ONE WORLD. ONE INTERNET.

ICANN

2010 ANNUAL REPORT

The Internet has quickly become the platform where 2 billion people can gather as a community.

Like no other medium, it has changed the way we do business and communicate, how we gather information and approach education, finance and banking, and how we socialize. It has altered how we read documents, and given us access to documents in a multitude of languages. Today, it is being extended into the lives of the world's remaining 5 billion people, giving them the opportunity to partake of the benefits of this tremendous global commons.












ICANN 2010 ANNUAL REPORT

ICANN

ROD BECKSTROM
PRESIDENT AND
CHEIF EXECUTIVE OFFICER

MESSAGE FROM
THE CEO AND PRESIDENT

ICANN is a multinational institution working for the common good: a stable, secure and unified global Internet. This is reflected in the increasingly global nature of its work and in ICANN's international staff, Board of Directors, Supporting Organizations and Advisory Committees.

The Internet has the power to transform the human experience. It enables communication on an unprecedented scale and is woven into billions of lives around the world. Its openness, its inclusiveness and light regulation make it a fertile field for innovation and competition and an engine for much needed economic growth.

As coordinator of the domain name system and Internet Protocol addresses, ICANN is a vital steward of the Internet's future. The support of the global community and its multi-stakeholder, private sector-led decision-making model are and will remain the cornerstones of ICANN's success.

Much of that success is the culmination of years of work by the ICANN community in developing policy and technological enhancements to the Internet, as well as the full collaboration of our stakeholders in driving these accomplishments forward.

And what accomplishments they were. Here are just a few of ICANN's achievements in 2010.

- The signing of the **Affirmation of Commitments** with the United States government in September 2009 moved the oversight of ICANN from one government to the world. With this wise decision, the U.S. recognized both the cross-border nature of modern communications and the reality that Internet governance is – and must remain – multi-stakeholder and private sector led.
- The opening of **internationalized domain names** is a key expression of ICANN's commitment to the global Internet. A truly free Internet is a global one, where language is not an obstacle to access and anyone can connect to anyone anywhere. Internationalized domain names open the door to billions of users whose primary language is expressed in a non-Latin script to participate online using only that language. Thirty-five countries and territories have requested fast track consideration of their IDN country code top-level domain applications.
- In a sweeping move to enhance the security, stability and resiliency of the Internet, the root zone was signed as part of the global deployment of Domain Name System Security Extensions, or **DNSSEC**. DNSSEC authentication in the root zone is a key element in affording users greater protection against certain forms of online fraud.
- The **Governmental Advisory Committee** welcomed 13 new members, including China and Russia, and three new observers. This growth highlights public policymakers' understanding of the need for continuing, comprehensive dialogue and engagement on the future of the Internet and its governance.

These achievements and others are testament to ICANN's bottom-up, private sector-led policy-making model, which welcomes all voices and provides an arena for global collaboration on important issues affecting the Internet's naming and numbering systems.

ICANN and the community can look back at 2010 with a sense of accomplishment, but many challenges face us as the Internet and ICANN evolve to address society's increasingly complex communications needs. We look forward to working together to achieve even more in 2011.

Rod Beckstrom

MESSAGE FROM
THE CHAIRMAN OF THE BOARD OF DIRECTORS

Leveraged by Rod Beckstrom's appointment as President and Chief Executive Officer in July 2009, the ICANN community witnessed extraordinary achievements in 2010. Many of them complete long collaborative efforts; others represent great steps forward. Leading this organization is a huge challenge, and we are now realizing the fruits of Rod's energy and skill. We thank him for his hard work and dedication.

A review of our achievements shows:

Completion of significant milestones in a major restructuring of the Generic Names Supporting Organization (GNSO). GNSO improvements involve adopting a working group model for policy development, enhancing its constituencies, improving communications with other ICANN structures and revising the policy development process. A new GNSO Council was seated at the Seoul meeting in October 2009. Much of the remaining work is on track for completion by the end of calendar year 2011.

Replacement of the Joint Project Agreement with the Affirmation of Commitments. I cannot overstate the impact of this change in governance structure, away from reporting to the US Department of Commerce and toward accountability to the global Internet community.

The work done to meet the Affirmation's commitments and launch of the three reviews it calls for. In particular, thanks to the Accountability and Transparency Review Team, ably chaired by Brian Cute. Their work, done under extreme time constraints, has produced recommendations that will substantially enhance ICANN's accountability and transparency.

Launch of the IDN ccTLD fast track process after years of work by ICANN, the Supporting Organizations, the Internet Engineering Task Force and many linguistic and technical experts. Congratulations to the first four countries to have their IDN ccTLD added to the DNS root: Egypt, Russia, Saudi Arabia, and the United Arab Emirates. Thanks to the team that is progressing on the variants problem, allowing the versions of Chinese used by China, Hong Kong and Taiwan to proceed.

Enormous progress on ICANN's biggest project, the introduction of new generic top-level domains. Since the Board began the implementation phase in June 2008, the New gTLD Program has been the subject of at least 13 Board resolutions and a special workshop in Trondheim in August, where a further 13 decisions were made. Many issues remain to be resolved, but conclusion of the implementation phase, expected in 2011, will mean substantial changes to the face of the Internet.

The massive challenge met in installing DNSSEC in the root zone. VeriSign and ICANN jointly operate the root zone file under contract with the National Telecommunications and Information Administration, and all three parties worked collaboratively to lay the groundwork for a significant upgrade in the Internet's infrastructure. That was preceded by almost a year of work building the infrastructure and key management systems, extensive root server testing, and at last, key signing ceremonies at new facilities in Virginia and California that led to the root zone file signing. This is a real success story.

Finally, I want to thank the directors and liaisons who departed during the year, among them Vice Chairman Roberto Gaetano, Steve Goldstein, Jānis Kārkliņš, Wendy Seltzer and Thomas Roessler. They are a small part of the army of volunteers who make ICANN work and who contributed hugely to our accomplishments in 2010.

Peter Dengate Thrush

Special Thanks

GNSO Improvements
Thanks to:

Avri Doria, Chair for much of the GNSO Improvements startup.

Chuck Gomes, the GNSO's new Chair during fiscal year 2010.

AoC
Thanks to:

The President's Strategy Committee for its work on Improving Institutional Confidence.

Volunteers who contributed to the community consultations, the Department of Commerce's Midpoint Review and the Notice of Inquiry.

The Department of Commerce's Larry Strickling, Fiona Alexander and Larry Atlas, who helped usher in this milestone.

IDN ccTLD fast track process
Thanks to:

ccNSO and GAC leaders Chris Disspain and Jānis Kārkliņš for their patient leadership and consensus-building.

PETER DENGATE THRUSH
CHAIRMAN OF THE BOARD OF DIRECTORS

TOP ACHIEVEMENTS IN 2010

ICANN is a bottom-up multi-stakeholder multinational institution, working for a secure, stable and unified global Internet. Its stakeholders include the technical community, commercial and non-commercial interests, registrars and registries, governments and anyone interested in the development and the future of the Internet. 2010 saw several major achievements - the culmination of years of collaborative research, discussion, review, revision and refinement by ICANN stakeholders and the broader Internet community.

Affirmation of Commitments. A major step in ICANN's progress toward internationalization, the Affirmation signed in September 2009 places oversight of ICANN's performance in the hands of the world and contributes substantially to rapidly improving international relations as ICANN further integrates into the global community.

Internationalized Domain Names. Following Board approval of the fast track process at the October 2009 Seoul, South Korea, public meeting, countries and territories began requesting registration of their names as internationalized country code top-level domains. The first four entered the domain name system root in 2010: Egypt, Russia, Saudi Arabia and United Arab Emirates.

An expanding ICANN community. A new Council of the Generic Names Supporting Organization (GNSO) was seated, representing four broad stakeholder groups: registrars, registries, commercial interests and noncommercial interests. Thirteen governments and three observers joined the Government Advisory Committee (GAC), bringing total membership at the end of fiscal year 2010 to 104 governments, plus 15 observers. With the inclusion of Somalia (.SO), membership in the Country Code Names Supporting Organization (ccNSO) reached 107. Thirteen new At-Large structures, which represent Internet users around the world, were created, bringing the total to 125.

DNSSEC. The security of the global Internet was bolstered by a historic collaboration between government and the private sector. Deployment of Domain Name System Security Extensions, or DNSSEC, at the root of the Internet laid the foundation for a new generation of innovative cyber security solutions by creating a global authentication platform - a common source of trust in the validity of Internet addresses. This achievement involved a broad spectrum of community stakeholders, root server operators, Internet service providers, technical organizations and governments.

PERFORMING OUR CORE WORK

KEEPING THE GLOBAL INTERNET SECURE AND STABLE

IANA: Improving Operational and Business Excellence

One of ICANN's core responsibilities is management of the Internet Assigned Numbers Authority (IANA), including implementation of the IANA Functions. IANA provides technical services that maintain the system of unique identifiers underlying the Internet's operations.

For ICANN, 2010 was a year of growth in the IANA Department. Anticipating the Internet's increasingly global functions, operational staffing was increased and the IANA managerial umbrella grew to include the DNS Operations Group and operational responsibility for the L-root name server. These services and operations are led for the first time by an ICANN vice president, Elise Gerich.

The IANA Department maintains the registries of globally unique identifiers for the Internet. Centralized management of these registries allows technical initiatives to be deployed while ensuring the security and stability of existing services. The IANA Department is uniquely situated to assist in the development and deployment of technical innovations.

Two successful new processes -- implementing DNSSEC at the root, and adding fast-track approved internationalized domain names at the root – were begun in 2010 without adversely affecting global Internet operability and, in fact, without most Internet users even noticing. As with many areas of IANA's work, invisibly introducing new technologies demonstrates the extent of planning, foresight and care given to operational implementation.

In 2008, ICANN began working with others in the technical community, the National Telecommunications and Information Administration (NTIA) and VeriSign, Inc., to deploy DNSSEC in the root zone. These cooperative efforts resulted in broad use of IANA's Interim

PERFORMING OUR CORE WORK

KEEPING THE GLOBAL INTERNET SECURE AND STABLE

Trust Anchor Repository (ITAR) and the incremental and careful introduction of DNSSEC in the root zone, leading to full deployment in July 2010.

DNSSEC deployment in the root enables a cryptographic chain of trust through top-level domains (TLDs) to end-user domains. Several TLDs, including .BR, .CZ, .ORG, .SE and .UK, added their delegation signer records to the root zone, allowing validation to proceed from the root zone down.

ICANN's DNS Operations staff supervised the construction of two Key Management facilities for secure storage of the root zone Key Signing Key (KSK) and for the use of those keys in highly procedural Key ceremonies. DNS Ops executed the first two ceremonies, in which the root zone KSK was generated and used, successfully and on schedule. Critical to instilling trust in the signed root zone, these ceremonies involved a team of globally diverse participants acting as Trusted Community Representatives (TCRs). Some TCRs hold a share of a cryptographic key that encrypts a backup copy of the Root KSK for disaster recovery. Other TCRs participate in the periodic processing of key materials from VeriSign, which are subsequently used to produce the signed root zone.

Operational excellence in 2010 was demonstrated through the successful completion of a no-notice business continuity exercise and a record-breaking 98 percent rate in processing Internet Engineering Task Force (IETF) protocol parameter requests on time.

ICANN conducted a no-notice continuity exercise to test 24/7 readiness in the face of significant infrastructure disruption (in this case, the disappearance of the Los Angeles infrastructure). According to a third-party review, the no-notice exercise demonstrated that ICANN had successfully mediated potential security and stability issues.

This success was further enhanced by the first IANA Department business excellence self-assessment, the culmination of six months of planning. This 360-degree internal view of ICANN's management of the IANA function identified clear strengths as well as areas for improvement. Using this assessment, ICANN began improvements and will undertake a second self-assessment to measure progress.

In addition to its day-to-day work, IANA and DNS Group staff chaired working groups of the Internet Engineering Task Force (IETF), published Requests for Comments (RFCs), and delivered 100 percent service availability for the L-root. They completed an inventory of all RFCs to ensure that the RFC instructions to IANA were accurately implemented and that the protocol parameter registries included the necessary RFC references. Staff also introduced a new process to allocate the remaining IPv4 addresses to the Regional Internet Registries.

The team that manages the L-root expanded its capacity twenty-fold and increased the number of global L-root implementations to seven locations around the world, including South America and Africa. This expansion enhances local Internet community access to root zone data and speeds resolution of DNS lookups.

PERFORMING OUR CORE WORK
KEEPING THE GLOBAL INTERNET SECURE AND STABLE

Ensuring the Operation of One Global Network

A major area of accountability that the Affirmation of Commitments requires of ICANN is to preserve the security, stability and resiliency of the Domain Name System. Cyber crime and other malicious practices have the potential to seriously damage the functionality and operation of the global Internet. ICANN and its stakeholders are working cooperatively to ensure that the global Internet fends off security attacks and remains stable.

The Security Group has been engaged in global security outreach, collaborating with partners, facilitating DNS capacity-building programs, improving ICANN's corporate security programs and supporting new generic top-level domains (gTLDs), internationalized domain names and DNSSEC.

The Security Group supported programs in the May 2009 *Plan for Enhancing Security, Stability and Resiliency* (www.icann.org/en/topics/ssr/ssr-draft-plan-16may09-en.pdf). Their work included supporting implementation of DNSSEC in the root zone, improvements in the new gTLD *Draft Applicant Guidebook* on addressing malicious conduct, assisting in string evaluations in the IDN fast track process, and an examination of the health of the DNS (www.icann.org/en/security/dns-ssr-symposium-report-1-3feb10-en.pdf).

