

The Zerocoin Electric Coin Company

From: Jack Gavigan
Subject: December 2016 Auction of ZEC
Date: 21st December 2016

1. The Zerocoin Electric Coin Company LLC ("ZECC") intends to conduct an auction in order to sell an amount of ZEC for US Dollars (USD).
2. Interested parties should register their interest by emailing [REDACTED] and supplying the following information:
 - a. The name, address and state of registration of the company taking part in the auction (the "Participant"),
 - b. The name, email address and phone number of the person who will participate in the auction on behalf of the Participant (the "Trader"),
 - c. The name, email address and phone number of the person who is authorised to sign the bill of sale on behalf of the Participant (the "Signatory"),
 - d. The transparent Zcash payment address ("t-address") to which ZEC should be transferred in the event that the Participant submits a winning bid.
3. ZECC will draft a simple, non-binding Letter of Intent, indicating:
 - a. ZECC's intent to conduct an auction,
 - b. the Participant's intent to participate in the auction,
 - c. the participating company's intent, in the event that it submits a winning bid, to pay the appropriate amount of USD (the "Funds"), by wire transfer directly to ZECC's bank account, by the end of the first business day following the conclusion of the auction, and
 - d. ZECC's intent to remit the corresponding amount of ZEC to the Participant's t-address within 24 hours of confirming receipt of the Funds.

The details listed in paragraph 2 above, ZECC's bank wire transfer details, and a copy of this memorandum will be attached to the Letter of Intent (see example below).

Both Zooko (acting in his capacity as CEO of ZECC) and the Signatory will digitally sign the Letter of Intent using the DocuSign service.

4. The Participants' t-addresses will be tested by transferring a small amount of ZEC. Participants should verify that they can access and move the transferred ZEC, and confirm that the test was successful by emailing [REDACTED]
5. The auction will be conducted on behalf of ZECC by Jack Gavigan ("Jack"). In the event that Jack believes that the auction cannot be completed in an orderly fashion, he may delay, suspend, reschedule or cancel it.
6. On the day of the auction, Jack will email the Participants' Traders individually (from the [REDACTED] email address), to inform them of the amount of ZEC to be auctioned, and the deadline for submitting bids (to be no less than two hours after the email is sent).
7. The Trader should acknowledge receipt of Jack's email by replying to it. If Jack does not receive an acknowledgement within a reasonable amount of time, he will attempt to contact the Trader by telephone. If there is no answer or response, the auction will continue.
8. We are aware that some bidders may prefer to purchase the full amount being auctioned, so we will run a hybrid auction, to allow bidders to bid different prices for purchasing the full amount versus purchasing a portion of the full amount (in a clearing auction).
9. Participants may submit the following types of bid:
 - a. a Single Bid for the full amount of the ZEC being auctioned, and
 - b. one or more Clearing Bids, indicating both the amount of ZEC desired, and the price the Participant is willing to pay per ZEC in a clearing auction.

Participants may submit either or both types of bid. Participants should submit no more than 20 Clearing Bids.

10. Bids must be submitted by email to [REDACTED] in the following format:

Bid type: USD *X* per ZEC for *Q* ZEC

where *Bid type* is one of "Single bid" or "Clearing bid", *X* is the bid price in USD, and *Q* is the quantity. There must be only one bid to a line. Bid prices must have no greater than six decimal places.

For example, if the auction amount was 10,000 ZEC, and a Participant wished to submit a Single Bid of \$40 per ZEC, and two Clearing Bids of \$42 per ZEC for 4,000 ZEC, and \$41 per ZEC for 5,650 ZEC, their submission should read as follows:

Single bid: USD 40 per ZEC for 10000 ZEC
Clearing bid: USD 41 per ZEC for 5650 ZEC
Clearing bid: USD 42 per ZEC for 4000 ZEC

All bids are binding. Bids will remain confidential.

