



ICANN ANNUAL REPORT 2011

1 July 2010 - 30 June 2011

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COVER PHOTO

ICANN's Board of Directors voted to approve the New generic Top-Level Domain Program at a special meeting in Singapore. The action will allow an increase in the number of generic Internet address endings from the current 21, such as .com, .org and .net.

Staff Remuneration Practices for Fiscal Year 2011

<http://www.icann.org/en/financials/remuneration-practices-fy11-en.pdf>

Everyone with an interest in the Internet has an equal right to be heard. ICANN's multistakeholder model is built on openness, inclusion, trust and collaboration. It serves the global public interest. **When all voices are heard, no single voice can dominate an organization.**

“Come, come, whoever you are, just come.”

-- Mevlana Rumi, poet of ancient Persia



Message from The CEO and President

Fiscal year 2011 may be remembered most for what happened at the end, when ICANN's Board of Directors approved a plan to allow an increase in the number of Internet domain name extensions - generic top-level domains - such as .com, .org and .net.

Billions of people, organizations and businesses rely on a secure, stable and unified Internet just as they rely on physical infrastructure like roads or airports.

Major changes do not happen easily or quietly, nor should they when the global public interest is at stake.

The Board's decision to usher in this historic change to the Internet domain name system was the culmination of six years of debate and deliberation within ICANN's multistakeholder community, and brought many to the table that had never before engaged with ICANN.

Beyond the individual achievements laid out on this report, ICANN's maturation as a global organization serving the public interest advanced significantly in fiscal year 2011. Its increasing professionalism contributed directly to our ability to support the policy development process and to strengthen our relationships with governments around the world in the public interest. ICANN's increasing recognition as a global platform for

collaboration and an exchange of ideas has enhanced its influence and stature.

The strong response of international governments to the U.S. Department of Commerce's Notice of Inquiry into the performance of the Internet Assigned Numbers Authority (IANA) functions in support of the multistakeholder model is also indicative of the richness many voices bring to the discussion.

The ICANN community has many accomplishments to be proud of this year, not the least of which is another year demonstrating that the bottom-up, private sector led policy-making model can and does work. There are challenging times ahead as we implement an historic change to the global Internet.

The hard-working volunteers and staff who have made ICANN a leading example of a bottom-up, consensus-based organization are the foundation on which the Internet community's many voices unite.



Rod Beckstrom
ICANN CEO and President
Addressing ICANN 41
In Singapore

► <http://bcove.me/f23cdsie>

Message from The Chair of the Board of Directors

My appointment as Chair came in the last few weeks of the fiscal year, but my involvement with the Internet stretches back to the earliest days of the technology.

From the beginning, we embraced open technical design and a culture of open processes. Openness, trust and collaboration were key in fostering growth and new ideas. I believe this has enabled the Internet to grow and evolve into a system used today by two billion people. That openness is at the base of ICANN's multistakeholder model today.

We built the early protocols not just to meet an immediate need but also to be building blocks for the next wave of innovation. In that same spirit, this year the ICANN community set the stage for the globalization and expansion of the domain name system with new gTLDs and Internationalized Domain Names.

A signed root zone file was made publicly available in July 2010, bolstering Internet security through the global authentication platform DNSSEC. ICANN, through the work of the Security and Stability Advisory Committee and others, provided valuable information and guidance on issues such as root scaling, domain name resolution loss or disruption and DNS blocking.

Shepherding these initiatives to conclusion was no easy matter, but former Chair Peter Dengate Thrush did so with style. His years of service as ICANN Board Chair culminated with the historic vote on new gTLDs, but his legacy is much larger. On behalf of the diverse ICANN community, I offer him a special thanks for his leadership and diplomacy.

Finally, I want to thank the directors and liaisons who departed during the year, among them Harald Tveit Alvestrand, Raimundo Beca, Dennis Jennings, Rita Rodin Johnston, Janis Karklins, Vanda Scartezini, Jonne Soininen and Jean-Jacques Subrenat. Their hard work and dedication to the global Internet is appreciated, as is that of our incoming and continuing directors.

Steve Crocker

ICANN Board of Directors Chair

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Top Achievements in Fiscal Year 2011

Much of ICANN's work results from years of collaborative research, discussion, review, revision and refinement by many stakeholders and the broader Internet community. Here are those that passed a significant milestone in fiscal year 2011.



Proponents of new gTLDs celebrated the Board's approval in Singapore.

New generic Top-Level Domains

The Board of Directors approved a plan to allow an increase in the number of generic Internet domain name extensions (called generic top-level domains) beyond the current 21, which include such familiar domains as .com, .org and .net.

Internationalized Domain Names

The globalization of the domain name system advanced with the entry of 26 top-level domains in non-Latin scripts into the Internet's root during this period, bringing the total number to 30. The scripts represented include Arabic, Chinese (simplified and traditional), Cyrillic, and Devanagari. Internationalized Domain Names, or IDNs, will also be available through the New gTLD Program. The IDN Variant Project, launched in fiscal year 2011, is studying the issues associated with the potential delegation of IDN TLDs, to help work towards technical or policy solutions for those issues.

© IDN Video <http://bcove.me/989e1nj3>

See the full list of scripts here: <http://www.icann.org/en/topics/idn/fast-track/string-evaluation-completion-en.htm>

Accountability and Transparency

The Affirmation of Commitments reaffirms ICANN's independence, accountability to the global community, and commitment to making decisions in the public interest that are accountable and transparent. The Affirmation also specifies regular reviews performed by the community to help ensure ICANN is fulfilling its obligations. The Accountability and Transparency Review Team, or ATRT, created under the Affirmation made a series of final recommendations that are now in various stages of implementation.

Top Achievements in Fiscal Year 2011 cont.

An Expanding ICANN Community

The Board approved the first new Generic Names Supporting Organization constituency in more than a decade - the Not-for-Profit Operational Concerns Constituency. Nine new At-Large Structures, which represent Internet users around the world, were created, bringing the total to 134. As of 30 June 2011, there were 116 members in the Country Code Name Supporting Organization. Fellows from 41 countries attended ICANN's public meetings in fiscal year 2011.

Domain Name System Security Extensions

After a year of testing and study, Verisign, ICANN and NTIA jointly completed deployment of Domain Name System Security Extensions (DNSSEC) for the root zone in July 2010. As of 30 June 2011, 70 TLDs have responded to ICANN's call for broad adoption of DNSSEC by top-level domain operators, corporations and organizations, including two of the largest TLDs -- .com and .de. ICANN also implemented a strategy to deploy a free ccTLD DNSSEC signing system designed to offer both an instant secure signing solution as well as a training mechanism and stepping stone to indigenous DNSSEC operations for ccTLDs.

Staff Diversity

Staff diversity and globalization increased, with 75 percent of all fiscal year 2011 hires fluent in at least one language besides English. Recruitment is underway in Africa, Asia and Europe for mid- and senior-level staff. Emphasis was also placed on increasing internal development activities, including the introduction of a formal internal job posting system that has resulted in a number of promotions from within.

Organizational Effectiveness Initiative

Following a staff survey on morale, operations, leadership and management, staff launched the Organizational Effectiveness Initiative, an annual company-wide talent review and efforts to address succession planning, staff development, integration of employees working remotely and many other issues.



Core Operations

ICANN 39 Cartagena 5-10 December 2010

The New gTLD Program was a hot topic of discussion at the week-long Cartagena, Colombia, meeting. Also, ICANN urged the widespread adoption of the next generation of Internet addresses (IPv6) at a news conference on 8 December. There are no longer any unallocated blocks of Internet addresses available using the standard protocol (IPv4).

Core Operations

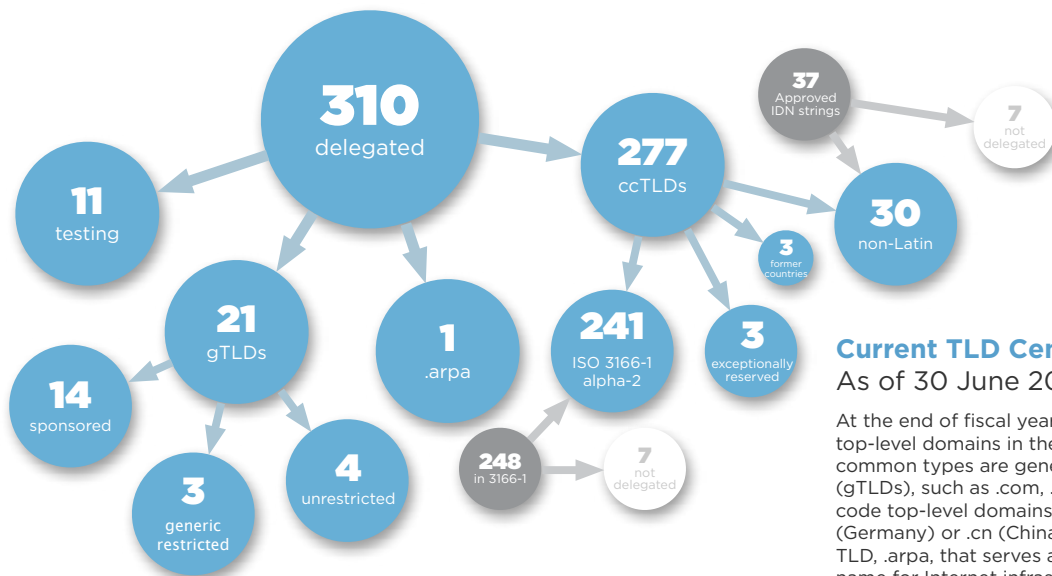
INTERNET ASSIGNED NUMBERS AUTHORITY

At the core of ICANN's responsibilities are the global coordination of the domain name system root and Internet protocol addressing, conducted through the IANA Department. ICANN performs these functions in the public interest, through a contract with the U.S. government's National Telecommunications and Information Administration (NTIA). The current contract will expire on 31 March 2012, and the governments of China, Egypt, India, Kenya, Switzerland and more than 60 other global entities responded in support of the multistakeholder model to the NTIA's Notice of Inquiry regarding contract renewal.

The fiscal year began as DNSSEC was made available publicly in the root zone system, thanks to collaboration between ICANN, Verisign and NTIA. The two-year initiative to encourage global deployment of DNSSEC adds security to the domain name system by incorporating public key cryptography into the domain name system (DNS) hierarchy. This results in a single, open, global Public Key Infrastructure (PKI) for domain names, paving the way for seamless, trustworthy communication across organizational and national borders. Following direction from the Internet Architecture Board (IAB) and NTIA, DNSSEC was also deployed in the .arpa zone.

The last five blocks of IPv4 Internet addresses were allocated in February 2011, an historic event marked by a ceremony in Miami, Florida, that was viewed by more than 6000 people around the world via web cast. The event underscored the need for network operators and content providers to migrate to IPv6, the next generation of Internet protocol.

The IANA Department conducted the second year of its business excellence self-assessment, based on the EFQM Excellence Model, and converted core processes documentation into a standard format. The department exceeded the 90 percent service level agreement in processing Internet Engineering Task Force (IETF) protocol parameter requests by achieving a 95 percent rate.



ICANN earned the American Institute of Certified Public Accountants and the Canadian Institute of Chartered Accountants SysTrust accreditation for the root zone key management process from 15 June through 30 November 2010. This independent audit by PricewaterhouseCoopers LLP found that appropriate internal controls are in place to meet the availability, processing integrity and security objectives for the RZ KSK System. This is one of the first SysTrust accreditations ever awarded to a DNSSEC system. The next audit period will be from 1 December 2010 to 30 November 2011.



