INTERNET CORPORATION FOR ASSIGNED NAMES AND NUMBERS

INDEPENDENT AUDITOR'S REPORT

AND

FINANCIAL STATEMENTS

JUNE 30, 2010 and 2009
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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying statements of financial position of Internet Corporation for Assigned Names and Numbers (ICANN) as of June 30, 2010 and 2009, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the management of ICANN. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of ICANN as of June 30, 2010 and 2009, and the changes in its net assets and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Moss Adams LLP
Los Angeles, California
October 11, 2010
# INTERNET CORPORATION FOR ASSIGNED NAMES AND NUMBERS

## STATEMENTS OF FINANCIAL POSITION

### YEARS ENDED JUNE 30,

<table>
<thead>
<tr>
<th></th>
<th>2010</th>
<th>2009</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>ASSETS</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>$17,205,000</td>
<td>$27,122,000</td>
</tr>
<tr>
<td>Accounts receivable, net</td>
<td>16,723,000</td>
<td>11,758,000</td>
</tr>
<tr>
<td>Investments</td>
<td>45,680,000</td>
<td>30,439,000</td>
</tr>
<tr>
<td>Prepaid expenses</td>
<td>329,000</td>
<td>919,000</td>
</tr>
<tr>
<td>Other assets</td>
<td>395,000</td>
<td>345,000</td>
</tr>
<tr>
<td>Capital assets, net</td>
<td>2,661,000</td>
<td>2,646,000</td>
</tr>
<tr>
<td><strong>Total assets</strong></td>
<td>$82,993,000</td>
<td>$73,229,000</td>
</tr>
</tbody>
</table>

| **LIABILITIES AND NET ASSETS** |          |              |
| Liabilities             |          |              |
| Accounts payable and accrued liabilities | $5,682,000 | $9,753,000   |
| Deferred revenue        | 12,603,000 | 10,205,000   |
| **Total liabilities**   | 18,285,000 | 19,958,000   |
| Unrestricted net assets | 64,708,000 | 53,271,000   |
| **Total liabilities and net assets** | $82,993,000 | $73,229,000 |

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

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

STATEMENTS OF ACTIVITIES

YEARS ENDED JUNE 30, 2010  2009

Amounts are rounded to the nearest thousand in US Dollars

UNRESTRICTED
SUPPORT AND REVENUE

<table>
<thead>
<tr>
<th></th>
<th>2010</th>
<th>2009</th>
</tr>
</thead>
<tbody>
<tr>
<td>Registry</td>
<td>31,915,000</td>
<td>24,536,000</td>
</tr>
<tr>
<td>Registrar</td>
<td>30,189,000</td>
<td>32,680,000</td>
</tr>
<tr>
<td>R.I.R.</td>
<td>823,000</td>
<td>823,000</td>
</tr>
<tr>
<td>ccTLD</td>
<td>1,666,000</td>
<td>1,568,000</td>
</tr>
<tr>
<td>IDN ccTLD Fast track request fees</td>
<td>236,000</td>
<td>-</td>
</tr>
<tr>
<td>Contributions</td>
<td>939,000</td>
<td>637,000</td>
</tr>
<tr>
<td><strong>Total support and revenue</strong></td>
<td><strong>65,768,000</strong></td>
<td><strong>60,244,000</strong></td>
</tr>
</tbody>
</table>

EXPENSES

<table>
<thead>
<tr>
<th></th>
<th>2010</th>
<th>2009</th>
</tr>
</thead>
<tbody>
<tr>
<td>Personnel</td>
<td>24,958,000</td>
<td>19,768,000</td>
</tr>
<tr>
<td>Travel and meetings</td>
<td>10,609,000</td>
<td>10,458,000</td>
</tr>
<tr>
<td>Professional services</td>
<td>14,605,000</td>
<td>12,698,000</td>
</tr>
<tr>
<td>Administration</td>
<td>8,335,000</td>
<td>7,530,000</td>
</tr>
<tr>
<td>Bad debt expense</td>
<td>140,000</td>
<td>837,000</td>
</tr>
<tr>
<td><strong>Total expenses</strong></td>
<td><strong>58,647,000</strong></td>
<td><strong>51,291,000</strong></td>
</tr>
</tbody>
</table>

