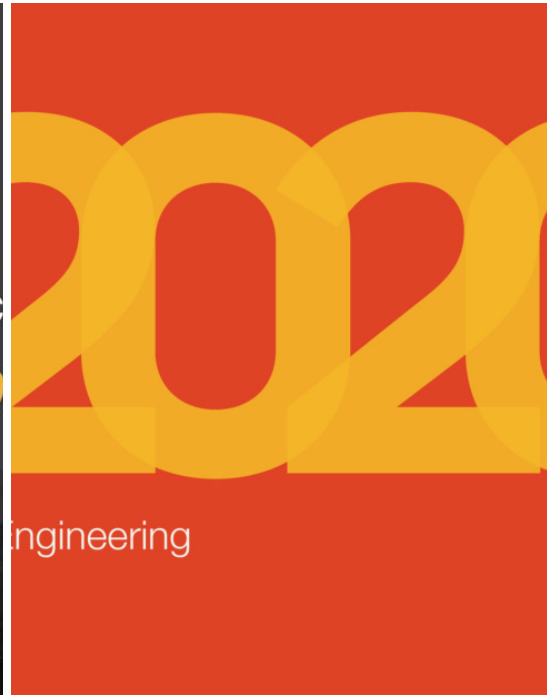
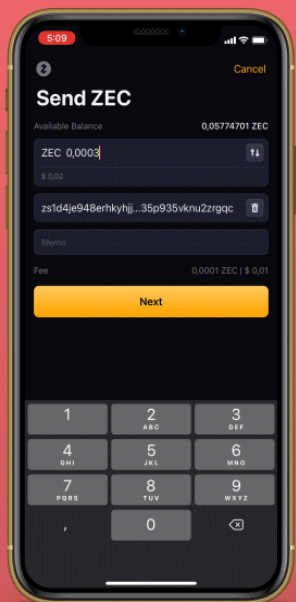




Electric Coin Co. Transparency Report

September 2021

A review of income, expenses and use of
funds in Q4 2020 and Q1 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 Q4 2020 and Q1 2021.