ICANN staff completed a successful field trial of a new, distributed, community-driven platform for the L-root, as well as a table-top exercise to explore operational and communication improvements to strengthen L-root service.

DNS GROUP

The staff of the DNS group transitioned IPv4 multicast zones from a volunteer-operated, informal arrangement to a more robust, professionally operated infrastructure. They also extended ICANN's DNS hosting platform to include greater diversity in geography and operations in order to enhance reliability.

The ICANN staff also participated in successful DNS and DNSSEC workshops in Kenya, Senegal and Tanzania in conjunction with the Internet Society (ISOC) and the Network Startup Resource Center, and introduced new DNS and DNSSEC-related work to the IETF. ICANN Staff also provided leadership in the IETF's Operational Security and Locator/Identifier Separator Protocol working groups.

Finally, further evidence of the support for ICANN came from the IETF, the IAB and the Numbers Resource Organization in their discussions with ICANN to establish a global trust anchor for Internet number resource certification.

INFORMATION TECHNOLOGY

The IT team rolled out a number of improvements to ICANN's business systems, including the launch of a community wiki capability and the implementation of a scalable system to provide interactive remote participation. They also developed process and system automation to provide rapid recovery of primary data center failure, and completed the first phase of requirements for the financial system with a deployment date of 1 July 2011.

SECURITY GROUP

Ensuring the security, stability and resiliency of the domain name system is a core part of ICANN's commitment to work in the public interest, and a major area of accountability in the Affirmation of Commitments. Keeping the DNS stable while fending off security attacks is a constant priority.

This fiscal year, the Security Group focused on areas including global security engagement and awareness; security collaboration; DNS capability training; corporate security and enterprise risk management; cross-organizational support; and thought leadership.

ICANN staff joined global law enforcement representatives from the Colombian National Police, the U.S. Drug Enforcement Agency, INTERPOL, European Union Information Society and the U.S. Department of Justice in a series of forums on DNS abuse and e-crime



A landmark visit to INTERPOL's General Secretariat headquarters by top officials from ICANN provided both international bodies with an opportunity to explore avenues for closer collaboration on Internet security.

issues. ICANN's CEO and the Secretary General of INTERPOL met for the first time, signaling a desire for closer collaboration between the organizations.

As part of the collaborative work to improve DNS security, stability and resiliency, ICANN staff facilitated DNS capability training for ccTLD managers with partners from ISOC, the Network Startup Resource Center and regional top-level domain organizations.

More than 100 ccTLD managers participated in DNS capacity-building workshops in Ghana, Hong Kong, Jordan and Nicaragua.

The Security team revamped and streamlined its Security, Stability and Resiliency Framework, describing the foundation for ICANN's roles and responsibilities in the Internet ecosystem. The document, published for public comment in May 2011, describes the areas where ICANN has an operational role, the areas where it is a collaborator, facilitator and coordinator, and those where it is an observer.

The Security team also supported cross-organizational efforts, such as the Applicant Guidebook for the New gTLD Program, string evaluation of the IDN ccTLD fast track, support for DNSSEC key ceremonies in Culpeper, Virginia, and Los Angeles, support for the technical evolution of Whois and policy development activities.

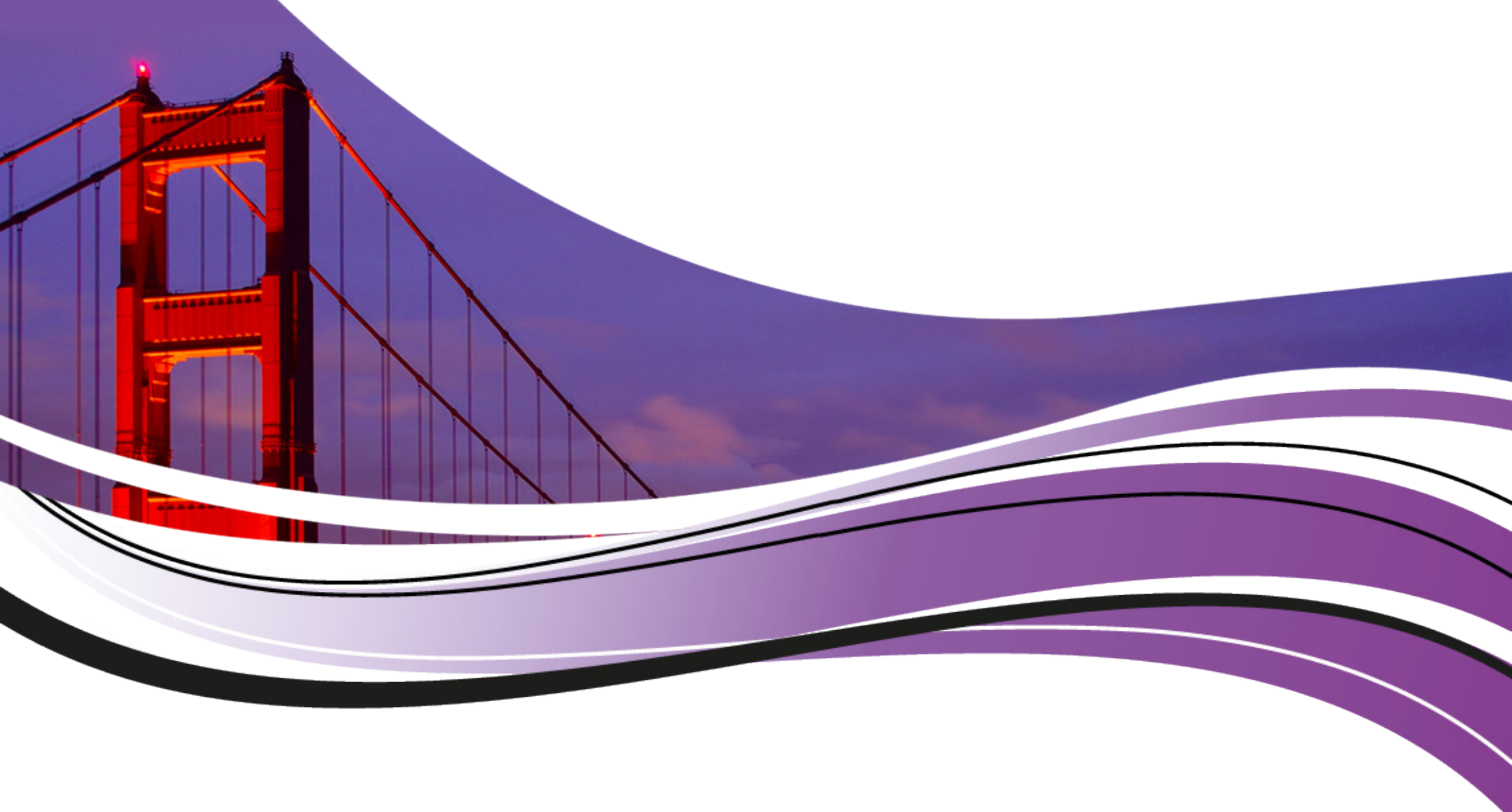
ICANN became a member of the Forum for Incident Response and Security Teams (FIRST)

in fiscal year 2011, and created its own internal computer incident response team to coordinate responses to internal security matters.

ICANN Security staff served as subject matter experts in symposiums including the INTERPOL Underground Economy in Hong Kong, the CIS Registries annual meeting in Russia, Internetdagarna in Sweden, Securing and Trusting Internet Names (SATIN 2011) in the United Kingdom, and Black Hat and the RSA Conference in the United States.



Reporters take notes during a joint news conference inaugurating a cyber security facility in Singapore that will enhance Internet user protection.



Initiatives

ICANN 40 Silicon Valley -- San Francisco 13-18 March 2011

Addressing the ICANN community at the Silicon Valley meeting in March 2011, President Bill Clinton, the 42nd President of the United States, praised the success of ICANN's multistakeholder model. The community also discussed the issues of addition of new gTLDs, expansion of IPv6 Internet address protocols and cyber security threats.

Initiatives

During fiscal year 2011, ICANN advanced progress in many programs, projects and business initiatives. Highlights follow.

NEW gTLDs

At a special meeting on 20 June 2011, ICANN's Board of Directors approved the New generic Top-Level Domain Program, ushering in a vast change to the Internet's domain name system. The historic decision was featured on television, radio and other media outlets around the world. It followed years of discussion, debate and deliberation with many different communities – including business groups, cultural organizations, civil society, individuals and governments – making tremendous contributions to the program's development.

Currently, there are 21 generic top-level domains, such as .com, .net and .asia. When the New gTLD Program begins accepting applications in 2012, qualified organizations from around the world will be able to apply to run a TLD registry using the domain name extension of their choosing.

The expansion possibilities go beyond the Latin alphabet. New gTLDs may also incorporate character sets such as Arabic, Chinese or Cyrillic. These Internationalized Domain Names (IDNs) will allow users to access the Internet entirely in their local language characters, making the Internet ever more globally inclusive.

Following Board approval, ICANN began a high-impact international communications effort to raise awareness of the program.

Between 20 June and the writing of this report, 4,943 news stories about new gTLDs had been posted, printed or broadcast around the world.

About 72 percent (3,578) were in general interest or “mainstream media” outlets. This is the precursor of a suite of awareness-raising activities before the application window opens on 12 January 2012.

REVIEWS UNDER THE AFFIRMATION OF COMMITMENTS

The Affirmation of Commitments (AoC), signed by the NTIA and ICANN in September 2009, is a formal declaration of ICANN's independence, structure and purpose. True to the organization's multistakeholder model, the AoC stipulates the use of periodic reviews by community representatives to ensure ICANN is progressing toward four fundamental objectives:

- Ensuring accountability, transparency and pursuit of the interests of global Internet users.
- Preserving the security, stability and resiliency of the domain name system.
- Enforcing maintenance of Whois, the database that publicly lists administrative and technical contacts for each domain name.
- Promoting competition, consumer trust and consumer choice.



Attendees gave a standing ovation to the ICANN Board shortly after its vote approving the New gTLD Program in Singapore on 20 June 2011.



Reviews are conducted on an ongoing basis, with the findings and recommendations posted for public comment. The status of current and past community reviews can be tracked via dedicated pages on the ICANN web site.

The Accountability and Transparency Review Team (ATRT) began work in April 2010 and presented 27 recommendations to the Board of Directors in December. Staff began implementation of several operational recommendations and provided implementation recommendations for the others.

ATRT improvements completed in fiscal year 2011 include:

- *Providing better access to, and insight into, Board decisions.* ICANN now provides a wealth of Board meeting information online, including briefing materials, expanded minutes and rationale statements for Board resolutions, as well as conditions for when and why posted material would be redacted. Approved Board resolutions and meeting minutes are posted within 21 days of each meeting, in Arabic, Chinese, English, French, Russian and Spanish.

- *Helping to advance the effectiveness of the Governmental Advisory Committee and its interaction with the Board.* ICANN increased funding to support participation in the GAC and multilingual access, and the Board-GAC Joint Working Group issued for public comment a report of proposed improvements.
- *Translating ICANN's Bylaws into multiple languages and redesigning the Public Comment web page.* These improvements help widen ICANN's global outreach and make it easier for people to contribute their views on policy development.

Two review teams were launched and are being supported by ICANN staff, focusing respectively on Whois Policy and Security, Stability and Resiliency. Their findings and recommendations are expected next fiscal year. A third review team on Competition, Consumer Trust and Consumer Choice will begin work one year after new gTLDs are in operation on the Internet.

