



Electric Coin Co. Transparency Report

December 2021

A review of income, expenses and use
of funds in Q2 2021



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 2021.

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

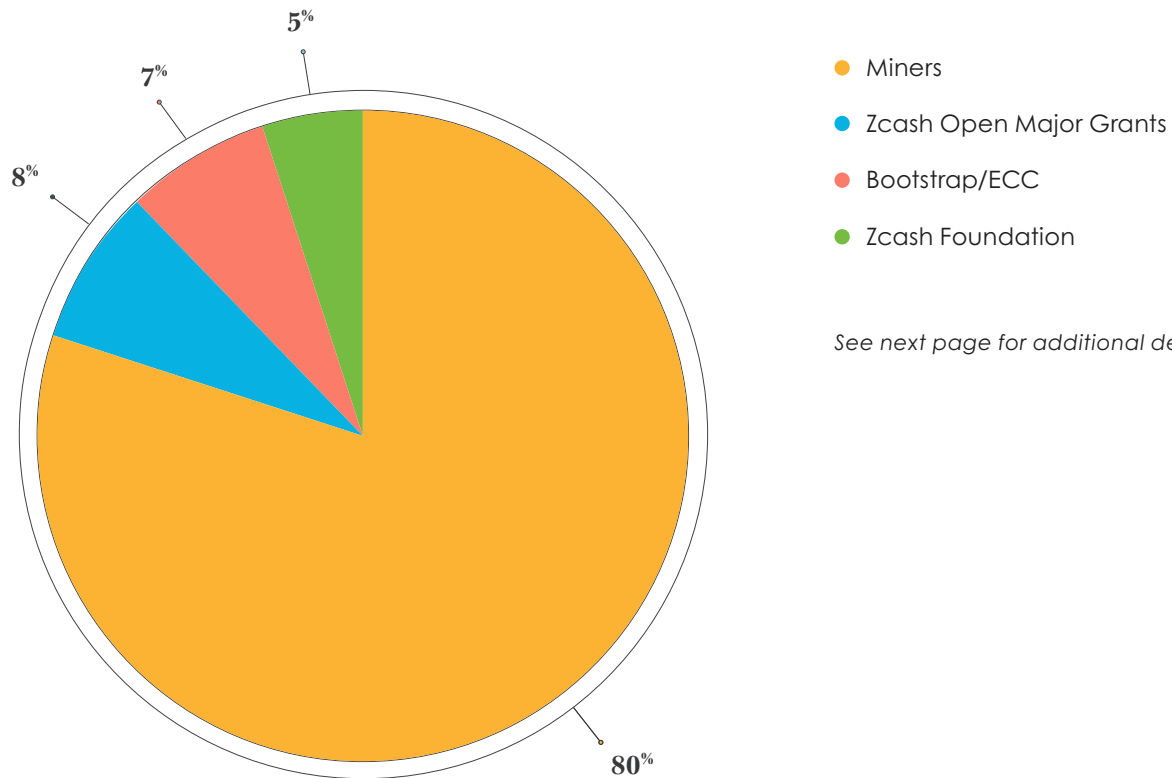


Key takeaways:

- ECC and its parent 501(c)3 Bootstrap received coins at a value above the operating-expense level for Q2 2021. During Q2 2021 Bootstrap received coins at an average of \$1,438,000 a month (at the average ZEC price for each of the months' distribution dates at \$187.83) and incurred average monthly expenses of approximately \$655,000.
- At the end of Q2 2021, the company held approximately \$6.6M in USD and approximately 58.5K ZEC. As of December 8, 2021, the company held approximately \$6.9M in USD and approximately 78.2K in ZEC.
- During Q2 2021, Bootstrap made the election to select C Corp status for the Electric Coin Company, its wholly owned subsidiary.

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/ECC 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.

