




Electric Coin Co. Transparency Report

June 2023

A review of income, expenses, and use
of funds in Q4 2022



5.3.0



Halo: Beyond Efficiency

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 2022.

**ECC is a wholly-owned subsidiary of The Bootstrap Org., Inc. (Bootstrap), a nonprofit public charity under Internal Revenue Code Section 501(c)(3). ECC, located in the United States and headquartered in Denver, Colorado is the d/b/a of Zerocoin Electric Coin Company LLC, which is incorporated in Delaware.*

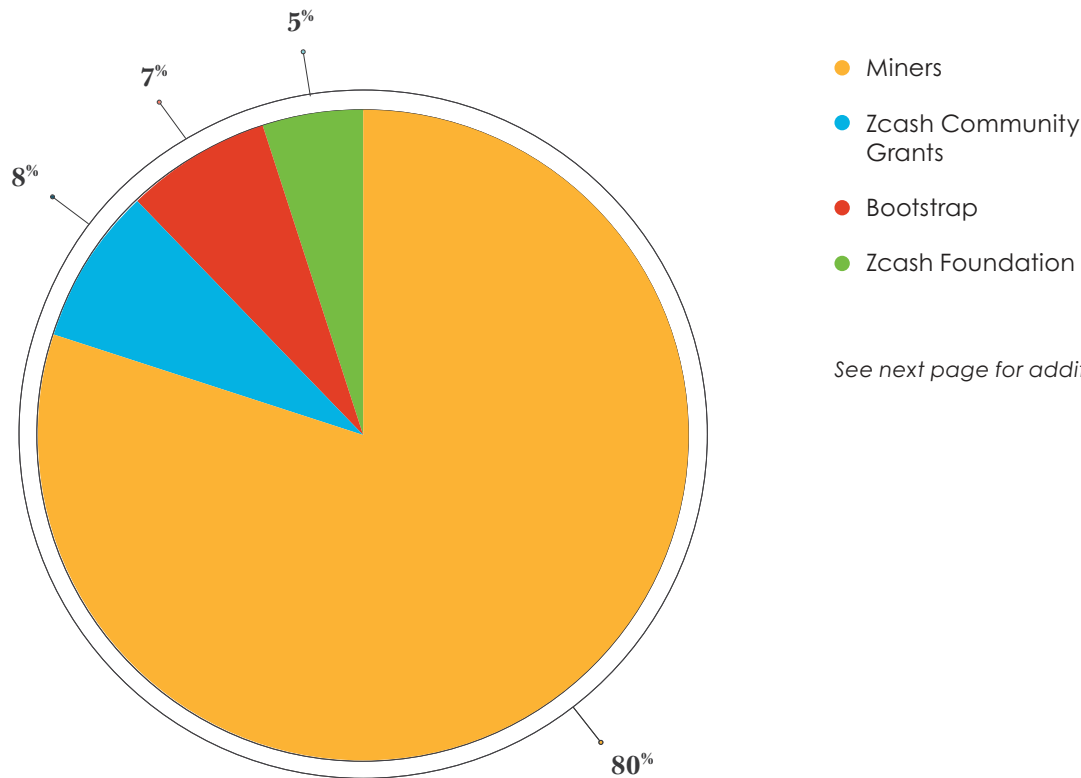


Key takeaways:

- Bootstrap received coins at a value below the ECC operating-expense level for Q4 2022. During this time, Bootstrap received coins at an average of \$330,000 a month (at the Q4 average ZEC price, \$43, for each of the three months' distribution dates), and Bootstrap and ECC incurred average monthly expenses of approximately \$698,000.
- At the end of Q4 2022, Bootstrap and ECC collectively held approximately \$1.5M in USD and approximately 126.3K ZEC. As of June 22, 2023, the company held approximately \$767K in USD and approximately 98K 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 \$46.32 per coin (the average of the ZEC *daily* closing price for Q4 2022), this equated to \$5.1M.

The table below shows the approximate share of mining rewards and estimated dollar value received per month for October through December 2022.

October – December 2022

Recipient	SHARE OF MINING REWARDS	MONTHLY USD VALUE AT ZEC PRICE OF \$46.32*
Miners	80%	\$4,053,000
Zcash Community Grants	8%	\$405,300
Bootstrap	7%	\$354,638
Zcash Foundation	5%	\$253,312

**Average of the daily closing price October – December 2022*



Key



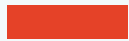
Miners

Responsible for transaction verification.