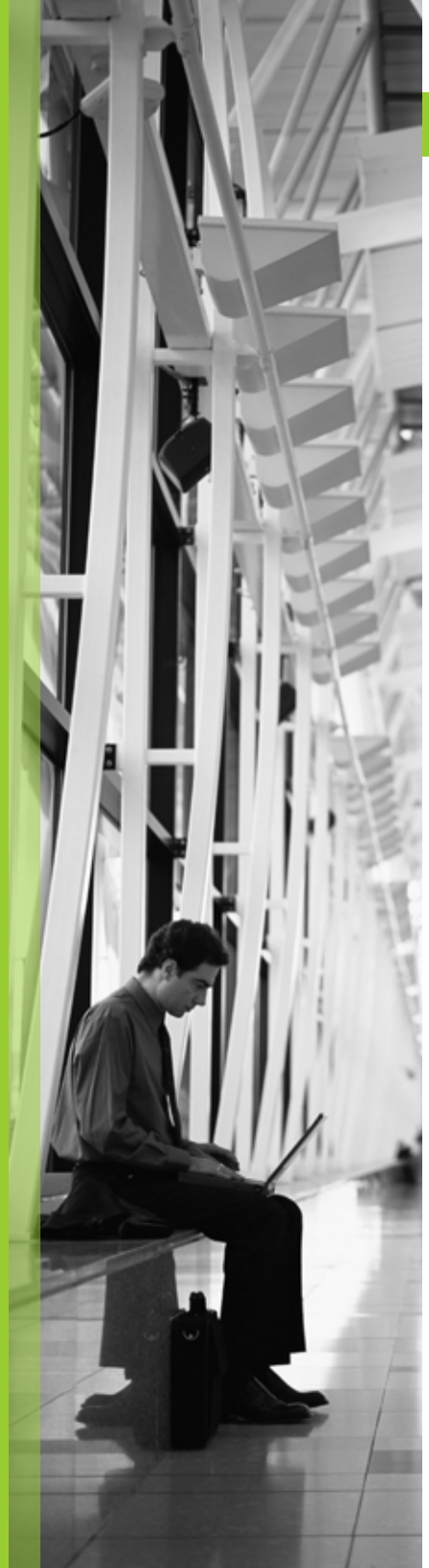
In January 2010, the Security Group facilitated IANA's continuity exercise. Regular contingency exercises are part of ICANN's responsibility to ensure the stability, security and resilience of ICANN's operations and organizational infrastructure.

ICANN conducted the 2nd annual Global Symposium on DNS Security, Stability and Resiliency in Kyoto, Japan, during the first three days of February. It examined the health of the DNS, its vital signs and how the community might improve measurement and assessment of DNS health.

ICANN also published a summary and review on responses to the Conficker worm (www.icann.org/en/security/conficker-summary-review-07may10-en.pdf).

In February, ICANN also published *Proposed Initiatives for Improved DNS Security, Stability and Resiliency* (www.icann.org/en/topics/ssr/strategic-ssr-initiatives-09feb10-en.pdf), which included a business case for a Domain Name System Computer Emergency Response Team (DNS-CERT). It also facilitated an operational requirements and collaboration analysis workshop in April. The DNS-CERT concept remains a topic of considerable community discussion and ICANN supports birds-of-a-feather (informal, ad hoc discussion groups) and cross-community approaches to the DNS-CERT concept.

As part of collaborative work to improve DNS security, stability and resiliency, ICANN facilitated capacity-building sessions with partners from the Network Startup Resource Center and the Internet Society, with sessions in Seoul, Korea, in November 2009, Dakar, Senegal, in December 2009 and Nairobi, Kenya, in March 2010. Over the life of the DNS capacity-building program, 250 students from more than 120 country code top-level domains have attended, most coming from resource-constrained environments.



ICANN
A MULTI-NATIONAL INSTITUTION

Bringing the World Online with Internationalized Domain Names

Internationalized domain names enable the use of non-Latin script in top-level domains, empowering millions of users around the world to access the Internet in their primary language.

In 2010, internationalized domain names were introduced at the top level of the Domain Name System. After decades of ASCII, or Western, script and years of anticipation and hard work by the technical and policy communities, the Internet is finally learning new language scripts.

As of the end of fiscal year 2010, four internationalized domain name ccTLDs were entered in the DNS root zone, representing four countries or territories and two languages: Arabic and Russian. Character strings in Chinese, Sinhalese, Tamil, and Thai soon followed.

While great strides have been made in using these languages and scripts on web sites and in email, until recently non-Latin scripts could not be used in top-level domains. ICANN's 2007 introduction of test IDNs to the root zone enabled a way forward.

A fast track process was approved in November 2009, and 2010 ushered in the first IDN ccTLDs inserted in the DNS root zone: Egypt, Russia, Saudi Arabia and the United Arab Emirates. Applications from many additional counties and territories followed, and today IDN ccTLDs representing many languages are in the root.

Many more are expected to go live through the fast track process, the new gTLD process or a long-term process for IDN ccTLDs that the ccNSO is developing.

Active IDN ccTLD languages

.中国
.中國
.مصر
.香港
.الاردن
.فلسطين
.рф
.السعودية
.ලංකා
.இலங்கை
.台灣
.台湾
.ไทย
.تونس
.امارات

Soon, as many as 15 IDN ccTLDs are expected in the DNS root zone, representing 12 countries or territories. These represent six languages: Chinese, Arabic, Russian, Sinhalese, Tamil, and Thai. The first three languages are among the top 10 languages used on the Internet today.

2010 also saw finalization of the revision of the IDNA protocol – the technical basis for IDNs – that the Internet Engineering Task Force released as RFC 5890–5894. The IETF evaluated the experience of implementing the IDNA protocol since its introduction in 2003 and identified several areas that could be improved with some modification:

- An unambiguous one-to-one relationship between the Unicode (U-label) and the ASCII-encoded (A-label) form of every IDN label.
- Determining valid code points solely by their Unicode character properties, thereby removing the dependency on a specific version of Unicode.
- Reducing problems with scripts written from right to left.

More details about IDNs can be found at www.icann.org/en/topics/idn/.

A Quick Look at Right -to-Left IDNs

Most top-level domains display in a script that reads from left-to-right. With the launch of internationalized domain names, right-to-left scripts are available, principally in Arabic. Countries already using Arabic ccTLDs include Egypt; Jordan; Palestine Territory, Occupied; Saudi Arabia; Tunisia; and the United Arab Emirates. Qatar and Syria are expected to follow.

What is so special about right-to-left languages? Before IDNs functioned at the top-level, you would have found it difficult to use, say, Arabic in any existing ccTLD or gTLD. Not only would you have to use a different script; you would also need to change the direction of the typing.

And where would you place the top-level portion of an address — to the right or the left of the last dot? In addition, it would be hard to copy a web address containing both Arabic and Latin characters into emails. The link might remain intact, but the address might not.

For these and other reasons, implementation of IDNs was delayed until it became possible to write the entire address in Arabic script.

The most recent IDNA protocol revision focused in part on right-to-left scripts, with several major changes to make the Internet truly multilingual.

In a breakthrough for Arabic and other scripts, certain characters such as the zero width non-joiner (in essence, a space) and combining marks can now be used under certain conditions. This is a tremendous help for scripts in which these characters can change the meaning or appearance of a string, label or domain.

However, these changes are not yet readily available for users. The revised IDNA protocol must first be implemented by registries and incorporated into applications such as browsers. ICANN is supporting the work to implement these changes in all related applications.

Affirmation of Commitments: Accountable to the World

The 2009 signing of the Affirmation of Commitments is a milestone in a transition started 12 years ago to place coordination of the Internet's unique identifiers in the hands of the private sector through a not-for-profit organization where policies are developed from the bottom up by the international Internet community.

With the Affirmation, the United States and ICANN formally recognized that no single party should hold undue influence over Internet governance. The Affirmation acknowledges the success of the multi-stakeholder model, commits ICANN to remaining a private, not-for-profit organization, validates the role of the Governmental Advisory Committee and declares that ICANN is independent and not controlled by any one entity.

It also commits ICANN to periodic reviews by community representatives — further recognition that the multi-stakeholder model is robust enough to review itself. These reviews, to be performed periodically at least every three years, will assess and report on ICANN's progress toward four fundamental organizational 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 related to each domain name.
- Promoting competition, consumer trust and consumer choice.

The Board of Directors will receive each review team's recommendations, which will also be posted for public comment and considered for incorporation into ICANN's annual strategic and operating plans.

Accountability and Transparency Review

In 2010 the Accountability and Transparency Review Team (ATRT) undertook an assessment of ICANN's progress in maintaining and improving its accountability and transparency to ensure that its decisions reflect the public interest and that it is accountable to all stakeholders. ATRT members were drawn from across the ICANN community and appointed by the chairs of the Board and the Governmental Advisory Committee.

The review examined:

- Governance of the Board of Directors.
- The role and effectiveness of the Governmental Advisory Committee and its interaction with the Board.
- Processes through which ICANN receives public input.
- The extent to which ICANN's decisions are supported by the public and the Internet community.
- The ability of the policy development process to facilitate cross-community deliberations in an effective and timely way.

The team issued a draft report for community consideration in October 2010, then delivered its final report to the Board on 31 December, 2010.

As part of its commitment to transparency, in 2010 ICANN created a comprehensive and searchable online database of Board resolutions back to ICANN's founding in 1998. Doing this in a public wiki allows transparent reporting on the implementation of resolutions and encourages comments on whether the community's expectations have been met. To search the Board resolution database, visit https://community.icann.org/display/tap/ICANN+Board+Resolutions.

Three other teams mandated by the Affirmation of Commitments have been formed.

Security, Stability and Resiliency Review

The Security, Stability and Resiliency Review Team will focus on execution of ICANN's plan to enhance the operational stability, reliability, resiliency, security and global interoperability of the domain name system, with particular attention to:

- Physical and network security, stability and resiliency.
- Contingency planning.
- Clear processes.

Whois Policy Review

The Whois Policy Review Team will assess ICANN's enforcement of its existing policy on Whois, subject to applicable laws. The Affirmation requires that ICANN implement measures to maintain timely, unrestricted and public access to accurate and complete Whois information, including registrant, technical, billing and administrative contact information.

Competition, Consumer Trust and Consumer Choice Review

This review will begin one year after new generic top-level domains (new gTLDs) are in operation on the Internet. It will examine the extent to which the introduction or expansion of new gTLDs has promoted competition, consumer trust and consumer choice, as well as the effectiveness of:

- The application and evaluation process.
- Safeguards to mitigate issues identified in the introduction or expansion of gTLDs.

Innovation for the Whole World: New Generic Top-level Domains

The New Generic Top-Level Domain Program is expected to generate innovation, increase competition in registry services, offer greater geographic and service provider diversity and enhance consumer choice. It will offer the opportunity to invest in and create a top-level domain and a registry business.

The decision to introduce new gTLDs followed a lengthy and detailed consultation process with the global Internet community that included a wide variety of stakeholders: governments, individual Internet users, civil society, business and intellectual property constituencies, and the technology community. Also contributing were the Governmental Advisory Committee (GAC), At-Large Advisory Committee (ALAC), Country Code Names Supporting Organization (ccNSO) and Security and Stability Advisory Committee (SSAC). The Generic Names Supporting Organization (GNSO) completed the policy work in 2007 and the Board adopted its recommendations in June 2008.

2010 saw significant progress on several issues and program refinements, particularly trademark protection, cross-ownership of registries and registrars, and minimizing potentially malicious conduct. Success in addressing these complex issues was the result of countless hours of participation and thoughtful feedback from the general public, staff and stakeholder community members.

The Draft Applicant Guidebook is intended to provide new gTLD applicants with a detailed roadmap to the application process. Several revisions have been published and each iteration incorporates community comment as well as expert research. During fiscal year 2010, community members addressed tough legal, technical, and business issues related to new gTLDs, moving the Guidebook ever closer toward finalization.

With a dedicated budget of US $4 million, the new gTLD program is reaching its final stages of development. A proposed final New gTLD Applicant Guidebook is under consideration and the Board is expected to approve a provisional timeline.

New gTLDs will fundamentally change the Internet as we know it. The extent of their impact will depend on which top-level domains are approved, but they represent new ideas and information to be shared, new online communities and geographical identities to be formed, and new branding and trademark protection practices to be undertaken.

ENGAGING
THE ICANN COMMUNITY: GAC

Governmental Advisory Committee: Growing in Membership and Engagement

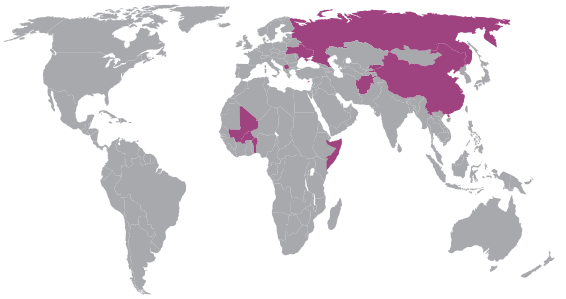
ICANN is a community, and the engagement of its many stakeholders around the world is fundamental to the fulfillment of its mission. In 2010, considerable work on many fronts helped move ICANN closer to its goal of being as international as its stakeholder communities. Every structure from the Board of Directors to the staff is increasing its cultural diversity, and Supporting Organizations and Advisory Committees are working to make participation in policymaking easier and more attractive.

Governments active in the Governmental Advisory Committee reaffirmed their commitment in 2010 to widening the GAC's geographical footprint and member state engagement. Interest from governments around the world continued to grow, with a marked increase in new members. Thirteen new full members and three new observers joined for a total of 107, including observers.

