

ETC
Cooperative

Q2 2020 Board Package

August 3rd, 2020



etccooperative.org



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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.



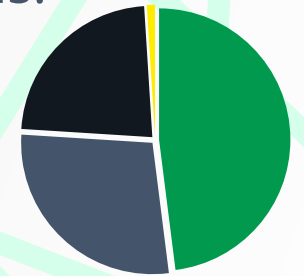
Overview

- › The major event for ETC Cooperative during Q2 was the long-awaited Phoenix hardfork where protocol-parity with ETH was achieved.
- › Ongoing work on stability of BlockScout block explorer instances.
- › Ongoing work with Connex on getting an ETC hub set up for their state channels implementation. Connex ETC is now live.
- › Ongoing infrastructure work to support the Enterprise Ethereum Alliance testnet. Documentation underway of testing timeline.
- › Webinars given by Yaz to Hyperledger members about the Ethereum tech stack. Advocacy for Keccak256 merging into the Hyperledger Besu client is planned with outreach to Hyperledger and Linux members.
- › Hyperledger Besu Ethercluster endpoint tests finalized. Planning for switching from Parity to Besu for Ethercluster underway.
- › Planning for ETC Cooperative Grant Process design underway.

Protocol

- › ETC successfully hardforked to ETC Atlantis on 31st May 2020.
- › There was some network turbulence on the days following the fork which forced emergency releases of both OpenEthereum and Hyperledger Besu clients. ETC Coop nodes were updated with fixes.
- › That was not a chain-split, but a bug in the networking layer for those two clients, which was resolved within 48 hours.
- › No funds were lost, to our knowledge.

- › Both Classic Geth and Parity-Ethereum reached end of life at Phoenix.
- › Post-fork split by client was:
 - › OpenEthereum 48%
 - › Core-Geth 28%
 - › Multi-Geth 23%
 - › Hyperledger Besu 1%
- › Both Multi-Geth and OpenEthereum have since announced that they will be dropping ETC support.
- › ETC Core will focus on Core-Geth and ETC Coop will focus on HL Besu.



Infrastructure



We have been working with POA Network on stability of the BlockScout block explorer instances which we have been running since January. API Fixes and Harddisk issues came up with one of our servers. Parity database corruptions were found, which prompted a switch to Hyperledger Besu.

Blockscout ETC has been running a Besu node for the mainnet instance since early July.



We have been working with Connex to set up an ETC hub for their state channels solution throughout Q2. It was the first instance not run by their internal team and we hit many issues. ETC Connex channel went live in July.



Ongoing infrastructure work to help support the Enterprise Ethereum Alliance testnet. Documentation ongoing of testing timeline.

Comms and Marketing

- › Hired Kevin Lord, as our first Community Manager.
- › He will lead our Comms and Marketing campaigns.

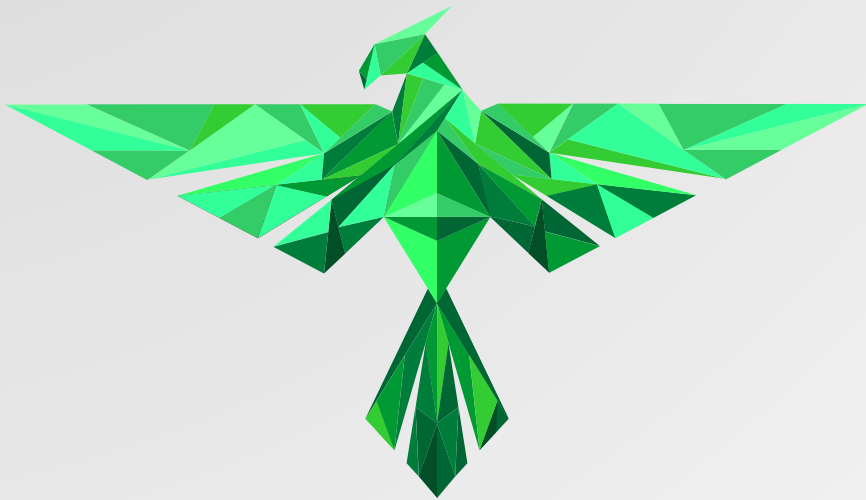


- › We hosted an ETC-focused “Foundations” [mini virtual conference](#) as part of Consensus Distributed, with both Bob and Yaz presenting, together with a Q&A session.
- › Consensus is the largest blockchain conference of the year. Over 10,000 people registered for this year’s virtual event.