OTHER INCOME (LOSS)

<table>
<thead>
<tr>
<th></th>
<th>2010</th>
<th>2009</th>
</tr>
</thead>
<tbody>
<tr>
<td>Interest income</td>
<td>75,000</td>
<td>227,000</td>
</tr>
<tr>
<td>Investment gain (loss)</td>
<td>4,241,000</td>
<td>(2,334,000)</td>
</tr>
<tr>
<td><strong>Total other income (loss)</strong></td>
<td><strong>4,316,000</strong></td>
<td><strong>(2,107,000)</strong></td>
</tr>
<tr>
<td>Change in net assets</td>
<td>11,437,000</td>
<td>6,846,000</td>
</tr>
</tbody>
</table>

UNRESTRICTED NET ASSETS

<table>
<thead>
<tr>
<th></th>
<th>2010</th>
<th>2009</th>
</tr>
</thead>
<tbody>
<tr>
<td>Beginning of year</td>
<td>53,271,000</td>
<td>46,425,000</td>
</tr>
<tr>
<td>End of year</td>
<td>$64,708,000</td>
<td>$53,271,000</td>
</tr>
</tbody>
</table>

See accompanying notes to financial statements.
CASH FLOWS FROM OPERATING ACTIVITIES

<table>
<thead>
<tr>
<th>Description</th>
<th>2010</th>
<th>2009</th>
</tr>
</thead>
<tbody>
<tr>
<td>Change in net assets</td>
<td>$11,437,000</td>
<td>$6,846,000</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>1,485,000</td>
<td>1,105,000</td>
</tr>
<tr>
<td>Bad debt expense</td>
<td>140,000</td>
<td>837,000</td>
</tr>
<tr>
<td>Unrealized (gain) loss</td>
<td>(4,241,000)</td>
<td>2,334,000</td>
</tr>
<tr>
<td>Loss on exchange of capital asset</td>
<td>-</td>
<td>63,000</td>
</tr>
<tr>
<td>Changes in operating assets and liabilities</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Accounts receivable</td>
<td>(5,106,000)</td>
<td>(139,000)</td>
</tr>
<tr>
<td>Prepaid expenses</td>
<td>142,000</td>
<td>(906,000)</td>
</tr>
<tr>
<td>Other assets</td>
<td>(50,000)</td>
<td>59,000</td>
</tr>
<tr>
<td>Accounts payable and accrued liabilities</td>
<td>(4,071,000)</td>
<td>4,352,000</td>
</tr>
<tr>
<td>Deferred revenue</td>
<td>2,399,000</td>
<td>1,063,000</td>
</tr>
<tr>
<td>Net cash provided by operating activities</td>
<td>2,135,000</td>
<td>15,614,000</td>
</tr>
</tbody>
</table>

CASH FLOWS FROM INVESTING ACTIVITIES

<table>
<thead>
<tr>
<th>Description</th>
<th>2010</th>
<th>2009</th>
</tr>
</thead>
<tbody>
<tr>
<td>Purchases of capital assets</td>
<td>(1,143,000)</td>
<td>(2,497,000)</td>
</tr>
<tr>
<td>Proceeds from disposal of capital assets</td>
<td>91,000</td>
<td>-</td>
</tr>
<tr>
<td>Purchases of investments</td>
<td>(11,000,000)</td>
<td>(8,000,000)</td>
</tr>
<tr>
<td>Net cash used in investing activities</td>
<td>(12,052,000)</td>
<td>(10,497,000)</td>
</tr>
</tbody>
</table>

NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS

<table>
<thead>
<tr>
<th>Description</th>
<th>2010</th>
<th>2009</th>
</tr>
</thead>
<tbody>
<tr>
<td>(9,917,000)</td>
<td></td>
<td>5,117,000</td>
</tr>
</tbody>
</table>

