**Comments by Judith Hellerstein and Maureen Hilyard in their Individual/ Personal capacities**

**Recommendation 1:**

While Mechanism One could be seen as the most convenient choice for the distribution of auction proceeds for community use from the ICANN perspective, we have a concern that ICANN's administration of these funds could create a conflict of interest when funds that are earmarked for philanthropic purposes could possibly be used to support ICANN activities, where budgets exceed their original expectation.

Our main concern is that Mechanism One may make it easier for ICANN Org to request additional funds from Auction Proceeds to cover Operating Expenses or additional money for the Reserve fund if sufficient constraints are not in place. Although the ICANN Board has already been decided that a fixed amount of the money from the Auction Proceeds fund will be used towards the Reserve Fund, we are more comfortable with this knowledge that the rest of the money needed to replenish the reserves is coming from savings made by ICANN Org. This issue sets off other alarms for us, however, since they are not related to auction proceeds, they will not be discussed here.

We, the authors of this comment, share the same concerns as the ICANN Board in that the lack of an independent panel or organization to select the applicants who will receive monetary awards, could put these awards at risk and delay the whole program. We strongly agree and support the response from the ICANN Board regarding the evaluation of the applications. As the Board rightfully notes, “an independent panel is an important aspect that should be considered in the CCWG’s recommendations …. The independent panel would assess applications and decide which applications will be successful in securing funding for that year’s tranche. The independent character of the panel would need to be defined and proper controls will need to be put in place to guide the work of the panel.”

We are in agreement with the ICANN Board that there is a strong need to have an independent selection process. As such, we cannot support Mechanism One as it currently exists. We believe that Mechanism One is not the appropriate choice as it could result in a conflict of interest for ICANN to be the manager and distributor of Auction Proceeds funds. Without an independent authority, ICANN auctions could be construed as a mechanism purposely created to provide income for ICANN and that it could encourage potential abuse within any subsequent round/s of new gTLDs.

We suggest a hybrid model of Mechanism Two that retains the cost-efficiencies offered by the ICANN Board for governance and payments by ICANN's Finance Section, alongside the establishment of a separate independent structure (either within or outside of ICANN) to cover the tasks related to applications and contractual relationships with ICANN. Following the criteria, goals and objectives set by this CCWG, this separate but autonomous operation would be formed to more objectively and legally attend to the receipt of global applications as well as to make the decisions related to project selections and the allocation of funds. We believe that once contractual, monitoring and evaluation arrangements are formalized, projects could then be passed to the ICANN Board for endorsement so that assigned payments could be made by ICANN Finance.

This model would allow the ICANN Board and Org to maintain their fiduciary and governance roles and also allow the ICANN Board to retain some level of control of key processes. ICANN has had experience of a similar “external” mechanism, and we believe is better informed about establishing this new hybrid model for this activity, based on lessons learned of this earlier process. This new organisation would be time-framed and could have its own contracted personnel to manage the administration as well as to monitor projects that are assigned - completely outside of ICANN's mandated responsibilities.