ARIN

American Registry for Internet Numbers

Annual Report
2004

The American Registry for Internet Numbers
http://www.arin.net

3635 Concorde Parkway
Suite 200
Chantilly, VA 20151

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Chairman's Message

For ARIN and the entire Internet community, 2004 was a busy year. In particular, the World Summit on the Information Society (WSIS) discussion on Internet governance intensified. As a result of the first phase of the summit, conducted in Geneva, Switzerland in December 2003, the Secretary General of the United Nations formed the Working Group on Internet Governance (WGIG) and assigned it the task of reporting to the WSIS a recommendation concerning Internet governance.

This discussion is of extreme interest to ARIN, as the outcome may profoundly affect the future of both ARIN and the entire Internet community. Accordingly, ARIN participated in several forums through its involvement with the Number Resource Organization (NRO). The NRO is recognized as an interested party in these discussions. ARIN, along with the other RIRs that constitute the NRO, provided a steady and firm voice promoting our community-based, bottom-up policy processes. ARIN will continue in this role throughout 2005, with the second phase of the WSIS summit to be held in Tunis, Tunisia in November 2005.

Activity continued in the policy development process during 2004. In addition to community discussion of many policy proposals, ARIN amalgamated all of its existing policy documents into a single manual: the Number Resource Policy Manual (NRPM). It aptly demonstrated its usefulness during the ARIN XIV Public Policy meeting in October, and participants found it an easy reference to existing policy language while discussing proposals.

The high level of activity in 2004 also extended to the Board of Trustees. Of particular note, ARIN implemented several internal controls to put it in compliance with the Sarbanes-Oxley legislation. Nonprofit organizations are not obligated to meet the requirements of this legislation; however, the Board felt that ARIN should be operating to the highest standards available for practices and accountability.

I expect 2005 to be another exciting and positive year for ARIN, and I look forward to active participation by all of ARIN's members and stakeholders in this important work.

John Curran
Chairman
ARIN Board of Trustees

President's Message

For ARIN, 2004 was another exciting and successful year. Activities included conducting biannual meetings, revising the policy proposal process, producing the ARIN policy manual, signing the Address Support Organization Memorandum of Understanding (ASO MoU), adjusting the staff organization, defining service level commitments, devising the ARIN project roadmap, and supporting the emergence of AfriNIC.

The ARIN XIII and ARIN XIV meetings were resounding successes. The community considered twelve policy proposals using the updated Internet Resource Policy Evaluation Process (IRPEP). The community adopted three proposals as ARIN policies, deferred two for further consideration, and rejected the remaining seven. The revised IRPEP refined the role of the Advisory Council and added a staff impact analysis and a legal review for each proposal.

ARIN also developed and published the Number Resource Policy Manual (NRPM). Over the years, the ARIN community has actively considered and adopted numerous policies, with no uniformity in proposal formatting. As the number of policies increased, the ability to refer to any single policy or to see its relation to other policies had become increasingly difficult. The ARIN staff undertook the task of collating, formatting, and indexing the existing policies into a single document. The Advisory Council then conducted a comprehensive review of the new Manual to ensure all elements of the existing policies were included and that the editing and formatting process did not introduce any changes to policy. Upon completion of the review, the President certified the final document and submitted it to the Board of Trustees for adoption. On September 29, 2004, the Board adopted the NRPM as the authoritative ARIN policy document, and it became effective on October 15, 2004.

ARIN XIV, the third back-to-back meeting with NANOG, featured the signing of the ASO MoU between the NRO and ICANN. The chief executives for several RIRs and ICANN participated in the ceremony. On hand for the RIRs were Raúl Echeberría, LACNIC, Axel Pawlik, RIPE NCC, and myself, representing ARIN; Paul Wilson, APNIC, had signed the ASO MoU before the meeting. Paul Twomey represented ICANN. The signing was the culmination of a process that began with the start of the ICANN reform process in February 2002.

The most significant staff activity of 2004 was the creation of the position of Director of External Relations. This new position has two main functions: external relations, extracted from the Director of Operations position, and Special Assistant to the President. This enables ARIN to concentrate more executive attention and focus on external activities. The Director of Operations now focuses strictly on internal coordination of the five ARIN departments and retains the function of Deputy to the President. This enables an executive-level focus on day-to-day activities. Richard Jimmerson, former Director of Operations, filled the new Director of External Relations position. Nate Davis, a former ARIN Director of Engineering, came back to ARIN to fill the Director of Operations position vacated by Richard.

The implementation of procedures defined by the Sarbanes-Oxley legislation also affected the staff. While ARIN, as a nonprofit corporation, is not required to conform to this legislation, we have done so to offer the community the greatest possible sense of trust in ARIN's financial activities.

With the Director of Operations now able to focus exclusively on internal activities, ARIN has been able to articulate service level commitments and strive for a 100% satisfaction rate. ARIN has developed a three-year plan providing for the implementation of improvements to existing services and implementation of new, community-requested services. This project roadmap has improved ARIN's ability to forecast resource requirements, thus enabling a more even and uniform application of those resources to fulfill the service needs of the community.

As 2004 came to a close, ARIN re-affirmed its commitment to supporting the emergence of AfriNIC as the fifth RIR. In addition to providing training and financial assistance, ARIN conducted a subregional policy meeting in Dar es Salaam, Tanzania, to increase involvement of the African community in the policy process.

I, and all the members of the ARIN staff, look forward to serving you in 2005.

Thank you,

Raymond A. Plzak
ARIN President and CEO

1. Overview of ARIN

1.1 Mission Statement

Applying the principles of stewardship, ARIN, a nonprofit corporation, allocates Internet Protocol resources; develops consensus-based policies; and facilitates the advancement of the Internet through information and educational outreach.

1.2 Region

In 2004, the American Registry for Internet Numbers (ARIN) managed the Internet number resources for North America, a portion of the Caribbean, and sub-equatorial Africa.

1.3 Organizational Structure and Status

ARIN's organizational structure provides an effective framework for its operation as a service organization that is responsive to the needs of the public it serves. Users in the community organize and drive ARIN's activities as shown below. This allows ARIN to keep in step with the community's requirements. The organization's structure changed from two perspectives in mid-2004.

Richard Jimmerson assumed the newly created position of Director of External Relations, leveraging his experience with both ARIN and outside organizations to focus on ARIN activities within the larger Internet community. In this position, Richard coordinates the development of Internet number resource policy through regional and global liaison, communicates with stakeholders in the ARIN region, and promotes participation in the number resource policy development process. In addition, Nate Davis assumed the position of Director of Operations, in which he works with the ARIN President to manage ARIN's daily operations. This revamped structure enables ARIN to focus on both external and internal activities more effectively.

2. Activity Reports

2.1 ARIN Departments

Human Resources and Administration
Director: Mary K. Lee

Function: Performs personnel acquisition, employee compensation management, benefits administration, payroll administration, employee training, office management, office security, and travel administration.

It was another busy year for internal activities. The HR and Admin Department revised job descriptions, produced an Interviewing Handbook, and responded to changes from the Department of Labor. Two more employees reached the five-year service mark, and we welcomed a student intern and several new staff members. A new position, Director of External Relations, was established and Richard Jimmerson assumed this position. ARIN hired Nate Davis to fill the redefined Director of Operations position. The management team held their first all-day offsite meeting and will hold two of these meetings per year.

By year's end, the ARIN team consisted of forty full-time positions, one part-time position, and a student intern. The staff includes twenty-three men and sixteen women. Half of the staff has been at ARIN for three years or more.

During 2005, the HR and Administration Department will complete a job analysis project. This will entail an in-depth interview and hands-on time with each employee. Other plans for the year include a new salary survey, individual management training, and some facility improvements.

Business
Director: Bob Stratton

Function: Provides ARIN financial services, which include, accounts receivable, accounts payable, contracts, budgeting, general accounting activities, and financial reporting.

ARIN's collection of overdue accounts receivable remain a high priority and the Business department continues to address this issue. The department implemented a new e-mail process for creating annual renewal and maintenance invoices, and for contacting customers to update their billing information. ARIN restructured the accounts receivable team to include all aspects of handling overdue accounts. ARIN's accounts payable process is continuing to improve, and its investment program had another outstanding year.

Of the several major projects begun or completed during 2004, one of the most important was automating data entry. ARIN maintains billing data in several different data areas that require separate data entry. At the conclusion of this project, undertaken by the Engineering Department, data only to be entered once. Lastly, based on the recommendations of the auditor, ARIN implemented a new process for receiving and processing checks for accounts receivable.

A major project for the upcoming year is to implement an automated fixed-asset tracking system within the current accounting software. As ARIN has increased in size and activities, the assets have also increased, and it needs new, more integrated software to track the assets. In addition, ARIN plans a major cleanup of billing contact information in conjunction with ARIN's new website. The new website will save time for our members and customers by providing them the option of filling out a Billing Contact Update Form. This will in turn allow for more efficient invoicing and collections on ARIN's part. The department is also working on a new e-mail reminder notice to help alleviate invoices from becoming overdue.

Engineering
Director: Ginny Listman

Function: Performs hardware, software, and database maintenance, system administration, internal network operations, system administration, software development, and hardware acquisition.

During 2004, the department restructured to improve process flow. Projects were undertaken to support both external and internal ARIN operations and services. The accomplishments included:

Improvements to ARIN Network and Existing Services
The department moved ARIN's colocated network service operations to a more robust location that provided, among other

features, multihoming capability. Much of the work for the design of the colocated network developed from the Disaster Recovery Plan completed earlier in the year. Further analysis of the internal network resulted in not only enhanced security but also better support for future growth. In mid-year, the department established IPv6 services at the ARIN offices. These services included DNS, FTP, web, and port 80 WHOIS. The department expects to establish redundant services at the colocation site in 2005. The department also deployed an IRC server to improve communication internally amongst the staff and for Board of Trustee and Advisory Council members.

AfriNIC Transition

As part of ARIN's efforts to support the emergence of AfriNIC as the fifth RIR, the department undertook many activities. ARIN provided AfriNIC staff access to the necessary software and information in a secure fashion. A review of the activities and processes that ARIN completed for LACNIC's transition was conducted with the AfriNIC staff. As a result of these activities, final recognition of AfriNIC is expected by the first quarter of 2005 final recognition of AfriNIC is expected.

Cryptographic Authentication

The Engineering department completed a major step to improve the security of registration transactions with the introduction of Cryptographic Authentication (CA). ARIN established its own certificate authority, and the goal is the deprecation of MAIL-FROM authentication for these transactions.

Improvements to Collection Process

The department developed improvements in the tracking of overdue accounts that resulted in a more efficient collection of overdue accounts.

Goals for 2005:
- See through to completion the recognition of AfriNIC, including the transfer and management of all resource within the emerging region.
- Continue to work the other RIRs through the NRO on joint projects including:
  - A plan on migrating the administration of shared services
  - Joint WHOIS
  - CRISP
  - DNSSEC
- Improve internal operations through the following:
  - Integration of the Membership Services database with the Registration Services database
  - Integration of the Billing database with the Registration Services database
  - Redesign of a Ticketing System to improve reported statistics

Member Services
Director: Susan Hamlin

Function: Provides ARIN member services, which include, facilitating the policy development process, managing association services, providing information services, and supporting ARIN outreach activities.

Policy Development Process

The operation and robustness of the Internet Resource Policy Evaluation Process (IRPEP) was sustained and further improved. As part of the staff restructuring, the Policy Analyst position moved to the Member Services Department. This allows for closer coordination in developing and distributing announcements and information related to policy matters. The secretariat support to the Advisory Council increased with the improvement of the ARIN AC internal website. The department initiated secretariat support for the ARIN region members of the ICANN ASO Address Council by providing them with an e-mail discussion list and an internal website. ARIN added legal and resource impact analyses for each proposal to the IRPEP. In addition, ARIN initiated an internal review of current policies to assess their impact on ARIN operations. The Member Services Department also conducted the biannual Public Policy Meetings and Member Meetings in 2004.

