MESSAGE FROM
THE PRESIDENT

Another year has ended, and once more the time has come to make an assessment of what has been done. LACNIC continues to grow. We have completed our third full year of operations and the organization is more solid than ever. As we have said before, every year brings about different challenges. 2005 has been a very complicated year, as the international debate process on Internet Governance, during the stage leading up to the World Summit on the Information Society, reached a surprising level of intensity, and LACNIC has had to make great efforts to participate, negotiate and strengthen the capacity to affect the international process without neglecting the normal operations of our organization, improving services, providing services to our associate members and fulfilling a growing role in the promotion of the Information Society within our region.

The Board of Directors has a very active role within LACNIC. Board members have participated in numerous activities in representation of the organization. All issues are dealt with the level of detail and attention they deserve. The interaction among the Directors has been excellent, with great respect for discrepancies but always using consensus as the basis for decision making. This year the Board of Directors held ten meetings, once again more meetings than required by the bylaws.

The relationship between the Board of Directors and the staff has improved substantially; the different roles of each person are clearly defined and work in perfect harmony, achieving great level of synergy. The Board of Directors is actively involved in practically all matters, but care is taken to ensure that this does not negatively affect the organization's operating capacity and efficiency.

Relationships with other Regional Internet Registries (RIRs) through the NRO have been extremely positive. The NRO has gained ground and become a great coordination tool, while at the same time preserving the identity and interests of each RIR.

The final balance at this year's end is highly positive. We have achieved our goals and objectives and our organization has attained a high level of international recognition, plays a leading role within the region and has become more professional in its management and operations.

Personally, it has been a great honor to preside LAC-NIC's Board of Directors yet another year and, therefore, I would like to thank my colleagues for the trust they have placed in me and acknowledge the constant support I have received both from other Directors as well as from the staff. This support has made it easier to head this organization.

In summary, 2005 has been another great year and, as always, this has only served to strengthen our commitment and efforts in order to achieve better results each year in the constant hope of permanently improving LACNIC.

Oscar A. Messano
President of the
Board of Directors

MESSAGE FROM THE EXECUTIVE DIRECTOR

Esteemed Friends and Colleagues:

The end of a year and the beginning of a new one is usually a good time to analyze successes and errors.

The balance for 2005 is highly encouraging. It was a year of many challenges, rich in achievements and developments – a year that presented us with an important number of opportunities.

We have worked hard in order to optimize institutional management by improving internal procedures and our communication with customers and associates. We improved the synergetic relationship with the Internet community, making our events more attractive, and we participated in a leading capacity in numerous international forums with the aim of making our work known.

2005 was a year of growth, both qualitative and quantitative. We grew in terms of the volume of services provided, number of employees, number of requests received, resource allocations, and number of members. Dealing with this growth in an adequate manner was one of the main objectives for the year, and this is another area in which we have achieved important progress.

It is difficult to recall, today, all the things we have done during this eventful year that has ended. We have matured, grown structurally, and had to face numerous challenges every step of the way.

The burden of additional tasks that resulted from my appointment as member of the Working Group on Internet Governance (WGIG), created by the United Nations Secretary General, represented a personal challenge for myself and a test for the organization's management team. But this was simply one more of the unforeseen difficulties that we managed to overcome successfully.

The FRIDA Program has started to show signs of significant success. Together with our partners in this Program, we have not neglected the opportunity to contribute to investigations in relevant areas relating to the development of the Information Society.

This year our intention of making LACNIC a meeting place for the different sectors of the Latin American Internet community materialized on several opportunities. One magnificent example was the LACNIC annual meeting held in Peru together with NAP Peru and the Peruvian Scientific Network. During this meeting we also hosted numerous other meetings such as NAPLA (regional NAPs meeting) and FLIP-6 (Latin American IPv6 Forum).

The number of countries that were represented and the quality of the tutorials that were presented at the meeting are clear indicators that reflect the fact that LACNIC

meetings are evolving in the right direction.

In June, the Regional Preparatory Ministerial Conference of Latin America and the Caribbean for the World Summit on the Information Society took place. During this conference a Regional Action Plan for the Information Society, the eLAC2007, was approved. Analyzing our work in relation to the goals established in this plan has allowed us to assess our work at a regional level, as we develop activities that contribute to the fulfillment of over one third of these goals.

An example of this was the IPv6 Tour, a series of events organized by LACNIC that contributed to create awareness and spread knowledge on this technology. After the IPv6 Tour, requests for IPv6 addresses grew considerably within the region. The ten events of the Tour, held in ten different countries, were attended by thousands of individuals from all sectors, ranging from government representatives and multinational companies to universities and non-profit organizations.

During 2005 many negotiation meetings were held in relation to the issue of Internet Governance, intense work on a subject that affects us and that we consider of the greatest importance. In this process – one that kept us quite busy up to the Tunisia Summit – we also played an important part both at a regional as well as a global level.

We ended the year with the inauguration of the first of the seven copies of the F root server foreseen by the +Raices Project. This was a joint undertaking with NIC Chile.

These are but a few of the activities in which we were involved this year, in many cases in cooperation with other organizations of varied nature.

We try to make use of every possible opportunity to get closer to the community, to share knowledge and experiences that may be useful to others, and to participate in different cooperation activities that will benefit the broadest possible audience.

All of this might have been extremely difficult for us, but the constant support we receive from our community, the quality of our staff, and the favorable environment always created by LACNIC's Board of Directors makes it appear easier.

Raúl Echeberría

Raúl Echeberría
Executive Director
/ CEO

01 INTRODUCTION

This annual report represents an opportunity for LACNIC to present its financial statements before the regional Internet community and an important means of communication with our associates.

Openness, participation and transparency constitute the basis of our self-regulation model, the model that supports the administration of Internet resources for Latin America and the Caribbean.

The following sections present information corresponding to the main activities that were developed within
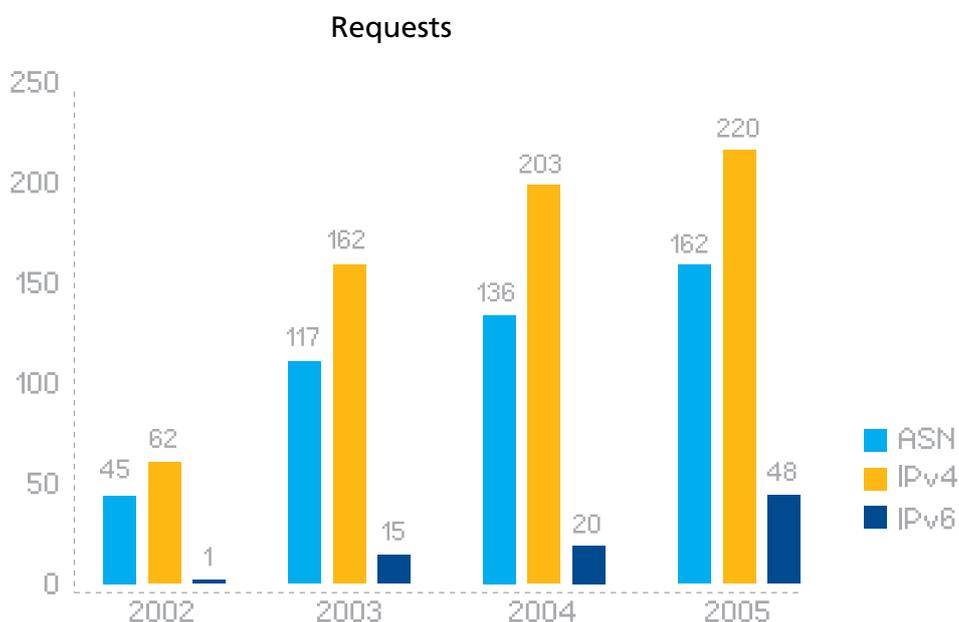
each department during the year 2005, as well as all information relating to LACNIC's administrative and financial management, duly revised by external auditors and the Fiscal Commission.

