ELECTRIC COIN CO.

Transparency Report

A REVIEW OF INCOME, EXPENSES, AND USE OF FUNDS IN **Q1 2024**

Changes at ECC: Organization and focus

The first quarter of 2024 was a time for refreshed vision and focus at ECC.

With a major product launch (the Zashi Zcash mobile wallet) in progress, a new CEO at the helm, a growing and evolving team, and a broad crypto ecosystem swirling — from the impact of markets, global regulatory and policy developments, and noise — ECC came together with Zcash community members to dial in a new roadmap.

The culmination of this collaboration was Jan. 29-Feb. 1 at Zeboot, a four-day, in-person workshop in Palm Springs, Calif., which started with a presentation entitled "Pressing ECC's reset button."

Going in, the ECC team postulated:

- The world needs Zcash, immediately.
- Our number one priority at ECC is Zcash adoption.
- We need to ship code, faster and more frequently.
- ECC owes it to the community to align our efforts and build products and user experiences that make Zcash useful and accessible.
- With increasing regulatory pressure in the U.S. and across the world, it's more urgent than ever to release open-source software that can be picked up by others, if necessary, to carry forth and deliver on a mission of empowering people to be free, regardless of what happens to ECC.
- To do this, ECC needs to identify places of friction, such as legacy code and internal inefficiencies that slow us down, and remove them.

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By the end of the week, after ECC- and community-led sessions, small-group workshops, sentiment-gathering exercises, usability experiments, and late-into-the-night conversations, the way forward came into focus and ECC committed to the full-stack Zcash UX vision, prioritizing our efforts based on expected impact and actual user adoption.

Among other outcomes, we pledged to work with the Zcash Foundation to find a path to zcashd deprecation; committed to ship Zashi 1.0 within 60 days and follow with frequent, iterative releases; and promised to deepen our investment in user research. (We also committed to hosting more Zeboot-like community events, which are now scheduled about every six months.)

Our new roadmap to address these objectives was released in February (since updated), and a summary of all the decisions that came out of Zeboot can be found here.

Near the end of the quarter, on schedule, we launched Zashi for iOS (with the Android release a few weeks later). It was a celebration — years in the making — a milestone within the new ECC vision, and just the start of what ECC hopes to ultimately deliver: a comprehensive user experience that expands Zcash utility across use cases and ecosystems and empowers users to store, spend, and protect their assets.

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 Q1 2024.

*ECC is a wholly-owned subsidiary of The Bootstrap Org., Inc. (Bootstrap), a nonprofit public charity under Internal Revenue Code Section 501(c)(3).

Key takeaways:

→ Bootstrap received coins at a value below the ECC operating expense level for Q1 2024. During this time, Bootstrap received coins at an average of $199K a month (at the Q1 average ZEC price, $25.97, for each of the three months' distribution dates), and Bootstrap and ECC incurred average monthly expenses of approximately $330K.

→ At the end of Q1 2024, Bootstrap and ECC collectively held approximately $835K in USD and approximately 84K 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.

In November 2024, at the next Zcash halvening, the Zcash development fund will transition to a 1-year Hybrid Deferred Dev Fund where 8 percent of all block rewards will go to the ZCG organization to pay independent teams and individuals for Zcash-related work. However, ECC and ZF will no longer receive direct funding from block rewards. Instead, a portion of issuance will go into a lockbox where it will be designated for future decentralized grants funding. During this 1-year period, the Zcash community will decide whether to devise a different model and/or how to design a non-direct funding model where no organization is directly funded by block rewards.

Current Development Funding Model

- Miners
- Zcash Community Grants
- Bootstrap
- Zcash Foundation
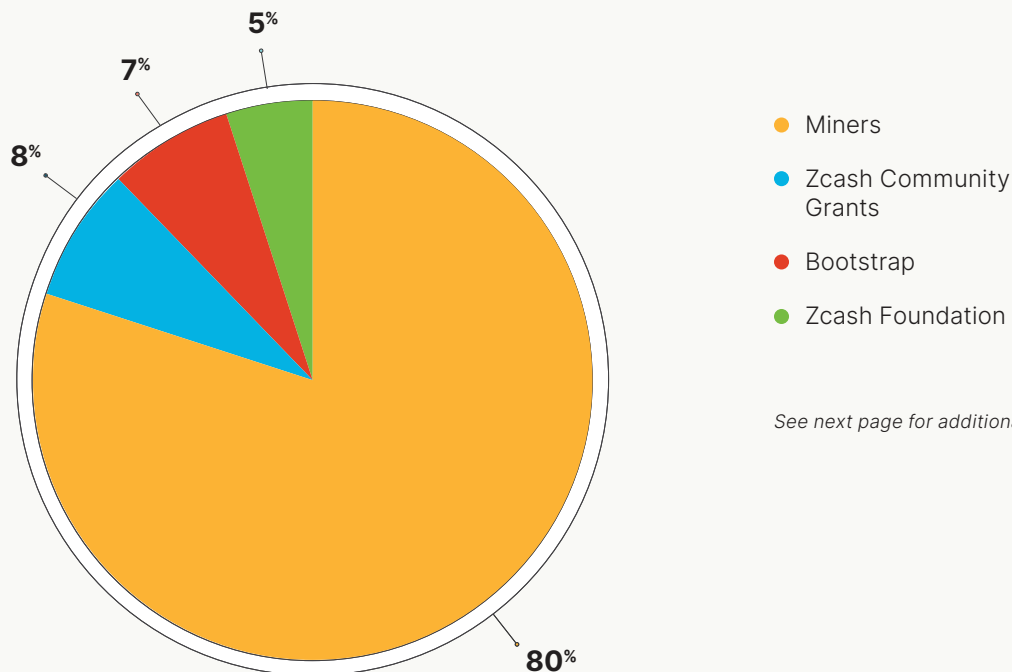
See next page for additional detail.