Association Services

Membership in ARIN continued to show a slow but steady increase [see page 29]. The department facilitated the election process for the ARIN Board of Trustees and the ARIN Advisory Council using the revised bylaws and election guidelines. The department developed the revisions following direction given by the Board. In addition, Member Services developed a set of procedures for the election and selection of the ARIN region members of the NRO Number Council and the ICANN ASO Address Council as a consequence of the signing of the ASO MoU by the ICANN and the NRO in October at the ARIN XIV meeting in Reston, Virginia.

Information Services

Member Services continued providing the community information regarding ARIN activities. Staff began the process of making major improvements to the ARIN website, with the release of a redesigned and updated website scheduled for the first half of 2005. Goals for the new site include expanded information and resources, revised and repackaged content, and improved navigation. Member Services, working with the other RIRs, actively participated in the Number Resource Organization (NRO) Communication Coordination Group (CCG) to produce NRO announcements and statements, and to strengthen and update the NRO website.

Outreach

Support for outreach activities featured the implementation of a mechanism allowing active participation for those attending the ARIN public policy meetings via webcast. The department supported ARIN in conducting a regional meeting in Dar es Salaam, Tanzania, in June 2004. One of the results of this meeting was the increased participation in the policy process by stakeholders in Africa. Other outreach support included the development of information papers such as the ARIN Fact Sheet and an "ARIN and IPv6" brochure. The department introduced targeted surveys to obtain information from stakeholders who are not regular participants in the policy process, as well as to get feedback regarding specific ARIN services.

Ahead in 2005

The improved ARIN website will help those requesting Internet number resources by providing clearer step-by-step instruction for each type of resource request. The most frequently visited web pages will be more accessible and new content will address inquiries frequently raised to ARIN staff via phone or e-mail.

Working closely with the Director of External Relations, Member Services will move forward with targeted surveys of the Internet community and will explore new presentation formats in order to convey information about ARIN more effectively.

ARIN will create a new staff position in Member Services to work in the area of public and media relations. Overall, efforts will focus on stronger outreach to potential customers and work within the Internet community to strengthen the position of the RIRs in global Internet governance discussions.

Registration Services
Directory: Leslie Nobile

Functions: Allocate and assign IP number resources, maintain IP registry and routing registry directories, administer reverse mapping DNS, and operate the ARIN IP registry help desk.

For the first time since 2001, the number of IPv4 allocations made in the ARIN region increased with a year-end total of the equivalent of 1.66 /8s issued. However, the number of IPv6 allocations and Autonomous System Number (ASN) assignments decreased. For ASNs, this marked the third year in a row that they have decreased. On average, the help desk received 1,450 calls per month, and the main departmental e-mail account of hostmaster@arin.net received close to 67,000 e-mails per month, with 50,000 of those containing template requests.

The department experienced some turnover in staff this past year, but on average, Registration Services operated with seven to eight IP analysts. The staff participated in a number of interdepartmental projects, including the development of the ARIN Cryptographic Authentication, the restructuring and rewriting of content on the ARIN website, database and software enhancements, database clean-up efforts, Early Registration Transfer (ERX) research and support, billing revocations and billing integration planning. The department was heavily involved in the AfriNIC transition effort, in particular providing training and co-evaluation of number resource requests with AfriNIC staff.

Registration Services conducted an off-site strategic planning meeting in early December to plan new projects and set goals

for 2005. The very productive session resulted in exciting new ideas and strategies to accomplish these goals. The objectives for 2005 include improving, streamlining, and simplifying internal processes and procedures, maximizing efficiency, minimizing errors and delays, and improving overall service to the customer.

In order to meet these objectives, the staff will develop and implement a number of projects including: revising and simplifying all templates; adding process and procedure checklists to the website as guidelines in completing requests; completing intensive cross-training within the department to ensure overall proficiency and consistency, and allowing software to automatically process additional template types. In 2005, the staff also hopes to see development of more web-generated templates and enhancements made to the WHOIS database. One last project will be the offer of an online survey following the completion of a request. This will allow customers to provide feedback regarding the overall request process, which will lead to service improvements.

2.2 Advisory Council Report

Members

The members of the Advisory Council (AC) for 2004 were:

Paul Andersen	Leo Bicknell
Ron da Silva	Bill Darte, Vice Chair
Andrew Dul	Sanford George
Mark Kosters	Kevin Martin
Alec Peterson, Chair	Lea Roberts
Rob Seastrom	John Sweeting
Stacy Taylor	Cathy Wittbrodt
Suzanne Woolf	

Meetings

The Advisory Council met in person at ARIN's biannual meetings in Vancouver, British Columbia, and Reston, Virginia. In addition, they met six times via teleconference. The minutes from these meetings are available online at http://www.arin.net/meetings/minutes/ac/.

Elections and Resignations

In October 2004, Advisory Council seats occupied by Paul Andersen, Ron da Silva, Sanford George, Kevin Martin, and Cathy Wittbrodt were up for election. ARIN's General Members in good standing voted to elect Paul Andersen, Marla Azinger, Ron da Silva, Alex Rubenstein, and Cathy Wittbrodt to three-year terms. AC members elected in October 2004 begin their terms on January 1, 2005. No AC members resigned in 2004.

Advisory Council Policy Actions

Moved to Recommend Adoption

2002-2: Experimental Internet Resource Allocations

2003-3: Residential Customer Privacy

2003-4: IPv6 Policy Changes

2003-5: Distributed Information Server Use Requirements

2004-5: Address Space for Multiple Discrete Networks

Moved to Abandon

2003-9: WHOIS Acceptable Use Policy (AUP)

2003-16: POC Verification

2004-1: Defining Utilization of IPv4 Addresses

2004-2: Use of HD-Ratio for IPv4 Allocations

2004-4: Purpose and Scope of ARIN WHOIS Directory

2004-6: Privacy of Reassignment Information

2004-7: Residential Customer Privacy Policy

Continued to Develop

2004-3: Global Addresses for Private Network Inter-Connectivity

2004-8: Allocation of IPv6 Address Space by the Internet Assigned Numbers Authority (IANA) Policy to Regional Internet Registries

2.3 Board of Trustees Report

Members

The members of the Board of Trustees for 2004 were:

Officers

Chairman: John Curran, Chief Technology Officer, ServerVault

Secretary and Vice Chair: Scott Bradner, Senior Technical Consultant, Harvard Office of the Provost, Harvard University

Treasurer: Lee Howard, Technical Project Manager, Blackboard, Inc.

President: Ray Plzak, Chief Executive Officer, American Registry for Internet Numbers

Trustees

- David Conrad, Chief Technology Officer, Nominum, Inc.
- Bill Manning, Partner, EP.NET, LLC.
- Bill Woodcock, Research Director, Packet Clearing House

Meetings

The Board of Trustees met in person on:

March 22, 2004 – San Francisco, CA

April 19, 2004 – Vancouver, BC, Canada (ARIN XIII)

August 3, 2004 – San Diego, CA

October 20, 2004 – Reston, VA (ARIN XIV)

November 9, 2004 – Washington, DC

The Board also met eight times via teleconference throughout the year. The minutes from all Board meetings are available online at http://www.arin.net/meetings/minutes/bot/.

Elections and Resignations

In October 2004, the two seats occupied by Lee Howard and Bill Manning were up for election. ARIN's General Members in good standing voted to elect Bill Manning and Paul Vixie for three-year terms to begin January 1, 2005. No Board members resigned in 2004.

Board of Trustees Policy Actions

Adopted:

2002-2: Experimental Internet Resource Allocations

2002-3: Address Policy for Multi-homed Networks

2003-3: Residential Customer Privacy

2003-4: IPv6 Policy Changes

2003-5: Distributed Information Server Use Requirements

2003-15: IPv4 Allocation Policy for the Africa Portion of the ARIN Region

Other Actions

- Elections

  - Elected officers: John Curran, Chairman; Scott Bradner, Secretary and Vice Chair; Lee Howard, Treasurer

  - Approved updated and revised ARIN Bylaws

  - Adopted new election guidelines

  - Adopted an ARIN Board Election Petition Process

  - Confirmed election results for Board of Trustees, Advisory Council, and the ASO AC representative from the ARIN region

  - Confirmed appointment of Lee Howard as interim appointee to the ASO AC

- Fees & Registration Services

  - Revised ARIN's Registration Services Agreement (RSA)

  - Modified initial fees for IPv4 allocations

  - Modified size categories and initial fees for assignments

  - Modified initial and renewal fees for IPv6 allocations

  - Modified fees for IPv6 assignments

  - Established experimental IP address space allocation fees

  - Extended the current waiver of IPv6 fees to all General Members in good standing until December 31, 2006

  - Extended the waiver of registration fees for the transfer of Internet number resources through June 30, 2005

- Financial Decisions

  - Approved annual contribution to Merit "for the purpose of electronically disseminating the NANOG meetings"

  - Authorized the release of 50-percent of the funds held in escrow, as of April 1, 2004, to ICANN. The Board of Trustees authorized the release of the remaining funds in escrow to ICANN, at the discretion of the President, consistent with an encouragement to sign the IANA contract

  - Amended the Finance Committee Charter

  - Authorized the President to disperse to AfriNIC 50-percent of the revenue derived from the registration activities in the African portion of the ARIN region until AfriNIC receives final recognition from ICANN, or December 31, 2005, whichever comes first

- Meetings

  - Approved an ARIN meeting in Africa to develop common policies across the emerging AfriNIC region

  - Moved to open ARIN Members Meetings to participation by nonmembers

- Policy Process

  - Approved the ARIN Internet Number Resource Policy Manual

2.4 Public Policy and Members Meeting Reports

ARIN XIII
Public Policy Meeting: April 19-20, 2004
Members Meeting: April 21, 2004
Vancouver, British Columbia, Canada

Attendance at ARIN XIII included 82 people from 18 states, the District of Columbia, 5 Canadian provinces, and 9 countries. Attendees enjoyed the hospitality of meeting sponsors Telus Corporation, Shaw Communications, Big Pipe Inc., and Peer 1 Network during ARIN XIII.

Public Policy Meeting Report

Meeting minutes: http://www.arin.net/meetings/minutes/ARIN_XIII/ppm.html

Section 4.2 Policy Proposal Discussions and Actions in 2004 includes summaries of the policy discussions from this meeting.

Other Discussion Items:

NRO Report

On behalf of the NRO, Axel Pawlik, Managing Director of the RIPE NCC, gave a presentation on the Number Resource Organization. His update included a history of the issues that led to the formation of the NRO and information on the current status of the NRO, its structure, and its activities.

ICANN Report

Paul Verhoef, ICANN's Vice President for Policy Development Support, presented recent ICANN achievements and activities, as well as a general overview of ICANN's operations and structure. Highlighted issues and activities included ICANN's organizational restructuring and new staff recruitment effort, its new office in Brussels, and details of the continued work on the extension and finalization of its MoU with the U.S. Department of Commerce.

ASO MoU Update

Axel Pawlik provided a presentation on the Address Supporting Organization (ASO) Memorandum of Understanding (MoU). His presentation focused on providing a historical timeline of the MoU and the organizations involved.

World Summit on the Information Society (WSIS) Discussion

John Curran, Chairman of the ARIN Board of Trustees, introduced a panel of speakers to address the issues surrounding WSIS. The panelists included Lynn St. Amour, President and CEO of the Internet Society (ISOC); Theresa Swinehart, General Manager for Global Partnerships at ICANN; and on behalf of all the RIRs, Axel Pawlik of RIPE NCC.