For a complete list of ATRT recommendations, visit the Accountability & Transparency web page at www.icann.org/en/accountability/overview-en.htm



ICANN's Board meeting in Cartagena, Colombia, in December 2010



GLOBAL PARTNERSHIPS

The Global Partnerships team is one of ICANN's voices to the world. Along with the ICANN global community, the Global Partnerships team works to increase country and government participation from every continent in the multistakeholder process. Among its activities during this fiscal year were presentations, capacity-building trainings for ccTLDs, Ministerial briefings and support for the DNSSEC initiative.

Through Global Partnerships, ICANN has actively supported continuance of the Internet Governance Forum (IGF) and participated in discussions about the existing multistakeholder model and the proposed improvements to be submitted ultimately to the United Nations General Assembly. ICANN staff members have served on the business and technical section of the Commission of Science and Technology for Development and participated in public consultations, the multistakeholder advisory group and many regional IGF preparatory meetings. At the September 2010 IGF in Vilnius, Lithuania, ICANN held an open forum about its role in the Internet ecosystem and new DNS developments. ICANN staff and Board members also took part in many panels and workshops on topics ranging from security and stability to IDNs and ccTLD operations.

ICANN Global Partnership staff served as subject matter experts at many symposiums, including the multi-country Caribbean Telecommunication Roadshows, Highway Africa, Inter-American Telecommunications Commission, League of Arab States working group, Pacific Network Operators Group, and the Russian Association of Networks

and Services. They also attended stakeholder organizations and Ministerial meetings throughout the regions such as the Council of Europe.

INTERNATIONALIZED DOMAIN NAMES

The number of Internationalized Domain Names entered into the DNS root zone increased from four to 30 this fiscal year, enabling millions of users around the world to access the Internet in their primary language script.

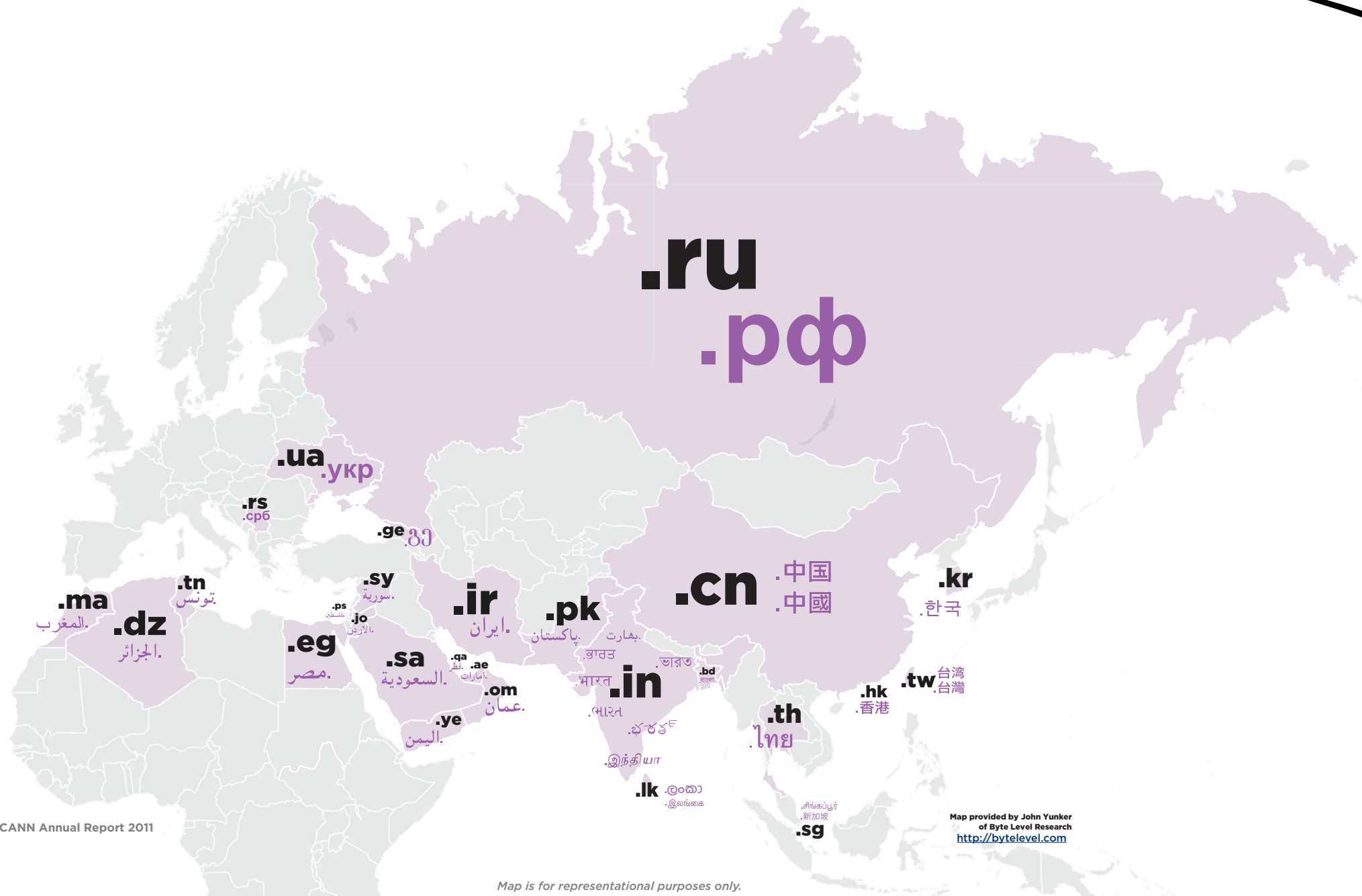
IDNs allow the use of scripts other than Latin (such as Arabic and Chinese), and for Latin, they enable use of diacritical marks such as the grave and umlaut. They will also be available through the New gTLD Program.

The IDN Variant Project, launched in fiscal year 2011, is studying the issues associated with the potential delegation of IDN TLDs, to help work towards technical or policy solutions for those issues. Six case study teams including linguistic and technical experts will focus on defining variant issues about Arabic, Chinese, Cyrillic, Devanagari, Greek and Latin scripts. Their findings will be combined into a single set of requirements.



IDN ccTLD String Evaluations

These internationalized domain names had completed the IDN ccTLD Fast Track String Evaluation Process by the end of fiscal year 2011.



FELLOWSHIP PROGRAM

Global Partnerships' Fellowship Program provides grants to members of the Internet community who would otherwise be unable to attend an ICANN public meeting. Grants are globally distributed and Fellows come from the ccTLD, governments, civil society, the business community and academia.

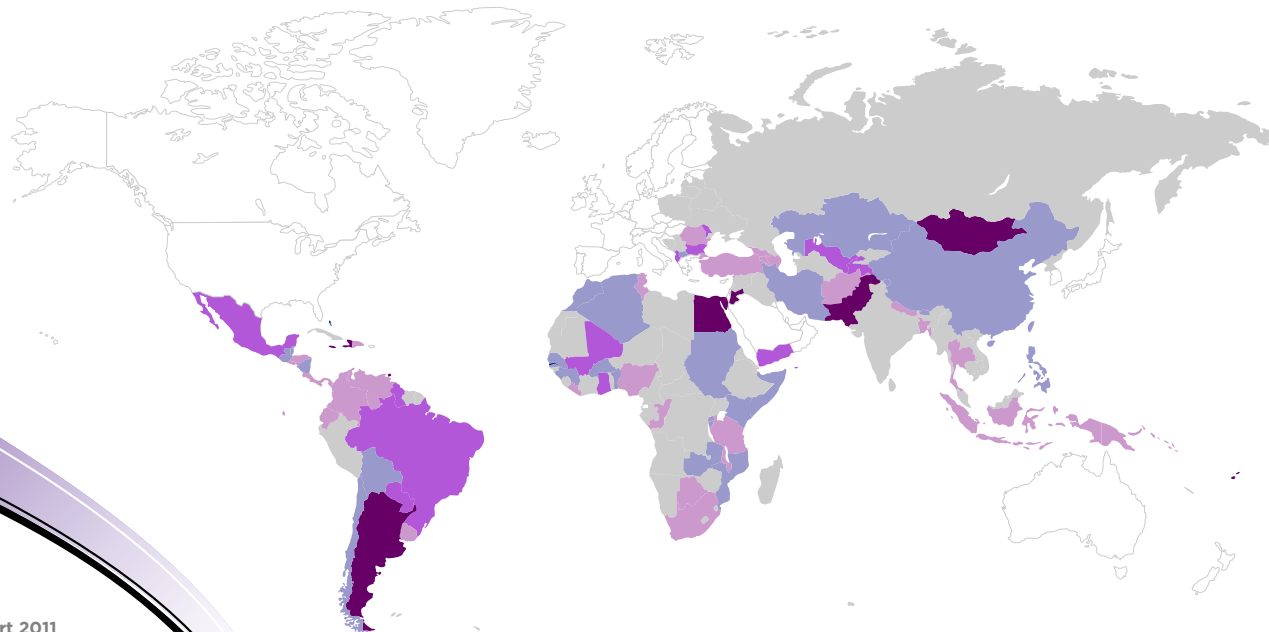
Since its inception in 2007, the Fellowship Program has been a successful method of capacity building for the ICANN community, ensuring that global voices are heard in a wide variety of public forums. The Fellowship Program plays a major role in bringing new and fresh ideas into the Internet community. This year, alumni served as volunteer mentors to first-time ICANN public meeting attendees.

Countries represented in fiscal year 2011 Fellowship Program		
Afghanistan	Guatemala	Paraguay
Albania	Haiti	Peru
Argentina	India	Republic of Macedonia
Armenia	Indonesia	Romania
Belarus	Iran	Senegal
Bolivia	Jamaica	Solomon Islands
Brazil	Jordan	South Africa
Cambodia	Kyrgyz Republic	Trinidad & Tobago
Colombia	Malawi	Uganda
Congo	Marshall Islands	Ukraine
Cook Islands	Mongolia	Uruguay
Egypt	Nigeria	Vanuatu
Fiji Islands	Pakistan	Yemen
Gambia	Palau	

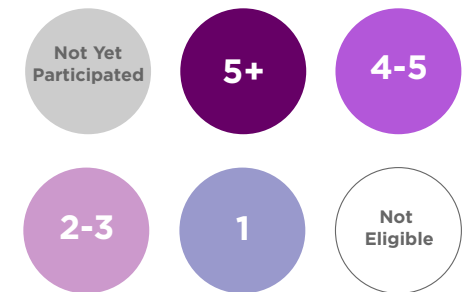
ICANN PUBLIC MEETINGS

Held three times a year in different regions of the world, ICANN's public meetings are organized through the Communications Department. They are a week-long opportunity for dialogue, policy-making and networking. Through workshops, open forums, and working meetings, participants learn about, develop and implement Internet policies. While many people attend in person, a growing number are participating remotely.

Meeting #	Location	Total Registrations	Date	Region
39	Cartagena, Colombia	1026	December 2010	Latin America
40	Silicon Valley - San Francisco California, USA	1767	March 2011	North America
41	Singapore	1341	June 2011	Asia Pacific



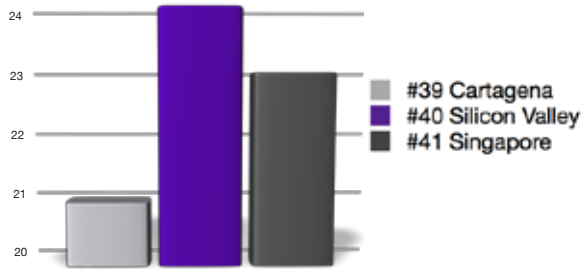
Cumulative Fellowship Participation by Country



Map is for representational purposes only.