11. Jack will acknowledge receipt of bids by replying to the email submission.
12. Following receipt of all Participants' bids (or at the deadline), Jack will collate the bids and calculate the results of the auction as follows:
 - a. As a preliminary step, he will first calculate a Clearing Price based on the submitted Clearing Bids, as follows:
 - i. He will serve the highest clearing bid first, allocating to it the number of ZEC requested, then the second-highest clearing bid and so forth until the supply of ZEC is exhausted.
 - ii. The Clearing Price will be equal to the lowest winning clearing bid (i.e. the lowest bid which received an allocation of ZEC).
 - b. Jack will then compare the Clearing Price to the highest Single Bid.
 - i. If the highest Single Bid is higher than the Clearing Price, the Participant who submitted the highest Single Bid will win the auction.
 - ii. If the Clearing Price is higher than the highest Single Bid, the auction will be won by the Participants who submitted Clearing Bids equal to or above the Clearing Price. Any Participant who submits a Clearing Bid that is equal to Clearing Price might not receive the full amount of ZEC they bid for.
 - iii. If there are two or more highest Single Bids that exceed the Clearing Price, the winning bid shall be the bid that was received first.
13. Jack will then email the successful Participant(s) to inform them of the result of the auction (i.e. the auction-winning price, and the amount of ZEC they have been allocated).
14. Jack will then email the unsuccessful Participants to inform them of the result of the auction (i.e. the winning price, and whether the result was a Clearing Price or the highest Single Bid).
15. Shortly after the auction, Jack will email to the successful Participant(s) an invoice (in PDF format) issued by ZECC, setting out the amount of ZEC the Participant is purchasing, the price per ZEC to be paid, and the amount of Funds the Participant should transfer to ZECC's bank account.
16. The successful Participant(s) will transfer the necessary Funds to complete the purchase of ZEC by the end of the business day following the completion of the auction.

17. ZECC will transfer the appropriate amount of ZEC to each winning Participant's t-address within 24 hours of confirming receipt of all Funds.
18. When the exchange of Funds and ZEC is complete, ZECC will draft a simple Bill of Sale, for each successful Participant, with the details of the sale (see example below).

Contingencies

19. In the event that a successful Participant fails to transfer the required Funds, ZECC will either:
 - a. recalculate the result of the auction with that Participant's bids excluded, or
 - b. re-run the auction.
 20. If the result of the auction is recalculated, all Participants will be notified of the new result. In the event that:
 - a. the original auction was won by multiple Participants who submitted Clearing Bids equal to or above the Clearing Price, and
 - b. the recalculated auction result is a lower Clearing Price,any Participants who have already transferred Funds to ZECC will be reimbursed accordingly.
 21. In the event that ZECC is unable to transfer the relevant amount of ZEC to the Participant's t-address, ZECC will return the Funds within a reasonable amount of time, not exceeding five business days after the Participant transferred the Funds to ZECC.
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Clarifications to the Memo

The following clarifications were sent to the Participants via email in response to questions they raised regarding the content of the memo above.

1. As indicated by paragraph 12(b)(ii) of the Memo, if the Clearing Price is higher than the highest Single Bid, the auction will be won by the Participants who submitted Clearing Bids equal to or above the Clearing Price. For the avoidance of doubt, in this eventuality, all winning Participants will pay the same price per ZEC (i.e. the Clearing Price). See Examples 4 and 6.
2. To clarify paragraph 12(b)(iii) of the Memo: If there are two or more highest Single Bids (i.e. if two or more bidders submitted identical Single Bids that are tied for the position of highest Single Bid) that exceed the Clearing Price, the winning bid shall be the bid that was received first. See Example 2.
3. If two or more bidders submit Clearing Bids at the Clearing Price, precedence for the allocation of ZEC shall be granted in the order that the bids were received. See Examples 4, 5 and 6.
4. Clearing bids are accumulative. This means that if a bidder submits multiple Clearing Bids, they might be allocated ZEC equal to the sum total of the quantities of their Clearing Bids. See Example 6.

Below are some examples of different auction scenarios and the corresponding outcomes. All examples are based on an hypothetical auction amount of 10,000 ZEC.

