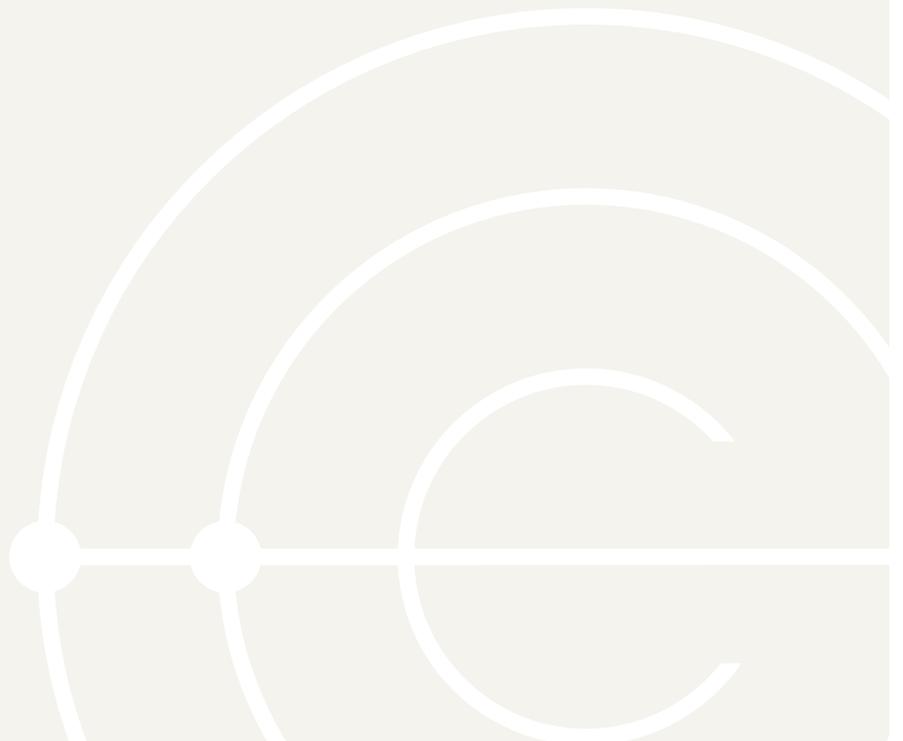


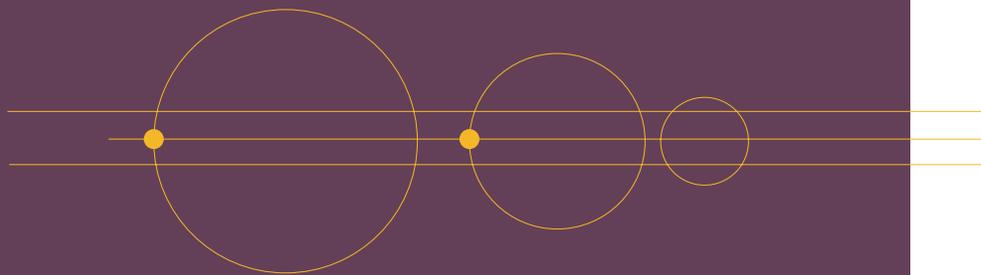
Electric Coin Co. Transparency Report March 2020