For more detailed information see the interactive map at at: <https://charts.icann.org/public/index-gp-fellowship-country.html>

Fellowship Program Participants by ICANN Public Meeting



PARTICIPATION & ENGAGEMENT

Remote Participation

With stakeholders in every country in the world, ICANN strives for world-class remote participation services that enable Internet users to add their voices to the discussion from wherever they are. This fiscal year was the first in which remote participation was used substantially at all three international public meetings, and according to online surveys, user satisfaction was high. Remote participation supports ICANN's commitment to maintain and improve robust mechanisms for public input and transparency.

	ICANN 39 - Cartagena December 2010	ICANN 40 - Silicon Valley March 2011	ICANN 41 - Singapore June 2011
Percent of open public sessions with remote participation services	89%	89%	99%*
Total no. of Adobe Connect connections	2,821	3,261	3,481
Total no. of mp3 connections	1,773	3,365	4,097

*One session did not have remote participation due to the group's preference.

Newcomers Program

ICANN welcomed newcomers to its multistakeholder process through a specialized program at ICANN 40 in Silicon Valley-San Francisco. The effort successfully continued at the next meeting in Singapore. To help them feel more informed, welcomed and integrated, first-time attendees were matched with more seasoned attendees who have participated in ICANN's Fellowship Program. These mentors provided hands-on support, guidance and introductions to community members, the ICANN structure and process and the sessions best suited for newcomers. The Newcomers Lounge provided space to meet mentors and other first-time attendees. Special Sunday sessions were scheduled to offer overviews and remote participation training.

At ICANN 41 in Singapore, 64 percent of all newcomers attended the Newcomer Track Sessions on Sunday and found the program extremely helpful.

As a newcomer I really enjoyed the sessions on DNSSEC. Simple and more effective... Thank you ICANN for a wonderful week of knowledge sharing and experiences...

- anonymous

The Newcomers' Lounge was a good place to meet other newcomers, as well as the regular attendees. Also the location was perfect.

- anonymous



Advisory Committees & Supporting Organizations

ICANN 41 Singapore 19-24 June 2011

In addition to approving the New gTLD Program during the Singapore meeting, the Board also approved the launch of a global communications period to raise awareness of new gTLDs, including outreach to developing countries.

Advisory Committees & Supporting Organizations

AT-LARGE ADVISORY COMMITTEE AND COMMUNITY

The global At-Large Community, represented by the 15-member At-Large Advisory Committee (ALAC), is the voice of the individual Internet user at ICANN.

The At-Large community is structured into five Regional At-Large Organizations (RALOs), each composed of many grassroots user groups called At-Large Structures (ALSes). The At-Large Community consists of accredited At-Large Structures around the world. In 2011, there were a total of 134, a seven percent increase from the previous year.

Taking proactive steps to increase its participation in ICANN's policy development process, the ALAC continued to increase the quantity and quality of its policy comments as well as the amount of input from the RALOs and ALSes. Between December 2010 and June 2011, ALAC submitted an unprecedented 25 policy statements on matters such as the Accountability and Transparency Review Team's final recommendations, the Proposed Final Applicant Guidebook, and the NTIA Notice of Inquiry.

New Board Director Selected by At-Large

Sébastien Bachollet, founding CEO of BBS International Consulting, was selected by the At-Large Community as a voting member of

ICANN's Board of Directors. He took his seat in December 2010, less than two months after the Board approved the Bylaws revision necessary to add a voting Director selected by the At-Large community.

Leadership Change

In December 2010, Dr. Olivier Crépin-Leblond, founder of Global Information Highway Ltd., was elected ALAC chair by acclamation. He replaced Cheryl Langdon-Orr, managing director of Hovtek Pty Limited, who stepped down after serving three one-year terms during which she helped to strengthen the voice of the At-Large Community within ICANN.

Additional Resources

At-Large web page:

www.atlarge.icann.org

At-Large Statements:

www.atlarge.icann.org/correspondence

For more detailed information on the At-Large Community's global reach:

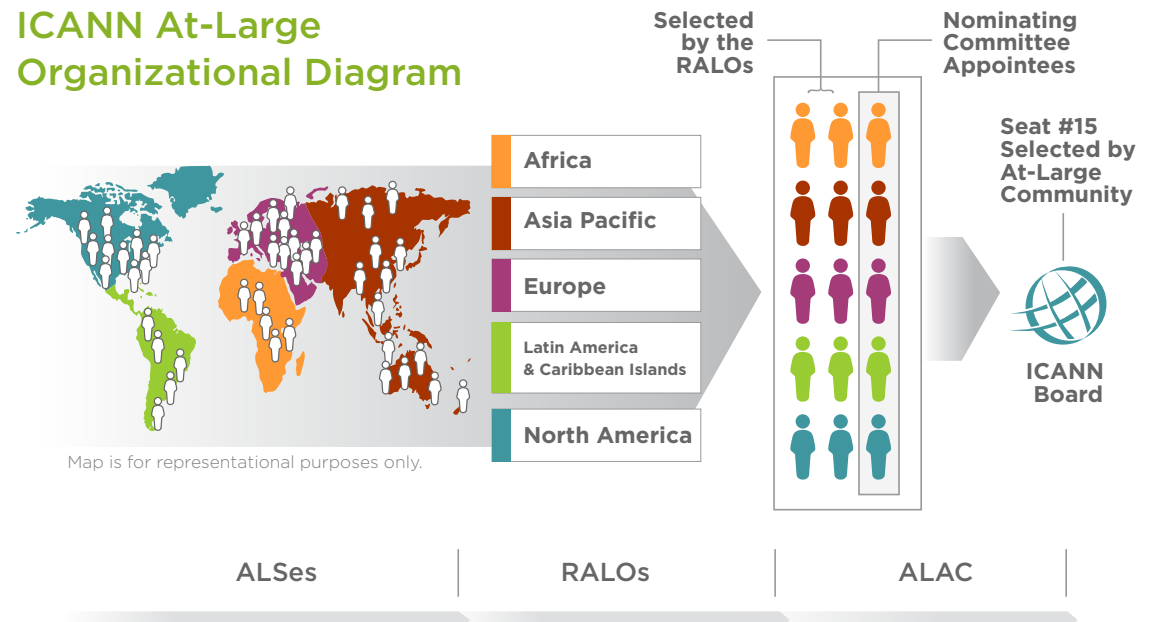
Regional At-Large Organizations web page:

www.atlarge.icann.org/regions

Map of RALOs:

www.atlarge.icann.org/maps/

ICANN At-Large Organizational Diagram



COUNTRY CODE NAMES SUPPORTING ORGANIZATION

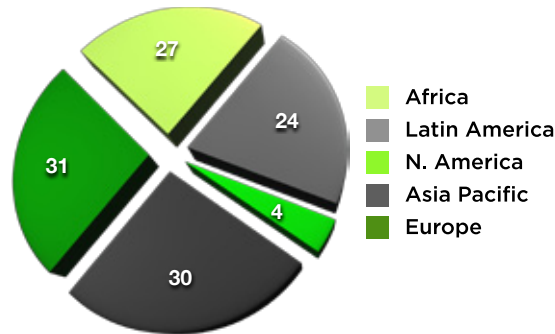
The Country Code Names Supporting Organization, or ccNSO, develops global policies relating to country code top-level domains and makes recommendations on them to ICANN's Board of Directors. It provides a forum for country code top-level domain (ccTLD) managers to meet and discuss issues of concern to ccTLDs from a global perspective.

The ccNSO provides a platform to nurture consensus, technical cooperation and skill building among ccTLDs and facilitates the development of voluntary best practices for ccTLD managers. Membership in the ccNSO is open to all ccTLD managers responsible for managing an ISO 3166 country code top-level domain. As of 30 June 2011, the ccNSO had 116 members.

An independent review of its effectiveness was concluded this fiscal year. It resulted in a plan to implement the following recommendations:

- Document mechanisms to develop ccNSO statements and position papers and clarify the roles and responsibilities of chairs, vice chairs and councilors
- Adopt a three-year work plan or policy road map
- Use Confluence wiki as a collaborative working space
- Assess the need for translation of key documents
- Assess the willingness of community members to provide translations
- Prepare a briefing session on the ccNSO for GAC members.

ccNSO Membership by Region, July 2011



Leadership Changes

The ccNSO selected its chair, Chris Disspain, CEO of auDA, as a voting member of ICANN's Board of Directors at the end of former Chair Peter Dengate Thrush's term in June 2011. Lesley Cowley, OBE, CEO of Nominet UK, was selected to succeed Disspain as ccNSO chair.

Delegation, Redelelegation and Retirement of ccTLDs

The process for changing the designated manager of a country code top-level domain is being reviewed by a joint working group that includes ccNSO members as well as representatives from the Governmental and At-Large Advisory Committees and Generic Names Supporting Organization.

New ccNSO Members in fiscal year 2011

.az (Azerbaijan)
.bg (Bulgaria)
.cd (Democratic Republic of Congo)
.cv (Cape Verde)
.gg (Guernsey)
.je (Jersey)
.md (Moldova)
.na (Namibia)
.so (Somalia)
.ua (Ukraine)

GOVERNMENTAL ADVISORY COMMITTEE

The Governmental Advisory Committee (GAC) was formed to consider and provide advice on Internet policy matters as they relate to the concerns of governments, particularly where there may be an interaction between ICANN's policies and various laws and international agreements or where they may affect public policy issues.

Between February and June 2011, GAC representatives from around the world met with the ICANN Board in extended face-to-face discussions regarding the New gTLD Program. The GAC identified about a dozen major topics for further discussion which the Board and GAC later broke down into more than 80 individual issues. These included GAC review of sensitive strings, enhanced trademark and consumer protections, and the development of a process to provide assistance to potential applicants from developing countries. As a result of this historic consultation, the Board and GAC were able to reach agreement on the vast majority of issues identified, resulting in many changes to the New gTLD Applicant Guidebook.

A Joint Board-GAC Working Group, formed in 2009 to examine the role of the GAC within ICANN, examined ATRT recommendations related to GAC effectiveness in its interaction with the Board. A Final Report in June 2011 included recommendations for improving accountability and transparency such as more formal notification of pending Board issues

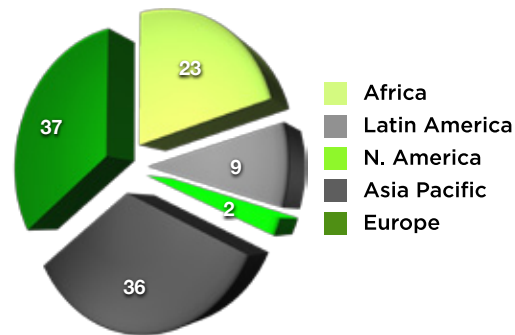
of interest to the GAC, and an increase in translation and travel support.

GAC held face-to-face meetings with ICANN's supporting organizations and advisory committees about issues of mutual concern. GAC members joined with representatives of law enforcement agencies to meet with registrars about efforts to advance a code of conduct or agreed best practices.