Example 1					
Participant A's bids (received first)	Participant B's bids (received second)	Participant C's bids (received third)	Clearing Price: \$41	Clearing Bids ranked:	Clearing allocation
Single bid: USD 40 per ZEC for 10000 ZEC	Single bid: USD 42 per ZEC for 10000 ZEC	Clearing bid: USD 41 per ZEC for 5000 ZEC	Highest Single Bid: \$42	Participant A: USD 42 per ZEC for 4000 ZEC	N/A
Clearing bid: USD 42 per ZEC for 4000 ZEC	Clearing bid: USD 40 per ZEC for 10000 ZEC		Result: \$42 per ZEC (Highest Single Bid)	Participant A: USD 41 per ZEC for 5650 ZEC	N/A
Clearing bid: USD 41 per ZEC for 5650 ZEC			Participant B receives 10,000 ZEC	Participant C: USD 41 per ZEC for 5000 ZEC	N/A
			The Highest Single Bid is higher than the Clearing Price.	Participant B: USD 40 per ZEC for 10000 ZEC	N/A
Example 2					
Participant A's bids (received first)	Participant B's bids (received second)	Participant C's bids (received third)	Clearing Price: \$41	Clearing Bids ranked:	Clearing allocation
Single bid: USD 42 per ZEC for 10000 ZEC	Single bid: USD 42 per ZEC for 10000 ZEC	Clearing bid: USD 41 per ZEC for 5000 ZEC	Highest Single Bid: \$42	Participant A: USD 42 per ZEC for 4000 ZEC	N/A
Clearing bid: USD 42 per ZEC for 4000 ZEC	Clearing bid: USD 40 per ZEC for 10000 ZEC		Result: \$42 per ZEC (Highest Single Bid)	Participant A: USD 41 per ZEC for 5650 ZEC	N/A
Clearing bid: USD 41 per ZEC for 5650 ZEC			Participant A receives 10,000 ZEC	Participant C: USD 41 per ZEC for 5000 ZEC	N/A
			Participant B: USD 40 per ZEC for 10000 ZEC	Participant B: USD 40 per ZEC for 10000 ZEC	N/A
			Participant A's Single Bid takes precedence over Participant B's because Participant A's bids were received before Participant B's.		
Example 3					
Participant A's bids (received first)	Participant B's bids (received second)	Participant C's bids (received third)	Clearing Price: \$41	Clearing Bids ranked:	Clearing allocation
Single bid: USD 40 per ZEC for 10000 ZEC	Single bid: USD 41 per ZEC for 10000 ZEC	Clearing bid: USD 42 per ZEC for 5000 ZEC	Highest Single Bid: \$41	Participant A: USD 42 per ZEC for 4000 ZEC	N/A
Clearing bid: USD 42 per ZEC for 4000 ZEC	Clearing bid: USD 40 per ZEC for 10000 ZEC		Result: \$41 per ZEC (Highest Single Bid)	Participant C: USD 42 per ZEC for 5000 ZEC	N/A
Clearing bid: USD 41 per ZEC for 5650 ZEC			Participant B receives 10,000 ZEC	Participant A: USD 41 per ZEC for 5650 ZEC	N/A
			Participant B: USD 40 per ZEC for 10000 ZEC	Participant B: USD 40 per ZEC for 10000 ZEC	N/A
			The Highest Single Bid and the Clearing Price are equal. The Highest Single Bid takes precedence over the Clearing Price.		
Example 4					
Participant A's bids (received first)	Participant B's bids (received second)	Participant C's bids (received third)	Clearing Price: \$41	Clearing Bids ranked:	Clearing allocation
Single bid: USD 40 per ZEC for 10000 ZEC	Single bid: USD 40 per ZEC for 10000 ZEC	Clearing bid: USD 43 per ZEC for 5000 ZEC	Highest Single Bid: \$40	Participant C: USD 43 per ZEC for 5000 ZEC	5000
Clearing bid: USD 42 per ZEC for 4000 ZEC	Clearing bid: USD 40 per ZEC for 10000 ZEC		Result: \$41 per ZEC (Clearing Price)	Participant A: USD 42 per ZEC for 4000 ZEC	4000
Clearing bid: USD 41 per ZEC for 5650 ZEC			Participant C receives 5,000 ZEC	Participant A: USD 41 per ZEC for 5650 ZEC	1000
