Algorand Foundation Transparency Report (Period October 2021 - March 2022)

Introduction

The Algorand Foundation continues its commitment to the community to provide full transparency into our Algo flows, usage and holdings, including the changes over time and explanations of the Algo dynamics. Further analysis on Algo Dynamics will also be published in forthcoming dedicated Reports but key areas will be touched on in this Transparency Report.

This report covers a 6-month period, in continuity with the previous report, issued in October 2021 for the period April 1, 2021 to September 30, 2021.

Besides the commitment to full transparency, the Foundation also publishes the transparency reports with the purpose of providing relevant information for decision making within the Governance Framework.

During this period, we have witnessed the transformation of the Algorand project from its bootstrap phase into a mature blockchain. This happened thanks to the successful execution of the main strategies devised in the Long Term Algo Dynamics (LTAD). These events have seen the distribution of both resources and responsibilities in strategic decisions from the Foundation to different ecosystem partners, being Early Backers or Governors: they are now playing a fundamental role in the stability of the Algo market dynamics and at the same time they represent an enormous progress in the path to decentralization.

The most important event, from the tokenomics point of view, is represented by the **end of the fund distribution** related to the Early Backer **Algorithmic Vesting Program**. The vesting has seen its peak distribution rate across the end of the previous semester and the beginning of this semester, with a cumulative distributed amount of 2.8B, and a longer, milder tail of distribution of the remaining 300M Algo which stretched until the first days of February 2022. Once again the algorithmic design of the vesting, designed to happen in favorable market conditions, enabled the circulating supply to cross 66% of the total fixed available amount of Algo (10B), without any sizable impact on the Algo dynamics.

A further step on decentralization and adoption is represented by the bootstrap of the Governance Framework, triggered by the Governance Referendum approval. During this semester, two Governance voting sessions have seen the commitment of more than 1.7B and 2.8B respectively, signaling the success in the Community and a growing interest in being a Governor, confirmed by the even higher commitment in the current session so far. Also in this case, the shift from Foundation Governance to Community Governance, which represents a

more active involvement of the Community in the decisions relevant for the future of the Algorand Ecosystem, is a strong progress towards the maturity of the project. The first introduction of the related Rewards system is described in the [Economic Evolution Report](#), but it represents only a starting point for leveraging the unique opportunity to incentivize the Community in different activities of the ecosystem, ranging from DeFi Projects to Consensus Participation.

We continued our ecosystem grant program, which has been crucial to enable and accelerate the buildout of the infrastructure and applications on the Algorand blockchain. During the reporting period, the original grant program has seen several changes to adapt to the needs of the more mature ecosystem, and from the next Transparency report we will present our ecosystem support in aggregate. Full details about the ecosystem efforts of the foundation will be found in the forthcoming Ecosystem Development Progress Report which will be shared soon.

As done in the past, we outline below the distribution of Algo to community players, our Algo holdings and their changes during this reporting period, as well as a forward-looking view about future Algo dynamics. Previous reports can be found [here](#), and the wallet addresses managed by the Foundation can be found [here](#).

Details of tokens entered into circulation by the Foundation

We first report the distribution of Algo by macro channels (Community Incentives, Ecosystem Development, Structured Selling, and Others) and by specific items within each channel, following a "financial flows statement" approach, listing Algo distribution and main movements for each category. The exact definition of Algo Circulating Supply has been explicitly discussed [here](#), and it has been adopted since then in most research and market cap websites, allowing for homogenous comparisons.

During the reporting period the following Algo has entered circulation through the following channels:

COMMUNITY INCENTIVES: 458.68M Algo

The Algo have been distributed to the market in the form of rewards and incentives to different parts of the community.

Participation Rewards

This semester has seen the transition from the Participation Rewards to other more sophisticated forms of rewards, related to the participation of the different processes of the Algorand Ecosystem. Since mainnet launch, the primary form of rewards has been Participation Rewards: they are received by everyone holding Algo, proportional to their Algo stake. The decreasing amount distributed is consistent with the published schedule, which you can find in the [LTAD](#) or other pages of our website. During this semester **we have distributed 84.67M Algo in Participation rewards.** This quantity is definitely different from the previous

semester distribution (154.9M) due to the introduction of the Governance Rewards. The distribution of the residual amount of Participation rewards, around 500k Algo, are now fully distributed. (May 14th 2022)

Governance Rewards

For the first time the Governance Rewards, related to Q3 2021 period, have been distributed to the eligible governors on January 3rd 2022, amounting to **60M Algo**. The eligibility criteria and the underlying process is described in detail in the [Governance Page](). Please note that Governance Rewards related to Q1 2022 period, and amounting to 70.5M Algo have been distributed on April 6 2022. The latter amount, even if relevant for the semester under consideration, will be accounted for in the next Transparency Report.

