Everybody in this industry knows that you're the one that gets to answer.

ALLEN GROGAN:

So, as far as I'm aware, the only other TLDs that have price caps currently are .COM and .NET, both of which are Verisign GTLDs or TLDs.

SHANE TEWS:

100, correct. Next question. "What is ICANN's deadline for a decision now? Do you have any reaction to the questions they sent to PIR on February 19?" I think, Jon, that's probably to you.

JON NEVETT:

Sure. So, we are in the process of answering the questions that ICANN recently sent us. We hope those will be published next week. So look for those, and we'll put them on keypointsabout.org. And as far as the deadline, ICANN has until March 20th, 2020 to review our submissions. And that's more than 120 days from our original notice to ICANN. Thanks.

SHANE TEWS:

This is a personal favorite, cause I'm glad somebody asked it, because this was very confusing in the beginning. So besides ICANN, why does a Pennsylvania court have to approve the change of control? I think Jon, that's probably you.

JON NEVETT:

Yeah, I'll take that one. Essentially, the Pennsylvania pros: we're incorporated in Pennsylvania as a not-for-profit. So Pennsylvania nonprofit law gives an approval rate for the Pennsylvania court, and so we're going through that Pennsylvania authorities. And the court process will come shortly thereafter. This is separate and apart from the ICANN approval, as you know. And again, this applies to all corporate transactions of nonprofits in Pennsylvania. Thanks.

SHANE TEWS:

Great. Jon, stay off mute, cause you're trending. Has there been a financial disclosure of the revenue of .ORG registries? Do you want me to repeat the question? Do you want me to ask it again? Has there been a financial

disclosure of the revenue for .ORG registries?

JON NEVETT:

Yeah, absolutely. Every year we're very transparent about our finances. We have an annual report, and we follow IRS Form 990. Both of those are available on our website of the new .ORG, and it's in the resources section. And you'll see our annual revenue and expenses in there. And I just want to clarify one thing. It's keypointsabout.ORG, so if you could go to keypointsabout.ORG, you'll see that information of everything we filed before to ICANN, and our future filing. Thank you.

SHANE TEWS:

Okay, this one's a little confusing to me, but it says, "Criticisms from NTEN and EFF questioning the validity of these actions and the role of the steward, council, et cetera" they apparently are concerned that you're not completely answering their questions. It's kind of a jump ball. Jon do you want to take that one?

JON NEVETT:

Sure. I guess I'm on a roll. You know, we recognize that no matter what we do, there are still some who are just ideologically opposed to this transaction. You know, the bottom line is, there's some notion that only nonprofits can serve other nonprofits, and it's just simply not the case, you know. If you look at .ORG's history, it was operated successfully for many years by a for-profit company. You look at other parts of the web presence, services received by nonprofits, whether it's hosting or web design or registrar services, things like that. Those are almost always provided by for-profit companies.

So I understand that, you know, some people just have a fundamental issue with that. And I don't think that's going to change, but here's what matters. You know, we heard from the community that people wanted to make sure, the .ORG community wanted to make sure, that they were protected. And I'm glad to say that Ethos took that challenge and agreed to these Public Interest Commitments. They're locking them in for .ORG. And it... they fought... they flow through .ORG. So if Ethos ever sold .ORG or replaced the management team, it doesn't matter. Those are contractual commitments, and the registry agreement is binding on us and enforceable by both ICANN and anyone in the world.

So those are strong commitments, and I think that's what's really important. We will continue to act in good faith and committed to a strong and successful future for .ORG. And Ethos agrees with that. So thank you for that question.

SHANE TEWS:

Great, okay. Next question. Previously, Ethos referred to the 10% average price increase for ten years, and now it has gone to eight years, potentially starting last year. Why has this commitment lessened? I think Erik, that probably goes to you.

ERIK BROOKS:

Yeah. I don't know that we'd ever actually locked down on a ten-year period of time. I think that might have been a misunderstanding. We had committed to not increasing prices by more than 10% on average per year. That's a commitment that we made. And that's something I think that we stand by.

SHANE TEWS:

Great, okay. So next question is, the parties had stated that the sale of PIR will allow PIR to provide new products and services to .ORG registrants. What new products and services have PIR contemplated providing that it has been unable to provide because of the burden, their words, not ours of supporting the Internet Society? As the head of the Internet Society of D.C., I don't think it's important, but happy to have more products. Jon, do you want to answer that one?

JON NEVETT:

Sure. And Andrew's sitting right next to me, so it's certainly not a burden. It's an honor to be supporting your worthwhile causes, so thank you for that. But the reality is, like I said before entering new markets, we haven't been able to do that. New products and services, we're doing market research.

We haven't been able to do that, because we knew we couldn't invest in new products and services beforehand. So we'll be working with the .ORG community. I invite folks on the webinar to contact us and to reach out to us, and help us provide information that will enable us to provide the right products and services that would be helpful.

SHANE TEWS:

Erik, do you want to add something to that?

ERIK BROOKS:

Yes, actually, thanks, I do. There's I think a fundamental precept that has to be understood here, which is a non-for-profit is not in the business of taking risk. A non-for-profit is in the business of serving its mission. And ISOC's mission is something that requires a certain amount of money every year. They make a budget, and they plan that budget, and then they need that amount of money every year in order for them to be able to conduct their business.

In order to come up with new products and services, you have to spend money and take risk. And oftentimes, those products and services don't pan out. It's a new technology that's developed that doesn't work. It's a new service that's launched that doesn't work. And in order to do that, you have to be able to put money aside to take those risks and to develop new ideas.

