



Electric Coin Co. Transparency Report

September 2023

A review of income, expenses, and use
of funds in Q1 2023



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 2023.

**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.*

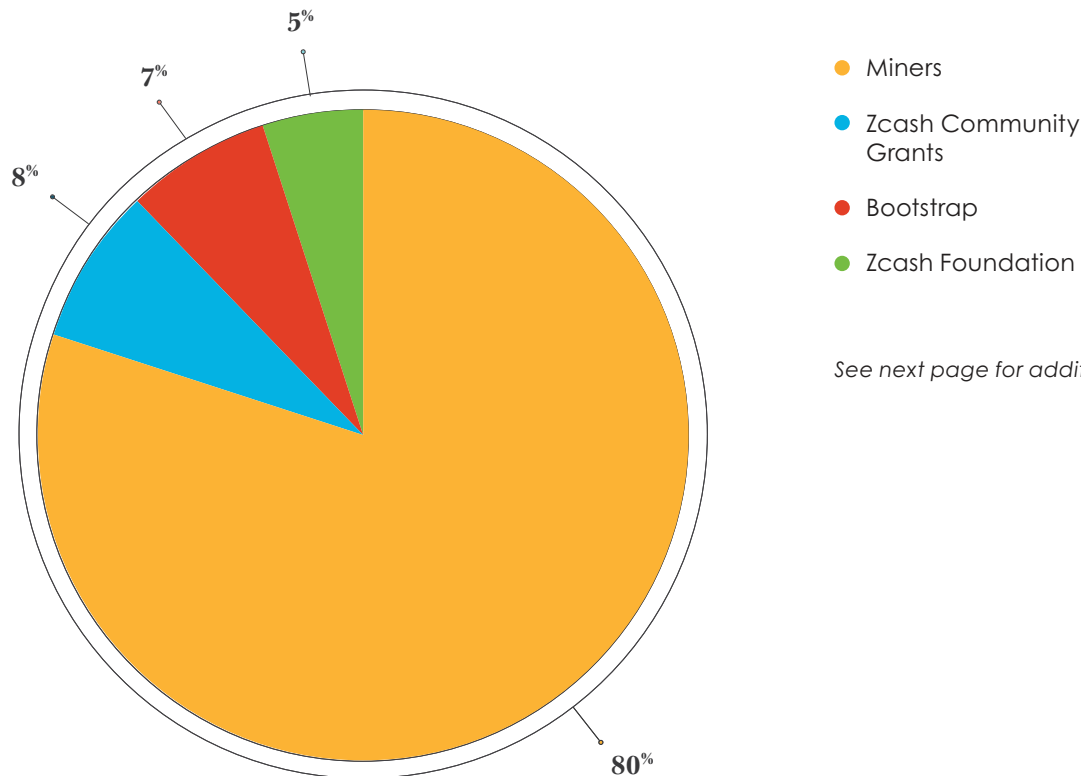


Key takeaways:

- Bootstrap received coins at a value below the ECC operating expense level for Q1 2023. During this time, Bootstrap received coins at an average of \$345,000 a month (at the Q1 average ZEC price, \$45, for each of the three months' distribution dates), and Bootstrap and ECC incurred average monthly expenses of approximately \$677,000.
- At the end of Q1 2023, Bootstrap and ECC collectively held approximately \$1.4M in USD and approximately 107.8K ZEC. As of September 27, 2023, the company held approximately \$676K in USD and approximately 89K 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 \$42.00 per coin (the average of the ZEC daily closing price for Q1 2023), this equated to \$4.6M.

The table below shows the approximate share of mining rewards and estimated dollar value received per month for January through March 2023.

January – March 2023

Recipient	SHARE OF MINING REWARDS	MONTHLY USD VALUE AT ZEC PRICE OF \$42.00*
Miners	80%	\$3,675,000
Zcash Community Grants	8%	\$367,500
Bootstrap	7%	\$321,562
Zcash Foundation	5%	\$229,688

**Average of the daily closing price January- March 2023*



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.

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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-September 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 Q1 2023, Bootstrap and ECC operating expenses averaged approximately \$677,000. 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 Q1 2023. All expenses attributed to each department are included in the percentage.