This year's results will be evaluated at LACNIC's next General Annual Assembly, which will meet in Guatemala City, Guatemala, on Thursday May 25, 2006, within the framework of LACNIC IX.
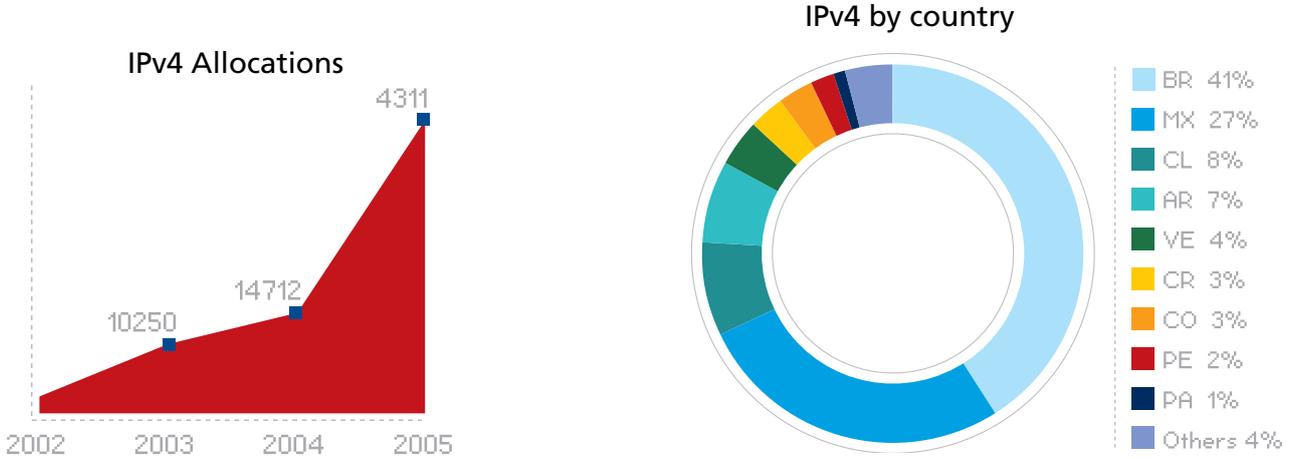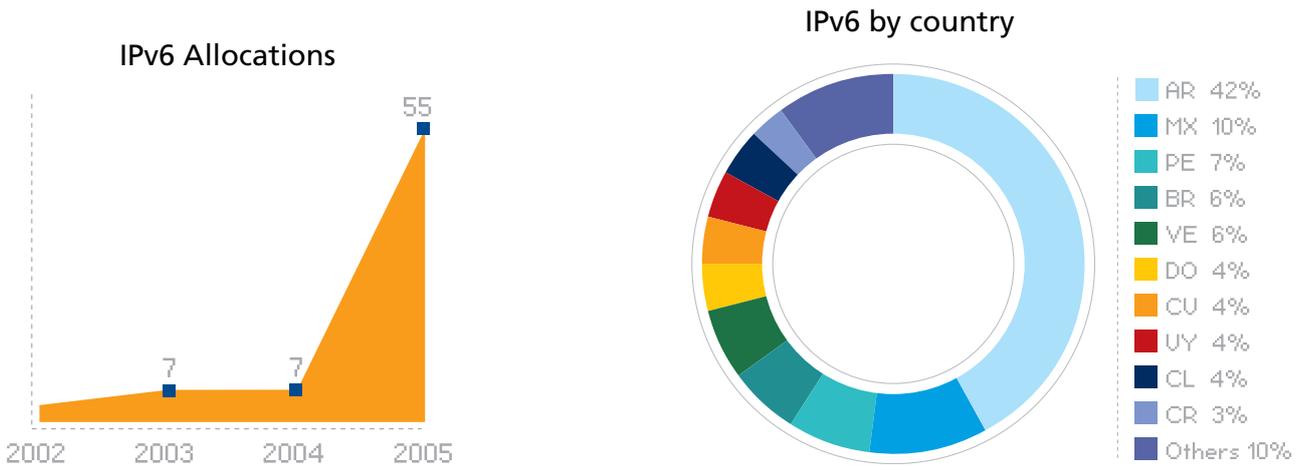
02 REGISTRATION SERVICES

Continuing a tendency that was already observed during previous years, 2005 saw a growth in the number of requests and allocations of Internet resources, particularly IPv6 blocks.

Requests

	2002	2003	2004	2005
ASN	45	117	136	162
IPv4	62	162	203	220
IPv6	1	15	20	48

During the past four years the number of allocated IPv4 addresses also grew.

IPv4 Allocations

4311
14712
10250

2002   2003   2004   2005

IPv4 by country

- BR 41%
- MX 27%
- CL 8%
- AR 7%
- VE 4%
- CR 3%
- CO 3%
- PE 2%
- PA 1%
- Others 4%

As to IPv6, an even greater growth was observed in the number of addresses allocated during the past four years.

IPv6 Allocations

55
7   7

2002   2003   2004   2005

IPv6 by country

- AR 42%
- MX 10%
- PE 7%
- BR 6%
- VE 6%
- DO 4%
- CU 4%
- UY 4%
- CL 4%
- CR 3%
- Others 10%

ASNs have also grown, although this growth has not been as strong as in the case of the other resources.

ASN Allocations

86   69   88   100

2002   2003   2004   2005

ASN by country

- BR 26%
- MX 19%
- AR 16%
- CL 8%
- CO 7%
- VE 4%
- PA 4%
- AN 2%
- EC 2%
- Others 12%
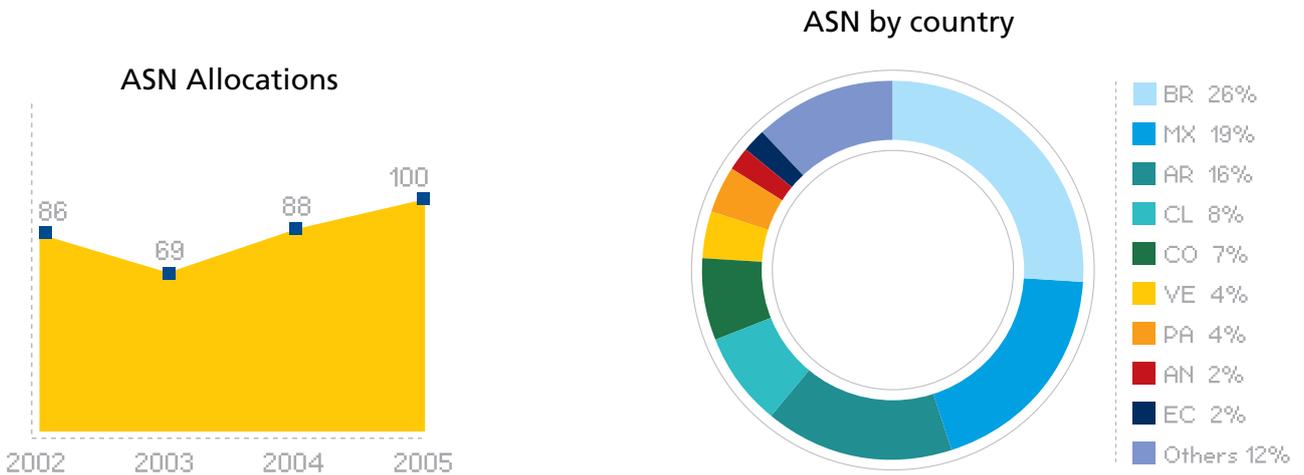
As a result of the growth of the number of IPv4 and IPv6 block allocations, during 2005 LACNIC received from IANA two additional IPv4 blocks and an additional IPv6 block.

Thus, LACNIC now administrates the following Internet Numbering Resources:

ASN   26592 – 26623
       27648 - 28671
IPv4   189.0.0.0/8 (June/2005)
       190.0.0.0/8 (June/2005)
       200.0.0.0/8
       201.0.0.0/8
IPv6   2001:1200::/23
       2800:0000::/23 (new – Nov./2005)

Because of the new IPv4 blocks allocated by IANA, LACNIC conducted some tests and verifications before beginning to allocate space within these blocks.

