



The Zerocoin Electric Coin Company

5655 W. 8th Avenue, Lakewood, CO 80214

To: Founders' Reward Recipients (ZECC Founders, Investors, Employees & Advisors)
From: Zooko Wilcox
Date: 1st June 2017
Subject: Update on Tax Matters

Dear Zcash Founders,

In the memo dated 13th December 2016, the Company indicated that the Founders Reward would be treated as income when received for U.S. federal income tax purposes. However, after extensive consultation with our tax advisors, the Company intends to take the position that, for U.S. federal income tax purposes, the Company will not recognize income upon the successful mining of the Founders Reward. While this position is not free from doubt and may be subject to challenge by the Internal Revenue Service, the Company believes there is a reasonable basis for such position.

Accordingly, the Company does not intend to report any income with respect to any portion of the Founders Reward unless it disposes of such portion in a taxable transaction.

In order to assist the investors with calculating their 2017 estimated taxes, the Company is providing the following information.

The distribution of Founders Reward in the form of ZEC will be treated as a property distribution. We expect that partners will be subject to U.S. federal income tax when they dispose of such ZEC in a taxable transaction. To the extent the ZEC is a capital asset held for more than one year, any gain may be eligible for preferred rates applicable to long-term capital gains. However, partners are urged to seek their own tax advice on this matter, as well as with respect to the tax consequences of owning an interest in the Company generally.

The Company has disposed of some of the Founders Reward in taxable sales to fund ongoing operations (i.e. salaries, legal costs, etc.) and to generate USD for distribution to certain partners. These dispositions have generated taxable income for the Company.

We plan to make a special allocation of such income to the partners who received the corresponding USD distributions.

As of May 31, 2017 the Company is projecting little to no taxable income for 2017 other than the income that will be specially allocated as described above. As a result, we expect there to be little or no allocation of income to partners who have not received as USD distribution from the Company.

Should this projection change materially (for instance due to a large sale of coins), the Company will provide an update to the income projection at that time. Regardless, the Company intends to also provide a taxable income projection prior to the end of the year.

With respect to the Company's taxable income projections, the investors should be able to use the annualized income method to determine their estimated tax obligations.