Since my appointment was announced in June 2012, I have been privileged by the extraordinary opportunity to be a part of an organization, and the larger ICANN community, that is helping to shape the evolution of Internet governance on a daily basis.

Much like the air we breathe, the Internet is a precious global resource that is open, equal, vital, transparent and borderless; and moreover, one which transcends groups and nations to serve the public interest. Without the bottom-up, consensus-driven, multistakeholder model that makes ICANN work, a secure and stable Internet would not be possible.

In its 14-year history, ICANN has grown to reflect a changing landscape of continued innovation, interconnectedness, and unprecedented growth in the Domain Name System (DNS) ecosystem. For instance, new gTLDs represent the biggest change to the Internet since its inception, offering new possibilities for industry, greater competition, and increased consumer choice. Raising the profile of the DNS sector is just one step in this critical process to ensure everyone who uses the Internet has a voice and can contribute to the positive impact it is having on the world.

The introduction of Internationalized Domain Names (IDNs) was an important milestone for ICANN, serving as a powerful tool to making the web more user friendly for global participants regardless of where they live or what language they speak. I am pleased that ICANN is continuing with these efforts to broaden the Internet’s capacity and accessibility, and is committed to strengthening its international engagement and global outreach activities.

The annual report for fiscal year 2012 reflects the tremendous achievements and feats made by the talented ICANN staff, volunteers and board members who take great pride in preserving the security, stability and resiliency of the Internet. Ensuring responsible and transparent use of ICANN’s funds for ongoing operations and initiatives is not only required but imperative, as ICANN can only be an effective steward when it balances the needs of its diverse constituencies.

Fiscal year 2012 lays the groundwork and roadmap for the future, which holds enormous promise and exciting potential. Our immense thanks are extended to those, who through their hard work and unwavering dedication to ICANN’s mission, have helped contribute to the greatness of the Internet, as we know it today.

Warm Regards,
Fadi Chehadé
The awarding of the Internet Assigned Numbers Authority (IANA) functions contract to ICANN this past fiscal year confirmed that our private-sector-led, multistakeholder organization is uniquely qualified to operate the domain name system and the Internet’s other systems of identifiers. Indeed, we were created to do just that.

The decision by the United States Department of Commerce’s National Telecommunications and Information Agency underscored the importance of the Affirmation of Commitments, the 2009 agreement that ratified ICANN’s independence, accountability to the global community, and commitment to making decisions in the public interest that are accountable and transparent.

Today we keep the AoC alive through perennial community reviews that ensure we are meeting our obligations and identify areas for improvement. This annual report includes an update on the status of the various reviews, including the implementation of the Accountability & Transparency Review Team recommendations and information on reviews begun this year on Whois policy and on Security, Stability and Resiliency.

The Whois report is part of a larger goal of improving confidence in the marketplace, and ultimately security for legitimate domain holders. And the SSR report is just one aspect of ICANN’s continuing focus on security. In light of the problems with the New gTLD Program in fiscal year 2012, we are reinforcing ICANN’s internal systems to both resolve outstanding issues and learn from those unanticipated events.

Building on the signing of the domain name system root in July 2010, the Internet and ICANN community have continued to strongly encourage Internet Service Providers and others to adopt Domain Name System Security Extensions (DNSSEC). As you know, DNSSEC will be most useful when it is widely deployed.

We saw a number of significant changes within the organization during the past year. Both the size of the staff and the community have grown, reflecting the increased activity related to the New gTLD Program. This year, we also said farewell to CEO Rod Beckstrom, who completed his three-year contract in June, Board members Reinhard Scholl and Katim Touray also stepped down at the Annual Meeting in October. A list of volunteers who concluded their service with ICANN this year is at the end of this report. We express our deep gratitude for the time and expertise they contributed to this organization.

Warmly,
Steve Crocker
ICANN prepared the path for more “dots,” or TLDs like dot-com, in fiscal year 2012 through the implementation of the New generic Top-Level Domain Program. But while that program might have dominated the ICANN community’s attention, ICANN also continued its sharp focus on the security and stability of the domain name system. Here are a few highlights of the year.

**New gTLD Program Sparked Nearly 2000 Applications**

The first large-scale expansion of the top-level domain name space drew 1930 applications from 60 countries and territories, including 116 internationalized domain names in non-Latin characters. A communications campaign about New gTLDs included online and search advertising as well as extensive media coverage and global outreach. A June “Reveal Day” gathering in London drew the attention of hundreds of attendees and from journalists around the world, all curious to glimpse into the future of the gTLD world.

**ICANN Earned IANA Functions Contract**

In June 2012, the United States Department of Commerce’s National Telecommunications and Information Administration reaffirmed ICANN’s standing as the performer of the Internet Assigned Numbers Authority Functions for up to an additional seven years. The IANA Functions are a limited but important set of responsibilities that include management of the root of the Domain Name System (DNS), allocation of Internet Protocol numbering resources and the coordination of the assignment of ports and protocol parameters.
ICANN Received Badge of Honor for Work on Internationalized Domain Names
In May, ICANN received the prestigious Informatics Badge of Honor of H.H. Sheikh Salem Al-Ali Al-Sabah for 2011, a leading initiative created to foster information technology development in the Arab world. This was the first time this annual award was presented to a global organization. The selection of ICANN came in recognition for its role in coordinating and developing the Internet’s unique identifier systems, and for its contribution to diversify languages and scripts and promote the use of Arabic in the domain name space.

Affirmation of Commitments
The Affirmation of Commitments, which “turned two” during this fiscal year, reaffirms ICANN’s independence, accountability to the global community, and commitment to making decisions in the public interest that are accountable and transparent. ICANN’s commitment to fulfilling—and exceeding—these obligations is demonstrated in numerous ways throughout our organization, including through a series of community reviews of ICANN’s fundamental organizational objectives. The first such review recommended 27 ways in which ICANN could improve its accountability and transparency. Significant improvements were made in all of these areas and the review inspired additional, long-term improvements in Board and GAC operations and public input processes. Near the end of this fiscal year, the next two community reviews—Whois Policy Review Team, and the Security, Stability & Resiliency of the DNS Review Team—completed their assessments. Their recommended improvements were acted upon by the Board in late 2012, and are in the implementation phase.

IPv6 Deployment Grew as ICANN Board Ratified Plan for Recovered IPv4 Addresses
A year-and-a-half after ICANN—along with the Number Resources Organization, the Internet Architecture Board and the Internet Society—announced that the last of the IPv4 (Internet Protocol version 4) addresses had been allocated, the use of the next generation of Internet addressing—IPv6—steadily grew.

ICANN participated in the Internet Society’s World IPv6 Launch Day on 6 June 2012, when Internet service providers, web companies and home networking equipment manufacturers around the world permanently enabled IPv6.

The ICANN Board ratified a Global Policy in May 2012 developed by the five Regional Internet Registries for the reallocation of recovered IPv4 addresses.

Record Meeting Participation
Nowhere was the growing interest in ICANN and its New gTLD Program more evident than at its Public Meetings in Dakar, Senegal; San Jose, Costa Rica and Prague, Czech Republic. ICANN 44 in Prague was the most well-attended meeting in ICANN’s history, drawing 1821 members of the Internet community. Remote participation continued to be strong at all three meetings, enabling those who could not physically attend to add their voices to the dialogue.

<table>
<thead>
<tr>
<th>Attendees</th>
<th>Remote Participation total, all languages</th>
</tr>
</thead>
<tbody>
<tr>
<td>ICANN 42</td>
<td>Dakar, Senegal 1,246 3,192</td>
</tr>
<tr>
<td>ICANN 43</td>
<td>San Jose, Costa Rica 1,426 2,536</td>
</tr>
<tr>
<td>ICANN 44</td>
<td>Prague, Czech Republic 1,821 1,552</td>
</tr>
</tbody>
</table>

Happy Anniversary At-Large Advisory Committee, Regional At-Large Organizations and Fellowship Program!
2012 marked the ten-year anniversary of the At-Large Advisory Committee (ALAC) and the five-year anniversaries of the Fellowship Program and the At-Large Regional Organizations. All three of these programs support ICANN’s efforts to expand the reach of the individual Internet user and participation of those from developing countries into ICANN’s community-based policy-making process.

AT-LARGE ADVISORY COMMITTEE
2002–2012
The At-Large Advisory Committee, in its current form, was established in 2002 to provide a way for active individual users of the Internet from around the world to participate in ICANN. As such, it is the primary organizational home within ICANN for individual Internet users, and its role is to provide advice on the activities of ICANN as they relate to their interests. The ALAC submitted 41 statements, resolutions and communications in fiscal year 2012. The ALAC is also active in outreach activities to expand the number of organizations becoming accredited At-Large Structures (ALSes). In mid-2012, the total number of ALSes reached 144, with several applications pending.

REGIONAL AT-LARGE ORGANIZATIONS
2007–2012
There are five Regional At-Large Organizations, or RALOs, that organize the different At-Large Structures by geographic region. They are tasked with keeping the Internet user community in their region informed about ICANN’s activities through public outreach and distribution of information and knowledge, as well as contributing the regional perspective to the ALAC’s policy advice development. Two of the RALOs organized a series of capacity-building sessions and General Assemblies at the ICANN meetings in Dakar, Senegal and San Jose, Costa Rica in 2012.
FELLOWSHIP PROGRAM
2007–2012
ICANN’s Fellowship Program provides grants to members of the Internet community who would otherwise be unable to attend an ICANN public meeting. Today, there are more than 400 alumni from the ccTLD community, governments, civil society, the business community and academia, proving the program’s success at capacity-building as well as bringing new and fresh ideas into our discussions.