The GAC has been actively involved in the Affirmation of Commitments review process. Its chair acted as co-selector, along with the Chairman of the Board of Directors, of the first review team, formed in 2010 to review ICANN's transparency and accountability. The team included GAC members representing China, Egypt and the European Union.

Strengthened engagement by governments is also reflected in offers from three member states - Brazil, the Netherlands and Norway - to take up the GAC secretariat function when India's term ends in July 2011. The GAC formally accepted the Netherlands' proposal during the ICANN meeting in Brussels in June 2010.

In June, Ambassador Jānis Kārkliņš stepped down as Chair of the Governmental Advisory Committee and liaison to the Board of Directors, ending a term that began in March 2007. Heather Dryden, an expert in international policymaking and strategic studies, assumed this increasingly important role on an interim basis (and later, at ICANN's December meeting in Cartagena, was endorsed as the new Chair of the GAC.)



New Full Members:

- Afghanistan
- Benin
- Burkina Faso
- China
- Cook Islands
- Cyprus
- Kyrgyz Republic
- Former Yugoslav Republic of Macedonia
- Mali
- Russia
- Seychelles
- Somalia
- Trinidad and Tobago
- Ukraine

New Observers:

- Inter-American Telecommunication Commission (CITEL) of the Organization of American States
- The Council of Europe
- The League of Arab States

Global Engagement and Outreach

In 2010 ICANN made significant advances in global engagement and international cooperation in the Internet governance ecosystem. The Global Partnerships team works to bring ICANN to the world and to engage the world in ICANN's work through a variety of activities, presentations, educational outreach events, and agreements. These agreements take many forms, from letters of intent to cooperation agreements to memorandums of understanding and accountability frameworks.

In December 2009, ICANN entered into a cooperation agreement with UNESCO, the United Nations Educational, Scientific and Cultural Organization. It outlines possible future collaboration, including UNESCO's support for implementing internationalized domain names and an agreement to look for ways to assist developing nations to create a multilingual Internet.

Six ccTLD agreements to strengthen working relations between ICANN and country code top-level domain managers were agreed in 2010. The six (four Exchanges of Letters and two Accountability Frameworks) were with Ukraine in September 2009, Singapore in October 2009, Papua New Guinea and Georgia in March 2010, and Ecuador and the Netherlands Antilles in June 2010. This brings the total of agreements to 62, nearly 10 percent more than in 2009.

Global Partnerships conducted more than 53 outreach and educational activities, training sessions and presentations, including group ministerial briefings in the Pacific Islands, Europe and at a meeting of African Heads of State, as well as numerous one-on-one sessions with ministers and regulators. Global Partnerships also led or collaborated with others on ccTLD capacity building, security, IDNs, and new gTLD workshops and presentations.

Capacity Building through the Fellowship Program

Global Partnerships' Fellowship Program, which provides a grant of support to individuals from stakeholder groups who would otherwise be unable to attend an ICANN meeting, had a strong year in 2010. Participation expanded to 75 Fellows over the course of the Seoul, Nairobi and Brussels ICANN meetings. Fellowships were globally distributed and varied across the constituencies they represent: the ccTLD community, government, civil society, business and academia. As always, the focus was on drawing new participation. Of the 75 recipients, 40 had never attended an ICANN meeting before.

Applicants must be citizens of economically eligible countries, and applicants who live in the regions in which an ICANN meeting is being held are given priority, as are those who are active or interested in participating in ICANN and its Supporting Organizations and Advisory Committees. The Fellowship Program assists with airfare, hotel and a stipend. Recipients of ICANN's Fellowship funding are expected to actively participate in and contribute to ICANN processes, during and after each meeting.

Over the past 10 meetings, 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.

Since the program's inception in 2007, as of June 2010, a total of 1,191 Fellowship applications had been received, with 239 Fellows attending various ICANN meetings from nearly 100 countries. 13 Fellows have participated in the Nominating Committee process, while others have been involved in policymaking or in the leadership structure of Advisory Committees and Supporting Organizations.

Fellowship Applications and Attendees for Brussels, June 2010

Number of applications received	159	ccTLD community	10
Number of applications meeting minimum requirement/number selected to participate	38/20 plus 6 deferred from Nairobi	Government	16
Number of fellows attending Brussels meeting	24	Civil society	2
Number of fellows deferred to Cartagena meeting	2	Private sector	3
10 Fellows have never attended an ICANN meeting		Academia	3

For the Brussels meeting participants were from: Latin America/ Caribbean (7), Africa (3), Asia (7), and Europe (7).

Strengthening the Multi-Stakeholder Model through the Internet Governance Forum

ICANN's role in Internet governance represents a unique form of consensus-based governance: global outlook; bottom-up decision-making; decentralized control; inclusive, transparent processes; and attention to community voices at all levels.

The Internet is a work in progress. It feeds and grows off ideas, and new ideas greatly affect its direction. Its most influential contributors are those who can see the possibilities that others don't. And the most powerful are those whose ideas trigger the imagination of others.

ICANN CEO Rod Beckstrom, addressing the Russian Internet Governance Forum in Moscow, May 2010

The United Nations' Internet Governance Forum is an important public forum where interested parties can come together on an equal footing to address issues for the common good. Its greatest values are its egalitarian philosophy and its inclusiveness.

ICANN actively supports continuation of the IGF's multi-stakeholder model and independent secretariat. Staff members have participated in public consultations, the multi-stakeholder advisory group and many regional IGF preparatory meetings. At the IGF in Sharm el Sheik in November 2009, ICANN held an open forum on the organization's role and on new developments in the domain name system. In addition, staff and Board members were involved in many panels and workshops on topics ranging from security and stability to IDNs and ccTLD operations.

ENGAGING
THE ICANN COMMUNITY: CCNSO

Country Code Names Supporting Organization: Countries Achieve Historic Innovation – Together

Making more of the world's languages and scripts work as resolvable domain names took many years and many hands.

As 2010 began, the ICANN community, led by ICANN's Services staff, had been working toward implementing IDNs in the root zone for months. This year the ICANN community, particularly the ccNSO and the GAC, played a significant role in refining implementation plans. In the end this global collaboration also involved the GNSO, ALAC, SSAC, and ICANN's Policy Staff facilitating interaction with the Services team. The effort reached a crescendo in Seoul during October 2009, when the Board of Directors approved the fast track process for IDNs. With the implementation plan approved, IDNs were well on their way to becoming a reality.

By May, Egypt, Saudi Arabia and the United Arab Emirates had URLs operating in Arabic. Shortly thereafter, Russia had the first domain name operational in Cyrillic. By the end of June, the Board had approved a set of Chinese language IDNs.

Since then, more and more countries have applied for IDNs representing more and more languages. "This isn't just a minor change for the Internet," said Rod Beckstrom. "It's a seismic shift that will forever change the online landscape. This is the beginning of a transition that will make the Internet more accessible and user friendly to millions around the globe, regardless of where they live or what language they speak."

With the fast track process fully operational, policy bodies such as the ccNSO and GNSO can now focus on more long-term strategizing. The ccNSO has already begun the effort to forge a broader, less specific policy for IDNs, and the ccNSO and GNSO have started to address IDN-related issues of common interest.

"This isn't just a minor change for the Internet. It's a seismic shift that will forever change the online landscape."

Rod Beckstrom, ICANN's President and CEO

Beyond the Numbers: Commitment

This year, the ccNSO shot past the milestone of having 100 members, adding 13 new members for a total of 107.

This achievement gains significance when you consider that participation in the ccNSO is strictly voluntary. As each country code operator joins, it reaffirms that the bottom-up model works. The ccTLD community sees enough value in ICANN's work to choose participation. Each added member also reinforces the voluntary coordination of the Internet by a broad international coalition.

Annual reports often cite numbers, because numbers provide a convenient measure of some trends. But for a coordination body with a voluntary membership, with each member associated with a different country or nation, the real measurement of success is: How much are members engaged?

In ICANN's early days the country code top-level domain operators' involvement in ICANN's planning was limited. In Cairo in November 2008, the ccNSO formed and chartered a Strategic and Operational Planning working group (SOP-WG). Since 2008, ccNSO SOP-WG input has become something of a benchmark in ICANN's planning process. This year, the SOP-WG distinguished itself again, this time with a deep analysis of ICANN's strategic plan for 2010 to 2013, providing commentary and advice both thoughtful and thought provoking.

In addition to the SOP-WG, the ccNSO ended June 2010 with 10 other working groups actively delving into a wide range of important issues. Whether discussing how to respond cooperatively to worldwide Internet threats such as botnets and worms, debating whether DNS synthesized responses ("wildcarding") should be prohibited, or hammering out how the world's languages can function as domain names, the ccNSO remains a vibrant, active community, fully engaged in working within the ICANN framework for the public benefit.

Instead of resting on their laurels after achieving the historical breakthrough of the first IDNs, the ccNSO continues to grow in numbers, in influence and in its policymaking efforts.

New ccNSO Members, 2010

(.bz)	Belize
(.cc)	Cocos (Keeling) Islands
(.co)	Colombia
(.eu)	European Commission
(.fm)	Federated States of Micronesia
(.lu)	Luxembourg
(.my)	Malaysia
(.mz)	Mozambique
(.pg)	Papua New Guinea
(.pl)	Poland
(.so)	Somalia
(.tz)	Tanzania
(.zm)	Zambia

Generic Names Supporting Organization: Slow but Steady Wins the Race

ICANN's policy development process emphasizes bottom-up, consensus-driven, multi-stakeholder values. When the ICANN community develops policy, everyone gets to have a say. This careful process rarely sets any speed records because hearing from everyone, and respecting minority opinions, takes time. But the resulting policy has been considered from so many angles that the end product is worth the wait.

While all ICANN supporting organizations and advisory committees had accomplishments worth applauding this year, the GNSO made noteworthy progress on several policy issues that should be of interest to stakeholders and users at every level of the Internet.

Domain Name Transfers. Imagine starting work at your small business one morning, and you seem to be locked out of your own web site. You check Whois, and it shows that someone else owns your domain. How do you get it back—and how fast? Such questions occupy the GNSO Inter-Registrar Transfer Policy Part B PDP working group (IRTP-WG), which produced its Initial Report in May 2010. The IRTP-WG aims to provide a straightforward procedure for domain name holders to transfer their names from one ICANN-accredited registrar to another.

The Part B working group is addressing five issues related to domain hijacking, the urgent return of an inappropriately transferred name, and lock status. Its Initial Report contains draft recommendations dealing with issues such as how to get a domain name back quickly following a transfer as the result of a domain name hijacking, and further transparency in relation to the use of Registrar Lock Status. The objective for 2011 is to finalize the report and submit it to the GNSO for consideration.

Reducing Registration Abuse. The GNSO Registration Abuse Policies working group (RAP-WG) produced its Final Report, which includes concrete recommendations for addressing domain name registration abuse in gTLDs. The RAP-WG thoroughly analyzed the problem, even defining cybercrime terminology to ensure clear discussions. The Final Report includes recommendations that encompass cyber squatting, malicious use of domain names, fake renewal notices, uniformity of contracts and Whois access problems, among other issues. By 2011, the stage will be set for the GNSO Council to further discuss and review implementing these recommendations.

Recovering Expired Domains. To what extent should registrants be able to reclaim their domain names after they expire? This question is the main topic of discussion for the Post-Expiration Domain Name Recovery PDP working group (PEDNR-WG). This working group aims to address whether current registrar policies for renewal, transfer and deletion of expired domain names are adequate. In May 2010, the working group produced its Initial Report, which outlines options for further consideration. For example, should registrants have a guaranteed right to reclaim their domain name

registration after expiration? What is the minimum number of notices that a registrar should send to a registrant before a domain name expires? What about afterwards? The working group will continue its deliberations in 2011.

Resolving Special Trademark Issues for the New GTLD Program. When everyone anywhere in the world can license any domain name desired, the sheer volume of transactions makes it difficult to prevent people from registering a name they have no right to because someone else owns the trademark. At the Board's request, global trademark experts converged and shared their expertise to develop trademark protection mechanisms for ICANN to consider. The ICANN community further refined these procedures, which were then incorporated into version four of the *Draft Applicant Guidebook*. These proposals include the creation of a trademark clearinghouse to serve as a convenient, centralized location to store registered trademark information on behalf of trademark holders, and a uniform rapid suspension procedure, which could provide trademark holders with a cost-effective, expedited process in clear-cut instances of trademark abuse.

Improving the Registrar Accreditation Agreement. Over the past year, the ICANN community participated in a wide-ranging debate on how to improve the Registrar Accreditation Agreement (RAA), which every registrar must sign to earn ICANN accreditation. Some believe this agreement should:

- Better address the concerns of the security and law enforcement communities.
- Enhance protections for registrants.
- Provide ICANN with enhanced tools for enforcing compliance to the RAA.

A working group created jointly by the At-Large community and the GNSO Council produced an Initial Report of recommendations for a Registrant Rights and Responsibilities Charter. Amendment topics delineated for further consideration include recommendations from representatives of law enforcement communities throughout the world that were endorsed by the GAC. ICANN will continue these global discussions over the next year to produce a superior agreement that addresses concerns raised by the ICANN community.

Bringing the Whois Service into the Future

Whois is the data repository containing registered domain names, registrant contacts and other critical information. If you want to know who owns a domain name, Whois should have the answer.

In 2009, the GNSO Council noted increased community concern that the Whois service is deficient in several ways, including data accuracy and reliability, as well as in other technical areas noted in recent reports from the SSAC, such as accessibility and readability of Whois contact information in a multilingual international environment.

The global scale of Whois, which indexes data for roughly 200 million domains, makes it difficult to definitively state anything about the service. Is it accurate or inaccurate? If you think "inaccurate," how would you verify that? Some law enforcement agents believe Whois privacy services that hide a web site operator's identity also mask cyber-criminals. But how would you prove it?