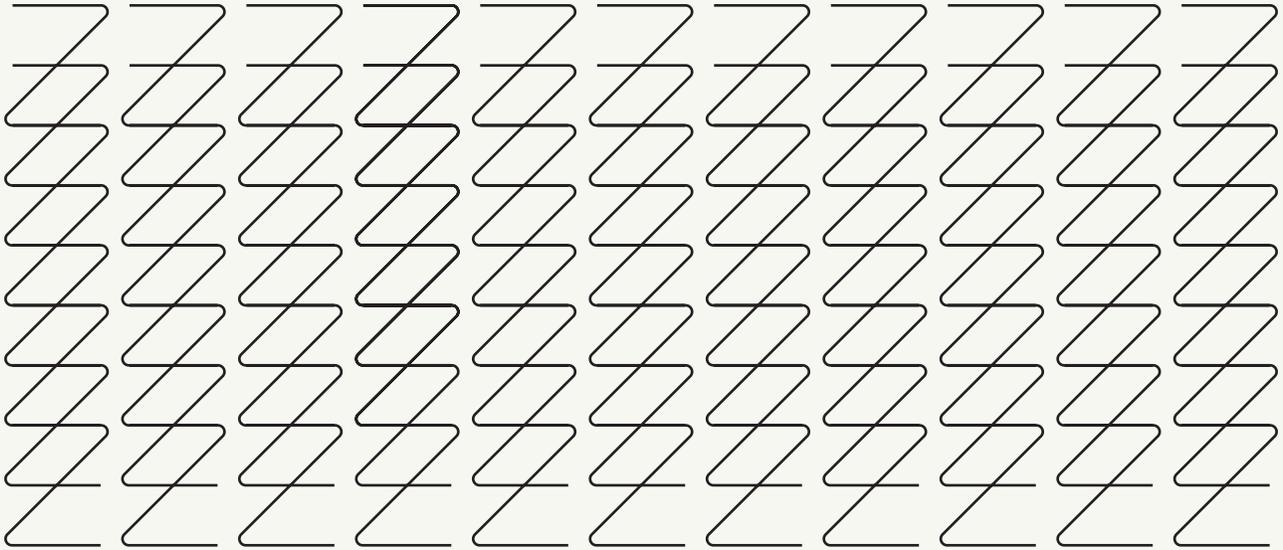
A review of income, expenses and use of funds in Q3 2019



Why release a transparency report?

Electric Coin Co. (ECC) is committed to openness and transparency — as we help evolve and support the Zcash digital currency, and in support of our mission to empower everyone with economic freedom and opportunity. This transparency report details company income, expenses and use of funds during Q3 of 2019.





Key takeaways:

- ECC operated close to break even in Q3 2019, as we received an average of \$750,000 a month and realized approximately \$744,600 in expenses. This includes employee incentive compensation paid in ZEC at the Q3 ZEC price of roughly \$61.28 (the average ZEC daily closing coin price during the period).
- At the end of Q3, the company held approximately \$5.6M in USD and ZEC based on the September closing price of \$38.72. ECC's current holdings are approximately \$4.2M in USD and ZEC.
- As a result of the market uncertainty, the company continues to tightly control spending in a number of areas including PR, trademark protections, engineering, event sponsorships and other non-critical activities.

