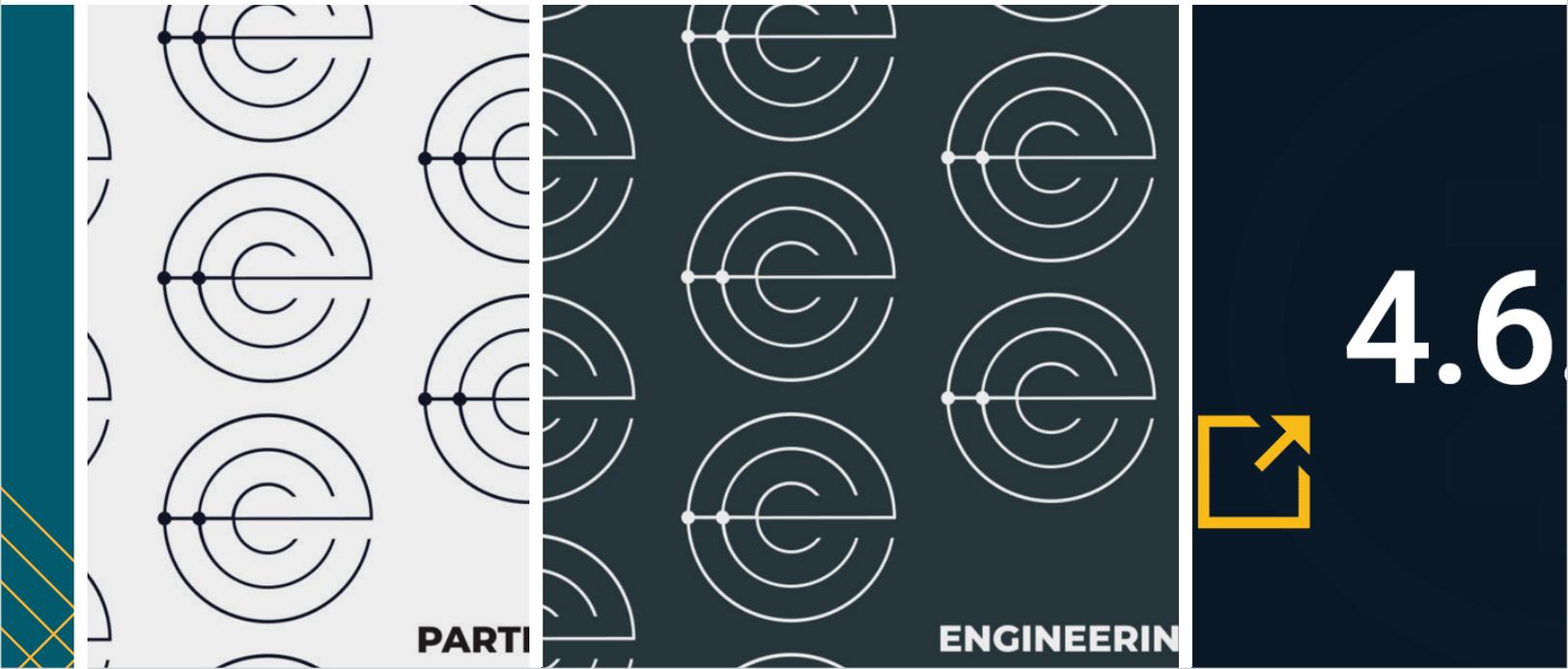




Electric Coin Co. Transparency Report

October 2022

A review of income, expenses, and use
of funds in Q1 2022



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 Q1 2022.

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

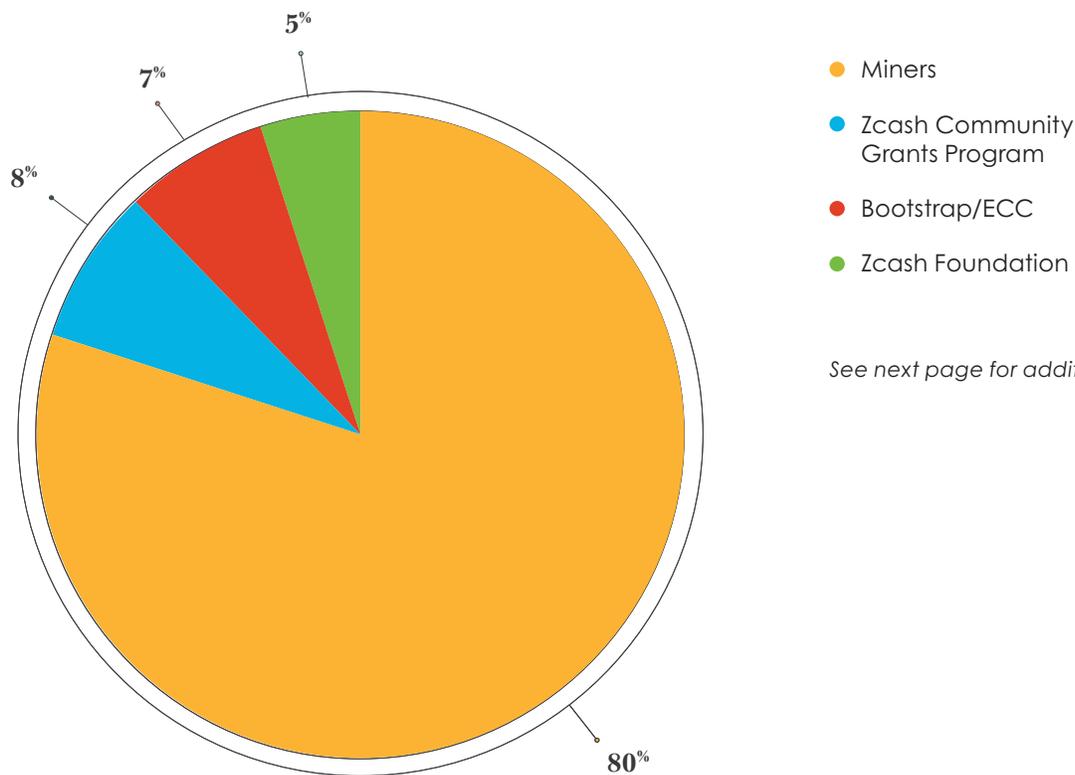


Key takeaways:

