

Perseverance Pays off: New .XXX TLD Generates \$25 Million in Three Months, Applies for 3 New Adult TLDs - With Stuart Lawley

Watch the full video at:

<http://www.domainsherpa.com/stuart-lawley-xxx-interview/>

Three messages before today's interview educates and motivates you.

First, if you're a domain name investor, don't you have unique legal needs that require domain name technical know-how and industry experience? That's why you need David Weslow of Wiley Rein. Go search for David Weslow on DomainSherpa, watch his interview and you can see for yourself that he can clearly explain issues, can help you with buy/sell agreements, deal with website content issues and UDRP actions, and even help you write your website terms and conditions. David Weslow is the lawyer to call for Internet legal issues. See for yourself at NewMediaIP.com.

Second, managing multiple domain name marketplace and auction site accounts is a pain. Inevitably, you forget to sign into one and lose a great domain...or worse. Now imagine using a single, simple-to-use and comprehensive control panel to manage all your accounts. That's Protrada. You can setup search filters, analyze domains, automate bidding, list domains for sale, and buy domains across all major marketplaces. Protrada also has a new semantic engine that builds Google-friendly websites with rich content and network feeds. Sign up at Protrada.com to get 20 free credits and start building and monetizing your domains today.

Finally, if you have questions about domain names, where should you go to ask them? The answer is DNForum.com. Not only is DN Forum the largest domain name forum in the world, but it's the best. You can learn about domain names and the industry, buy and sell domain names, talk about domain name news, and meet other domainers just like yourself. Register for a free DN Forum account and begin advancing your skills and knowledge today. And when you do signup, send me a friend request so we can connect.

Here's your program.

Michael Cyger: Hey everyone. My name is Michael Cyger, and I'm the publisher of DomainSherpa.com - the website where you come to learn the secrets of the domain name industry directly from the experts. As of March 25th, 2012, the number of registered users in the ICANN Online TLD Application System is eight hundred and thirty-nine. Well, what does it take to start and run a top level domain name registry? And what are some of the tactics that registries are using to ensure consistent growth? Joining me to answer these questions is Stuart Lawley. Stuart is the chairman and CEO of ICM registry, operator of the .XXX sTLD - a sponsored top level domain designed specifically for the global entertainment industry as a trusted brand globally recognized and extolling responsible and safe behavior. Stuart, welcome to the show.

Stuart Lawley: Hi Michael. It's great to be with you.

Michael: Stuart, this is going to be a fun show. We met at Traffic and then again at Domain Fest. You are full of fantastically entertaining stories; half of which probably can't even be repeated here. But I want to say this right off the bat. That if there's anything you want to say, you should feel free to do so. I'll put an R rating on this video and we'll just keep rolling.

Stuart: A XXX rating, thank you.

Michael: A XXX rating. Yes. If there is a XXX rating, I'm going to find it. I'm going to put on the video and we'll go from there. So, that's my guarantee to you. Stuart, what was the first day that you offered open registration of .XXX domain names? And what have been your sales since then?

Stuart: We ran the sunrise period from September, and land rushed through from September 7th till December 6th, 2011. And we opened the doors on a first come first served basis on December the sixth. And if I recall, we did like fifty-five thousand names in the first hour. And the current statistics as of today is that in the registry, in total, we have two hundred and fifteen thousand eight hundred and thirty-five names. And of those, a hundred and thirty-two thousand plus are active resolving names that remained our reserved names. And the (Unclear 02:36.6) blocking names that we did for

brand holders. And on a daily basis, now, we're averaging about a hundred and twenty-five to a hundred and fifty domains per day.

Michael: Wow! That's a fantastic active website percentage. I don't have the other percentages in front of me of .COM, .NET, .ORG, or any of the other TLDs, but this is over fifty percent. Is that much higher than other TLDs that you've seen?

Stuart: No. I think you've got me slightly wrong on that. What I'm saying is one hundred and thirty-two thousand of them are recurring revenue domains.

Michael: Oh, okay. I see what you're saying.

Stuart: The actual stats of live built out sites we've got is twenty-seven thousand and five hundred and fifty-five that we can acknowledge are live and built out sites. And some of our premium names, and people we speak to on a daily basis, are putting up a proper website rather than a parked page. It's not an overnight job. It can take three months or six months, so we're getting literally hundreds of new sites coming online per day. And users can easily go to Google and type in Site:.XXX and see the growing number of .XXX pages on a day-to-day basis.

Michael: Great. And so, since you've only actually been taking in revenue for reserved domain names since late third quarter last year, fourth quarter, you don't even have a full year of revenue to talk about.

Stuart: No. We pulled in just north of twenty-five million dollars in that Q-four period of last year.

Michael: Wow.

Stuart: And there were some exceptional items in there like the sunrise revenue and some of the bigger premium domain name revenues. But we would hope the revenues will stay consistent or grow with the growing user base as we go along.

Michael: Great. And I'm going to ask you more about how you're going to grow that revenue over time because I think - I know - you've got a few different tactics for doing that. But this has been no easy feat to get the TLD approved. It was actually declined by ICANN in 2000, 2004, and 2007. Most people would say three strikes you're out. Maybe this isn't an idea that can go forward.

Stuart: No. I've been described, and I had to look it up in the dictionary, as indefatigable. And, yes, I mean the company itself ICM Registry was started in June of 1999, believe it or not, solely for the purpose of making this application. And we waited patiently after not being selected in 2000 and resubmitted in 2004. I moved into the company in early 2004 and invested in the company; basically took control of it. And I've really have headed it ever since. And yes, we went through the loop. Went through the hurdles, and I really kind of approved us and then disapproved us. It's pretty much all on record what happened. We maintained our composure. We took the high road. We didn't resort to mitigation, even though we're in the land of mitigation - the United States. We went through ICANN's own processes. Reconsideration request. And we were the first ever user of the ICANN's final method of accountability, which would be the independent review process. And we were proved to be correct in our sessions. And fair credit to ICAN. They acknowledged the decision of the panel, overturned themselves, and subsequently awarded us a contract.