The reason for these tests is that we have observed that sending notifications to network operators so that they will adjust their possible block filters, up to the moment free on IANA's list, has been insufficient. A month before starting to make allocations in the new /8 blocks, LACNIC announced IPv4 blocks of each one of them on the Internet, with different prefixes (/20 and /21). Later we began to notice that these announcements were appearing at different points of the Internet, a fact that allowed us to conclude that there were no more filters for those blocks.

In March 2005, a new policy was implemented for the allocation of IPv4 blocks to Internet Service Providers in the region. With this new policy, the minimum prefix for an allocation to this type of organization changed to a /21, and now the organization must demonstrate the utilization or actual need of at least a /23 or its equivalent.

The abovementioned policy was implemented without encountering any problems. Between March and December, 23 new blocks were allocated under the new policy, to organizations located in 11 different countries (AN, AR, CL, CO, CU, DO, EC PA, PY, SR, TT).

This year a /12 block was allocated to a provider from our region that began implementing a new network structure with national coverage in its country. This is the most important allocation made to an ISP, and it is a sign of the growth and development of the Internet within our region, a task with which LACNIC is proud to cooperate.

As can be seen by analyzing the statistics provided in this document, 2005 was an important year from the point of view of the growth of IPv6 utilization in our region. Only during 2005, 34 new blocks were allocated to organizations in 15 different countries. In addition, this year we allocated the first block larger than a /32, which is the most common block size. This was an allocation of a /29 block, which is the equivalent of eight /32 blocks.

Currently, the distribution of IPv6 block allocations in our region among commercial and academic organizations is as follows: of a total of 55 allocations, 51% are commercial allocations while 49% are academic or other types of allocations.

This year another important matter was transferring to NIC Mexico the administration of the IPv6 blocks and ASNs allocated to Mexican organizations that remained under LACNIC administration.

The LACNIC VIII meeting held in Lima, Peru, on June 27-30, marked the first time we had a helpdesk available for providing support to the individuals present at the meeting who had any doubts or questions as to how to make a request and about the processes for the allocation and/or administration of Internet resources.

Finally, we would like to highlight that, because during 2005 LACNIC was in charge of the NRO Secretariat, our Registration Services department was in charge of updating the global statistical reports on Internet resource allocation. These reports are available at: http://www.nro.net/statistics/index.html

Ricardo Patara
Registration Services
Manager

03 ENGINEERING

During 2005 LACNIC's Engineering team devoted great efforts to implementing important adjustments in LACNIC's systems, satisfying new internal demands, and implementing the policies the community approved during this period.

In addition to the cooperation projects with the other RIRs, we continued with the projects that were already under development. Among the activities having to do with the systems used by LACNIC we would like to highlight:

- improving the form of access to our internal administrative systems, enabling the use of digital certification (SSL);
- adjusting the Whois web interface with the aim of achieving greater availability and security;
- updates to the invoicing system in order to include the new member category "small/micro" according to the decision made by LACNIC's Annual Member Assembly;
- inclusion of organizations having IPv6 blocks as members;
- adjusting the invoicing system in response to the demands of our members regarding the issuance of receipts and credit notes, the correct presentation of the amounts paid considering discounts granted and the possibility of canceling invoices that have already been issued;
- adjusting the invoicing system in order to include resources that were previously considered "legacy" but that because of additional allocations or transfers are no longer considered as such.

In relation to the new policies the community approved during this period, we worked on the development of the systems necessary to implement the "Lame Delegation" control policy which was approved in 2004. With the implementation of this control, the contacts for IPv4 blocks whose DNS reverse resolution servers show signs of trouble are periodically notified of the problem that is detected. These notifications are sent every 15 days for a period of 60 days. If the problem persists after this period, DNS delegation is withdrawn and therefore is not published on LACNIC's DNS servers. In addition to the withdrawal, a notification is added to the information available through Whois for that block.

The control described above was implemented in July 2005 and has since allowed a reduction of approximately 30% in the "Lame Delegation" problem on LACNIC's DNS servers. Currently only about 2% of the DNS reverse resolution delegations present this problem.

As already mentioned, the Engineering team was also involved in cooperation projects with the other RIRs. Among these projects we would like to highlight the "Joint Whois" project, which had already been discussed during previous years. In 2005, LACNIC started operating its "Joint Whois" server, now responsible for the Whois queries directed to its website. Thus, LACNIC's Whois server currently responds to queries regarding the resources for which it is responsible and also acts as a "proxy" for the queries regarding the resources for which other RIRs are responsible, redirecting the queries it receives to the corresponding Whois server and immediately providing a response to the user. LACNIC was the first RIR to make its "Joint Whois" implementation available to the community.

In 2005, just as during previous years, monthly meetings were held among the Engineering Managers of the RIRs. Because LACNIC was in charge of the NRO Secretariat, LACNIC was in charge of organizing these meetings.

Frederico Neves
Engineering
Manager

The composition of this department suffered no modifications during 2005.

The work of the administration team was successful from many points of view, a fact that can be appreciated by analyzing the data presented in the following paragraphs.

However, having said this, we feel that getting to know and listening to our clients and members is one of the keys that allow us to understand their needs. What is good for them is good for us, and continually improving our knowledge of our clients is what marks our evolution. This will continue to be our premise for 2006.

During this year we continued developing and improving follow-up and control tools, improving our internal operations every day.

As can be seen in the following report, our income reached the goals that had been previously established. This was the result not only of the internal efforts made in order to improve these indicators but also of the great disposition of our members and clients.

LACNIC 2005 INCOME REPORT
All amounts expressed in U.S. dollars

ITEM	Budget	Accrued 4th quarter ITEM	Budget
RENEWALS	706,900	794,945	112%
IPV4 Renewals	690,500	772,046	112%
IPV6 Renewals	-	-	
End User Renewals	15,600	9,105	58%
Membership Renewals	800	1,200	150%
ASN Maint.	-	12,593	
INITIAL	137,050	164,368	120%
New IPV4	92,250	88,138	96%
New IPV6	-	-	
New End Users	2,000	15,025	751%
New Members	800	-	
New ASN	42,000	61,205	146%
OTHER INCOME	25,936	31,322	121%
Event Sponsors and Registrations	-	8,625	-
Competitive Funds	16,000	11,909	74%
Deposit Interest	9,936	10,788	109%
Debt Recovery		1,500	-
Discounts Granted		30,867	-
TOTAL INCOME	869,886	961,268	111%

As always, the income budget was prepared conservatively. For this reason it is easy to observe that the amounts actually received under items "Initial" and "Renewals" are higher that previously estimated.

As can be observed in the following chart, the expenditure execution for 2005 was also within the limits of the budget initially approved by the Board of Directors.

LACNIC 2005 BUDGET EXECUTION REPORT
All amounts expressed in U.S. dollars

	Item	Original Budget	Transfer of Funds	Global Budget	Global Execution	Global Balance	% of Global
1	ASSETS	28,150	0	28,150	25,994	2,156	92%
12	NON-CURRENT ASSETS	28,150		28,150	25,994	2,156	92%
122	USABLE GOODS	28,150		28,150	25,994	2,156	92%
5	EXPENDITURES	820,850	0	820,850	750,000	70,850	91%
51	MANAGEMENT AND ADMIN. EXPENDITURES	694,614	11,500	706,114	643,747	62,367	91%
511	SALARIES	284,821		284,821	253,287	31,534	89%
512	NON-PERMANENT COMPENSATIONS	55,691		55,691	55,353	338	99%
513	TRAVEL AND TRAINING	252,700		252,700	225,953	26,747	89%
514	CONSUMABLES AND SUPPLIES	8,954		8,954	8,098	856	90%
515	SERVICES	55,448	10,000	65,448	63,732	1,716	97%
516	ADVERTISING	37,000	1,500	38,500	37,324	1,176	97%
52	OTHER EXPENDITURES	95,236	0	95,236	86,550	8,686	91%
523	Miscellaneous Expenditures	8,736		8,736	8,225	511	94%
524	Contributions and Membership	39,000		39,000	30,825	8,175	79%
525	Cooperation	47,500		47,500	47,500	0	100%
53	FINANCIAL EXPENDITURES	11,000	8,500	19,500	19,702	-202	101%
531	Financial Expenditures	11,000	8,500	19,500	19,702	-202	101%
55	INCIDENTALS	20,000	-20,000	0	0	0	
	GENERAL TOTAL	849,000	0	849,000	775,994	73,006	91%

This year's results, as was the case in past years, are the consequence of an austere and responsible administration that allowed the realization of all the activities that were foreseen but taking care to optimize the use of resources.