			Participant A receives 5,000 ZEC	Participant B: USD 40 per ZEC for 10000 ZEC	0
			The Clearing Price is higher than the Highest Single Bid. Both winning Participants pay the same price (\$41 per ZEC). Note that both Participant A's Clearing Bids receive ZEC allocations.		
Example 5					
Participant A's bids (received first)	Participant B's bids (received second)	Participant C's bids (received third)	Clearing Price: \$42	Clearing Bids ranked:	Clearing allocation
Single bid: USD 40 per ZEC for 10000 ZEC	Single bid: USD 41 per ZEC for 10000 ZEC	Clearing bid: USD 42 per ZEC for 5000 ZEC	Highest Single Bid: \$41	Participant B: USD 42 per ZEC for 8000 ZEC	8000
Clearing bid: USD 41 per ZEC for 4000 ZEC	Clearing bid: USD 42 per ZEC for 8000 ZEC		Result: \$42 per ZEC (Clearing Price)	Participant C: USD 42 per ZEC for 5000 ZEC	2000
Clearing bid: USD 40 per ZEC for 5650 ZEC			Participant B receives 8,000 ZEC	Participant A: USD 41 per ZEC for 4000 ZEC	0
			Participant C receives 2,000 ZEC	Participant A: USD 40 per ZEC for 5650 ZEC	0
			Both winning Participants (B & C) pay the same price (\$42 per ZEC). Participant B's clearing bid is given priority for allocation of ZEC because Participant B's bids were received before Participant C's		
Example 6					
Participant A's bids (received first)	Participant B's bids (received second)	Participant C's bids (received third)	Clearing Price: \$42	Clearing Bids ranked:	Clearing allocation
Single bid: USD 40 per ZEC for 10000 ZEC	Single bid: USD 41 per ZEC for 10000 ZEC	Clearing bid: USD 42 per ZEC for 5000 ZEC	Highest Single Bid: \$41	Participant D: USD 45 per ZEC for 2000 ZEC	2000
Clearing bid: USD 41 per ZEC for 4000 ZEC	Clearing bid: USD 42 per ZEC for 8000 ZEC		Result: \$42 per ZEC (Clearing Price)	Participant D: USD 44 per ZEC for 2000 ZEC	2000
Clearing bid: USD 40 per ZEC for 5650 ZEC			Participant D receives 6,000 ZEC	Participant D: USD 43 per ZEC for 2000 ZEC	2000
			Participant E receives 1,000 ZEC	Participant E: USD 43 per ZEC for 1000 ZEC	1000
			Participant B receives 3,000 ZEC	Participant B: USD 42 per ZEC for 8000 ZEC	3000
Participant [redacted] bids (received fourth)	Participant E's bids (received fifth)	Participant F's bids (received sixth)	All winning Participants pay the same price (\$42 per ZEC). Participant B's clearing bid of USD 42 per ZEC is given priority for allocation of ZEC because Participant B's bids were received before Participant C's and Participant E's. Note that all of Participant [redacted] Clearing Bids receive ZEC allocations, totalling 6,000 ZEC.	Participant C: USD 42 per ZEC for 5000 ZEC	0
Clearing bid: USD 45 per ZEC for 2000 ZEC	Clearing bid: USD 43 per ZEC for 1000 ZEC	Single bid: USD 41 per ZEC for 10000 ZEC		Participant E: USD 42 per ZEC for 1000 ZEC	0
Clearing bid: USD 44 per ZEC for 2000 ZEC	Clearing bid: USD 42 per ZEC for 1000 ZEC	Clearing bid: USD 41 per ZEC for 10000 ZEC		Participant A: USD 41 per ZEC for 4000 ZEC	0
Clearing bid: USD 43 per ZEC for 2000 ZEC	Clearing bid: USD 41 per ZEC for 1000 ZEC			Participant E: USD 41 per ZEC for 1000 ZEC	0
	Clearing bid: USD 40 per ZEC for 1000 ZEC			Participant F: USD 41 per ZEC for 10000 ZEC	0
				Participant A: USD 40 per ZEC for 5650 ZEC	0
				Participant E: USD 40 per ZEC for 1000 ZEC	0