Michael: Yeah. Credit to your organization, to ICANN for having a process, reviewing it, and not resorting to litigation. It's so easy to think that way, and go that way, and throw money at it, and have lawyers fight it out. But it takes a lot more work to go through a process, to have meaningful discussions about it, and so I commend you, your organization, and ICANN for all working together to make sure that issues were addressed and it was properly reviewed.

Stuart: Yes, thank you.

Michael: Now, this is going to be a fantastic interview because we're going to talk about how you took it from the approval and grew it, and what your plans are. But before we do that, and before we even take a step backward

and learn what you did prior to ICM Registry, what did you prior to buying a majority interest in ICM Registry, you've got some big news that you just announced.

Stuart: Yes. It's not public knowledge that we've submitted new GTLD Applications for .SEX, .PORN, and .ADULT. So we think we've gone for the clean sweep in terms English-speaking words for the adult entertainment industry. And most importantly, that may well have been expected that we were going to that, and it may turn out to pass when ICANN do their big reveal on April 30th that there are other bidders for those same domain names. However, the big news is that we've done this, essentially, in such a way to serve our community - our .XXX registrants, the adult entertainment industry at large plus also the defensive players, and brand holders, and intellectual property owners. We are doing them. And once again, like many things we did in .XXX, we're doing something that's never been done before. We are automatically, at no cost, effectively grandfathering in every .XXX name into the .SEX, .PORN, and .ADULT space at no cost. And that is not a time limited offer. So, essentially, those names will be reserved from registration and not available to the general public. They will be, basically, sitting on the a shelf with the corresponding .XXX registrants name on them. And that registrant can either do nothing, and those names will never be sold to anyone, or they can step forward and say, 'Well, actually, I would like to enjoy the type in traffic that I think those names will bring. I want to switch those names on'. And at which case, at their will, and they don't have to switch on any of them, or all of them. So they can switch on .SEX version and not the .PORN or .ADULT. And the retail price we assume from the registrars is going to be around fifteen dollars a year. Twelve to fifteen dollars a year mark. So a much lower price than the .XXX because we don't have all of the features built in plus we're not carrying the overhead cost. So for the buyers of particularly more valuable names that they're after, those names are no longer. Once we've allocated them to the .XXX owner, the .XXX owner can do what they want with them. They don't have to point them to .XXX. They can build a new website. They can flip them out and trade them tomorrow. So really, you're buying one and getting four free essentially. So for the holders of .XXX names that have value - premium names -, this is a great windfall for them. And I think that's marvelous news. I think, as you

say, we're clearly doing what we said we would do with .XXX serving our community and our registrants. And there can't be an offer than free.

Michael: Yeah, definitely. And I was going to say, as soon as you told me this, Stuart, I was thinking, 'What's the catch?' I think everybody is a little bit suspicious about different brands, new TLDs, new registries. And when you first said that, you were going to hold them on a shelf, I was thinking, 'Well, if I own Domain.xxx, you're going to hold Domain.sex and Domain.porn for me. But if I don't want it, you're going to sell it to somebody else for a higher fee'.

Stuart: Absolutely.

Michael: There's no catch here.

Stuart: No.

Michael: You are holding it. You are honoring the relationships you have with your .XXX registrants.

Stuart: Yes. Those names will stay on the shelf, unused, for the lifetime of our contract with ICAN. Absolutely.

Michael: Wow. Alright. So if I go out today, and I buy - I had to even say it. Mysite.XXX. Because somebody's going to go out and buy it now - MikeCyger.xxx, you'll get me MikeCyger.sex, MikeCyger.porn, and MikeCyger.adult.

Stuart: Yes. And you will never have to pay for those. They will just be sitting on the side. So, we have a substantial business with .XXX already. Good revenues. Good profits. And part of this is a service to our existing customers. So to encourage them to buy more, to stay in the registry, and to generally acknowledge, and to paint to the wider world, because we got a lot of credit chewed off for our innovative Sunrise B program in the wider world and intellectual property world. And, ultimately, these TLDs are focused on the adult entertainment industry. And it's quite funny, or strange, or refreshing for ICM Registries policies to be held out in the ICANN space. It's

the most responsible way of running a registry (Unclear 12:06.5). And that's currently what's happening in .XXX. And this will move the line a bit further, and people go, 'Wow!' We're already making our money from .XXX and we're very satisfied with our business. To reserve those names isn't a loss making thing for us. It costs us hardly anything to do it. So we're happy to do that. And if people do activate them, we'll do them more or less on a cost recovery basis as a service to our existing registrants. So I think it's a brilliant deal and we'll give plenty of power to the space.

Michael: Yeah. And so, from a tactic standpoint, what other registries might learn from this is that - it seems to me and please correct me if I'm wrong - by doing this, you're actually doing a service for your customers first and foremost, but you're also, sort of, limiting your downside. You're saying, 'How might .XXX get diluted? And what can we do to maintain our customers focus on .XXX?'

Stuart: Absolutely. It's an added value to the .XXX registrants. And not withstanding this, doing this special offer, because this is our area of business - the adult entertainment industry domain names -, we would've been applying for .SEX, .PORN, and .ADULT anyway. So when we came to the conclusion in January of this year that that's what we needed to do, we were going to do it, we then sat down and thought, 'Well, what's the fairest way to treat our registrants and also the defensive holders?' And we thought, 'Well, if we just mint them, and start selling premium names off, and charging everybody ten to fifteen bucks a year, we're going to make a bundle more money over again'. But again, it didn't strike me as very fair. And we see ourselves as a very fair, straightforward, open registry; which is what we believe appeals to registrants and also, ultimately, to the consumers that we work in a very positive way and try and look after our customers. And as you probably know, that's the first rule of business. Look after your customers.