Grants

- › We paused our spending on grants during Q2 as the global pandemic raged.
- › Looking forward, we plan to spend around **\$25K** on grants and external projects during Q3.



- › Our focus will likely be on low-level protocol and infrastructure work consistent with our strategy of building from the bottom-up.
- › This round of grants will also be used to guide the revamp of our grants process which is one of our primary organizational goals for the financial year.

Finance



Finance

Expenditures in \$US					
	June 2020 Actual	June 2020 Budget	Variance \$ June 2020 vs June 2020 Budget	June 2019 Actual	Variance \$ June 2020 vs June 2019
Overhead & Management	\$17,467	\$20,854	\$(3,387)	\$15,008	\$2,459
Development	\$8,000	\$10,000	\$(2,000)	\$10,334	\$(2,334)
Protocol	\$0	\$20,000	\$(20,000)	\$0	\$0
Comms & Marketing	\$150	\$0	\$150	\$1,516	\$(1,366)
Finance	\$1,307	\$5,325	\$(4,018)	\$8,240	\$(6,933)
Infrastructure	\$13,142	\$15,750	\$(2,608)	\$0	\$13,142
Partnerships	\$250	\$0	\$250	\$0	\$250
ETC Summit	\$0	\$0	\$0	\$10,000	\$(10,000)
Total Expenditures	\$40,317	\$71,929	\$(31,613)	\$45,098	\$(4,782)
<i>Non-cash Items</i>	\$0	\$0	\$0	\$0	\$0
Total Operating Expenses	\$40,317	\$71,929	\$(31,613)	\$45,098	\$(4,782)

- › Overall, expenditures were lower in Q1 2020 vs both budget and Q1 2019. The largest variance relates to protocol projects, that may be shifted further into the year, as well as within in finance for tax related work, that may need to be incurred towards the second half of the year. Comms & marketing costs were lower than budget and will expect to continue this trend, as travel and conferences have ceased, due to Covid-19. Due to the worldwide economic uncertainty, the team is keeping all spending to a minimum.
- › Q1 2019 included a different headcount in Overhead & management and consisted of the second payment for the Kotti & Goerli project.
- › Non-cash items consist of the loss on sale of ETC and a small foreign exchange loss.

Finance

Expenditures in \$US					
	June YTD 2020 Actual	June YTD 2020 Budget	Variance \$ June YTD 2020 vs June 2020 Budget	June YTD 2019 Actual	Variance \$ June 2020 vs June 2019
Overhead & Management	\$106,004	\$125,875	\$(19,871)	\$115,263	\$(9,259)
Development	\$60,249	\$60,000	\$249	\$57,392	\$2,857
Protocol	\$38,850	\$61,600	\$(22,750)	\$62,500	\$(23,650)
Comms & Marketing	\$21,716	\$42,543	\$(20,826)	\$12,990	\$8,726
Finance	\$18,053	\$39,450	\$(21,397)	\$10,832	\$7,221
Infrastructure	\$28,712	\$30,580	\$(1,868)	\$0	\$28,712
Partnerships	\$5,542	\$0	\$5,542	\$0	\$5,542
ETC Summit	\$1,978	\$0	\$1,978	\$39,028	\$(37,050)
Total Expenditures	\$281,103	\$360,048	\$(78,944)	\$298,004	\$(16,901)
<i>Non-cash Items</i>	\$23,686	\$0	\$23,686	\$0	\$23,686
Total Operating Expenses	\$304,789	\$360,048	\$(55,259)	\$298,004	\$6,784