As to LACNIC's securities portfolio, although it has not grown in relation to the previous year, it was renewed as the securities were cancelled. The composition of the portfolio continues to be well balanced; this is due to the fact that we have attempted not only to maintain investments in fixed and variable income securities but also to diversify investments in different currencies. According to the guidelines established by the Board of Directors, all investments are very low risk investments and their only aim is to mitigate the devaluation of available cash.

With great pleasure, this year we continued providing administrative support to organizations such as CLARA, LACTLD and ECOMLAC. This work is carried out within the framework of the agreements signed between LACNIC and these institutions.

As always, the cooperation of the Fiscal Commission has been outstanding and their recommendations and suggestions have been of great help. This commission meets twice a year. The first meeting is held approximately at the middle of the year with the aim of performing a midterm review of LACNIC's operations, while the second meeting is held at the closing of the fiscal year in order to prepare the final report. Beginning this year, the Fiscal Commission has a new composition; these members will be active for two consecutive years.

The balance sheet as at December 31, 2005, was audited by the firm "Ernst & Young - Cr. Ricardo Villarmarzo", who issued their report on February 22, 2006, without any observations. Said balance sheet, together with the Fiscal Commission's report, are appended at the end of this document.

The closing of the years finds us in the process of assessing and reviewing our internal procedures and growth plans. This will lead to the incorporation of new staff for this area during the early months of 2006.

Irene Suffia
Administrative
Manager

The main function of LACNIC's policy department is to facilitate the Policy Development Process that seeks to establish the criteria for Internet resource distribution within our region. One of the most important characteristics of this process is that it is based on transparent participation schemes and open to every party interested in policy issues. Through mailing lists and face-to-face meetings, the Internet community has the opportunity to propose, analyze, discuss and seek consensus for the approval of new criteria that LACNIC will apply in relation to the distribution of Internet resources.

Undoubtedly, the most important aspect of the current Policy Development Process is the opportunity for self-regulation offered by the model, a model in which the intervention of LACNIC staff is limited to providing logistical and secretarial support while decision making is in the hands of the Internet community of Latin America and the Caribbean.

In 2005, during the LACNIC VIII meeting held in Lima, Peru, the following policy proposals were discussed for their potential implementation in our region:

Global Policy on IPv6 Block Allocations from IANA to the RIRs
Recovery of Internet Resources by LACNIC
Additional Allocations to Transnational ISPs

The following paragraphs contain a brief description of these proposals and their status after their discussion at the Public Forum held at LACNIC VIII on June 30, 2005.

Global Policy on IPv6 Block Allocations from IANA to the RIRs. This proposal seeks to establish the criteria under which IANA, the global repository of all Internet resources, will distribute IPv6 address space to Regional Internet Registries (RIRs) such as LACNIC. Because it is a global policy, before its implementation it must be discussed and approved by all five currently existing RIRs. After the deliberations that took place at the Public Forum, consensus was reached in favor of using this policy. Later, on October 17, 2005, LACNIC's Board of Directors ratified this proposal and it is now awaiting ratification on the part of the other RIRs.

Recovery of Internet Resources by LACNIC. This proposal seeks to establish a procedure that will enable LACNIC to identify resources that have not been utilized and are therefore subject to recovery. No clear consensus was reached as a result of the arguments presented in relation to this policy; therefore this debate remains open until the next Public Forum.

Additional Allocations to Transnational ISPs. This proposal aimed at modifying the existing criteria for the additional allocation of IPv4 addresses to ISPs that operate in different countries of the region. The change basically focused on the ISP's percentage of utilization. The proposal was to change from 80% to 50% the percentage of the resources allocated to the ISP that have to be utilized before the ISP is allowed to request new IPv4 address space. The Public Forum did not reach any clear consensus on this matter and, consequently, the proposal was dropped by the interested party.

Additionally, other issues were presented at the Public Forum, matters that were not defined as proposals but that clearly served to point out potential needs and, hence, possible modifications to LACNIC's policies. These issues will surely be considered by the Internet community in the short term. Some examples of these issues include IPv6 address space administration and actions in the area of network security in Latin America and the Caribbean.

During 2005, two new policies were implemented. The first policy modified the criteria for the initial allocation of IPv4 addresses to Internet Service Providers. This policy makes it easier to obtain IPv4 blocks starting at a /21 while at the same time it reduces the necessary requirements. The policy came into effect in March, 2005. These new criteria make it even easier for small and medium-size organizations to have access to this resource. The second policy established changes in LACNIC's procedures with the aim of seeking greater stability for the regional Internet. These changes are materialized through the verification of the DNS name servers which should be correctly configured for the reverse resolution of the IP address spaces allocated to a client before they can register before LACNIC. Both changes reflect the commitment and awareness of the community in favor of a better Latin American Internet.

It is important to highlight that all proposals for new policies as well as all proposals for modifying existing policies are received through the mailing list políticas@lacnic.net which, at the closing of this year, has 600 subscribers. This number represents a growth of 100% in relation to 2004. Subscription and participation in this list are completely open to all who wish to participate.

2005 may be defined as the year of the deployment of the IPv6 protocol for Latin America and the Caribbean. LACNIC made important efforts towards the adoption of the new IPv6 protocol in our region. These actions

included providing support for adapting IPv6 space allocation policies in order to make them more consistent with our regional reality, financing projects related to IPv6 through the FRIDA program, suspending the fees associated with the allocation of this resource, organizing workshops on IPv6 issues, and promoting this technology by means of events aimed at publicizing the technological innovation advantages offered by IPv6. This new technology represents an important improvement in relation to the current IPv4 protocol. Although version 6 will not replace current networks, it is hoped that there will be a gradual transition towards the adoption of the new version in Latin American networks so that our level of technological advance and innovation will not fall behind in relation to other regions.

In this sense, during LACNIC VIII, the third edition of the Latin American IPv6 Forum (FLIP-6) was organized, a space for exchanging and sharing experiences having to do with projects for implementing IPv6 networks in our region. As a result of FLIP-6, 12 different projects were presented by speakers from 10 different countries (8 of them from the region covered by LACNIC), divided into four thematic areas: IPv6 Multicast, IPv6 and DNS, Tools and Mechanisms for IPv6, and Deployment of IPv6. This FLIP-6 session made history by implementing its webcast supported on IPv6 multicast, thus generating the first native IPv6 traffic in Peru. This was possible thanks to the cooperation and support of the technicians, ISPs and carriers who supported LACNIC's event.

In addition, LACNIC's Training department organized a series of events that were collectively called the "IPv6 Tour." These events, the duration of which was one day, aimed at promoting the adoption of the IPv6 protocol in the region of Latin America and the Caribbean. The IPv6 Tour was very successful: during 2005 we managed to visit 10 different countries of our region. The details for each of these events, all of which were jointly organized together with important local organizations, as well as the number of participants who registered for each event are as follows:

May 17, Caracas, Venezuela (246)
June 28, Lima, Peru (147)
August 26, Buenos Aires, Argentina (265)
August 29, Santiago, Chile (258)
August 31, Montevideo, Uruguay (448)
October 3, Santo Domingo, Dominican Republic (456)
October 5, Panama City, Panama. (197)
October 7, Havana, Cuba (200)
December 1, Sao Pablo, Brazil (191)
December 6, Mexico City, Mexico (114)

The IPv6 Tour included presentations about the state of IPv6 deployment within the region, innovation advantages of the new protocol, and national experiences with its implementation.

