



# Electric Coin Co. Transparency Report

December 2022

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A review of income, expenses, and use  
of funds in Q2 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 Q2 2022.

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

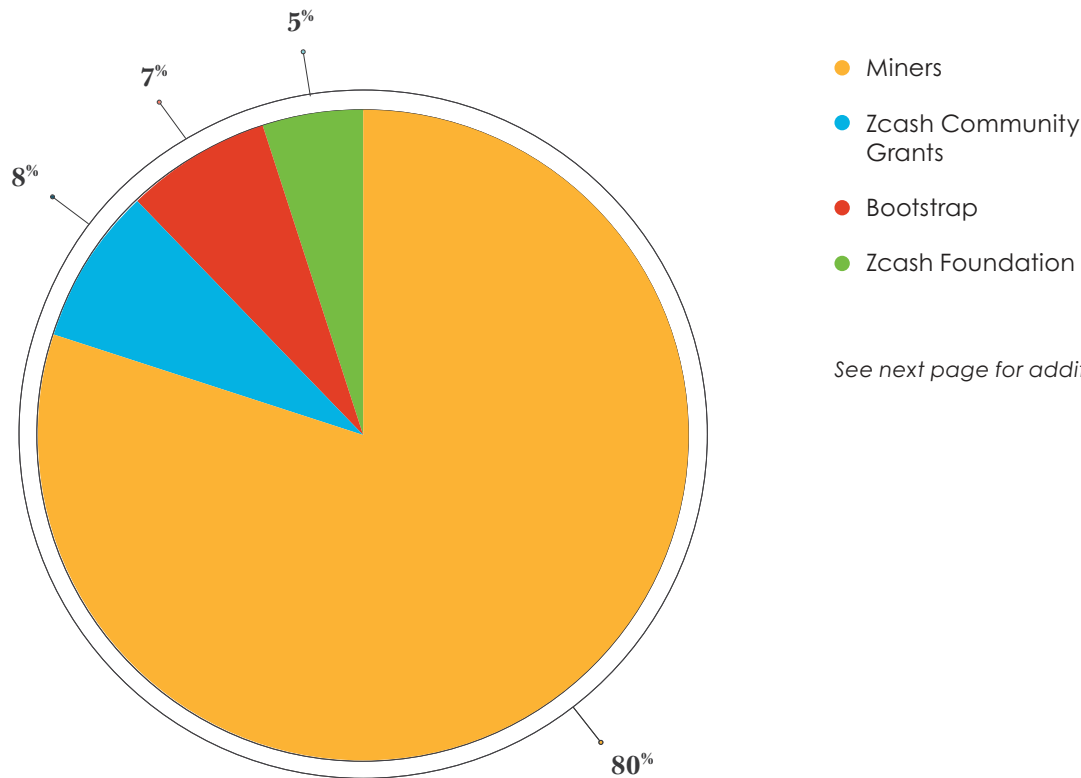


## Key takeaways:

- Bootstrap received coins at a value above the ECC operating-expense level for Q2 2022. During this time, Bootstrap received coins at an average of \$850,000 a month (at the Q2 average ZEC price, \$111, for each of the three months' distribution dates), and Bootstrap and ECC incurred average monthly expenses of approximately \$780,000.
- At the end of Q2 2022, Bootstrap and ECC collectively held approximately \$4.6M in USD and approximately 112.1K ZEC. As of December 20, 2022, the company held approximately \$1.8M in USD and approximately 120K 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 to the Zcash Community Grants (ZCG), a program that funds independent, third-party developers. Bootstrap receives 7 percent of the total rewards, and the remaining 5 percent supports the work of the Zcash Foundation. The Zcash Foundation and ZCG are completely separate and independent from Bootstrap and ECC, and there is no overlap in directors, officers, or staff.



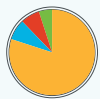
*See next page for additional detail.*

The approximate amount of total mining rewards generated each month post-halving was 109,375 ZEC. At a price of \$111.19 per coin (the average of the ZEC *daily* closing price for Q2 2022), this equated to \$12.2M. The table below shows the approximate share of mining rewards and estimated dollar value received per month for April through June 2022.

April-June 2022

Recipient	SHARE OF MINING REWARDS	MONTHLY USD VALUE AT ZEC PRICE OF \$111.19*
Miners	80%	\$9,729,125
Zcash Community Grants	8%	\$972,913
Bootstrap	7%	\$851,298
Zcash Foundation	5%	\$608,070

*\*Average of the daily closing price April - June 2022*



## Key

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### Miners

Responsible for transaction verification.



### Zcash Community Grants

[Zcash Community Grants](#) (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, ECC 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 The Bootstrap Org. Inc., 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 Q2 2022, Bootstrap and ECC collectively held approximately \$4.6M in USD and approximately 112.1K ZEC. As of December 20, 2022, the company held approximately \$1.8M in USD and approximately 120K ZEC.

In the December 2021 transparency report, we provided an update on additional material holdings, or assets, on Bootstrap's books, including two investments/assets and one debt/liability. In 2018, ECC invested in two companies focused on areas deemed to be complementary to ECC's mission. The first was Agoric Systems, LLC, and the second was Starkware Industries Ltd. Additionally, in August 2019, Bootstrap/ECC received 100,000 shares, vesting over time, in Bolt Labs.

