O. Financial Modeling

Highlights

- **Pricing is competitive based on domain name marketplace and reasonable for all stakeholders**
- **Financial plan supports domain name growth initiatives and delivery of excellent service**
- **No funding from the U.S. Government required**

Sections M and N of the proposal detail the fees proposed by NeuStar and the relative costs NeuStar incurs to administer the usTLD space.

NeuStar's pricing methodology is designed as a fair and reasonable offering for all stakeholders, including the U.S. Government, the Department of Commerce, registrars, registrants and NeuStar itself.

As the usTLD Administrator for the past six years, NeuStar has learned the various complexities inherent to that role. This experience gives us the necessary insight to formulate a financial model that forecasts out the contract service years for the next usTLD contract. NeuStar's plans take into account all of the technical, operational, administrative, marketing and other expenses associated with the administration of usTLD. Revenue modeling is based upon the expected volumes multiplied by the appropriate fee categories. These fees are presented in Section M of this proposal.

Since expenses are variable in nature and are dependent on the number of domain names under management, the financials presented are based upon a specific snapshot for a volume range. Incremental expenses increase as volume increases in the registry; thus, if the volume exceeds that assumed in this analysis, expenses will also increase.

NeuStar's reported financial statements are prepared in accordance with US GAAP. Revenue is calculated on a straight-line basis over the duration of the registration term. All expenses, excluding depreciation, are wholly recognized in the period in which they occur. Depreciation is recognized on a straight-line basis over a three to five-year period depending on the useful life of the specific asset.

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