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

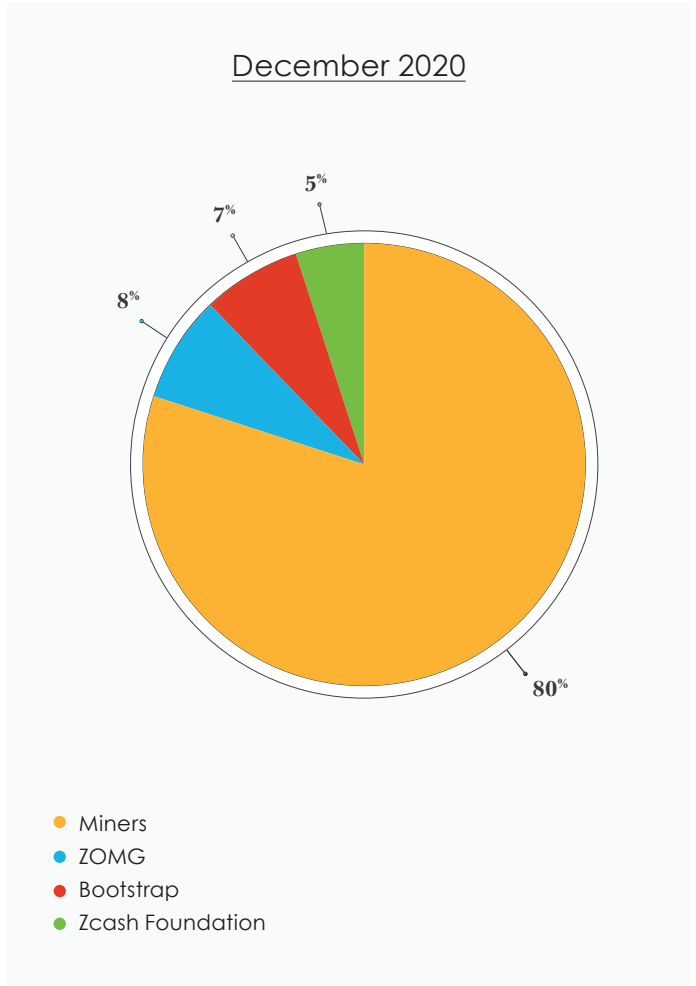
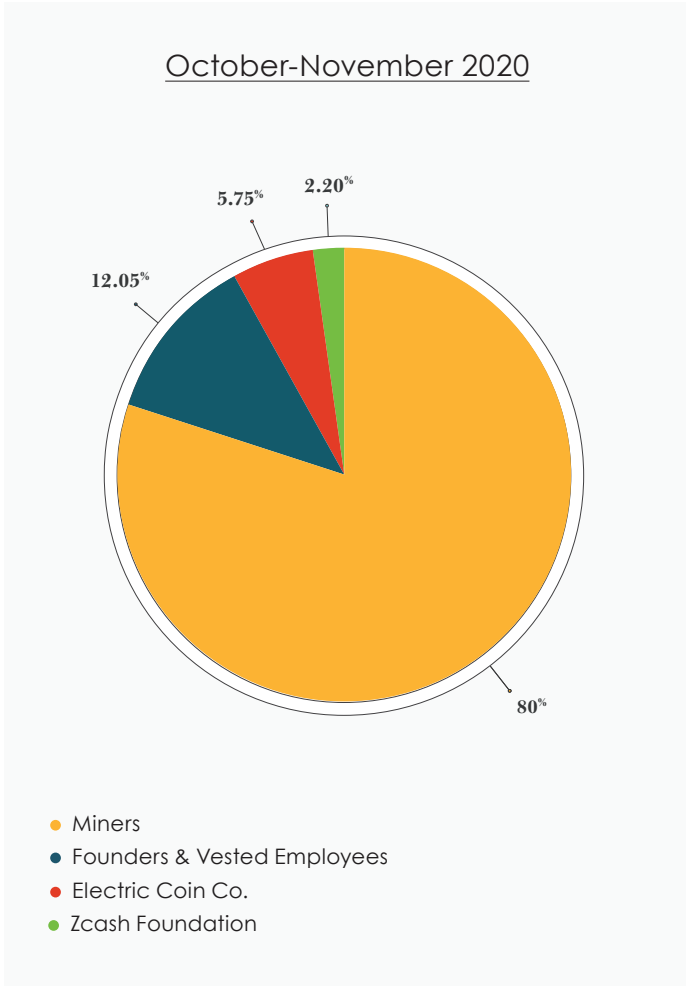


Key takeaways:

- ECC and its parent 501(c)3 Bootstrap received coins at a value above the operating-expense level for Q4 2020 and for Q1 2021: For October and November, before Bootstrap was formed, ECC received coins at an average of \$810,000 a month. Bootstrap received \$537,000 for December. Operating expenses were \$564,000 per month in Q4. Additionally, we distributed the remaining employee incentive compensation related to stock options and equity paid in ZEC for October and November. During Q1 2021, Bootstrap received coins at an average of \$897,900 a month (at the Q1 average ZEC price of \$117.28) and incurred average monthly expenses of \$556,000.
- At the end of Q4 2020 and Q1 2021 the company held approximately \$10.1M and \$13.25M in USD and ZEC, respectively, based on the December and March closing prices of \$63.99 and \$156.92.
- During Q1 2021, the Bootstrap board of directors approved a plan based on Zcash coins for employee retention.

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 halving. 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 dev 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 dev fund) goes into a grant program for independent, third-party developers. Bootstrap 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.

In Q4 2020, the approximate amount of total mining rewards generated each month pre-halving was 218,750 ZEC. At a price of \$64.44 per coin (the average of the daily closing price of ZEC for October and November 2020), this equated to \$14.1M.