Near-Real-Time Publication of Allocated Net Blocks Discussion

Leo Bicknell, of the ARIN Advisory Council, gave a presentation on the possibility for the publication of data showing allocated net blocks. Leo emphasized that while this was not yet a policy proposal, the ARIN AC and staff looked to the community for input on the issue. After his presentation, attendees held a lengthy discussion and the AC announced it would take all the feedback under advisement.

Preview of ARIN Policy Catalog and Glossary

Richard Jimmerson, then ARIN's Director of Operations and now Director of External Affairs, previewed the idea of enumerating the current ARIN policies for easy reference and documentation clarity. The goal is to replace the current ARIN policy web pages with a single document containing numbered and lettered sections. Challenges include unintended policy changes and community mapping of existing documentation to a new document. He presented a timeline for completion, which included

additional opportunities for feedback from the community, and culminated in the possible publication of the new policy document at the end of 2004.

Members Meeting Report

Meeting minutes: http://www.arin.net/meetings/minutes/ARIN_XIII/mem.html

Directors of ARIN's departments, the Chairs of the ARIN Advisory Council and Board of Trustees, and ARIN's Treasurer all gave reports. Highlights included Alec Peterson, Chairman of the Advisory Council, providing status reports on pending policy proposals and Lee Howard, ARIN Treasurer, giving an overview of ARIN's financial position and its outlook for the future.

ARIN XIV
Public Policy Meeting: October 20-21, 2004
Members Meeting: October 22, 2004
Reston, Virginia

ARIN XIV, held back-to-back with NANOG 32, had almost 170 attendees, representing 24 states, the District of Columbia, and 12 countries. There were 73 first-time attendees. In addition, 95 people attended both the ARIN Public Policy Meeting and NANOG 32. America Online and Time Warner Cable sponsored the meeting.

Public Policy Meeting Report

Meeting minutes: http://www.arin.net/meetings/minutes/ARIN_XIV/ppm.html

Section 4.2 Policy Proposal Discussions and Actions in 2004 includes summaries of the policy discussions from this meeting.

Other Discussion Items:

ICANN Address Supporting Organization Address Council Update

ASO AC member Louis Lee presented the ASO AC status report. He provided an explanation of how the ASO fits into the structure of ICANN, an overview of its duties and activities, and a listing of its members.

ICANN Update

Paul Twomey, ICANN's CEO, gave a presentation on ICANN that focused on the challenges of international technical coordination, ICANN's achievements since its meeting in Rome, and its ongoing work.

A Comprehensive Proposal for WHOIS Data

Leo Bicknell presented a proposal for policy ideas relating to ARIN's WHOIS directory service. He noted his proposal aimed to combine many of the previously suggested proposals and included some additional ideas to address cohesively how WHOIS at ARIN is used. He stated the objectives of this proposal were to balance the needs of WHOIS stakeholders, with a focus on data of "high value," and the inclusion of an enforcement option and detailed definitions. After his presentation, attendees engaged in a thorough discussion, and Leo stated he would take all the feedback under advisement in crafting a formal proposal.

ASO Memorandum of Understanding Signing Ceremony

Ray Plzak, ARIN President and CEO, introduced those who would be involved in the signing. Signatories were: Raúl Echeberría, LACNIC CEO; Axel Pawlik, RIPE NCC Managing Director; Paul Twomey, ICANN President and CEO; and Ray Plzak, ARIN President and CEO. Ray then invited Vint Cerf, Chairman of the Board of ICANN, to make remarks.

Vint thanked Ray for the opportunity to speak and said that the ICANN Board is deeply appreciative and has high regard for the work of the Regional Internet Registries. He noted that this new MoU will cement a framework for global Internet address policy development and it represents an important milestone in the evolving mechanisms of Internet policy development. Vint added his personal thanks to all of the RIRs and to everyone in the audience, remarking that many have devoted whole careers to making sure the Internet works, and that nothing is more important than ensuring that it continues to operate for the nearly one billion current users and the billions of future users.

The signatories commenced with the signing of seven copies of the document. Ray noted that one would go to ICANN, one to the Number Resource Organization (NRO), one to each of the four active RIRs, and one would be held in trust for AfriNIC. Ray thanked all those in attendance and said he looked forward to working with ICANN in the future to make their relationship even stronger.

WSIS and WGIG Feedback

ARIN President and CEO Ray Plzak opened the discussion by describing the session as a chance for general feedback

about the World Summit on the Information Society (WSIS) and the Working Group on Internet Governance (WGIG). Ray provided background information and then opened the microphone for comments from Paul Twomey, ICANN CEO; Scott Bradner, ARIN Secretary; and Raúl Echeberría, LACNIC CEO.

Paul, Scott, and Raúl delivered personal remarks based upon their experiences in the political arena that WSIS encompasses. A number of attendees provided additional comments.

IETF IPv6 Addressing Update

Thomas Narten, ARIN IPv6 Working Group Chair, presented an overview of activities in the IETF on IPv6 addressing issues, specifically globally unique local addresses.

Members Meeting Report

Meeting minutes: http://www.arin.net/meetings/minutes/ARIN_XIV/mem.html

Directors of ARIN's departments, the Chairs of the ARIN Advisory Council and Board of Trustees, and ARIN's Treasurer made reports. Other highlights included Megan Kruse, ARIN Communications Specialist, providing a presentation on ARIN Board of Trustees, ARIN Advisory Council, and ASO Address Council election procedures and Nate Davis, ARIN Director of Operations, presenting on ARIN's Service Level Commitments. Due to scheduling issues, Raúl Echeberría, LACNIC CEO, provided the update on LACNIC activities during the Members Meeting, and it is available in the minutes of that meeting.

In addition, candidates for the ARIN Board, the Advisory Council, and the ASO Address Council that attended were given the opportunity to make a statement.

3.   International Activities

ARIN actively participated in a number of international activities in 2004.

With the signing of the NRO MoU in 2003, this past year brought increased activity to complete negotiations with ICANN regarding the Address Supporting Organization. ARIN, along with the other RIRs, still operated under the MoU with ICANN that was signed before ICANN changed and adopted its bylaws as a result of the ICANN reform process.

As a full and active partner in the NRO, ARIN participated in drafting and negotiating the new ASO MoU. This culminated in the signing of the document by ICANN and the NRO at the ARIN XIV meeting in Reston.

The annual election of an ARIN-region member to the ASO Address Council was conducted in conjunction with the ARIN XIV meeting in Reston. Sanford George, a former member of the ARIN Advisory Council, was elected to a 3-year term, filling the seat vacated by Eric Decker.

At its December 10, 2004 meeting, the ARIN Board of Trustees appointed Lee Howard as an interim member of the NRO Number Council from the ARIN region in accordance with the ASO MoU. This appointment is part of the transition of the Address Council to its new organization as described in the MoU. Lee Howard replaced Mark McFadden, the longest-serving member of the ASO AC from the ARIN region, with a term beginning January 1, 2005.

The World Summit on the Information Society (WSIS) again took center stage in the global debate about Internet governance. ARIN actively participated as a member of the NRO in this debate, with the NRO adopting several position papers, and ARIN took part in open sessions of several meetings of the WSIS Working Group on Internet Governance (WGIG). By the end of the year, the challenge for ARIN and the NRO was to provide governments with an awareness of the current Internet number resource system and highlight improvements that could be made to that system.

ARIN's activities also extended into the global policy development process. The ARIN community used its Internet Resource Policy Evaluation Process to recommend, via the NRO, ICANN Board ratification of a policy regarding the allocation of IPv4 address space from the IANA to the RIRs. The other RIRs did the same, resulting in a recommendation to the ICANN Board via the Address Council that such a global policy be ratified. As of December 31, the ICANN Board had the matter under advisement. In 2004, there was the introduction of a similar policy regarding the allocation of IPv6 address space from the IANA to the RIRs. This policy is expected to be an active topic in all the RIRs in 2005.

Perhaps the most exciting activity of 2004 was the continued emergence of AfriNIC as the fifth RIR. ARIN, as part of the NRO, participated in the support and development of AfriNIC. ARIN's participation consisted of providing resources in the form of fiscal, technical, and staff assistance. The global community anticipated final recognition of AfriNIC in the first half of 2005.

Internet Community Meetings

ARIN seeks opportunities to engage the community in dialogue and provide information to the public on its role as a Regional Internet Registry. ARIN participated in the following meetings throughout the year.

- RIPE 47, January 26-30, Amsterdam, NL
- NANOG 30, February 8-10, Miami, FL, US
- APRICOT / APNIC 17, February 23-27, Kuala Lumpur, MY
- IETF 59, February 29 - March 5, Seoul, KR
- ICANN, March 2-6, Rome, IT
- RIPE 48, May 3-7, Amsterdam, NL
- INET/IGC 2004, May 10-14, Barcelona, ES

- AfriNIC I, May 23-24, Dakar, SN
- NANOG 31, May 23-25, San Francisco, CA, US
- Joint-Techs Workshop, July 18-21, Columbus, OH, US
- ICANN, July 19-23, Kuala Lumpur, MY
- RIPE NCC Regional Meeting, July 28-30, Nairobi, KE
- IETF 60, August 1-6, San Diego, CA, US
- APNIC 18, August 31 - September 3, Nadi, FJ
- RIPE 49, September 20-24, Manchester, UK
- NANOG 32, October 17-19, Reston, VA, US
- LACNIC VII, October 26-28, San Jose, CR
- IETF 61, November 7-12, Washington, DC, US
- NAv6TF Technologist Seminar, November 16-17, Arlington, VA, US
- ICANN, December 1-5, Cape Town, ZA

4.   Public Policy Report

4.1 Internet Resource Policy Evaluation Process (IRPEP)

The ARIN Board of Trustees ratifies Internet resource policies only after a full public discussion, a recommendation from the ARIN Advisory Council, and expressed consensus in support of the policy among the community.

The IRPEP governs the steps necessary to adopt a policy proposal, and is available on ARIN's website at http://www.arin.net/policy/irpep.html.

The ARIN Board of Trustees ratified an updated version of the IRPEP at the end of 2003, and it took effect on January 22, 2004. Active policy proposals transferred from the old IRPEP into the new IRPEP at the appropriate stage of the process.

4.2 Policy Proposal Discussions and Actions in 2004

Policy text, mailing list archives, and meeting minutes are available at the following websites:

Policy Proposal Text and Status Reports:
http://www.arin.net/policy/proposals/proposal_archive.html

Mailing List Archives:
http://www.arin.net/mailing_lists/

ARIN Public Policy and Members Meeting Minutes:
http://www.arin.net/meetings/minutes/

Board of Trustees Meeting Minutes:
http://www.arin.net/meetings/minutes/bot/

Advisory Council Meeting Minutes:
http://www.arin.net/meetings/minutes/ac/

Policy Proposal Discussion Summaries and Status

2002-2: Experimental Internet Resource Allocations
http://www.arin.net/policy/proposals/2002_2.html

Discussion of this proposal took place in 2002 and 2003. The AC determined that this proposal had the support of the community.

Status as of 12/31/2004: Adopted by the Board of Trustees on June 10, 2004, and implemented by ARIN staff on December 16, 2004.

http://www.arin.net/mailing_lists/ppml/3120.html

2002-3: Address Policy for Multi-homed Networks
http://www.arin.net/policy/proposals/2002_3.html

Discussion of this proposal took place in 2002 and 2003. The AC determined that this proposal had the support of the community.

Status as of 12/31/2004: Adopted by the Board of Trustees and implemented by ARIN staff on May 18, 2004.

http://www.arin.net/mailing_lists/ppml/3120.html

2003-3: Residential Customer Privacy
http://www.arin.net/policy/proposals/2003_3.html

Discussion of this proposal took place in 2003. The AC determined that this proposal had the support of the community.