GAC by the numbers (as of 30 June 2011)

- 107 members
- 16 observers
- 2 new members in fiscal year 2011 -- Democratic Republic of Congo and Iceland
- 1 new observer in fiscal year 2011 -- Secretariat of the Pacific Community

GAC Membership by Region, July 2011



The Governmental Advisory Committee at one of its meetings in Singapore.

GENERIC NAMES SUPPORTING ORGANIZATION

The Generic Names Supporting Organization, or GNSO, is the main policy-making body for generic top-level domains. It encourages global participation in the technical management of the Internet.

Stakeholder Groups

Registries	Registrars
Commercial	Non-Commercial

Constituencies

Commercial Constituencies	Non-Commercial Constituencies
Commercial and Business Users	Non-Commercial Users
Intellectual Property	Not-for-Profit Operational Concerns

Internet Service Providers and Connectivity Providers

Key Policy Issues

Important progress was made on several policy issues of interest to stakeholders as well as everyday Internet users.

Domain Name Transfers

The Inter-Registrar Transfer Policy Part B Working Group presented its Final Report to the GNSO Council with nine recommendations intended to clarify and to improve procedures for domain name holders to transfer their names from one ICANN-accredited registrar to another.

Recovering Expired Domains

To what extent should registrants be able to reclaim their domain names after they expire? This question was addressed through the Post-Expiration Domain Name Recovery Final Report submitted to the GNSO Council. It contained 18 recommendations to enhance current registrar policies and practices regarding renewal, transfer and deletion of expired domains.

Reducing Registration Abuse

A Working Group was tasked by the GNSO Council to analyze registration abuse and as a result then made a series of recommendations to the GNSO Council. Several were acted upon in fiscal year 2011, including requests for an Issue Report to review the current state of the Uniform Domain Name Dispute Resolution Policy (UDRP) and a discussion paper on best practices to help registrars and registries address the abusive registrations of domain names.

Operation and Structure Improvements

- Community development of GNSO Working Group Guidelines that enable all members of the ICANN community to participate in gTLD policy development and allow the GNSO Council to focus on policy management and strategy.
- Community development of revised GNSO Policy Development Process submitted to the GNSO Council for consideration.
- Permanent Commercial and Non-Commercial Stakeholder Group charters developed by the community were approved by the Board in June 2011.

- The Board approved a new process for the recognition of new GNSO constituencies, and approved the Not-for-Profit Operational Concerns constituency. It is the first new GNSO constituency in more than a decade.

Registrant Rights and Responsibilities

The At-Large and GNSO communities did extensive work in identifying proposed modifications to the Registrar Accreditation Agreement, reviewing proposals from law enforcement, the Intellectual Property Constituency and others. The GNSO Council approved formation of a registrant rights and responsibilities charter that provides registrants information on key obligations of registrars and registrants with respect to domain name registrations. Additionally, law enforcement recommendations for enhanced due diligence on registrar accreditation procedures were adopted, and several law enforcement recommendations were incorporated into the New gTLD Program.

Generic Top-Level Domains (as of 30 June 2011)

.aero	.gov	.name
.asia	.info	.net
.biz	.int	.org
.cat	.jobs	.pro
.com	.mil	.tel
.coop	.mobi	.travel
.edu	.museum	.xxx

**.arpa is not included in this list because of its limited use for Internet infrastructure applications.*



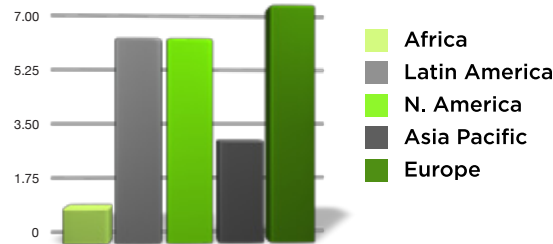
Uniform Domain Name Dispute Resolution Policy

This long-standing policy was the subject of debate in 2011, as community members tried to reach consensus about whether it should be revised. Representatives from across the community, including UDRP claimants, respondents, dispute resolution providers, Internet end users and others participated in a far-reaching webinar on the topic, but no conclusion was reached.

GNSO Outreach Task Force

Seeking to increase participation in the GNSO community and the policy development process, the GNSO Council approved the formation of a task force to plan an outreach strategy to introduce potential participants to the GNSO. A primary goal is to target participants in developing countries in all GNSO stakeholder groups.

GNSO Council participants by region



Whois

Whois is the data repository containing registered domain names, registrant contacts and other critical information about domain names. In this fiscal year, the GNSO Council approved four studies to provide current, reliable information for community discussions about Whois.

Whois Misuse. Initiated in April 2011 with Carnegie Mellon University Cylab, this study will assess to what extent public Whois information is used maliciously.

Whois Registrant Identification. Approved by the GNSO Council in June 2011, this data-gathering effort will examine the extent to which domain names registered by legal persons or for commercial activities are not clearly represented in Whois data.

Whois Proxy and Privacy Services Abuse Study. This study, approved in April 2011, will examine the extent to which domain names used to conduct illegal or harmful Internet activities are registered via privacy or proxy services to obscure the perpetrator's identity.

Whois Proxy and Privacy Services Relay and Reveal Study. A feasibility study is being prepared to determine whether enough willing participants could be found to conduct a larger study measuring proxy and privacy service responsiveness to registrant "identity reveal" requests.

SECURITY AND STABILITY ADVISORY COMMITTEE

Security matters involving the domain name system and domain name registration services are presented to the Security and Stability Advisory Committee, or SSAC, for study, reports and recommendations. Highlights of the fiscal year include:

Advice on DNS blocking for the community:

The SSAC advised organizations to apply four principles, regardless of the blocking mechanism, to minimize the impact on the security and stability of users and applications, and on the coherence or universal resolvability of the namespace.

Advice on scaling of the Internet's root: In response to a request from ICANN's Board, the SSAC provided advice on the stability of the DNS root level when it is expanded to include IPv6 address records, IDNs, other new TLDs and new resource records to support DNSSEC.

Guidance for gTLD registrants: The SSAC produced a report on possible threats to domain names and protective measures registrants can take. A second report focuses on the circumstances that result in the loss or disruption of domain name resolution that can temporarily eliminate a domain name from the Internet.

Comments on key security issues: The SSAC provided timely comments on key security issues under consideration in the community or by ICANN. Among the topics addressed were invalid top-level domain queries at the root level and how registries manage and remove address records as addressed in the New gTLD

Applicant Guidebook. Comments were also provided on gTLD registry transition processes.

The SSAC's frequent engagement with the community this year has proved valuable for all parties, and its membership and working structure are evolving to ensure that its 2011 productivity and outcomes continue to enhance the security, stability and resiliency of the global Internet.



Appendix

BOARD OF DIRECTORS

Steve Crocker

Chair of the Board of Directors

CEO and Cofounder of Shinkuro, Inc.



Experience includes research management at DARPA, University of Southern California Information Sciences Institute and the Aerospace Corporation, vice president of Trusted Information Systems, and cofounder of CyberCash, Inc., Executive DSL, and Longitude Systems, Inc.

Involved in the Internet since its inception. As graduate student, helped develop protocols for the Arpanet and laid the foundation for today's Internet; organized the Network Working Group, the forerunner of the modern Internet Engineering Task Force, and initiated the Request for Comment series through which protocol designs are documented and shared.

Recipient of 2002 IEEE Internet Award.

Chair, Executive and Risk Committees; member Audit and Compensation Committees.

Bruce Tonkin

Vice Chair

Chief Strategy Officer, Melbourne IT Limited.



Evaluates new product opportunities and analyzes emerging technology trends for domain name registrar providing services for many gTLDs and ccTLDs.

Has represented Melbourne IT in ICANN's registrars' constituency since 2001. Later, elected to the GNSO Council; chair of the DNSO Names Council and GNSO Council.

Active participant in policy development for the .au ccTLD. Major policy work includes the introduction of registrar competition in the .au namespace and the introduction of a range of policies covering areas such as domain name registration policies and Whois.

Fellow, Australian Institute of Company Directors.

Chair, Board Governance and Compensation Committees; member, Executive and Risk Committees.

Rod Beckstrom

President and CEO of ICANN

Ex officio member



Serial entrepreneur, founder and CEO of a publicly-traded company, author, environmentalist, and public diplomacy leader.

In 2008, Director, National Cybersecurity Center, reporting to the Secretary of Homeland Security; charged with protecting US Federal networks against cyber attacks, and supporting the Attorney General, National Security Council, and the Secretary of Defense. Developed a new economic model for valuing networks and cybersecurity risk management.

Cofounded and led CATS Software, Inc.

Coauthor of *The Starfish and the Spider: The Unstoppable Power of Leaderless Organizations*.

Trustee, Environmental Defense Fund and Jamii Bora Trust.

Member, Executive Committee.

Sébastien Bachollet

Founding CEO of BBS International Consulting.



Organized European Global Event on Domain Names and Addresses in Paris from 2002-2008. The event drew more than 250 participants each year.

Launched France's largest e-business web site, www.sncf.fr.

Deputy general manager of Club Informatique des Grandes Entreprises Françaises.

Leveraging his early career experience in leading innovative information systems projects at Air Inter and French National Railways, he became involved in the relaunch and promotion of CIO networks in France, and the creation of EuroCio.

Member of the Internet Society French Chapter, serving on its board since 2003 and named Honorary President in 2009. A citizen of France, he was selected by the At-Large to serve on the Board.

Member, Finance and Public Participation Committees.

Cherine Chalaby

Held many leadership roles in banking and technology.



During 28-year tenure at IT service company Accenture, he held key managing positions, ultimately serving on Accenture's Executive Committee and its Global Leadership Council. His experience includes strategy development, systems implementation, transformational change and running operations.

Joined Middle East-based regional investment bank Rasmala in March 2006, serving as chairman of the supervisory board, chairman of the management board and chairman of the bank's subsidiary in Egypt.

Previous Middle East experience included developing one of the first Internet-based brokerage systems in the region and developing and installing a local exchange system.

Chair, Finance Committee; member, Board Governance and Executive Committees.

Chris Disspain

CEO of .au Domain Administration Ltd. since October 2000.



Instrumental in Australian government's endorsement of auDA as manager of .au. Responsible for negotiating re-delegation of .au to auDA and guiding the evolution of the DNS in Australia from a monopoly to a competitive, regulated and price-sensitive regime.

Served as corporate attorney; held executive management positions and directorships in private and public companies in United Kingdom and Australia. Served as chair or director of several companies listed on the Australian Stock Exchange.

Founding chair of ICANN's ccNSO from 2004 to 2011.

Member of the United Nations Internet Governance Multistakeholder Advisory Group.

Member, Global Relationships Committee.

Heather Dryden

Government Advisory Committee Liaison



Senior Advisor at Industry Canada in the International Telecommunications Policy directorate of the Telecommunications Policy Branch, with lead responsibility for Internet governance and Domain Name System policy matters.

Serves in an ex officio capacity on the Canadian Internet Registration Authority Board of Directors and participates in the American Registry for Internet Numbers - Government Working Group.

Appointed to Multistakeholder Advisory Group of the Internet Governance Forum and participated in the Canadian delegation to the United Nations World Summit on the Information Society.

Previously worked at the NATO Information Office in Moscow and worked on capacity-building programs in Ukraine funded by the Canadian International Development Agency.

Bill Graham

Independent consultant.

Worked with Internet Society from 2007-11, responsible for expanding its engagement with organizations such as the United Nations, the Organization for Economic Cooperation and Development, the World Intellectual Property Organization, and the International Telecommunication Union.