Income and the mechanics of the Founders Reward

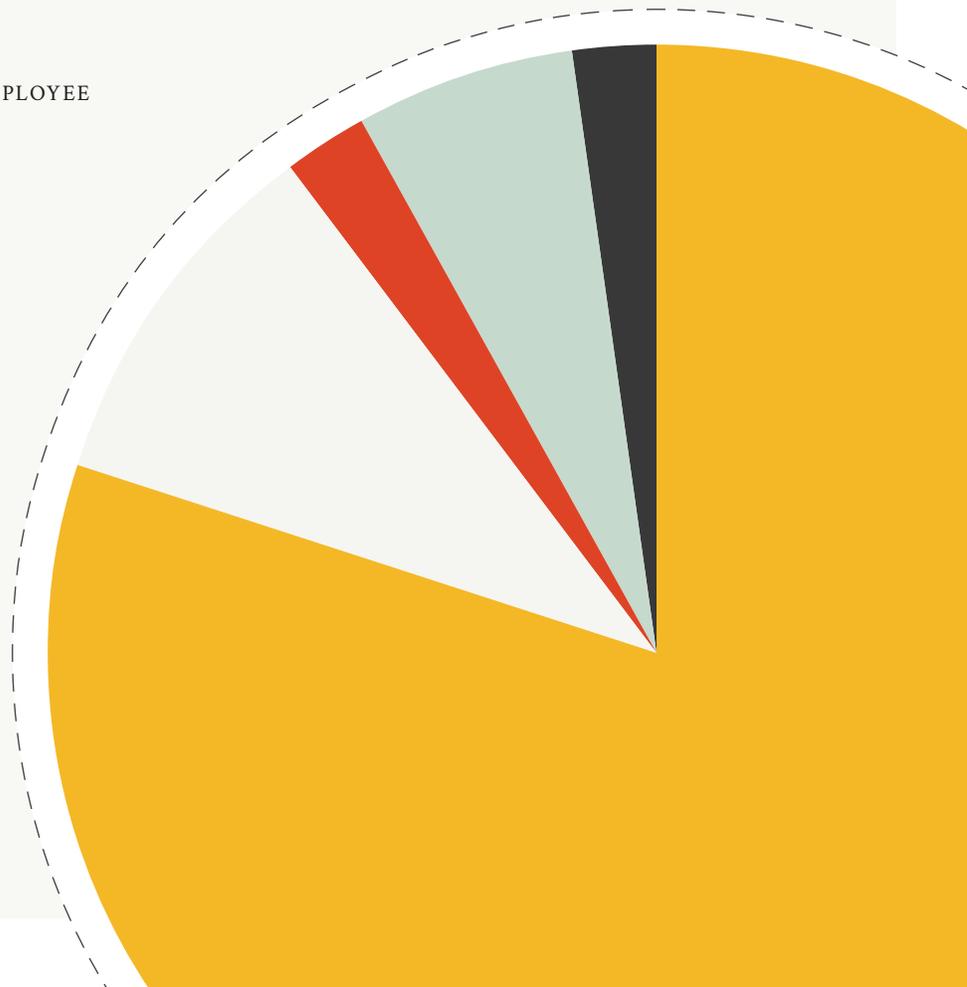
Zcash uses a Proof-of-Work consensus mechanism to produce blocks. Currently, the Zcash block reward is 6.25 Zcash (ZEC), and blocks are mined every 1.25 minutes. Miners receive 5 ZEC plus transaction fees as a block reward. The remaining 1.25 ZEC are split among various parties, and this is collectively called the “Founders Reward” (FR).

The FR will expire in Q4 2020 at the halvening, which occurs every four years. At that time, block rewards will be halved to 3.125 and [a new development fund](#), as proposed and approved by the community, will be implemented. The new dev fund stipulates that 80 percent of Zcash issuance will continue to be distributed to miners, while 20 percent will be devoted to Zcash development funding. Importantly, 8 percent of the total block reward (or about 35 percent of the new dev fund) will go into a grant program that will exclusively fund independent third-party developers. ECC will receive 7 percent of the total rewards, and the remaining 5 percent of rewards will go to support the work of the Zcash Foundation.

The distribution of FR in July, August and September is broken down in the pie chart below.



See next page for additional detail.



The approximate amount of total mining rewards generated each month is currently 218,750 ZEC. At a price of \$61.28 per coin (the average of the daily closing price of ZEC in Q3), this equates to \$13.405M.

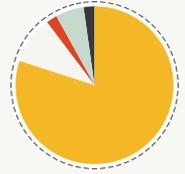
The table below shows the approximate share of mining rewards and estimated dollar value received per month.

JULY-SEPTEMBER 2019

RECIPIENT	SHARE OF MINING REWARDS	MONTHLY USD VALUE AT ZEC PRICE OF \$61.28*
MINERS	80.0%	\$10,724,000
FOUNDERS AND VESTED EMPLOYEES	9.95%	\$1,333,798
ZCASH FOUNDATION	2.20%	\$294,910
ELECTRIC COIN CO.	5.75%	\$770,788
ECC EMPLOYEE COMPENSATION	2.10%	\$281,505

**Average of Daily closing price Q3*

Key



MINERS

Responsible for transaction verification.

FOUNDERS & VESTED ECC EMPLOYEES

The company's founders — including the founding scientists, Zooko Wilcox, and others — receive a share of FR for their work on the initial build of the Zcash protocol.