Status as of 12/31/2004: Adopted by the Board of Trustees on March 22, 2004 and implemented by ARIN staff on May 10, 2004.

http://www.arin.net/mailing_lists/ppml/2687.html

2003-4: IPv6 Policy Changes
http://www.arin.net/policy/proposals/2003_4.html

ARIN XIII Discussion: The AC determined that this proposal had community support.

Status as of 12/31/2004: Adopted by the Board of Trustees on August 3, 2004 and implemented by staff on December 16, 2004.

http://www.arin.net/mailing_lists/ppml/3121.html

2003-5: RWhois Server Use Requirements
http://www.arin.net/policy/proposals/2003_5.html

Discussion of this proposal took place in 2003. The AC determined that this proposal had the support of the community.

Status as of 12/31/2004: Adopted by the Board of Trustees on June 10, 2004, and implemented by staff on July 2, 2004.

http://www.arin.net/mailing_lists/ppml/2752.html

2003-15: IPv4 Allocation Policy for the African Portion of the ARIN Region
http://www.arin.net/policy/proposals/2003_15.html

Discussion of this proposal took place in 2003. The AC determined that this proposal had the support of the community.

Status as of 12/31/2004: Adopted by the Board of Trustees and staff implemented on May 18, 2004.

http://www.arin.net/mailing_lists/ppml/2688.html

2003-9: WHOIS Acceptable Use Policy (AUP)
http://www.arin.net/policy/proposals/2003_9.html

ARIN XIII Discussion: This proposal was introduced on PPML on March 6, 2003 and presented at ARIN XII. The author revised the text for ARIN XIII. The AC abandoned this proposal due to lack of community support.

Status as of 12/31/2004: Abandoned.

2003-16: POC Verification
http://www.arin.net/policy/proposals/2003_16.html

ARIN XIII Discussion: This proposal was introduced on PPML on August 11, 2003 and presented at ARIN XII. The AC revised the text for ARIN XIII. The AC abandoned this proposal due to lack of community support.

Status as of 12/31/2004: Abandoned.

2004-1: Defining Utilization of IPv4 Addresses
http://www.arin.net/policy/proposals/2004_1.html

ARIN XIII Discussion: This proposal was introduced on PPML on March 17, 2004. The AC abandoned this proposal due to lack of community support.

Status as of 12/31/2004: Abandoned.

2004-2: Use of HD-Ratio for IPv4 Allocations
http://www.arin.net/policy/proposals/2004_2.html

ARIN XIII Discussion: This proposal was introduced on PPML on March 17, 2004. The AC abandoned this proposal due to lack of community support.

Status as of 12/31/2004: Abandoned.

2004-3: Global Addresses for Private Network Inter-Connectivity
http://www.arin.net/policy/proposals/2004_3.html

ARIN XIII Discussion: This proposal was introduced on PPML on March 17, 2004. The AC found community support to refine the text and shepherd the proposal.

ARIN XIV Discussion: The AC found community support to refine the text and shepherd the proposal.

Status as of 12/31/2004: Revised text to be presented to the AC at its next meeting.

2004-4: Purpose and Scope of ARIN WHOIS Directory
http://www.arin.net/policy/proposals/2004_4.html

ARIN XIII Discussion: This proposal was introduced on PPML on March 17, 2004. The AC abandoned this proposal due to lack of community support.

Status as of 12/31/2004: Abandoned.

2004-5: Address Space for Multiple Discrete Networks
http://www.arin.net/policy/proposals/2004_5.html

ARIN XIV Discussion: This proposal was introduced on PPML on September 9, 2004. The AC determined that this proposal had the support of the community.

Status as of 12/31/2004: Awaiting review by the ARIN Board of Trustees.

2004-6: Privacy of Reassignment Information
http://www.arin.net/policy/proposals/2004_6.html

ARIN XIV Discussion: This proposal was introduced on PPML on September 9, 2004. The AC abandoned this proposal due to lack of community support.

Status as of 12/31/2004: Abandoned.

2004-7: Residential Customer Privacy Policy
http://www.arin.net/policy/proposals/2004_7.html

ARIN XIV Discussion: This proposal was introduced on PPML on September 9, 2004. The AC abandoned this proposal due to lack of community support.

Status as of 12/31/2004: Abandoned.

2004-8: Allocation of IPv6 Address Space by the Internet Assigned Numbers Authority (IANA) Policy to Regional Internet Registries
http://www.arin.net/policy/proposals/2004_8.html

ARIN XIV Discussion: This proposal was introduced on PPML on September 20, 2004. The AC found community support to refine the text and shepherd the proposal.

Status as of 12/31/2004: Revised text to be presented at the next Public Policy Meeting.

Appendix A - Registration Statistics

IPv4 Requests by Category 1999 - 2004

	1999	2000	2001	2002	2003	2004
New End-user Requests	595	471	418	254	403	459
New ISP Requests	1,693	2,174	1,879	1,470	1,746	1,876
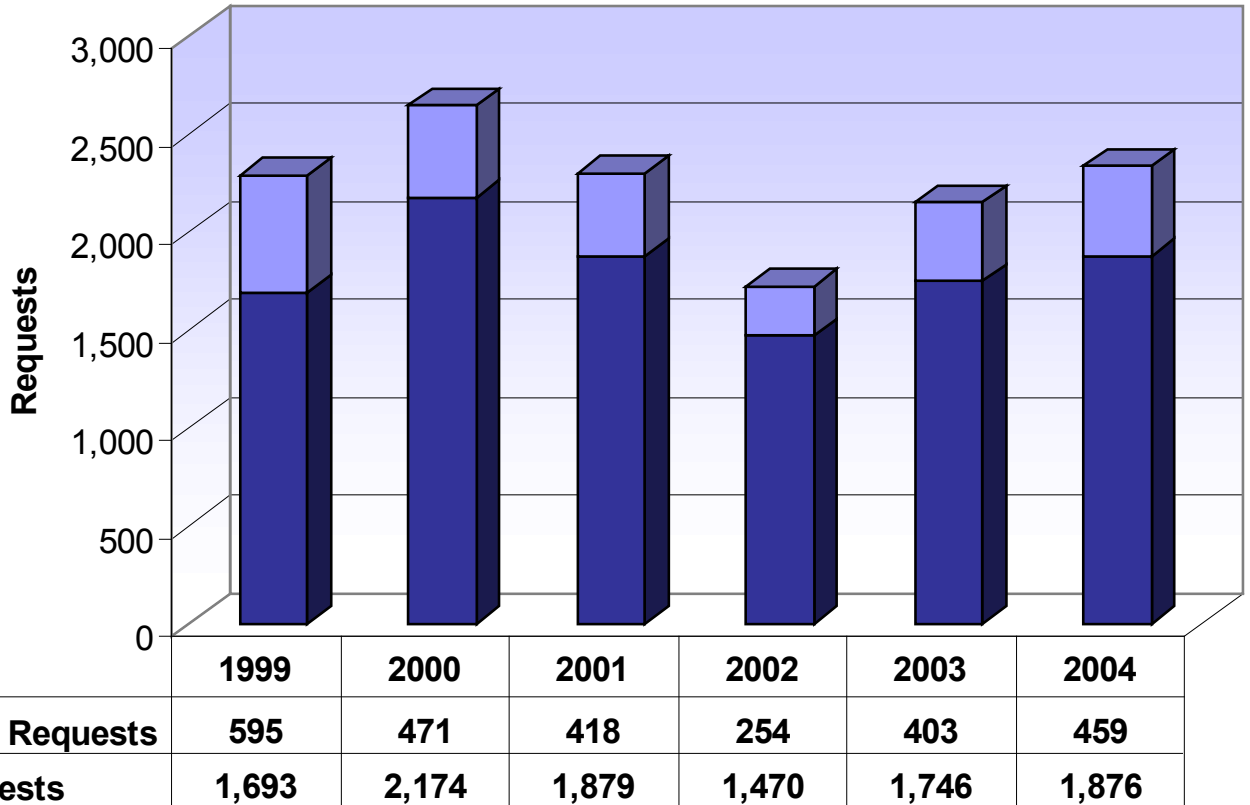
2004 Requests for IPv4 Address Space
(by category)

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
New End-user Requests	32	31	31	30	25	40	48	63	46	36	40	37
New ISP Requests	142	180	201	172	157	151	158	175	139	161	120	120
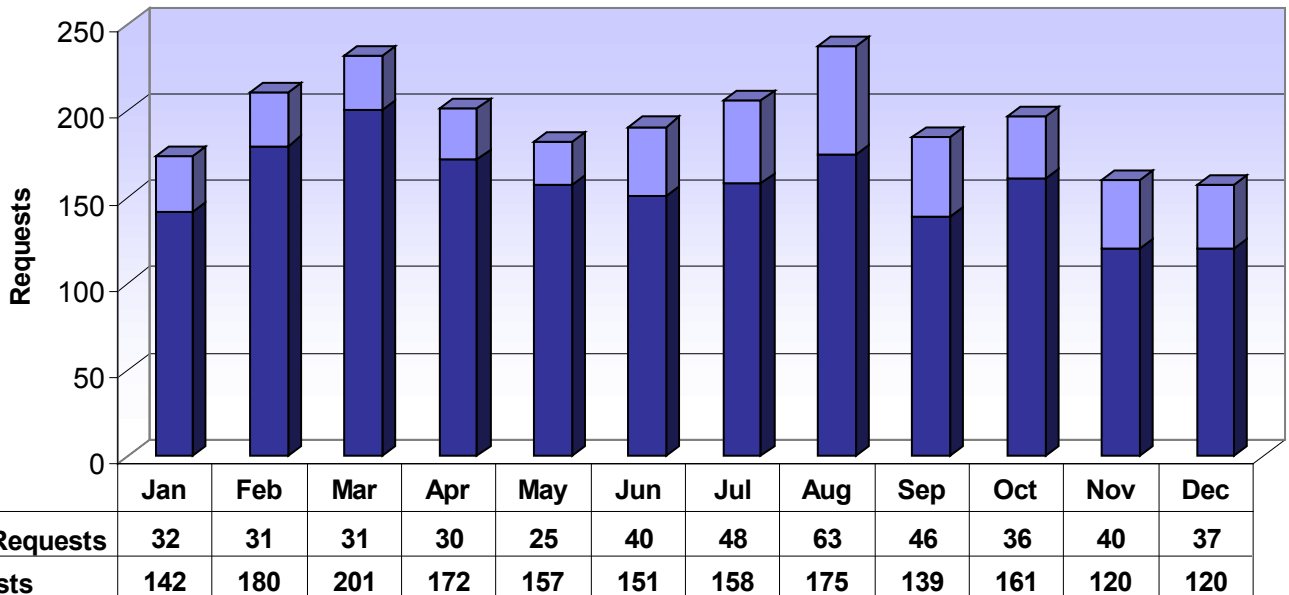
ARIN uses /24 equivalents as the "common denominator" for measuring the larger (/19, /16, etc.) IPv4 address blocks that ARIN actually delegates. In IPv4, one /19 equals thirty-twp /24s, and one /16 equals two hundred and fifty-six /24s.