Registrar Accreditation Agreement Negotiations
At ICANN 42 in Dakar, Senegal, in October 2011, the Board directed ICANN and its accredited registrars to begin bilateral negotiations on revisions to the Registrar Accreditation Agreement. Focused on advancing the twin goals of protecting registrants and ensuring greater security, the negotiations incorporated recommendations developed by law enforcement agencies and the broader Internet community.

By the end of fiscal year 2012, the Registrar Stakeholder Group (through its negotiating team) and ICANN held 18 extended negotiation sessions. Agreement was reached in many areas, such as on the Registrar responsibilities upon the creation of a proxy/privacy service accreditation program, and the maintenance of abuse points of contact. Key issues remaining in negotiation include approaches to validation of registration (Whois) data and the scope of data retention obligations.

“In May, ICANN received the prestigious Informatics Badge of Honor of H. H. Sheikh Salem Al-Ali Al-Sabah for 2011, a leading initiative created to foster information technology development in the Arab world. This was the first time this annual award was presented to a global organization.”
ICANN’s operations are driven by a three-year rolling, annually updated strategic planning process that feeds into the larger ICANN planning process and development of each year’s operating plan and budget. Below are ICANN’s achievements as measured in its four strategic focus areas for fiscal year 2012:

DNS Stability & Security

- Maintain and drive domain name system uptime
- Enhance domain name system risk management
- Broad Domain Name System Security Extensions (DNSSEC) adoption
- Enhance international domain name system cooperation
- Improve DNS resiliency

Competition, Consumer Trust & Consumer Choice

- Maintain single authoritative root
- Increase TLD options in more languages
- New gTLDs including internationalized domain names
- Lower registration abuse
- Increase industry competition

Core Operations Including IANA

- Flawless IANA operations
- Resilient L-Root operations
- Continual improvements
- Internationalization
- Continue long-term IANA functions responsibility

A Healthy Internet Governance Eco-System

- Continuing role in Internet governance
- Stakeholder diversity
- World-class accountability and transparency
- Enhance trust in ICANN’s stewardship
- Act in global public interest
- Cross-stakeholder work
DNS Stability & Security

STRATEGIC OBJECTIVES
+ Maintain and drive domain name system uptime
+ Enhance domain name system risk management
+ Broad Domain Name System Security Extensions (DNSSEC) adoption
+ Enhance international domain name system cooperation
+ Improve DNS resiliency

PROMOTING DNSSEC ADOPTION
ICANN Domain Name System Security Extensions (DNSSEC) awareness and outreach efforts in international, regional, and domestic forums have accelerated the pace of DNSSEC deployment with 92 out of the total of 315 top-level domains signed (as of 28 August 2012) and growing Internet Service Provider and registrar support. ICANN staff presented to corporate, governmental, law enforcement and Internet audiences at events or conferences such as the International Conference on Cyber Security, the Caribbean Telecommunications Union Ministerial, Commonwealth Cybercrime Initiative, APECTEL, and Security ConFAB.

Broadening its audience reach, ICANN also leveraged efforts with other organizations, such as the Internet Society, to promote DNSSEC adoption. Together, all of these regional DNSSEC awareness and training efforts resulted in a spike in requests for DNSSEC training and follow on deployment plans for TLDs.

Close cooperation and direct technical assistance to ccTLDs and operators resulted in deployments of DNSSEC by the Tanzania Network Information Centre, and Trinidad & Tobago Network Information Centre as well as self-driven efforts, such as that by Network Information Center-Internet Costa Rica, to help others in its region with deployment.

DNS CAPABILITY TRAINING
ICANN staff conducted a number of law enforcement and operational security community workshops on domain name system security. Staff also supported a workshop by the Anti-Phishing Working Group in Prague, Czech Republic and presented a session on domain seizures. In addition, staff conducted a ccTLD training session with regional TLD organizations.

SINGLE-CHARACTER AND DOTLESS DOMAINS
The Security and Stability Advisory Committee issued reports on the technical considerations for implementation of single character internationalized top level domains, and “dotless domains.” SSAC recommended a conservative approach for the consideration of single character IDNs. SSAC found that dotless domains are not universally reachable and could introduce some security risks given the current DNS implementation and application behavior.

DOMAIN NAME REGISTRATION DATA MODEL
With a goal of promoting consistency in domain name registration data, the Security and Stability Advisory Committee developed a model for domain name registration data for community consideration, which could be the basis for a standards-based, structured and extensible model for logging information that is associated with a domain name before it is “instantiated” in the domain name system.

SECURITY, STABILITY AND RESILIENCY OF THE DNS REVIEW TEAM
At the end of this fiscal year, the community review team charged under the Affirmation of Commitments with assessing the effectiveness of ICANN’s plans and activities related to the security, stability and resiliency of the DNS completed its work. This independent team’s assessment, along with 28 recommendations for advancing ICANN’s work in this area, was posted for public comment and accepted by the Board in October 2012. The recommendations, now in the implementation phase, address ICANN’s security plan implementation, the effectiveness of the plan to deal with actual and potential challenges and threats, and the extent to which the security plan is sufficiently robust to meet future challenges and threats to the security, stability and resiliency of the Internet DNS (consistent with ICANN’s limited technical mission). More information is available at www.icann.org/en/news/public-comment/ssr-rt-final-report-21jun12-en.htm.
Competition, Consumer Trust and Consumer Choice

STRATEGIC OBJECTIVES
+ Maintain single authoritative root
+ Increase TLD options in more languages
+ New gTLDs including internationalized domain names
+ Lower registration abuse
+ Increase industry competition

NEW GTLD PROGRAM
After more than seven years of planning, ICANN initiated a process for accepting and evaluating new generic top-level domains that will trigger an increase in top-level internationalized domains as well as an increase in domain name industry competition.

Expanding on the world of .com, .gov, .org and 19 other gTLDs, ICANN’s New gTLD Program opened the door for all types of words in many different languages and scripts to become top-level domains.

From 11 January 2012 to 30 May 2012, ICANN accepted 1930 applications for 1409 different new gTLDs. Of the 1930 applications received:
+ 66 were geographic name applications.
+ 116 applications were for Internationalized Domain Names, or IDNs, for strings in scripts such as Arabic, Chinese and Cyrillic.

Applications Received
Statistics from 60 countries & territories, broken down by ICANN’s geographic regions.
Trademark protection is an important component of the New gTLD Program. ICANN worked collaboratively with the Internet community throughout the policy development and implementation process to develop the strong trademark protection mechanisms that are fundamental to the program. Recent work on two of these rights protection mechanisms is highlighted below.

Trademark Clearinghouse
The Trademark Clearinghouse will function as an information repository, offering authentication and validation services for trademark data. Trademark holders and gTLD registry operators will rely on the Clearinghouse to support rights protection mechanisms for the new gTLD space. The Clearinghouse is designed to be available globally, with capabilities for validating trademark data from around the globe.

Volunteer stakeholders including IP stakeholders, registries, registrars and others worked together from November 2011 to March 2012 on an Implementation Assistance Group to give advice on key implementation issues. Their input was used in development of a draft implementation model for the Clearinghouse, including the implementation of the Sunrise and Trademark Claims Services that will be required of all new gTLD registries.

ICANN selected Deloitte Enterprise Risk Services and IBM as partners for Trademark Clearinghouse operations in June 2012, after a selection process originating with a Request for Information published in October 2011.

Uniform Rapid Suspension System
During ICANN 44 in Prague, community stakeholders participated in a session on another rights protection mechanism, the Uniform Rapid Suspension (URS) system. The URS provides trademark holders with a rapid and efficient mechanism to “take down” undeniably infringing domain names. Participants discussed possible adaptations to the URS that could help satisfy the goals of an efficient, low-cost process, while retaining registrant protections embedded in the process. Discussions will continue until a full, successful URS model is in place.

NEW GTLDS INCLUDING INTERNATIONALIZED DOMAIN NAMES
The Internationalized Domain Name Variant Program continued its study of issues associated with the potential delegation of IDN TLDs, to help work towards technical or policy solutions for those issues. Six case study teams including linguistic and technical experts defined variant issues about Arabic, Chinese, Cyrillic, Devanagari, Greek and Latin scripts and published their findings and recommendations in a report.

IDN Fast Track Department
The number of Internationalized Domain Names entered into the DNS root zone increased from 30 to 32 this fiscal year, bringing the total number of approved IDN strings through the IDN Fast Track program to 40. IDNs allow the use of scripts other than Latin (such as Arabic and Chinese).

WHOIS POLICY REVIEW TEAM
Towards the end of this fiscal year, the independent community team charged under the Affirmation of Commitments with reviewing Whois policy and implementation submitted its report to ICANN’s Board. The team’s report included 16 recommendations for improving the effectiveness of Whois policy implementation, including the ability to meet the legitimate needs of law enforcement and promote consumer trust. After extensive community discussion, input and analysis of the team’s recommendations, in November 2012 the Board decided to 1) launch a new effort to redefine the purpose of collecting, maintaining and providing access to gTLD Whois data in order to provide the foundation for a new policy, and 2) fully enforce existing contractual obligations relating to the collection, access and accuracy of gTLD Whois data. More information is available at www.icann.org/en/groups/board/documents/resolutions-08nov12-en.htm.

NEW CCNSO MEMBERS
The Country Code Names Supporting Organization, or ccNSO, develops global policies relating to country code top-level domains and provides a forum for ccTLD managers to meet and share best practices.

New ccNSO Members in Fiscal Year 2012
+ .ae (United Arab Emirates)
+ .bf (Burkina Faso)
+ .cw (Curaçao)
+ .gg (Guernsey)
+ .iq (Iraq)

AT-LARGE BY THE NUMBERS
ALAC continued to increase its activities and its voice in the ICANN policy development, submitting 41 statements, resolutions and communications regarding issues including among others the Inter-Registrar Transfer Policy and New gTLD Program.

