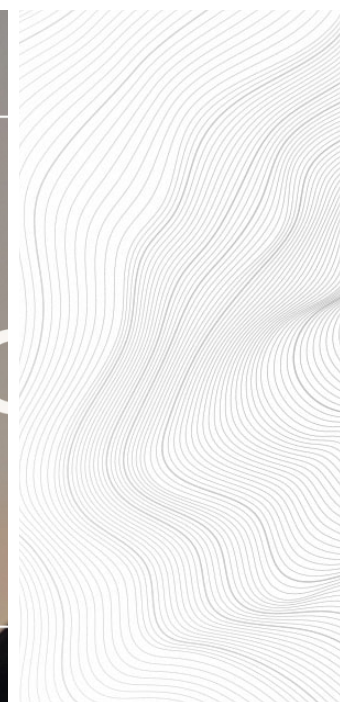# Electric Coin Co. Transparency Report

December 2023

A review of income, expenses, and use
of funds in Q2 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 Q2 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 Q2 2023. During this time, Bootstrap received coins at an average of $252K a month (at the Q2 average ZEC price, $33, for each of the three months' distribution dates), and Bootstrap and ECC incurred average monthly expenses of approximately $631K.

- At the end of Q2 2023, Bootstrap and ECC collectively held approximately $922K in USD and approximately 91.8K ZEC. As of December 21, 2023, the company held approximately $960K in USD and approximately 69K 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 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.

- Miners
- Zcash Community Grants
- Bootstrap
- Zcash Foundation

See next page for additional detail.
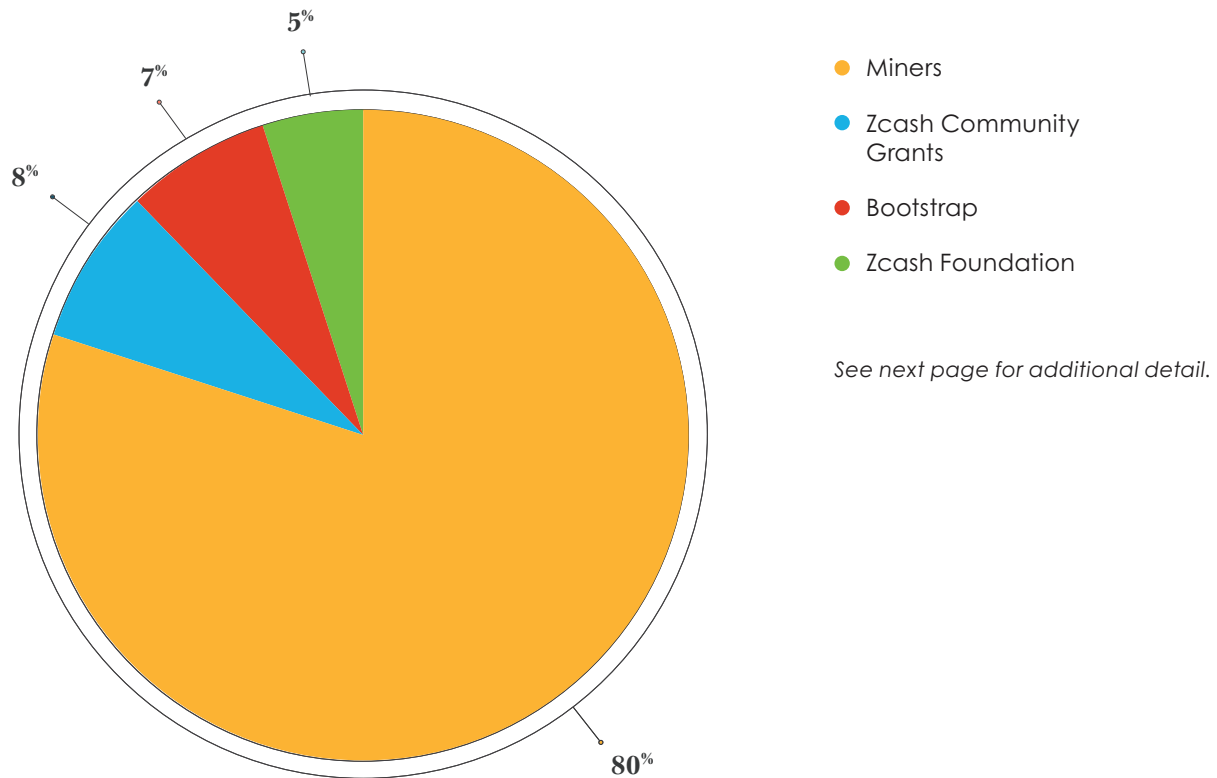
The approximate amount of total mining rewards generated each month post-halving was 109,375 ZEC. At a price of $33.57 per coin (the average of the ZEC *daily* closing price for Q2 2023), this equated to $3.7M.

