

ETC Cooperative

November 2020 Board Report

December 31, 2020



etccooperative.org

Purpose Board Report



The purpose of the report is to **update the ETC Cooperative Board members** and provide them with information about the activities, operations, progress or difficulties of the ETC Cooperative, during the last fiscal quarter, to help them fulfill their duties.



These presentation will include a **financial section** as well as progress towards the annual goals and objectives.



A full 2020 annual report, similar to the 2019 retrospective will be completed in 2021.





Sections

- 1 Overview
- 2 Protocol
- 3 Infrastructure
- 4 Comms & Marketing
- 5 Finance



Overview

- › ETC mainnet was successfully hard-forked to Thanos, reducing the size of the DAG used for mining.
- › Continued championing of core ECIPs.
- › Hyperledger Besu maintenance.
- › Q3 Transparency report.
- › Decrypt Podcast.
- › ETC Weekly relaunched.

Protocol

Thanos hard-fork was successful

- › ETC Cooperative actively engaged in coordinating the Thanos hard-fork with network stakeholders contributing to a successful hard-fork.
- › The Thanos hard-fork successfully activated on the Ethereum Classic main-net on November 28th 2020. Thanos halved the size and growth rate of the Dag making Ethereum Classic minable to 3-4 GB hardware.
 - › Ethereum Classic experienced an all-time-low hash rate of ~1.5 TH/s in September of 2020, but hash rate has increased up to ~4.5 TH/s in October, then breaking ~5 TH/s at the end of November
- › Over $\frac{3}{4}$ of individual network nodes are upgraded to Thanos while all major exchanges, infrastructure, and wallets are confirmed for the upgrade.
- › <https://etcnodes.org/thanos>






Protocol

Continued championing of core ECIPs

ETC Cooperative continues to champion ECIP-1049 which proposes to change the Ethereum Classic PoW to Keccak-256 (Sha-3).

- › [Why change the Ethereum Classic Proof of Work algorithm to Keccak-256 \(Sha-3\)](#)
- › Content and review around other proposals regarding Checkpointing and Treasury are in progress.



Infrastructure

Hyperledger Besu maintenance

- › Besu had an [issue](#) with calculating the gas price which has been shipped since release 20.10.2.
- › Users have reported reduced syncing performance which is being investigated.
- › Ethercluster updated to Besu 20.10.2



HYPERLEDGER
BESU

Comms and Marketing

Q3 Transparency Report published


- › The Q3 transparency report was [published](#) on Nov 22nd.
- › ETC Consortium [translated](#) and [published](#) a Mandarin version too. Thank you!



Comms and Marketing

Decrypt Podcast

- › Bob appeared on the Decrypt podcast on 25th November.
- › Talking about 51% attacks, Thanos and MESS.
- › Plus forward-facing summary of arguments for Keccak-256, Checkpointing and Treasury.



Decrypt Daily

with Matthew Aaron

14 min PLAY ▶

Nov 25: Bob Summerwill of ETC Cooperative
The Decrypt Daily: Bitcoin & Cryptocurrency News Podcast

Business

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Comms and Marketing

IOHK collaboration & new channels

- › Relaunch and maintenance of “ETC Weekly”, the former ETC Co-op newsletter, done so through Mailer Lite, called [ETC Weekly](#).
 - › Since its inception the co-op has released a new newsletter every week which is then posted on the co-op’s [Medium channel](#).
- › In late November, the “[Thanos](#)” hard fork was activated. Prior to the activation the Co-op played a significant role in reaching out to network participants. [Here](#) you’ll find the outreach sheet.
- › The Co-op’s [blog post](#) on Keccak256 was shared on all social media channels to educate users, and stakeholders alike about the potential mining algorithm change.
- › The Co-op’s Stevan Lohja authored a [blog post](#) to get everyone ready for the hard fork. This was shared across all social media channels.
- › Throughout the month of November, Kevin has fulfilled the responsibilities as community manager such as: educating users regarding Thanos, checkpointing, and the proto-treasury while also collaborating with IOHK, while also moderating ETC social media channels.