New At-Large Structures in Fiscal Year 2012
+ Internet Society Armenia Chapter
+ Internet Society Bahrain Chapter
+ Internet Society Trinidad & Tobago Chapter
+ ISOC CR—Costa Rica Society for Internet Development
+ Media Education Center NGO
+ TaC—Together Against Cybercrime
+ Wikimedia Austria

TWO KEY POLICY DEVELOPMENT PROCESSES CONCLUDED
In May, the ICANN Board adopted the last remaining recommendation of the Inter-Registrar Transfer Policy Part B Policy Development Process. This two-year process was the second in a series of five examining the procedure for domain name holders to transfer their names from one ICANN-accredited registrar to another.

In October, the ICANN Board adopted recommendations related to what happens after domain names expire made by the Post-Expiration Domain Name Recovery Working Group. This concluded a two-year process that examined current registrar policies regarding the renewal, transfer and deletion of expired domain names.
IANA DEPARTMENT

Behind the scenes of the Internet is a decentralized infrastructure designed with resilience and reliability. An important part of the infrastructure is a name and address system that uses three sets of unique “identifiers” that allow computers and networks to talk to one another across a variety of platforms and formats. These unique identifiers are domain names, Internet Protocol addresses and protocol port and parameter numbers, and their allocation and assignment are referred to as the IANA functions.

In June 2012, ICANN earned the renewal of the contract from the United States Department of Commerce’s National Telecommunications and Information Administration to provide IANA functions for a maximum of seven years, the longest potential contract for these functions to date.

The IANA Department conducted the third year of its business excellence self-assessment, based on the EFQM Excellence Model. It registered a 49 percent improvement year-over-year in the processes, products and services, customer results, leadership and key results. Additionally, the department completed its first-ever customer survey measuring satisfaction with its provision of the IANA services—with more than 80 percent of respondents expressing satisfaction in all categories.

ICANN also signed a one-year amendment to the IETF ICANN 2000 Memorandum of Understanding for Service Level Agreements.

Root Zone Management System Automated

Increasing flexibility for TLD managers while providing greater transparency for the community, ICANN, Verisign and NTIA completed the first full year of automated end-to-end handling of root zone requests such as name server or delegation signer change requests. Following years of work, the system was launched in July 2011 by the three parties to increase efficiency and reduce the possibility of human error.

Root Zone Marks Second Year of Digital Signing Security

June 2012 marked the second full year that the signed root was available, incorporating public key cryptography into the DNS hierarchy and resulting in a single, open, global Public Key Infrastructure (PKI) for domain names. It is the result of over a decade of community based, open standards development.

L-ROOT OPERATIONS

As part of an ongoing trial project to expand distribution of L-Root globally, ICANN worked with local partners to install L-Root nodes in 28 countries this fiscal year. The goal of the effort is to increase resilience to abuse or attacks on the domain name system by boosting name resolution capacity.

A map of node locations and more information can be found at www.root-servers.org.
### Core Operations Including IANA

**List of countries with L-Root installations in fiscal year 2012:**

1. **Australia**—Brisbane
2. **Austria**—Vienna
4. **Canada**—Mississauga, Ottawa, and Vancouver
5. **Costa Rica**—San Jose
6. **Ecuador**—Quito
7. **France**—Reunion
8. **Germany**—Berlin, Hamburg, and Munich
9. **Ireland**—Dublin
10. **Italy**—Turin
11. **Japan**—Tokyo
12. **Kazakhstan**—Semey
13. **Mexico**—Monterrey
14. **Mozambique**—Maputo
15. **New Zealand**—Christchurch, Mangere, and Wellington
16. **Norway**—Ullensaker
17. **People’s Republic of China**—Beijing
18. **Portugal**—Porto
19. **Russia**—Moscow
20. **Senegal**—Dakar
21. **Singapore**—Changi
22. **South Korea**—Incheon
23. **Spain**—Barcelona
24. **Switzerland**—Geneva
25. **Turkey**—Istanbul
26. **United Kingdom**—Leeds
27. **Ukraine**—Odessa
28. **United States**—Boston, Massachusetts; Portland, Oregon; and Culpeper, Virginia
29. **Yemen**—Sanaa

### WHOIS

“Whois” provides public access to data on registered domain names, registrant contacts and other critical information (also referred to as “registration data”). ICANN accredited registrars are obligated to publish contact and other information about registered domain name holders through Whois. In fiscal year 2012, several community discussions took place concerning different aspects of Whois, addressing the concerns of law enforcement as well as privacy advocates.

The GNSO Council commissioned several studies to provide current, reliable information for community discussions about Whois, including:

- Whois privacy/proxy abuse study by the National Physical Laboratory of the United Kingdom
- Whois misuse study by Carnegie Mellon University CyLab
- Whois Registrant identification Study by the National Opinion Research Center at the University of Chicago
- Survey of ICANN community members in furtherance of an inventory of Whois Service requirements report published by staff

This year, the ICANN Board approved a policy developed by the community aimed at streamlining domain name transfer requests. The policy, part of a larger, multi-part effort to improve the Inter-Registrar Transfer Policy, requires accredited registrars to more clearly define terms under which a domain name would be unavailable for transfer, or “locked.”

The GNSO Council initiated a new Policy Development Process regarding the Uniform Domain Name Dispute Resolution Policy to examine how domain name locking should be handled in disputes. The Council also initiated a PDP looking at whether existing top-level domain registrars should be required to maintain as much data on registrants as New gTLD operators will under the terms of the New gTLD Program.

### Organizational Effectiveness Program

In its second year, ICANN’s Organizational Effectiveness Program produced notable results in areas such as staff development and the integration of employees working remotely. Among these were an integrated staff development program requiring managers to train and coach staff and a management and leadership development program available both in e-learning and classroom formats. Staff measured progress through a second annual Organizational Effectiveness survey this year that serves as the basis for continuous improvement efforts in processes, people and planning.

### Human Resources & Administration

ICANN continued to improve its human resources and administrative functions by completing a staff compensation framework adopted by the Board, as well as implementing a Human Resources Management System. More than 30 new staff members were hired during the fiscal year. Staff moved into new, larger offices with enhanced security and technology features in Brussels, Belgium, and Los Angeles, California. Staff provided travel support to more than 400 total travelers to three ICANN meetings.
A Healthy Internet Governance Eco-System

Increased Public Participation in Multistakeholder Model

STRATEGIC OBJECTIVES
+ Continuing role in Internet governance
+ Stakeholder diversity
+ World-class accountability and transparency
+ Enhanced trust in ICANN’s stewardship
+ Act in global public interest
+ Cross-stakeholder work

INCREASED PUBLIC PARTICIPATION IN MULTISTAKEHOLDER MODEL
Meeting Participation
Attendee numbers at ICANN’s Public Meetings have steadily increased over time, demonstrating that ICANN is retaining its existing community while attracting new and diverse community members. Attendance achieved a new record in June 2012 at the meeting in Prague, Czech Republic.

Remote Participation
With stakeholders in every country in the world, ICANN strives for world-class remote participation services that enable Internet users to add their voices to the discussion from wherever they are. These remote participation services have continued to improve and were the standard services provided at each meeting this fiscal year. Audio, video and scribing services, in English as well as local languages, were provided for more than 100 simultaneous public sessions (on average) at each of the three ICANN meetings held this fiscal year in Africa, Europe and Latin America.

ICANN used Adobe Connect as the main remote participation tool, but also provided low bandwidth services through sole mp3 streaming and scribe feed through separate links.
Remote participation hit all-time high numbers at two meetings this fiscal year. ICANN 42 in Dakar, Senegal, reached 5169, surpassing by 25 percent the previous high set in Nairobi in 2010. At the very next meeting—ICANN 43 in Costa Rica—remote participation reached a brand new high, growing by eight percent to 5609.

The Costa Rica meeting also surpassed on-site attendance figures for the previous ICANN meeting in the Latin American and Caribbean region in 2010 in Cartagena, Colombia. A total of 1026 people attended the Cartagena meeting on-site, and remote participation numbers were considered high at that time with 2821 Adobe Connections. Prague drew the most in-person attendees and thus has the lowest number of remote participants among the fiscal year 2012 meetings. However, Prague still had 3499 remote participants, more than any one meeting’s remote participation numbers the year prior.
NEWCOMERS
Individuals who have attended less than three meetings.

140
Dakar SENEGAL
#42, 10.2011

421
San Jose COSTA RICA
#43, 03.2012

389
Prague CZECH REPUBLIC
#44, 06.2012

ATTRACTING NEW AND DIVERSE COMMUNITY MEMBERS
ICANN welcomes Newcomers into its multistakeholder process through a special orientation program during ICANN Public Meetings. In its second year, the program provides a starting point for understanding ICANN’s role in Internet governance, how its community is structured and how the policy-making process works. Its goal is to educate Newcomers so they can be effective and engaged participants in their first, second or third meeting, and to leave the meeting well informed and willing to come back.

Newcomers are paired with alumni from ICANN’s Fellowship Program who serve as mentors. These mentors, as well as ICANN staff, provide hands-on support, guidance and introductions to community members, the ICANN structure and process, and the sessions best suited for newcomers. The Newcomers Lounge, a special gathering place designated at each Public Meeting, is the focal point for this activity.

The first day of each ICANN Public Meeting includes introductory sessions designed just for Newcomers. These sessions, coordinated and led by ICANN staff, offer overviews of potential policy discussions, ICANN structure, the multistakeholder model, contractual compliance, registries, registrars and more.