Served as Director of International Telecommunications Policy and Coordination in the Canadian government.

First joined Canadian government in 1988, and held management positions in program evaluation and strategic planning.

Involved in early promotion of community networking and Internet use in Canada, as well as in international business development in the spectrum, information, and communications technology sector.

Former Director of Government Relations for Teleglobe, Inc.

Member, Board Governance Committee.



Bertrand de La Chapelle

Program Director at International Diplomatic Academy.

Diplomat who held many positions in the French government.

Cofounder and president of Virtools, provider of the world's leading development environment for 3D interactive content. Served as CEO from 1993-1998.

Founded consulting department of French technology monitoring firm.

Active participant in World Summit on the Information Society process from 2002-2005 to promote dialogue among civil society, the private sector and governmental representatives.

Director of collaborative platform WSIS-online.

Served as France's Thematic Ambassador and Special Envoy for the Information Society.

Member of the G-8 Digital Opportunities Task Force, an early multistakeholder effort in ICT.

Member, IANA and Structural Improvements Committee.



Erika Mann

Head of Facebook Brussels office.

Executive Vice President of the Computer & Communications Industry Association.

German member of the European Parliament from 1994-2009, concentrating on trade and World Trade Organization policy, transatlantic relations, digital economy, telecommunications and Internet policy, and research policy.

European chairperson of the Transatlantic Policy Network and proponent of transatlantic market between the European Union and United States. Member of advisory board of Transatlantic Economic Council.

Lecturer and author of publications on trade, transatlantic relations and the Internet.

Recipient of European-American Business Council for Exceptional Transatlantic Commitment award, and Bundesverdienstkreuz am Bande (the German Federal Cross of Merit).

Chair, Audit Committee; member, Global Relationships Committee.



Ram Mohan

Security and Stability Advisory Committee Liaison

Executive Vice President & Chief Technology Officer of Afiliis Limited.

Oversees key strategic, management and technology choices in support of .info and .org, sponsored domains .mobi, .asia, and .aero and country code domains including .in (India) and .me (Montenegro).

Led the strategic growth of the company in registry services, security and new product sectors.

At Infonautics Corp., founded award-winning CompanySleuth product and line of business.

Helped design online references Electric Library and Encyclopedia.com.

Cofounder of the technology behind anti-spam company TurnTide.

Held leadership, engineering and technology positions with First Data Corporation, Unisys Corporation and KPMG Peat Marwick.

Liaison to Board Governance Committee.



Thomas Narten

Internet Engineering Task Force Liaison

Engineer, Internet technology and strategy at IBM.



20 years of networking experience.

Active Internet Engineering Task Force contributor for 15 years, coauthoring 10 Request for Comments, including two core IPv6 specifications.

IETF Area Director for the Internet area, focused on strengthening the working relationships with IANA and the Regional Internet Registry community.

Helped develop RIR IPv6 address policy.

Participates in public policy discussions in the Asia Pacific Network Information Center, American Registry for Internet Numbers and Réseaux IP Européens regions. Key participant development of globally-coordinated IPv6 address policy adopted by all RIRs in 2002.

Former computer science faculty member at SUNY-Albany.

Liaison to IANA and Public Participation Committees.

Gonzalo Navarro

Chief of Staff, National Institute of Industrial Property of Chile.

Served as senior adviser on international affairs, Undersecretary of Telecommunications of Chile, representing Chile on the Governmental Advisory Committee.

Associate at Morales & Besa.

Advised the Chilean government on the implementation of public policies derived from international processes, negotiated and drafted telecommunications chapters in several free trade agreements, including those between Chile and the United States and China; permanent representative of Chile at the International Telecommunication Union, the World Summit on the Information Society, the Internet Governance Forum, Comisión Interamericana de Telecomunicaciones and Asia-Pacific Economic Cooperation Telecommunications and Information Working Group.

Chair, Global Relationships Committee; member, Audit and Public Participation Committees.



Raymond A. Plzak

President Emeritus, American Registry for Internet Numbers.

More than 20 years experience in Internet registry operations, first with the Defense Data Network/ Department of Defense Network Information Center.

Extensive experience in allocation of Internet Number Resources, administration of domain names, management of root server and directory services such as Whois and IRR, and help desk operations.

Past co-chair of the Internet Engineering Task Force Domain Name System Operation Working Group.

Coauthor of Legal and Policy Aspects of Internet Numbers (Santa Clara Computer & High Technology Law Journal, 2008) on need for a consistent legal and public policy approach to management of Internet number resources.

Chair, Structural Improvements Committee; member, Board Governance and IANA Committees.



R. Ramaraj

Venture partner/mentor, Sequoia Capital.

Founder and former CEO of Sify Limited, the first Indian Internet company to be listed on the NASDAQ national market. Sify was chosen as company of the year in 2000 at Silicon India Annual Technology and Entrepreneurship Conference.

Named Evangelist of the Year at the India Internet World Convention in 2000.

Voted IT Person of the Year in 2000 CNET poll in India; invited by the United Nations Secretary-General to join Working Group on Internet Governance.

President of the ISP Association of India.

Pioneered Indian computer retail marketing in 1984.

Founder/director of Microland Ltd.

Director, Sterling Cellular.

Member, Board Governance, Compensation, Finance and Risk Committees.



George Sadowsky



Independent consultant.

Computer scientist who has worked as a mathematician and programmer, and headed computing centers at Brookings Institution, Northwestern University and New York University.

At United Nations, supported technical assistance projects and has worked in more than 50 developing countries; consultant to U.S. Treasury, U.S. Agency for International Development, World Wide Web Consortium, the Swiss government, and the World Bank.

Served on boards of AppliedTheory Corporation, Corporation for Educational Research and Educational Networking and New York State Education and Research Network, and the Internet Society where he directed Developing Country Network Training Workshops.

Executive Director of Global Internet Policy Initiative.

Member, Finance, Global Relationships and Structural Improvements Committees.

Reinhard Scholl



Technical Liaison Group Liaison

Deputy to the Director of International Telecommunications Union Telecommunication Standardization Bureau.

Prior to joining the ITU in 2002, worked for Siemens in Munich, Germany. He also worked for the European Telecommunications Standards Institute. He serves on ICANN's Technical Liaison Group, providing technical advice and information to the ICANN Board on developments that could affect the Board's decision-making process. He earned a Ph.D. in physics from the University of Illinois at Urbana-Champaign.

Liaison to Structural Improvements Committee.

Mike Silber



Attorney and General Manager, Regulatory, for Neotel.

Former independent legal and regulatory consultant in the information and communication technologies spheres. Selected as a leading South African Internet and e-Commerce lawyer by Who's Who Legal and as one of the leading Technology, Media and Telecommunications lawyers in South Africa by Expert Guides.

Management Committee member and regulatory advisor to the South African Internet Service Providers' Association. Helped form and served as a regulatory advisor and adjudicator to the South African Wireless Application Service Providers' Association.

Founding member of Internet Society South African chapter. Director of the .za Domain Name Authority.

Chair, Public Participation Committee; member, Risk and Structural Improvements Committees.

Katim Touray

Independent development consultant.



Worked for Ministry of Agriculture in Gambia; now Chairman of the National Agricultural Development Agency.

Consulted on Millennium Development Goals, the media, strategic planning, project evaluations, HIV/AIDS, and other subjects for nongovernmental organizations, as well as government and United Nations agencies.

Experienced producer and host of African music, educational, and public affairs talk shows on community radio in the United States, and national radio in Gambia.

Written articles about the Internet and ICT, and helped found the Consumer Protection Association of The Gambia. Serves on the Council of the Free Software and Open Source Foundation for Africa.

Member, Global Relationships, IANA and Public Participation Committees.

Suzanne Woolf

Root Server System Advisory Committee Liaison



Manager, Strategic Partnerships at Internet Systems Consortium, provider of open source software for the Internet community.

Held a variety of roles with ISC since 2002, including product management, strategic considerations for software and protocol development projects, and participation in technical policy activities with ICANN, American Registry of Internet Numbers and others.

Served as systems administrator, programmer and network engineer for the University of Southern California Information Sciences Institute, Metromedia Fiber Networks, and private consulting clients.

Member of the ICANN Root Server System Advisory Committee and ARIN Advisory Council. Participant in Internet Engineering Task Force and North American Network Operators' Group.

Liaison to IANA and Risk Committees.

Kuo-Wei Wu



CEO of National Information Infrastructure Enterprise Promotion Association, a non-profit in Taipei focused on global Internet and security policy research.

Cofounder, High Performance Computing Asia Conference series held since 1995 in Taipei.

Established the Taiwan Academic Network in 1990.

Coordinated Asia ccTLD operators' formation of Asia Pacific Top-Level Domain Association in 1998


Organized an Internationalized Domain Names joint engineering taskforce in Asia.

Served on Asia Pacific Network Information Center Executive Council from 1999 to 2010, and as treasurer since 2003 to 2009.

Currently serves as Taiwan Network Information Center board member since 2000.

Former vice president at Acer, Inc.

Chair, IANA Committee; member, Global Relationships and Public Participation Committees.



The Internet's potential for greater growth and influence makes ICANN's multistakeholder model more relevant than ever. As we move steadily closer to truly connecting every person in the world, our collective economic future will depend on maintaining a stable domain name system. The many voices of the Internet's stakeholders must join together to ensure this role is understood, and to work toward our common goal of a secure, stable and unified global Internet.



AUDITED FINANCIAL STATEMENTS



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AUDITED FINANCIAL STATEMENTS

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MOSS ADAMS LLP
Certified Public Accountants / Business Consultants

REPORT OF INDEPENDENT AUDITORS

To the Board of Directors (Board)
 Internet Corporation for Assigned Names and Numbers

We have audited the accompanying statements of financial position of Internet Corporation for Assigned Names and Numbers ("ICANN" or the "Organization") as of June 30, 2011 and 2010, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the management of ICANN. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the ICANN's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of ICANN as of June 30, 2011 and 2010, and the changes in its net assets and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Moss Adams LLP

Los Angeles, California
 September 16, 2011



1

INTERNET CORPORATION FOR ASSIGNED NAMES AND NUMBERS

STATEMENTS OF FINANCIAL POSITION

JUNE 30,	2011	2010
<i>Amounts are rounded to the nearest thousand in US Dollars</i>		
ASSETS		
Cash and cash equivalents	\$ 29,073,000	\$ 17,205,000
Accounts receivable, net	15,068,000	16,723,000
Investments	51,716,000	45,680,000
Prepaid expenses	207,000	329,000
Other assets	105,000	395,000
Capital assets, net	<u>3,651,000</u>	<u>2,661,000</u>
Total assets	<u>\$ 99,820,000</u>	<u>\$ 82,993,000</u>
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued liabilities	\$ 8,195,000	\$ 5,682,000
Deferred revenue	<u>11,475,000</u>	<u>12,603,000</u>
Total liabilities	<u>19,670,000</u>	<u>18,285,000</u>
Unrestricted net assets	<u>80,150,000</u>	<u>64,708,000</u>
Total liabilities and net assets	<u>\$ 99,820,000</u>	<u>\$ 82,993,000</u>

See accompanying notes to financial statements.