October-November 2020

Recipient	SHARE OF MINING REWARDS	MONTHLY USD VALUE AT ZEC PRICE OF \$64.44*
Miners	80.00%	\$ 11,277,000
Founders, Vested and Unvested ECC Employees	12.05%	\$1,698,598
Electric Coin Co.	5.75%	\$810,534
Zcash Foundation	2.20%	\$310,118

**Average of the daily closing price October and November 2020*

In December 2020, post-halving, the approximate amount of total mining rewards generated was 109,375 ZEC. At a price of \$68.89 per coin (the average of the daily closing price of ZEC for December 2020), this equated to \$7.5M.

December 2020

Recipient	SHARE OF MINING REWARDS	MONTHLY USD VALUE AT ZEC PRICE OF \$68.89*
Miners	80.00%	\$6,027,875
ZOMG-Zcash Open Major Grants	8%	\$602,788
Bootstrap	7%	\$527,439
Zcash Foundation	5%	\$376,742

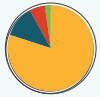
**Average of the daily closing price December 2020*

The table below shows the approximate share of mining rewards and estimated dollar value received per month for January, February and March 2021.

January-March 2021

Recipient	SHARE OF MINING REWARDS	MONTHLY USD VALUE AT ZEC PRICE OF \$117.28*
Miners	80.00%	\$10,262,000
ZOMG-Zcash Open Major Grants	8%	\$1,026,200
Bootstrap	7%	\$897,925
Zcash Foundation	5%	\$641,375

**Average of the daily closing price Q1 2021*



Key



Miners

Responsible for transaction verification.



Founders & Vested ECC Employees

The company's founders — including the founding scientists — received a share of the FR for their work on the initial build of the Zcash protocol.

ECC employees also received a share of the FR as part of their compensation. ECC offered its employees Electric Coin Company LLC membership units on a vesting schedule. A share of the FR was paid to employees in proportion to their LLC ownership, equivalent options are provided for membership units.

Employees that were part of the founding team were fully vested.

Employees that were not part of the founding team were on a vesting schedule. As time passed, the ratio of vested to unvested for a given employee (and, therefore, the ratio of coins that are reported in this category versus the “current ECC employee compensation” category) increased.



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.



Electric Coin Co.

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, it [shifted](#) to being wholly owned by Bootstrap, a 501(c)3. A breakdown of ECC activities and expenses are included in this report.





Key



Bootstrap

ECC is a subsidiary of Bootstrap, a 501(c)3 dedicated to the uplift of humanity through technology, scientific discovery, education and human organization.



Zcash Open Major Grants

ZOMG exists to fund projects that advance the usability, security, privacy and adoption of Zcash, a privacy-focused cryptocurrency.



ECC income and holdings

ECC income is realized at the time of selling coins received. For October and November 2020, ECC received 12,578 ZEC (approximately \$810,526 at a two-month average price of \$64.44) per month. The first dev fund distribution of 7,656 ZEC coins were received by Bootstrap in December (approximately \$527,422 at the month average price of \$68.89). During Q1 2021, Bootstrap received 7,656 ZEC (approximately \$897,896 at a quarter average price of \$117.28 per coin) per month.

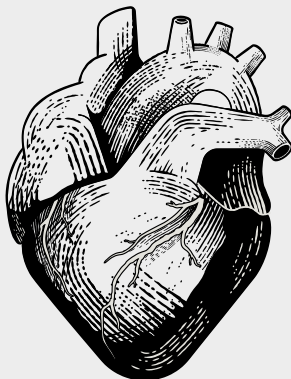
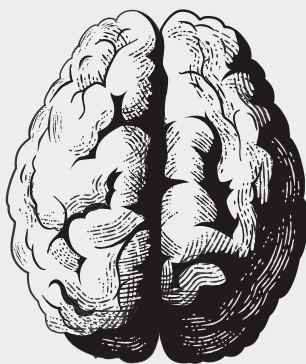
At the end of December 2020, Bootstrap and ECC's combined cash and ZEC holdings were approximately \$10.1M in USD at the December close price of \$63.99. At the end of March 2021, Bootstrap and ECC's combined cash and ZEC holdings were approximately \$13.25M in USD at the March close price of \$156.92.