Early Backers / Relay Nodes Vesting

The previous semester has seen a dramatic acceleration in the Algorithmic vesting, thanks to the steady price increase that happened around September 2021. In spite of the distribution of more than 1 Billion Algo in the previous March-September reporting period, the price and ranking increases continued through the whole algorithmic distribution. The most impactful consequence of this performance is that, as of September 30 2021, the Algorithmic Vesting has officially ended, but with **328M Algo** still needed to be fully transferred to recipients, for different reasons. As previously reported, some of the Early Backers asked to continue to run their nodes and asked at the same time a voluntary suspension of their vesting, as a proof of enduring commitment. The formal completion of vesting has been finally performed through a series of weekly distributions starting from November 2021 and ending in the first days of February 2022.

ECOSYSTEM SUPPORT

Contingent Incentives

Contingent Incentives were established to enable them to address unforeseen trends or needs that may have a negative effect on the growth of the ecosystem, and they were crucial to manage distribution under stable conditions, as covered in the previous reports. During the previous semester, the last of the four installments related to the 200M Staking Program reward, which amounted to 55.3M Algo, was finally distributed, officially closing the Staking Program.

During the reporting period, the Foundation has started a program to use these funds to help the growth of the ecosystem, which is the fundamental need of a maturing blockchain. The program includes a series of loans to help the growth of our DeFi network and to expand the institutional investments in the ecosystem. So far only 50M have been allocated with a 1y horizon. The redirection of the Contingency Fund is reflected in the summary tables towards the end of the report.

The Algorand Ecosystem team facilitates the development and growth of the ecosystem and developer pipeline including undiluted funding, technical onboarding and standardization conventions for ASAs, Wallets and AVM.

AlgoGrants

During the reporting period, the Foundation distributed **6.9M Algo** as grants to developers and companies as part of the Foundation AlgoGrant Program and related programs such as developer awards and hackathon prizes. Please note this amount represents only part of the total awarded as the Foundation paid the other part of the grants and awards in fiat currencies or stable coins.

The AlgoGrants program was sunsetted at the end of March 2022 and has since been replaced by various Ecosystem Funding initiatives which will be outlined in further detail in future transparency reports.

Innovation Funds

The distribution of funds to strategic partners to foster innovation and grow the ecosystem continued for a total of **60M Algo**, including the liquidity rewards to boost adoption of Algorand DeFi applications through the Aeneas program and the completion of an LP subscription to the Arrington Capital ALGO Fund to continue making investments into teams building DeFi primitives and critical infrastructure natively on Algorand. In the future also this activity will be structurally incorporated in the larger Ecosystem Support fund.

OTHER DISTRIBUTION CHANNELS: 43.427M Algo

Algo Distribution through Structured Selling

During the reporting period, the Foundation has distributed 42.2M Algo via the structured selling program. The plan is executed through approved 3rd parties, with the following guidelines, also stated in the [Foundation's previous reports](#):

- *The seller only makes offers above market price, and doesn't sell into bids.*
- *Daily sales remain materially below a fixed amount set based on medium term volumes, and with the constraint of remaining below 5% of estimated real market volume on any given day.*
- *Automatic halting of sales if*
- *there is a 10% price drops within 24hrs*
- *the price goes below a fixed threshold set based on medium term market conditions*

During the latest period, the last guideline regarding a threshold to stop selling has been applied in different periods. This led to a slight decrease of the overall liquidated quantity, compared to the previous semester, but, due to the current levels of circulating supply, the market impact of the structured selling has been minimal, also taking into consideration the maturity of the market. In the future, we will make this channel of Algo distribution part of a larger general funding treasury strategy, for further details see the final section below.

University Program Consensus Participation

In the previous semester the Foundation has delegated to the [Global University Program](#) partners the ability to participate in Algorand consensus protocol with their unvested stake, for a current total amount of **38M Algo**. It's worth mentioning that they are properly included in the calculation of the Algo Liquid supply metric while they are excluded from the circulating supply, since the Foundation still has the control over the funds.

Board and Advisors Compensation

A total of **1.227M Algo** were used as compensation for members of the Foundation's board of directors and advisors. This reflects an increase of 267,000 Algo from the last reporting period, since board members and advisors have become more involved in the Foundation activity.