2

AUDITED FINANCIAL STATEMENTS

INTERNET CORPORATION FOR ASSIGNED NAMES AND NUMBERS

STATEMENTS OF ACTIVITIES

YEARS ENDED JUNE 30,	2011	2010
<i>Amounts are rounded to the nearest thousand in US Dollars</i>		
UNRESTRICTED SUPPORT AND REVENUE		
Registry	\$ 33,202,000	\$ 31,915,000
Registrar	31,259,000	30,189,000
R.L.R.	823,000	823,000
ccTLD	1,990,000	1,666,000
IDN ccTLD Fast track request fees	468,000	236,000
Contributions	<u>1,551,000</u>	<u>939,000</u>
Total support and revenue	69,293,000	65,768,000
EXPENSES		
Personnel	26,321,000	24,958,000
Travel and meetings	12,258,000	10,609,000
Professional services	12,864,000	14,605,000
Administration	<u>8,541,000</u>	<u>8,475,000</u>
Total expenses	59,984,000	58,647,000
Interest income	127,000	75,000
Investment gain	<u>6,006,000</u>	<u>4,241,000</u>
Total other income	<u>6,133,000</u>	<u>4,316,000</u>
Change in net assets	<u>15,442,000</u>	<u>11,437,000</u>
UNRESTRICTED NET ASSETS		
Beginning of year	<u>64,708,000</u>	<u>53,271,000</u>
End of year	<u>\$ 80,150,000</u>	<u>\$ 64,708,000</u>

See accompanying notes to financial statements.

3

INTERNET CORPORATION FOR ASSIGNED NAMES AND NUMBERS

STATEMENTS OF CASH FLOWS

YEARS ENDED JUNE 30,	2011	2010
<i>Amounts are rounded to the nearest thousand in US Dollars</i>		
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 15,442,000	\$ 11,437,000
Adjustments to reconcile change in net assets to cash provided by operating activities:		
Depreciation expense	1,490,000	1,485,000
Bad debt expense	686,000	140,000
Realized and unrealized gain	(6,006,000)	(4,241,000)
Changes in operating assets and liabilities		
Accounts receivable	969,000	(5,106,000)
Prepaid expenses	120,000	142,000
Other assets	290,000	(50,000)
Accounts payable and accrued liabilities	2,514,000	(4,071,000)
Deferred revenue	<u>(1,128,000)</u>	<u>2,399,000</u>
Net cash provided by operating activities	14,377,000	2,135,000
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of capital assets	(2,479,000)	(1,143,000)
Proceeds from disposal of capital assets	-	91,000
Purchases of investments	<u>(30,000)</u>	<u>(11,000,000)</u>
Net cash used in investing activities	<u>(2,509,000)</u>	<u>(12,052,000)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		
	11,868,000	(9,917,000)
CASH AND CASH EQUIVALENTS		
Beginning of year	<u>17,205,000</u>	<u>27,122,000</u>
End of year	<u>\$ 29,073,000</u>	<u>\$ 17,205,000</u>

See accompanying notes to financial statements.

4

AUDITED FINANCIAL STATEMENTS

INTERNET CORPORATION FOR ASSIGNED NAMES AND NUMBERS

NOTES TO FINANCIAL STATEMENTS

NOTE 1 - ORGANIZATION

The Internet Corporation for Assigned Names and Numbers (ICANN) was established in September 1998 under the laws of the state of California as a non-profit public benefit corporation.

ICANN coordinates a select set of the Internet's technical management functions, such as the assignment of protocol parameters, the management of the domain name system, the allocation of Internet protocol (IP) address space, and the management of the root server system. Categories of Internet domains include Generic Top Level Domains (gTLDs), examples of which are *.com*, *.net*, *.org*, and *.edu* domains, Country Code Top Level Domains (ccTLDs), examples of which are *.us*, *.uk*, *.de* and *.fr*, and Internationalized Domain Name (IDN) ccTLDs for countries that use non-Latin based languages.

ICANN's primary sources of revenue are generated from domain name registration activities and DNS service providers as follows:

Registry fees. ICANN has contracts with registry operators of 22 generic top-level domains (gTLDs) such as dot-asia, dot-com and dot-jobs. Registry fees are described in the respective registry agreements. Based on those agreements, registries pay a fixed fee, transaction-based fee, or both.

Registrar fees. ICANN accredits registrars in accordance with the Registrar Accreditation Agreement (RAA). The RAA provides for the following types of fees:

- Application fees are paid one time by prospective registrars at the time of the application
- Annual accreditation fees are fees that all registrars are required to pay annually to maintain accreditation.
- Per-registrar variable fees are based upon a set amount divided by the number of accredited registrars and is based on a validated concept that ICANN often expends the same quantum of effort in providing services to a registrar regardless of size. However, some registrars may qualify for "forgiveness" of two-thirds of the standard per-registrar variable fee.
- Transaction-based fees are assessed on each annual increment of an add, transfer, or renewal domain name registration transaction.
- Add Grace Period (AGP) deletion fees are charged to registrars that delete added names within the grace period in excess of a threshold.

Address registry fees. ICANN coordinates with organizations responsible for the assignment and administration of Internet addresses (RIRs). RIR's contribute annually to ICANN.

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INTERNET CORPORATION FOR ASSIGNED NAMES AND NUMBERS

NOTES TO FINANCIAL STATEMENTS

NOTE 1 - ORGANIZATION (Continued)

Application fees are non-refundable and are paid at the time of application by applicants seeking to become an ICANN accredited domain name registrar.

- ICANN recognizes revenue as follows: Transaction fees are determined based upon an established rate per registration times the volume and number of contract years of the underlying domain registration. Transaction fees are earned and recognized in the year the billed fee applies (e.g., 1/10th of a registration transaction fee will be recognized in each year of a 10 year domain name registration).
- Fixed fee amounts and timing are due in accordance with the underlying agreements and are not event dependent, and are therefore recognized when billed.
- Application fees are non-refundable, and are recognized at the time the application fees are received.
- Accreditation fee amounts and timing are due in accordance with agreements and are not event dependent, and are recognized ratably monthly over the term of the accreditation.

Deferred revenue is recorded when fees are billed but not yet earned.

Deferred revenue consists of the following as of June 30:

	2011	2010
Deferred registrar income - transactions	\$ 4,371,000	\$ 5,122,000
Deferred registrar income - unbilled	2,196,000	2,557,000
Deferred registrar income - accreditation	3,679,000	992,000
Deferred registry income - transactions	<u>1,229,000</u>	<u>3,932,000</u>
Total deferred revenue	<u>\$ 11,475,000</u>	<u>\$ 12,603,000</u>

ICANN has three supporting organizations which serve as advisory bodies to the ICANN board of directors with respect to internet policy issues and structure within three specialized areas, including the system of IP addresses and the domain name system. The three supporting organizations are the Address Supporting Organization (ASO), the Generic Names Supporting Organization (GNSO) and the Country Code Domain Name Supporting Organization (CCNSO). These supporting organizations are the primary source of substantive policy recommendations for matters lying within their respective specialized areas. The supporting organizations are not separately incorporated entities. Transactions handled by ICANN on behalf of the GNSO are included in the accompanying financial statements.

ICANN provides accounting support to the Registrar Constituency, a constituency within the ICANN community which serves as the representative for registrars and their customers. The accompanying financial statements do not reflect the financial results of the Registrar Constituency.

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AUDITED FINANCIAL STATEMENTS

INTERNET CORPORATION FOR ASSIGNED NAMES AND NUMBERS

NOTES TO FINANCIAL STATEMENTS

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation - The financial statements of ICANN have been prepared in accordance with generally accepted accounting principles in the United States. ICANN recognizes contributions, including unconditional promises to give, as revenue in the period received. Contributions and net assets are classified based on the existence or absence of donor-imposed restrictions. As such, the net assets of ICANN and the changes therein are classified and reported as follows:

- **Unrestricted net assets** - Net assets that are not subject to donor-imposed stipulations and that may be expendable for any purpose in performing the objectives of ICANN. ICANN's Board adopted an investment policy in November 2007. This investment policy established a Board designated Reserve Fund that limits use of the Reserve Fund based upon specific Board actions. All investments are designated under the Reserve Fund.
- **Temporarily restricted assets** - Net assets subject to donor-imposed stipulations that may or will be met either by actions of ICANN and/or the passage of time. As the restrictions are satisfied, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the accompanying financial statements as net assets released from restrictions.
- **Permanently restricted net assets** - Net assets for which the donor has stipulated that the principal be maintained in perpetuity, but permits ICANN to use, or expend, all or part of the income derived from the donated assets for general or specific purposes, subject to statutory regulations.

As of June 30, 2011 and 2010, ICANN had no permanently or temporarily restricted net assets.

Cash and cash equivalents - Cash and cash equivalents include deposits in bank, money market accounts and marketable commercial paper. ICANN considers all cash and financial instruments with original maturities of three months or less to be cash and cash equivalents.

Accounts receivable, net - Accounts receivable net of allowances for doubtful accounts are \$15,068,000 and \$16,723,000 as of June 30, 2011 and 2010, respectively. On a periodic basis, ICANN adjusts its allowance based on an analysis of historical collectability, current receivables aging, and assessment of specific identifiable customer accounts considered at risk or uncollectible.

ICANN had bad debt expense of approximately \$686,000 and \$140,000 during the years ended June 30, 2011 and 2010, respectively.

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INTERNET CORPORATION FOR ASSIGNED NAMES AND NUMBERS

NOTES TO FINANCIAL STATEMENTS

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments - Investments in marketable securities are carried at fair value, based on quoted market prices.

Accounting Standards Codification ("ASC") 820, *Fair Value Measurements*, establishes a framework for measuring fair value and expands disclosures about fair value measurements. ASC 820 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. ASC 820 also establishes a fair value hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value.

The standard describes three levels of inputs that may be used to measure fair value:

Level 1	Quoted prices in active markets for identical assets or liabilities.
Level 2	Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in active markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.
Level 3	Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

The following is a description of the valuation methodologies used for instruments measured at fair value on a recurring basis and recognized in the accompanying statement of financial position, as well as the general classification of such instruments pursuant to the valuation hierarchy. Where quoted market prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. Level 1 securities include money market funds, mutual funds, asset backed securities, government securities, preferred securities, and common stock. Level 2 or 3 securities include securities where quoted market prices are not available and fair values are estimated by using pricing models, quoted prices of securities with similar characteristics or discounted cash flows. ICANN has no assets or liabilities with Level 2 or 3 inputs as of the date of the financial statements.

Capital assets - Capital assets consist of capitalized computer equipment, software, furniture and fixtures and leasehold improvements and are stated at cost or, for contributed items, at fair value at date of contribution. Capital assets are depreciated using the straight-line method over their estimated useful lives, which range from three to seven years. Leasehold improvements are amortized using the straight-line method over the shorter of their estimated useful life or the remaining lease term. Acquisitions in excess of \$10,000 and one year useful life are capitalized.

Advertising costs - Advertising costs are expensed in the period incurred. Advertising costs amounted to approximately \$24,000 and \$62,000, for the years ended June 30, 2011 and 2010, respectively.

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AUDITED FINANCIAL STATEMENTS

INTERNET CORPORATION FOR ASSIGNED NAMES AND NUMBERS

NOTES TO FINANCIAL STATEMENTS

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income taxes - ICANN is exempt from Federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code and Section 23701(d) of the California Revenue and Taxation Code. Accordingly, no provision for income taxes has been made in the accompanying financial statements. However, ICANN is subject to income taxes on any net income that is derived from a trade or business, regularly carried on, and not in furtherance of the purposes for which it was granted exemption. No income tax provision has been recorded as the net income, if any, from any unrelated trade or business, in the opinion of management, is not material to the basic financial statements taken as a whole.