ECC employees also receive a share of the FR as part of their compensation. ECC offers its employees Electric Coin Company LLC membership units on a vesting schedule. A share of the FR is paid to employees in proportion to their LLC ownership equivalent options for membership units.

Employees that were part of the founding team are fully vested.

Employees that were not part of the founding team are on a vesting schedule. As time passes, the ratio of vested to unvested for a given employee (and, therefore, the ratio of coins that are reported in this category versus the “Current ECC employee compensation” category) will increase.

ZCASH FOUNDATION

The [Zcash Foundation](#) is a 501(c)3 nonprofit that focuses on financial privacy. Its stated mission is to build internet payment and privacy infrastructure for the public good.

ELECTRIC COIN CO.

ECC is the author of this report. It is a for-profit entity that built and supports the Zcash protocol and affiliated software. Its share of the FR is used to fund the development and adoption of Zcash. A breakdown of ECC activities and expenses are included in this report.

ECC EMPLOYEE COMPENSATION

A portion of the FR is used as compensation for ECC employees. This category represents compensation paid for unvested shares and will fluctuate relative to vesting.

ECC income and holdings

ECC income is realized at the time of selling coins received. During Q3 ECC received 12,233 ZEC (approximately \$750,000 at \$61.28 per coin) per month. ECC employee total incentive compensation from the FR was approximately 713 coins for July and then 3,795 for each of August and September. This increase in incentive coins is a result of the issuance of new employee incentives.

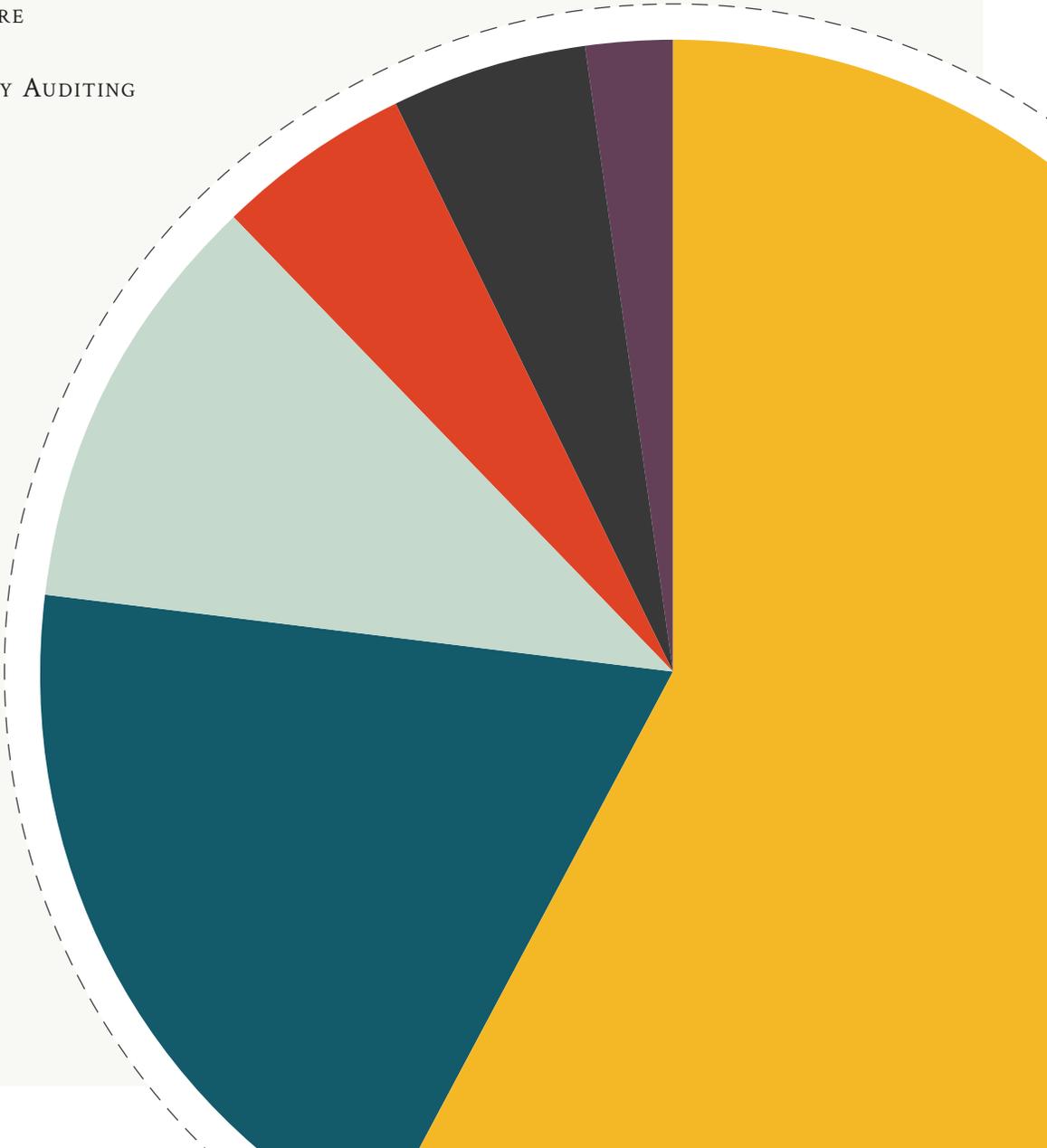
The ECC at quarter end held approximately \$5.6M in cash and ZEC coin at the September closing price of \$38.72. ECC's current holdings are approximately \$4.2M in USD and ZEC.