Department	2023 Q1	2022 Q4
Development	50%	47%
Growth and Regulatory	31%	36%
General and Admin	17%	15%
Security/Audit	2%	2%

Q1 2023 use of funds

ECC used funds received to develop and support Zcash technology and its adoption. ECC restructured the company in Q2 2023, but in Q1 2023 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 include **work in the first quarter of 2023**. 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 into a Zcash transition to proof of stake focused on a Trailing Finality layer (TFL) proposal, which was [published in Q2](#). If deployed, this would be combined with Zcash's existing consensus; the resulting consensus protocol at that point would be a hybrid of PoW and PoS.

Work continued on recursion for Halo 2 to set the stage for longer-term scalability improvements.

Engineering

ECC released zcashd 5.4.0 to introduce a number of performance improvements, an update to correct supply reporting, and a clean-up of legacy features and support functionality to improve ongoing maintenance of the codebase.

ECC also released zcashd 5.3.3 and 5.4.2 to harden the code and remediate vulnerabilities inherited from Bitcoin Core that may have affected more than 280 chains, according to blockchain security firm Halborn. We have no evidence that an exploit occurred on the Zcash network, and these bugs never compromised user privacy or impacted Zcash supply.

Development teams made progress on mobile wallet SDK architecture and lightwallet sync improvements, and we completed a portion of the back-end work required to support the release of new iOS and Android SDKs, which included the first phase of an improved sync capability. This was part of a long effort to remediate third-party wallet performance issues that were affecting users' ability to access their ZEC.

ECC also completed most of the code updates and testing for zcashd 5.5.0, which implemented fee changes.

Drive Adoption While Maintaining Quality (Cont'd)

U.S. policy/
regulatory
relations

In Q1 2023, Electric Coin Co. extended the scope of its PGP* (Pretty Good Policy) for Crypto initiative. We launched a new podcast series and maintained our schedule of monthly breakfast roundtable discussions. For the podcast, we prioritized production quality, incorporating features like multi-camera video. To manage costs effectively, we utilized personal equipment, avoiding third-party vendors and professional production services. The podcast is hosted at <https://youtube.com/@pgpforcrypto> and <https://podcast.pgpforcrypto.org/>, and it is accessible on all major podcast platforms.

Over the quarter, we organized three breakfast meetings and released seven podcast episodes. Each episode features insights from some of the leading experts in cryptocurrency policy. While the podcast generally mirrors the format of the PGP* Breakfast and Roundtable, it hones in on specific policy topics crucial to the continued success of Zcash.

We also continued to engage in our standard outreach and advocacy efforts alongside these new initiatives. Although a comprehensive list of these activities would be extensive, a highlight was our meeting with Japanese Minister of Digital Affairs [Taro Kono](#). Held at Georgetown University, this intimate discussion focused on Minister Kono's priorities, such as the "Data Free Flow with Trust" initiative and modernizing outdated governmental computer systems. We had the chance to discuss Zcash with Minister Kono, who expressed a positive outlook on the integration of blockchain and privacy-enhancing technologies.

User adoption
and education

As part of our ongoing effort to better understand how the Zcash community uses ZEC, ECC published an open call and began conducting user interviews.

ECC and the Universal Privacy Alliance organized and participated in a privacy [mini-summit at ETH Denver](#). Zooko Wilcox gave a keynote, "Building with ZKPs: We've only just begun," and Josh Swihart participated in a panel entitled "How to beat surveillance capitalism and reclaim your privacy." Josh also joined a panel on the ETH Denver mainstage during the "Privacy is normal" track, organized by the Universal Privacy Alliance.

Drive Adoption While Maintaining Quality (Cont'd)

User adoption and education (cont.)

Gary Weinstein, head of global regulatory relations, published an [op-ed](#) in Coindesk, “Blockchain Privacy Is at Risk in the EU.”

ECC joined [Fight for the Future, Blockchain Association, and others](#) urging Congress to defend the right to privacy, open-source software development, and decentralization.

Invest in the Team

Hiring

In Q1 2023, we did not make any new hires.

HR

In Q1 2023, we completed T1 2023 planning week to set goals for the February through May term.

Increase Openness and Transparency

Comms

ECC published a [blog](#) on our work to resolve Zcash wallet performance issues that were affecting users of third-party apps Edge, Nighthawk, and Unstoppable. This was in addition to the [regular forum updates](#) on this effort.

We held a [Twitter Spaces AMA event](#) to discuss ECC’s plans for 2023.

Published a [transparency report](#) covering Q3 2022.

Published [a response](#) to the Dubai Virtual Assets Regulatory Authority’s (VARA) framework law for virtual asset regulation. The law aims to regulate virtual assets and virtual asset service providers (VASPs).

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



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