ICANN, under the provisions of ASC 740, *Income Taxes*, had no uncertain tax positions requiring accrual as of June 30, 2011 and 2010.

Functional allocation of expenses - Expenses that can be identified to a specific program or supporting service are charged directly to the related program or supporting service. Expenses that are associated with more than one program or supporting service are allocated based on methods determined by management. ICANN's expenses are classified approximately as follows for the fiscal years ended June 30:

	2011	2010
Program services	\$ 42,108,000	\$ 40,680,000
Support services: management and general	17,876,000	17,967,000
Total expenses	<u>\$ 59,984,000</u>	<u>\$ 58,647,000</u>

Use of estimates - The preparation of financial statements in conformity with generally accepted accounting principles in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Reclassifications - Certain 2010 amounts have been reclassified in the financial statements to conform to the 2011 presentation. These reclassifications have no impact on net assets.

Subsequent events - ASC 855, *Subsequent Events*, establishes general standards of accounting for and disclosure of events that occur after the statement of financial position date but before financial statements are issued. ICANN recognizes in the financial statements the effects of all subsequent events that provide additional evidence about conditions that existed at the date of the statement of financial position, including the estimates inherent in the process of preparing the financial statements. ICANN does not recognize subsequent events that provide evidence about conditions that did not exist at the date of the statement of financial position but arose after the financial position date and before the financial statements are available to be issued. ICANN has evaluated subsequent events through September 16, 2011, which is the date the financial statements were available to be issued.

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INTERNET CORPORATION FOR ASSIGNED NAMES AND NUMBERS

NOTES TO FINANCIAL STATEMENTS

NOTE 3 - CONCENTRATION OF CREDIT RISK

Financial instruments that potentially subject ICANN to concentrations of credit risk consist primarily of cash and cash equivalents, accounts receivable and investments. ICANN places its cash with major financial institutions. Cash held at these financial institutions may, at times, exceed the amount insured by the Federal Deposit Insurance Corporation. Concentration of credit risk with respect to receivables is mitigated by the diversity of registries/registrar comprising ICANN's registry/registrar base. ICANN places its investments with a major investment broker. The investments held are subject to volatility of the market and industries in which they are invested.

ICANN had two major registries/registrars totaling approximately \$36,606,000 or 53% of the total support in fiscal year 2011 and \$34,453,000 or 53% of the total support in fiscal year 2010. ICANN had accounts receivable amounting to approximately \$4,329,000 and \$4,765,000 due from these two major registries/registrars at June 30, 2011 and 2010, respectively.

NOTE 4 - ACCOUNTS RECEIVABLE

Accounts receivable is comprised of the following as of June 30:

	2011	2010
gTLD registries and registrars	\$ 14,019,000	\$ 15,466,000
IP address registries	-	823,000
ccTLD's	1,116,000	818,000
IDN Fast track	772,000	156,000
Other	<u>145,000</u>	<u>10,000</u>
	16,052,000	17,273,000
Less: allowance for doubtful accounts	<u>(984,000)</u>	<u>(550,000)</u>
	<u>\$ 15,068,000</u>	<u>\$ 16,723,000</u>

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AUDITED FINANCIAL STATEMENTS

INTERNET CORPORATION FOR ASSIGNED NAMES AND NUMBERS

NOTES TO FINANCIAL STATEMENTS

NOTE 5 - INVESTMENTS

Investments consist of the following as of June 30, 2011:

	Fair Value Measurements Using			Total
	Quoted Prices in	Significant	Significant Unobservable Inputs	
	Active Markets	Other		
	for Identical Assets	Observable Inputs		
(Level 1)	(Level 2)	(Level 3)	Total	
Equities - domestic	\$ 18,436,000	\$ -	\$ -	\$ 18,436,000
Equities - international	5,460,000	-	-	5,460,000
Fixed income - domestic	27,820,000	-	-	27,820,000
	<u>\$ 51,716,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 51,716,000</u>

Investments consist of the following as of June 30, 2010:

	Fair Value Measurements Using			Total
	Quoted Prices in	Significant	Significant Unobservable Inputs	
	Active Markets	Other		
	for Identical Assets	Observable Inputs		
(Level 1)	(Level 2)	(Level 3)	Total	
Money market funds	\$ 1,313,000	\$ -	\$ -	\$ 1,313,000
Mutual funds	15,084,000	-	-	15,084,000
Asset backed securities	8,169,000	-	-	8,169,000
Government securities	6,874,000	-	-	6,874,000
Preferred securities	17,000	-	-	17,000
Common stock	14,223,000	-	-	14,223,000
	<u>\$ 45,680,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 45,680,000</u>

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INTERNET CORPORATION FOR ASSIGNED NAMES AND NUMBERS

NOTES TO FINANCIAL STATEMENTS

NOTE 5 - INVESTMENTS (Continued)

Net investment gain is comprised of the following for the years ended June 30:

	2011	2010
Dividend and interest income	\$ 2,121,000	\$ 2,374,000
Realized and unrealized gains	4,222,000	2,125,000
Management fees and other	(337,000)	(258,000)
Total net investment gain	<u>\$ 6,006,000</u>	<u>\$ 4,241,000</u>

NOTE 6 - CAPITAL ASSETS

Capital assets consist of the following as of June 30 (useful lives of respective asset class in parentheses):

	2011	2010
Computer equipment (Three years)	\$ 5,097,000	\$ 4,062,000
Computer software (Three years)	520,000	277,000
Furniture and fixtures (Seven years)	295,000	295,000
Leasehold improvements (Varies per lease)	1,394,000	608,000
Construction in progress (None)	416,000	-
	<u>7,722,000</u>	<u>5,242,000</u>
Less: accumulated depreciation	(4,071,000)	(2,581,000)
	<u>\$ 3,651,000</u>	<u>\$ 2,661,000</u>

NOTE 7 - LEGAL MATTERS

In the ordinary course of business, ICANN is occasionally named as a defendant in lawsuits and may be involved in other alternative dispute resolution proceedings. Management is unable at this time to determine the probable outcome or the effect, if any, that these matters may have on the financial position and the ongoing operations of ICANN. Accordingly, the accompanying financial statements do not include a provision for any losses that may result from ICANN's current involvement in legal matters.

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AUDITED FINANCIAL STATEMENTS

INTERNET CORPORATION FOR ASSIGNED NAMES AND NUMBERS

NOTES TO FINANCIAL STATEMENTS

NOTE 8 - RELATED PARTY TRANSACTIONS

During the year ended June 30, 2010, Dr. Paul Twomey, ICANN's former President and Chief Executive Officer, provided services to ICANN through a professional services agreement with Argo Pacific Party Limited (Argo Pacific), an Australian Proprietary Company. Dr. Twomey is the owner/founder of Argo Pacific.

Payments were made to Argo Pacific under a contractual arrangement with ICANN (the terms of which were approved by the ICANN Board of Directors) for the provision of Dr. Twomey's professional services, benefits allowance, and for related expenses (incidental travel, telecommunications, computer supplies, and office supplies). This contractual arrangement terminated on December 31, 2009.

Pursuant to the agreement, during the year ended June 30, 2010, Argo Pacific was paid \$95,000 associated with Dr. Twomey's employee benefits, \$296,000 in base compensation, and \$218,000 in bonus payments. A portion of these bonus payments were made for services rendered during the year ended June 30, 2009. Argo Pacific's agreement with ICANN is denominated in Australian Dollars. Reimbursements made to Argo Pacific for related expenses such as travel, telecommunications, and office supplies amounted to \$3,000 for the year ended June 30, 2010. Total payments made to Argo Pacific for the year ended June 30, 2010 were approximately \$611,000. There were no outstanding amounts due to Argo Pacific as of June 30, 2010.

A portion of ICANN's President and Chief Executive Officer Rod Beckstrom's services were provided to ICANN through a professional services agreement with The Rod Beckstrom Group. Rod Beckstrom is the owner/founder of The Beckstrom Group. Pursuant to the agreement, during the year ended June 30, 2010, The Beckstrom Group was paid \$27,000 for services rendered during the period of June 18-30, 2009.

Dr. Bruce Tonkin is a voting member of the Board of Directors. Dr. Tonkin is also Chief Strategy Officer of Melbourne IT, an ICANN accredited registrar. Revenue from Melbourne IT amounted to \$767,000 and \$833,000 for the years ended June 30, 2011 and 2010, respectively, under the fee structure of the standard Registrar Accreditation Agreement. To avoid any conflict of interest between ICANN and Melbourne IT, Dr. Tonkin abstains from voting on all matters he identifies as potential conflicts of interest that come before the Board.

Additionally, during years ended June 30, 2011 and 2010, the following voting Board members identified that they may have conflicts in accordance with ICANN's Conflicts of Interest Policy: Harald Tveit Alvestrand, Sebastien Bachollet, Steve Crocker, Chris Disspain, Bill Graham, Rita Rodin Johnston, Mike Silber and Kuo-Wei Wu.

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INTERNET CORPORATION FOR ASSIGNED NAMES AND NUMBERS

NOTES TO FINANCIAL STATEMENTS

NOTE 9 - COMMITMENTS

ICANN leases its offices and certain other facilities under operating lease agreements. The lease agreements have various termination clauses requiring three to thirty-four months' rent for early termination. Minimum future payments under operating leases for the future years ending June 30 are approximately:

2012	\$	2,019,000
2013		900,000
2014		811,000
2015		851,000
2016		893,000
Thereafter		2,361,000
Total	\$	<u>7,835,000</u>

Rent expense amounted to approximately \$2,684,000 and \$2,113,000 for the years ended June 30, 2011 and 2010, respectively. ICANN also has pass-through and additional charges from certain sublessors that are not included in the minimum expected payments above. The pass-through and additional charges cannot be reasonably estimated for future periods. Pass-through and additional charges amounted to approximately \$299,000 and \$247,000 for the years ended June 30, 2011 and 2010, respectively.

NOTE 10 - DEFINED CONTRIBUTION PENSION PLAN

ICANN's 401(k) Plan (the "Plan") is available to all employees in the United States at the first of the month following hire date with ICANN. ICANN contributes 5% of employee's salary to the Plan regardless of employee contributions. ICANN also matches employee contributions up to 10% of the employee's annual salary. Employer contributions recognized for the years ended June 30, 2011 and 2010 amounted to approximately \$1,967,000 and \$1,598,000, respectively. The June 30, 2011 and 2010 payroll contributions were \$117,000 and \$107,000, respectively.

An internal audit of the 401(k) plan performed by ICANN revealed that between 2005 and 2008, some untimely payments to the Plan consisting of employee deferrals were made after the date required under the Department of Labor's regulations. To correct this error and to compensate for all lost interest, ICANN made a corrective payment to the Plan and reported the correction to the Department of Labor through the Department's Voluntary Fiduciary Correction Program. Contributions were made to affected participants of the Plan to compensate for the lost earnings resulting from the late payments. On January 31, 2011, the Department of Labor issued a no action letter in recognition of ICANN's voluntary compliance.

The above noted internal audit also revealed errors related to administration of the Plan. ICANN filed an application with the Internal Revenue Service ("IRS") for making the necessary corrections to the Plan under the IRS's Voluntary Correction Program. On July 18, 2011, the IRS issued a compliance letter constituting enforcement resolution and accepting ICANN's application for making necessary corrections to the Plan. Management intends to make those corrections by December 15, 2011.

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