Non-for-profits like ISOC are not in the business of taking risks. That's just not what their mission is. Their mission is not to grow and build PIR into the biggest, strongest, fastest, most service-oriented company on the

domain. That's not their purpose. That's not their mission. That is the mission and purpose of Ethos. And in order to take those risks and put capital to work, you have to be structured in a way that you can do that.

And I think giving Jon and his management team now the funds and the freedom and the leeway to be able to look forward two or three years and come up with a product roadmap that, after speaking to the community and creating market surveys and reaching out to customers, you know, we already have a number of ideas just from the early conversations that we've had.

But it's important to just understand structurally, a non-for-profit is not in the business of taking risks in order to figure out new products and services. And that is something that we're in the business of doing, and very much looking forward to.

SHANE TEWS:

Okay. Just looking at our time. It's 3:56 and I still have several questions. So those of you who want to stay on, we've got a few more to go through here.

PIR and ISOC's existing advisory boards were not consulted about the sale of PIR. How will you guarantee that the new Stewardship Council is not kept in the dark about PIR's policies and operations? So, Jon or Nora, I don't know which one of you want to take that one.

JON NEVETT:

I'll take it for PIR, I don't know if Andrew wants to comment on the ISOC. So we have an existing advisory council, which is a great group of ten hardworking folks. Their mission is to help us with the community, and our policies.

We had a face-to-face meeting here in Washington in October where we went through all our anti-abuse policies and all the fine work we're doing on those issues, whether it's child sexual abuse material or human trafficking or threat threats of imminent harm or opioid abuse. We work with our advisory council on those.

They are not our board, however. They're not our board of directors, they're not our board of trustees. They don't deal with those issues such as the sale of PIR from one party to another. So, you know, the advisory council hasn't played that role. The Stewardship Council, however, has a larger role. They have more binding authority on some certain issues that we've talked about before, so the Stewardship Council is an evolution of the advisory council. And but they have different charters and different missions. Thanks.

SHANE TEWS:

Did you want me to ask the question again? Okay, so again, the question was: PIR and ISOC's existing advisory boards were not consulted about the sale of PIR. How would you guarantee that a new Stewardship Council is not kept in the dark about PIR's policies and operations? Obviously, Jon answered the part about PIR. Andrew, you want to make a comment about ISOC?

ANDREW SULLIVAN:

Sure, I can talk a little bit about ISOC's position here. But it's important, I think what the question is really about is what happens in the future. And I think that the critical thing here is that the future involves the ability of the Stewardship Council to veto certain things, because they have that legal responsibility.

That is not the case of the members of the advisory councils either of the Internet Society you know, any of the advisory councils of the Internet Society. The board really has the legal responsibility, and so it had to do that.

SHANE TEWS:

Thanks, Andrew. We are now at the top of the hour. So, we do have any questions that come in after this will be part of ongoing dialogue that is going on about this discussion. I want to thank everybody for tuning in today. I hope this answered some questions, and know that there are going to be other opportunities to be discussing this in the near future, which you will be hearing from.

Oh wait, sorry. The prerogative, Jon would like to keep going. So if you guys are still on, we have a couple more?

JON NEVETT:

Yeah. I agree, there are some good questions here, and I'd like to answer a couple of them at least. And so I'm willing to spend a couple more minutes.

SHANE TEWS:

You know, moderator's prerogative is, let Jon speak.

JON NEVETT:

All right. So the next question I saw is, quote, "If I want to start up a new community organization or charity should I be using a .ORG, and what is the benefit?" Yes. Absolutely. So, we are the crown jewel of the domain name system. Based on semantic meaning, if you want to do good on the internet, you want a .ORG. So absolutely.

I was asked yesterday, we did an outreach session with the ICANN ALAC group which went very well, it was good dialogue. And I was asked the question, "Are we going to weaken the .ORG brand by marketing more widespread and not based just on mission-driven organizations and people and individuals, entities?" And the answer is, no.

You know, we have a great brand, and we have a trusted brand, and we're not going to weaken that, whether it's under ISOC or under Ethos, because you know, that's the value of .ORG. And we have that value. We have the most trusted domain name out there. We have the highest renewal rates in the largest top-level domains.

And we and people trust the .ORG brand, and we're gonna maintain that. So absolutely.

SHANE TEWS:

Well, monkey see, monkey do. Now Erik wants to answer a question. So: why Ethos has decided to replace the benefit corporation commitment, which is previously proposed and which can enforce in court by an ICANN PIC, which can only be enforced by ICANN? God love you for that good question. So Erik?

ERIK BROOKS:

Sure. So I guess, first of all, the structuring this as a PIC is the single most legally-enforceable mechanism that we can do. To be clear, we're not walking away from the public benefit corporation commitment. That is exactly how we are going to structure this organization.

Nothing has changed in how we're going to put the business together, how we're going to enshrine all of the important commitments that we've made to the community. This PIC is in addition to all of those things, rather than to replace them. This is again, belt and suspenders and more is better, as far as the community is concerned. So this is not a replacement thereof, but in addition to.

SHANE TEWS:

Thanks Erik. So I think that'll conclude us for today. Just to remind you, there will be other opportunities for you to voice your questions and concerns as this process is moving forward. So be looking for the opportunities to do this as we move into the week of ICANN67. Thank you.

*** * *END OF TRANSCRIPT* * ***