94 percent of Newcomers reported very high overall satisfaction with these services, according to a survey sent to registered Newcomers after each meeting this year.

Watch this video to learn more about the Newcomer experience at ICANN 43 in Costa Rica: www.icann.org/en/about/participate/newcomers

PUBLIC COMMENT ENHANCEMENTS
The public comment process is fundamental to ICANN’s multistakeholder, bottom-up, consensus-driven process. Through public comment, individuals can provide their opinion on any active issue being considered by the ICANN community. Comments may be shared during public forums at ICANN Public Meetings or via ICANN’s online public comment platform.

The Accountability & Transparency Review Team made recommendations regarding public comment in 2011, and since then the ICANN staff and community have devoted many hours to brainstorming over how to improve the process. This work included a community member focus group, a public comment period on the implementation plans as well as various consultations through webinars and sessions during ICANN meetings in Dakar and Costa Rica.

Changes during fiscal year 2012 included
+ Better Descriptions of Public Comment Topics: For each public comment topic listed online, consistent fields were added showing purpose, current status and next steps. Starting in January 2012, staff began categorizing each topic to help users quickly find ones that concerned them. Categories include Top-Level Domains, Internet Protocol Addressing and Contracted Party Agreements.
+ Comment/Reply Periods: Each public comment period opened after 1 January 2012 has a 21-day Comment period. If comments are received during this period, then a 21-day Reply period begins. The 21-day periods are minimums and may be longer depending on community requests.

In June 2011, a regular process began to update and maintain the “Upcoming Public Comments” web page in order to provide community members with a preview of potential future public comment topics. The current list is compiled through this process with input from ICANN community leaders and the ICANN staff.

Monitoring the real use of these enhancements on the system since 1 January 2012, ICANN staff and community started working towards further enhancements. These are under discussion and are in the fiscal year 2013 plan, including technical developments on the Public Forum interface.
“Several ICANN staff and Board members participated in the annual World Summit on the Information Society (WSIS) Review meeting, in Geneva in May demonstrating ICANN’s important contribution to ‘enhanced cooperation,’ a key objective agreed to in 2005.”

ACCOUNTABILITY & TRANSPARENCY
The first independent community review under the Affirmation of Commitments—the Accountability and Transparency Review Team (ATRT)—provided ICANN’s Board with 27 recommendations to maintain and improve ICANN’s robust mechanisms for public input, accountability, and transparency. All the recommendations were accepted by the Board and implemented. Highlights include:

To provide better access to, and insight into, Board decisions, ICANN’s standard operating procedures (SOP) now include:
+ Posting extensive Board meeting information (including briefing materials).
+ Publishing conditions for redaction of posted Board briefing materials.
+ Providing translations into the six UN Languages of approved Board resolutions and minutes of Board meetings, which are posted within the 21-day timeframe.
+ Posting rationales for Board actions.

To improve ICANN’s “Review Mechanisms for Board Decisions”:
+ The “Reconsideration Requests” webpage has been revamped so the public has a standard timeline, format, and explanations for all Reconsideration Requests (all part of SOP).
+ Independent experts recommended improvements to ICANN’s accountability structures; these recommendations were posted for public comment and scheduled for Board action in December 2012.
+ The Board approved the Ombudsman framework, incorporated it in the SOP, and confirmed that it is consistent with international standards.

To improve the process for selecting ICANN Directors and address recommendations on Board composition, ICANN’s SOP now include:
+ The Nominating Committee (NomCom) annually consults with the ICANN community and public on skill set requirements to consider when making appointments to leadership positions.

MULTISTAKEHOLDER APPROACHES IN UNITED NATIONS
Several ICANN staff and Board members participated in the annual World Summit on the Information Society (WSIS) Review meeting, in Geneva in May demonstrating ICANN’s important contribution to “enhanced cooperation,” a key objective agreed to in 2005. ICANN subsequently organized a briefing with the Internet Society and the International Chamber of Commerce in New York during which staff, business leaders and members of the ICANN community discussed enhanced cooperation with UN delegates attending the Economic and Social Council (ECOSOC) meeting. At this meeting, ECOSOC adopted a report recognizing, among other issues, the contribution ICANN makes in integrating governmental views into discussions on Internet governance issues.
PREPARATION FOR WORLD CONFERENCE ON INTERNATIONAL TELECOMMUNICATIONS
During fiscal year 2012, ICANN staff worked with colleagues from the Regional Internet Registries and the Internet Society within the International Telecommunications Union regional prep meetings to submit proposals for the upcoming treaty-based World Conference on International Telecommunications (WCIT). Staff also discussed ICANN’s potential concerns with key governments and other stakeholders. Scheduled for December 2012, the conference will focus on amendments and updates to the International Telecommunication Regulations adopted in 1988.

ENHANCED COMMUNICATIONS AND ACCESSIBILITY AT ICANN.ORG
The redesign of ICANN.ORG was launched in February 2012. The new information architecture was designed to organize the resources that ICANN.ORG offers in order to enhance communications and accessibility. More than 38,000 pages and files were carefully examined and migrated into new locations following extensive consultation with the ICANN community.

New features include
+ Most recent information up front: The latest Board activity and the most recent topics open for public comment now appear on the home page.
+ Groups: All visitors can now go directly from ICANN’s home page to any Supporting Organization or Advisory Committee page.
+ Multilingual content bar: Choose a language and immediately see a list of all materials available in that language, starting with the most recent.
+ Footer Acronym Helper: Type in an acronym and get the definition on demand.
+ Inline Acronym Helper: Acronym definitions appear when you hover over underlined terms in HTML portions of the site.
+ Planet ICANN: Read every RSS and Twitter feed from ICANN in one place.

GNSO WEB SITE UPDATED
Designed to better communicate with the growing ICANN community, the new GNSO web site was launched in May 2012. In addition to cosmetic and design changes, the new site was designed to make it easier for anyone to participate in the GNSO’s important policy activities. It includes new content on GNSO basics and reorganizes other materials by subject matter.

SO/AC REVIEWS
Organizational reviews of Supporting Organizations and Advisory Committees are critical to ICANN’s ability to adapt and meet the changing needs of Internet users worldwide.

The At-Large Advisory Committee/At-Large Improvements Implementation Project was completed in June 2012. Among its achievements were the adoption of a vision and mission for ALAC and At-Large, inclusion of a revised definition of ALAC in the ICANN Bylaws, and organization of At-Large Capacity Building events.

A multi-year effort to restructure the GNSO was concluded with several milestones completed in fiscal year 2012, including the adoption of a new GNSO policy development process. The new PDP streamlines the GNSO’s policy activities and embraces the working group model that is a critical component of ICANN’s bottom-up, consensus driven, multistakeholder model.

RALO Capacity Building Sessions in Dakar (AFRALO) and Costa Rica (LACRALO) both were successful and have had sustained impact in their regions.
With our Thanks

Volunteers are the lifeblood of the ICANN community, collectively devoting thousands and thousands of hours a year to furthering policy development as it relates to domain name system stability and security, as well as how ICANN itself works. We extend our sincerest gratitude to these community volunteers who have ended their terms of service with ICANN in fiscal year 2012.

With our Thanks to Committees & Organizations

**BOARD OF DIRECTORS**

**AT-LARGE ADVISORY COMMITTEE**
- Mohamed El Bashir, ALAC representative elected by AFRAVO, 03.2007–10.2011
- Dave Kissoodoyal, NomCom appointed ALAC representative from the Africa Region, 10.2009–10.2011
- Cheryl Langdon-Orr, ALAC representative elected by APRALO, 06.2007–10.2011
- Sylvia Herlein Leite, ALAC representative elected by LACRALO, 10.2009–2011
- Gareth Shearman, ALAC representative elected by NARALO, 10.2009–2011
- James Seng, NomCom appointed ALAC representative from the Asian, Australasian & Pacific Islands Region, 10.2009–10.2011
- Patrick Vande Walle, ALAC Liaison to the SSAC, 11.2008–10.2011
- Andres Piazza, ALAC Liaison to Dotmobi, 11.2008–10.2011
COUNTRY CODE NAMES SUPPORTING ORGANIZATION
+ Hiro Hotta, Vice Chair, ccNSO Council
+ Patricio Poblete, ccNSO Council
+ Jian Zhang, ccNSO Council

GENERIC NAMES SUPPORTING ORGANIZATION
+ Olga Cavalli, Nominating Committee Appointee
+ Debbie Hughes, Non-commercial Stakeholder Group
+ Adrian Kinderis, Registrar Stakeholder Group
+ Andrei Kolesnikov, Nominating Committee Appointee
+ Kristina Rosette, Intellectual Property Constituency
+ Tim Ruiz, Registrar Stakeholder Group
+ Rosemary Sinclair, Non-commercial Stakeholder Group
+ Jaime Wagner, Internet Service and Connectivity Providers Constituency

GOVERNMENTAL ADVISORY COMMITTEE
None

NOMINATING COMMITTEE
+ Adam Peake, Chair, 10.2010–10.2011
+ Wolfgang Kleinwaechter, Advisor, 10.2010–10.2011
+ Yaovi Atohoun, ALAC from Africa region, 10.2009–10.2011
+ Dr. V.C. Vivekanandan, ALAC from Asia/Pacific/Australia region, 12.2010–10.2011
+ José Ovidio Salgueiro, ALAC from Latin America/Caribbean region, 10.2009–10.2011
+ Michael Palage, Registry Stakeholder Group, 10.2009–10.2011
+ Tony Holmes, ISPCP, 10.2009–10.2011
+ Mark Partridge, IPC, 10.2009–10.2011
+ Henk Uijterwaal, IAB for IETF, 10.2009–10.2011

ROOT SERVER SYSTEM ADVISORY COMMITTEE
None

SECURITY AND STABILITY ADVISORY COMMITTEE
+ Xiaodong Lee, 06.2010–01.2012
Board of Directors

Steve Crocker
Chairman
Board of Directors

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

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

CEO and Co-founder, Shinkuro, Inc.
Chair, Executive Committee
Member, Risk and Compensation Committees
Recipient of the 2002 IEEE Internet Award

Bruce Tonkin
Vice Chair
Board of Directors

Evaluates new product opportunities and analyzes emerging technology trends for domain name registrar providing services for many gTLDs and ccTLDs. Has represented Melbourne IT in ICANN’s registrars’ constituency since 2001. Later, elected to the GNSO Council; chair of the DNSO Names Council and GNSO Council.