- › Overall, expenditures were lower in Q1 2020 vs both budget and Q1 2019. The largest variance relates to protocol projects, that may be shifted further into the year, as well as within in finance for tax related work, that may need to be incurred towards the second half of the year. Comms & marketing costs were lower than budget and will expect to continue this trend, as travel and conferences have ceased, due to Covid-19. Due to the worldwide economic uncertainty, the team is keeping all spending to a minimum.
- › Q1 2019 included a different headcount in Overhead & management and consisted of the second payment for the Kotti & Goerli project.
- › Non-cash items consist of the loss on sale of ETC and a small foreign exchange loss.

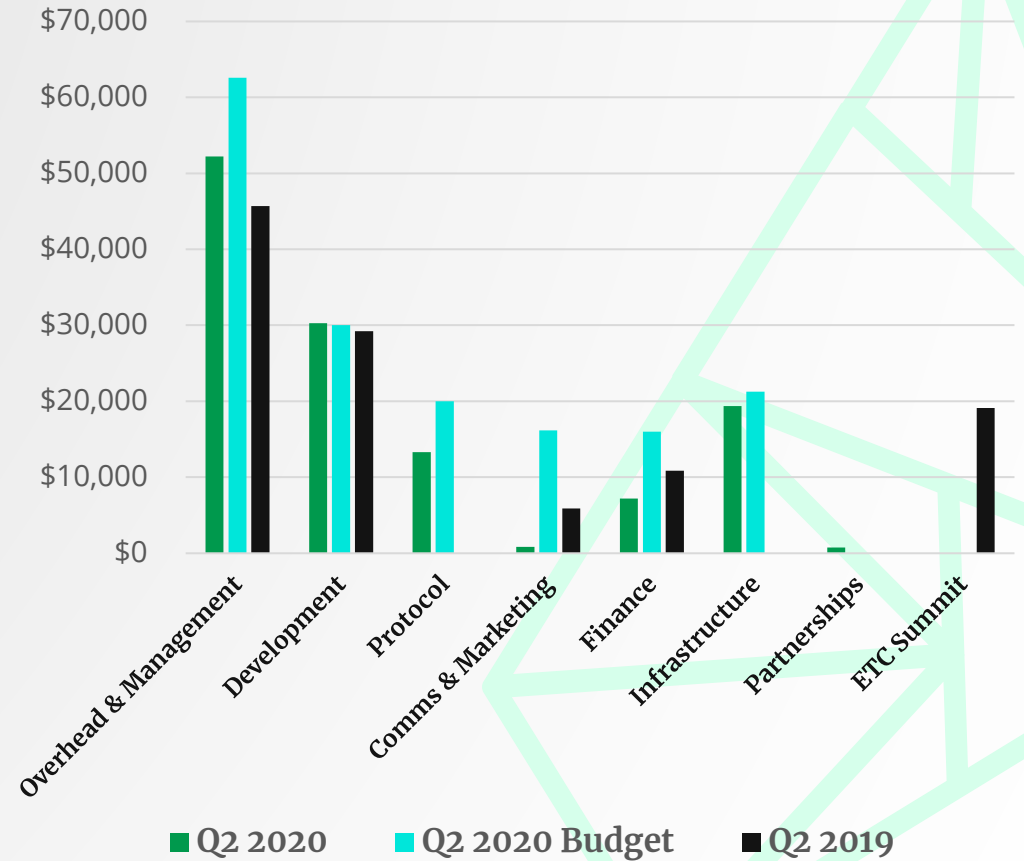
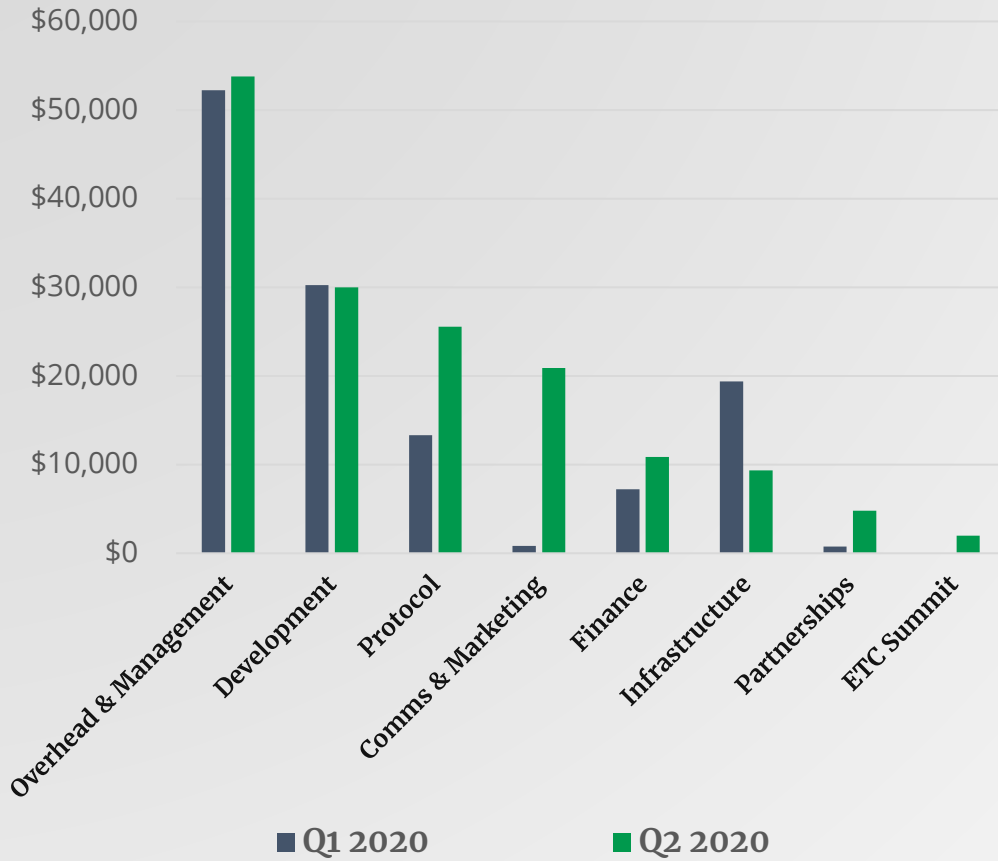
Finance