CASH AND CASH EQUIVALENTS

<table>
<thead>
<tr>
<th>Description</th>
<th>2010</th>
<th>2009</th>
</tr>
</thead>
<tbody>
<tr>
<td>Beginning of year</td>
<td>27,122,000</td>
<td>22,005,000</td>
</tr>
<tr>
<td>End of year</td>
<td>$17,205,000</td>
<td>$27,122,000</td>
</tr>
</tbody>
</table>

See accompanying notes to financial statements.
NOTE 1 - ORGANIZATION

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

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

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

**Registry Fees.** ICANN has contracts with registry operators of 17 generic top-level domains (gTLDs) such as dot-asia, dot-com and dot-jobs. Registry fees are described in the respective registry agreements. Based on those agreements, registries pay a fixed fee, transaction-based fee, or both.

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

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

**Address registry fees.** ICANN coordinates with organizations responsible for the assignment and administration of Internet addresses (RIRs). RIR's contribute annually to ICANN.
NOTE 1 - ORGANIZATION (Continued)

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

- ICANN recognizes revenue as follows: Transaction fees are determined based upon an established rate per registration times the volume and number of contract years of the underlying domain registration. Transaction fees are earned and recognized in the year the billed fee applies (e.g., 1/10th of a registration transaction fee will be recognized in each year of a 10 year domain name registration).

- Fixed fee amounts and timing are due in accordance with the underlying agreements and are not event dependent, and are therefore recognized when billed.

- Application fees are non-refundable, and are recognized at the time the application fees are received.

- Accreditation fee amounts and timing are due in accordance with agreements and are not event dependent, and are recognized ratably monthly over the term of the accreditation.

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

Deferred revenue consists of the following as of June 30:

<table>
<thead>
<tr>
<th></th>
<th>2010</th>
<th>2009</th>
</tr>
</thead>
<tbody>
<tr>
<td>Deferred registrar income - transactions</td>
<td>$ 5,122,000</td>
<td>$ 5,069,000</td>
</tr>
<tr>
<td>Deferred registrar income - unbilled</td>
<td>2,557,000</td>
<td>-</td>
</tr>
<tr>
<td>Deferred registrar income - accreditation</td>
<td>992,000</td>
<td>1,642,000</td>
</tr>
<tr>
<td>Deferred registry income - transactions</td>
<td>3,932,000</td>
<td>3,494,000</td>
</tr>
<tr>
<td><strong>Total deferred revenue</strong></td>
<td><strong>$ 12,603,000</strong></td>
<td><strong>$ 10,205,000</strong></td>
</tr>
</tbody>
</table>

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

ICANN provides accounting support to the Registrar Constituency, a constituency within the ICANN community which serves as the representative for registrars and their customers. The accompanying financial statements do not reflect the financial results of the Registrar Constituency.
NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES

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

- **Unrestricted net assets** - Net assets that are not subject to donor-imposed stipulations and that may be expendable for any purpose in performing the objectives of ICANN. ICANN’s Board adopted an investment policy in November 2007. This investment policy established a Board designated Reserve Fund which limits use of the Reserve Fund based upon specific Board actions. All investments are designated under the Reserve Fund.

- **Temporarily restricted assets** - Net assets subject to donor-imposed stipulations that may or will be met either by actions of ICANN and/or the passage of time. As the restrictions are satisfied, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the accompanying financial statements as net assets released from restrictions.

- **Permanently restricted net assets** - Net assets for which the donor has stipulated that the principal be maintained in perpetuity, but permits ICANN to use, or expend, all or part of the income derived from the donated assets for general or specific purposes, subject to statutory regulations.

As of June 30, 2010 and 2009, ICANN had no permanently or temporarily restricted net assets.