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

April – June 2023

Recipient	SHARE OF MINING REWARDS	MONTHLY USD VALUE AT ZEC PRICE OF **$33.57***
Miners	80%	$2,937,375
Zcash Community Grants	8%	$293,738
Bootstrap	7%	$257,020
Zcash Foundation	5%	$183,586

Average of the daily closing price April- June 2023

Key

Miners

Responsible for transaction verification.

Zcash Community Grants

Zcash Community Grants (ZCG) funds 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

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 2023, Bootstrap and ECC collectively held approximately $922K in USD and approximately 91.8K ZEC. As of December 21, 2023, the company held $960K in USD and approximately 69K 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 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-December 2023, Bootstrap has previously sold 480K BLD for additional liquidity but has had no additional BLD sales since March 2023.

Bootstrap has a single material liability for $3.75M, which comes due in September 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. Bootstrap Board member and former ECC CEO Zooko Wilcox is an LAE shareholder. The total assets reflected on Bootstrap's balance sheet exceed the LAE liability.

Expenses and use of funds

During Q2 2023, Bootstrap and ECC operating expenses averaged approximately $631,000. 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 Q2 2023. All expenses attributed to each department are included in the percentage.

Department	2023 Q2	2023 Q1
Development	51%	50%
Growth and Regulatory	30%	31%
General and Admin	17%	17%
Security/Audit	2%	2%

Q2 2023 use of funds

ECC used funds received to develop and support Zcash technology and its adoption. ECC restructured the company in May 2023, but until that time 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 second 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	During Q2 2023, ECC evaluated several approaches for a proof-of-stake (PoS) transition plan for Zcash, including an all-at-once switchover, an intermediate hybrid proof-of-work (PoW)/PoS stage, and deploying a new "sister" PoS chain that would bridge to the existing PoW chain. We decided to proceed with a hybrid, intermediate-stage approach. We researched hybrid consensus protocols including Eth2 and the Ebb-and-Flow protocol classification. We began early design work on what became the Zcash Trailing Finality Layer design.
Engineering	ECC implemented the data structures, persistence, and API changes necessary for spend-before-sync capability in the Zcash Core Libraries and made significant changes to the mobile wallet SDKs, necessary for the adoption of these changes by the mobile wallets. During this period, we were also working heavily on the zcashd v5.5.x and 5.6.x releases, which introduced ZIP 317 enforcement, prerequisite functionality for the lightwalletd components of spend-before-sync, and numerous upgrades to the zcashd embedded wallet. We also did a significant amount of work in this period to replace legacy C++ code in zcashd with functionality that had previously been implemented in Rust, and to clean up the FFI interface in zcashd to use more modern tooling.

U.S. Policy/ Global Regulatory Relations	We continued to build the PGP* (Pretty Good Policy) for Crypto platform in Q2 2023 with monthly PGP Breakfast and Roundtable meetings and the release of five PGP* Podcast episodes.
	ECC's Paul Brigner also held a PGP* Congressional Briefing on Privacy Enhancing Technologies in Crypto in the U.S. Capitol Visitor Center featuring opening remarks by Lizzy Fallon, Rep. Tom Emmer's Financial Services Policy Director, and a panel that included Josh Swihart, former SVP of Growth and now CEO at ECC, Ahmed Ghappour, General Counsel at Nym Technologies, and Sina Kian, COO at Aleo.
User adoption and education	In June, ECC launched an entirely new z.cash website, with an enhanced user experience and a wealth of resources for Zcash enthusiasts and newcomers. Key features of the new site include the Learn Zcash hub and Ecosystem hub.

Invest in the Team

Hiring	In Q2 2023, we made no new hires.
HR	In Q2 2023, we completed OKR planning week to set goals for T2 2023.

Comms

Q2 comms focused on our work to resolve third-party wallet performance issues. We posted regularly on the community forum and published blogs on significant releases, such as zcashd 5.5.0 and 5.6.0.

In May, ECC restructured the company. We published a blog and hosted a Twitter Spaces community call about the organizational changes and rationale.

Our Transparency Report for Q4 2022 was published in June.

ECC CEO Zooko Wilcox was quoted in *Fortune* for "A brief history of zero-knowledge proofs, the buzzy mathematical technique that's taken crypto by storm."

We responded to the Binance decision to delist Zcash and other cryptocurrencies in France, Italy, Poland, and Spain.

"Money, Tokens and Games," a Citi study featured a Q&A with ECC CEO Zooko Wilcox (p. 114).

Head of Global Regulatory Relations Gary Weinstein published in Forbes insights on EU's crypto regulation advancements, MiCA Article 68's privacy risks, and the need to embrace flexibility and collaboration.

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