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

Sébastien Bachollet
Chief Strategy Officer,
Melbourne IT Limited.
Fellow, Australian Institute of Company Directors
Chair, Board Governance Committee
Member, Compensation, Executive and Risk Committees


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

Founding CEO, BBS International Consulting
Member, the Internet Society French Chapter (serving on its board since 2003), named Honorary President in 2009
Deputy General Manager,
Club Informatique des Grandes Entreprises Francaises
Chair, Public Participation Committee
Member, Finance & Structural Improvements Committees
EX OFFICIO MEMBER
President & CEO
ICANN
July 2009–June 2012

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


Co-founded and led CATS Software, Inc.
Co-author, The Starfish and the Spider: The Unstoppable Power of Leaderless Organizations
Trustee, Environmental Defense Fund and Jamii Bora Trust
Member, Executive Committee

Cherine Chalaby
Held many leadership roles in banking and technology. During a 28-year tenure at IT service company Accenture, he held key managing positions, ultimately serving on Accenture’s Executive Committee and its Global Leadership Council.

His experience includes strategy development, systems implementation, transformational change and running operations.

Chris Disspain
CEO of .au Domain Administration Ltd. since October 2000. Instrumental in Australian government’s endorsement of auDA as manager of .au. Responsible for negotiating re-delegation of .au to auDA and guiding the evolution of the DNS in Australia from a monopoly to a competitive, regulated and price-sensitive regime.

Heather Dryden
Government Advisory Committee Liaison—Non-Voting GAC Chair

Senior Advisor at Industry Canada in the International Telecommunications Policy directorate of the Telecommunications Policy Brand, with lead responsibility for Internet governance & DNS policy matters.

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

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

Bill Graham
Independent Consultant

Worked with Internet Society from 2007–2011, responsible for expanding its engagement with organizations such as the United Nations, the Organization for Economic Cooperation and Development, the World Intellectual Property Organization, and the International Telecommunication Union.

Served as Director of International Telecommunications Policy and Coordination in the Canadian government. First joined Canadian government in 1988, and held management positions in program evaluation and strategic planning.

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

Former Director of Government Relations, Teleglobe, Inc.
Member, Audit, Board Governance, IANA and New gTLD Program Committees

Bertrand de La Chapelle

Program Director at International Diplomatic Academy. Diplomat who held many positions in the French government.

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

Founded consulting department of French technology monitoring firm. Active participant in World Summit on the Information Society process from 2002–2005 to promote dialogue among civil society, the private sector and governmental representatives. Director of collaborative platform WSIS-online.

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

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

Member, Global Relationships, IANA and Structural Improvements Committees

Erika Mann

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

European chairperson of the Transatlantic Policy Network and proponent of transatlantic market between the EU and US. Member of advisory board of Transatlantic Economic Council.

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

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

Head of Facebook Brussels office
Executive Vice President,
Computer & Communications Industry Association
Chair, Audit Committee
Member, Global Relationships and New gTLD Program Committees

Ram Mohan

Security and Stability Advisory Committee Liaison—Non-Voting

Executive Vice President & Chief Technology Officer of Afilias Limited.

Oversees key strategic, management and technology choices in support of .info and .org, sponsored domains .mobi, .asia, and .aero and country code domains including .in (India) and .me (Montenegro).
Led the strategic growth of the company in registry services, security and new product sectors. At Infonautics Corp., founded award-winning CompanySleuth product and line of business. Helped design online references Electric Library and Encyclopedia.com. Cofounder of the technology behind anti-spam company TurnTide. Held leadership, engineering and technology positions with First Data Corporation, Unisys Corporation and KPMG Peat Marwick.

**Liaison** to Board Governance Committee.

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**Thomas Narten**

**Internet Engineering Task Force Liaison—Non-voting**

Engineer, Internet technology and strategy at IBM, 20 years of networking experience. Active Internet Engineering Task Force contributor for 15 years, coauthoring 10 Request for Comments, including two core IPv6 specifications.

IETF Area Director for the Internet area, focused on strengthening the working relationships with IANA and the Regional Internet Registry community. Helped develop RIR IPv6 address policy.

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

Former computer science faculty member at SUNY-Albany.

**Liaison** to IANA, New gTLD Program and Public Participation Committees

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**Rajasekhar Ramaraj**

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

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

President of the **ISP Association of India**. Pioneered Indian computer retail marketing in 1984.

**Founder/director**, Microland Ltd.  
**Director**, Sterling Cellular  
**Chair**, Compensation Committee  
**Member**, Board Governance, New gTLD Program and Risk Committees

**George Sadowsky**  
**Independent Consultant**

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

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

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

**Executive Director**, Global Internet Policy Initiative  
**Member**, Compensation, Finance, Global Relationships and New gTLD Program Committees.

**Mike Silber**  
**Attorney and Head**, Legal and Commercial, Liquid Telecomms.

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

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

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

**Chair**, Risk Committee  
**Member**, Board Governance, New gTLD Program and Public Participation Committees.
Judith Vazquez

Founder and Chair, PHCOLO, Inc., the Philippines telecommunications cross connection site.

Early investor in ICT in Philippines. Laid the first fiber in 1995 in the nation’s Central Business District and constructed its first 45-story skyscraper and intelligent building.

Her company PHCOLO provides colocation and local infrastructure to leading carriers and Internet service providers on wireless, cable, Ethernet and copper platforms.

Owns telecommunications towers and data centre-grade properties leased to data providers such as the financial industry.

Board member for more than 20 years of GMA Network, the Philippines leading media corporation.

Board Member, the Management Association of the Philippines
Member, Audit, New gTLD Program, Risk and Structural Improvements Committees

Suzanne Woolf

Root Server
System Advisory Committee
Liaison—Non-voting

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

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

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

Member of the ICANN Root Server System Advisory Committee and ARIN Advisory Council.

Liaison to IANA and Risk Committees

Kuo-Wei Wu

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


Established the Taiwan Academic Network in 1990. Coordinated Asia ccTLD operators’ formation of Asia Pacific Top-Level Domain Association in 1998.

Organized an Internationalized Domain Names joint engineering taskforce in Asia.

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

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

Former Vice President Acer, Inc. Chair, IANA Committee
Member, Global Relationships, New gTLD Program and Public Participation Committees
Audited Financial Statements

Report of Independent Auditors and Financial Statements for

ICANN
Internet Corporation for Assigned Names and Numbers

June 30, 2012 and 2011

Moss-Adams LLP
Certified Public Accountants | Business Consultants

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<td>Statements of activities</td>
<td>3</td>
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<td>Statements of cash flows</td>
<td>4</td>
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<td>Notes to financial statements</td>
<td>5-17</td>
</tr>
</tbody>
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REPORT OF INDEPENDENT AUDITORS

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

We have audited the accompanying statements of financial position of Internet Corporation for Assigned Names and Numbers (“ICANN” or the “Organization”) as of June 30, 2012 and 2011, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the management of ICANN. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of ICANN as of June 30, 2012 and 2011, 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 4, 2012
INTERNET CORPORATION FOR ASSIGNED NAMES AND NUMBERS
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2012 AND 2011

Amounts are rounded to the nearest thousand in US Dollars

<table>
<thead>
<tr>
<th>ASSETS</th>
<th>2012</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash and cash equivalents</td>
<td>$ 383,018,000</td>
<td>$ 29,073,000</td>
</tr>
<tr>
<td>Accounts receivable, net</td>
<td>$ 17,881,000</td>
<td>$ 15,068,000</td>
</tr>
<tr>
<td>Investments</td>
<td>$ 53,035,000</td>
<td>$ 51,716,000</td>
</tr>
<tr>
<td>Prepaid expenses</td>
<td>$ 3,288,000</td>
<td>$ 207,000</td>
</tr>
<tr>
<td>Other assets</td>
<td>$ 3,367,000</td>
<td>$ 105,000</td>
</tr>
<tr>
<td>Capital assets, net</td>
<td>$ 5,787,000</td>
<td>$ 3,651,000</td>
</tr>
<tr>
<td><strong>Total assets</strong></td>
<td><strong>$ 466,376,000</strong></td>
<td><strong>$ 99,820,000</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>LIABILITIES AND NET ASSETS</th>
<th>2012</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Accounts payable and accrued liabilities</td>
<td>$ 12,851,000</td>
<td>$ 8,195,000</td>
</tr>
<tr>
<td>Deferred revenue</td>
<td>$ 369,933,000</td>
<td>$ 11,475,000</td>
</tr>
<tr>
<td><strong>Total liabilities</strong></td>
<td><strong>382,784,000</strong></td>
<td><strong>19,670,000</strong></td>
</tr>
<tr>
<td>Unrestricted net assets</td>
<td>$ 83,592,000</td>
<td>$ 80,150,000</td>
</tr>
<tr>
<td><strong>Total liabilities and net assets</strong></td>
<td><strong>$ 466,376,000</strong></td>
<td><strong>$ 99,820,000</strong></td>
</tr>
</tbody>
</table>