In 2009 the GNSO Council asked ICANN's policy staff to evaluate several potential Whois studies to provide a more factual, data-driven foundation for future policymaking. The staff made considerable progress in focusing those studies in 2010.

One Council request resulted in a Whois Service Requirements Report, completed 29 July 2010, http://gnso.icann.org/issues/whois/whois-service-requirements-final-report-29jul10-en.pdf. The study reviewed previous GNSO Whois policy issues and compiled them along with current and potential Whois technical requirements that would support future proposals.

The resulting requirements inventory summarizes the technical features Whois could have and the services it might offer to scale to the needs of the future Internet.

On 21 April, the GNSO Council passed a resolution recommending at least US $400,000 to fund Whois studies in FY 2011. The recommendation was approved by ICANN's Board of Directors.

GNSO Restructured: Lowering Barriers to Participation

The GNSO made significant strides in 2010 toward implementing its reorganization and improvement effort, to make the community's work more inclusive and representative while increasing its effectiveness and efficiency. At the October 2009 Seoul meeting, the GNSO seated a restructured Council representing four broad stakeholder groups: registrars, registries, commercial interests and noncommercial interests. The new framework allows each community to set up its own processes for selecting Council representatives, and stakeholder groups should be able to adapt more easily and fluidly to the new gTLD environment and all its interested parties. The GNSO improvement initiative has shifted the Council away from its previous legislative model of policy development to a more strategic managerial or coordination role.

After two years of planning and collaboration, in 2010 five GNSO work teams produced recommendations in four critical improvement areas.

From Task Forces to Working Groups. Since 2008, the GNSO has been evolving from its long-standing task force model toward a more open, participatory policy development model based on working groups. While a team continues to develop the model's guidelines, several working groups are already using the approach in addressing issues such as inter-registrar transfers of domain names and registration abuse policies. A version of the guidelines should be published in final form in 2011.

Establishing a Framework for Fairness and Accountability. As ICANN continues to grow and more people from different cultures participate in the GNSO, it is important that the principles of transparency, accountability, fairness and representation set forth in ICANN's bylaws are consistently practiced in all GNSO organizations. Two working teams published recommended operating procedures for GNSO Council members, stakeholder groups and constituencies. The recommendations suggested creating a database of all constituency and stakeholder group members. By June 2010 the Council had submitted these recommendations to the ICANN community for comment. The comments will be incorporated into a final report for implementation.

Improving Communications Verbally and Digitally. In March 2009, a cross-constituency communications and coordination working team began reviewing communications within the GNSO and between the GNSO and other ICANN structures. Its charter included the GNSO website, document management, collaboration and soliciting feedback. The team drafted requirements for a redesigned web presence including state-of-the-art navigation, search, user-friendliness and content sharing across multiple ICANN sites. Recommendations also addressed communications between the GNSO and the Board, and between the GNSO and other supporting organizations and advisory committees. The recommendations were approved in June 2010 and will be implemented in 2011.

Refining the Policy Development Process. Another working team seeks to redefine the GNSO policy development process. The team presented its initial report http://gnso.icann.org/issues/pdp-initial-report-31may10-en.pdf at the end of May 2010 for community input. It includes 45 draft recommendations to improve the timeliness, flexibility and depth of research of the policy development process. When final, the report will be submitted to the GNSO's Policy Process Steering Committee for review and ultimately, to the GNSO Council. If approved, it will alter Annex A of ICANN's bylaws.

In 2010, the GNSO increased the opportunity for all its stakeholders to participate, and to know that their participation makes a difference.

"ICANN is truly that meeting place for divergent opinions, that arena where competing points of view arrive at policy. And so how the GNSO is structured is fundamentally important."

Robert Hoggarth, Senior Policy Director

Security and Stability Advisory Committee: Veteran Technicians Alert ICANN Policy Bodies to Security Implications

Security matters involving the domain name system and domain name registration services are presented to the Security and Stability Advisory Committee, which studies each matter, reports its findings and offers recommendations to ICANN's Board of Directors and the community.

In 2010, new top-level domains, internationalized domain names and the signing of the root zone gave sharper focus to many issues SSAC had studied over the past five years. The SSAC engaged with the community more than ever, with strongly positive results:

- The community and Board of Directors reviewed a series of SSAC recommendations that advised against the use of redirection by top-level domains dating back to 2004 and agreed to formally prohibit the practice for new TLDs. The SSAC worked with the ccNSO to encourage country code top-level domains to adopt the prohibition.
- SSAC recommendations identifying deficiencies in Whois services were instrumental in several policy areas. The GNSO based a number of proposed Registrar Accreditation Agreement amendments and technical requirements identified in their inventory of Whois service requirements from SSAC reports, demonstrating the value placed on SSAC analysis. Many of these same recommendations are also being considered by ICANN's Compliance Department as it considers enforcement mechanisms for the 2009 Registrar Accreditation Agreement.
- SSAC's initial consideration of internationalizing Whois was the basis of a joint initiative by ICANN Supporting Organizations and Advisory Committees to study ways to submit and display domain name registration data using non-ASCII characters. These issues are being studied in parallel with other Whois and IDN issues (for example, IDN variants) with participation from ccTLD registries and international stakeholders.

The SSAC's more 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.

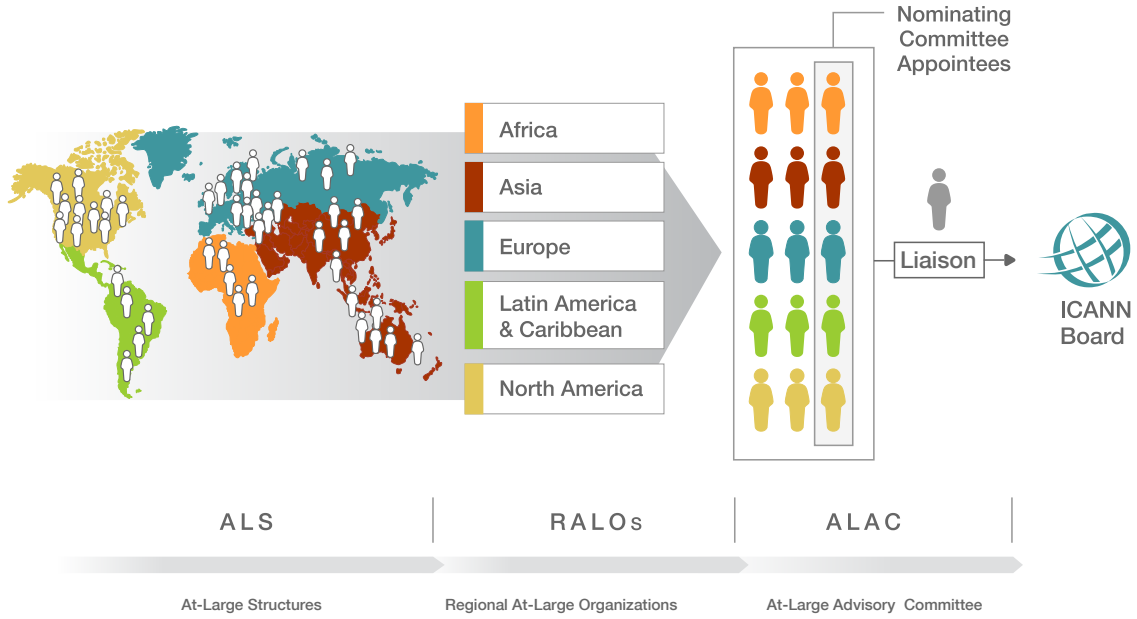
The At-Large Community Grew in Numbers and Policy Development Activities

Most participants in the ICANN community represent organizations or institutions, among them registrars, businesses and top-level domain operators. But the individual Internet user also has a voice in ICANN's policy development, through the active, growing At-Large community.

Many people refer to the At-Large community imprecisely as "ALAC," but ALAC and the At-Large community are not the same. ALAC refers to the At-Large Advisory Committee, 15 people who involve and represent a broad network of individual Internet user interests. The ALAC represents the global At-Large community, communicating their interests to ICANN's Board of Directors.

The At-Large community is structured into five Regional At-Large Organizations (RALOs), each composed of many grassroots At-Large user groups called At-Large Structures (ALSes). The ALAC has accredited At-Large Structures around the world, with more applications arriving frequently. In 2010, the number of accredited At-Large Structures increased to 125, an annual growth of nearly 10 percent. With each new ALS, the At-Large community increases its ability to represent the globally diverse body of Internet users.

ICANN At-Large Organizational Diagram, Fiscal Year 2010



Empowering the Individual User

ALAC advises the Board of Directors of the perspective of individual Internet users through formal policy advice statements. It more than doubled the number of statements between 2008 and 2009 (from 20 to 42). This increase ensures that Internet users' voices are heard and considered on more and more issues in ICANN's policy development process.

Improving the World's Domain Name Experience

But this is not just about quantity. These substantive statements can set all of ICANN in motion and ultimately improve the Internet experience for the world. For example, in 2010 the At-Large community provided the primary driving force behind the GNSO's consideration of a registrant rights addition to the Registrar Accreditation Agreement, or RAA. At ALAC's request, in February 2010 ICANN published *The Non-Lawyer's Guide to the RAA*, making it easier for everyone to understand this important document.

The Joint GNSO/ALAC RAA Drafting Team concluded the first phase of its work in May with the publication of an Initial Report to the GNSO Council. The report includes a proposal for a form of Registrant Rights and Responsibilities Charter to assist registrants in understanding their rights and obligations pertaining to their domain name registrations. Proposals in the draft for registrant protection have been endorsed by many law enforcement agencies, including the Australian Federal Police, the U.S. Federal Bureau of Investigation, the New Zealand Police, the Royal Canadian Mounted Police, the UK's Serious Organized Crime Agency, Interpol and many others.

A Full Voting Member on ICANN's Board

This year saw another noteworthy landmark recognizing the substantive contributions of At-Large: the Board resolved that a director selected by the At-Large community should become a full voting member of the Board. The At-Large community worked tirelessly to devise a fair and transparent process for selecting that individual. When it put the draft plan out for public comment, it was the first time At-Large had issued a document for public consultation. The process has now been decided, a major achievement accomplished in a matter of months.

With At-Large structures around the world feeding deeply held views through regional representatives to the ALAC, the At-Large community finished another year of remarkable accomplishments, amplifying the voice of the individual Internet user at ICANN.

What are the **newest** At-Large **Structures?**

At-Large accredited 10 new At-Large Structures in 2010. In chronological order, they are:

- Greater Toronto Area Linux User Group (North America)
- Ofok al-Tamnia (Africa)
- NEXTi – Organização das Executivas de Tecnologia da Informação e Comumicação (Latin America)
- Internet Society Pakistan Chapter (Asia-Pacific)
- Pakistan ICT Policy Monitor (Asia-Pacific)
- Association CONEXIÓN al Desarrollo El Salvador (Latin America)
- Nurses Across the Borders (Africa)
- Wikimedia Switzerland (Europe)
- Colorado ISOC (North America)
- Fundacion Incluirme (Latin America)

ICANN Expands Remote Participation Capabilities for ICANN Meetings

ICANN made substantial strides this year toward its goal of becoming a world leader in remote participation—particularly at its international meetings. The Board has noted that effective remote participation is essential to ICANN's future and can provide significant cost savings. ICANN is working hard to make those goals a reality.

Because community members cannot attend every meeting in person, ICANN's remote participation philosophy is to:

- Equalize the quality of participation between remote and face-to-face meeting participants.
- Offer a virtual meeting experience by extending the physical meeting to remote participants.
- Increase access for low-bandwidth participants.

Remote participation was first rolled out substantially at the 37th ICANN meeting in Nairobi, Kenya, in March 2010. Sixty-five community meetings and sessions featured some form of remote participation.

Learning from the Nairobi experience, ICANN increased the promotion of and training for remote participants and staff for the June 2010 meeting in Brussels, Belgium. In Brussels, 71 sessions offered some form of remote community participation — a nearly 10 percent increase over Nairobi.

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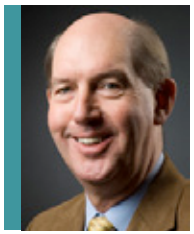
BOARD OF DIRECTORS

Peter Dengate Thrush

Chairman of the Board of Directors

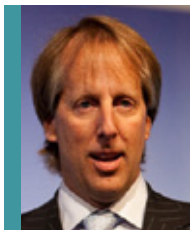
- New Zealand barrister practicing in civil litigation and specializing in intellectual property, competition and Internet law. Legal advisor to InternetNZ from 1996 to 1999; chair for two terms; past chair of its International Affairs Committee; member of its Legal and Regulatory Committee.
- Active in setting up and developing APTLD, the body of national domain name registry managers for the Asia Pacific region; immediate past chair; leader of the ccTLD community.
- Involved in ICANN since its inception; provided comments on the early ICANN bylaws; cochaired a preformation meeting of the IP Constituency.
- Chair, Compensation, Executive and Global Relationships committees.



Dennis Jennings

Vice-Chair

- Cofounder, 4th Level Ventures, an Irish venture capital company that invests in companies commercializing business opportunities that arise from university research in Ireland; also an "Angel," investing in early stage technology companies.
- An Internet pioneer, responsible for the decisions that created NSFNET, the US research network of networks that evolved into the Internet, while working for the US government; actively involved in the startup of research networks in Europe (EARN, President; Ebone, Board member) and Ireland (HEAnet, initial proposal and later Board member); chaired Board and General Assembly of the Council for European Top level domain Registries (CENTR); actively involved in the startup of ICANN.
- Currently chairman or board member of several small technology companies, with wide experience in issues relating to the startup, funding, supervision and governance, and survival of early stage technology companies.
- Chairman of the Oversight Board of the Irish Centre for High-End Computing. Previously Director of University College Dublin Computing Services, responsible for the university IT infrastructure; interim President of the Consortium for Scientific Computing at the John von Neumann Centre in Princeton, New Jersey, responsible for the startup of the supercomputer center.
- Chair, Board Governance Committee; Vice-Chair, Executive Committee; member, Audit and IANA committees.



