



ELECTRIC COIN CO.

Transparency Report

A REVIEW OF INCOME, EXPENSES, AND USE OF FUNDS IN Q2 2024

DECEMBER 2024

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 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:

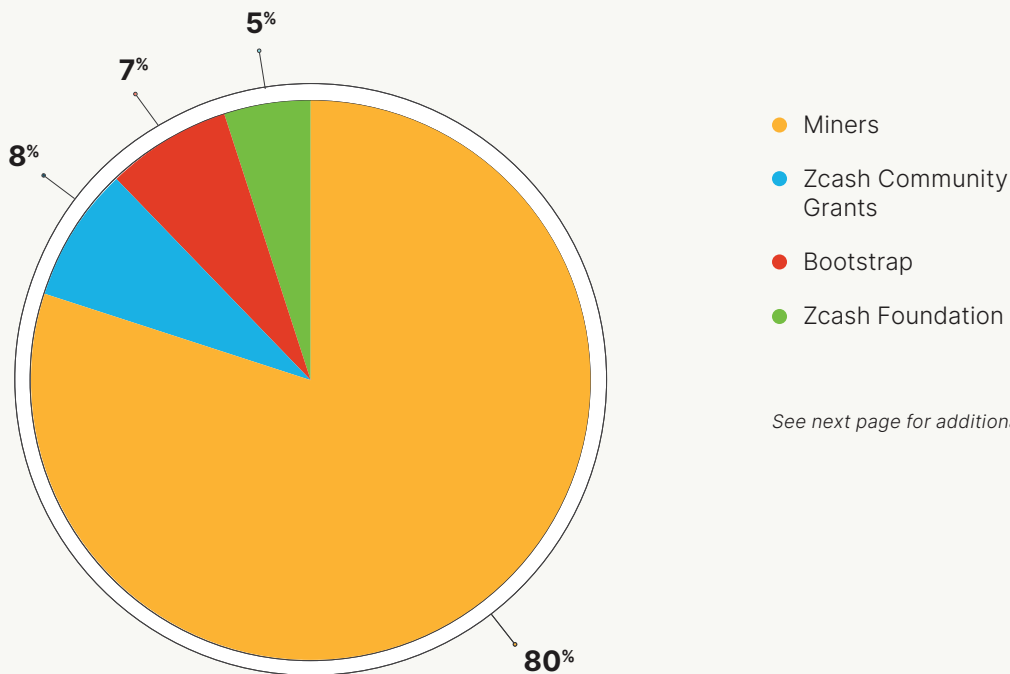
- → Bootstrap received coins at a value below the ECC operating expense level for Q2 2024. During this time, Bootstrap received coins at an average of \$179K a month (at the Q2 average ZEC price, \$23.35, for each of the three months' distribution dates), and Bootstrap and ECC incurred average monthly expenses of approximately \$353K.
- → At the end of Q2 2024, Bootstrap and ECC collectively held approximately \$964K in USD and approximately 100K 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 fund distributed 80 percent of Zcash issuance to miners, while 20 percent was devoted to Zcash development funding. Importantly, 8 percent of the total block reward (or about 40 percent of this dev fund) went to Zcash Community Grants (ZCG), a program that funds independent, third-party developers. Bootstrap received 7 percent of the total rewards, and the remaining 5 percent supported 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 latest Zcash halvening, the Zcash development fund transitioned to a 1-year Hybrid Deferred Dev Fund where 8 percent of all block rewards go to the ZCG organization to pay independent teams and individuals for Zcash-related work. ECC and ZF no longer receive direct funding from block rewards. Instead, the 7 and 5 percent issuance they received in the past, goes into a lockbox where it is 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



See next page for additional detail.

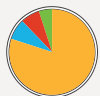
The approximate amount of total mining rewards generated each calendar month in Q2 2024 was 108,642 ZEC. At a price of \$23.82 per coin (the average of the ZEC daily closing price for Q2 2024), this equated to \$2,587,845.

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

April – June 2024

RECIPIENT	SHARE OF MINING REWARDS	MONTHLY USD VALUE AT ZEC PRICE OF \$23.82*
Miners	80%	\$2,070,276
Zcash Community Grants	8%	\$207,028
Bootstrap	7%	\$181,149
Zcash Foundation	5%	\$129,392

*Average of the daily closing price April - June 2024. Totals are calculated assuming the average block time, i.e., 34,765 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

In Q2 2024, Bootstrap revenue/income was recognized at the market price for the coins received on the day they were received. The coins were 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 would 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 continued to receive the same distribution of coins each month until November 2024.

At the end of Q2 2024, Bootstrap and ECC collectively held approximately \$964K in USD and approximately 100K ZEC (including unallocated coins within the employee retention plan). As of December 18, 2024, the company held approximately \$936K in USD and approximately 111K 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 goes to the Bootstrap treasury. As of mid-December 2024, Bootstrap has sold 9.6M BLD and 1.6M 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 (Jan 2031 at the latest). 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 Q2 2024, Bootstrap and ECC operating expenses averaged approximately \$353K. 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 Q2 2024. All expenses attributed to each department are included in the percentage.

Department	2024 Q2	2024 Q1
Development	50%	47%
Growth and Regulatory	22%	20%
General and Admin	28%	33%
Security/Audit	0%	0%

Q2 2024 use of funds

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

Research & development

ECC engineers contributed to research on ZIP 320 (transparent exchange addresses), ZIP 316 Revision 1 (address expiry metadata), and provided substantial input and specification support to the discussion around the Zcash Development Fund changes for Network Upgrade 6. In addition, ECC engineers were heavily involved in specifying the Crosslink protocol that is intended to support a future proof-of-stake transition for the chain.

In the wider ecosystem, ECC engineers continued providing feedback during the development of ZSAs, reviewed the proposed shielded airdrop protocol between Zcash and Namada, and audited the Penumbra circuits.

Engineering

Zashi iOS 1.0 launched on March 28th and Zashi Android 1.0 one month later in April.

ECC core engineering's primary focus during this quarter was work on the `zcash_client_backend` and `zcash_client_sqlite` wallet libraries. This included support for ZIP 320 (transparent exchange addresses), Tor integration for currency conversion, as well as substantial improvements to note commitment tree handling and wallet synchronization.

In addition, during this quarter the team began work to prepare `zcashd` for the Network Upgrade 6 release.

The ECC engineering team provided support to the Brave team on integration of their Zcash wallet functionality.

**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: [March](#), [April](#), [May](#).

ECC is a founding member of the Universal Privacy Alliance (UPA).

**Comms, user
adoption, and
education**

The Zashi release drove user adoption, awareness and communications.

ECC was engaged in community governance conversations and polling that led to a shift toward a non-direct model. Relatedly, we announced that we were withdrawing from the Trademark Agreement with the Zcash Foundation and would not accept direct funding from the Zcash chain after November 2024.

The ECC team participated in a number of cross-community efforts including support for Brave, engagement with the Maya community, and participation in ZconV.

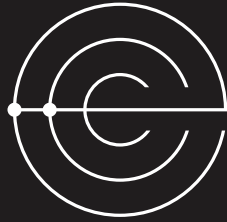
Members of ECC attended Consensus, co-sponsored the Ampera booth, and co-sponsored a social event with Brave and Filecoin.

**Hiring and
promotions**

In Q2 2024, we did not make any new hires.

HR

In Q2 2024, ECC prepared for the July 2024 Z|ECC Summit in San Diego, California. More information on that event will be provided in the next transparency report.



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