*Please see Note 3 for the 2012 breakout between ICANN operations and the NgTLD Program.*

See accompanying notes to financial statements.
INTERNET CORPORATION FOR ASSIGNED NAMES AND NUMBERS  
STATEMENTS OF ACTIVITIES  
YEARS ENDED JUNE 30, 2012 AND 2011  
*Amounts are rounded to the nearest thousand in US Dollars*

<table>
<thead>
<tr>
<th></th>
<th>2012</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>UNRESTRICTED SUPPORT AND REVENUE</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Registry</td>
<td>$35,202,000</td>
<td>$33,202,000</td>
</tr>
<tr>
<td>Registrar</td>
<td>33,133,000</td>
<td>31,259,000</td>
</tr>
<tr>
<td>R.I.R.</td>
<td>823,000</td>
<td>823,000</td>
</tr>
<tr>
<td>ccTLD</td>
<td>1,798,000</td>
<td>1,990,000</td>
</tr>
<tr>
<td>IDN ccTLD Fast track request fees</td>
<td>52,000</td>
<td>468,000</td>
</tr>
<tr>
<td>Contributions</td>
<td>1,405,000</td>
<td>1,551,000</td>
</tr>
<tr>
<td><strong>Total support and revenue</strong></td>
<td>72,413,000</td>
<td>69,293,000</td>
</tr>
</tbody>
</table>

| **EXPENSES**                    |           |           |
| Personnel                       | 27,780,000| 26,321,000|
| Travel and meetings             | 12,553,000| 12,258,000|
| Professional services           | 19,462,000| 12,864,000|
| Administration                  | 10,582,000| 8,541,000 |
| **Total expenses**              | 70,377,000| 59,984,000|

| **OTHER INCOME**                |           |           |
| Interest income                 | 87,000    | 127,000   |
| Investment gain                 | 1,319,000 | 6,006,000 |
| **Total other income**          | 1,406,000 | 6,133,000 |
| Change in net assets            | 3,442,000 | 15,442,000|

| **UNRESTRICTED NET ASSETS**     |           |           |
| Beginning of year               | 80,150,000| 64,708,000|
| End of year                     | $83,592,000| $80,150,000|

See accompanying notes to financial statements.
INTERNET CORPORATION FOR ASSIGNED NAMES AND NUMBERS

STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2012 AND 2011

*Amounts are rounded to the nearest thousand in US Dollars*

<table>
<thead>
<tr>
<th>CASH FLOWS FROM OPERATING ACTIVITIES</th>
<th>2012</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Change in net assets</td>
<td>$ 3,442,000</td>
<td>$ 15,442,000</td>
</tr>
<tr>
<td>Adjustments to reconcile change in net assets to cash provided by operating activities:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Depreciation expense</td>
<td>1,868,000</td>
<td>1,490,000</td>
</tr>
<tr>
<td>Bad debt expense</td>
<td>173,000</td>
<td>686,000</td>
</tr>
<tr>
<td>Investment gains, net</td>
<td>(1,319,000)</td>
<td>(6,006,000)</td>
</tr>
<tr>
<td>Changes in operating assets and liabilities</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Accounts receivable</td>
<td>(2,985,000)</td>
<td>969,000</td>
</tr>
<tr>
<td>Prepaid expenses</td>
<td>(3,080,000)</td>
<td>120,000</td>
</tr>
<tr>
<td>Other assets</td>
<td>(3,263,000)</td>
<td>290,000</td>
</tr>
<tr>
<td>Accounts payable and accrued liabilities</td>
<td>4,657,000</td>
<td>2,514,000</td>
</tr>
<tr>
<td>Deferred revenue</td>
<td>358,457,000</td>
<td>(1,128,000)</td>
</tr>
<tr>
<td><strong>Net cash provided by operating activities</strong></td>
<td><strong>357,950,000</strong></td>
<td><strong>14,377,000</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>CASH FLOWS FROM INVESTING ACTIVITIES</th>
<th>2012</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Purchases of capital assets</td>
<td>(4,005,000)</td>
<td>(2,479,000)</td>
</tr>
<tr>
<td>Sales of investments</td>
<td>48,516,000</td>
<td>-</td>
</tr>
<tr>
<td>Purchases of investments</td>
<td>(48,516,000)</td>
<td>(30,000)</td>
</tr>
<tr>
<td><strong>Net cash used in investing activities</strong></td>
<td><strong>(4,005,000)</strong></td>
<td><strong>(2,509,000)</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>NET INCREASE IN CASH AND CASH EQUIVALENTS</th>
<th>2012</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>353,945,000</td>
<td>11,868,000</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>CASH AND CASH EQUIVALENTS</th>
<th>2012</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Beginning of year</td>
<td>29,073,000</td>
<td>17,205,000</td>
</tr>
<tr>
<td>End of year</td>
<td><strong>$ 383,018,000</strong></td>
<td><strong>$ 29,073,000</strong></td>
</tr>
</tbody>
</table>

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, .fr, and Internationalized Domain Name (IDN) ccTLDs for countries that use non-Latin based languages.

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

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

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

- Application fees are paid one time by prospective registrars at the time of the application.
- Annual accreditation fees are fees that all registrars are required to pay annually to maintain accreditation.
- Per-registrar variable fees are based upon a set amount divided by the number of accredited registrars and is based on a validated concept that ICANN often expends the same quantum of effort in providing services to a registrar regardless of size. However, some registrars may qualify for “forgiveness” of two-thirds of the standard per-registrar variable fee.
- Transaction-based fees from registrants via registrars 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.
Note 1 - Organization (continued)

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

Application fees - New generic Top Level Domain (gTLD) - The application fees are paid during the application window by applicants seeking to become a New gTLD registry operator for a particular registry. Application fees are refundable at a diminishing rate according to the processing phase in which the request for refund occurs.

ICANN recognizes revenue as follows:

- Transaction fees are determined based upon an established rate per registration times the volume and number of contract years of the underlying domain registration. Transaction fees are earned and recognized in the year the billed fee applies (e.g., 1/10th of a registration transaction fee will be recognized in each year of a 10 year domain name registration).
- Fixed fees are billed in accordance with the underlying contract, and are recognized as earned over the contractual period.
- Registrar application fees are non-refundable, and are recognized at the time the application fees are received.
- New gTLD application fees are recognizable ratably as direct application processing costs are incurred. The rate of recognition of the fees is determined by the proportion of the direct costs incurred versus the total costs. The New gTLD application fees are refundable at a diminishing rate according to the processing phase in which the request for refund occurs.
- Accreditation fee amounts and timing are due in accordance with agreements, are not event dependent, and are recognized ratably monthly over the term of the accreditation.

ICANN has three supporting organizations that serve as the policy development bodies for ICANN 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 Names 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.

ICANN provides accounting support to the Registrar Constituency, a constituency within the ICANN community that 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 that limits use of the Reserve Fund based upon specific Board actions. All investments are designated under the Reserve Fund. The Board has also designated a $2,000,000 fund to be used to support financially needy applicants in the New gTLD Program.

- **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, 2012 and 2011, ICANN had no permanently or temporarily restricted net assets.

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

Accounts receivable, net - Accounts receivable net of allowances for doubtful accounts are approximately $17,881,000 and $15,068,000 as of June 30, 2012 and 2011, respectively. On a periodic basis, ICANN adjusts its allowance based on an analysis of historical collectability, current receivables aging, and assessment of specific identifiable customer accounts considered at risk or uncollectible.

ICANN had bad debt expense of approximately $173,000 and $686,000 during the years ended June 30, 2012 and 2011, respectively.
Note 2 - Significant Accounting Policies (continued)

**Investments** - Investments are reported at their fair value and all related transactions are recorded on the trade date. Interest, dividends and realized and unrealized gains and losses are accounted for within unrestricted net assets, or as changes in temporarily or permanently restricted net assets, if so stipulated by the donor of such assets.

Investment securities, in general, are exposed to various risks, such as interest rate risk, credit risk and overall market volatility risk. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the statement of financial position.

Fair value is defined 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. The Accounting Standards Codification (ASC) establishes a fair value hierarchy that 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 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 domestic equities, international equities and domestic fixed income. 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. Level 2 securities include funds invested in collective trusts, which are valued by the manager using the fair value of the underlying equity security investments and valued dependent on the redemption features, respectively, which approximates net asset value (NAV).

ICANN's policy is to recognize transfers in and transfers out at the end of the reporting period. This policy includes transfers in and transfers out of Level 1 and Level 2. ICANN has no Level 3 investments.
INTERNET CORPORATION FOR ASSIGNED NAMES AND NUMBERS
NOTES TO FINANCIAL STATEMENTS

Note 2 - Significant Accounting Policies (continued)

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

Deferred revenue - Deferred revenue is recorded when fees are billed but not yet earned. Deferred revenue consists of the following as of June 30:

<table>
<thead>
<tr>
<th></th>
<th>2012</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Deferred registrar income - transactions</td>
<td>$4,684,000</td>
<td>$4,371,000</td>
</tr>
<tr>
<td>Deferred registrar income - unbilled</td>
<td>2,119,000</td>
<td>2,196,000</td>
</tr>
<tr>
<td>Deferred registry income - transactions</td>
<td>4,039,000</td>
<td>3,679,000</td>
</tr>
<tr>
<td>Deferred registrar income - accreditation</td>
<td>606,000</td>
<td>1,229,000</td>
</tr>
<tr>
<td>Deferred income - gTLD</td>
<td>358,485,000</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total deferred revenue</strong></td>
<td>$369,933,000</td>
<td>$11,475,000</td>
</tr>
</tbody>
</table>

Advertising costs - Direct advertising costs are expensed in the period incurred. Direct advertising costs amounted to approximately $19,000 and $24,000, for the years ended June 30, 2012 and 2011, respectively.