Rod Beckstrom

President and Chief Executive Officer
Ex officio member

- President and CEO since July 2009. Serial entrepreneur, founder and CEO of a publicly-traded company, author, environmentalist, public diplomacy leader and, most recently, head of a top-level federal government agency entrusted with protecting US Federal networks against cyber attacks.
- In 2008, Director, National Cybersecurity Center (NCSC) reporting to the Secretary of Homeland Security; charged with supporting the Attorney General, National Security Council, and the Secretary of Defense. Developed a new economic model for valuing networks and cybersecurity risk management.
- Coauthor of *The Starfish and the Spider: The Unstoppable Power of Leaderless Organizations*.
- Trustee, Environmental Defense Fund and Jamii Bora Trust, a micro-finance institution in Africa.
- Cofounded and led CATS Software, Inc., a derivatives trading and risk management company with offices in New York, London, Tokyo, Geneva, Sydney, Palo Alto, Los Angeles, and Hong Kong. Helped advance the financial theory of "value at risk."
- Chairman of Privada, Inc., a pioneer in Internet privacy technology.
- Graduate of Stanford University with an MBA and a BA; served as Chairman of the Council of Presidents of the combined Stanford student body; Fulbright Scholar at the University of St. Gallen in Switzerland.
- Member, Executive Committee.

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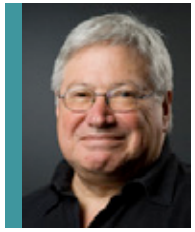
Harald Tveit Alvestrand

- Worked for Norsk Data, UNINETT (the university network of Norway), EDB Maxware, Cisco Systems and, since 2006, for Google. Currently a board member of NORID, the .no domain name registry, and of the Unicode Consortium.
- Active in Internet standardization via the Internet Engineering Task Force since 1991, writing a number of RFCs, including RFC 1766, the first standard for language tags in Internet protocols; area director of the Applications area (1995–1998) and of the Operations & Management area (1998–1999); member of the Internet Architecture Board (1999–2001); and chaired the IETF from 2001 to 2006.
- Alternate chair of the ICANN DNSO General Assembly from December 1999 to April 2001; member, WIPO panel of experts on the DNS in 1998–1999.
- Chair, IANA Committee; member, Audit Committee.



Raimundo Beca

- Partner, Imaginacción, a Chilean consulting company; board member of several major companies. Served for 11 years as CRO of Telefónica CTC Chile, the Chilean telephone company and a leader in the long distance, mobile, data networks and ISP markets.
- Regional expert in information technologies at ECLAC, the UN's regional economic agency for Latin America and the Caribbean; drafted a Green Book on information technology policies, including a decalogue on telecommunications privatization best practices.
- Chargé de Mission at the French Ministry of Industry, leading development of a national online data industry. French delegate to the OCDE and the European Commission, involved in international debate on the information society in the 1970s; involved in the enactment of the first rulings in the fields of data privacy, data security, access to public files and software intellectual property rights.
- Former member, ASO Address Council, appointed first by ARIN and then by LACNIC; member, Steering Committee of NIC Chile and Board Director of LACNIC.
- Member, Executive and Structural Improvements committees.

Steve Crocker

- CEO and cofounder of Shinkuro, Inc., focused on dynamic sharing of information across the Internet and deployment of DNSSEC.
- Chair of ICANN's Security and Stability Advisory Committee since 2002.
- Experience includes research management at DARPA, USC/ISI 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 a graduate student at UCLA in the late 1960s and early 1970s, 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 (RFC) series of notes through which protocol designs are documented and shared; remains active in Internet standards work through the IETF and IAB. For this work, Dr. Crocker was awarded the 2002 IEEE Internet Award.
- Public service has included first area director for security in IETF, IAB and Internet Society Board of Trustees.
- Member, Audit and Risk committees.

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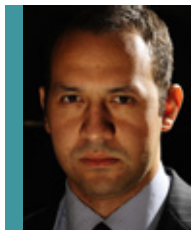
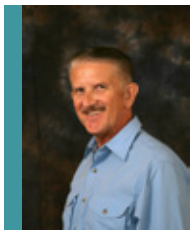
Rita Rodin Johnston

- Partner, Skadden's Intellectual Property and Technology and Internet and E-Commerce practices; cited in *Chambers USA: America's Leading Lawyers for Business* in 2005, 2006 and 2007, and *Chambers Global: The World's Leading Lawyers for Business* in 2006 and 2007.
- Frequent lecturer and author of a variety of e-commerce and technology-related topics, including outsourcing, e-mail policies, Internet security, trademark and domain name developments and privacy-related issues. Advises companies on Internet and e-commerce business and compliance issues, open source issues, privacy matters and branding issues. Regularly addresses intellectual property and technology and operational issues that arise in mergers and acquisitions, project finance matters and initial public offerings.
- Worked extensively on matters of Internet policy, in particular ICANN policy initiatives. Assisted in drafting ICANN's UDRP, which is used today by thousands of companies to challenge domain name registrations; member of the ICANN committee that drafted documentation to implement the UDRP. Appointed by ICANN to chair an international task force that established the PDP that is now used by ICANN to develop and implement future ICANN policies.
- Chair, Audit Committee; member, Board Governance Committee.



Gonzalo Navarro

- Youngest Director ever appointed to the ICANN Board; served over six years on the Governmental Advisory Committee, representing Chile, with significant experience in international trade negotiations and Internet governance.
- Served as senior adviser on international affairs, Undersecretary of Telecommunications of Chile, representing Chile on the Governmental Advisory Committee.
- Associate and part of the IT Practice at Morales & Besa, a well-known Chilean law firm.
- 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 US–Chile FTA and China–Chile FTA); permanent representative of Chile at the International Telecommunication Union (ITU), the World Summit on the Information Society (WSIS), the Internet Governance Forum, CITEL and APEC TEL.
- Educational qualifications include informatics and telecommunications law from the Universidad de Chile and a Masters in Law (LLM) from Columbia University, New York.
- Member, Finance and Public Participation committees.



Raymond A. Plzak

- Involved in Internet registry operations since 1991, first with the DDN/DoD NIC, then as President and CEO of ARIN. Extensive experience in managing the allocation of Internet Number Resources, the administration of domain names (the .mil domain), managing an Internet root server (g.rootserver.net), managing directory services such as Whois and IRR, and help desk operations.
- Past cochair of the Domain Name System Operation Working Group of the Internet Engineering Task Force; coauthor/contributor of several RFCs including RFC 2870, *Root Name Server Operational Requirements* (June 2000).
- Past member of the RSSAC and charter member of the SSAC; active in the WSIS and IGF; principal author/editor of several Internet governance documents including the NRO MoU, the ASO MoU, and the ARIN PDP.
- Coauthor of *Legal and Policy Aspects of Internet Numbers* published in the Santa Clara Computer & High Technology Law Journal (2008) which demonstrates the heightened need for a consistent legal and public policy approach to critical management issues regarding Internet number resources.
- Chair, Structural Improvements Committee; member, Board Governance Committee.

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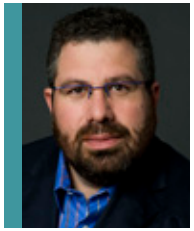
Rajasekhar Ramaraj

- Founder and former CEO of Sify Limited, the pioneer and leader in Internet, Networking and eCommerce Services in India. Recognized as Evangelist of the Year at the India Internet World Convention in September 2000. In October 2000, Sify was voted Company of the Year at the Silicon India Annual Technology and Entrepreneurship Conference in San Jose, California, USA. In 2001, in a CNET.com poll in India, Ramaraj was voted the IT Person of the Year 2000; invited by the UN Secretary-General Kofi Annan to be a member of UN's Working Group on Internet Governance.
- President of the ISP Association of India for five years. This body works with the government and other stakeholders to formulate policies for the growth of the Internet in India.
- Pioneered the retail marketing of computers in India by establishing Computer Point in 1984; founder director of Microland Ltd before a stint in cellular telephony as Director, Sterling Cellular up to 1996.
- Currently associated part time as a venture partner/ mentor at Sequoia Capital and is a member of the global Board of Trustees of The Indus Entrepreneurs.
- Chair, Finance Committee; member, Compensation, Executive and Risk committees.

George Sadowsky

- Studied and taught mathematics at Harvard and received his Ph.D. in Economics from Yale.
- Worked as a mathematician and programmer, and headed computing centers at the Brookings Institution, Northwestern University and New York University.
- At the United Nations, supported technical assistance projects and has worked in more than 50 developing countries; consultant to the US Treasury, UNDP, USAID, W3C, the Swiss Government, and the World Bank, among others. Served on Boards of AppliedTheory Corporation, educational networks CREN and NYSERNet, and the Internet Society where he directed ISOC's Developing Country Network Training Workshops.
- Executive Director of GIPI, the Global Internet Policy Initiative. He has written and lectured extensively on ICT and development.
- Currently consultant to NATO and the World Wide Web Foundation.
- Member, Finance and Structural Improvements committees.



Mike Silber

- South African attorney and General Manager, Regulatory, for Neotel after years as an 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 previously 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.
- Founder member of the South African chapter of the Internet Society (ISOC-ZA) and chaired the ISOC-ZA Drafting Committee responsible for restructuring the administration of the .ZA ccTLD. Served as a Director of the .ZA Domain Name Authority since its formation in 2003.
- Member, Structural Improvements and Risk committees.

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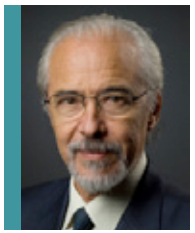
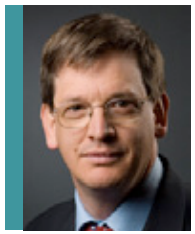


Jean-Jacques Subrenat

- Currently involved in EUNIC (European Union National Institutes of Culture). Writes and debates on global issues, current affairs, international relations, governance. Recent responsibilities: Chair of the advisory board, Institut Pierre Werner, Luxembourg (2007–2009); tutor at the French national school of public administration (ENA), Strasbourg (2007–2008).
- In the French diplomatic service (1972–2005): Policy Planning Staff; on secondment to the Ministry of industry to help set up the Solar Energy Authority, where he headed the international affairs department; Diplomatic Adviser to the Minister for Europe; Deputy director for Asia and the Pacific; alternate director for development aid; alternate director for the Americas.
- Postings: Singapore (Embassy Secretary 1973–1976), Japan (Counsellor 1981–1984, Minister Counselor and Deputy Head of mission 1988–1992). Ambassador, Permanent Representative to the Western European Union in Brussels 1995–1998, Ambassador to Estonia (1998–2002), Ambassador to Finland (2002–2005), acting Governor for France at the ASEF Board of Governors (2005).
- Chair, Public Participation Committee; member, Structural Improvements and Global Relationships committees. Previously, member, Board Governance Committee.
- Currently or recently a member of several working groups: Board Review, ALAC Review, ccNSO Review (as chair).



Bruce Tonkin

- Chief Strategy Officer, Melbourne IT Limited, responsible for assisting with creating, communicating, executing, and sustaining strategic initiatives within Melbourne IT. The role includes evaluating new product opportunities from the point of view of mid to longer term benefits for the company, and analyzing emerging technology trends. Melbourne IT was one of the first five test-bed registrars when ICANN established registrar competition for the existing com/net/org registry. Melbourne IT now provides domain name registration services for many gTLDs and ccTLDs. Fellow, Australian Institute of Company Directors.
- Involved with the registrars constituency on behalf of Melbourne IT beginning in 2001. Later, elected to the GNSO Council by the registrars constituency; chair of the DNSO Names Council and GNSO Council, during which time, the GNSO introduced new ICANN policies for transfers, Whois, and deleted names, and has also progressed the work on new gTLDS and further improvements in Whois.
- 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.
- Chair, Risk Committee; member, Compensation Committee.

Katim Touray

- Independent development consultant based in Gambia. A follower of the early Internet, he is a well-known advocate for the network and its uses across a range of media and to a wide variety of audiences for over 15 years.
- Worked for Ministry of Agriculture in The Gambia; now Chairman of the National Agricultural Development Agency. Conducted consultancies on the Millennium Development Goals, the media, strategic planning, project evaluations, HIV/AIDS, and other subjects for nongovernmental organizations, as well as government and UN agencies.
- Experienced producer and host of African music, educational, and public affairs talk shows on community radio in the US, and national radio in Gambia; served on the board of directors of a public access cable TV channel in the US.
- Written articles about the Internet and ICT, and helped found the Consumer Protection Association of The Gambia. An advocate for leveraging ICTs for development. Free and open source software enthusiast, and serves on the Council of the Free Software and Open Source Foundation for Africa.
- Member, IANA, Public Participation and Global Relationships committees.

