ELECTRIC COIN CO.

Transparency Report

A REVIEW OF INCOME, EXPENSES, AND USE OF FUNDS IN **Q3 2023**

changes at ecc: organization and focus

In December 2023, Josh Swihart took over as Electric Coin Co. (ECC) CEO after Zooko Wilcox stepped down from the role. This marked the beginning of a new chapter for ECC, with a revamped organizational structure, a new strategic roadmap, and an updated focus on Zcash adoption and product-market fit.

As Josh wrote in the ECC blog, his immediate priorities were to:

- Remove friction and barriers, at ECC and within the community, that impede our ability to iterate quickly

- Focus efforts to exponentially increase Zcash utility through user-focused products and continual feedback

- Secure ECC financial sustainability so we can deliver more, for longer

Key activities since the announcement:

- Relicensed Orchard from BOSL to MIT

- Announced new org changes – including promotions for Paul Brigner and Daira-Emma Hopwood

- Hosted an in-person gathering of ECC employees and community members, Zeboot, which helped crystalize a roadmap

- Released a directional roadmap

- Released the Zashi mobile wallet in the App Store. in the App Store, with a planned public release of March 28

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 Q3 2023.

Key takeaways:

→ Bootstrap received coins at a value below the ECC operating expense level for Q3 2023. During this time, Bootstrap received coins at an average of $214K a month (at the Q3 average ZEC price, $28, for each of the three months' distribution dates), and Bootstrap and ECC incurred average monthly expenses of approximately $378K.

→ At the end of Q3 2023, Bootstrap and ECC collectively held approximately $595K in USD and approximately 87.9K ZEC. As of March 27, 2024, the company held approximately $817K in USD and approximately 64K 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
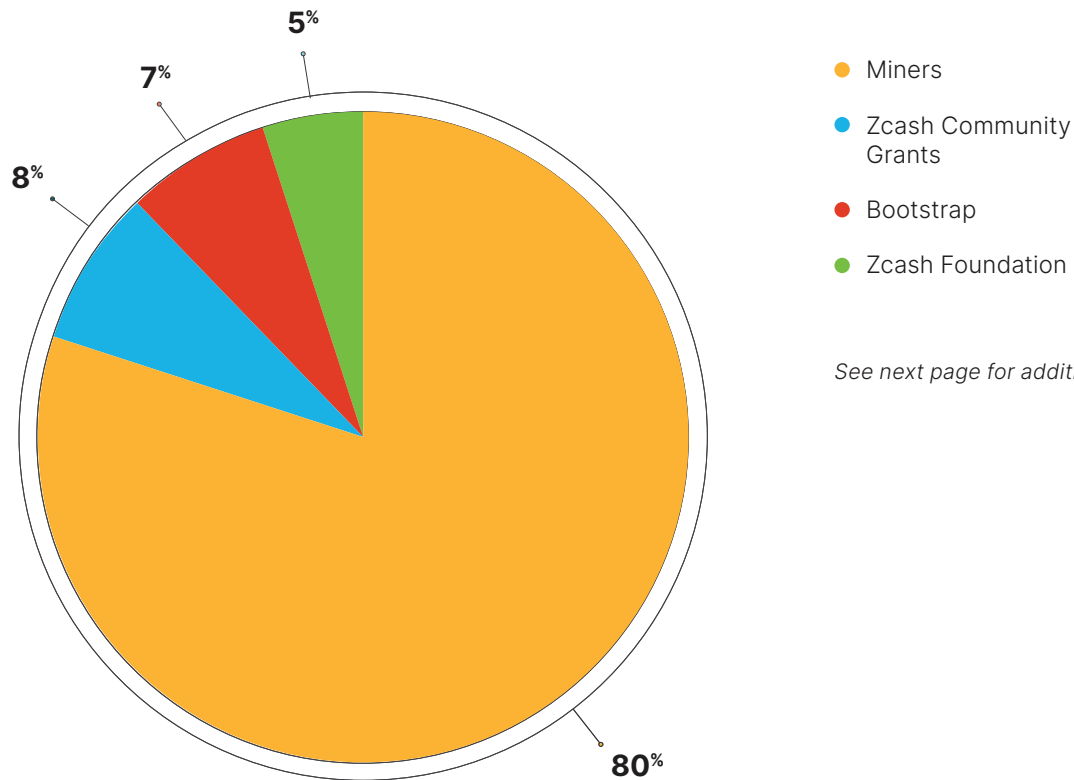
See next page for additional detail.

The approximate amount of total mining rewards generated each month post-halving was 109,375 ZEC. At a price of $27.94 per coin (the average of the ZEC daily closing price for Q3 2023), this equated to $3.1M.