Expenditures in \$US							
	Q2 2020 Actual	Q1 2020 Actual	Variance \$ Q2 2020 vs Q1 2020	Q2 2020 Budget	Variance \$ Q2 2020 vs Q2 2020 Budget	Q2 2019 Actual	Variance \$ Q2 2020 vs Q2 2019
Overhead & Management	\$52,220	\$53,784	\$(1,564)	\$62,563	\$(10,343)	\$45,665	\$6,555
Development	\$30,249	\$30,000	\$249	\$30,000	\$249	\$29,209	\$1,040
Protocol	\$13,300	\$25,550	\$(12,250)	\$20,000	\$(6,700)	\$0	\$13,300
Comms & Marketing	\$829	\$20,887	\$(20,059)	\$16,143	\$(15,314)	\$5,875	\$(5,047)
Finance	\$7,208	\$10,845	\$(3,637)	\$15,975	\$(8,767)	\$10,832	\$(3,624)
Infrastructure	\$19,377	\$9,335	\$10,042	\$21,250	\$(1,873)	\$0	\$19,377
Partnerships	\$750	\$4,792	\$(4,042)	\$0	\$750	\$0	\$750
ETC Summit	\$0	\$1,978	\$(1,978)	\$0	\$0	\$19,111	\$(19,111)
Total Expenditures	\$123,933	\$157,170	\$(33,238)	\$165,930	\$(41,997)	\$110,692	\$13,240
<i>Non-cash Items</i>	<i>\$7,057</i>	<i>\$16,629</i>	<i>\$(9,572)</i>	<i>\$0</i>	<i>\$7,057</i>	<i>\$0</i>	<i>\$7,057</i>
Total Operating Expenses	\$130,990	\$173,799	\$(42,809)	\$165,930	\$(34,940)	\$110,692	\$20,297

