Electric Coin Co. Transparency Report

June 2022

A review of income, expenses, and use
of funds in Q4 2021

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 people with economic freedom. This transparency report details company income, expenses, and use of funds during Q4 2021.

ECC is a wholly owned entity of the 501(c)3 Bootstrap Org (Bootstrap).
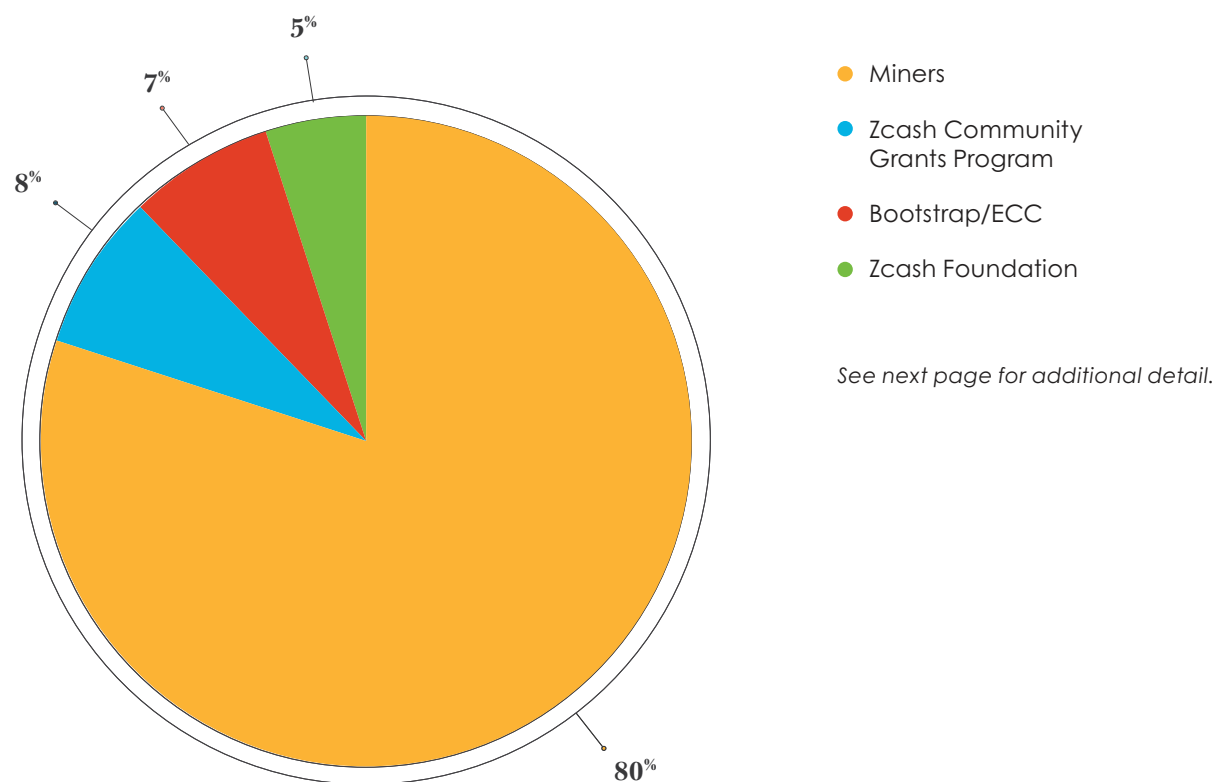
Key takeaways:

- Bootstrap received coins at a value above the ECC operating-expense level for Q4 2021. During this time, Bootstrap received coins at an average of $1,185,000 a month (at the Q4 average ZEC price for each of the three months' distribution dates at $154.81), and ECC incurred average monthly expenses of approximately $717,000.

- At the end of Q4 2021, Bootstrap and ECC collectively held approximately $6.5M in USD and approximately 85.3K ZEC. As of June 22, 2022, the companies held approximately $4.9M in USD and approximately 113.3K in ZEC.

Income and the mechanics of the development fund

The [Founders Reward](#) (FR), Zcash's original development funding mechanism, expired in November 2020 at the first Zcash halvening. At that time, block rewards were halved to 3.125 ZEC and [a new development fund](#), as proposed and approved by the community, was implemented. The new fund stipulates that 80 percent of Zcash issuance continues to be distributed to miners, while 20 percent is devoted to Zcash development funding. Importantly, 8 percent of the total block reward (or about 40 percent of the new development fund) goes into a grant program for independent, third-party developers. Bootstrap receives 7 percent of the total rewards, and the remaining 5 percent supports the work of the Zcash Foundation.
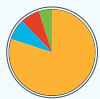

- Miners
- Zcash Community Grants Program
- Bootstrap/ECC
- Zcash Foundation

See next page for additional detail.

The approximate amount of total mining rewards generated each month post-halving was 109,375 ZEC. At a price of $167.53 per coin (the average of the ZEC daily closing price for Q4 2021), this equated to $18.3M.

The table below shows the approximate share of mining rewards and estimated dollar value received per month for October through December 2021.

October-December 2021

Recipient	SHARE OF MINING REWARDS	MONTHLY USD VALUE AT ZEC PRICE OF $167.53*
Miners	80%	$14,658,469
Zcash Community Grants Program	8%	$1,465,847
Zcash Foundation	5%	$916,154
Bootstrap	7%	$1,282,616

Average of the daily closing price October - December 2021

Key

 Miners

Responsible for transaction verification.