In short, we organized IPv6 training events in 10 different countries of the region serviced by LACNIC, and the total number of participants that registered for these events was 2522.

We would also like to mention that three practical tutorials on IPv6 implementation were held during the sessions in Lima (68), Havana (40) and Mexico City (46), as well as a DNSSEC tutorial (48) in Lima during LACNIC VIII. In all, this adds up to a total of 202 participants in these practical sessions.

The impact of all these activities was reflected in an increase in the allocation of IPv6 blocks. Considering the fact that the minimum IPv6 block allocation unit is a /32, during 2005 fifty-five new /32 allocations were made in Latin America and the Caribbean. This represents a considerable increase in relation to the eight /32 blocks allocated during 2004.

At the same time, and as an important result of these events, work began for the creation of National Working Groups on IPv6. The aim of these groups is to promote IPv6 adoption at national level. Concretely, the Peruvian chapter was constituted; this chapter joins the already existing chapters in Brazil, Colombia, Cuba and Mexico. Currently, the process for the creation of other chapters is in progress, among others in Argentina, Chile, Panama and Venezuela.

It is important to highlight that these results were possible thanks to the cooperation, participation and sponsorship of organizations of each one of the countries where these activities took place, as well as the invaluable help of the instructors and presenters who unselfishly offered their time so that these meetings could be successful. To each and every one of these persons we extend our gratitude for supporting the development of our region's capabilities.

Germán Valdez
Policy Manager

06 MEMBERSHIP SERVICES AND COMMUNICATIONS

During 2005 we continued to work on our direct contact with members and associates. In this sense, a new telephone campaign was implemented to contact all our members via telephone with the aim of updating both their contact information as well as the postal addresses of these organizations. With the information we gathered for the first time we were able to send the 2004 Annual Report to each one of our associates. At the same time, we were able to inform all our members about other activities that were scheduled for 2005, such as LACNIC's annual event that took place during the month of June in Lima, Peru, to invite everyone to participate in LACNIC's Annual General Member Assembly, and to send out information on other training activities such as the IPv6 Tour that took place during 2005 in several cities of our region. We managed to contact 98% of our associates, and they showed a high level of receptivity.

Continuing with LACNIC's actions in support of the regional community, a Sponsorship Program was launched for members of the regional Internet community interested in participating in LACNIC's annual meeting. Of a total of 94 requests received by LACNIC, 23 sponsorships were awarded to representatives of the regional community from 11 different countries. These sponsorships included free registration to the event, accommodation expenses and air fare for a total amount of 9,000 U.S. dollars.

In November 2005, an electronic ballot was held for electing members for LACNIC's Board of Directors. There were three candidates, and 27.6% of all eligible members took part in the election. As a result of this election, Oscar Robles (Mexico) and Oscar Messano (Argentina) will occupy the two vacant positions on the Board of Director as of January, 2006, for a period of three years.

The Membership Services department also conducted the selection process for appointing a representative of the LACNIC region to the Address Supporting Organization Address Council (ASO AC), in order to fill the position that will be vacated when Julian Dunayevich's term comes to an end. The process resulted in the election of Francisco Obispo (Venezuela), who will occupy the position on the AC until December, 2008.

During 2005, LACNIC was in charge of the Number Resource Organization (NRO) Secretariat, a task that rotates annually among the five existing Regional Registries. For this reas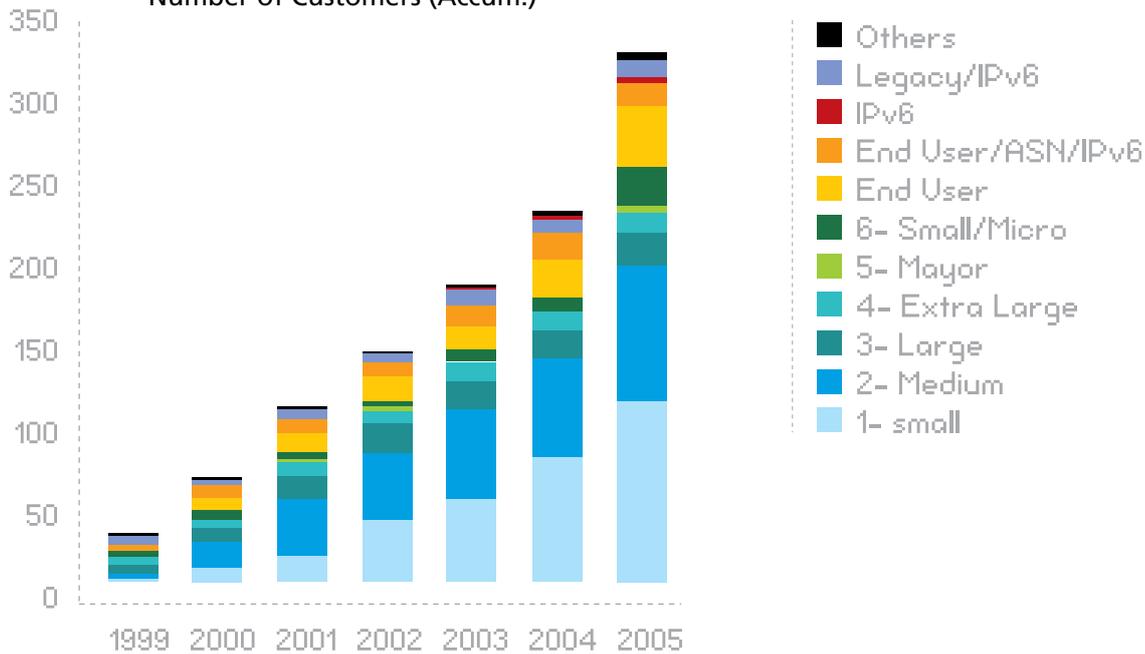on, the Membership Services and Communications department was in charge of managing the NRO Coordination and Communications Group (NRO CCG). This group coordinates and facilitates all NRO communications. Tasks included coordinating and preparing announcements and documents for publishing on the NRO website and on the mailing lists and websites of all the RIRs, as well as coordinating all activities in which the NRO is involved, including the preparation of material and documents. Among other examples we can mention the participation of the NRO with a stand at the World Summit on the Information Society (WSIS) which took place in Tunisia in November, 2005. The CCG was in charge of coordinating this stand.

Likewise, during 2005 this department was also in charge of the Address Supporting Organization (ASO) Secretariat in cooperation with the Policy department. Basically, tasks included providing support and assistance for their teleconferences and face-to-face meetings and maintaining, updating and restructuring the NRO and ASO websites.

The work carried out within the framework of the NRO Coordination and Communications Group was partly determined by the demands generated by the participation of the NRO at the World Summit on the Information Society. Handling announcements and press articles, presenting official NRO documents, etc. which had to be coordinated with the input and approval of the five existing Regional Internet Registries represented a considerable amount of work. Our assessment is that LACNIC satisfactorily complied with all the tasks it was assigned and met the corresponding deadlines. For this reason, we were acknowledged by our colleagues from the other registries when our responsibilities came to an end in December, 2005.

To conclude, the following chart shows the evolution of LACNIC's membership during the past years. The figures for the years prior to 2002 correspond to those who were then ARIN members belonging to the service region currently covered by LACNIC.

MEMBERSHIP EVOLUTION
Number of Customers (Accum.)