- › Overall, expenditures were lower in Q2 2020 vs both budget and Q2 2020. The largest variance relates to protocol projects, that may be shifted further into the year, as well as within in finance for tax related work, that may need to be incurred towards the second half of the year. Comms & marketing costs were lower than budget and will expect to continue this trend, as travel and conferences have ceased, due to Covid-19. Due to the worldwide economic uncertainty, the team is keeping all spending to a minimum. It is expected that grants, related to protocol & infrastructure work, will be slightly higher in Q2.
- › Expenditures were slightly higher than Q2 2019, due to limited technical work being done in Q2 2019.
- › The Non-cash items in F2020 consist of the loss on sale of ETC, a small foreign exchange loss, as well as a write off of sponsorship receivables.

Finance

Expenditures in \$US



Finance

Net (Loss)/Income in \$US			
	June 2020 Actual	June 2020 Budget	June 2019 Actual
Income	\$58,078	\$44,160	\$36,435
Operating Expenses	\$40,317	\$71,929	\$45,098
Net (Loss)/Income	\$17,762	\$(27,769)	\$(8,663)
Non-cash items	\$0	\$0	\$0
Adjusted Net Income	\$17,762	\$(27,769)	\$(8,663)

Net (Loss)/Income in \$US			
	June YTD 2020 Actual	June YTD 2020 Budget	June YTD 2019 Actual
Income	\$343,490	\$301,800	\$142,286
Operating Expenses	\$304,789	\$360,048	\$298,004
Net (Loss)/Income	\$38,701	\$(58,248)	\$(155,719)
Non-cash items	\$23,686	\$0	\$0
Adjusted Net Income	\$62,387	\$(58,248)	\$(155,719)

- › Net Income for the period was significantly higher than budget and Q1 2019. This 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.
- › As at June 30, 2020, the ETC Coop held 8,163 ETC.