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

**Accounts receivable, net** - Accounts receivable net of allowances for doubtful accounts are $16,723,000 and $11,758,000 as of June 30, 2010 and 2009, respectively. On a periodic basis, ICANN adjusts its allowance based on an analysis of historical collectability, current receivables aging, and assessment of specific identifiable customer accounts considered at risk or uncollectible. ICANN had two major registries/registrars totaling approximately $34,453,000 or 53% of the total support in fiscal year 2010 and $27,642,000 or 45% of the total support in fiscal year 2009. ICANN had accounts receivable amounting to approximately $4,765,000 and $3,991,000 due from these two major registries/registrars at June 30, 2010 and 2009, respectively.

ICANN had bad debt expense of approximately $140,000 and $837,000 during the years ended June 30, 2010 and 2009, respectively.
Investments - Investments in marketable securities are carried at fair value, based on quoted market prices.

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

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

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

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

**Capital assets** - Capital assets consist of capitalized computer equipment, software, furniture and fixtures and leasehold improvements and are stated at cost or, for contributed items, at fair market value at date of contribution. Capital assets are depreciated using the straight-line method over their estimated useful lives, which range from three to seven years. Leasehold improvements are amortized using the straight-line method over the shorter of their estimated useful life or the remaining lease term. Acquisitions in excess of $10,000 and one year useful life are capitalized. In June 2009, ICANN revised the estimated useful lives of computer equipment from five years to three years. The change in estimate was accounted for on a prospective basis.

**Advertising costs** - Advertising costs are expensed in the period incurred. Advertising costs amounted to approximately $62,000 and $173,000, for the years ended June 30, 2010 and 2009, respectively.
NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income taxes - ICANN is exempt from Federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code and Section 23701(d) of the California Revenue and Taxation Code. Accordingly, no provision for income taxes has been made in the accompanying financial statements.

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

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

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

<table>
<thead>
<tr>
<th></th>
<th>2010</th>
<th>2009</th>
</tr>
</thead>
<tbody>
<tr>
<td>Program services</td>
<td>40,680,000</td>
<td>$36,687,000</td>
</tr>
<tr>
<td>Support services: management and general</td>
<td>17,967,000</td>
<td>14,604,000</td>
</tr>
<tr>
<td>Total expenses</td>
<td>$58,647,000</td>
<td>$51,291,000</td>
</tr>
</tbody>
</table>

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

Use of estimates - The preparation of financial statements in conformity with generally accepted accounting principles in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.
NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

NOTE 3 - ACCOUNTS RECEIVABLE

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

<table>
<thead>
<tr>
<th></th>
<th>2010</th>
<th>2009</th>
</tr>
</thead>
<tbody>
<tr>
<td>gTLD registries and registrars</td>
<td>$15,466,000</td>
<td>$11,875,000</td>
</tr>
<tr>
<td>IP address registries</td>
<td>823,000</td>
<td>-</td>
</tr>
<tr>
<td>ccTLD's</td>
<td>818,000</td>
<td>766,000</td>
</tr>
<tr>
<td>IDN Fast track</td>
<td>156,000</td>
<td>-</td>
</tr>
<tr>
<td>Other</td>
<td>10,000</td>
<td>40,000</td>
</tr>
<tr>
<td></td>
<td>17,273,000</td>
<td>12,681,000</td>
</tr>
<tr>
<td>Less: allowance for doubtful accounts</td>
<td>(550,000)</td>
<td>(923,000)</td>
</tr>
<tr>
<td></td>
<td>$16,723,000</td>
<td>$11,758,000</td>
</tr>
</tbody>
</table>
# NOTE 4 - INVESTMENTS