Legend:
- ■ Others
- ■ Legacy/IPv6
- ■ IPv6
- ■ End User/ASN/IPv6
- ■ End User
- ■ 6- Small/Micro
- ■ 5- Mayor
- ■ 4- Extra Large
- ■ 3- Large
- ■ 2- Medium
- ■ 1- small

Years: 1999 2000 2001 2002 2003 2004 2005

Adriana Rivero
Membership Services and
Communications
Coordinator

07 COOPERATION AND COMMUNITY OUTREACH

FRIDA Program

The FRIDA Program (Regional Fund for Digital Innovation in Latin America and the Caribbean) is a program administrated by LACNIC that began in 2004. Its starting point was the agreement signed with the IDCR Pan Americas initiative and the Institute for Connectivity in the Americas (ICA), and later had important economic contributions from the Internet Society (ISOC) and the Global Knowledge Partnership.

FRIDA has already completed its second year of existence as a regional fund for supporting research and innovation projects in the field of ICTs, making available small grants to complement the efforts of organizations from our region.

During January, February and the first half of March 2005, the second Summons foreseen by the original project subscribed by the organizing institutions was processed. In this case the summons was aimed at annual projects with budgets of up to $12,500 U.S. dollars. A total of 357 proposals were received from 21 organizations of different countries of our region. This practically tripled the number of proposals that were received the previous year (122); in addition, the number

of countries and types of organizations that participated in the summons also increased.

Just as during the previous edition, the evaluation and selection of the proposals was under the charge of an independent committee made up by seven specialists from our region. In addition to identifying the best proposals that would jointly represent the spirit of the program, this committee had the arduous task of processing the extremely important number of proposals that were presented.

In this edition, 14 proposals were selected for a total amount of $175,000 U.S. dollars destined to 14 organizations and initiatives from 9 different countries of our region. The subject matter covered by the projects includes: classification of free educational software (Brazil-SC), participative municipal management of territory (Nicaragua), e-mail platforms security (Argentina, Chile), providing sexual and reproductive health information to youngsters (Paraguay), technical-social networks for city management (Brazil-RJ, Mexico), IPv6 networks (Nicaragua), detection of network impostor attacks (Mexico), popular education approaches for ICT training (Argentina), networks for productivity and employment (Bolivia), wireless connectivity for social services in small commu-

nities (Argentina), use of ICTs in farming (regional), use of ICTs by teachers (Colombia), image reconstruction and visualization in nuclear medicine (Brazil-RGS), radio broadcasting and inclusion strategies in marginal communities (regional).

In addition to the second summons, a follow-up of the projects that were selected during the previous edition was conducted, maintaining communications with the organizations and analyzing the technical progress and financial execution reports. In order to strengthen this phase and better cooperate with the organizations and those responsible for the projects, as well as with FRIDA's coordinators, starting from the second semester a Follow-Up Committee made up by three independent specialists was appointed. This committee interacts with the projects' executors and accompanies their development, facilitating their relationships with other groups and research experiences within our region. In parallel, they help coordinate the technical analysis of Progress Reports, Final Reports and other documents produced by the projects. Of the twelve original projects, five have already been completed; their reports are available at the Program's website.

The first year of the FRIDA Program, that is to say the year it was started, brought with it the challenge of making the existence of this initiative known within the region, as well as that of putting in place an efficient structure for administrating the fund. During this second year our efforts have focused on making effective the financial execution of the funds for the projects that were selected, follow-up activities, creating more awareness about the project, improving the instruments for managing project summons, and consolidating the presence of the Program within the region.

During 2006, in addition to continuing with the activities already listed for 2005, the results and experiences generated through the finalized projects will be published and the internal evaluation of the Program will be executed. Consequently, if the evaluation is favorable and the continuation of the Program is decided, we will work on securing new alliances and financial contributions that will enable the execution of the Program for the following two years.

Even more than the concrete results that may be generated by these 26 projects, what is really relevant is the stimulus to the investigation process itself, as this process strengthens the growth of investigation and research groups, the sharing of experiences, and the development of new solutions that will be appropriate for our regional reality.

Project + Raíces

LACNIC continues with the project +Raices. The aim of this project is to promote the installation of root servers (anycast copies). This is achieved through agreements with root server operators, such as the agreement signed with the Internet System Consortium (ISC), agreements with organizations of our region interested in hosting these servers, and granting subsidies.

This is a project in which we would have liked to have made more progress. However, we are already seeing some results. As already mentioned in other parts of this report, at the end of 2005 the first of the root servers planned in this project has already been installed. This was a joint undertaking with NIC Chile.

As this year comes to an end, we are close to achieving three more installations in Argentina, Venezuela and Panama. In all, LACNIC expects to invest approximately $140,000 U.S. dollars in this project until 2008.

Agreements with other Regional Organizations

LACNIC continues its activities in cooperation with CLARA, LACTLD and eCOM-LAC. In all three cases LACNIC provides administrative management and fund administration functions. In the case of eCOM-LAC, we also administrate the ATLAS project, executed by eCOM-LAC with the support of the European Union. In 2005 LACNIC once again sponsored the WALC, an event organized by the Eslared foundation with the support of a numerous group of volunteers from our region. LACNIC's participation consisted in direct economic support and the participation of LACNIC technicians as speakers.

eLAC2007

In June 2005, the governments of Latin America and the Caribbean met in the city of Rio de Janeiro for the Regional Conference of the Information Society, a preparatory meeting for the World Summit on the Information Society. During this meeting, a plan that included 70 verifiable goals having to do with the development of the information society within the region was developed; this plan was given the name of eLAC2007.

After the approval of this plan, LACNIC proceeded to evaluate all its activities in view of the goals established in eLAC2007. We can proudly say that, as a result of this evaluation, it was concluded that LACNIC carries out activities, sometimes on its own and others in cooperation with other actors, that directly contribute to the achievement of 27 of the 70 goals, a number that represents almost 40%.

This conclusion strengthens in us the notion that it is only through the permanent collaboration/ cooperation between the public sector and the private sector that significant advances will be achieved in the development of the Information Society in Latin America and the Caribbean.

NRO

The NRO (Number Resource Organization) is made up by the five existing Regional Internet Registries (RIRs). The goals of this organization are to protect the unallocated IP address space, to promote and protect the open and participative bottom-up policy development process, to serve as a coordination mechanism among the RIRs on matters of common interest, and to act as a link between the RIRs and the Internet community in general.

The NRO's Executive Council (EC) is made up by the Chief Executive Officer of each Regional Internet Registry. Officer positions rotate annually. During 2005 the positions were as follows: Axel Pawlik (RIPE NCC) served as Chair, Raúl Echeberría (LACNIC) served as Secretary and Ray Plzak (ARIN) served as Treasurer. In practice, the Secretariat must take care of all aspects of coordinating this organization; for this reason LACNIC took on the responsibility of maintaining and preparing documents relating to the NRO and ASO, maintaining their websites, and acting as moderators among the different committees made up by the staff of the five RIRs that support the work of the NRO Executive Council.

One of the issues in which cooperation within the NRO played an important role during 2005 was the final recognition of AfriNIC as the firth Regional Internet Registry, providing services to the African region. This process concluded in April, 2005, when AfriNIC received its final approval from ICANN.

Simultaneously, the NRO had an important presence and a significant role in all the meetings and consultations held during the process of the World Summit on the Information Society (WSIS). These intense efforts were supported by the Secretariat functions that LACNIC assumed during 2005, duly generating the necessary documentation each and every time the NRO participated within the WSIS.

Finally, the NRO has closely followed the development of a regional policy for IPv6 address distribution from IANA to the RIRs that will guarantee fair distribution of this space. At the closing of 2005, this proposal has been accepted by the LACNIC region and is awaiting for discussions to begin and finalize in other regions.

ASO

The ASO (Address Supporting Organization) is ICANN's advisory and supporting organization in all matters pertaining to names and numbers. It was created in 1999 through an agreement between the existing RIRs and ICANN. After a new memorandum of understanding was signed by ICANN and the NRO on behalf of the RIRs (in October, 2004), the new NRO Number Council fulfills the role of the ASO Address Council.

The Address Council is made up by three representatives from each RIR, one of which is appointed by the Board of Directors of the RIR while the other two are elected by their own regional communities at their Public Forum following an open call for nominations.

