

N. Annual Contractor Costs

With six years of experience successfully managing the usTLD registry, NeuStar confidently presents a detailed analysis of the costs of continued administration of the usTLD.

Expense Categories

As the usTLD registry grows, incremental expenses are required across all functional areas to deliver and maintain a world-class TLD operation. NeuStar presents a description of each expense category summarized in Proposal Section O, and the assumptions underlying the 2008 to 2012 (the "Forecast Period") figures.

[REDACTED]

[REDACTED]

Operations

This expense category encompasses all operating expenses related to software engineering, systems administration, database administration, network operations and help-desk support [REDACTED]

[REDACTED]

Infrastructure

The enhanced SRS and two of the nameserver sites continue to be housed in NeuStar facilities in [REDACTED] and [REDACTED]. A proportional amount of the space in those data centers is allocated for the usTLD registry. In addition to these technical facilities, NeuStar will continue to contract with qualified third parties to host nameservers in geographically dispersed facilities.

Communications expense includes all bandwidth and capacity requirements at the SRS data centers and the nameserver sites. NeuStar contracts with multiple Internet service providers to build in redundant access rather than relying on a single provider. This protects the usTLD registry from instances of system outage due to a single service provider's backbone outage.

Infrastructure expenses also include an estimate of the ongoing, dedicated hardware and software maintenance costs, billing system support, network security, data warehousing and reporting expenses. NeuStar has forecasted a [REDACTED] increase in Infrastructure expenses over the Forecast Period.

Highlights

- NeuStar has a proven and viable cost structure and benefits from an existing usTLD registry infrastructure
- NeuStar has dedicated funds for usTLD and kids.us marketing and outreach programs

Sales and Marketing

This category of expense includes advertising, events, and sales operations to support the continued growth of the usTLD domain name space. [REDACTED]

Government Relations/Policy

This category of expense includes those resources dedicated to the ongoing support of all policy issues. This function interfaces with the Department of Commerce to insure that the Department's policy priorities are accurately reflected in the ongoing usTLD operations, sales and support functions.

G&A

NeuStar has a DCAA-approved general and administrative rate of [REDACTED] that is used in forecasting expenses for government contracts. This rate covers expenses for all corporate functions such as: billing, accounting, human resources, legal, purchasing and financial analysis.

Each of these expense categories (Operations, Infrastructure, Sales and Marketing etc.) enumerated above is critical to the efficient operation, management and growth of the usTLD registry. NeuStar's extensive experience operating a mission-critical public resource uniquely qualifies it to identify and account for each aspect of its responsibilities. A summary of these expenses can be found in the financial forecast presented in Proposal Section O.

Depreciation

This expense represents the depreciation of capital assets over their useful life. NeuStar assumes a useful life of between 3 and 5 years depending on the particular useful life of the third-party hardware and software acquired or registry application developed.

Capital Investment

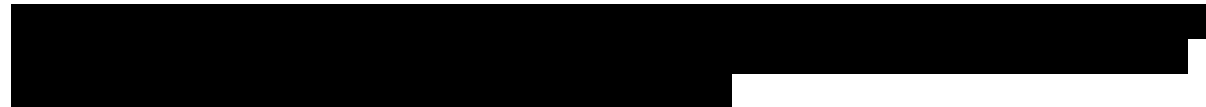
Capital expenditure estimates are inclusive of the incremental hardware and software components required for ongoing operation, maintenance and improvement of the Registry. As NeuStar is the current usTLD administrator, a significant hardware and software capacity is already in place. NeuStar continues to invest in platform improvement and in the development of new tools to support the evolution of registry services described throughout this proposal.

NeuStar's hardware architecture is scalable and is built to operate at high performance and availability levels. The Enhanced Shared Registry System (SRS) data centers are responsible for the core registry functions of adding, modifying, and deleting domain names to the registry. Nameservers that manage the resolution of domain names to IP addresses are co-located. The quantity of application, name, web and WHOIS servers; routers; load balancers; and relevant networking equipment is driven by the zone root query volume and size, anticipated demand for usTLD registrations, and the thick registry design. Throughout the term of the current contract, NeuStar has ensured that the infrastructure is sufficient to support the usTLD required loads.

The software design is an equally large-scale and important facet of the development of a next-generation Internet registry. NeuStar's thick registry architecture provides enhanced service



offerings and allows applications to be seamlessly integrated into the usTLD space. Additionally, NeuStar's use of open architecture allows for easy scalability of the registry hardware to support query and registration volumes increases.



Operating Expenses In Relation to the Statement of Work

Please see the following table for a comparison of the expense categories defined above to functional areas of the SOW.

SOW Section	Expense Categories				
	Operations	Infrastructure	Policy	Sales and Marketing	G&A
C.1	N/A	N/A	N/A	N/A	N/A
C.2	N/A	N/A	N/A	N/A	N/A
C.3	√	√	√	√	√
C.4	√		√		√
C.5	√	√	√		√
C.6	√	√	√	√	√
C.7	√	√	√	√	√
C.8	√	√	√	√	√
C.9			√		√
C.10	√				√
C.11	√	√			√
C.12	√	√			√
C.13	√				√
C.14	√				√
D.1	√				√
D.2	√				√
D.3	√				√
D.4	√		√		√

As would be expected, the Operations category is the part of nearly all sections of the SOW (all but the item related to trademark licenses.) and G&A is part of all sections.