Zcash Community Grants

[Zcash Community Grants](#) 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 Q4 2022, Bootstrap and ECC collectively held approximately \$1.5M in USD and approximately 126.3K ZEC. As of June 22, 2023, the company held approximately \$767K in USD and approximately 98K 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.

In 2021, Bootstrap received 41.6M BLD tokens (previously misreported as 42.6M) 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. As of mid June 2023, Bootstrap has sold 480K BLD for additional liquidity.

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 were 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 Q4 2022, Bootstrap and ECC operating expenses averaged approximately \$698,000. 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 for Q4 2022. All expenses attributed to each department are included in the percentage.

Department	2022 Q4	2022 Q3
Development	47%	44%
Growth and Regulatory	36%	34%
General and Admin	15%	19%
Security/Audit	2%	3%

Q4 2022 use of funds

ECC used funds received to develop and support Zcash technology and its adoption. ECC recently restructured the company, but in Q4 2022 ECC's three strategic priorities were to drive adoption while maintaining quality, invest in the team, and increase openness and collaboration. Our actions were aligned to those priorities across R&D, engineering, policy, regulation, adoption, and demand generation. The activities below included **work in the fourth 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

Research focused primarily on light wallet performance, with efforts to define a DAG (Directed Acyclic Graph) capability for improved block scanning by light wallets. Implementation of this capability will allow light wallets using ECC's SDK to provide a significantly improved wallet experience to their users.

The ECC wallet product is being structured around a "no frills" simple and efficient user interface design. This will reduce potential performance bottlenecks while providing a stable platform for demonstrating new features to the wallet user population.

Engineering

Development teams released updated versions of zcashd that addressed memory management and provided an additional set of performance fixes. Functionality was extended to existing RPC calls to include an asOfHeight for more precise usage while still maintaining compatibility with Bitcoin Core.

Throughout this development effort, focus remains on addressing the light wallet sync and performance issues. This includes implementation of parallel processing capabilities in the SDK, which were made available in the first quarter of 2023.

Drive Adoption While Maintaining Quality (Cont'd)

U.S. policy/
regulatory
relations

We continued to hold monthly [PGP* \(Pretty Good Policy\) for Crypto Breakfast and Roundtable](#) meetings 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 Q4 (Oct. 19, Nov. 9 and Dec. 14). 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.

- In addition to the breakfast on Oct.19, we also held a [Global Encryption Day Celebration](#) with sponsorship from the [Internet Society](#) and the [Global Encryption Coalition](#), of which ECC is a member.
- On October 26, Paul Brigner was a panelist at a Federalist Society webinar: [Is the Office of Foreign Assets Control’s Sanctioning of Tornado Cash a Threat to the Future of Financial Privacy?](#)
- On November 14, Paul Brigner was a panelist at [Stanford University’s Future of Digital Currency Initiative Annual Meeting](#) on Privacy in Digital Currency.
- On November 16, ECC sponsored and attended the [Blockchain Association’s Inaugural Policy Summit](#).
- On December 20, ECC hosted a [PGP* for Crypto Call to Action meeting](#) to build support for Fight for the Future’s open letter encouraging lawmakers to defend privacy.

Drive Adoption While Maintaining Quality (Cont'd)

User adoption and education

Hosted five Arborist community calls to discuss protocol development

Attended Token 2049, FIL Lisbon, WebSummit

Josh Swihart joined [a panel](#) at the Secret Summit to talk about protecting a person's right to privacy, security, and dignity.

Josh also participated in a Universal Privacy Alliance panel at Devcon (Bogota).

Chris Tomeo appeared on a Universal Privacy Alliance [panel](#) at IPFS Camp.

Celebrated Zcash's 6th birthday with a Cypherpunk Zero NFT [giveaway](#)

Began [rollout](#) of Learn Zcash campaign

Began work on [z.cash](#) overhaul

Invest in the Team

Hiring

In Q4 2022, we did not make any new hires.

HR

In Q4 2022, we completed T3 2022 planning week to set goals for the October through January term.

Increase Openness and Transparency

Comms

Highlights:

Published [an update](#) on the Halo zkp system and its efficiency

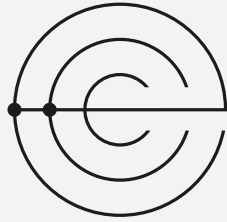
Published our [30-year vision](#)

Hosted a Twitter Spaces [community update and AMA](#) in December

Released ECC Transparency Reports for [Q2 2022](#) and [Q1 2022](#)

Gave ongoing [updates](#) on wallet issues and increased transaction load

In addition to the list above, ECC was active on our [blog](#), the [forum](#), [Twitter](#), [LinkedIn](#) and other social channels.



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