During 2005 elections were held to select one of the two representatives chosen by the community. This election took place at the Public Forum during the LACNIC VIII meeting in Lima, Peru, and Francisco Obispo, of Venezuela, was elected.

Currently, the following individuals are participating in the ASO Address Council in representation of the LACNIC region:

Sebastián Bellagamba – Argentina
Until December 31, 2006
(Elected by the regional community).

Francisco Obispo – Venezuela
Until December 31, 2008
(Elected by the regional community).

Hartmut Glaser – Brazil
Until December 31, 2007
(Appointed by LACNIC's Board of Directors).

WORLD SUMMIT ON THE INFORMATION SOCIETY

2005 was a special year for the Internet community in general because of the discussions generated by the World Summit on the Information Society (WSIS). In particular, the issue of Internet Governance was one of the hottest topics discussed during the processes leading up to the Summit. The WSIS cycle culminated in November, 2005, in Tunisia. The result of this Summit was the preparation of a document called the Tunis Agenda.

At the culmination of the Summit in Tunis, LACNIC was represented through a pavilion organized jointly with the NRO, ISOC, ICANN, the IETF and several other

organizations who wished to explain the strengths of the current Internet coordination system and the importance of maintaining the technical and operational basis of the Internet within the current cooperation scheme.

LACNIC followed the WSIS process very closely, either as an independent organization or through coordination with the NRO. Both organizations invested time and resources to ensure that the results of this Summit would not deviate from the goal of preserving resources and the stability of the Internet in general. Because of the large number of actors, opinions and interests involved, generating myths and misconceptions about the Internet registry system was an even greater risk, and for this reason coordination, cooperation and participation efforts were extremely important during all stages of the Summit.

In general, LACNIC's participation in the process of the WSIS was quite intense, including the participation of its Executive Director, Raúl Echeberría, in the Working Group on Internet Governance (WGIG). This Group was created by the United Nations Secretary General and was made up by forty members representing governments, the civil sector and the private sector. The goal of the WGIG was to generate a series of definitions and frameworks that would help identify relevant aspects of public policies and develop a common understanding of the roles and responsibilities of governments, international organizations and other forums on the issue of Internet Governance.

As a result of this participation, the Tunis Agenda document recognizes that the current Internet coordination mechanisms have effectively served to make Internet the robust, dynamic and geographically diverse medium it is today. In addition, it also recognizes the work carried out by Regional Internet Registries.

The culmination of the Tunisia Summit marks a new beginning for Internet coordination mechanisms, making government participation an important element for its constant expansion and stability. It is LACNIC's intention to continue having an active participation in these forums, while at the same time to make all necessary efforts to integrate government agencies to these forums and LACNIC's processes.

09 BOARD OF DIRECTORS

Elections were held in November, 2005, to select the two Directors that according to LACNIC's bylaws must replace the directors whose terms end each year in December. The new Board of Directors distributed positions according to the requirements of the bylaws. Officer positions for 2006 and the dates their corresponding terms finalize are as follows:

Position	Name	Country of Residence	Term Ends
President	Oscar Messano	Argentina	31/12/2008
Vice-President	Fabio Marinho	Brazil	31/12/2007
Secretary	Oscar Robles	Mexico	31/12/2008
Deputy Secretary	Javier Salazar	Mexico	31/12/2007
Treasurer	Hartmut Glaser	Brazil	31/12/2006
Deputy Treasurer	Jesús Martínez	Cuba	31/12/2006

10 PERSPECTIVES FOR 2006

As can be concluded from all the information contained in this report, today we are faced with great challenges on all fronts. The international discussion on Internet Governance is one that is here to stay. In 2006 LACNIC will continue participating in different forums to follow this debate: in CITEL (www.citel.org), an organization of which LACNIC has recently become a member; in the Internet Governance Forum that will be created as a result of the World Summit on the Information Society; in the ITU Plenipotentiary Assembly; and in many other forums where our participation is necessary.

On a different front, we will have to face internal reorganization and restructuring needs in order to successfully deal with our institutional growth.

We will also continue with our regional activities in order to contribute to the development of the information society and also with the current cooperation projects. Continuing the FRIDA Program is a clear objective for 2006, and this year we hope to begin the second part of the program with new summons for the presentation of projects. Likewise, we have great expectations as to the performance of other projects, such as the +Raices project, which will receive an important impulse in 2006.

As always, we face the challenges we are presented with enthusiasm, but also with the commitment to continue fulfilling our main responsibilities of administrating the Internet numbering resources for the region in a responsible, impartial and efficient manner, promoting and perfecting the current self-regulation model.

MANAGEMENT BALANCE
2005
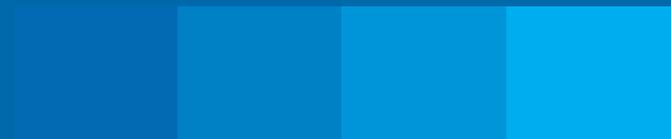
BALANCE SHEET AS AT DECEMBER 31, 2005 // ASSETS

	DECEMBER 31 2005		DECEMBER 31 2004	
	$	US$	$	US$
ASSETS				
CURRENT ASSETS				
CASH AND BANKS (Note 2.5)				
Cash	5.902	245	13.963	541
Banks	6.000.560	248.779	6.988.511	270.841
	6.006.462	249.024	7.002.474	271.382
SHORT TERM INVESTMENTS				
(Notes 2.6 and 3)				
Public and Private Securities	89.389	3.706	4.922.642	190.776
ACCOUNTS RECEIVABLE (Note 2.7)				
Trade accounts receivable	4.573.314	189.608	5.159.083	199.939
Less:				
Non-accrued income (Note 4)	(2.232.306)	(92.550)	(3.268.405)	(126.666)
Reserve for doubtful accounts	(1.189.984)	(49.336)	(1.097.622)	(42.538)
	1.151.024	47.722	793.056	30.735
OTHER RECEIVABLES (Note 2.7)				
Deposits in guarantee (Note 5)	8.101.751	335.893	1.103.660	42.772
Other accounts receivable	941.448	39.032	31.914	1.237
Maturing insurance	18.396	763	19.230	745
Other	2.577	107	284	11
	9.064.172	375.795	1.155.088	44.765
TOTAL CURRENT ASSETS	16.311.047	676.247	13.873.260	537.658
NON-CURRENT ASSETS				
NON-CURRENT ACCOUNTS RECEIVABLE				
Trade accounts receivable	65.177	2.700	165.141	6.400
Less:				
Non-accrued income (Note 4)	(65.177)	(2.700)	(165.141)	(6.400)
	-	-	-	-
FIXED ASSETS (Annex I and Note 2.8)				
Updated values	13.773.552	576.398	2.633.916	89.140
Less:				
Accumulated depreciation	(1.483.245)	(50.936)	(720.105)	(23.986)
	12.290.307	525.462	1.913.811	65.154
INTANGIBLES (Annex I and Note 2.9)				
Updated values	584.759	19.983	475.317	15.488
Less:				
Accumulated amortization	(289.459)	(9.550)	(131.020)	(4.136)
	295.300	10.433	344.297	11.352
LONG - TERM INVESTMENTS				
(Annex I and Note 2.10)				
Works of art	48.309	1.700	36.122	1.200
TOTAL NON - CURRENT ASSETS	12.633.916	537.595	2.294.230	77.706
TOTAL ASSETS	28.944.963	1.213.842	16.167.490	615.364
MEMORANDUM ACCOUNTS (Note 10)	6.104.252	253.078	6.502.542	252.004