ARIN IPv4 Delegations by Category 1999 - 2004
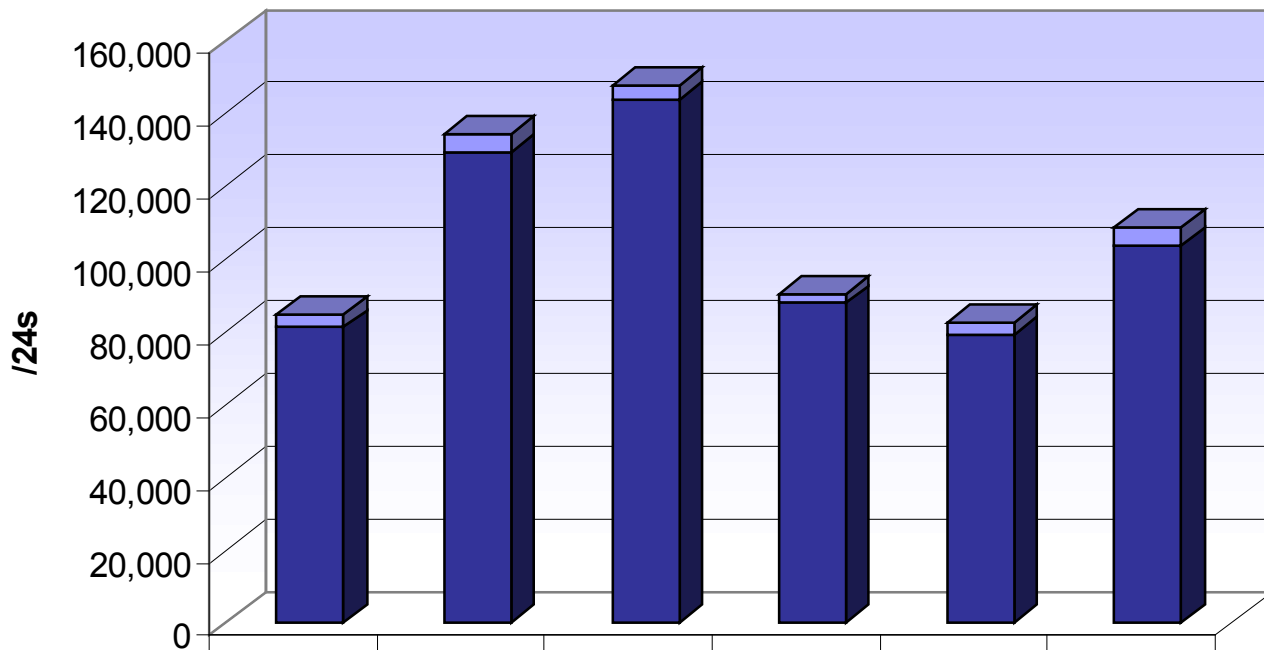
	1999	2000	2001	2002	2003	2004
☐ /24s Issued to End-users	3,800	5,008	4,070	2,657	3,338	5,135
■ /24s Issued to ISPs	81,039	129,321	143,696	87,708	79,168	103,545

2004 IPv4 Delegations Issued By ARIN
(listed in /24s)
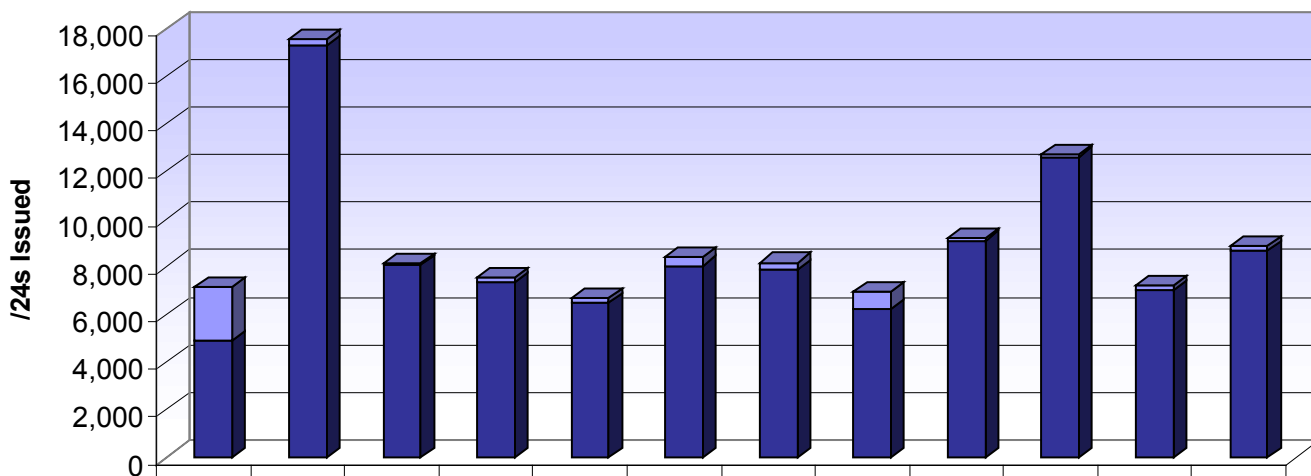
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
☐ /24s Issued to End-users	2,272	240	112	224	242	348	280	721	120	124	232	220
■ /24s Issued to ISPs	4,882	17,312	8,048	7,320	6,464	8,041	7,888	6,218	9,100	12,612	6996	8664

ARIN IPv6 Initial Allocations 1999 - 2004
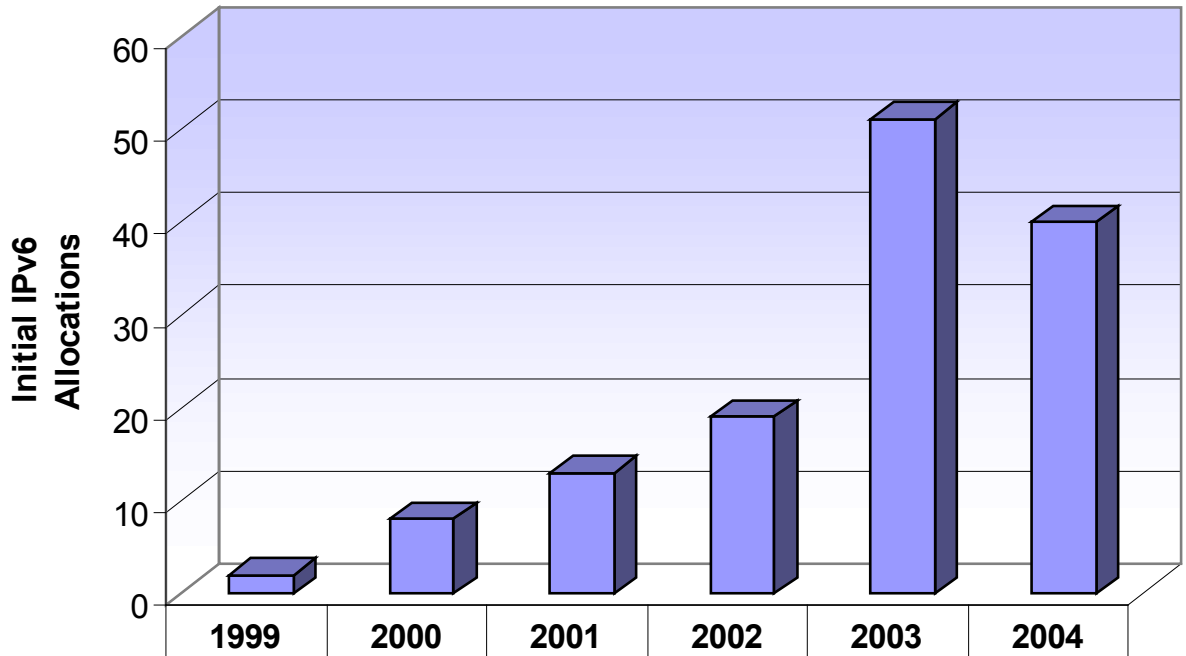
	1999	2000	2001	2002	2003	2004
IPv6 Initial Allocations Issued	2	8	13	19	51	40

2004 IPv6 Allocations Issued By ARIN
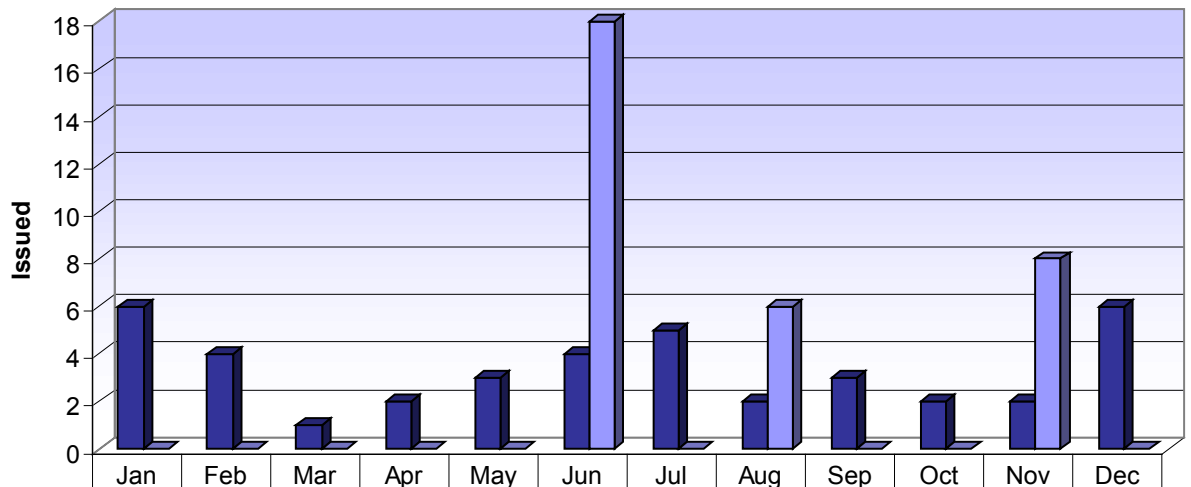
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
IPv6 /32 Allocations Issued (Initial)	6	4	1	2	3	4	5	2	3	2	2	6
IPv6 /48 Allocations Issued (Micro-allocations)	0	0	0	0	0	18	0	6	0	0	8	0