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.

Expenses and use of funds:

During Q4 2020, operating expenses averaged approximately \$564,000, and for Q1 2021 they averaged \$556,000. The grouping breakdown of operating expenses were not materially different from past quarters.



Q4 2020 and Q1 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 fourth quarter of 2020 and the first 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 was focused on Halo 2 and our preparations for [bringing Halo 2 to Zcash](#). We also continued our research efforts to improve the performance and security related to Halo 2 and designed a new cycle of elliptic curves, Pallas and Vesta, which we collectively refer to as the [Pasta curves](#).

Engineering

[Canopy](#) activated on mainnet on November 18, which added [dev fund](#) support and [disabled](#) the ability to add new value to the Sprout pool. We localized our open-source reference wallet apps into [five additional languages](#) and worked with Unstoppable, which became the first multi-coin wallet vendor to [integrate our wallet SDKs](#). We released four versions of Zcashd ([4.1.0](#), [4.1.1](#), [4.2.0](#), [4.3.0](#)) 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).

Both Zcash and the industry faced significant headwinds in Q4 2020 and Q1 2021.

Drive Adoption While Maintaining Quality (Cont'd)

Regulatory relations (cont'd)

The US DOJ [released a paper](#) outlining what it asserted were “emerging threats” associated with cryptocurrencies, including what it called “Anonymity Enhancing Cryptocurrencies” or AECs. We consulted with a number of parties on how best to respond and elected to emphasize the importance and benefit of privacy. We posted [a blog on why privacy is normal, safe and essential](#), and hosted a [webcast with Gemini and law firm Perkins Coie](#) to discuss privacy and regulatory requirements.

We also faced a spat of ZEC delistings in the US and South Korea. In the US, [Shapeshift](#), [Bittrex](#) and [Abra](#) all announced they were delisting ZEC along with XMR and Dash, but the exchanges were scant on details. ECC and others attempted to uncover the motivations for delistings but found that anyone with knowledge on specifics wasn't talking. We [published some of the troubling facts in a blog post](#). However, as of September 2021, Bittrex reversed course and is once again supporting ZEC.

In South Korea, [the Korean financial regulator FSC announced](#) it would ban so-called “dark coins” from Korean exchanges. We engaged a local law firm, [BKL](#), to write an opinion letter in support of ZEC compliance with Korean law. While we did manage to delay delistings, ultimately ZEC was removed from South Korean exchanges.

In the UK, we engaged with ClearBank and partners in an effort to get them to reverse course on their ban on “privacy coins.” While conversations were generally positive, revisiting their decision wasn't a priority at the time.

The most significant event and efforts for the period were due to [a hastily drafted rule from FinCEN](#) that would hinder the ability of US citizens to use “unhosted wallets.” We worked heavily with the Blockchain Association to engage with policy makers during this time and [provided input and editorial support of their formal response](#). We also responded and ultimately the rule was shelved to be reconsidered at a later time.

We also participated in a number of industry groups during these quarters, including [BGIN](#) and the FATF Private Sector Consultative Forum.

Drive Adoption While Maintaining Quality (Cont'd)

Third-party adoption

Shielded support

- [Unstoppable wallet integrated ECC's wallet SDKs](#), becoming the first multi-currency wallet to support shielded Zcash.
- [Nighthawk launched on the iOS app store](#) with full support for Zcash shielded transactions.
- [Waves Exchange](#) announced support for shielded Zcash.
- [Lamassu added support for shielded Zcash](#) in its fleet of ATMs.