Early ECC investors

The company took on initial investment to get the company started. More information is available in the [ECC FAQ](#) and this [blog post](#). All investors received their share of the FR as part of their equity in ECC by October 2017. They no longer receive FR from that investment.

Expenses and use of funds:

During Q3 2019, ECC expenses averaged approximately \$744,600 per month. This includes ~\$575,000 per month in operating expenses plus ~\$169,600 worth of ZEC per month that was paid out in ECC employee compensation. The breakdown of operating expenses are illustrated in the graph below.



Q3 2019 use of funds

ECC used funds received to develop and support Zcash technology and community. ECC's three strategic priorities are to drive adoption while maintaining quality, invest in the team, and increase openness and collaboration. Our actions are aligned to those priorities across R&D, engineering, regulation, adoption and demand generation. The activities below included **work in the third quarter of 2019**. In some cases, we might reference work that was since completed but in progress during this time period.

DRIVE ADOPTION WHILE MAINTAINING QUALITY

Research & development

ECC continues to dedicate a large amount of its engineering capacity to research focused on Zcash protocol improvements and advances in cryptography. Sean Bowe, an engineer and cryptographer at ECC, discovered a technique for creating practical, scalable and trustless cryptographic proving systems, ending an almost decade-long pursuit by the cryptography community. The breakthrough is called Halo, and a paper authored by ECC employees Sean Bowe, Daira Hopwood and Jack Grigg is available [here](#). Halo is a result of ECC's strategic focus on improving safety and layer-1 scalability for Zcash. ECC is exploring the use of Halo for Zcash, to both eliminate the trusted setup and to scale Zcash at layer 1 using nested proof composition.

Zcon1 took place in Split, Croatia, from June 22 – 24, and several members of the ECC team presented on a wide ranging series of topics. Daira Hopwood presented [Scalable Privacy](#), an exploration of the design space for scaling Zcash using recursive validation, which represents ECC's vision for our Scalability 2021 initiative.

Engineering

During the quarter, ECC engineering produced two releases of Zcashd, focused primarily on easing the transition to the Blossom network upgrade and addressing several security issues. On September 2, we released [version 2.0.7-2 of Zcashd](#). This release of Zcashd is a hotfix release following 2.0.7-1, which was merged and tagged with an incorrect end-of-support halt height then removed. To avoid delaying the activation of mainnet Blossom, we released a version 2.0.7-2 with the same end-of-support halt height as 2.0.7. On September 24, we released version [2.0.7-3 of Zcashd](#) to address two security issues. Both were discovered and reported to us by Florian Tramèr, Dan Boneh and Kenneth G. Paterson. Their write-up is [available here](#).