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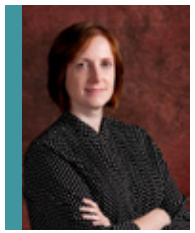
BOARD OF DIRECTORS

Kuo-Wei Wu

- CEO of NIIEPA (an NPO in Taipei), focused on global Internet and security policy research.
- Cofounder, HPC Asia Conference, a series of High Performance Computing (HPC) conferences and exhibitions that has been held since 1995 (in Taipei).
- An Internet pioneer in Asia, responsible for establishing the Taiwan Academic Network (TANET) in 1990, for coordinating Asia ccTLD operators' formation of APTLD in 1998, and for organizing an IDN joint engineering taskforce in Asia (with engineers from Japan, Korea, China, Taiwan, the US, and Hong Kong) to develop the IDN RFC in 1998.
- Served as APNIC EC from 1999 to 2010 (as treasurer for APNIC ECs since 2003 to 2009).
- Serve as TWNIC board member from 2000 to now.
- Served as PIR board member from 2008 to 2010.
- Member, IANA, Public Participation and Global Relationships committees.



Heather Dryden

Governmental Advisory Committee Liaison

- Senior Advisor at Industry Canada in the International Telecommunications Policy directorate of the Telecommunications Policy Branch and has lead responsibility for Internet governance and Domain Name System (DNS) policy matters.
- Serves in an ex officio capacity on the Canadian Internet Registration Authority (CIRA) Board of Directors and participates in the American Registry for Internet Numbers – Government Working Group (AGWG).
- Appointed to serve on the Multi-stakeholder Advisory Group (MAG) of the Internet Governance Forum (IGF) since 2008 and participated in the Canadian delegation to the United Nations World Summit on the Information Society (WSIS) and its related preparatory negotiations.
- Previously worked at the NATO Information Office in Moscow and worked on capacity-building programs in Ukraine funded by the Canadian International Development Agency (CIDA).
- Interim Chair, Governmental Advisory Committee until the conclusion of the first GAC meeting of 2001.

Ram Mohan

Security and Stability Advisory Committee Liaison

- Executive Vice President & Chief Technology Officer of Afilias Limited. Oversees key strategic, management and technology choices in support of the generic top-level domains (gTLDs) .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 and security as well as new product sectors such as RFID/Auto-ID, global DNS and Internationalized Domain Names.
- Earlier, at Infonautics Corp., founded award-winning CompanySleuth product, and created the Sleuth line of business. Helped architect Electric Library, North America's most used online reference database in schools and libraries, and Encyclopedia.com, the first free encyclopedia on the Internet.
- Cofounder of the technology behind TurnTide, an anti-spam company acquired by Symantec. Worked with First Data Corporation, Unisys Corporation and KPMG Peat Marwick in a variety of leadership, engineering and technology positions.
- Named one of the *Philadelphia Business Journal's* 40 under 40 and recipient of InfoWorld's CTO25 award. Founding member of the ISOC Philadelphia Area Chapter. Serves on the advisory boards of several Philadelphia-area startup companies. Serves on the Lifeboat Foundation's Scientific Advisory Board.
- Active in the ICANN community. Coauthor of the Redemption Grace Period (RGP) and the IDN implementation guidelines, now global industry standards. Led the GNSO IDN Working Group; cofounder (with the UN and the Public Interest Registry) of the Arabic Script IDN Working Group.
- Founding member of the ICANN Security and Stability Advisory Committee.
- Liaison to Board Governance Committee.

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BOARD OF DIRECTORS

Thomas Narten

Internet Engineering Task Force Liaison

- Has worked on Internet Technology and Strategy at IBM in Research Triangle Park, North Carolina since 1995 and has been involved in networking for 20 years.
- Active contributor in the IETF for 15 years, coauthoring 10 RFCs, including two core IPv6 specifications; IETF Area Director for the Internet area, focused on strengthening the working relationship between IANA and the IETF and between the IETF and the RIR community.
- Active in the development of IPv6 address policy in the RIR community. Helped develop RFC 3177, *IAB/IESG Recommendations on IPv6 Address Allocations to Sites,* which served as input to the RIR discussions. Participates in public policy discussions in the APNIC, ARIN and RIPE regions. Key participant in the process that produced the globally-coordinated IPv6 address policy adopted by each of the RIRs in 2002.
- Before joining IBM, he was on the faculty of the Computer Science Department at SUNY-Albany.
- Liaison to IANA and Public Participation committees.

Jonne Soinenen

Technical Liaison Group Liaison

- Has participated in ICANN for several years and has been an active participant in the Internet Governance Forum since its creation.
- With Nokia since 1999; joined Nokia Siemens Networks at its foundation in 2007. Currently, head of Internet Affairs responsible for Internet technology standardization and technical regulatory topics at Nokia Siemens Networks.
- Active in Third Generation partnership project (3GPP), the Open Mobile Alliance (OMA) in various working groups and roles; active in the Internet Engineering Task Force as cochair of IPv6 operations working group; member of the IETF administrative Oversight Committee (IAOC); cochair of the Network-based Localized Mobility Management working group and chairman of the IAOC.
- Liaison to Structural Improvements Committee.

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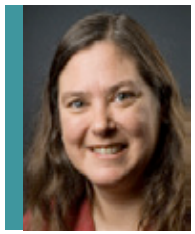
BOARD OF DIRECTORS

Vanda Scartezini

At-Large Advisory Committee Liaison

- From 2000 to 2004, Brazilian representative on the ICANN Governmental Advisory Committee; served as Governmental Advisory Committee Vice Chair until March 2004.
- Member of the ICANN Board from December 2004 to November 2007.
- Served in management positions in private technology companies and public institutions; cofounder and partner in Polo Consultores, a Brazilian IT consulting company established in 1985, and IT-Trend Consulting, a company dedicated to the development of e-commerce and other internet based business established in 2008.
- President of ALTIS, a software and service outsourcing company. Board chair of FITEC, an ICT R&D foundation. Associate partner of Getulio Vargas Foundation Projects. Member of the board of ABES, the Brazilian Software Industry Association, of INSTITUTO ELDORADO, an IC Research Institution, and Advisory Board member of Perform Management and Turnaround Consulting, a Brazilian consulting company.
- National Secretary of Industrial Technology and National Secretary of Information Technology in the Brazilian government; former president of the Brazilian Patent Office.
- Brazilian Government representative in many international missions around the world. Expert and consultant for international institutions. Honored with many of the major prizes in the Brazilian IT Industry. Honorable member of Abranet, the IST Brazilian Association, and of the Brazilian Chamber of Electronic Commerce. Member of the World Technology Network. Voted ICT most influential woman in the country by Gazeta Mercantil in 2007, among many other honors.
- Graduated with degree in electronics engineering in 1970.
- Liaison to Public Participation Committee.



Suzanne Woolf

Root Server System Advisory Committee Liaison

- Experienced in both the technical and policy aspects of the evolution of the Internet. Senior Programme Manager for OARC and Software Engineering Manager.
- Technical operations manager for ICANN working on the initial design and implementation of ICANN‘s internal network and providing operational support for ICANN’s root nameserver. Earlier, performed programming and systems administration for USC Information Sciences Institute. Projects include programming and systems support, network engineering, and nameserver management.
- Current networking interests center on large scale infrastructure, DNSSEC deployment, promoting the operational use of IPv6, and IETF participation in related working groups such as DNSEXT and V6OPS. She is especially interested in securing the DNS and the global routing system, implications of the growing adoption of IPv6 in areas such as multi-homing, and global policy issues for the IP address registries to consider together.
- Member, ICANN Root Server System Advisory Council and ARIN Advisory Council and actively participates in NANOG and IETF.
- Liaison to IANA and Risk committees.

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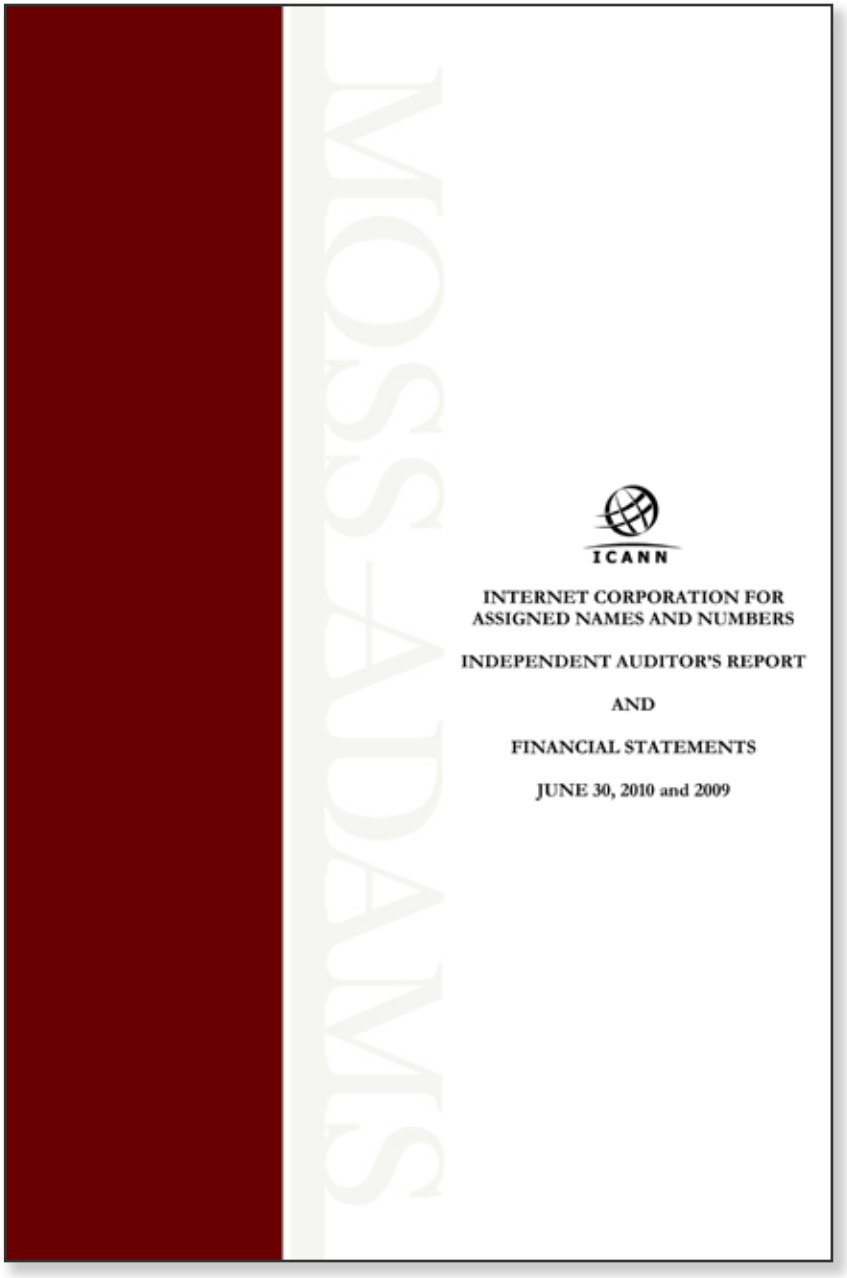
2010 AUDITED FINANCIAL STATEMENT

The ICANN Financial Statements for 2009–2010 are posted at:

http://icann.org/en/financials/financial-report-fye-30jun10-en.pdf



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2010 AUDITED FINANCIAL STATEMENT

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MOSS-ADAMS LLP

INDEPENDENT AUDITOR'S REPORT

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) as of June 30, 2010 and 2009, 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 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, 2010 and 2009, 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
October 11, 2010

APPENDIXES

2010 AUDITED FINANCIAL STATEMENT

INTERNET CORPORATION FOR ASSIGNED NAMES AND NUMBERS

STATEMENTS OF FINANCIAL POSITION

YEARS ENDED JUNE 30,	2010	2009
Amounts are rounded to the nearest thousand in US Dollars		
ASSETS		
Cash and cash equivalents	$ 17,205,000	$ 27,122,000
Accounts receivable, net	16,723,000	11,758,000
Investments	45,680,000	30,439,000
Prepaid expenses	329,000	919,000
Other assets	395,000	345,000
Capital assets, net	2,661,000	2,646,000
Total assets	$ 82,993,000	$ 73,229,000
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued liabilities	$ 5,682,000	$ 9,753,000
Deferred revenue	12,603,000	10,205,000
Total liabilities	18,285,000	19,958,000
Unrestricted net assets	64,708,000	53,271,000
Total liabilities and net assets	$ 82,993,000	$ 73,229,000

See accompanying notes to financial statements. 2

INTERNET CORPORATION FOR ASSIGNED NAMES AND NUMBERS

STATEMENTS OF ACTIVITIES

YEARS ENDED JUNE 30,	2010	2009
Amounts are rounded to the nearest thousand in US Dollars		
UNRESTRICTED SUPPORT AND REVENUE		
Registry	$ 31,915,000	$ 24,536,000
Registrar	30,189,000	32,680,000
R.I.R.	823,000	823,000
ccTLD	1,666,000	1,568,000
IDN ccTLD Fast track request fees	236,000	-
Contributions	939,000	637,000
Total support and revenue	65,768,000	60,244,000
EXPENSES		
Personnel	24,958,000	19,768,000
Travel and meetings	10,609,000	10,458,000
Professional services	14,605,000	12,698,000
Administration	8,335,000	7,530,000
Bad debt expense	140,000	837,000
Total expenses	58,647,000	51,291,000
OTHER INCOME (LOSS)		
Interest income	75,000	227,000
Investment gain (loss)	4,241,000	(2,334,000)
Total other income (loss)	4,316,000	(2,107,000)
Change in net assets	11,437,000	6,846,000
UNRESTRICTED NET ASSETS		
Beginning of year	53,271,000	46,425,000
End of year	$ 64,708,000	$ 53,271,000

See accompanying notes to financial statements. 3

APPENDIXES

2010 AUDITED FINANCIAL STATEMENT

INTERNET CORPORATION FOR ASSIGNED NAMES AND NUMBERS

STATEMENTS OF CASH FLOWS

YEARS ENDED JUNE 30,	2010	2009
Amounts are rounded to the nearest thousand in US Dollars		
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ 11,437,000	$ 6,846,000
Adjustments to reconcile change in net assets to cash provided by operating activities:		
Depreciation expense	1,485,000	1,105,000
Bad debt expense	140,000	837,000
Unrealized (gain) loss	(4,241,000)	2,334,000
Loss on exchange of capital asset	-	63,000
Changes in operating assets and liabilities		
Accounts receivable	(5,106,000)	(139,000)
Prepaid expenses	142,000	(906,000)
Other assets	(50,000)	59,000
Accounts payable and accrued liabilities	(4,071,000)	4,352,000
Deferred revenue	2,399,000	1,063,000
Net cash provided by operating activities	2,135,000	15,614,000
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of capital assets	(1,143,000)	(2,497,000)
Proceeds from disposal of capital assets	91,000	-
Purchases of investments	(11,000,000)	(8,000,000)
Net cash used in investing activities	(12,052,000)	(10,497,000)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(9,917,000)	5,117,000
CASH AND CASH EQUIVALENTS		
Beginning of year	27,122,000	22,005,000
End of year	$ 17,205,000	$ 27,122,000

See accompanying notes to 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 17 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 fee are paid one time by prospective registrars at the time of the application
- Annual accreditation fee are fees that all registrars are required to pay annually to maintain accreditation.
- Per-registrar variable fee is 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.