Finance



Finance

Expenditures in \$US					
	Nov 2020 Actual	Nov 2020 Budget	Variance \$ Nov 2020 vs Nov 2020 Budget	Nov 2019 Actual	Variance \$ Nov 2020 vs Nov 2019
Overhead & Management	\$17,006	\$20,854	\$(3,848)	\$17,021	\$(15)
Development	\$10,000	\$10,000	\$0	\$6,340	\$3,660
Protocol	\$0	\$0	\$0	\$10,500	\$(10,500)
Comms & Marketing	\$4,166	\$0	\$4,166	\$4,766	\$(600)
Finance	\$2,000	\$5,325	\$(3,325)	\$2,477	\$(477)
Infrastructure	\$8,662	\$2,750	\$5,912	\$6,230	\$2,431
Partnerships	\$0	\$0	\$0	\$0	\$0
ETC Summit	\$0	\$0	\$0	\$0	\$0
Total Expenditures	\$41,834	\$38,929	\$2,905	\$47,334	\$(5,500)
<i>Non-cash Items</i>	\$0	\$0	\$0	\$0	\$0
Total Operating Expenses	\$41,834	\$38,929	\$2,905	\$47,334	\$(5,500)

- > Expenditures in November 2020 were higher than November 2020 Budget and lower than November 2019. As related to budget, this is mostly due to increased headcount and spending on infrastructure. November 2019, had higher spending on protocol work, but the variance is mostly due to timing differences between this year and last.
- > Overall, spending on regular recurring items such as salaries and overhead, has been fairly consistent, however there will be a slightly increase in salaries, due the change in headcount. Most spending other than salaries and small overhead amounts, is related to protocol work around Besu.

Finance

Expenditures in \$US					
	Nov YTD 2020 Actual	Nov YTD 2020 Budget	Variance \$ Nov YTD 2020 vs Nov 2020 Budget	Nov YTD 2019 Actual	Variance \$ Nov 2020 vs Nov 2019
Overhead & Management	\$191,754	\$231,146	\$(39,391)	\$197,098	\$(5,343)
Development	\$118,603	\$110,000	\$8,603	\$110,997	\$7,606
Protocol	\$70,350	\$81,600	\$(11,250)	\$87,000	\$(16,650)
Comms & Marketing	\$38,009	\$57,475	\$(19,466)	\$84,904	\$(46,895)
Finance	\$36,040	\$76,075	\$(40,035)	\$24,368	\$11,672
Infrastructure	\$52,319	\$57,330	\$(5,011)	\$2,850	\$49,469
Partnerships	\$6,292	\$0	\$6,292	\$500	\$5,792
ETC Summit	\$1,978	\$0	\$1,978	\$182,977	\$(181,000)
Total Expenditures	\$515,345	\$613,626	\$(98,281)	\$690,694	\$(175,349)
<i>Non-cash Items</i>	\$28,686	\$0	\$28,686	\$0	\$28,686
Total Operating Expenses	\$544,031	\$613,626	\$(69,595)	\$690,694	\$(146,663)

- › Overall, expenditures in 2020 have been consistent with 2019, other than the ETC Summit Category, due to decreased spending in most areas, to conserve cashflows, in uncertain times and less travel/comms & marketing costs. Finance costs are higher due to compliance fees, software fees and part time staff, with ETC Summit fees only being some small overflow from 2019, that was not accrued, compared to holding a full summit in 2019.
- › YTD costs have been lower than budget by 100K due to lower spending in almost all categories. We expect to see this trend continue, although there may be further Besu protocol costs to be incurred and a slight increase in salaries due to more staff.
- › Non-cash items consist of the loss on sale of ETC, FX gain/loss, and bad debt expense.

