

TO: ICANN Board

FROM: CHUCK WARREN, OVERSTOCK.COM

DATE: NOVEMBER 28, 2006

Re: Proposed Release and Allocation of Single Letter Second Level Reserved Names [e.g. o.com; y.com; etc.] can Contribute to ICANN Financial Stability through Creation of Reserved and Contingency Funds; Special Projects Funding

The purpose of this memorandum is to call to your attention Overstock.com's continued interest in moving forward with a process to guide the release and allocation of single letter second level domain names, with allocation via a managed auction as part of the two existing PDP processes now under development by the GNSO Council. We would welcome the opportunity to talk with you while in Sao Paulo or before, regarding the benefits to ICANN of releasing and allocating the single letter second level names in the existing gTLD registries.

Reserved names exist in all generic top level domain names. It is our understanding that this will extend into any new gTLDs and into IDNs. Today, there are essentially four categories of reserved names. Some categories have either technical or public policy, or political sensitivities issues or implications related to release/allocation/non release ability. Of the four categories of reserved names, one sub-category – single letter second level names – has no existing technical issues and has no political issues. These names – e.g. o.com; y.com; a.com; e.com or e.net, etc. are similar to five other second level single letter names that were released earlier accidentally through registry action [NSI/now known as VeriSign]; these names are in use today; these include q.com; x.com]. In addition, some country codes allow the use of single letter second level names in their registration.

We have met extensively with the ICANN staff and the President and CEO over the last 2 ½ years and have participated in several ICANN meetings. We understand that a policy decision and recommendation by the GNSO Council is needed in order to allow interested parties, such as Overstock.com to register o.com.

During the Sao Paulo meeting, there will be several opportunities for public comment on the proposed policy processes related to contractual terms for existing and new gTLDs. We seek your interest and support for our proposal to ensure that the treatment of reserved names is included in the GNSO policy processes now underway. We have proposed draft language via the PDP

process to establish consensus policy recommendations for the release and allocation of reserved names. We are suggesting that the GNSO process create a framework for treatment of reserved names in gTLD registries, and that this direct the development of procedures to address the release and allocation of the single letter reserved names, via a managed auction process.

Our suggestion is that that the proceeds of auction of the single letter, second level names to parties with established trademark or use rights in the 'name', would go to ICANN, and be used in 1) establishing a contingency fund 2) providing a reserve fund 3) supporting, on a one time per name contribution, a percentage of the payment from the auctioned name to any special/restricted funds which the Board and the community have agreed to via the Strategic Planning process.

In having followed ICANN for two and one half years, we are aware of the importance of stable funding and reliable sources of revenue to support ICANN's core mission and key activities. And, we have noted the concerns and interest expressed by the ICANN Board to develop more distributed forms of revenue beyond the funding contributed via the gTLD registry and gTLD registrar processes. We also recognize the concerns expressed by the gTLD Registries and Registrars regarding the financial demands related to ICANN's growing budget needs, as new challenges face ICANN, including IDNs, DNSSEC, and broadening and deepening participation.

The single letter second level names, if released and allocated via a managed auction will provide a significant financial platform for ICANN that will benefit the full ICANN stakeholder community. It will allow the names to be used by legitimate entities who have shown an existing presence in the marketplace; it will provide a source of funding to ICANN in a near term timeframe; and it will help to lower the financial demands and dependencies on the funds provided through the existing processes.

Certainly, we do not foresee these funds as the replacement for ongoing efforts by ICANN to examine other forms of stable funding. However, we believe that our proposed approach will bring a considerable period of additional stable funding at a time when ICANN is facing many conflicting demands for both time and resources.

Our interest is in the single letter second level names; we fully appreciate that there are other forms of reserved names that continue to have technical reasons that prevent their allocation, or have sensitivity to their release and allocation due to public policy questions, such as names which are also geographic indicators or that are also part of the ISO 3166 list.

We are proposing that the consensus policy now underway via the GNSO's two PDP processes include a framework for policy and procedures for treatment of reserved names for the gTLD registries. We propose that each of the categories of reserved names for gTLD registries be analyzed and addressed on independent time tracks, as part of the proposed framework for reserved names and that the topic of single letter, second letter names not be further delayed.

The benefits to ICANN and to the community, and to the companies who are willing to participate in the managed auction in order to gain the rights to use the names can then be achieved. As Overstock.com has stated before, we support the concept of creating value to the fuller ICANN stakeholder community through the proposed allocation method we have put forward.

We understand that there is not an outright decision on policy in Sao Paulo, but we seek your interest and your support for advancing the policy processes, so that the single letter second level names policy and procedures can advance, and the proposed managed auction can take place in early 2007.

We respectfully ask your interest, and your support, and welcome your questions.

We will be attending Sao Paulo, and would welcome the opportunity to respond between now and then, or during the Sao Paulo meeting regarding any questions or issues that you may wish to discuss with us.

Respectfully,

Chuck Warren, Neal Blair, and Kristi Jensen-Coleman for Overstock.com