ELECTRIC COIN CO.

Transparency Report

A REVIEW OF INCOME, EXPENSES, AND USE OF FUNDS IN **Q4 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 Q4 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 Q4 2023. During this time, Bootstrap received coins at an average of $220K a month (at the Q4 average ZEC price, $28.81, for each of the three months' distribution dates), and Bootstrap and ECC incurred average monthly expenses of approximately $498K.

- → At the end of Q4 2023, Bootstrap and ECC collectively held approximately $1.06M in USD and approximately 91K 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
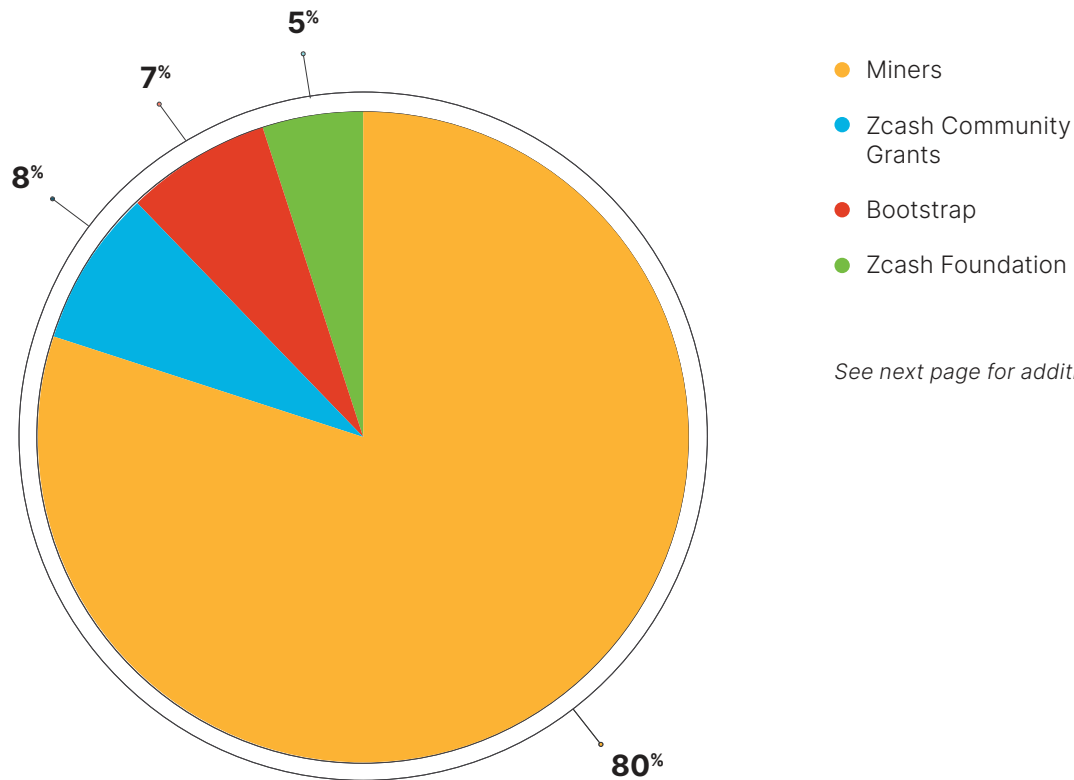
See next page for additional detail.

The approximate amount of total mining rewards generated each month post-halving was 110,400 ZEC. At a price of $28.73 per coin (the average of the ZEC *daily* closing price for Q4 2023), this equated to $3,171,792.

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

October – December 2023

RECIPIENT	SHARE OF MINING REWARDS	MONTHLY USD VALUE AT ZEC PRICE OF **$28.73**∗
Miners	80%	$2,537,434
Zcash Community Grants	8%	$253,743
Bootstrap	7%	$222,025
Zcash Foundation	5%	$158,590

Average of the daily closing price October - December 2023. Totals are calculated assuming the average block time, i.e. 35,328 blocks on average per calendar month, and rounded to the nearest USD.