Michael: Love that Stuart. I love the fact that you're looking after your customers and you're not putting money the number one priority. And don't get me wrong, I am, on all accounts, a Capitalist. I love Capitalism. I love America for what you can do in America. But I often get turned off in the domain name industry because there is so much focus just on making money, on getting more in a sale, on negotiations. And when you serve the customer,

and you do the right things for the customer, a lot of those benefits seem to come. So I commend you right off the bat for doing the right things for the customers.

Let's take a step back, Stuart. I want to find out a little bit about you, and how you came in business, and how you came to become a part of ICM. And then we're going to get more into the tactics of how you're currently building ICM Registry. And you are such an important face of the registry because it's only been around as an initiative, or as a going concern for a while, but you've only been making money on it since third quarter of last year. So I want to get into those tactics.

But first, I read in an interview that you initially became interested in ICM when reviewing the applications for inaugural TLD introductions in 2000. And you thought that the idea had merit.

Stuart: Yeah. Absolutely. I recently moved. I left England and gone to live in the Bahamas for a few years; and moved to Florida in 2001. And, by chance, I met - my son at the time was only two years old - and at his little Halloween Parade, one of the other fathers happened to be, I think he was, the registrar liaison or Head of the Chair of the Registrar Constituency for ICAN. Michael (Unclear 16:17.5). And he was asking me what I'd done, and I'd had ran a really large ISP in the UK. And he was like, 'I'm involved in ICAN'; and I roughly knew who ICANN was. And he just barraged me with all the acronyms that you're used to. I'm in the GNSO, and we report to the (Unclear 16:35.1), and we go through PDPs. I was like, 'Blimey! What's all this about?' And his view was ICANN will be looking to do more top level domains soon. It's probably an area you should look into. So over a six month period, I thought about the idea. So I started going though all forty-seven applications from the 2000 round; from looking at .TRAVEL, and .WEB, and .III, and all the ones that didn't get approved. And the one that caught my eye was ones that have been submitted by ICM Registry in 2000. Because, to be frank, it was the best, and the most well written, and best prepared application out of all forty-seven. But the young man who was running the company at the time, Jason Handlers; I think he invested a million bucks.

Michael: Wow.

Stuart: And unlike the TLD round that we have in front of us now, that was a much snap six weeks to apply period. And he did a wonderful job. But I fully understood why ICANN didn't choose triple-X in their first test bed round. Why would you bring a controversial one into being so? But I looked at it more and more, and I thought this could be developed. That was more of a plain and open registry - a GTLD - at the time. And I then did my due diligence on adult entertainment industry, which, at that time, was growing; and it was very much of a Wild West situation. There were no representative trade groups to speak of, yet I was shocked at the size of the industry. Multi-billion dollar industry. More money spent on adult entertainment in America than going to the movies, or every sporting event added together.

Michael: Wow!

Stuart: No, seriously. And I thought, 'Well, they have the NFL, they have the NBA, they have the Motion Picture Association of America as a lobbying self literally labeling initiative. I mean it's like movie ratings, then, are mandatory. Those movie ratings are voluntary, and it's something that the MPAA came up with to try and head off ownership legislation. So I thought, 'Clearly, selling adult domain names was going to sell a lot of them'. It's a big part of the space. It always has been on the Internet. So, clearly, I would be disingenuous if I tried to present that I was doing this for purely an altruistic reason. I saw that it would be a potentially lucrative space. But at the same time, my overall view - and that still rains true today - is that responsible self-regulation is much preferable than ownership and clumsy legislation. And by outreach and letting people know what this content is labelled. It can be freely accessed by the people who want it. Yet at the same time, if you provide tools and technologies for parents, and schools, and people who want to avoid this, we're not going to be your customer anyway. They may not like the content, but are going to tend to be quiet about it; because it's not being forced upon them in an unwarranted manner. So I thought it was a way of doing a very elegant application to satisfy the needs of providers, the consumers, and the avoiders at the same time. And you may have seen our videos. We sell it as a win, win, win. And we felt by putting that together and at the same time we could engage in responsible outreach to the Governments and regulators around the world - and we're doing that in the United States,

Europe, UK - to say actually, this is what the industry is doing itself. It's taking a step forward to responsibly self-organize so you guys don't need to be designing cockamamie rules that are not really going to work.

Michael: God forbid. We don't need Congress getting into that, and coming up with their own legislation for how things should run.

Stuart: So that was the (Unclear 20:40.0). So we recast the application as a sponsored, because it really was to serve the specific needs of the community, and made the application in 2004. And the rest is history. It took us till March 2011 to actually get the contract bloody signed. It was seven years of my life sideways.

Michael: Yeah. So, just prior to ICM Registry, your roles also included Internet and Technology sectors. You're not new to this area. Just prior you were Chairman at OneView.net, where you guided the company through a public offering on the London Stock Exchange. It was then sold in March 2004; two hundred million. Is that correct?

Stuart: Yeah, that's correct. That was definitely bit of a wild ride. The company only started in early '99 with like four or five people.

Michael: Wow.

Stuart: And in the space of fifteen months, we grew from four people in one office to four hundred and forty people in ten offices around the UK. We did an IPO on the London Stock Exchange, and as you say, a sale for two hundred and four million dollars. And that was March 23, 2000, which if you look at the historic charts, then NASDAQ peaked on March 9th. So to call it within two weeks of the peak; I'll put that down as a good call on my part.

Michael: Yeah. And that is quick. And so, you were Chairman, I think I said. Does that mean that you were also one of the founders, or did you come into a company that was already running and then just headed up the growth curve in the sale?