 Zcash Community Grants Program

Zcash Community Grants Program (ZCG) exists to fund projects that advance the usability, security, privacy, and adoption of Zcash. ZCG is a technology advisory board that constitutes a committee of the Zcash Foundation, under its bylaws. Grants are chosen by a committee of five members who were elected by the Zcash Community Advisory Panel.

 Bootstrap

ECC is the author of this report. Until Q4 2020, it was a for-profit entity focused on building and supporting the Zcash protocol and affiliated software. In November 2020, it shifted to being wholly owned by Bootstrap Org, a 501(c)3. A breakdown of ECC activities and expenses are included in this report.

 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.

Income and holdings

Since the beginning of the Zcash development fund, Bootstrap revenue/income is recognized at the market price for the coins received on the day they were received. The coins are held as an asset on Bootstrap's books at the market price established on the day received. At the point of a subsequent sale of any of those coins, a sale price above or below will create a gain or a loss to be recognized depending on the price at the time of sale.

The first development fund distribution of 7,656 ZEC coins was received by Bootstrap in December 2020, and Bootstrap has continued to receive the same distribution of coins each month.

At the end of Q4 2021, Bootstrap and ECC collectively held approximately $6.5M in USD and approximately 85.3K ZEC. As of June 22, 2022, the companies held approximately $4.9M in USD and approximately 113.3K in ZEC.
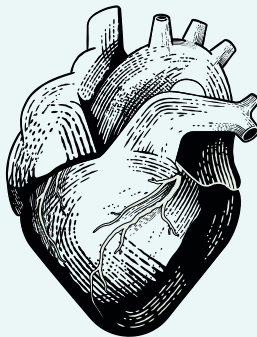
Expenses and use of funds

During Q4 2021, ECC operating expenses averaged approximately $717,000. We do not generally experience large variations in the departmental expense breakdown quarter over quarter.

In an effort to motivate and retain a highly valued team we have implemented an employee-retention plan denominated in ZEC. These funds are periodically granted to employees and distributed over a four-year vesting period.

Shown below is the ECC functional department expense grouping. All expenses attributed to each department are included in the percentage.

2021

Department	Q4	Q3
Development	46%	45%
General and Admin	24%	28%
Growth and Regulatory	21%	19%
Security/Audit	9%	8%

Q4 2021 use of funds

ECC used funds received to develop and support Zcash technology and the 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 fourth quarter of 2021**. 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	Most of our R&D activity during this period continued to focus on Halo 2 and our preparations for bringing Halo 2 to Zcash in Network Upgrade 5 (NU5) with the Orchard payment protocol. We published two external security assessments for NU5, from NCC Group and QEDIT. We continued working with George Mason University in support of our economic research around Zcash Shielded Assets (ZSAs) and the evaluation of different fee mechanisms that were consistent with the sustainability and privacy properties of Zcash.
Engineering	Engineering activity during this period continued to focus on the implementation of the NU5 feature set, and in particular Unified Addresses (ZIP 316). NU5 successfully activated on testnet Oct. 7, which allowed our ecosystem partners to begin testing in NU5 compatibility mode. We released Zcashd 4.5.1-1, which updated the zcashd standard rules allowing nodes to accept v5 transactions into the mempool alongside v4 transactions. We also released Zcashd 4.6.0, which mainly contained updates to various zcashd RPCs.
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).

Drive Adoption While Maintaining Quality (Cont'd)

User adoption and education

- Public.com added support for Zcash and hosted ECC CEO Zooko Wilcox on a livestream Q&A to celebrate

- Edge wallet launched support for shielded ZEC on Android and iOS

- Short The Banks offered support for ZEC purchased through integration with NowPayments

- Grayscale shares ZEC knowledge with its community

- ByBit announced support for ZEC/USDT pairs

- Coinbase relisted ZEC in the UK in December

- BitWyre launches ZEC support

- Abra relisted ZEC

- HodlPac announced it accepts ZEC as of Dec. 15

- ZEC became available on Okcoin

Invest in the Team

Hiring	In Q4 2021, we hired Nick Takacs as Engineering Manager.
HR	In Q4 2021, ECC enjoyed a team retreat. ECC employees, as well as members of the Board of Directors, spent time meeting in person for planning, reflection, and rejuvenation.

Increase Openness and Transparency

Comms	**ECC hosted a number of community calls, and also co-hosted AMAs with other industry leaders:**

- ECC leadership held a community AMA on Twitter Spaces

- ECC continued its support for the Gardening Club, a community call for Zcash open source developers

- ECC co-hosted a Twitter Spaces with Edge Wallet to review their Zcash integration

- ECC was a speaker at the Parallel Summit

- ECC co-hosted a keynote at Filecoin Orbit with Protocol Labs, the Filecoin Foundation, and the Ethereum Foundation to review their Halo partnership

- ECC CEO Zooko Wilcox joined Public Live to discuss Zcash and a privacy-focused future

Comms
(cont'd)

Blogs: ECC released a number of blogs regarding development updates, research and its North Star

- ECC Transparency Report for Q2 2021

- NU5 and Halo Arc timeline update

- ZSAs update: ECC research and paths forward

- ECC roadmap calls for focus on wallet, proof of stake and interoperability

- ECC, Agoric and a path to composable smart contracts using ZEC

- NU5 security assessments complete

- Web surveys provide info on Zcash usage and reputation

- ECC's North Star: Building a world-class UX for ZEC

- New Release 4.5.1-1

- Coin-holder poll: results summary

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