APPENDIXES

2010 AUDITED FINANCIAL STATEMENT

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., $1/10^{th}$ 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:

	2010	2009
Deferred registrar income - transactions	$ 5,122,000	$ 5,069,000
Deferred registrar income - unbilled	2,557,000	-
Deferred registrar income - accreditation	992,000	1,642,000
Deferred registry income - transactions	3,932,000	3,494,000
Total deferred revenue	$ 12,603,000	$ 10,205,000

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.

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 which 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, 2010 and 2009, 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 maturities of three months or less when purchased by ICANN to be cash and cash equivalents.

Accounts receivable, net - Accounts receivable net of allowances for doubtful accounts are $16,723,000 and $11,758,000 as of June 30, 2010 and 2009, 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 two major registries/registrars totaling approximately $34,453,000 or 53% of the total support in fiscal year 2010 and $27,642,000 or 45% of the total support in fiscal year 2009. ICANN had accounts receivable amounting to approximately $4,765,000 and $3,991,000 due from these two major registries/registrars at June 30, 2010 and 2009, respectively.

ICANN had bad debt expense of approximately $140,000 and $837,000 during the years ended June 30, 2010 and 2009, respectively.

APPENDIXES

2010 AUDITED FINANCIAL STATEMENT

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. If quoted market prices are not available, then fair values are estimated by using pricing models, quoted prices of securities with similar characteristics or discounted cash flows. ICANN has no Level 2 or 3 assets 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 market 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. In June 2009, ICANN revised the estimated useful lives of computer equipment from five years to three years. The change in estimate was accounted for on a prospective basis.

Advertising costs - Advertising costs are expensed in the period incurred. Advertising costs amounted to approximately $62,000 and $173,000, for the years ended June 30, 2010 and 2009, respectively.

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.

ICANN adopted the provisions of ASC 740-10, *Accounting for Uncertainty in Income Taxes* on July 1, 2009. ASC 740-10 clarifies the accounting for uncertainty in income taxes recognized in an enterprise's financial statements. ASC 740-10 also prescribes a recognition threshold and measurement standard for the financial statement recognition and measurement for an income tax position taken or expected to be taken in a tax return. Only tax positions that meet the more-likely-than-not recognition threshold at the effective date may be recognized or continue to be recognized upon adoption. In addition, ASC 740-10 provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosure, and transition. The adoption of ASC 740-10 did not have a significant impact on ICANN's financial statements.

As of June 30, 2010 and 2009, ICANN had no uncertain tax positions requiring accrual.

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:

	2010	2009
Program services	40,680,000	$ 36,687,000
Support services: management and general	17,967,000	14,604,000
Total expenses	$ 58,647,000	$ 51,291,000

Concentration of credit risk - Financial instruments which 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, creditable 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/registrars comprising ICANN's registry/registrar base. ICANN places its investments with a major, creditable investment broker. The investments held are subject to volatility of the market and industries in which they are invested.

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.

INTERNET CORPORATION FOR ASSIGNED NAMES AND NUMBERS

NOTES TO FINANCIAL STATEMENTS

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

Reclassifications - Certain 2009 amounts have been reclassified in the financial statements to conform to the 2010 presentation. These reclassifications have no impact on net assets.

Recent accounting pronouncements - In June 2009, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update No. 2009-1 Topic 105, Generally Accepted Accounting Principles ("Topic 105"), which established the FASB Accounting Standards Codification (the "Codification" or "ASC") as the official single source of authoritative accounting principles recognized by the FASB to be applied by nongovernmental entities in the preparation of financial statements in conformity with accounting principles generally accepted in the United States of America. The Codification superseded all existing accounting standards. All other accounting guidance not included in the Codification is now considered non-authoritative. Following the Codification, the Financial Accounting Standards Board will not issue new standards in the form of Statements, FASB Staff Positions or Emerging Issues Task Force Abstracts. Instead, it will issue Accounting Standards Updates ("ASU's") that will serve to update the Codification, provide background information about the guidance and provide the basis for conclusions on the changes to the Codification. The Codification does not change existing accounting principles generally accepted in the United States of America, but it changes the way it is organized and presented. The Codification is effective for annual periods ending after September 15, 2009.

NOTE 3 - ACCOUNTS RECEIVABLE

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

	2010	2009
gTLD registries and registrars	$ 15,466,000	$ 11,875,000
IP address registries	823,000	-
ccTLD's	818,000	766,000
IDN Fast track	156,000	-
Other	10,000	40,000
	17,273,000	12,681,000
Less: allowance for doubtful accounts	(550,000)	(923,000)
	$ 16,723,000	$ 11,758,000

INTERNET CORPORATION FOR ASSIGNED NAMES AND NUMBERS

NOTES TO FINANCIAL STATEMENTS

NOTE 4 - INVESTMENTS

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

	Fair Value Measurements Using			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Quoted Prices or Other Inputs in Active Markets for Identical Assets (Level 2)	Significant Unobservable Inputs (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
	$ 45,680,000	$ -	$ -	$ 45,680,000

Investments consist of the following as of June 30, 2009:

	Fair Value Measurements Using			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Quoted Prices or Other Inputs in Active Markets for Identical Assets (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Money market funds	$ 968,000	$ -	$ -	$ 968,000
Mutual funds	10,780,000	-	-	10,780,000
Asset backed securities	8,450,000	-	-	8,450,000
Government securities	2,373,000	-	-	2,373,000
Common stock	7,868,000	-	-	7,868,000
	$ 30,439,000	$ -	$ -	$ 30,439,000

APPENDIXES
2010 AUDITED FINANCIAL STATEMENT

NOTE 4 - INVESTMENTS (Continued)

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

	2010	2009
Dividend and interest income	$ 2,374,000	$ 2,230,000
Realized and unrealized gains (losses)	2,125,000	(4,373,000)
Management fees and other	(258,000)	(191,000)
Total net investment gain (loss)	$ 4,241,000	$ (2,334,000)

NOTE 5 - CAPITAL ASSETS

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

	2010	2009
Computer equipment (Three years)	$ 4,062,000	$ 3,525,000
Computer software (Three years)	277,000	267,000
Furniture and fixtures (Seven years)	295,000	295,000
Leasehold improvements (Varies per lease)	608,000	230,000
	5,242,000	4,317,000
Less: accumulated depreciation	(2,581,000)	(1,671,000)
	$ 2,661,000	$ 2,646,000

NOTE 6 - 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.

NOTE 7 - RELATED PARTY TRANSACTIONS

During the years ended June 30, 2010 and 2009, 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.

NOTE 7 - RELATED PARTY TRANSACTIONS (Continued)

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. During the year ended June 30, 2009, Argo Pacific was paid $161,000 associated with Dr. Twomey's employee benefits, $505,000 in base compensation, and $113,000 in bonuses. Reimbursements made to Argo Pacific for related expenses such as travel, telecommunications, and office supplies amounted to $3,000 and $18,000 for the years ending June 30, 2010 and 2009, respectively. Total payments made to Argo Pacific for the years ended June 30, 2010 and 2009, were approximately $611,000, and $797,000, respectively. There were no outstanding amounts due to Argo Pacific as of June 30, 2010. There was $6,000 of expense reimbursements included in accounts payable and accrued expenses for Argo Pacific as of June 30, 2009; there was none 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 $833,000 and $1,010,000 for the years ended June 30, 2010 and 2009, 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 which come before the Board.

Unsecured non-interest bearing advances to two officers totaling $21,000 as of June 30, 2009 were paid off and no balances remain as of June 30, 2010.

Additionally, the following voting Board members have identified potential conflicts in accordance with ICANN's Conflicts of Interest Policy: Harald Tveit Alvestrand, Steve Crocker, Rita Rodin Johnston, Mike Silber and Kuo-Wei Wu.

APPENDIXES

2010 AUDITED FINANCIAL STATEMENT

INTERNET CORPORATION FOR ASSIGNED NAMES AND NUMBERS

NOTES TO FINANCIAL STATEMENTS

NOTE 8 - 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:

2011	$ 1,988,000
2012	1,910,000
2013	873,000
2014	811,000
2015	851,000
Thereafter	3,254,000
Total	$ 9,687,000

Rent expense amounted to approximately $2,113,000 and $1,586,000 for the years ended June 30, 2010 and 2009, respectively. ICANN also has pass-through and additional charges from certain sublessors which 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 $247,000 and $196,000 for the years ended June 30, 2010 and 2009, respectively.

NOTE 9 - 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, 2010 and 2009 amounted to approximately $1,598,000 and $1,341,000, respectively. The June 30, 2010 payroll contribution of $107,000 was funded on June 30, 2010. The June 30, 2009 payroll contribution funding of $97,000 was outstanding as of that date and was funded July 6, 2009.

An internal audit of the 401(k) plan performed by ICANN revealed that between 2005 and 2008, several 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 interest resulting from the late payments.

The above noted internal audit also revealed errors related to administration of the Plan. ICANN has filed an application with the Internal Revenue Service ("IRS") for making the necessary corrections to the Plan under the IRS's Voluntary Correction Program. Upon acceptance of the proposed corrections by the IRS, ICANN will make additional adjustments to affected Plan accounts.

INTERNET CORPORATION FOR ASSIGNED NAMES AND NUMBERS

NOTES TO FINANCIAL STATEMENTS

NOTE 10 - SUBSEQUENT EVENTS

Effective for the year ended June 30, 2010, ASC 855, *Subsequent Events,* establishes general standards of accounting for and disclosure of events that occur after the statement of position date but before financial statements are issued. ASC 855 defines subsequent events as events or transactions that provide additional evidence about conditions that existed at the date of the statement of financial position date as well as events that provide evidence about conditions that did not exist at the date of the statement of financial position but arose after such date. ICANN evaluated all events after the year end and determined that it does not have any material subsequent events through October 11, 2010, which is the date the financial statements were issued, for events requiring recording or disclosure in the financial statements for the year ended June 30, 2010.

APPENDIXES
COMPENSATION PRACTICES

The overarching objective of ICANN's remuneration framework is to ensure that remuneration provided is competitive globally and that it provides staff with appropriate motivation for high performance toward agreed objectives. The remuneration philosophy aims to:

- Attract and retain high caliber staff
- Ensure it is competitive
- Ensure it is transparent.

This appendix describes the remuneration framework.

Role of the Board of Directors in Overseeing Compensation for ICANN Staff

The Board of Directors of ICANN provides the overarching compensation philosophy for ICANN management and staff. The Compensation Committee, a Board committee composed of independent members of the Board of Directors, provides approved direction for the compensation of senior staff, the Ombudsman, and the President and CEO in conjunction with the full Board of Directors. The Compensation Committee meets regularly, and records their minutes to the Board secretary.

Compensation Components

ICANN is a global organization and compensation for staff is designed to be consistent with local practices where staff members are located. As such, not all components listed below apply to all staff members:

- Base salary
- At risk (bonus) eligibility based on position and achievement of goals and objectives
- Time off benefits (vacation, holiday, sick time, bereavement, jury service, and the like)
- Health and welfare benefits (medical, dental, vision, life insurance, accidental and dismemberment, and the like)
- Retirement benefits
- Housing allowance.

Compensation Philosophy and Base Salary

The goal of the ICANN compensation program is to pay salaries that are competitive for comparable positions at organizations similar to ICANN in activities, scope, complexity and responsibility for the purpose of attracting and retaining the necessary talents and skills to execute ICANN's mission. In 2004, ICANN asked Frederic W. Cook and Co., the noted compensation consultancy, to conduct a review of the executive compensation program at ICANN as objective third-party experts and issue recommendations with respect to the program. This was consistent with the undertaking in the US Department of Commerce memorandum of understanding with ICANN dated 17 September 2003 (see www.icann.org/en/general/amend6-jpamouappendixes 17sep03.htm), for ICANN to conduct a review of the executive compensation program. The report, having analyzed data for about 1,000 similarly sized for-profit and nonprofit enterprises, found, among other things, that:

- There are no real direct peers in the non-profit industry due to the unique nature of ICANN's business.
- ICANN has no direct peers in the high technology industry; however, its closest labor market counterparts are for-profit technology companies of similar size.
- These technology companies have different compensation structures than non-profit organizations. Both for-profit and non-profit companies have base salaries, annual performance bonuses, and basic employee benefit programs. However, for-profit companies also have lucrative long-term incentives, most often in the form of stock options or real/phantom equity that cannot be matched in the non-profit sector. (ICANN does not seek to match these long-term incentives in its compensation program.)