Stuart: No. I started the company. I was one of the first four people. And I originally owned seventy-eighty percent of the company.

Michael: Wow.

Stuart: And then went public. And by the time we sold, I still owned fifty-one percent of the company, which, once again, was a nice payday to go off into the Bahamas for a while. But we were a full service ISP, so we actually sold. We had two hundred and fifty salesmen. They went out, knocking on doors, selling website packages, modems - in those days -, build-a-website, four page, eight page, ten page on a payment plan to small businesses to get them connected. So you could buy a website, a domain name, a modem, some training all for like a hundred bucks a month.

Michael: Wow. Yeah, there's so much. I speak to so many successful entrepreneurs that rode that ISP curve; that set up the systems, that had massive salespeople that went out to businesses, and sold, and got business on the web. And this is another fantastic example. When you actually went public on London Stock Exchange, what was your revenue? Do you remember?

Stuart: Crikey! No. That's a long time ago.

Michael: How about when you sold the company? Do you remember what your revenue was at that point?

Stuart: I know we were making losses, but that was the mode at the time.

Michael: Right. You were losing money, but you actually had revenue when you sold it.

Stuart: Yes. I think at the time we went public we had like seventy or eighty employees, and we were probably selling up two or three hundred websites per month to businesses. And literally when we sold, in the month of March of 2000, we signed up three thousand new businesses. So we had two hundred and sixty salesmen. We had a hundred and sixty-four web designers located building these websites and the rest of the people were support staff.

So we were cranking these websites out like crazy. And you could probably do the math. We had seven or eight thousand customers all paying us about a hundred bucks a month or whatever at the time.

Michael: Yeah.

Stuart: So because we were investing the cost upfront, and taking it out of three or five year payment plan, we were obviously losing money day one to make it later on in the day.

Michael: Sure. And so, unfortunately most people don't have the success that you've experienced, Stuart. They don't know that selling a business, you pay your brokers fees, you pay your taxes, you pay all the other people involved. But at the end of the day, it was a good payday for you. You went to the Bahamas. You took some time off. You discovered the ICM Registry at that point. Is it public knowledge how much you actually invested to take a majority stake in the ICM Registry?

Stuart: It's not public. It was about half a million bucks at the time. And I didn't start off taking a majority stake. I came in as Chairman and CEO. But I actually started with a thirty percent stake. Because at the time, we thought it was going to be a six month dash to the line. Just like the recent GTLD Applicants have found out.

Michael: Right.

Stuart: That we thought it was all going to be over in a year. And the company needed about half a million bucks, so that's what I put in to buy. So (Unclear 25:39.7) that was valuing Jason's half of the business at a million dollars. And that seemed about right. And then, as the years went on, the cash calls continued. I continued to invest in every cash call. We probably had like ten, twelve different cash calls along the way. Fortunately I was determined and I had deep enough pockets to fund that. And, over time, my share holding went into a controlling position and majority share holder as it is today.

Michael: Yeah. So not only did Jason get the cash infusion that he needed for the time what he thought was a dash to the finish line, he brought you on as

CEO, and then he brought on you as potential further investor. Clearly, he needs to give up a greater percentage of the company if you're going to invest more cash in the company. If the strategic vision changes such that it's not a dash, now it's a long term race, and we're modifying our business model from whatever it was - sell a hundred thousand domains as quickly as we can and monetize it - to now it's a long term business where the purpose is this. I assume that the business model has changed since your initial investment to today.

Stuart: Not really. At the time, and once again, be warned new TLD applicants, the 2000 round was littered with applicants that believed and forecasted they were going to sell millions of names and make this, that, and the other. So our original forecast to ICANN; there was still a forecast that we worked all the way through whether we were going to build up to a hundred and twenty-five thousand registrations over five year period. So only at the end of five years, were we going to have a hundred and twenty-five thousand registrations. And really that's part of, people mentioned, the higher price point for the .XXX name. But that's what we built it around. That business model. We need a return on our capital to invest this money, and just a regular profit based on those numbers. I mean, we're glad to say that within three months we overachieved the five year forecast numbers. But we never went out the gate saying we were going to sell half a million or a million. We sometimes went to bed dreaming of that, and saw it as a possibility at the far end of the curve. But because we've made money and been used to operating regular business pre-Internet - selling office machinery - it's tough to make money, and it's hard, and you just got to keep your feet rooted on the ground. So that's what we did. Always had fairly modest business plans; and we'd gaze at the stars sometimes in hope.

Michael: And hope, yeah. So, with so many companies applying to create a registry, do you think ICANN is setting themselves up for success? The web is free. Information should be free. Or do you think they're setting themselves up for failure, where a lot of the criticisms of all of these TLDs may come to fruition?

Stuart: That's a real good question, Michael. And what do I know, to be honest, apart from having been through the process. I was a TLD dreamer,

and I made it reality. And I'm a great believe in opening up the domain name space. And I do believe that it's only the artificial scarcity that has been in the domain names space that has caused some of the previous issues. I, personally, have serious reservations about the impact on ICANN and the world of such a massive explosion all in one go. My own view is that the prior to rounds were effectively test beds. But they've created this new black box, I guess, that they (Unclear 29:35.8) handler as a process. But to not effectively Beta test that, and just to, you know, what happens if the process is broken and it doesn't give the right results, and suddenly we'll know on April 30th of how many. There could be a thousand, or fifteen hundred, applications; or possibly even more. I do fear, and I'm very familiar with ICAN's own internal workings, and their compliance, and the people they've got looking after registrars. So I do think there's going to be huge issues with the new TLDs getting shelf space at the registrars. The cost of taking these one, if you're going to sell two hundred names or five hundred, just isn't worth it. And there will be the rush for the shelf space. I think that's tough. Customer confusion. And if the process breaks, which I hope it doesn't for ICAN's sake. ICANN has nearly as many critics as we do. No, actually, probably more. It will give them more fuel for the fire to attack ICAN. So I'm a little bit, you know, why would they do this to themselves? I know they end up getting a lot of money as a result of this, but I would've thought probably bring in fifty in this year, hundred next year, and then we know the black box is working - the world hasn't stop turning on its access. We can open it up. But I'm not running ICAN, and it's done now, and we'll see what the result is.