In Closing Statement

We conclude this transparency report by adding further information of interest for the community:

1. Providing further details on the usage of funding obtained by structured selling proceeds.
2. Providing, after the above classic "financial flows statement" view of the foundation activity, also a "balance-sheet" view updating the composition of our Algo funds.
3. Describing the fundamental directions for future Algo Dynamics that were already referenced above.

HOW SALES PROCEEDS ARE USED

We have already mentioned that part of the total grant awarded was paid in fiat currencies or stable coins, and that, beyond this, sales proceeds were used to fund operations, to support further efforts in building the ecosystem and community, and to support research and development. Here we provide some more precise figures.

1. Grants and awards in fiat or stablecoins: **USD 17.4M**
2. Marketing and other forms of ecosystem promotion in fiat or stablecoins: **USD 9.2M**
3. Daily operations, Staff costs, and other programs and fiat expenses: **USD 27.9M**

LONG TERM ALGO ALLOCATION, UPDATED

We also want to add a balance-sheet view updating the composition of our Algo funds, taking into account the aggregations explained above and reported in the notes.

ALLOCATION	ALGO
Community & Governance Rewards	1,757.26 Million
Ecosystem Support	1,176.05 Million
Foundation Endowment	363 Million

It is the aggregate of Governance & Participation Rewards with the previously called 200M Staking, now completed, and Early Backer Relay Nodes, also completed.

**It is the aggregate of the previously called Innovation Fund (340M), Grant Program (190.7M), Research and Social Good Program (200M), and the remaining part of the Contingent Incentives Fund (445.35), that we have decided to aggregate in one single Ecosystem fund for simplicity.*

DIRECTIONS FOR FUTURE TOKEN DYNAMIC

In the above report we have described the main changes that have already impacted the circulating supply of the Algorand Ecosystem during this semester and will continue to play a fundamental role in the near future. At the same time, forthcoming changes will accelerate even further the Algorand evolution towards a new paradigm of decentralization, where governors' involvement will (can) be extended to different aspects of the blockchain, from consensus to infrastructure. These will be the main future drivers for innovation:

1. This semester has seen the gradual transformation of Participation Rewards, designed for the early stage of the network, into the more sophisticated Governance Rewards: after this semester of coexistence, Participation Rewards will be finally dismissed by 15 May, 2022, thus completing the transition. Governance rewards are going to play in the next future a fundamental role in token dynamics, as they will be the cornerstone of the future inclusion of the Community in several aspects of the ecosystem, which can encompass the participation in DeFi projects as well as the active contribution to the security of the Algorand Network Protocol.

2. The Algorand Centres of Excellence (ACE) Program has officially started in 2022. It received 77 proposals with over 550 participants from a total of 46 countries. The program is a groundbreaking initiative that strives to make a long-lasting, positive impact in the blockchain and cryptocurrency space, as well as to expand the Algorand ecosystem through education and student activities. Proposals were reviewed during this semester by a committee of international experts from a diverse set of disciplines, including blockchain industry, computer science, law, business and social sciences. A group of semi-finalist submissions has been selected from which the funded ACE performers will be determined. Announcement of winners is planned for June 2022 and the start of the program by August 1st.

3. During this semester the Early Backers/Relay Node distribution has officially ended and there will be no more similar distributions. The Algorand Foundation currently runs a few programs to ensure robustness and decentralization of the crucial relay-node layer on the Algorand platform. These programs are much smaller in scope than the previous one. Currently these programs include token grants to ten universities who are running relay nodes through Q2 2024, an experimental Pilot Relay

Node Program where companies and individuals are running eighteen relay nodes in different configurations, and a Community Relay Node Program where participants must also stake Algos in addition to running their nodes (consisting of nineteen additional nodes). The latter two programs are in place through Q2 2023, with an option for extension beyond that date.

4. Although the Foundation 500M Algo Endowment is not part of the Community AERP, we report briefly about the evolution of its management, since it is the main source for the Foundation to fund its operations in support of the ecosystem and community, and of the Foundation research and development. We continue the plan of diversifying forms of revenues and holdings, with a low risk profile and including strategic projects and investments. The majority of the funds are held in Algos, while a small component of the treasury is also invested in decentralized financial activities and products.

The Foundation is committed to building a more inclusive, organic ecosystem with broad community participation, while maintaining the security of the protocol over time. We are also committed to increasing the availability of tools and dashboards for transparent monitoring of Algo flows and statistics, beside the publication of regular transparency reports. Economic publications, including the description of the new Governance Framework, will continue to explain and describe the Foundation's Algo dynamics.