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

ICANN, under the provisions of ASC 740, *Income Taxes*, had no uncertain tax positions requiring accrual as of June 30, 2012 and 2011. ICANN is no longer subject to income tax examinations by taxing authorities for years before 2009 for its federal filings and for years before 2008 for its state filings.
Note 2 - Significant Accounting Policies (continued)

**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:

<table>
<thead>
<tr>
<th></th>
<th>2012</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Program services</td>
<td>$47,187,000</td>
<td>$42,108,000</td>
</tr>
<tr>
<td>Support services: management and general</td>
<td>$23,190,000</td>
<td>$17,876,000</td>
</tr>
<tr>
<td><strong>Total expenses</strong></td>
<td><strong>$70,377,000</strong></td>
<td><strong>$59,984,000</strong></td>
</tr>
</tbody>
</table>

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

**Reclassifications** - Certain 2011 amounts have been reclassified in the financial statements to conform to the 2012 presentation. These reclassifications have no impact on net assets.

**Subsequent events** - ASC 855, *Subsequent Events*, establishes general standards of accounting for and disclosure of events that occur after the statement of financial position date but before financial statements are issued. ICANN recognizes in the financial statements the effects of all subsequent events that provide additional evidence about conditions that existed at the date of the statement of financial position, including the estimates inherent in the process of preparing the financial statements. ICANN does not recognize subsequent events that provide evidence about conditions that did not exist at the date of the statement of financial position but arose after the financial position date and before the financial statements are available to be issued. ICANN has evaluated subsequent events through October 4, 2012 which is the date the financial statements were available to be issued.

**Note 3 - New generic Top Level Domain Program**

Currently the Internet namespace consists of 22 generic Top Level Domains (gTLDs) and over 250 country code Top Level Domains (ccTLDs) operating on various models. Each of the gTLDs has a designated “registry operator” and, in most cases, a Registry Agreement between the operator (or sponsor) and ICANN. The registry operator is responsible for the technical operation of the TLD, including all of the names registered in that TLD. Over 1,000 ICANN accredited registrars interact with registrants (and others) to perform domain name registration and other related services for gTLDs. The New gTLD Program provides a means for prospective registry operators to apply for new gTLDs, and create new options for consumers. The Program opened its first application round in January 2012.
Note 3 - New generic Top Level Domain Program (continued)

The New gTLD Program requires applicants to pay an application fee. Revenue is reported gross, and therefore, revenue and expenses are separately disclosed. ICANN believes that direct costs incurred throughout the evaluation of applications provides the best representation of the pattern of performance of services of the New gTLD Program, and recognizes revenues generated from application fees (limited to the cumulative amount of application fees that have become non-refundable) ratably based upon direct application processing costs (e.g., initial evaluation panel reviews) incurred (percentage of completion of the service) throughout the application process. ICANN establishes estimates for total direct costs related to the new gTLD application process, and recognizes these direct costs as incurred. Indirect costs are expensed as incurred.

In the case that additional non-refundable fees are collected, ICANN recognizes unearned revenue upon receipt of the additional non-refundable fees, and recognizes the unearned revenue as revenue when additional evaluation services are performed (or immediately in the case an application is withdrawn/rejected) as this is consistent with the earnings process.

The New gTLD Program is segregated from the rest of the ICANN operations with respect to separate accounting segments and bank accounts.

All intracompany payables and receivables will be settled in cash on a monthly basis.

<table>
<thead>
<tr>
<th>JUNE 30, 2012</th>
<th>ICANN</th>
<th>NgTLD</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>ASSETS</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>$25,554,000</td>
<td>$357,464,000</td>
<td>$383,018,000</td>
</tr>
<tr>
<td>Accounts receivable, net</td>
<td>17,881,000</td>
<td>-</td>
<td>17,881,000</td>
</tr>
<tr>
<td>Investments</td>
<td>53,035,000</td>
<td>-</td>
<td>53,035,000</td>
</tr>
<tr>
<td>Prepaid expenses</td>
<td>(1,080,000)</td>
<td>4,368,000</td>
<td>3,288,000</td>
</tr>
<tr>
<td>Other assets</td>
<td>3,367,000</td>
<td>-</td>
<td>3,367,000</td>
</tr>
<tr>
<td>Intra-company clearing</td>
<td>5,937,000</td>
<td>(5,937,000)</td>
<td>-</td>
</tr>
<tr>
<td>Capital assets, net</td>
<td>5,787,000</td>
<td>-</td>
<td>5,787,000</td>
</tr>
<tr>
<td><strong>Total assets</strong></td>
<td>$110,481,000</td>
<td>$355,895,000</td>
<td>$466,376,000</td>
</tr>
<tr>
<td><strong>LIABILITIES AND NET ASSETS</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Liabilities</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Accounts payable and accrued liabilities</td>
<td>$9,622,000</td>
<td>$3,229,000</td>
<td>$12,851,000</td>
</tr>
<tr>
<td>Deferred revenue</td>
<td>11,448,000</td>
<td>358,485,000</td>
<td>369,933,000</td>
</tr>
<tr>
<td><strong>Total liabilities</strong></td>
<td>21,070,000</td>
<td>361,714,000</td>
<td>382,784,000</td>
</tr>
<tr>
<td>Unrestricted net assets</td>
<td>89,411,000</td>
<td>(5,819,000)</td>
<td>83,592,000</td>
</tr>
<tr>
<td><strong>Total liabilities and net assets</strong></td>
<td>$110,481,000</td>
<td>$355,895,000</td>
<td>$466,376,000</td>
</tr>
</tbody>
</table>
Note 3 - New generic Top Level Domain Program (continued)

<table>
<thead>
<tr>
<th>YEAR ENDED JUNE 30, 2012</th>
<th>ICANN</th>
<th>NgTLD</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$</td>
<td>$</td>
<td>$</td>
</tr>
<tr>
<td>UNRESTRICTED SUPPORT AND REVENUE</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Registry</td>
<td>35,202,000</td>
<td>$</td>
<td>-</td>
</tr>
<tr>
<td>Registrar</td>
<td>33,133,000</td>
<td>-</td>
<td>33,133,000</td>
</tr>
<tr>
<td>R.I.R.</td>
<td>823,000</td>
<td>-</td>
<td>823,000</td>
</tr>
<tr>
<td>ccTLD</td>
<td>1,798,000</td>
<td>-</td>
<td>1,798,000</td>
</tr>
<tr>
<td>IDN ccTLD Fast track request fees</td>
<td>52,000</td>
<td>-</td>
<td>52,000</td>
</tr>
<tr>
<td>Contributions</td>
<td>1,405,000</td>
<td>-</td>
<td>1,405,000</td>
</tr>
<tr>
<td>Total support and revenue</td>
<td>72,413,000</td>
<td>-</td>
<td>72,413,000</td>
</tr>
<tr>
<td>EXPENSES</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Personnel</td>
<td>26,009,000</td>
<td>1,771,000</td>
<td>27,780,000</td>
</tr>
<tr>
<td>Travel and meetings</td>
<td>12,508,000</td>
<td>45,000</td>
<td>12,553,000</td>
</tr>
<tr>
<td>Professional services</td>
<td>15,521,000</td>
<td>3,941,000</td>
<td>19,462,000</td>
</tr>
<tr>
<td>Administration</td>
<td>10,520,000</td>
<td>62,000</td>
<td>10,582,000</td>
</tr>
<tr>
<td>Total expenses</td>
<td>64,558,000</td>
<td>5,819,000</td>
<td>70,377,000</td>
</tr>
<tr>
<td>OTHER INCOME</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Interest income</td>
<td>87,000</td>
<td>-</td>
<td>87,000</td>
</tr>
<tr>
<td>Investment gain</td>
<td>1,319,000</td>
<td>-</td>
<td>1,319,000</td>
</tr>
<tr>
<td>Total other income</td>
<td>1,406,000</td>
<td>-</td>
<td>1,406,000</td>
</tr>
<tr>
<td>Change in net assets</td>
<td>9,261,000</td>
<td>(5,819,000)</td>
<td>3,442,000</td>
</tr>
<tr>
<td>UNRESTRICTED NET ASSETS</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Beginning of year</td>
<td>80,150,000</td>
<td>-</td>
<td>80,150,000</td>
</tr>
<tr>
<td>End of year</td>
<td>$ 89,411,000</td>
<td>$ (5,819,000)</td>
<td>$ 83,592,000</td>
</tr>
</tbody>
</table>
Note 3 - New generic Top Level Domain Program (continued)