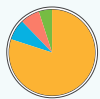
The approximate amount of total mining rewards generated each month post halving was 109,375 ZEC. At a price of \$192.93 per coin (the average of the daily closing price of ZEC for Q2 2021), this equated to \$21.1M.

The table below shows the approximate share of mining rewards and estimated dollar value received per month for April through June 2021.

April-June 2021

Recipient	SHARE OF MINING REWARDS	MONTHLY USD VALUE AT ZEC PRICE OF \$192.93*
Miners	80.00%	\$16,881,375
ZOMG Zcash Open Major Grants	8%	\$1,688,138
Bootstrap	7%	\$1,477,120
Zcash Foundation	5%	\$1,055,086

**Average of the daily closing price April - June 2021*



Key



Miners

Responsible for transaction verification.



Zcash Open Major Grants

Zcash Open Major Grants (ZOMG) exists to fund projects that advance the usability, security, privacy, and adoption of Zcash. ZOMG 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 chosen by the Zcash Community Advisory Panel in an open election.



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 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

In prior periods, ECC income was realized at the time ECC sold coins received. Since the creation of the Bootstrap development fund, revenue/income is recognized at the market price for the coins received on the day they were 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 2021, the company held approximately \$6.6M in USD and approximately 58.5K ZEC. As of December 8, 2021, the company held approximately \$6.9M in USD and approximately 78.2K in ZEC.

Additional material holdings, or assets, on Bootstrap's books include 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 return for advisory services from our CEO.

Agoric recently released tokens to its investors, and Bootstrap will receive 42.6M (BLD) tokens for our investment. Initial marketability of the tokens will be limited and sale of the tokens restricted with certain lock up requirements. Any subsequent revenue resulting from the sale of these tokens will go to Bootstrap treasury reserves.

Following the initial funding of ECC, as a strategy for ongoing funding in alignment with the coin holders, ECC entered into a purchase agreement that included a note for \$3.75M which is represented as debt on Bootstrap's balance sheet. This note was an 8-year financing of the purchase right to receive a portion of the coins from certain Company founders for the duration of the Founders Reward (first four years pre halvening). This debt matures in 2024.

Early ECC investors

ECC took on initial investment to get the company started. More information is available in the [ECC FAQ](#) and this [blog post](#). All investors received their share of the FR as part of their equity in ECC by October 2017 and subsequently donated all their shares to Bootstrap.

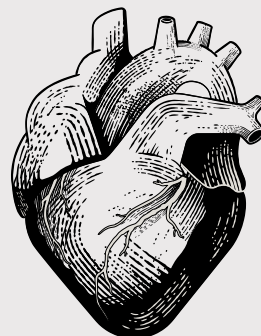
Expenses and use of funds

During Q2 2021, operating expenses averaged approximately \$665,000, and for Q1 2021, as previously reported, averaged \$556,000. We do not generally experience large variations in the departmental expense breakdown quarter over quarter.

In the interest of providing improved communication of financial information, we are including a functional department expense grouping below. In the past, we showed wages and travel as stand alone amounts which are now allocated to each department.

2021

Department	Q2	Q1
Growth and Regulatory	19%	19%
Development	45%	44%
Security/Audit	8%	11%
General and Admin	28%	27%



Q2 2021 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 second quarter of 2021**. 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](#)), and in support of NU5, we launched two external security assessments with [NCC Group](#) and [QEDIT](#) for both specification and implementation reviews. We also initiated a study of decentralized markets on the Zcash blockchain which involve multiple assets in support of our economic research around [Zcash Shielded Assets](#) (ZSAs).

Engineering

Engineering activity during this period was focused on the implementation of the NU5 feature set. [ZIP 252](#) tracks the complete list of new and updated ZIPs, which include features such as [Orchard](#) (Halo on Zcash), a new [transaction format](#), and a new [transaction digest](#) algorithm for the NU5 network upgrade onward. We also released two versions of Zcashd ([4.4.0](#), [4.4.1](#)) during this time.