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

July – September 2023

RECIPIENT	SHARE OF MINING REWARDS	MONTHLY USD VALUE AT ZEC PRICE OF **$27.94**∗
Miners	80%	$2,444,750
Zcash Community Grants	8%	$244,475
Bootstrap	7%	$152,797
Zcash Foundation	5%	$213,916

Average of the daily closing price July - September 2023
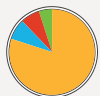
Key

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 Q3 2023, Bootstrap and ECC collectively held approximately $595K in USD and approximately 87.9K ZEC. As of March 27, 2024, the company held $817K in USD and approximately 64K 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 March 27, 2024, Bootstrap has sold 1.5M BLD for additional liquidity.

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 Q3 2023, Bootstrap and ECC operating expenses averaged approximately $378,000. 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 Q3 2023. All expenses attributed to each department are included in the percentage.

Department	2023 Q3	2023 Q2
Development	50%	51%
Growth and Regulatory	24%	30%
General and Admin	26%	17%
Security/Audit	0%	2%

Q3 2023 use of funds

ECC used funds received to develop and support Zcash technology and its adoption. The activities below include work in the third quarter of 2023. In some cases, we might reference work that was since completed but in progress during this time period.

Research & development	R&D in Q3 2023 focussed on documenting requirements of the <u>Trailing Finality Layer design for hybrid proof-of-stake</u>.

Engineering	Most of our efforts in Q3 2023 were focused on solving third-party wallet performance issues caused by the <u>sandblasting attack</u>. This required changes to lightwalletd and our mobile-wallet SDKs to enable "Spend Before Sync" and sync efficiency improvements. We also spent significant time and resources enhancing the mobile SDKs to enable Orchard and ZIP-317 features to light clients.

Releases:

<u>lightwalletd 0.4.1</u>

<u>iOS SDK 2.0</u>

<u>Android SDK 2.0</u>

Relatedly, our engineers provided technical support to Edge, Unstoppable, and Nightwawk during integration of SDK updates into their wallet codebases.

The team deployed a beta version of <u>Zashi</u>, our Zcash mobile wallet, to the App Store and launched a beta testers group in Discord. |

U.S. Policy/ Global Regulatory Relations

Q3 tends to be a quieter time of the year for policy and regulatory due to the Congressional summer recess, but it was very busy for the ECC policy team! Despite the lull in DC, we held two PGP* (Pretty Good Policy) for Crypto meetings and published five PGP* podcast episodes that gained a significant amount of traction and social media attention.

One of those episodes was recorded on-site at Zcon4, featuring a group of policy experts and Zooko Wilcox. Other popular episodes included:

- Bart Stephens, Founder and Managing Partner, Blockchain Capital

- Antonio Juliano, Founder & CEO, and Rashan Colbert, Head of Policy, dYdX Trading Inc.

- Marisa Coppel, Senior Counsel, Blockchain Association

By far, the most popular and impactful episode, as well as the highlight of the entire PGP* podcast series, was recorded and released in mid-September 2023 with Vitalik Buterin, Zooko Wilcox, Josh Swihart and Paul Brigner discussing the Privacy Pools proposal.

Aside from the focus on producing PGP* podcast episodes, we were very busy planning the 2023 PGP* Global Encryption Day celebration and other activities ahead of Q4, while continually working behind the scenes with close allies to advocate for Zcash in policy and regulatory circles in Washington, DC.

Comms, user adoption, and education

Highlights from Q3 2023:

Post-restructure update: ECC proposals and plans for decentralizing Zcash and future focus

Led and participated in multiple sessions at Zcon 4 in Barcelona

Ongoing emergency mode comms, culminating in the release of mobile wallet SDKs 2.0

Comms, user adoption, and education (cont.)

Highlights from 2023 (cont.):

ECC formed a community task force for decentralizing ownership of Zcash-focused digital properties.

At Messari Mainnet, Zooko Wilcox joined Marta Belcher (Filecoin Foundation) and Yan Zhu (Brave) to announce that shielded Zcash will be integrated into the Brave browser wallet.

Zooko Wilcox and Vitalik Buterin joined the PGP for Crypto Podcast to discuss Privacy Pools, a proposed privacy protocol for Ethereum.

Published recommendations for building sustainability and resilience into "Dev Fund 2"

In partnership with Zcash Foundation, announced our intent to move core Zcash protocol work from zcashd to Zebra

Published "The Trailing Finality Layer: A stepping stone to proof of stake in Zcash"

In addition, ECC was active on our blog, the forum, X, LinkedIn, and other social channels.

Hiring

In Q3 2023, we made no new hires.

HR

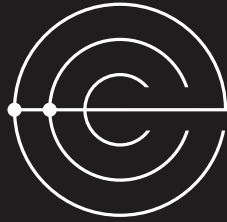In Q3 2023, we completed OKR planning week for the third term of the year.

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