The approximate amount of total mining rewards generated each calendar month in Q1 2024 was 108,650 ZEC. At a price of $26.04 per coin (the average of the ZEC daily closing price for Q1 2024), this equated to $2,829,246.

The table below shows the approximate share of mining rewards and estimated dollar value received per month for January through March 2024.

January – March 2024

RECIPIENT	SHARE OF MINING REWARDS	MONTHLY USD VALUE AT ZEC PRICE OF **$26.04**∗
Miners	80%	$2,263,397
Zcash Community Grants	8%	$226,340
Bootstrap	7%	$198,047
Zcash Foundation	5%	$141,462

Average of the daily closing price January - March 2024. Totals are calculated assuming the average block time, i.e. 34,768 blocks on average per calendar month, and rounded to the nearest USD.
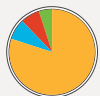
Key

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 Q1 2024, Bootstrap and ECC collectively held approximately $835K in USD and approximately 84K ZEC (including unallocated coins within the employee retention plan). As of September 25, 2024, the company held approximately $885K in USD and approximately 102K 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 September 2024, Bootstrap has sold 7.8M BLD and 1.1M STRK for additional liquidity.

Bootstrap has a single material liability for $3.75M, which was originally 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 purchase agreement has now been replaced with a promissory note which requires minimum monthly payments of $50k until the note is paid in full. Written into the note agreement is the potential for increased monthly payments based on the prices of tokens held by Bootstrap (BLD & STRK), and the note also accrues interest at 1.25% per year. This debt, along with all of ECC's material assets, was 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 Q1 2024, Bootstrap and ECC operating expenses averaged approximately $330K. 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, ECC 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 Q1 2024. All expenses attributed to each department are included in the percentage.

Department	2024 Q1	2023 Q4
Development	47%	40%
Growth and Regulatory	20%	16.5%
General and Admin	33%	43.5%
Security/Audit	0%	0%

Q1 2024 use of funds

ECC used funds received to develop and support Zcash technology and its adoption. The activities below include work in the first quarter of 2024. In some cases, we might reference work that was since completed but in progress during this time period.

Research & development	The Zeboot summit provided a platform for discussion of potential features and improvements, including "instant payments," integration with third-party payment services, etc. ECC continued to work with Qedit on the development of ZSAs.
Engineering	ECC's new mobile wallet Zashi was released in version 1.0 for iOS and Android. This was supported by major development of librustzcash, especially the zcash_client_backend crate, and the iOS and Android wallet SDKs. Version 5.8.0 of zcashd was released on Jan. 2, and version 5.9.0 just after Q1 on April 19. These were purely maintenance releases.
U.S. Policy/ Global Regulatory Relations	ECC continued to host the monthly PGP (Pretty Good Policy) for Crypto series in Washington DC. Summaries and videos of the events are available on X: February, March (at the new USC Capital Campus). ECC is a founding member of the Universal Privacy Alliance (UPA), which officially formed as a Swiss association.
Comms, user adoption, and education	**Highlights from Q1 2024:** A significant effort in Q1 2024 focused on the release of ECC's Zcash mobile wallet, Zashi, plus new social channels and a new ECC website. ECC worked with Brave to announce support of non-shielded ZEC in the Brave wallet. Shielded support is coming soon.

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Comms, user adoption, and education (cont.)	Josh Swihart appeared on the Brave Technologist Podcast with Luke Mulks, VP of Business Operations. As conversations around the Zcash dev fund and halvening were in full swing, ECC launched the Zcash Ad Hoc Caucus (ZAC), an informal sentiment gathering mechanism, which sent out and reported on multiple community surveys. The globally distributed ECC team met up in person, along with Zcash community members and builders, at Zeboot, a multi-day gathering to collaborate and build strategy around Zcash adoption and user experience. In addition, ECC was active on our blog, the forum, X, LinkedIn, and other social channels. In addition, We also continued to actively manage the z.cash website and Zcash X account.
Hiring	Andrea Kobrlova was taken on as the project manager for Zashi, overseeing Lukas Korba (iOS developer) and Honza Rychnovský (Android developer). Daira-Emma Hopwood was promoted to R&D Engineering Manager in February. Paul Brigner was promoted to Vice President of Strategic Alliances.
HR	In Q1 2024, we hosted Zeboot, an in-person summit with ECC team members and Zcash community members, to discuss the future of ECC and Zcash. The 4-day event took place in Palm Springs, California, and focused on discussions around upcoming priorities for ECC and its products.
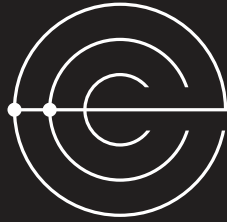
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