

Algorand Foundation Transparency Report (Period April 2022 - September 2022)

Period: April 1, 2022 to September 30, 2022

[Foundation Wallet Addresses](#)

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. This report covers a 6-month period - from April 1, 2022 to September 30, 2022. It follows the previous report (covering October 1, 2021 to March 31, 2022.)

The past six months saw several systemic events in the broader crypto ecosystem, including the collapse of Terra-Luna, the bankruptcies of Three Arrows Capital (3AC), and affected protocols, the most important of which, for the purposes of Algorand Foundation reporting, was the Hodlnaut bankruptcy, to which we were directly exposed (see below). Note that the FTX default occurred outside of this reporting period, however our exposure there was limited to \$1M, as explained [here](#).

We did not have exposure to Luna / UST or 3AC, and therefore suffered no loss from their collapse. We do, however, have a contractual claim against the estate of 3AC for in excess of **USD\$50M**. This claim results from a breach of a locking agreement related to their OTC cash purchase of Algos, in Q4 2021. We are pursuing legal action to enforce this claim, but ascribe to it zero value and will treat any recovery as a windfall. As already mentioned in previous communications [here](#), we did have a c. **USD\$35M** exposure to Hodlnaut, which has been placed under judicial management by Singaporean authorities. The Hodlnaut exposure has also been marked to zero, and any future recoveries would be treated as a windfall.

During the past six months, the Algorand project has matured from its bootstrap phase into a vibrant blockchain ecosystem, with 808 new decentralized applications launched on MainNet. And, since April, our DeFi ecosystem has grown from 121M Algo in TVL to 400M Algo at the end of September (3.3x)

The governance program, implemented at the beginning of 2022, saw a large increase in participation over the past reporting period, marking an important further step towards decentralization and adoption. Starting with **1.7B Algo** of commitments in the first Governance period during the previous semester (c. 30% of the then Circulating Supply), governance participation has increased by 250% to **4.2B Algo** in September '22, (over 60% of Circulating Supply).

Circulating Supply has reached **7B Algo**, or 70% of the total fixed available amount of **Algo (10B)**.

Details of tokens entered into circulation by the Foundation

The definition of Algo Circulating Supply has been detailed [here](#), and it has been adopted since then in most research and market cap websites, allowing for homogeneous comparisons.

We first report the distribution of Algo by macro channels (Community & Governance Rewards, Ecosystem Support, Structured Selling, and Others) and by specific items within each channel.

COMMUNITY & GOVERNANCE REWARDS:

Participation Rewards

This semester has seen the sunsetting of Participation Rewards, which were allocated to everyone holding Algo, in proportion to their stake.

The end of Participation Rewards was announced last year, but they were officially terminated on May 15 2022, with only **residual final distribution of 500k Algo** made during this reporting period.

Governance Rewards

With an allocation of **282M Algo** for 2022, Governance Rewards have recently represented by far the largest single source of emissions from the foundation. The eligibility criteria and the underlying process for the 2022 program is described in the [Governance Page](#).

2022 Governance Rewards are distributed quarterly and distributions for Q1 and Q2, which are reported here, amount to **141M Algo**. Governance Rewards paid in Q3 and Q4 2022 will be included in subsequent Transparency Reports.

Early Backers / Relay Nodes Vesting

The Early Backer Vesting Program is now fully complete. Although the Algorithmic Vesting ended in October 2021, a very small subset of Early Backers had been paused and their vesting schedules extended. A final, residual quantity of **14M Algo** was vested to these Early Backers this period, thereby completing Algorithmic Vesting and drawing this exercise to a close.

ECOSYSTEM SUPPORT

As communicated in the previous Transparency Report, the AlgoGrants program in its previous formulation was discontinued in March 2022, as the Foundation aligned itself around vertical leads that could suggest more targeted (and often larger) support measures. Nevertheless the distribution of related funds to previously approved projects continued during this semester: the Foundation distributed **18M Algo** as past and present grants to developers and companies as well as in the form of developer awards and hackathon prizes. Please note that this amount represents only the portion distributed in Algos, and not distributions of fiat or stablecoins (funded through Structured Selling - see below).

The distribution of funds to strategic partners to foster innovation and grow the ecosystem continued for a total of **120M Algo** in the form of loans to strategic partners in the ecosystem. In the DeFi sector, **4M Algo** have been distributed during this semester in the form of liquidity rewards to boost adoption. The Aeneas program was started in late 2021, distributed a total of **14M Algo** during its lifespan, and has now been superseded by DeFi integration into the Governance Framework.

In order to enhance access for traditional investors, **15M Algo** has been deployed to support liquidity in an Algorand Exchange Traded Product (ETP), issued by Coinshares and available on Xetra, Germany's primary electronic market for shares & ETF/ETPs.

The Relay Node Pilot program also distributed **2.3M Algo** during the semester to support further decentralization of our blockchain.

OTHER DISTRIBUTION CHANNELS:

Algo Distribution through Structured Selling

During the reporting period, the Foundation sold **16.5M Algo** via the structured selling program to augment fiat funding requirements. Structured Selling is executed through approved 3rd parties and follows the guidelines below, which may be updated from time to time:

- *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*

Recent market turmoil also impacted the Algo price and led to significant pauses in Structured Selling for extended periods during the semester. As a result, distributions via Structured Sales were abnormally low compared to the prior semester (**42.2M Algo**) and future expectations.

Some noteworthy Algo payments include:

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 with their unvested stake. The current total amount of this allocation is **27.3M Algo**.

Board and Advisors Compensation

A total of **1.072M Algo** were used as compensation for members of the Foundation's board of directors and advisors. This is essentially in line with the past, with a slight decrease of 155k Algo over the previous semester.

HOW SALES PROCEEDS ARE USED

We have already mentioned that part of the total grant awarded was paid in fiat currencies or stablecoins, 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\$30.9M**
2. Marketing and other forms of ecosystem promotion in fiat or stablecoins: **USD\$22.2M**
3. Daily operations, Staff costs, and other programs and fiat expenses: **USD\$17.9M**

Some noteworthy fiat expenditures include:

The Algorand Centres of Excellence (ACE) Program

The ACE program officially started in August 2022, and during this reporting period, \$5MM was allocated to this program.

FOUNDATION ALGO HOLDINGS

At the end of the reporting period, the foundation had a balance of **2,993M Algo’s** for its defined corporate purpose of promoting the growth, health, and adoption of the Algorand Blockchain.

Assigning the balance above to historic categories results in the allocations below.

ALLOCATION	ALGO
Community & Governance Rewards	1,628.16 Million
Ecosystem Support	989.62 Million
Foundation Endowment	375.38 Million

However, the best uses of these funds will evolve along with the evolution of the blockchain, and the wider crypto environment. And, in line with our broader path towards decentralization, the community, and in particular the xGovs participants in the broader governance program will play an increasingly active role in the commitment of grants to qualifying projects. In addition, other entities that do work that contributes to the health of the ecosystem will (subject to community vote) be rewarded through the governance program.

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 role in the near future. At the same time, forthcoming changes will accelerate Algorand’s evolution towards 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. During this semester, the Governance Framework has evolved in a clear direction: a progressive inclusion of the Community in strategic decisions on several aspects of the ecosystem. Along these lines, the integration of DeFi activities into Governance Framework, being either forms of Liquid Governance or Liquidity Pool participation, has been the most impactful progress so far in this direction. Future directions will include more active ways of participating in Governance.
2. 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 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.

The Treasury has been set up 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. 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.

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