

Summary of Auction Development and Management Agreement

On 13 September 2013, ICANN entered into an agreement for auction services with Power Auctions LLC, a Delaware, United States of America, limited liability company (“Power Auctions”). The agreement sets forth the terms and conditions under which Power Auctions will support ICANN in conducting auctions to resolve string contention sets under the new gTLD program.

The period of performance begins on 13 September 2013 and concludes two years after the first auction conducted by Power Auctions. If no auctions have been conducted by 13 September 2015, the final date of performance will be 13 September 2015.

Power Auctions will provide end-to-end support from auction design to execution. These services include

- Auction design based on the Applicant Guidebook
This will include creating rules for the participation, the bidding process, and conclusion of an auction. The auction will utilize an ascending clock auction process, where the auction will be carried out in a series of auction rounds. In each round participants will be required to submit a bid representing their willingness to pay within the range of intermediate prices between the start of round and end of round price. At the conclusion of each round Power Auctions will disclose the number of participants eligible for the next round of bidding, along with the start of round and end of round prices for the next round. After a participant exits an auction it will not be allowed to return to bidding for that contention set.

In addition to the auction rules, Power Auctions will support the development of the processes and procedures and operational support mechanisms required to execute auctions. This includes developing processes to register and provide credentials to participants, collect and secure deposits, return deposits, collect winnings, and communicate results.

Deliverables include:

- The auction rules
- High level process documentation depicting major activities
- Auction implementation based on the auction rules
This will include developing a web-based system to conduct auctions over the Internet with participants placing bids remotely. The auction system will not require local installation of any software and will be compatible with the current versions of most prevalent browsers. Access to the auction site will be password protected and bids will be encrypted.

In addition to the auction system development, Power Auctions will also set up operational mechanisms required to support the processes defined above in execution of the auctions.

Deliverables include:

- A project schedule to support operational readiness
 - A functioning auction system approved by ICANN
 - A user manual for the auction system
- Operational Management
Power Auctions will schedule the auctions, and act as the auction manager to facilitate all auctions. Power Auctions will administer all auctions using the auction system. Power Auctions will provide a user training session over the internet and conduct mock auctions available to registered participants prior to the actual auction events.

Deliverables include:

- Progress reports describing registered participants, deposits received, and other key indicators
- Auction results reports and detailed summaries of the auction events

Power Auctions will receive both a fixed fee and variable fees for the auction management services. Power Auctions will be paid an upfront fee of \$230,000 intended to cover the development of the auction rules, the auction system and system user manual.

In addition to the upfront fee, Power Auctions will be paid an auction management fee per auction. For each auction that is conducted, Power Auctions will receive 4% of the winning price, for winning prices up to \$10 Million. Should the winning price exceed \$10 Million, Power Auctions will receive 4% of the winning price up to \$10 Million and 2% of the amount of the winning price in excess of \$10 Million. The minimum fee for an auction of a contention set that is conducted is \$15,000.

If a contention set is scheduled for an auction but is resolved by the participants prior to the auction, the auction management fee payable to Power Auctions will be \$10,000.

Power Auctions is guaranteed at least \$135,000 in total auction management fees. If the aggregate fees for auctions (both conducted and cancelled) is less than \$135,000, ICANN will pay the difference between fees earned and \$135,000.

Either party may request to amend the SOW by submitting the “Change Request” in writing. The Change Request will document details of the impact of the proposed change and will have any of the terms of the SOW and if relevant any changes to cost or timing. The parties will use reasonable commercial efforts to reach agreement to any proposed changes, however neither party is under obligation to agree to such requests.