AS Numbers Issued by ARIN 1999 - 2004

	1999	2000	2001	2002	2003	2004
ASNs Issued	1,685	2,901	2,635	1,933	1,773	1,654
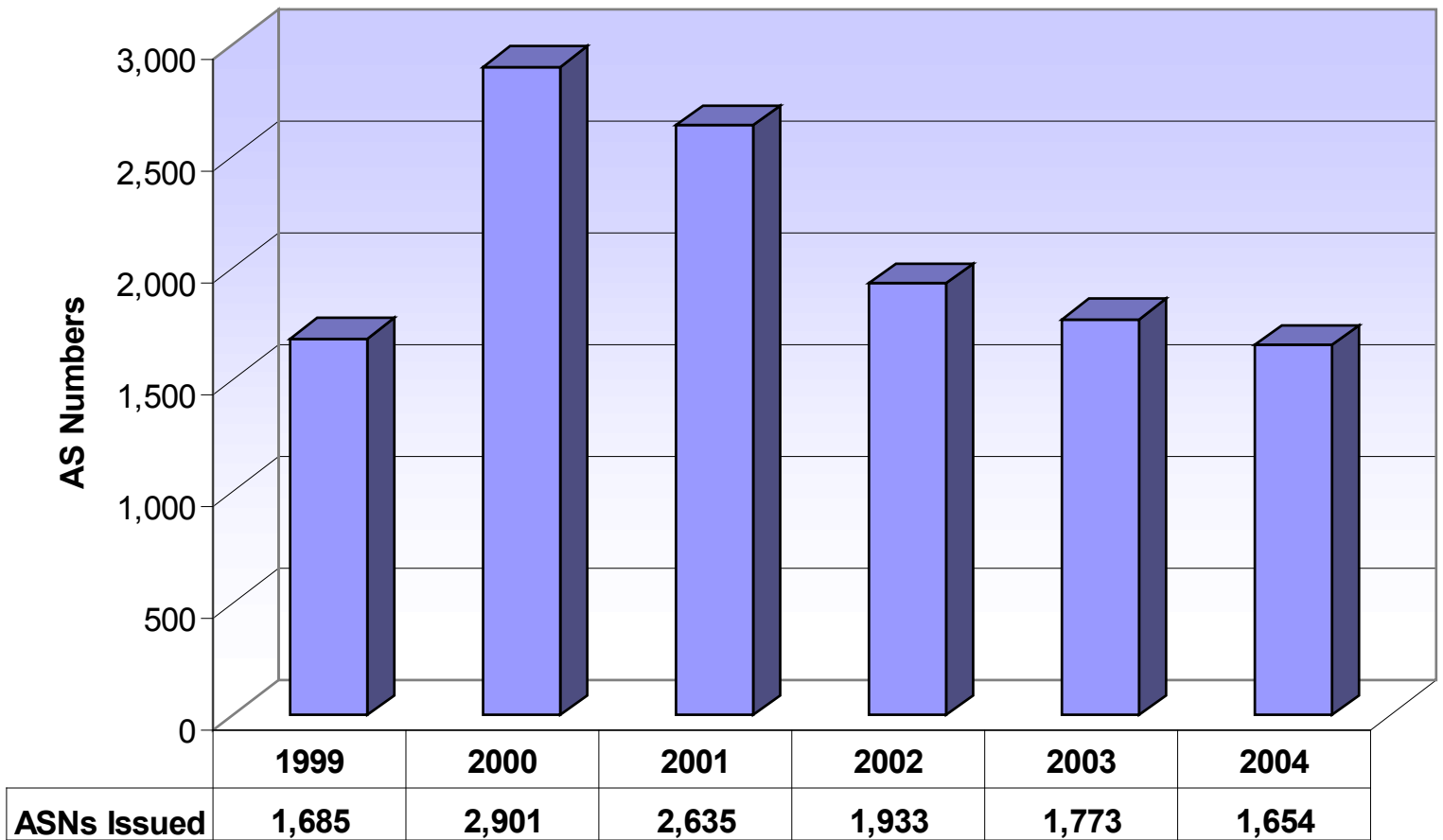
2004 Autonomous System Numbers Issued By ARIN

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
■ ASNs Issued	142	149	154	174	122	136	132	134	145	139	100	127

ARIN
American Registry for Internet Numbers
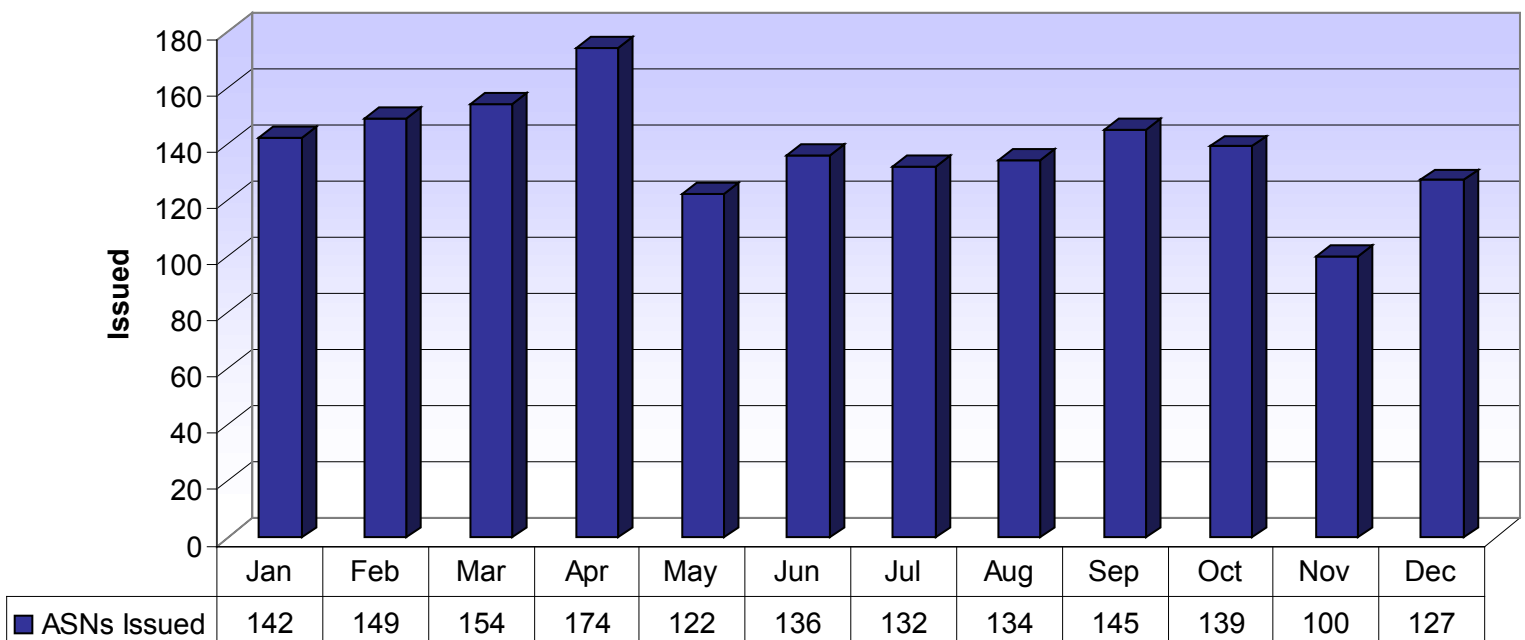
SWIP Templates Processed by ARIN 1999 - 2004

SWIP Templates (y-axis)
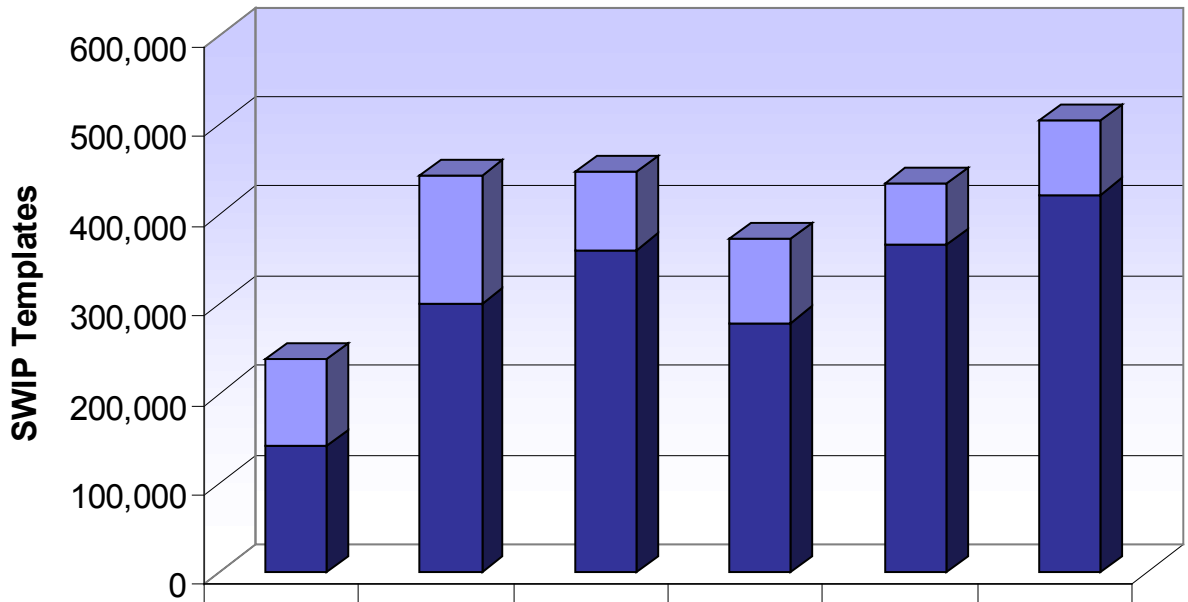
	1999	2000	2001	2002	2003	2004
☐ SWIPs Processed - Manually	96,855	142,333	86,536	92,901	68,347	81,615
■ SWIPs Processed - Automatically	141,232	300,101	360,519	278,975	366,828	422,055

2004 SWIP Templates Processed By ARIN

Processed (y-axis)
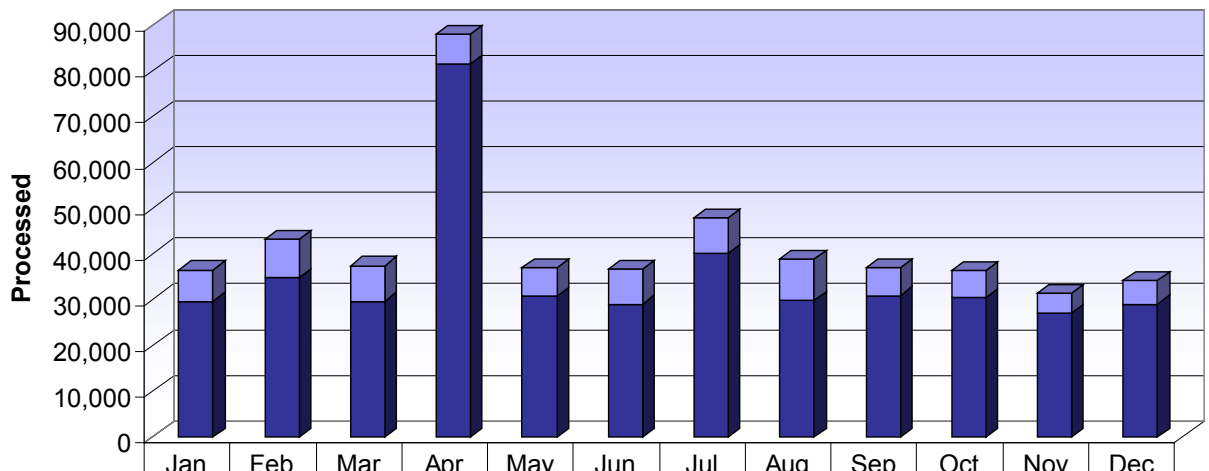
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
☐ SWIP templates processed-Manually	6,833	8,352	7,789	6,503	6,300	7,606	7,754	8,943	6,107	5,905	4,361	5,162
■ SWIP templates processed - Auto	29,637	34,678	29,601	81,447	30,707	28,978	40,137	29,723	30,842	30,407	26,951	28,947