Michael: Right. We both have been fortunate to build up a business and sell a business. But most business that start up, at least in the US, fail unfortunately. They go out of business within five years just because they don't have the cashflow that they need in order to keep the business running. We haven't seen that necessarily with TLDs. If you look at all of the TLDs that we've had, some people will say, 'That TLD is a failure. This TLD can't do this'. But at the end of the day, they're making enough money to keep the TLD going. And ICANN actually requires you have enough cash on hand to keep the TLD going for a number of years. How do you look at the fact that we haven't seen TLDs go out of business - and the TLDs are a business - whereas in the general business environment most businesses fail?

Stuart: Yeah, once again, another good question. But, yes, if you outsource a lot of your functions, you can actually run a small registry on a good several hundred thousand dollars a year. And then, once again, if you do the math. If you're only selling ten thousand names, and you're selling them at a hundred bucks year, that's a million bucks. And it might cost you six, seven hundred thousand to employ two or three people and then pay two dollars, three dollars to the backend provider - whatever it would be. ICAN's fees. So, yes, you can have a sustainable business making a hundred or two hundred grand on ten thousand domains if you price them right. So, no, we haven't had a significant crash. I think, to commend ICANN for a change, the application process this time - and we've just gone through filing three of them - is way more thorough than it was in 2000, and even 2004. I mean, we run a registry. We know how these systems work. And our general counselor, CFO - they've been busy since mid-January getting this ready. The continuity of operations instrument - that's a tough cookie. And to get the three points required, we have pre-funded cash already committed in escrow accounts for each of the three registries with an A rated bank insured to the highest level fully documented. We put nearly half a million dollars of operating cash in advance into each of the three operating company's bank accounts. People have draw a lot of attention about the hundred and eighty-five thousand application fee. That isn't even the thin end of the wedge. I mean, we're at total commitment to date for the three. It's getting over two million dollars, not including the work that we put in at this end. So it's not for the faint heart. TLDs are not for the fainthearted, or shallow of pocket I would like to say.

Michael: Yeah. Definitely. So, you wrestled with the technology, the political aspects, the registration process, public sentiment. In your opinion, what's been the most challenging aspect of starting up the .XXX top-level domain?

Stuart: The truth of the matter, and this one will get faced by every new GTLD applicant, is public awareness of the existence. We have probably spent, I would say, five to seven million dollars on advertising. You may have seen TV adverts running nationwide in the US. They're also in the UK and Europe. Billboards. We attend the powerboat championship racing and sponsor a boat next to Geico in the water - the Ms XXX. And we go to shows. We were just in Australia, at a big consumer show, with sixty-five thousand visitors through in two days. And everybody loves triple-X and gets

the idea. So the actual public acceptance of what we're doing - the regular man on the street, and the woman on the street just get it. Simple idea. No brainer. Identify the content - adult content's around. But if you stop the people in the street and said .XXX, we're probably outside the big three or four most famous TLDs in the world even though we're known. We just are. If you ask people to name outside .COM, .NET, and .ORG, we would rank pretty highly on people's recognition factor. That their acknowledgment of what that actually means. That it's .COM.XXX or .COM.Whatever. The concept. And that's particularly more the US than the rest of the world because they're used to country codes as well as having .COMs. And that's why I think the GTLD round will actually benefit us at .XXX. Because the awareness that there is something else to the right of the dot is going to be everyone's biggest challenge. Because it's become such a way of working for so long. That's the biggest nut to crack. And as individual registry, to do that, to build that kind of brand, is a twenty to thirty million dollar a year exercise. And no registry is really likely to spend that. We're probably going to spend the most. But hopefully, as a collective effort, within two or three years, the acknowledgment that there is something different can be something different to the right of the dot with meaning. So that, I would say, is the biggest challenge. Just getting the actual understanding of actually what it is.

Michael: Right. The public awareness. When I think of public awareness, I really only think of three companies. I think of GoDaddy, with their Super Bowl commercials. But that's just general registrations; and most likely .COM or .CO. I think of (Unclear 37:11.2) over at .CO. He does a great job. They get into the public light. They've got a lot of startups focused on changing their brand to .CO. And a lot of big names also, like Amazon, or Overstock, or Twitter. And he goes to South by Southwest and a lot of big events like you do. And you're the third. And for an industry that I estimate to be a pretty good size - the domain name industry - there is no Association. There is nobody that is helping raise public awareness that's bringing everybody on board. And there's really a few heroes in the industry, and everybody always talks about how we need more public awareness in the industry. But nobody's really doing anything except for those three players that I can see.

Stuart: But the three players you've mentioned are either registries, or registrars. And they are appealing to registrants, not the consumer. So, so many people that we speak to when we explain about who we are and what we do, and they go, 'Oh, can we buy the name from you?' We go, 'No. You need to buy it from somebody like GoDaddy'. Everybody has heard of GoDaddy, but the high percentage of people say to us, 'I've never understood what GoDaddy do'. Because they're not registrants. And they're never going to be registrants. They're consumers who are going to serve the web. And that goes back to understand that there are other TLDs apart from .COM. So that's the biggest nut to crack. Everybody has heard of GoDaddy, but probably much fewer people know exactly what they do.

Michael: Yeah.

Stuart: What they actually do.

Michael: Right. So what do you think we need to do, Stuart? You've clearly thought about this. What does the domain name industry need to do in order to raise public awareness?