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 Q4 2023, Bootstrap and ECC collectively held approximately $1.06M in USD and approximately 91K ZEC (including coins within the employee retention plan that were unallocated, which were not included in prior versions of this report). As of June 20, 2024, the company held $1.12M in USD and approximately 92K 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 late June 2024, Bootstrap has sold 3.9M BLD and 528K STRK 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. The total assets reflected on Bootstrap's balance sheet exceed the LAE liability.

Expenses and use of funds

During Q4 2023, Bootstrap and ECC operating expenses averaged approximately $498K. 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 Q4 2023. All expenses attributed to each department are included in the percentage.

Department	2023 Q4	2023 Q3
Development	40%	50%
Growth and Regulatory	43.5%	24%
General and Admin	16.5%	26%
Security/Audit	0%	0%

Q4 2023 use of funds

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

Research & development	Our R&D effort in this period focused on the design and requirements for a potential future switch of the Zcash blockchain to a hybrid proof-of-stake/proof-of-work consensus protocol. In particular, this included design and security analysis of the Crosslink hybrid proof-of-stake protocol, which aims to obtain security if either of the underlying proof-of-stake or proof-of-work protocols are secure.
Engineering	In Q4 there was substantial effort in developing a prototype of the Zashi full node wallet, working toward a release in the new year. ECC also continued developing the Rust libraries supporting Zcash, and minimal maintenance of the zcashd full node implementation, including preparing the zcashd 5.8.0 release.
Hiring	In Q4 2023, we hired Josh Swihart as CEO.
HR	In Q4 2023, we planned an in-person vision and goal-setting session to be completed in January 2024.

U.S. Policy/ Global Regulatory Relations

During Q4, Paul Brigner, Head of U.S. Policy and Strategic Advocacy, produced three podcasts featuring the following guest speakers:

- Christopher Edwards, Head of Coinbase Institute, and Nick Carr, Stand with Crypto Alliance

- Ryan Polk, Director of Internet Policy at Internet Society

- Daniel Schöenberger, Chief Legal Officer, Web3 Foundation

On October 17, 2023, Electric Coin Co. held the PGP* (Pretty Good Policy) for Crypto Congressional Briefing for Global Encryption Day. Held at the U.S. Capitol Visitor Center, the event was co-sponsored by the Stand with Crypto Alliance and supported by the Blockchain Association, Universal Privacy Alliance, and Crypto Council for Innovation. The event featured opening remarks by Congressman Tom Emmer (MN-06), House Majority Whip, and a panel discussion on the importance of encryption generally, with highlights on the cryptocurrency and Web3 industry. Panelists included:

- Moderator: Dr. Eric Burger, Research Professor of NextG Security and Research Director of the Commonwealth Cyber Initiative

- Marta Belcher, President & Chair, Filecoin Foundation

- Henry Holtzman, Chief Technology Officer, MobileCoin

- Philip Martin, Chief Security Officer, Coinbase

- Zooko Wilcox, Founder & CEO, Electric Coin Co.

On November 15, 2023, Paul Brigner participated in the "Technologies of Freedom" session at the Atlas Network's Liberty Forum and Freedom Dinner 2023. Paul joined a panel covering a spectrum of topics, from decentralized finance to privacy, and how all of these help individuals protect their sovereignty, that also included:

- Moderator: Naomi Brockwell, NBTV.media

- Erik Voorhees, ShapeShift

- Jerry Brito, CoinCenter

Comms, user adoption, and education

Highlights:

Published a retrospective on NU5 and network sandblasting

Launched the Zcash Digital Decentralization Task Force

Zooko appeared on the Digital Cash Network podcast
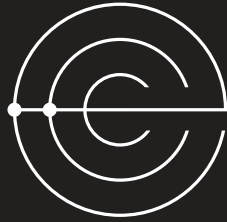
Announced new-year ECC objectives

Announced our exit from Emergency Mode

Published a book on the Trailing Finality layer

Announced Josh Swihart as new ECC CEO

Worked with ZecHub to mitigate hack that affected the Cypherpunk Zero NFT collection

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

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