Total Transfers Completed 1999 - 2004

	1999	2000	2001	2002	2003	2004
Completed Transfers	**121**	**187**	**350**	**258**	**200**	**200**
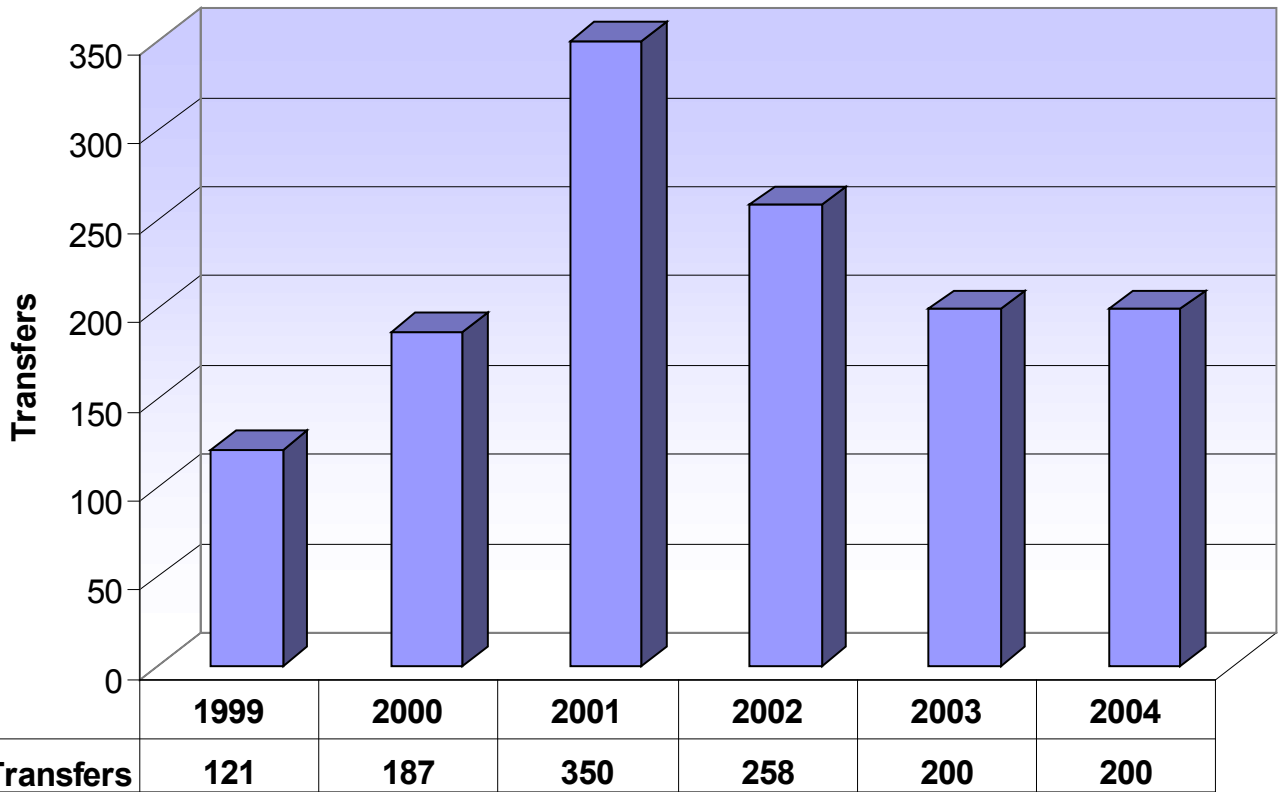
2004 New Requests for Transfers and Completed Transfers

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
■ New Transfers requested	88	96	83	96	58	61	66	79	73	57	59	63
▫ Completed Transfers	5	14	17	17	28	12	11	15	26	26	14	15

ARIN
American Registry for Internet Numbers
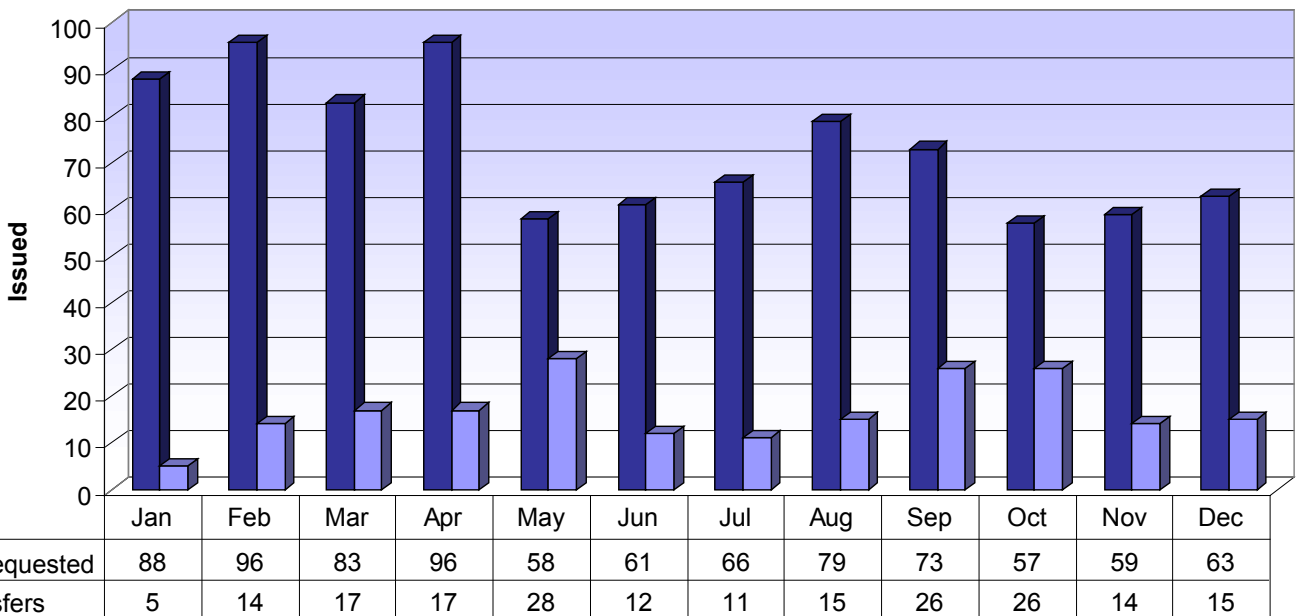
E-Mail Received at hostmaster@arin.net 1999 - 2004

	1999	2000	2001	2002	2003	2004
E-mail Received at hostmaster@arin.net	5,070	11,548	23,334	38,882	48,772	205,622
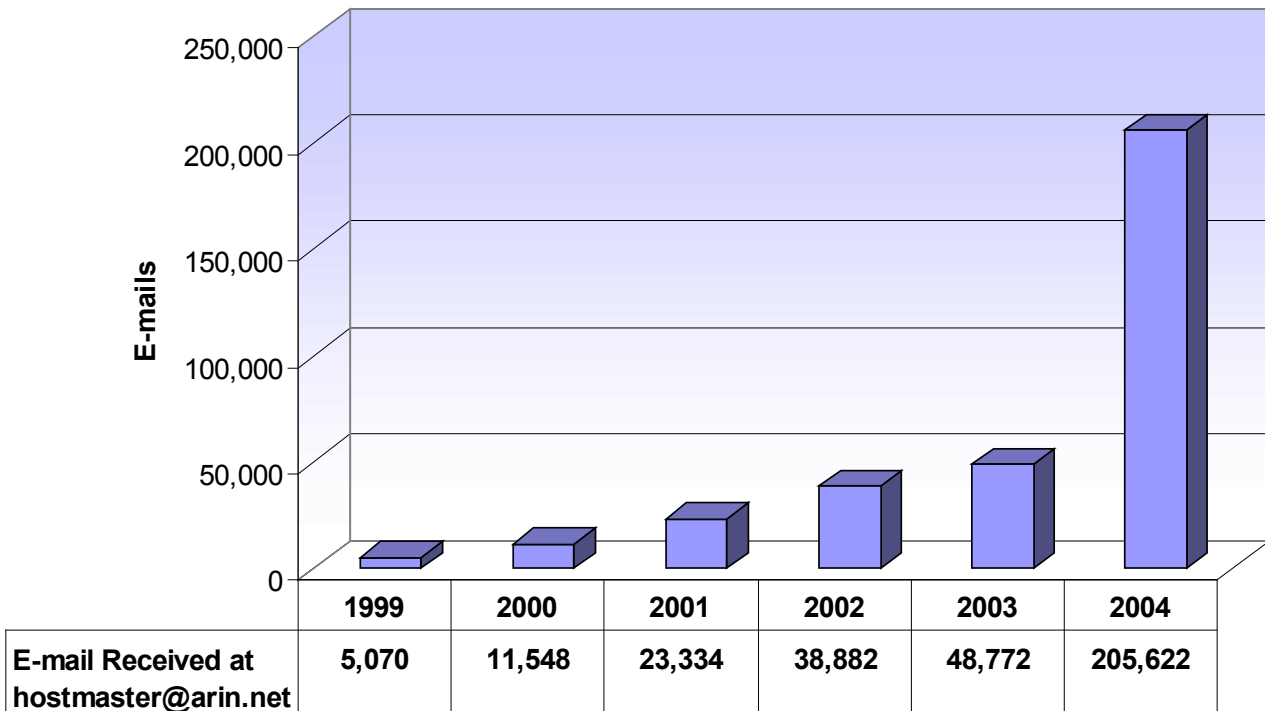
Numbers above do not include e-mails containing template submissions.

2004 ARIN Membership

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
☐ Non-Subscribers	45	36	33	33	33	30	29	30	30	30	30	31
■ Subscribers	1,984	1,986	2,020	2,025	2,027	2,044	2,070	2,121	2,139	2,161	2182	2212
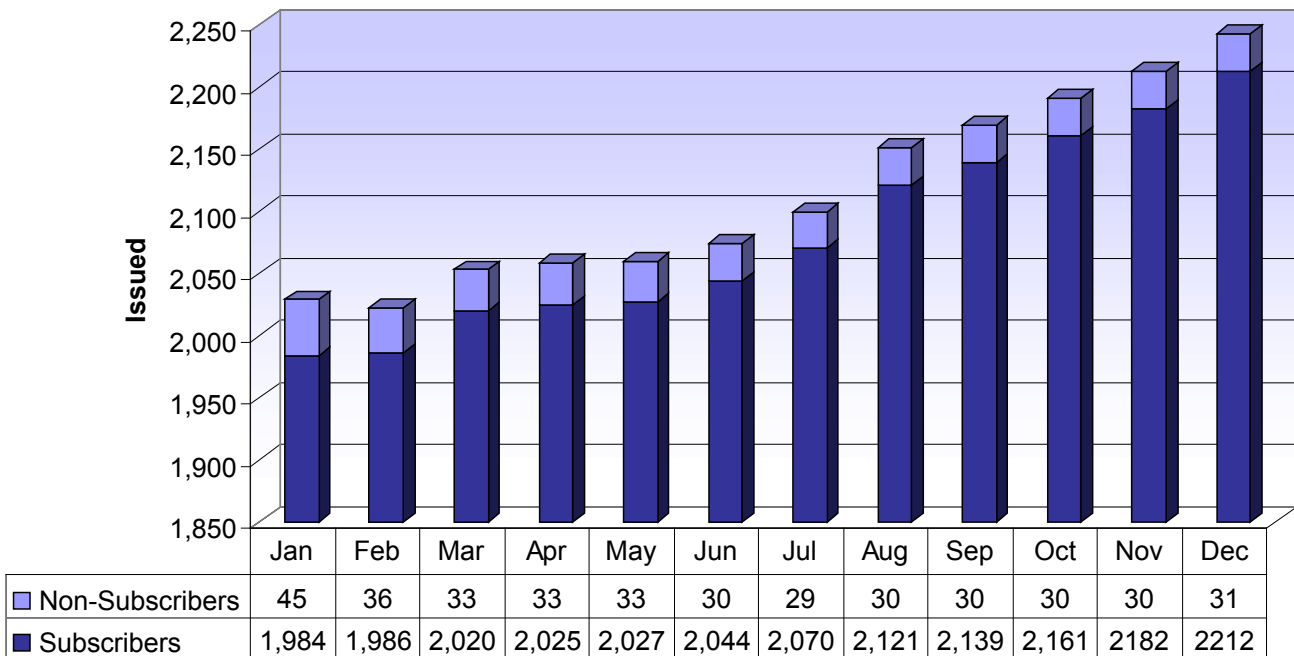
Any individual or entity may become a General Member of ARIN by receiving and paying for a direct allocation of IP address space from ARIN or by completing a Membership Application Form and paying an annual membership fee. Membership remains active as long as the organization remains a General Member in good standing.

Appendix B - Audited Financial Statements

Financial Statements
Years Ended
December 31, 2004 and 2003

American Registry for Internet
Numbers, Ltd.

Goodman
& COMPANY

Certified Public Accountants
Financial Planning
Specialized Services

American Registry for Internet Numbers, Ltd.

Contents

Goodman
& COMPANY

Report of Independent Auditors

Board of Directors
American Registry for Internet Numbers, Ltd.