Stuart: Well, you said that, and that's the sixty-four million dollar question to be honest. So, as a registry, getting your name out to the pool of registrants you're looking for. But that is such a tiny proportion of the ven diagram of consumers. The getting the awareness of top level domains, whether that's ICANNs responsibility out of their three hundred million dollars or whatever it is that they will bring in under GTLD application fees. But whether there should be an association of registries that fund a global outreach to say, 'Look. You do realize this is how it works. There can be .YN, or .WEB, or dot whatever it is to the right'. And because the rising tide will raise all ships and will just make peoples awareness. From registries small, like .CO or .MUSEUM. .CO is probably okay. But apart from that, the rest of the folks could do with greater public awareness of the existence of top level domains.

Michael: I agree. And that may be, should be, under the purview of ICAN. They do have a lot of money. It's been talked about in the industry that they're bringing in a lot of additional revenue, where is all this revenue - all this income - going to go, and maybe they should be looking at how they can

raise the public awareness since that is their job. To run it. And part of running something is to make people aware of it.

Stuart: I would vote for that. I thought their outreach on announcing the GTLD to the world, the application process, was pretty well thought. I think they probably spend a million bucks or something. And that only serves to increase the argument that it's an insiders game, and it's a secret game, and nobody understands what it is. So I am hoping that post this they start spending millions of dollars a year to let people know that there's something to the right of the dot.

Michael: Yeah. Okay. So if we put public awareness, which everybody faces, to the side, what's been the most challenging aspect of you being the CEO and starting up the .XXX top level domain?

Stuart: I'd have to say it's gone remarkably smoothly. Our detractors before we were approved, and even in the inter-room after our approval, I was like, 'This is going to be the world's biggest nightmare. And triple-x's are going to be a disaster. It's going to cause this, and that, and the other'. None of that has transpired at all. We've launched very, very smoothly. We have very detailed processors. (Unclear 41:34.3) is our backend provider. Did a great job. No technical hitches. Our outsourced intellectual property of validation from IP Roter, Jonathan Robinson, did a fantastic job too. We have these evolutionary new challenge procedures - the rapid evaluation service for rapid take down. I think combined UDRP and RES - thirty to forty, which out of a hundred, two hundred thousand names is a negligible percentage. No dramas. No, it's gone very, very smoothly. So I would say we worked extremely, extremely hard in that period. But in terms of challenges and scrambling, no, we pretty much had it under control.

Michael: What's been the craziest experience that you've gone through with the .XXX domain? That you can say on the air.

Stuart: Yeah, I would say that would be going to some of the adult industry shows and talking to. I mean, even traffic - they're a main name show. We brought Ron Jeremy, the famous slightly older adult performer, with us. And the guy gets mobbed.

Michael: He does.

Stuart: I'd hate to think how David Beckham gets treated. But everybody recognizes him. And the women; they love it. Can you sign me here? And sign me there. And a bit of naked skin to sign. And we just took him over as our spokesman to Australia, and he was on national TV, on three different morning TV channels. There's a lot greater acceptance with adult entertainment than you would think at first blush. People are pretty, our catch phrase, 'Let's be adult about it'. Most people are to be honest. But there have been some crazy scenes and crazy situations at some of these adult entertainment conferences and retreats that we've been to would definitely not be for public consumption. And I guess worse, more embarrassing for me, were the requests for certain premium names or other names. And I had to admit I didn't know what it meant. CBT.xxx for argument. I'm not going to tell you what.

Michael: Computer based training?

Stuart: No. Not quite. And there were words like that, and I had to go the Urban Dictionary, or even beyond that, to find out what these things actually mean. So, a little bit (Unclear 44:12.0) for this. As you can imagine, a non-stop source of fun and entertainment.

Michael: Oh, yeah. I can only imagine what your offices are like on some days. The e-mails that must go around.

Stuart: We take our business very, very seriously. But you have to have a pretty good sense of humor running this registry. That's for sure.

Michael: Definitely. So you've had plans. ICM Registry has had plans since, I believe, 2000 - since the first filing of the application for a PayPal-type payment processing system. Is that correct?

Stuart: That was my little brainchild that sort of started coming out in 2004 onwards.

Michael: Okay.

Stuart: And probably more relevant today than ever with the adult industry; the adult industry has been decimated by the availability of free content.

Michael: Right.

Stuart: And you can understand why. A lot of that has been stolen, which is causing the industry a big piracy issue, which we're trying to address with them. But also, you have the consumer who, themselves, are very embarrassed about buying adult content, or historically they've suspected that the merchants may not be on the up and up. Really that's where triple-X was coming in. To say no, these sites are operating to a standard. So we've still got in the works with major global players that don't currently operate in the adult industry payment processing. Because that industry, itself, is worth billions of dollars a year. We have, in the works, a revolutionary - it's really PayPal meets iTunes. So you can pay anonymously without giving your credit card or payment details by many different methods in many different countries into effectively a central account with a trusted party, in which ICM would be that party. And then you can debit your account ninety-nine cents here, or one dollar ninety-nine there, to just buy a clip. Because that's how people, particularly in the more recent years via iTunes, are used to buying their content. The older model of a twenty-nine dollar a month subscription - that you don't see too often these days. It's a la carte. Buy what you want. Mico transactions. And people are more comfortable and familiar with that. But that is not available to the adult industry at the moment. No one is doing it.

Michael: Wow.

Stuart: The payment merchants don't want to engage with the adult industry. Or don't know how to probably rather than don't want to. And ICM presents that sort of responsible gateway between the payment providers who've stayed away from adult - the real big ones on a global scale. And thirty, forty, fifty thousand merchants here that can come through us as a, sort of, collective bargaining tool I guess, and literally gateway to make this happen. So we think when that launches, that's probably going to be early 2013 now,

because it's got to be right. It's got to be will beating. We can't come out with a half-assed version of it. It's got to be right from the beginning, and we're perfectionists. So we're busy. We have a dedicated team just working on that day and night. It'll either be a Q4 or Q1 of next year. And we think that will turn the industry on its head and start bringing cash into the industry rather than people just working off paid advertising of the Tube sites, which have caused a huge problem in the industry.