Finance

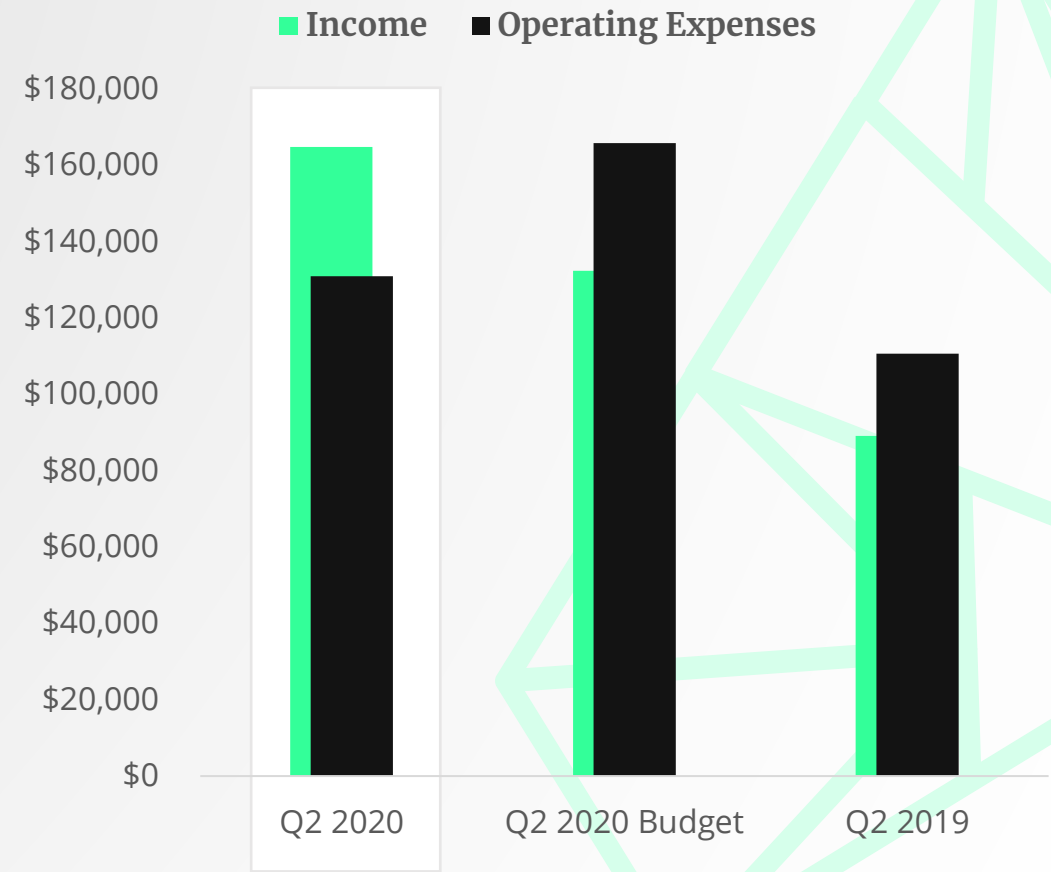
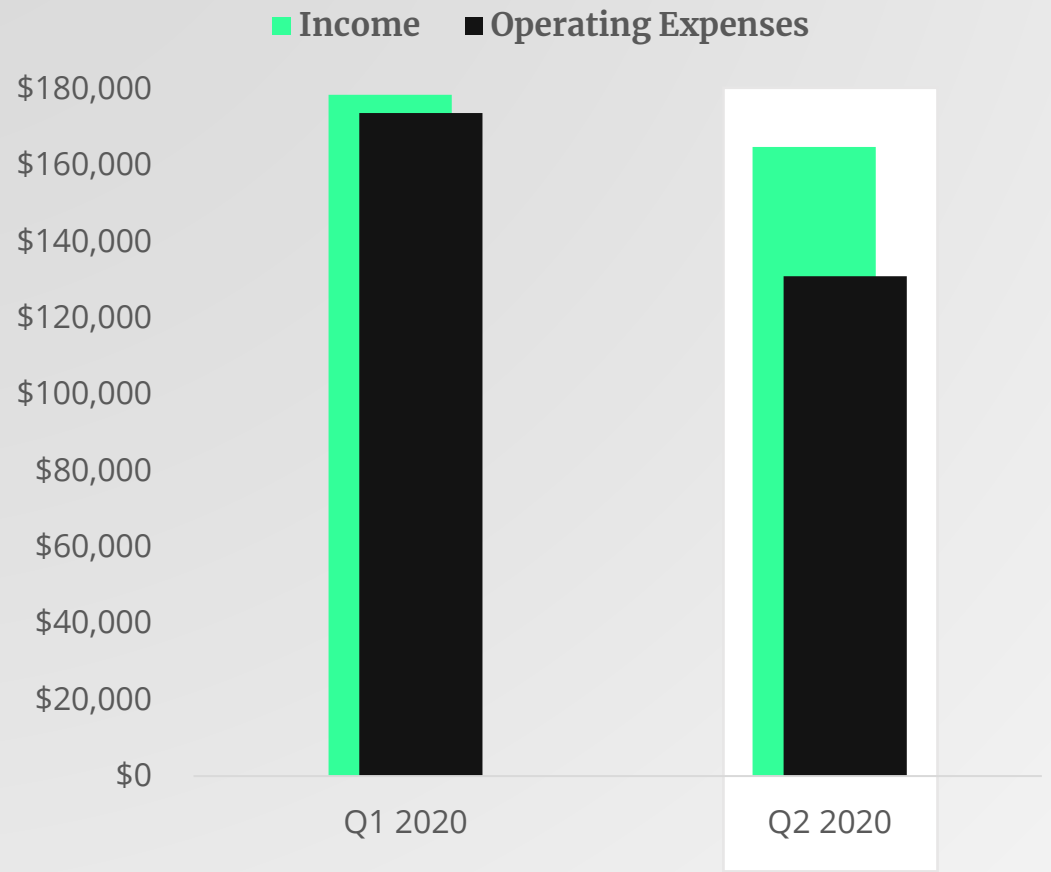
Net (Loss)/Income in \$US				
	Q2 2020	Q1 2020	Q2 2020 Budget	Q2 2019 Actual
Income	\$164,899	\$178,591	\$132,480	\$89,165
Operating Expenses	\$130,990	\$173,799	\$165,930	\$110,692
Net (Loss)/Income	\$33,909	\$4,792	\$(33,450)	\$(21,527)
Non-cash items	\$7,057	\$16,629	\$0	\$0
Adjusted Net Income	\$40,966	\$21,421	\$(33,450)	\$(21,527)