Last year, Bootstrap received 42.6M BLD tokens for our investment in Agoric, which includes certain lock-up requirements. Recently, Bootstrap elected to receive approximately 12.7M Starknet tokens related to our Starkware investment, which also includes certain lock-up requirements. Any revenue resulting from the sale of these tokens will go to the Bootstrap treasury.

Bootstrap has a single material liability for \$3.75M, which comes due in 2024. In order to fund the continued operation of ECC in 2016, the company agreed with Least Authority Enterprises (LAE) to purchase a portion of LAE's right to its share of ZEC from the Founders Reward (10/2016 through 11/2020), in return for \$250k up front and \$3.75M payable in September of 2024. This debt, along with all of ECC's material assets, was assumed by Bootstrap, the 501(c)3 parent of ECC, in 2020 at its inception. Zooko Wilcox is an LAE shareholder. The total assets reflected on Bootstrap's balance sheet far exceed the LAE liability, which will be paid at its maturity.

## Expenses and use of funds

During Q2 2022, Bootstrap and ECC operating expenses averaged approximately \$780,000. 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 Q2	2022 Q1
Development	41%	45%
Growth and Regulatory	29%	28%
General and Admin	27%	23%
Security/Audit	3%	4%



## Q1 2022 use of funds

ECC used funds received to develop and support Zcash technology and its adoption. 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, policy, regulation, adoption, and demand generation. The activities below included **work in the second 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

We published several blog posts on research results:

- [Zcash Proof-of-Stake Research](#) describes research goals related to proof of stake.
- [Proof of Stake: Approach, focus, and next steps highlights](#) protocol design space areas unique to Zcash's privacy and decentralization.
- [ZSAs and Zcash Economics](#) summarizes [results from CEELab at GMU](#), modeling economics for multiple potential Zcash Shielded Asset fee designs.

#### Engineering

In May, NU5 activated on Zcash, bringing Halo 2 into production. See [NU5 activates on mainnet, eliminating trusted setup and launching a new era for Zcash](#). The ECC engineering team focused substantial effort on ensuring this was a safe network upgrade, with collaboration from Zcash Foundation engineers, academic reviewers, and many more.

After the zcashd 5.0.0 release to support NU5 in early May, the engineering team focused on the initial work of bringing Unified Address support to zcashd and our mobile wallet SDKs.

## Drive Adoption While Maintaining Quality (Cont'd)

U.S. policy/  
regulatory  
relations

We organized and launched the monthly [PGP\\* \(Pretty Good Policy\) for Crypto Breakfast and Roundtable](#) meeting series with support from [The Blockchain Association](#) and the [CyberSMART Research Center](#) at Georgetown University. These PGP meetings are monthly gatherings for policy professionals, think tank scholars, academics, non-profit advocates, and others to enjoy breakfast (“Pretty Good Pancakes”) and engage in informal, off-the-record discussions among friends interested in good policy for cryptocurrency. Three PGP meetings were held in Q2 (April 20, May 25, and June 22), and they have quickly become a very popular series of events – some say a “must attend” monthly gathering – for the Washington, DC crypto policy community. (The “PGP” reference is in homage to [Pretty Good Privacy encryption](#) and is carried over from Electric Coin Co.’s longstanding Pretty Good Pancakes breakfasts held in conjunction with industry events.)

ECC renewed our relationships in Q2 with the [The Blockchain Association](#) and [Global Digital Finance](#) (since merged with the [Global Blockchain Business Council](#)). We also participated in and sponsored [the Blockchain Governance Initiative Network \(BGIN\) Block #5 meeting](#) in Tokyo, Japan, as well as the [Coin Center](#) Annual Dinner in Austin, TX.

User adoption  
and education

Attended Bitcoin Miami where members of the Growth team met with strategic partners and potential prospects such as Gemini, Coinbase, Bitpay, Brave, and Paxful.

Attended Permissionless conference to explore expanding Zcash into Defi ecosystems.

With the launch of NU5 - we saw the introduction of Unified Addresses as a feature added to wallet parts such as ZEC Wallet, Nighthawk, Unstoppable, etc.

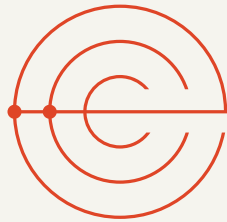
Participated in Bitcoin Pizza Day with Edge Wallet and Loli in NYC’s Washington Square Park.

## Invest in the Team

Hiring	In Q2 2022, we hired Matilda Johnson as Project Coordinator and Tatyana Vinogradova as Head of Product Marketing.
HR	In Q2 2022, we completed our T2 2022 planning week to set objectives and key results for the term.

## Increase Openness and Transparency

Comms	<p>In Q2 2022, we focused on producing content to support the NU5 activation on Zcash mainnet and to convey why this event was so important to everyday users. The team did this by releasing blogs, social media content, and through its community Twitter Spaces series.</p> <p>The ECC team was also featured on partner Twitter Spaces, and some team members were a part of the historic Zcash Media documentary series. The team supported this work by taking part in community updates and the Zcash Arborist calls.</p>
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