Finance

Net (Loss)/Income in \$US			
	Nov 2020 Actual	Nov 2020 Budget	Nov 2019 Actual
Income	\$58,198	\$44,160	\$58,027
Operating Expenses	\$41,834	\$38,929	\$47,334
Net (Loss)/Income	\$16,364	\$5,231	\$10,693
Non-cash items	\$0	\$0	\$0
Adjusted Net Income	\$16,364	\$5,231	\$10,693

Net (Loss)/Income in \$US			
	Nov YTD 2020 Actual	Nov YTD 2020 Budget	Nov YTD 2019 Actual
Income	\$650,288	\$522,600	\$333,640
Operating Expenses	\$544,031	\$613,626	\$690,694
Net (Loss)/Income	\$106,258	\$(91,026)	\$(357,054)
Non-cash items	\$28,686	\$0	\$0
Adjusted Net Income	\$134,944	\$(91,026)	\$(357,054)

- › Net Income for the period was significantly higher than budget and consistent with 2019. The variance with budget can be partially attributed to the higher ETC price in 2020, which is correlated to the ETC Fees received from Grayscale, as well as lower cash-costs YTD. Compared to November 2019, the ETC price was fairly consistent, with slightly higher earnings, due to lower expenditures.
- › As at November 30, 2020, the ETC Coop held 8,163 ETC.

Finance

Financial Positions in \$US	30-Nov-20	30-Sep-20	30-Jun-20	31-Dec-19	31-Dec-18	31-Dec-17
Assets						
Cash & Cash Equivalents	\$283,800	\$273,538	\$233,278	\$146,318	\$530,268	\$0
ETC (at book value) ¹	\$78,115	\$78,115	\$78,115	\$154,363	\$154,363	\$0
Accounts Receivable	\$0	\$0	\$5,000	\$12,057	\$7,057	\$0
Due from Grayscale	\$46,969	\$48,089	\$46,849	\$18,808	\$(6,729)	\$371,505
Prepaid Expenses & Deposits	\$0	\$0	\$750	\$2,250	\$0	\$0
Total Assets	\$408,884	\$399,741	\$363,992	\$333,796	\$684,960	\$371,505
Liabilities						
Accounts Payable & Accrued Liabilities	\$11,974	\$29,889	\$34,888	\$44,393	\$20,305	\$0
Due to Grayscale	\$0	\$0	\$0	\$(1,000)	\$3,022	\$131,864
Total Liabilities	\$11,974	\$29,889	\$34,888	\$43,393	\$23,328	\$131,864
Equity						
Retained Earnings	\$290,403	\$290,403	\$290,403	\$661,632	\$239,640	\$0
Net Income/(Loss) for the year	\$106,507	\$79,450	\$38,701	\$(371,229)	\$421,992	\$239,640
Total Equity	\$396,910	\$369,853	\$329,104	\$290,403	\$661,632	\$239,640
Total Liabilities & Equity	\$408,884	\$399,741	\$363,992	\$333,796	\$684,960	\$371,505
<i>ETC at Market Value¹</i>	<i>\$54,829</i>	<i>\$44,128</i>	<i>\$46,812</i>	<i>\$72,540</i>	<i>\$81,430</i>	<i>\$0</i>
Liquid assets²	338,629	317,666	280,090	218,858	611,698	0

¹Book value is the value when the ETC was originally purchased. Market value is the value at the end of the reporting period (prices from Yahoo finance)

²Liquid assets consists of Cash & Cash equivalents plus ETC at market value.

- › In January 2020, the Coop sold 7,500 ETC for an amount of \$56,400 USD, to help fund operations. This led to an increase in cash and decrease in ETC at book value. Due to higher ETC price and subsequent revenues, along with lower expenses, the cash balance increased by \$40K in Q3 and October.
- › The Coop wrote off a receivable of \$12.1K from previous years ETC Summit sponsorship, that has been deemed uncollectible (2018 Summit & 2019 Summit).
- › Accounts payable and accrued liabilities consist of some November staffing costs, as well as Infrastructure hosted services for multiple vendors.