- › Net Income for the period was significantly higher than the budget and Q2 2019 and slightly higher than Q1 2020. This can be partially attributed to the higher ETC price in F2020, which is correlated to the ETC Fees received from Grayscale, as well as lower cash-costs.



Finance

Net (Loss)/Income in \$US



Finance

- › 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 \$37K in Q2.
- › The Coop wrote off a receivable of \$7.1K from previous years ETC Summit sponsorship, that has been deemed uncollectible.
- › Accounts payable and accrued liabilities consist of June staffing costs, which will be paid in July.

Financial Position in \$US					
	30-Jun-20	31-Mar-20	31-Dec-19	31-Dec-18	31-Dec-17
Assets					
Cash & Cash Equivalents	\$233,278	\$195,538	\$146,318	\$530,268	\$0
ETC (at book value) ¹	\$78,115	\$78,115	\$154,363	\$154,363	\$0
Accounts Receivable	\$5,000	\$12,057	\$12,057	\$7,057	\$0
Due from Grayscale	\$46,849	\$34,890	\$18,808	\$(6,729)	\$371,505
Prepaid Expenses & Deposits	\$750	\$1,500	\$2,250	\$0	\$0
Total Assets	\$363,992	\$322,100	\$333,796	\$684,960	\$371,505
Liabilities					
Accounts Payable & Accrued Liabilities	\$34,888	\$26,905	\$44,393	\$20,305	\$0
Due to Grayscale	\$0	\$0	\$(1,000)	\$3,022	\$131,864
Total Liabilities	\$34,888	\$26,905	\$43,393	\$23,328	\$131,864
Equity					
Retained Earnings	\$290,403	\$290,403	\$661,632	\$239,640	\$0
Net Income/(Loss) for the year	\$38,701	\$4,792	\$(371,229)	\$421,992	\$239,640
Total Equity	\$329,104	\$295,195	\$290,403	\$661,632	\$239,640
Total Liabilities & Equity	\$363,992	\$322,100	\$333,796	\$684,960	\$371,505
<i>ETC at Market Value¹</i>	<i>\$46,812</i>	<i>\$40,386</i>	<i>\$72,540</i>	<i>\$81,430</i>	<i>\$0</i>
Liquid assets²	280,090	235,924	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.