- Bootstrap received coins at a value above the ECC operating-expense level for Q1 2022. During this time, Bootstrap received coins at an average of \$1,055,000 a month (at the Q1 average ZEC price for each of the three months' distribution dates at \$137.75), and ECC incurred average monthly expenses of approximately \$700,000.
- At the end of Q1 2022, Bootstrap and ECC collectively held approximately \$6.1M in USD and approximately 96.1K ZEC. As of September 14, 2022, the company held approximately \$3.5M in USD and approximately 119.7K 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.



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 \$132.86 per coin (the average of the ZEC daily closing price for Q1 2022), this equated to \$14.5M. The table below shows the approximate share of mining rewards and estimated dollar value received per month for January through March 2022.

January-March 2022

Recipient	SHARE OF MINING REWARDS	MONTHLY USD VALUE AT ZEC PRICE OF \$132.86*
Miners	80%	\$11,625,250
Zcash Community Grants Program	8%	\$1,162,525
Bootstrap	7%	\$1,017,209
Zcash Foundation	5%	\$726,578

**Average of the daily closing price January - March 2022*



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.

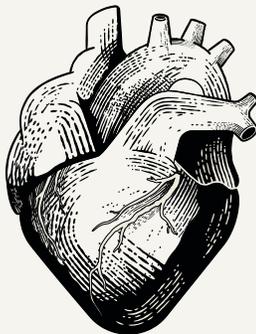
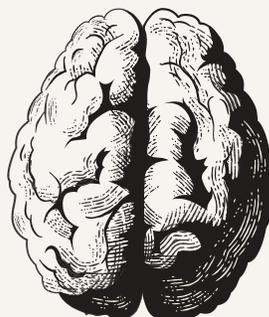


Income and holdings

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 Q1 2022, Bootstrap and ECC collectively held approximately \$6.1M in USD and approximately 96.1K ZEC. As of September 14, 2022, the company held approximately \$3.5M in USD and approximately 119.7K ZEC.



Expenses and use of funds

During Q1 2022, ECC operating expenses averaged approximately \$700,000. 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.

Department	2022 Q1	2021 Q4
Development	45%	46%
Growth and Regulatory	28%	21%
General and Admin	23%	24%
Security/Audit	4%	9%

Q1 2022 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 first quarter of 2022**. 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](#)). We also began early market and technical research into proof-of-stake protocols and interop platforms that could potentially be options for Zcash in the future.

Engineering

Engineering activity during this period continued to focus on the implementation of the NU5 feature set in preparation for our next network upgrade. We released Zcashd [4.6.0-1](#), which fixed a regression in the `getBlocktemplate` RPC call which was introduced in Zcashd [4.6.0](#). We had hoped to activate NU5 on mainnet in 2021, but elected to [delay the activation](#) to meet our historic standards for safety and quality, and to allow plenty of time for ecosystem partner testing and integration. Our new target was set to May 2022.

U.S. Policy / Regulatory Relations

Paul Brigner joined ECC on February 7, 2022, to lead U.S. Policy and Strategic Advocacy. During the last half of Q1, Paul increased ECC's collaboration with the [Blockchain Association](#) and the [Blockchain Governance Initiative Network](#). He also established new relationships with the NSF-chartered [CyberSMART Research Center](#) at Georgetown University and the [Technology Policy Institute](#). On March 15, 2022, Paul was selected to be the Industry Advisory Board Chair of the CyberSMART Research Center, and on March 30, 2022, Paul participated as a panelist at a Technology Policy Institute event on "[What does the EO Mean for Crypto Policy?](#)"

Drive Adoption While Maintaining Quality (Cont'd)

User adoption and education

- BTCPAY added support for Zcash 1/21/22
- OKcoin added support for Zcash 02/14/2022
- ByBit added a ZEC/USDT spot pair on 1/15/2022

Invest in the Team

Hiring

In Q1 2022, we hired Yasser Isa, Paul Brigner, Chris Tomeo, Ian Sagstetter, Ben Beale, and Carter Jernigan.

HR

In Q1 2022, we completed our T1 2022 planning week to set objectives and key results for the term.

Increase Openness and Transparency

Comms

In Q1 2022, ECC hired Ian Sagstetter to help lead ECC's communications efforts. During this time, the team implemented some low-lift, high-impact strategies that increase ECC's openness and transparency. One of these strategies is holding a monthly Twitter Spaces event where ECC leaders share updates on their work with the community. In addition to committing more time to company transparency, the ECC team had a number of appearances in the media. ECC's CEO, Zooko Wilcox, made appearances with CoinDesk, Tallycash, and also spoke at an ETHDenver fireside chat. Paul Brigner participated as a panelist at a Technology Policy Institute event on "What does the EO Mean for Crypto Policy?" SVP of Growth, Regulatory Relations & Product Strategy, Josh Swihart, spoke at Edge Wallet's Super 2sday event in San Diego. The team also began releasing comms around the highly anticipated Cypherpunk Zero NFT drop.



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