Regulatory relations

ECC believes that well-informed and -educated policy makers and regulators produce better regulation. To that end, we engage with policy makers and regulators both directly (through outreach; meetings; providing feedback on proposed legislation and regulation; and educational activities designed to improve understanding of blockchain/ DLT technology, cryptocurrencies in general, and Zcash specifically) and indirectly (by supporting and contributing to the efforts of organizations like Coin Center, the Blockchain Alliance, the Blockchain Association and Global Digital Finance).

Drive Adoption While Maintaining Quality (Cont'd)

Regulatory relations (cont'd)

During the period, we witnessed regulatory and industry narrative framing that transparent blockchains were beneficial for tracking bad actors and are a “boon for surveillance.” We [engaged directly](#) and behind the scenes to educate and test alternative narratives.

We also participated in a number of industry groups during this quarter, including TRISA and the GDF AML working group, and we presented an overview of Zcash to industry and law enforcement professionals through the Blockchain Alliance.

User adoption and education

Speaking:

ECC participated heavily in Zcon2, the Zcash Foundation’s annual conference:

- Zooko Wilcox joined a [fireside panel](#) with Zcash Foundation and ZOMG members
- Joseph Van Geffen hosted a session on [Zcash UX](#)
- Daira Hopwood and Sean Bowe presented with the Zcash Foundation’s Dierdre Conolloy on [Halo 2 and Orchard](#), the newest shielded pool
- Steven Smith discussed an updated [network pipeline](#)
- Jack Grigg (str4d) co-presented on [Zcash implementations and protocol](#)
- Taylor Hornby joined a panel on [auditing cryptography](#)
- Zooko Wilcox joined a panel on [interoperability](#)

Josh Swihart spoke on a [Global Digital Finance panel](#) discussing the importance of privacy for financial inclusion and ECC’s Crypto in Context program

Zooko Wilcox appeared on Real Vision to talk about the [‘History, Privacy, and the Future of Web 3’](#)

Notable mentions:

Jimmy Fallon and Chance the Rapper sing about [Zcash on The Tonight Show](#)

Community:

Held regular community calls including [Gardening Club](#) and [Arborist Club](#)

[Zeal Call](#) with Julia Anguin, Editor-in-Chief of The Markup

Invest in the Team

Hiring	In Q2 2021, ECC hired Charlie Rosenthal as a Digital Marketing Lead.
HR	In Q2 2021, we completed our OKR planning week for Term 2 2021, which spans June through September.

Increase Openness and Transparency

Comms

Highlights:

- Released [Zcash metrics](#) monthly
- Announced [Halo Arc Product Suite](#)
- Announced the [ECC Scientific Advisory Group](#)
- Weekly updates published on [Zcash Community Forum](#)
- Blog: [Explaining Zcash Unified Addresses](#)
- New Release [4.4.0](#)
- New Release [4.4.1](#)
- Summarized lessons from [ECC's pilot program](#) with the Bronx Community College
- Promoted shielded Zcash on [Lamassu](#) Bitcoin ATMs
- Promoted shielded swaps enabled on [flyp.me](#)
- Blog: [Zcash is ideal for digital payments](#)
- Moon and Zcash partnership [promo 1](#) and [promo 2](#)
- Blog: [ECC exploring Zcash-Shielded Assets](#)

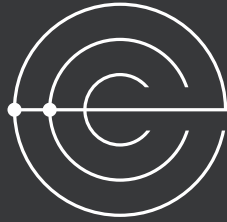
In addition to the list above, ECC was active on [Twitter](#) and [Blockfolio](#) (FTX Signal) and other social channels.

*“A cashless society is a surveillance society,
and anonymity is absolutely necessary for
civil liberties.”*

Marta Belcher, Protocol Labs

[Can Privacy Coins, Exchanges and Regulators Coexist?](#)





ELECTRIC COIN CO.

electriccoin.co