BALANCE SHEET AS AT DECEMBER 31, 2005 // LIABILITIES

	DECEMBER 31 2005		DECEMBER 31 2004	
	$	US$	$	US$
LIABILITIES				
CURRENT LIABILITIES				
ACCOUNTS PAYABLE				
Local suppliers in local currency	145.691	6.040	92.729	3.595
Local suppliers in foreign currency	474.637	19.678	290.193	11.247
	620.328	25.718	382.922	14.842
FINANCIAL DEBTS				
Bank loans (Note 6)	1.607.994	66.666	-	-
MISCELLANEOUS LIABILITIES (Note 2.14)				
Advances from customers	442.141	18.331	572.292	22.179
Payable employee contributions	436.170	18.083	242.734	9.407
Payable pension plans	67.217	2.787	110.070	4.266
Payable professional fees	70.768	2.934	71.424	2.768
Other liabilities (Note 7)	1.463.032	60.656	759.580	29.437
	2.479.328	102.791	1.756.100	68.057
TOTAL CURRENT LIABILITIES	4.707.650	195.175	2.139.022	82.899
NON-CURRENT LIABILITIES				
NON-CURRENT FINANCIAL DEBTS				
Bank loans (Note 6)	7.772.006	322.222	-	-
MISCELLANEOUS NON-CURRENT LIABILITIES				
Advances from customers	258.808	10.730	480.974	18.640
TOTAL NON-CURRENT LIABILITIES	8.030.814	332.952	480.974	18.640
TOTAL LIABILITIES	12.738.464	528.127	2.619.996	101.539
SHAREHOLDERS' EQUITY (Annex II)				
Adjustments to shareholder's equity	(73.047)	-	(73.047)	-
Retained earnings	13.620.541	513.825	12.458.309	428.992
Net income of the year	2.659.005	171.890	1.162.232	84.833
TOTAL SHAREHOLDERS' EQUITY	16.206.499	685.715	13.547.494	513.825
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	28.944.963	1.213.842	16.167.490	615.364
MEMORANDUM ACCOUNTS (Note 10)	6.104.252	253.078	6.502.542	252.004

PROFIT AND LOSS ACCOUNT FOR THE TERM ENDED ON DECEMBER 31, 2005

	$	US$
Net sales (Note 2.11)	25.074.850	1.016.731
Cost of services provided (Note 8)	-	-
Gross profits	25.074.850	1.016.731
Selling and administrative expenses		
Salaries	(6.206.782)	(256.752)
Professional fees	(1.435.653)	(59.329)
Depreciation of fixed assets (Note 2.8)	(763.140)	(26.950)
Amortization of intangibles (Note 2.9)	(158.439)	(5.414)
Bad debts (Note 2.7)	(179.646)	(7.448)
Insurance	(92.980)	(3.866)
Travel and training expenses	(5.329.795)	(221.082)
Cooperation, contributions and membership fees	(1.911.347)	(80.825)
Rental	(238.635)	(9.879)
Electricity, gas and water	(74.837)	(3.088)
Cleaning and maintenance	(203.934)	(8.573)
Correspondence and communications	(834.223)	(34.455)
Stationery and desk supplies	(196.475)	(8.144)
Advertising	(1.140.026)	(47.213)
Other expenses	(53.229)	(2.202)
	(18.819.141)	(775.220)
Financial results		
Interests and discounts received	367.789	15.495
Interest expenses and commissions	(475.127)	(19.880)
Difference closing price	(460.868)	(19.093)
Monetary devaluation results (Note 2.11)	(144.011)	-
Conversion results (Note 2.3)	-	(21.539)
Currency exchange differences	(2.288.920)	-
	(3.001.137)	(45.017)
Adjustment to results of previous years (Note 9)	(595.567)	(24.604)
Net income of the year	2.659.005	171.890

AUDITOR'S REPORT
(Free translation of the original document in Spanish)

To the Board of Directors of LACNIC
(Latin American and Caribbean Internet Address Registry)

1. We have audited the accompanying balance sheet of the Latin American and Caribbean Internet Address Registry (LACNIC) as at December 31, 2005 and the related statement of profit and loss for the year then ended, with their attached notes and appendixes, expressed in Uruguayan pesos. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

3. In our opinion, the financial statements referred to above, expressed in Uruguayan pesos, are a fair representation, in all material respects, of the financial position of the Latin American and Caribbean Internet Address Registry (LACNIC) as at December 31, 2005 and the result of its operations for the year then ended, in conformity with the accounting principles generally accepted in Uruguay.

4. Without affecting our opinion, as detailed under Note 12 of the financial statements, at the date this report is issued it is not possible to determine with a reasonable degree of certainty the time and manner in which the validity of the fiscal exemptions established in Article 69 of the Uruguayan Constitution will be resolved. Because the Institution believes that the resolution will be favorable to its interests, no provisions have been included in this sense.

5. As mentioned under Note 2.1, during the fiscal year ended on December 31, 2005, for the preparation of its financial statements the Organization began applying for the first time the adjustment that considers inflation. The impact of this modification implied, in the financial statements as at December 31, 2004, an increase of $30,387 under the item "intangibles" and an increase of $1,781 under the item "long term investments," with the corresponding adjustments to the shareholder's equity.

6. Our audit was conducted with the purpose of forming an opinion on the statements of account, expressed in Uruguayan pesos, considered as a whole. The accounting information expressed in U.S. dollars is presented as additional information. Said information has been subjected to the auditing procedures applied during our audit of the financial statements considered as a whole. In our opinion, the additional information expressed in U.S. dollars has been appropriately converted according to the criteria detailed under Note 2.3 of the financial statements.

7. This report is intended to be used exclusively by the Board of Directors and members of the Organization, and should be used for no other purpose.

Montevideo, February 22, 2006

REPORT OF THE FISCAL COMMISSION
(Free translation of the original
document in Spanish)

According to the provisions of Article 27, Item (c) of the approved and valid Bylaws of the LATIN AMERICAN AND CARIBBEAN INTERNET ADDRESS REGISTRY (LAC-NIC), a meeting of the Control Organ is held, with the presence of Cassio Vecchiatti, Gabriel Adonaylo and Adriana Ibarra Vázquez.

In view of the above, a report is issued in reference to the Financial Statements corresponding to the term ended on December 31, 2005.

ONE.- The results of the audit carried out by Ernst & Young, in their capacity as external auditors, in relation to the Financial Statements corresponding to the term ended on December 31, 2005, were verified. The results of said audit were favorable.

TWO.- Based on the analysis of the external audit report prepared by the Control Organ and the documentation submitted by LACNIC, it is our conclusion that the information we have been presented reflects the true situation of the facts that have occurred, and therefore we advise its approval by the General Assembly.

THREE.- Considering the recommendation issued by the Control Organ on February 25, 2004, we are pleased with the increase of reserves to a level that is sufficient for covering LACNIC's fixed and operational costs.

March 8, 2006.

Cassio Vecchiatti
Gabriel Adonaylo
Adriana Ibarra Vázquez.

LACNIC is a membership-based, international non-profit organization. Its main function is the administration of the Internet numbering resources allocated to Latin America and the Caribbean, guaranteeing that all the Internet operators within the region can have fair access to these resources.

More detailed information on the countries and territories within the region covered by LACNIC can be found at: **http://lacnic.net/en/sobre-lacnic/cobertura/index.html**

LACNIC also provides Reverse Resolution services for all IP address blocks allocated in the region. Likewise, it offers Whois service for all the Internet numbering resources of Latin America and the Caribbean.

LACNIC bases its operations on a self-regulation model in which Internet resource administration policies are developed in an open and transparent manner and on the basis of participative processes.

LACNIC contributes to the development of the Internet within our region through an active cooperation policy, promoting and defending the interest of the regional Internet community. Likewise, it contributes to strengthen technical capabilities by generating learning opportunities, technical coordination and discussion forums.

Mailing Lists
LACNIC maintains, administers and promotes two mailing lists: "announcements" and "policies". These lists are open to all those who wish to participate. We invite you to subscribe to these lists at: **http://lacnic.net/en/lists.html**

LACNIC:
www.lacnic.net
Potosí 1517 – Montevideo 11500. Uruguay
Tel: +598 2 604 2222
Fax: +598 2 604 2222 ext. 112
lacnic@lacnic.net