We have audited the accompanying statement of financial position of *American Registry for Internet Numbers, Ltd.* as of December 31, 2004 and the related statements of activities, and cash flows for the year then ended. These financial statements are the responsibility of the management of *American Registry for Internet Numbers, Ltd.* Our responsibility is to express an opinion on these financial statements based on our audit. The financial statements of *American Registry for Internet Numbers, Ltd.* as of December 31, 2003, were audited by other auditors whose report dated March 5, 2004, expressed an unqualified opinion on those statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the 2004 financial statements referred to above present fairly, in all material respects, the financial position of *American Registry for Internet Numbers, Ltd.* as of December 31, 2004, and the changes in its net assets and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Goodman & Company, LLP

McLean, Virginia
March 11, 2005

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ARIN
American Registry for Internet Numbers

American Registry for Internet Numbers, Ltd.

Statements of Financial Position

December 31,		2004		2003
Assets				
Current assets				
Cash and cash equivalents	$	813,427	$	2,301,696
Investments		15,371,039		11,603,952
Nontrade receivables		147,387		15,738
Prepaid expenses		202,969		12,932
Total current assets		16,534,822		13,934,318
Property and equipment - net		1,131,902		1,172,033
Escrow - deposit		351,338		551,727
	$	18,018,062	$	15,658,078
Liabilities and Net Assets				
Current liabilities				
Accounts payable and accrued expenses	$	602,672	$	286,859
Due to ICANN		455,447		546,842
Deferred rent		82,043		75,712
Deferred revenue		2,790,330		2,989,522
Total current liabilities		3,930,492		3,898,935
Net assets - unrestricted		14,087,570		11,759,143
	$	18,018,062	$	15,658,078

The accompanying notes are an integral part of these financial statements.

2

American Registry for Internet Numbers, Ltd.

Statements of Activities

Years Ended December 31,	2004	2003
Revenue and support		
Registrations	$ 7,258,541	$ 7,019,515
IP end-user registrations	442,750	347,500
Maintenance fees	475,508	231,007
Contributions	33,747	30,000
Other revenue	14,146	16,436
Membership dues	10,000	17,935
Total revenue and support	8,234,692	7,662,393
Expenses (see schedules)		
Program services:		
Engineering	2,434,796	2,226,532
Registration services group	1,630,978	1,458,466
Member services	1,289,080	1,042,655
Total program services	5,354,854	4,727,653
Support services -		
General and administrative	1,528,404	1,629,645
Total expenses	6,883,258	6,357,298
Change in net assets before investment activities	1,351,434	1,305,095
Interest and dividends	229,301	88,973
Capital gain distributions	171,831	-
Unrealized gain on investments	575,861	1,335,343
Change in net assets	2,328,427	2,729,411
Net assets - beginning of year	11,759,143	9,029,732
Net assets - end of year	$ 14,087,570	$ 11,759,143

The accompanying notes are an integral part of these financial statements.

3

American Registry for Internet Numbers, Ltd.

Schedules of Operating Expenses

Years Ended December 31,		2004		2003
Salaries & employee benefits	$	3,489,890	$	3,388,403
Hiring costs		9,269		2,303
Personnel		3,499,159		3,390,706
Depreciation		487,566		635,501
Communications		314,724		328,078
Equipment support and licenses		149,761		204,057
Operations		952,051		1,167,636
Travel		454,282		388,951
Rent and occupancy		443,725		371,011
General office		270,447		206,106
Legal expense		256,836		181,560
Members meeting		194,544		258,602
Contingency expense		125,546		-
Consulting expense		106,985		88,912
Legal defense fund		35,162		6,566
General Office & Administrative		1,887,527		1,501,708
ICANN support		196,580		203,550
Emerging registry support		182,604		14,067
RFC editor and NANOG support		150,000		50,000
ASO		15,337		29,631
Internet Support		544,521		297,248
	$	6,883,258	$	6,357,298

The accompanying notes are an integral part of these financial statements.

4

American Registry for Internet Numbers, Ltd.

Statements of Cash Flows

Years Ended December 31,	2004	2003
Cash flows from operating activities		
Change in net assets	$ 2,328,427	$ 2,729,411
Adjustments to reconcile to net cash from operating activities:		
Depreciation and amortization	588,290	635,501
Unrealized gain on investments	(575,861)	(1,424,316)
Change in:		
Nontrade receivables	(131,649)	14,266
Prepaid expenses	(190,037)	61,284
Escrow - deposit	200,389	(206,237)
Accounts payable and accrued expense	315,813	46,052
Due to ICANN	(91,395)	203,550
Due to LACNIC	-	(2,000)
Deferred rent	6,331	24,673
Deferred revenue	(199,192)	(86,986)
Net cash from operating activities	2,251,116	1,995,198
Cash flows from investing activities		
Property and equipment acquisitions	(548,158)	(789,546)
Purchase of investments	(3,191,227)	(266,939)
Net cash from investing activities	(3,739,385)	(1,056,485)
Net change in cash and cash equivalents	(1,488,269)	938,713
Cash and cash equivalents - beginning of year	2,301,696	1,362,983
Cash and cash equivalents - end of year	$ 813,427	$ 2,301,696

The accompanying notes are an integral part of these financial statements.

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American Registry for Internet Numbers, Ltd.

Notes to Financial Statements

December 31, 2004 and 2003

1. **Organization and Nature of Activities**

    American Registry for Internet Numbers, Ltd. (ARIN) was established on August 28, 1997, and began operations on December 22, 1997, for the purpose of administration and registration of Internet Protocol (IP) numbers to certain geographical areas. Those areas include, but are not limited to, North America, sub-equatorial Africa, and a portion of the Caribbean. ARIN also develops consensus-based policies and facilitates the advancement of internet through information and education outreach.

2. **Summary of Significant Accounting Policies**

    Financial Statement Presentation

    ARIN reports information regarding its financial position and activities according to existence or absence of externally (donor) imposed restrictions into three classes of net assets. The net asset classes are unrestricted net assets, temporarily restricted net assets and permanently restricted net assets. The Organization had only unrestricted net assets at December 31, 2004 and 2003.

    Donor restricted contributions or grants whose restrictions are met in the same reporting period are reported as increase in unrestricted net assets.

    Revenue Recognition

    Registration revenue, including ASN registrations, initial registrations and IP renewal registrations, is recognized in the applicable period during which services are rendered.

    Maintenance fees and IP end-user registrations are recorded as revenue in the period received by ARIN.

    Membership dues are recorded as revenue in the applicable period to which the membership applies.

    Cash and Cash Equivalents

    For the purposes of the statement of cash flows, ARIN considers all highly liquid instruments purchased with an original maturity of three months or less and available for general operating purposes to be cash equivalents. Cash accounts maintained in brokerage accounts are subject to Board of Directors' approval and are not considered as cash and cash equivalents.

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Investments

ARIN includes in investments all accounts, including money market funds, which are managed by investment advisors. Investments are recorded at fair market value and unrealized gains and losses are reported in the accompanying statement of activities.

Property and Equipment

Property and equipment acquisitions are recorded at cost. Expenditures for additions, renewals, and improvements are capitalized; expenditures for maintenance and repairs are charged to expense as incurred. Upon disposal of property, the cost and accumulated depreciation are eliminated from the accounts and any resulting gain or loss is included in income.

Donated items are recorded as contributions and capitalized at their estimated fair value at the date of donation. Building improvements and leased equipment are amortized over the term of the respective lease. Depreciation of property and equipment is provided for using the straight-line method over the estimated useful life.

The estimated lives of property currently being depreciated are as follows:

	Years
Furniture and fixtures	5
Office equipment	3
Computer equipment and software	2 - 3
Leasehold improvement	10

Deferred Revenue

Revenue received in advance of the period in which it is earned is deferred to subsequent periods. Deferred revenue is comprised principally of registration fees received in advance.

Income Taxes

ARIN is a qualifying non-for-profit organization as defined in Section 501(c)(6) of the Internal Revenue Code and is subject to tax only on its unrelated business income. The Organization had no taxable unrelated business income during 2004.

Estimates

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

Functional Allocation of Expenses

The costs of providing various programs and other activities have been summarized on a functional basis in the statement of activities. Expenses are charged to each program based on direct expenditures incurred. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Certain management and staff expenses have been allocated to programs on a percentage basis.

Concentrations of Credit Risk

Financial instruments, which potentially subject ARIN to concentrations of credit risk, consist principally of cash invested at a financial institution in excess of FDIC insurance coverage, temporary cash investments and security investments. The Organization places its temporary cash investments with high credit quality financial institutions. At December 31, 2004 and 2003, the Organization's uninsured cash balance was $709,083 and $2,255,038, respectively. Securities investments are not FDIC insured and are subject to market fluctuations. The Organization monitors the investment portfolio to minimize risk associated with these investments and diversifies accordingly.

Reclassification

Certain comparative figures have been reclassified to conform to the current year financial statement presentation.

3. **Escrow - Deposit**

ARIN is provided internet registry numbers for distribution by the Internet Corporation for Assigned Names and Numbers (ICANN). ARIN pays ICANN a portion of fees collected. ARIN deposits money to be paid to ICANN in an escrow account. The escrow account contains the fee owed to ICANN and interest earned on the escrow account. The account totaled $351,338 and $551,727 at December 31, 2004 and 2003, respectively. Fees owed to ICANN at December 31, 2004 and 2003 were $455,447 and $546,842, respectively.

4. **Investments**

Investments consist of the following at December 31:

	2004	2003
Mutual funds	$ 11,086,674	$ 8,375,423
Certificates of deposits	3,115,017	3,047,720
Money market funds	1,169,275	179,581
Cash	73	1,228
	$ 15,371,039	$ 11,603,952

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5. **Property and Equipment**

Property and equipment and accumulated depreciation at December 31, are as follows:

	2004	2003
Furniture and fixtures	$ 229,139	$ 220,041
Office equipment	86,427	273,222
Computer equipment and software	2,314,655	1,775,595
Leasehold improvements	612,785	612,785
	3,243,006	2,881,643
Less - accumulated depreciation	(2,111,104)	(1,709,610)
	$ 1,131,902	$ 1,172,033

6. **Retirement Plan**

ARIN has a 401(k) retirement plan available to substantially all employees as of their date of hire. The employer has a discretionary matching option of up to the first 6% that the employee contributes through salary reduction election. Total retirement expense for 2004 and 2003 was $165,922 and $127,647, respectively.

7. **Related Party Transactions**

On October 24, 2003, the four Regional Internet Registries (RIRs) – ARIN along with Asia Pacific Registry (APNIC), Latin American Registry (LACNIC) and European Registry (RIPE NCC) - entered into a Memorandum of Understanding (MoU) to form the Number Resource Organization (NRO).

The purpose of the NRO is to undertake joint activities of the Regional Internet Registries (RIRs), including joint technical projects, liaison activities and policy co-ordination. The NRO Executive Council consists of one person selected by each RIR. NRO expenses shall be borne by the RIR signatories on an equal basis of each RIR, unless specifically superceded by a specific or general per capita agreement by the NRO Executive Council. RIRs may donate funds, personnel, services and equipment to the NRO at their individual discretion in addition to the provisions for cost sharing. ARIN's contribution to finance the operations of NRO for 2004 and 2003 was $16,620 and $0, respectively.

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8. **Lease Commitments**

ARIN occupies office space in Chantilly, Virginia under an operating lease expiring in January 2012, with a current base monthly rental payment of $19,978. The base rent is subject to an annual escalation percentage of 3% and increases in its proportionate share of operating expense.

At December 31, 2004, future minimum lease payments are as follows:

2005	$	246,999
2006		254,408
2007		262,113
2008		269,966
2009		278,115
Thereafter		581,419
	$	1,893,020

* * * * *

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ARIN

American Registry for Internet Numbers