Interoperability

- [Wrapped Zcash](#) launched through a partnership with TokenSoft and Anchorage, allowing institutional Zcash holders to use their ZEC in DeFi on Ethereum.
- Zcash launched on Gitcoin Grants, a platform to fund open-source software development. [Gitcoin added native Zcash support](#) after a successful pilot raised \$25K from community contributors. Zcash was the first non-Ethereum-based asset to be added to the platform.

Exchange and custody

- [Zcash trading went live on CoinHako](#), a popular crypto exchange in Singapore and Asia. [Zcash was also added to Bibox](#), a Chinese crypto exchange.
- Zcash launched on [Gemini Earn](#) and [Celsius](#), giving holders new ways to earn interest on their ZEC.

Drive Adoption While Maintaining Quality (Cont'd)

User adoption and education

Speaking: ECC spoke at more than 15 events around the world; audiences ranged from new-to-crypto to highly technical.

- ECC cryptographers explained Halo, accumulation schemes and elliptic curves for audiences at [ZK Study Club](#), [ZK Seoul](#) and the [ZKP Privacy Summit](#).
- ECC engaged the global community ahead of Canopy activation with partners in India (CoinDCX) and Brazil (Blockchain Academy).
- ECC team members spoke about financial inclusion at [MoneyTalks](#), a panel sponsored by Coinbase, and covered [regulatory issues](#) with Gemini and Perkins Coie.
- ECC team members spoke at conferences such as [LaBITconf](#), MozFest and [Orchid's Priv8 Summit](#).
- ECC CTO Nate Wilcox was featured in the Orchid podcast [Follow the White Rabbit](#) discussing privacy, surveillance and digital rights.

Notable mentions:

- Zcash was named among the [Coindesk 20](#), and Zcash is one of the most commonly donated currencies through [The Giving Block](#) network. Zcash was also featured in Gemini's [Cryptopedia](#) portal.
- Placeholder published their [Zcash investment thesis](#), and [Messari's Crypto Thesis for 2021](#) included positive sentiments for Zcash. Zcash got a mention in [Forbes](#) and the [Pantera](#) newsletter. Paul Veradittakit, partner at Pantera Capital, called Zcash [SnapChat for Payments](#). [Perkins Coie](#) also published a paper on regulating privacy-enhanced coins.
- [Gemini](#) announced support for shielded withdrawals. The news was picked up by [Coindesk](#), [The Block](#), [Cointelegraph](#), [Decrypt](#) and others. Tyler and Cameron Winklevoss had a [live Q&A with Zooko](#).
- Zooko was quoted in a Coindesk op-ed, "[The Web Wasn't Built for Privacy, but It Could Be](#)." Zooko was also featured in the four-part series [CYPHERPUNKS](#) from ReasonTV. Zcash got a shout-out on the [Tim Ferris podcast](#) featuring Vitalik Buterin and Naval Ravikant.

Drive Adoption While Maintaining Quality (Cont'd)

User adoption and education (cont'd)

Community:

- ECC kicked off its latest Crypto in Context initiative, [a partnership with Bronx Community College](#).
- ECC re-started Arborist calls to discuss protocol plans and development. These calls are recorded and posted to ECC's Youtube channel. Zcash received community PRs from over 15 independent developers.
- ECC launched a [Zcash metrics page](#) to highlight the key metrics for measuring the strength of ZEC and shielded adoption.
- Poolin [mined the first shielded block on mainnet](#).
- ECC participated in a Bitcoin Hackathon with the [first Zcash Bitcoin Grant round](#), with \$25K in matching funds. Zcash got some [well wishes from the Bitcoin community](#).
- To celebrate Zcash's fourth birthday, ECC partnered with Flexa for an [ice cream give-away campaign](#).
- Zeal call guests for this period: Zcash Foundation, Flexa, Danny O'Brien EFF, Kristen Smith Blockchain Association, Jay Graber Bluesky and Yan Zhu Brave.
- [Gardening club](#) guests for this period included over 25 community developer projects. Presenters included RenVM, Zcash Foundation, ZBay, Zcash Observatory, ZecWallet, Zondax, Nestor Bonilla, Nighthawk, Aaron Jaramillo, Unstoppable, ZcashZeal.org, ZOMG, ZECpages, Open Bazaar, and Gemini.