<table>
<thead>
<tr>
<th>YEAR ENDED JUNE 30, 2012</th>
<th>ICANN</th>
<th>NgTLD</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>CASH FLOWS FROM OPERATING ACTIVITIES</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Change in net assets</td>
<td>$9,262,000</td>
<td>$(5,820,000)</td>
<td>$3,442,000</td>
</tr>
<tr>
<td>Adjustments to reconcile change in net assets to cash provided by operating activities:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Depreciation expense</td>
<td>1,868,000</td>
<td>-</td>
<td>1,868,000</td>
</tr>
<tr>
<td>Bad debt expense</td>
<td>173,000</td>
<td>-</td>
<td>173,000</td>
</tr>
<tr>
<td>Investment gains, net</td>
<td>(1,319,000)</td>
<td>-</td>
<td>(1,319,000)</td>
</tr>
<tr>
<td>Changes in operating assets and liabilities</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Accounts receivable</td>
<td>(2,985,000)</td>
<td>-</td>
<td>(2,985,000)</td>
</tr>
<tr>
<td>Prepaid expenses</td>
<td>1,287,000</td>
<td>(4,367,000)</td>
<td>(3,080,000)</td>
</tr>
<tr>
<td>Other assets</td>
<td>(9,200,000)</td>
<td>5,937,000</td>
<td>(3,263,000)</td>
</tr>
<tr>
<td>Accounts payable and accrued liabilities</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Deferred revenue</td>
<td>(27,000)</td>
<td>358,484,000</td>
<td>358,457,000</td>
</tr>
<tr>
<td><strong>Net cash provided by operating activities</strong></td>
<td>486,000</td>
<td>357,464,000</td>
<td>357,950,000</td>
</tr>
</tbody>
</table>

| **CASH FLOWS FROM INVESTING ACTIVITIES** |       |       |       |
| Purchases of capital assets | (4,005,000) | -     | (4,005,000) |
| Sales of investments        | 48,516,000 | -     | 48,516,000 |
| Purchases of investments    | (48,516,000) | -     | (48,516,000) |
| **Net cash used in investing activities** | (4,005,000) | -     | (4,005,000) |

**NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS**

| (3,519,000) | 357,464,000 | 353,945,000 |

**CASH AND CASH EQUIVALENTS**

| Beginning of year | 29,073,000 | -     | 29,073,000 |
| End of year       | $25,554,000 | $357,464,000 | $383,018,000 |

Note 4 - Concentration of Credit Risk

Financial instruments that potentially subject ICANN to concentrations of credit risk consist primarily of cash and cash equivalents, accounts receivable and investments. ICANN places its cash with major financial institutions. Cash held at these financial institutions may, at times, exceed the amount insured by the Federal Deposit Insurance Corporation. Concentration of credit risk with respect to receivables is mitigated by the diversity of registries/registrars comprising ICANN’s registry/registrar base. ICANN places its investments with a major investment broker. The investments held are subject to volatility of the market and industries in which they are invested.
Note 4 - Concentration of Credit Risk (continued)

ICANN had two major registries/registrars totaling approximately $37,665,000 or 51% of the total support in fiscal year 2012 and $36,606,000 or 53% of the total support in fiscal year 2011. ICANN had accounts receivable amounting to approximately $4,812,000 and $4,329,000 due from these two major registries/registrars at June 30, 2012 and 2011, respectively.

Note 5 - Accounts Receivable

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

<table>
<thead>
<tr>
<th></th>
<th>2012</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>gTLD registries and registrars</td>
<td>$15,498,000</td>
<td>$14,019,000</td>
</tr>
<tr>
<td>IP address registries</td>
<td>823,000</td>
<td>-</td>
</tr>
<tr>
<td>ccTLD’s</td>
<td>1,860,000</td>
<td>1,116,000</td>
</tr>
<tr>
<td>IDN Fast track</td>
<td>31,000</td>
<td>772,000</td>
</tr>
<tr>
<td>Other</td>
<td>235,000</td>
<td>145,000</td>
</tr>
<tr>
<td></td>
<td>18,447,000</td>
<td>16,052,000</td>
</tr>
<tr>
<td>Less: allowance for doubtful accounts</td>
<td>($566,000)</td>
<td>($984,000)</td>
</tr>
<tr>
<td></td>
<td>$17,881,000</td>
<td>$15,068,000</td>
</tr>
</tbody>
</table>

Note 6 - Investments

Investments consist of the following as of June 30, 2012:

<table>
<thead>
<tr>
<th></th>
<th>Level 1</th>
<th>Level 2</th>
<th>Level 3</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Collective trusts</td>
<td>$</td>
<td>$53,035,000</td>
<td>$</td>
<td>$53,035,000</td>
</tr>
</tbody>
</table>

The ICANN Reserve Fund is invested in various collective trusts, which seek an investment return that approximates as closely as practicable before expenses the performance of various indexes.
Note 6 - Investments (continued)

The following table represents the liquidity and redemption restrictions on the financial instruments above:

<table>
<thead>
<tr>
<th></th>
<th>Fair Value at 6/30/12</th>
<th>Redemption Frequency</th>
<th>Redemption Notice Period</th>
</tr>
</thead>
<tbody>
<tr>
<td>Collective trusts</td>
<td>$53,035,000</td>
<td>Daily to semi-monthly</td>
<td>3 Days</td>
</tr>
</tbody>
</table>

There were no unfunded commitments related to these investments at June 30, 2012.

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

<table>
<thead>
<tr>
<th></th>
<th>Level 1</th>
<th>Level 2</th>
<th>Level 3</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Equities - domestic</td>
<td>$18,436,000</td>
<td>-</td>
<td>-</td>
<td>$18,436,000</td>
</tr>
<tr>
<td>Equities - international</td>
<td>5,460,000</td>
<td>-</td>
<td>-</td>
<td>5,460,000</td>
</tr>
<tr>
<td>Fixed income - domestic</td>
<td>27,820,000</td>
<td>-</td>
<td>-</td>
<td>27,820,000</td>
</tr>
<tr>
<td></td>
<td>$51,716,000</td>
<td>-</td>
<td>-</td>
<td>$51,716,000</td>
</tr>
</tbody>
</table>

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

<table>
<thead>
<tr>
<th></th>
<th>2012</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dividend and interest income</td>
<td>$4,268,000</td>
<td>$2,121,000</td>
</tr>
<tr>
<td>Realized and unrealized (losses)/gains</td>
<td>(2,859,000)</td>
<td>4,222,000</td>
</tr>
<tr>
<td>Management fees and other</td>
<td>(90,000)</td>
<td>(337,000)</td>
</tr>
<tr>
<td>Total net investment gain</td>
<td>$1,319,000</td>
<td>$6,006,000</td>
</tr>
</tbody>
</table>
Note 7 - Capital Assets

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

<table>
<thead>
<tr>
<th>Asset Description</th>
<th>2012</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Computer equipment (Three years)</td>
<td>$6,728,000</td>
<td>$5,097,000</td>
</tr>
<tr>
<td>Computer software (Five years)</td>
<td>$1,805,000</td>
<td>$520,000</td>
</tr>
<tr>
<td>Furniture and fixtures (Seven years)</td>
<td>$300,000</td>
<td>$295,000</td>
</tr>
<tr>
<td>Leasehold improvements (Varies per lease)</td>
<td>$1,468,000</td>
<td>$1,394,000</td>
</tr>
<tr>
<td>Construction in progress (None)</td>
<td>$1,426,000</td>
<td>$1,394,000</td>
</tr>
<tr>
<td></td>
<td>$11,727,000</td>
<td>$7,722,000</td>
</tr>
<tr>
<td>Less: accumulated depreciation</td>
<td>($5,940,000)</td>
<td>($4,071,000)</td>
</tr>
<tr>
<td></td>
<td>$5,787,000</td>
<td>$3,651,000</td>
</tr>
</tbody>
</table>

Note 8 - 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 cannot at this time 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 9 - Related Party Transactions

A portion of ICANN’s incoming (effective September 14, 2012) President and Chief Executive Officer Fadi Chehadé’s services were provided to ICANN directly, including time and expenses during the fiscal year ended June 30, 2012. During the year ended June 30, 2012, Fadi Chehadé was paid $39,000 for services rendered during the period of May through June 2012.

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 $732,000 and $767,000 for the years ended June 30, 2012 and 2011, respectively, under the fee structure of the standard Registrar Accreditation Agreement. To avoid any conflict of interest between ICANN and Melbourne IT, Dr. Tonkin abstains from voting on all matters he identifies as potential conflicts of interest that come before the Board.

Additionally, during years ended June 30, 2012 and 2011, the following voting Board members identified that they may have or have had conflicts in accordance with ICANN’s Conflicts of Interest Policy: Harald Tveit Alvestrand, Sébastien Bachollet, Steve Crocker, Bertrand de La Chapelle, Chris Disspain, Bill Graham, Rita Rodin Johnston, Mike Silber, Judith Vazquez, and Kuo-Wei Wu.
INTERNET CORPORATION FOR ASSIGNED NAMES AND NUMBERS
NOTES TO FINANCIAL STATEMENTS

Note 10 - 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. A minimum future payments under operating leases for the future years ending June 30 are approximately:

<table>
<thead>
<tr>
<th>Year</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>2013</td>
<td>$2,754,000</td>
</tr>
<tr>
<td>2014</td>
<td>$2,768,000</td>
</tr>
<tr>
<td>2015</td>
<td>$2,851,000</td>
</tr>
<tr>
<td>2016</td>
<td>$2,983,000</td>
</tr>
<tr>
<td>2017</td>
<td>$3,027,000</td>
</tr>
<tr>
<td>Thereafter</td>
<td>$11,949,000</td>
</tr>
</tbody>
</table>

Total $26,332,000

Rent expense amounted to approximately $2,550,000 and $2,684,000 for the years ended June 30, 2012 and 2011, respectively. ICANN also has pass-through and additional charges from certain sub-lessors that are not included in the minimum expected payments above. The pass-through and additional charges cannot be reasonably estimated for future periods. Pass-through and additional charges amounted to approximately $164,000 and $299,000 for the years ended June 30, 2012 and 2011, respectively.

Note 11 - Defined Contribution 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. Subject to legal limitations, 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, subject to legal limitations. Employer contributions recognized for the years ended June 30, 2012 and 2011 amounted to approximately $2,165,000 and $1,967,000, respectively. The June 30, 2012 and 2011 payroll contributions were $146,000 and $117,000, respectively.

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

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