Michael: Yeah, no, that's big. Anybody that's been in financial services and understand how flow works, and understands how these types of accounts work is going to realize that that's going to be a massive endeavor to take and has the potential for massive reward. So, when you guys go public, I want to know. Because hopefully it'll be right around that time and I can get a piece of that as well, Stuart.

Stuart: Never do that again. Been there, done that. And particularly in the United States, the NASDAQ and the main market are so unforgiving. And everything is so short term. And I think one thing we've proved is that it's a marathon, not a sprint. And we can take a very long term view on our business, which is what we do. Whereas the demands of the public market are very much quarter to quarter, and all the (Unclear 48:33.4) actually (Unclear 48:34.2). It really just isn't worth it, so we will stay as a private company.

Michael: So is the payment processing system being built entirely in-house by your team? Or are you outsourcing parts of it, like Afilias runs the backend of your registry system?

Stuart: I can't say who our chosen partners are, but they are globally well known household names that don't operate in adult at the moment. And really we're backing off. They're designing specific interfaces and new process flows to accommodate our requirements. So basically, yes, the backend will be someone else. We're probably going to locate the payment processing company in a new company in the United Kingdom, and run it - get it regulated - under the Financial Services Act. So it's not some off shore bank in the Bahamas, or the Caribbean. Everybody can trust it and know that it's regulated and we have proper capital advocacy requirements in that. So that's probably the future there.

Michael: Yeah. Great. I want to ask you about your premium domain names. I think a lot of people understand that when a new top level domain comes out, there are premium domain names that everybody wants. Cars.whatever, or Finance.whatever, or Porn.whatever. How many of those premium domain names did you sell prior to opening up registrations for sunrise? And how many did you hold back for later sales?

Stuart: Okay. I would say that we had the founders program, which we ran pre-sunrise. And we sold fifteen hundred names in that. But a lot of the names we sold at that time, including that, were not premium domains. They were just the portfolio names of the founder partners. So, typically, a founder partner who was in the adult industry may have registered or bought from us two, or three, or four premium names and then registered two hundred of their portfolio names. So I would say we probably sold, up to this point, fifty or sixty premium names, that I would suggest, in total.

Michael: So let me stop you for a moment, Stuart. I'm not sure I understand the difference between what the founders program and the fact that they were able to get domain names earlier, and then selling other premium domain names. What's the differentiation between those two groups?

Stuart: The idea behind the founders were to get some names sold; get some flagship sites built by early adopters. Known participants in the industry that could get their sites to market sooner so that we could actually say, 'Look. There you go. It's live'. There you go. Go to Casting.xxx and look at what's on there. Or Free.xxx and look what's there. And things are a lot more easy to sell when you can touch and feel something.

Michael: Exactly.

Stuart: Like selling a house off a plan versus come and look at the show model.

Michael: Right.

Stuart: So that was the idea. And it was limited. We took in about thirty-five individuals and companies, including a couple of domainers. Frank Shilling. Who both had extensive experience in the adult industry domain name space, so they were happy to come in. So, yeah, we did some of those sales. And since then, they've just been outright premium names that people have bought outright from us. We're just about to launch, probably as early as next week, the release of about fourteen hundred premium names in total of which three hundred are probably names that you wouldn't want to mention to your grandmother. But believe it or not, there are about eleven hundred names that you would be quite happy to show your grandmother. Because there are dictionary words that have a different meaning, or a specific interested meaning in triple-X.

Michael: What would some of those be?

Stuart: Just yesterday we sold Lingerie.xxx to a well known lingerie company for a five figure sum. Somebody might want to buy Leather.xxx or Rubber.xxx, or words to that effect. But of the sales to date, we're very proud that we believe, I think it's irrefutable, we have probably sold more premium names - as a prelaunch or at launch more high value, premium names - than any new registry has ever done before. And like I said, we've only done fifty or sixty of them. And we wanted to hold these others back so that we could now let the registry get some legs, but we can also go with this offer now to say, 'Look. We've applied for these'. Because this is an extra added value. We've applied for new TLDs. There's no guarantee that we're going to get them. We're going to give it our best shot. But if we do, they will come bundled with your purchase of a domain name. So that's like a four for one. Buy one, three free. So that underpins the value. And in fact, the people can spin them off and get their original money back. But run down the list of the names we've sold. Gay.xxx - five hundred thousand. Fetish - three hundred thousand. Shemale - two hundred thousand. Toys.xxx we sold two weeks ago for a hundred and twenty-five thousand. FreePorn.xxx - one twenty-five. One of the names that was sold in auction - a lot of people have asked about our auction - is a four letter word beginning with F. Fbook, but not Facebook. Four letter word beginning with F book - that went for a hundred and twenty-one thousand dollars in auction. Sexy.xxx - a hundred grand. Dating.xxx - a

hundred grand. I'll move down the list. FootFetish - eighty-nine thousand. FootFetish.xxx.

Michael: Who would've known that so many people had foot fetishes? So if I look at your revenue today, just over the past six months let's say Stuart, I think you said twenty-five million, right?

Stuart: Over.

Michael: Over twenty-five million. And if you look at these fourteen hundred premium domain names that you have reserved, not even counting other ones that people can go online today and go register at GoDaddy or other registrars, how much value do you think those fourteen hundred premium domain names has? If you were to put a book value on them.

Stuart: I won't. We've got rough ideas.

Michael: I know you do.