Invest in the Team

Hiring	<p>ECC made no new hires in the Q4 2020 through Q1 2021. The company started recruiting efforts for numerous roles.</p>
HR	<p>At the end of 2020, we shifted our planning schedule from a quarter cadence to a trimester cadence, with coworking weeks scheduled three times a year instead of four. In T1 2021, we completed our first remote coworking week on the new trimester schedule.</p> <p>During Q1 2021, the Bootstrap Board of Directors approved a plan to assist in ECC employee retention. After reviewing an external study on market compensation for key positions, the board granted ZEC coins to each employee with vesting milestones during each of the next 4 years. The first payout of expenses incurred for this plan will be in Q1 2022 but expenses will be accrued on a monthly basis.</p> <p>We promoted the following employees:</p> <p>Josh Swihart was promoted to Senior Vice President of Growth</p> <p>Steven Smith was promoted to Vice President of Engineering</p> <p>Larry Ruane was promoted to Senior Engineer</p>

Increase Openness and Transparency

Comms	<p>Highlights:</p> <ul style="list-style-type: none">• Announced the ECC Scientific Advisory Group and that Christina Garman joined the ECC board of directors in March.• Released Zcash metrics monthly.• Recapped 2020 milestones, ecosystem growth and the community achievements.
-------	--

Increase Openness and Transparency (Cont'd)

Comms
(cont'd)

- Wrote two blogs on Halo, a [technical explainer](#) and an [overview of implementation](#) in Zcash.
- Released ECC transparency reports in [October](#), [December](#) and [March](#).
- Created and launched [a video](#) to help explain the new dev fund and MGRC (now ZOMG).
- Held an [ECC AMA](#) in December.
- Hosted [a panel](#) on the compatibility of privacy, cryptocurrencies and existing regulation.
- Celebrated the [Canopy launch](#).
- Created and released videos about [freedom](#), [how to buy something with Zcash](#) and zk-SNARKs.

In addition to the list above, ECC was active on Twitter and Blockfolio, especially around the Canopy launch, and we published blog posts on [NU5 proposed features](#), a [security announcement](#), [release 4.3.0](#), the [Network Upgrade Pipeline](#), [engineering in 2020](#), a [Bitcoin Grants retro](#), [Unstoppable Wallet](#), [release 4.2.0](#), [fuzzing with Kubernetes](#), [Pasta curves](#), [release 4.1.1](#), the [Bootstrap donation](#) and the [Bootstrap transition](#), [release 4.1.0](#), the [Bitcoin Grants announcement](#), [the normalcy of privacy](#), and [ECC reference wallet localization](#).

The ECC digital hub, [electriccoin.co](#), was relaunched in September with a new look and new content.

In September, we [responded](#) to Perkins Coie's publication of "Anti-Money Laundering Regulation of Privacy-Enabling Cryptocurrencies."

“These advances matter because zero-knowledge proofs offer the tantalizing prospect of people transacting in confidence without accessing potentially compromising information about each other. Its potential goes beyond the narrow realm of cryptocurrencies to face the ultimate challenge of the Internet age: achieving security with privacy. This is why a breakthrough by the Electric Coin Company, the startup behind Zcash, is rich with potential.”

From Coindesk:

[Zcash's Halo Breakthrough Is a Big Deal — Not Just For Cryptocurrencies](#)



ELECTRIC COIN CO.

electriccoin.co