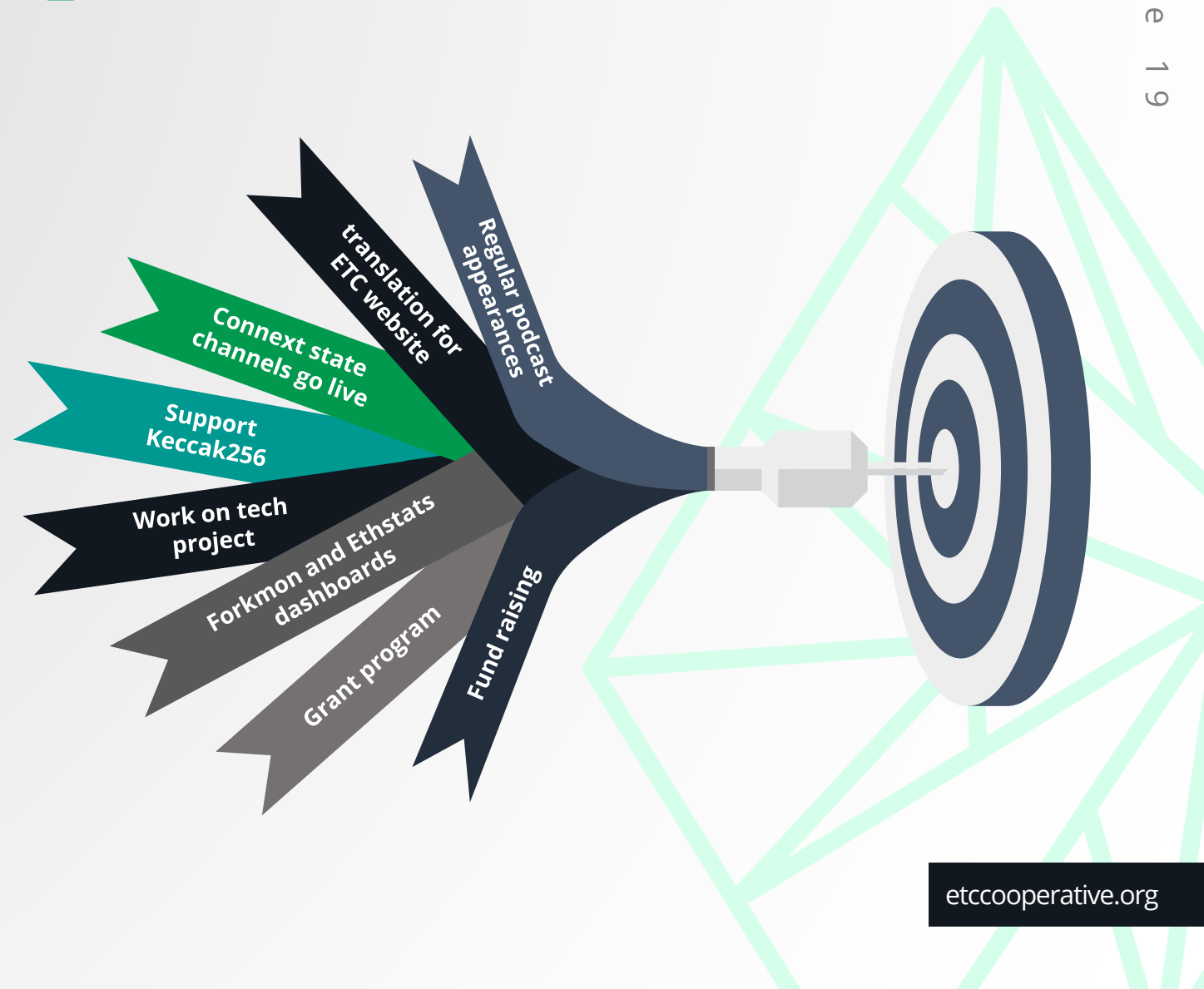
Goals & Objectives – Q3 Update

*The quarterly update to the goals and objectives is too comprehensive to summarize. **Please see separate workbook.***



Goals & Activities planned for Q3

- Regular podcast appearances, press interviews, blogs, etc.
- Work on a further translation for ETC website.
- Connex state channels go live.
- Support Keccak256 outreach.
- Work on tech project for developer marketing.
- Add forkmon and ethstats dashboards.
- Start work on grant program.
- Start work on fund raising.





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