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

<table>
<thead>
<tr>
<th>Fair Value Measurements Using</th>
<th>Quoted Prices in Active Markets for Identical Assets</th>
<th>Quoted Prices or Other Inputs in Active Markets for Identical Assets</th>
<th>Significant Unobservable Inputs</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Money market funds</td>
<td>$1,313,000</td>
<td>$</td>
<td>$</td>
<td>$1,313,000</td>
</tr>
<tr>
<td>Mutual funds</td>
<td>15,084,000</td>
<td></td>
<td></td>
<td>15,084,000</td>
</tr>
<tr>
<td>Asset backed securities</td>
<td>8,169,000</td>
<td></td>
<td></td>
<td>8,169,000</td>
</tr>
<tr>
<td>Government securities</td>
<td>6,874,000</td>
<td></td>
<td></td>
<td>6,874,000</td>
</tr>
<tr>
<td>Preferred securities</td>
<td>17,000</td>
<td></td>
<td></td>
<td>17,000</td>
</tr>
<tr>
<td>Common stock</td>
<td>14,223,000</td>
<td></td>
<td></td>
<td>14,223,000</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$45,680,000</strong></td>
<td>$</td>
<td>$</td>
<td><strong>$45,680,000</strong></td>
</tr>
</tbody>
</table>

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

<table>
<thead>
<tr>
<th>Fair Value Measurements Using</th>
<th>Quoted Prices in Active Markets for Identical Assets</th>
<th>Quoted Prices or Other Inputs in Active Markets for Identical Assets</th>
<th>Significant Unobservable Inputs</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Money market funds</td>
<td>$968,000</td>
<td>$</td>
<td>$</td>
<td>$968,000</td>
</tr>
<tr>
<td>Mutual funds</td>
<td>10,780,000</td>
<td></td>
<td></td>
<td>10,780,000</td>
</tr>
<tr>
<td>Asset backed securities</td>
<td>8,450,000</td>
<td></td>
<td></td>
<td>8,450,000</td>
</tr>
<tr>
<td>Government securities</td>
<td>2,373,000</td>
<td></td>
<td></td>
<td>2,373,000</td>
</tr>
<tr>
<td>Common stock</td>
<td>7,868,000</td>
<td></td>
<td></td>
<td>7,868,000</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$30,439,000</strong></td>
<td>$</td>
<td>$</td>
<td><strong>$30,439,000</strong></td>
</tr>
</tbody>
</table>
NOTE 4 - INVESTMENTS (Continued)

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

<table>
<thead>
<tr>
<th></th>
<th>2010</th>
<th>2009</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dividend and interest income</td>
<td>$2,374,000</td>
<td>$2,230,000</td>
</tr>
<tr>
<td>Realized and unrealized gains (losses)</td>
<td>$2,125,000</td>
<td>$(4,373,000)</td>
</tr>
<tr>
<td>Management fees and other</td>
<td>$(258,000)</td>
<td>$(191,000)</td>
</tr>
<tr>
<td>Total net investment gain (loss)</td>
<td>$4,241,000</td>
<td>$(2,334,000)</td>
</tr>
</tbody>
</table>

NOTE 5 - CAPITAL ASSETS

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

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

NOTE 6 - LEGAL MATTERS

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

NOTE 7 - RELATED PARTY TRANSACTIONS

During the years ended June 30, 2010 and 2009, Dr. Paul Twomey, ICANN’s former President and Chief Executive Officer, provided services to ICANN through a professional services agreement with Argo Pacific Party Limited (Argo Pacific), an Australian Proprietary Company. Dr. Twomey is the owner/founder of Argo Pacific.
Payments were made to Argo Pacific under a contractual arrangement with ICANN (the terms of which were approved by the ICANN Board of Directors) for the provision of Dr. Twomey’s professional services, benefits allowance, and for related expenses (incidental travel, telecommunications, computer supplies, and office supplies). This contractual arrangement terminated on December 31, 2009.

Pursuant to the agreement, during the year ended June 30, 2010, Argo Pacific was paid $95,000 associated with Dr. Twomey’s employee benefits, $296,000 in base compensation, and $218,000 in bonus payments. A portion of these bonus payments were made for services rendered during the year ended June 30, 2009. Argo Pacific’s agreement with ICANN is denominated in Australian Dollars. During the year ended June 30, 2009, Argo Pacific was paid $161,000 associated with Dr. Twomey’s employee benefits, $505,000 in base compensation, and $113,000 in bonuses. Reimbursements made to Argo Pacific for related expenses such as travel, telecommunications, and office supplies amounted to $3,000 and $18,000 for the years ending June 30, 2010 and 2009, respectively. Total payments made to Argo Pacific for the years ended June 30, 2010 and 2009, were approximately $611,000, and $797,000, respectively. There were no outstanding amounts due to Argo Pacific as of June 30, 2010. There was $6,000 of expense reimbursements included in accounts payable and accrued expenses for Argo Pacific as of June 30, 2009; there was none as of June 30, 2010.