Stuart: But we're pricing them very fairly. Because, just like the other thing, we need to serve our community. And also, we need to get the space developed. And it's more important to us in the long term. We're in for this long term. For the annual recurring revenue. That's what we're in this for rather than the short term. So the worst thing we can do is, as we're trying to sell the consumer to use triple-X, he does some type-in names and there's nothing there. That's a waste of time. We're shooting ourselves in the foot. So these are going to be prices to sell. We're going to publish the list of names. Most of them are up there at the moment. If you type in a word that you can think of that you might think might be a premium, it'll go to a landing page saying, 'This name is for sale'. We're going to publish the list. We're probably going to put a hundred or so with different partners; some brokers. We may do something with like a SETO, or an Afternik, or a GoDaddy marketplace, or all of the above. To have a buy it now type of arrangement. Otherwise, people can follow the process and apply with the forms. It comes directly to us. But we'll actually be too busy. The amount of work involved to sell thirteen or fourteen hundred premium names is quite a lot.

Michael: It is.

Stuart: If we do it at normal rate, it will take us seven years to get rid of them. So we want to get them moved, and I'd like them all to sell in this calendar year.

Michael: In this calendar year?

Stuart: In this calendar year, I would like them all. Our plan is to try and get them all out. Because otherwise they might be worth more next year. You've won the battle, but lost the war.

Michael: Right.

Stuart: And we're in it for the long term. That's our long term revenue plan. To get the space working, using, popular. So, like I say, names like Kino.xxx for ten thousand. The infamous CBT went for ten thousand. You'll have to look that up after this interview. Ladies for ten thousand. ATM, which is not an automatic teller machine; ATM.xxx went for twenty thousand. Bollywood for twenty-five thousand. LasVegasEscorts went in auction for forty-four thousand last year. How many digits? Fifteen digits?

Michael: Yeah.

Stuart: Characters? Forty-four thousand.

Michael: That's a long name.

Stuart: So we went off the radar a little bit on news because we were convinced people were a bit sick of hearing of triple-X everyday with the news stories.

Michael: Oh, you can never be sick of hearing about triple-X, Stuart. So are you going to tell the audience how much you think the book value is for those? Low range? High range?

Stuart: No.

Michael: No. What if I guess? Will you say higher-lower? Getting cold. Getting hot.

Stuart: Go on then. For the fourteen hundred names, guess.

Michael: I am going to put a number around thirty million.

Stuart: That's probably about right.

Michael: Look at that.

Stuart: Yeah, the auction value, which were not names up for. They were limited auctions for the land rush names that we had. They panned out at about a thousand dollars a domain as an average price. There was a high of a hundred and twenty-one thousand, and some forty-four thousand, and plenty of ten thousand plus ones. And once again, we think these held back names are better than those. So if you say fourteen hundred. An average of two thousand dollars year. It equals quite a lot of money.

Michael: Yeah. So, everybody that's thinking about starting a registry, that has a registry, they want to grow their registry. Clearly, you're planning on growth through public awareness. You're spending more money than anybody else to get the public aware that .XXX exists, so that more people can buy the domain name number one. Number two, you're looking for additional sources of income. You've seen a need in the marketplace for this proven, trusted, anonymous payment system in a micro payment form that's backed by a big box or a big provider, and gives people that authority. And you are filling that void. Just like any other entrepreneur would. What other ways are you looking to the future to continue to grow to TLD?

Stuart: We're also launching, probably later in the year - and once again, we've got over a million dollars development cost into it-, a search portal that will be under Search.xxx. I think that there's just a holding page at the moment. We've got a team of about seventy - about four times seven - full time developers actually over in Estonia working on this with a management team here in Florida. And that will be an adults only search engine. And we

could end up with millions and millions of visitors a day to go and look for their adult content in Search.xxx rather than in Google.

Michael: Right.

Stuart: You know what it is. You know what you're going to find. And so, that's quite a major undertaking as well. So we think between those, the continued growth of the registry, which we think will hopefully grow year by year and a few major events might move the needle up in dramatic fashion. We'll wait and see. Search.xxx and the payment plan. These other TLDs that we're applying for; we're running those at a cost neutral basis. There's no (Unclear 1:00:50.8) marginal. There's no plan in the detail financial that we've sent to ICAN. There's no great plan to make a huge amount of money of those. Those are just designed to wipe their nose and take over as a public service. So it's just become the acceptance by the industry, acceptance by the consumer. Just stay in the game. Keep doing the right thing. Hold you head up high. Behave in a proper manner. Always tell the truth. Tell it straight. And it's a long game. Those would be my advice to any new GTLD applicant. Plan for three times longer than you think, and three times more the amount of money. And remember, it's a marathon and not a sprint. Play the long game.

Michael: And I love your perseverance and the fact that ICM has been around for such a long time. Turned down three times. You persevered. You do the right thing. You do the right things for your customers like we talked about. And you've got, what I think, is a great business model for the future. So, Stuart, great insights for domain investors, for GTLD applicants, and for other entrepreneurs. If someone wants to learn more about .XXX domain names, or they want to follow news or events that you're going to be at Stuart, what's the best way they can do that?

Stuart: Three ways. You can go to our website - ICMRegistry.com or ICM.xxx. There's a blog and news are always posted there. You can follow us at @dotxxx on Twitter. We're quite prolific Tweeters. And just keep watching the space on the website. There's a newsletter subscription as well.

DomainSherpa.com: The Domain Name Authority

Michael: Excellent. Stuart Lawley, Chairman and CEO of ICM Registry and the .XXX top level domain. Thank you for being a Domain Sherpa, sharing your tips and tactics for domain name registry applications and growth, and helping others become more successful domain name entrepreneurs.

Stuart: Thank you. I've throughly enjoyed it. Thank you.

Michael: Thank you all for watching. We'll see you next time.

Watch the full video at:

<http://www.domainsherpa.com/stuart-lawley-xxx-interview/>