Letter of Intent (Template)

THIS LETTER OF INTENT (the "Letter") made as of this 25th day of December, 2016 (the "Execution Date"),

BETWEEN:

Signatory's Name of Participant Company Name of Participant Company's Address, (the "Participant")

- AND -

Zooko Wilcox of The Zerocoin Electric Coin Company LLC of *ZECC's address* (the "Seller").

BACKGROUND

- A. The Seller is the owner of certain assets that it intends to sell in an auction (the "Auction").
- B. The Participant intends to participate in the Auction.

This Letter will establish the basic terms to be used in the Auction. The terms contained in this Letter are not comprehensive and it is expected that additional terms may be added, and existing terms may be changed or deleted. The basic terms are as follows:

Non-Binding

- 1. This Letter does not create a binding agreement between the Participant and the Seller and will not be enforceable. Only the future Bill of Sale, duly executed by the Seller and the Participant, will be enforceable. The terms and conditions of any future Bill of Sale will supersede all terms and conditions contained in this Letter.

Transaction Description

- 2. The following is a complete description of the assets (the "Assets") to be sold in the Auction:
 - an amount (to be specified at the time of the Auction) of Zcash virtual currency units ("ZEC")

Representations

- 3. The Seller represents and warrants that the Assets are free and clear of any liens, charges, encumbrances or rights of other which will not be satisfied out of the sales proceeds.

Conduct of the Auction

4. The Seller represents that it intends to conduct the Auction in the manner described in the attached memorandum ("the Memo").
5. The Participant represents that it intends to participate in the Auction.
6. The Participant represents that if it submits a winning bid it will pay to the Seller the relevant amount of USD (the "Funds") by wire transfer directly to ZECC's Bank Account by the end of the first business day following the conclusion of the Auction.
7. The Seller represents that it will transfer to the Participant's t-address, the relevant amount of ZEC within 24 hours of confirming receipt of the Funds.
8. The following is the name, email address and phone number of the person who will conduct the Auction on behalf of the Seller ("Jack"):

Name: Jack Gavigan

Email address: [REDACTED]

Phone Number: + [REDACTED]

9. The following is the name, email address and phone number of the person who will participate in the auction on behalf of the Participant (the "Trader"):

Name:

Email address:

Phone Number:

10. The following is the name, email address and phone number of the person who is authorised to sign the Bill of Sale on behalf of the Participant (the "Signatory"):

Name:

Email address:

Phone Number:

11. The following is the bank account ("ZECC's Bank Account") to which the relevant amount of USD (the "Funds") will be paid by the Participant if it submits a winning bid

ABA Routing Number:

Account Number:

Bank information:

Destination account information:

12. The following is the Participant's transparent Zcash payment address (the "t-address") to which the relevant amount of ZEC will be transferred by the Seller in the event that the Participant submits a winning bid.

Participant's t-address:

This letter accurately reflects the understanding between the Seller and the Participant, signed on this 25th day of December, 2016.

Signatory's Name of Participant Company Name (Participant)

Zooko Wilcox of The Zerocoin Electric Coin Company LLC (Seller)

Invoice (Template)

Bill to: *Participant Company Name*
Participant Company's Address
Participant Company's Address
Participant Company's Address

From: The Zerocoin Electric Coin Company LLC
ZECC's address
ZECC's address
ZECC's address

Invoice #: ZECC-001
Date: 25th December 2016
Due Date: 26th December 2016

<u>Item</u>	<u>Quantity</u>	<u>Price</u>	<u>Amount</u>
Zcash Currency Units (ZEC)	xxxxx	xx	xxx,xxx

Balance Due: \$xxx,xxx

Payment Terms

Payment due by close of business on 26th December 2016 to the following account:

ABA Routing Number:

Account Number:

Bank information:

Destination account information:

Bill of Sale (Template)

This Bill of Sale is made this 26th day of December, 2016 by The Zerocoin Electric Coin Company LLC of ZECC's address ("the Seller") and Participant Company Name of Participant Company's Address ("the Buyer").

For and in consideration of *one hundred and twenty three thousand and four hundred and fifty six* Dollars (\$123,456), the receipt of which is hereby acknowledged, the Seller does hereby sell and convey to the Buyer the following property ("the Property"):

XX,000 Zcash virtual currency units (ZEC)

The Property was transferred to the Buyer by Zcash transaction *transaction_id*.

The Seller affirms that the Property is free and clear of any liens, charges, encumbrances or rights of other which will not be satisfied out of the sales proceeds.

The Property is being sold on an "AS IS" basis and the Seller expressly disclaims all warranties, whether expressed or implied, including but not limited to, any implied warranty of merchantability or fitness for a particular purpose. The Seller does not assume, or authorize any other person to assume on the behalf of the Seller, any liability in connection with the sale of the Property.

The Buyer acknowledges receipt of the Property and of this Bill of Sale.

The Buyer agrees to indemnify the Seller for legal costs and expenses related to any legal action or dispute that arises out of this Sale. Further, the Buyer shall indemnify Seller for all Losses arising out of any actions (or omissions to act) of Seller or any of its Affiliates taken at the direction of the Buyer or any of its Affiliates.

Zooko Wilcox of The Zerocoin Electric Coin Company LLC (Seller)

Date

Signatory's Name of Participant Company Name (Buyer)

Date