Regulatory relations

ECC believes that well-informed and -educated policy makers and regulators produce better regulation. To that end, we engage with policy makers and regulators both directly (through outreach; meetings; providing feedback on proposed legislation and regulation; and educational activities designed to improve understanding of blockchain/ DLT technology, cryptocurrencies in general, and Zcash specifically) and indirectly (by supporting and contributing to the efforts of organizations like Coin Center, the Blockchain Alliance, the Blockchain Association and Global Digital Finance).

Examples of such activities we undertook during Q3 include delivering a day-long “teach-in” to a major G7 financial regulator, and speaking at the [Cambridge International Symposium on Economic Crime](#). We also began co-chairing the [Global Digital Finance KYC / AML / CFT Working Group](#).

In June 2019, FATF (the global Financial Action Task Force) finalized its recommendations for how the cryptocurrency sector should be regulated from an AML/CFT perspective. The Electric Coin Company provided feedback during those conversations, and our head of regulatory relations, Jack Gavigan, took part in the meeting at which the recommendations were finalized. Following this, we responded with two blog posts: [one](#) that describes the FATF recommendations and how they are likely to impact the cryptocurrency sector and [another](#) that outlines how Zcash is entirely compatible with all suggested FATF requirements.

Third-party adoption

In Q3 we focused on adoption efforts to improve the usability of and increase the use of Zcash for payments. This is consistent with our belief that financial inclusion requires that everyone is able to transact freely to meet their daily needs.

- Flexa [announced](#) support for Zcash on the SPEDN wallet. SPEDN is an app that makes it easy to spend cryptocurrency in stores, instantly, by simply scanning your phone. This will enable users to spend Zcash at thousands of supported retail locations across the U.S. and Canada.
- OpenBazaar [announced](#) Zcash support in its recently launched Haven app. Haven is a peer-to-peer marketplace that enables people to transact privately online with no fees.
- Zcash [support](#) was added to NOWPayments. NOWPayments, launched by ChangeNOW in 2019, is a cryptocurrency payment processor with a flexible API and customizable widget to enable merchants to easily accept crypto payments.

We continue to form strong partnerships across wallets, exchanges, and custodians to improve global accessibility for Zcash.

- Gemini [announced](#) the launch of Gemini Custody, a Qualified Custodian that supports Zcash.
- Exodus [increased](#) its support for Zcash on mobile and with Trezor integration.

Despite this progress, Coinbase in the UK delisted Zcash after severing its relationship with Barclays and moving to a new banking partner, ClearBank.

User adoption and education

In August, ECC partnered with New York City high school teacher Carlos Acevedo to deliver the first [Crypto Community Project](#). This two-day workshop brought together 12 recent high school graduates in the South Bronx for learning and hands-on experience with Bitcoin and Zcash. Guest speakers included representatives from Gemini, Messari, Flexa, the New York City Blockchain Center, Casa and more.

Additional speaking

ECC team members attended several events on various Zcash-, cryptography- and privacy-related topics.

- [PETS 2019](#) (Jack Grigg)
- Interop Event (Nathan Wilcox)
- [Rust Conf](#) (Marshall Gaucher + Eirik Ogilvie-Wigley)
- [ETH Berlin](#) / Berlin Blockchain Week
- [Crypto Springs](#) (Zooko Wilcox, Josh Swihart, and Elena Giralt)
- Cumberland Summit (Josh Swihart + Zooko Wilcox)
- FOC Chicago (Zooko Wilcox spoke)
- [Digital Assets Dinner](#) (Zooko Wilcox spoke)
- [AvantPay](#) (Brad Miller spoke)