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

Dr. Bruce Tonkin is a voting member of the Board of Directors. Dr. Tonkin is also Chief Strategy Officer of Melbourne IT, an ICANN accredited registrar. Revenue from Melbourne IT amounted to $833,000 and $1,010,000 for the years ended June 30, 2010 and 2009, respectively, under the fee structure of the standard Registrar Accreditation Agreement. To avoid any conflict of interest between ICANN and Melbourne IT, Dr. Tonkin abstains from voting on all matters he identifies as potential conflicts of interest which come before the Board.

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

Additionally, the following voting Board members have identified potential conflicts in accordance with ICANN’s Conflicts of Interest Policy: Harald Tveit Alvestrand, Steve Crocker, Rita Rodin Johnston, Mike Silber and Kuo-Wei Wu.
NOTE 8 - COMMITMENTS

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

<table>
<thead>
<tr>
<th>Year</th>
<th>Minimum Payment</th>
</tr>
</thead>
<tbody>
<tr>
<td>2011</td>
<td>$1,988,000</td>
</tr>
<tr>
<td>2012</td>
<td>$1,910,000</td>
</tr>
<tr>
<td>2013</td>
<td>$873,000</td>
</tr>
<tr>
<td>2014</td>
<td>$811,000</td>
</tr>
<tr>
<td>2015</td>
<td>$851,000</td>
</tr>
<tr>
<td>Thereafter</td>
<td>$3,254,000</td>
</tr>
<tr>
<td>Total</td>
<td>$9,687,000</td>
</tr>
</tbody>
</table>

Rent expense amounted to approximately $2,113,000 and $1,586,000 for the years ended June 30, 2010 and 2009, respectively. ICANN also has pass-through and additional charges from certain sublessors which are not included in the minimum expected payments above. The pass-through and additional charges cannot be reasonably estimated for future periods. Pass-through and additional charges amounted to approximately $247,000 and $196,000 for the years ended June 30, 2010 and 2009, respectively.

NOTE 9 - DEFINED CONTRIBUTION PENSION PLAN

ICANN’s 401(k) Plan (the “Plan”) is available to all employees in the United States at the first of the month following hire date with ICANN. ICANN contributes 5% of employee’s salary to the plan regardless of employee contributions. ICANN also matches employee contributions up to 10% of the employee’s annual salary. Employer contributions recognized for the years ended June 30, 2010 and 2009 amounted to approximately $1,598,000 and $1,341,000, respectively. The June 30, 2010 payroll contribution of $107,000 was funded on June 30, 2010. The June 30, 2009 payroll contribution funding of $97,000 was outstanding as of that date and was funded July 6, 2009.

An internal audit of the 401(k) plan performed by ICANN revealed that between 2005 and 2008, several untimely payments to the Plan consisting of employee deferrals were made after the date required under the Department of Labor’s regulations. To correct this error and to compensate for all lost interest, ICANN made a corrective payment to the Plan and reported the correction to the Department of Labor through the Department's Voluntary Fiduciary Correction Program. Contributions were made to affected participants of the plan to compensate for the lost interest resulting from the late payments.

The above noted internal audit also revealed errors related to administration of the Plan. ICANN has filed an application with the Internal Revenue Service ("IRS") for making the necessary corrections to the Plan under the IRS’s Voluntary Correction Program. Upon acceptance of the proposed corrections by the IRS, ICANN will make additional adjustments to affected Plan accounts.
NOTE 10 - SUBSEQUENT EVENTS

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