APPENDIXES

COMPENSATION PRACTICES

In July 2005, the ICANN Board passed a resolution establishing the ICANN Board Remuneration Committee (later renamed the Board Compensation Committee). The following year, following stabilization of ICANN's financial position, the Board of Directors, at the recommendation of the Board Compensation Committee, considered a revised report by Frederic W. Cook and Co., and as a result of a market study undertaken by Cook (using data from Watson Wyatt and Radford), the Board determined the appropriate comparator for ICANN staff compensation is the for-profit marketplace of companies of a similar size and complexity. The scope of their 2006 review included:

- Provision of comparable market data in for-profit organizations
- Provision of comparable market data in not-for-profit organizations
- Provision of comparable market data used in the United States
- Provision of comparable market data used in Belgium
- Provision of comparable market data on base salaries of like roles
- Provision of comparable market data on bonus payments of like roles
- Provision of comparable market data on employee benefits of like roles
- Provision of comparable market data on other employee incentives of like roles

The survey evaluated remuneration paid by several thousand participating organizations of a similar size to ICANN. The Board approved the recommendation of the Remuneration Committee that ICANN's compensation guiding principles should be:

a. Market qualified base salaries;

b. Market qualified benefits;

c. At risk (bonus) payments based on individual performance outcomes;

d. Commitment to continued payment in the salary span of 50th to 75th percentile of for-profit market place of companies of a similar size and complexity to ICANN (the actual salary within this band determined by the individual's experience, talent and market position);

e. Extension of at risk (bonus) opportunities to all employees;

f. CEO accountability to deliver all principles within the approved ICANN budget.

In deciding to remunerate at between the median and 75th percentile of the distribution of salaries paid by for-profit organizations of a similar size and complexity, the Board sought to ensure that ICANN is competitive for labor when recruiting to its needs, while recognizing that with its role, it would be not be appropriate for ICANN to be a leader in salary payments.

ICANN does not meet the compensation levels offered by more than 25 percent of the employers with whom it directly competes for talent. The Board also recognizes that considering the potential future exigencies facing the organization, some flexibility to the principles may be necessary in unusual circumstances. In particular, the Board instructed the CEO to construct policies concerning the payment of at risk payments to protect the organization financially and legally in the event it cannot make payments despite individual performance.

Further, it is recognized that the organization may have to pay outside of these arrangements in the rare circumstances where "the specialized nature of the role, the risk to the organization, the driving market forces or other supportable logic present significant issues to [ICANN's] on-going performance."

Fortunately, ICANN has not had to have recourse to these exigency provisions. Each year, the Board reviews compensation for the President and all corporate officers. Compensation of staff is reviewed each year by executive management consistent with the directives from the Board of Directors.

This annual compensation review is conducted under the framework established by the Board in

APPENDIXES
COMPENSATION PRACTICES

2006. ICANN uses a global compensation consulting firm to provide comprehensive market data for benchmarking (currently Watson Wyatt Worldwide). The market study is conducted each year before the salary review process. Estimates of potential compensation adjustments are made during the budgeting process based on the current market data. The budget is then ratified as part of ICANN's overall budget planning process.

Compensation is reviewed annually, and adjustments to compensation, if made, are based on the market data as well as individual performance and the approved budget.

At Risk Compensation

ICANN's at risk (bonus) compensation program is designed to provide incentives to staff for the accomplishment of specific goals and objectives throughout the year that have been identified as being of significant importance or adding value to the overall ICANN effort.

Most staff members participate in the at risk compensation program. Participation, and level of participation, are determined by senior management or the Board of Directors as appropriate. In 2006, the Board approved a framework whereby 10 percent of staff compensation was allocated to at risk payment, 20 percent for managers and specialists and 30 percent for executives. Some executives' at risk compensation is more than 30 percent. The more senior a staff member is the more of her/his compensation is allocated to the at risk component. It is fair and reasonable to expect employees (especially managers and executives) to deliver on their responsibilities, and where they fail to deliver, not to enjoy the financial benefits.

The annual available at risk compensation is calculated at the level of participation (expressed as a percent) times the base annual salary at the beginning of the measurement period. Officers' annual basis percentage was set by the Board of Directors, which also authorizes the remaining staff at risk compensation levels to be set upon approval of the CEO or COO. The CEO's at risk compensation by contractual agreement is reviewed once each year by the Board of Directors.

Most participants have an opportunity to earn a portion of their annual at risk compensation three times each year. The plan is built around the milestone management trimester system that is part of the Performance Management Program. Once the level of participation is determined, the at risk compensation for any given trimester period can be determined. The at risk compensation for a trimester is prorated to the length of the trimester. For example, if an individual is eligible for up to 10 percent of base pay in at risk compensation, and the annual base pay for the individual is $50,000 at the beginning of the trimester, the following would apply.

The current trimester is 124 days long, or 124/365ths of a year equal to 34 percent of the annual bonus opportunity. Thus, the at risk compensation available during this period for this individual would be $50,000 (annual base salary) times 10 percent (the level of participation) times 34 percent (the length of the trimester) - $50,000 x 10 percent = $5,000 x 34 percent = $1,700. An individual cannot earn more than at risk compensation available for the period. Actual at risk compensation earned and paid is based on the recommendation of the manager. In most cases the recommendation reasonably reflects the score achieved for the trimester in the milestone management process.

At risk compensation is typically paid within 45 days of the end of the trimester. Staff must be employed or on contract on the date the payment is made to receive the payment. Individuals terminated before the payment date are not eligible for payment. Recommendations for at risk compensation payments are approved by either the COO or the CEO before payment, and in the case of the CEO, is separately approved by the Board of

APPENDIXES
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Directors. Participants must work at least 35 percent of the trimester period to be eligible for an at risk payment, including employees who are on leave for any portion of a trimester. Any at risk payment recommended is prorated for the length of the trimester period worked.

Time Off Benefits

Time off benefits include vacation time, public holidays, sick time, bereavement leave and jury service pay. Payments for these benefits are made in lieu of base pay for the benefit day(s) and are reported as part of base compensation.

Health and Welfare Benefits

Health and welfare benefits include health insurance programs (such as medical, dental or vision plans), life insurance, accidental death and dismemberment insurance, travel accident and other relevant insurances as appropriate. The types and levels of programs provided are based on competitive and regional practices as well as local law. Every effort is made to treat staff equitably based on competitive practices. This includes providing certain staff with benefit compensation in lieu of buying benefits directly for that staff member when such purchases are not practical or available to ICANN.

Retirement Benefits

Retirement benefits are provided to staff based on competitive and regional practices as well as local law. Every effort is made to treat staff equitably based on competitive practices. This includes providing certain staff with compensation directly in lieu of contributing to a retirement scheme where such contributions are not practical or available to ICANN. Where ICANN contributes to a retirement program all contributions are made during the term of the staff member's employment. ICANN does not accrue any liability for retirement benefits to be paid at a staff member's retirement.

Housing Allowance

In some instances, housing allowances may be provided to key staff members when the staff member is asked to work in a location that makes commuting from the staff member's permanent home impractical, or where a staff member is relocated. The housing allowance is negotiated and is not intended to cover the full cost of maintaining two households. Any housing allowance provided is reported as taxable compensation as appropriate.

Reporting

Compensation is reported as required for staff members to the appropriate applicable jurisdiction(s). ICANN is guided in the preparation of its United States annual tax return on Form 990.

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Additional Information

The following individuals were officers of the corporation in Fiscal Year 2010. Accordingly, their remuneration is explained in detail here.

Name & Title of Officer	Compensation
Rod Beckstrom President and Chief Executive Officer Member, Board of Directors Effective 1 July 2009	On 18 June 2009 ICANN entered into a consultancy services agreement with the Rod Beckstrom Group for the provision of Beckstrom's services through 30 June 2009 with a fee payment in the amount of $26,785.71. Beckstrom entered into a three-year employment agreement with ICANN effective 1 July 2009 under which Beckstrom is to be paid a base salary of US$750,000 per annum and is eligible for additional at risk compensation of up to $195,000 per annum and coverage under vacation, health and welfare plans including medical, dental, vision, life insurance and a 401(k) retirement plan as ICANN makes available to its staff.
Doug Brent Chief Operating Officer Effective 13 December 2006 through 2 August 2010	Brent's compensation consists of a base salary of US$270,000 per year, a housing allowance of $24,000 per year which is tax neutralized, additional at risk compensation of up to 48 percent of base pay each year, and coverage under vacation, health and welfare plans including medical, dental, vision, life insurance and a 401(k) retirement plan as ICANN makes available to its staff.
Paul Levins Executive Officer and Vice President Corporate Affairs Effective 17 September 2006 through 31 December 2009	Levins received a severance payment in January 2010 equal to six months of base pay. Levins' compensation consisted of a base salary of US$220,000 per year, a housing allowance of $48,000 per year which was tax neutralized, additional at risk compensation of up to 30 percent of base pay per year, and coverage under vacation, health and welfare plans including medical, dental, vision, life insurance and a 401(k) retirement plan as ICANN makes available to its staff. In the past year, Mr. Levins was also reimbursed for certain other costs associated with his move to Los Angeles, California, and also to Washington, DC.
John Jeffrey General Counsel and Secretary Effective 2 September 2003	Jeffrey's compensation consists of a base salary of US$230,000 per year, additional at risk compensation of up to 30 percent of base pay per year, and coverage under vacation, health and welfare plans including medical, dental, vision, life insurance and a 401(k) retirement plan as ICANN makes available to its staff.
Kurt Pritz Vice President, Business Operations Effective 2 September 2003 Senior Vice President, Services 13 December 2006	Pritz's compensation consists of a base salary of US$245,000 per year, additional at risk compensation of up to 30 percent of base pay per year, and coverage under vacation, health and welfare plans including medical, dental, vision, life insurance and a 401(k) retirement plan as ICANN makes available to its staff.
Kevin Wilson Chief Financial Officer Effective 26 June 2007 through 15 January 2011	Wilson's compensation consists of a base salary of $170,000 per year, additional at risk compensation of up to 20 percent of base pay per year, and coverage under vacation, health and welfare plans including medical, dental, vision, life insurance and a 401(k) retirement plan as ICANN makes available to its staff.

APPENDIXES

GLOSSARY

ALAC	At-Large Advisory Committee
ALS	At-Large Structure
AoC	Affirmation of Commitments
ATRT	Accountability and Transparency Review Team
BCEC	At-Large Board Candidate Evaluation Committee
DURZ	Deliberately Unvalidatable Root Zone
CITEL	Inter-American Telecommunication Commission
ccNSO	Country Code Names Supporting Organization
ccTLD	country code top-level domain
CDNC	Chinese Domain Name Consortium
CNNIC	China Internet Network Information Center
DNS	Domain Name System
DNSSEC	Domain Name System Security Extensions
DNS-CERT	Domain Name System-Computer Emergency Response Team
GAC	Governmental Advisory Committee
gTLD	generic top-level domain
GNSO	Generic Names Supporting Organization
HKNIC	Hong Kong Network Information Centre
IANA	Internet Assigned Numbers Authority
IETF	Internet Engineering Task Force
IDN	Internationalized Domain Name
IDNA	IDN applications Protocol
ITAR	Interim Trust Anchor Repository
IRTP-WG	Inter-Registrar Transfer Policy Working Group
KSK	Key Signing Key
MONIC	Macao Network Information Center
NTIA	National Telecommunications and Information Administration
PEDNR-WG	Post-Expiration Domain Name Recovery Working Group
RAA	Registrar Accreditation Agreement
RALO	Regional At-Large Organization
RAP-WG	Registration Abuse Policies Working Group
RFC	Request for Comment
RIR	Regional Internet Registry
SSAC	Security and Stability Advisory Committee
SOP-WG	Strategic and Operational Working Group
TCR	Trusted Community Representative
TLD	top-level domain
TWNIC	Taiwan Network Information Center
UNESCO	United Nations Educational, Scientific and Cultural Organization
ZSK	Zone Signing Key

ICANN
2010 Annual Report

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www.commongroundcreative.com

ICANN's mission is to ensure a stable and unified global Internet.

To reach another person on the Internet you have to type an address into your computer – a name or a number. That address has to be unique so computers know where to find each other. ICANN coordinates these unique identifiers across the world. Without that coordination we wouldn't have one global Internet.

ICANN was formed in 1998. It is a not-for-profit public-benefit corporation with participants from around the world dedicated to keeping the Internet secure, stable and interoperable. It promotes competition and develops policy on the Internet's unique identifiers.

ICANN doesn't control content on the Internet. It cannot stop spam and it doesn't deal with access to the Internet. But through its coordination role of the Internet's naming system, it does have an important impact on the expansion and evolution of the Internet.

ICANN

ONE WORLD. ONE INTERNET.

Los Angeles
4676 Admiralty Way, Suite 330
Marina del Rey, CA 90292
USA
T +1 310 823 9358 F +1 310 823 8649

Silicon Valley
325 Lytton Avenue, Suite 300
Palo Alto, CA 94301
USA
T +1 650 684 0200 F +1 650 328 2659

Washington, DC
1101 New York Avenue, NW, Suite 930
Washington, DC 20005
USA
T +1 202 570 7240 F +1 202 789 0104

Brussels
6 Rond Point Schuman, Bt. 5
B-1040 Brussels
BELGIUM
T +32 2 234 7870 F +32 2 234 7848

Sydney
Level 2, 48 Hunter Street
Sydney NSW 2000
AUSTRALIA
T +61 2 8236 7900 F +61 2 8236 7913