Q3 2019 notable mentions

- Zcash featured in one of the clues in [Satoshi's Treasure Hunt](#)
- eToro released a [Beginner Guide for Zcash](#)
- Grayscale published an [investment thesis on Zcash](#)
- [Cointelegraph interviewed Paige Peterson](#) during Blockchain Week Rome
- Global Digital Finance launched a [KYC/AML/CTF working group](#), co-led by Jack Gavigan
- CriptoNoticias published a [piece recapping Zcon1](#)
- Carlos Acevedo summarized the first [Crypto Community Project workshop](#)
- Crypto Community Workshop got coverage in [Coindesk](#), [Money Matters Podcast](#), [CryptoBriefing](#) and [Local News 12 Bronx](#)
- James Frew published a [crypto coin study on Zcash](#) for Blocks Decoded
- Ayo Akinyele spoke about [Zcash on Lightning on EpicenterBTC](#)
- [Cointelegraph covered Halo research](#)

Q3 podcasts and interviews

- [Zooko was interviewed by Cheddar Media](#) on Zcash's mission to protect privacy
- Zooko presented at a16z, [Security and Privacy for Crypto with Zero-Knowledge Proofs](#)

Hiring

In Q3 we hired our first product marketing manager to own internal market research and contribute to technical community development and support. The role is an instrumental bridge between our internal Growth team and Product and Engineering teams.

We also hired our first senior DevOps engineer to come onboard and improve our CI system and help us with long-term problem solving. The person also plays an integral role in leading our monitoring, alerting and infrastructure tool selection.

In addition to our full-time hires, we also hired our first-ever marketing intern for one semester. She was first introduced to ECC and Zcash from the pilot [Crypto Community Project](#), and she helped to conduct research in her local community, specifically on remittances.

Lastly, we contracted a couple critical roles. One was our first iOS developer to further support our commitment to cross-platform mobile SDKs and mobile wallets. We also contracted a communications manager to help run our social media and keep the Zcash community updated on ECC fronts.

HR

An internal team, called Culture Corps, emerged to foster real-time connection in our predominantly distributed team. The group organizes fun activities every other Friday that anyone in the company can participate in.

We also ramped up our remote team interaction by integrating the #donut-pairing app into slack. The app randomly assigns two colleagues together to pair for 30 minutes in an effort to replace some of those organic water cooler discussions we often miss as a dispersed team.

Board of directors

ECC leadership and the Board of Directors met on July 24. Topics included the employee engagement survey results, community sentiment regarding ongoing funding for development, as well as standard corporate governance matters.

Comms

In Q3, our communications regarding a new Zcash development fund ramped up. In addition to a string of [conversations](#) on the community forum, and an [update on trademark strategy](#) (more on this below), ECC-authored the following blogs related to dev funding:

- [All in on ZEC](#)
- [Statement on Sustainability](#)
- [Animating Zcash](#)
- [Blank Slate: Community to decide future](#)
- [ECC Initial Assessment of Community Proposals](#)
- [An Update from ECC on the Initial Assessment of Community Proposals](#)

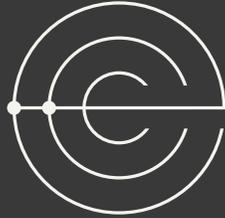
Our [second-ever Transparency Report](#) was published in August.

We hosted a [technical AMA](#) in July, and Zooko joined an [AMA](#) for the Zcash community in China, hosted by BigONE Exchange in September.

Trademark

ECC developed and worked through a novel trademark agreement in anticipation of donating the Zcash trademark (including the word mark and logos) to the Zcash Foundation. Stipulations included a requirement for bilateral agreement on network upgrades and a mandate that the community's will be honored. While much of the legal work was completed in Q3 of 2019, the donation wasn't finalized until November. A [summary and link to the full agreement](#) is available on the ECC blog.

In addition to this, we completed some stewardship work in support of the Zcash trademark in Singapore and a refiling of the word mark in Canada under categories 9 and 42. The company also initiated trademarks for the Electric Coin Company in Q3.



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