

ETC Cooperative

April and May 2021 Board Report

June 11th, 2021



etccooperative.org



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Overview

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General Staffing Changes

- › Stevan Lohja, who has been the Director of Developer Relations at the ETC Cooperative since September 2020, resigned in mid-May.
- › He left to join IOHK in a very similar role on the Mantis team.
- › We continue to work closely with Stev, with bi-weekly meetings with IOHK.
- › His extensive ETC experience will be invaluable to their newly formed team.
- › We will be backfilling his role and will also take the opportunity to look at our staffing as a whole.



Protocol

Pending Magneto hard-fork

- › An ETC core developers call was held on 21st May to discuss the proposal for a Magneto hard-fork (bringing “Berlin” changes to ETC).
- › This is [ECIP-1103: Magneto EVM and Protocol Updates](#)
- › When this was first proposed it seemed a distraction from the ongoing, active work on the treasury proposal and the Keccak-256 proposal.
- › That dynamic changed when the EF released their [Dodging a Bullet](#) blog post on 18th May revealing a serious DOS attack vector which had been addressed both by serious architectural changes in the Geth client and protocol changes in Berlin.
- › That attack vector is still active in ETC, making Magneto an essential security upgrade, not just a “copying ETH” update.
- › Activation of Magneto on the ETC mainnet is now targeted for 21st July.
- › Mantis may not be able to implement Magneto support in time for the hard-fork.
- › IOHK would implement support as soon as possible, at which point Mantis would be viable again.

Protocol

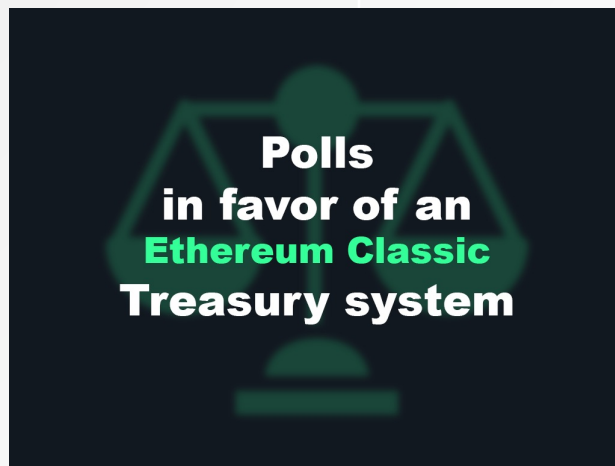
Treasury progress

- › We have been in frequent contact with IOHK about the treasury proposal.
- › There has also been an increasing amount of discussion of the proposal on the ETC Discord.
- › The common “pain points” are becoming quite evident as a result of these discussions.
- › Most people’s primary concerns are about the amount of funds being allocated to client teams, together with wanting to see accountability for that spending.
- › The proposal needs financial modeling to explain assumptions about potential spending for the client teams (Mantis being the largest at the moment) together with assumptions about ranges of ETC prices – both historic and future.
- › Bob’s proposal is that unused client team funds be swept forward into the community grants pool. That lets us account for differences in spending across teams and within teams over time as ETC prices vary while keeping the model very simple (30/30/30/10 in ETC).
- › There are concerns about the coin vote mechanism and specifically the quorum.
- › IOHK and ETC Coop are working together on a major refresh for the ECIP. We can gather discussions around those changes when they are in place.

Comms and Marketing

Polls in favor of a Treasury

- › A recent 7-day poll conducted on Twitter showed 82.7% of 515 votes in favor of an Ethereum Classic Treasury to fund multiple independent core development teams and community grants [1]. Previous polls showed:
- › ETC Telegram: 77% of 91 votes in favor of Treasury [2].
- › Twitter: 78% of 604 votes in favor of Treasury [3].
- › ETC Reddit: 60% of 64 votes in favor of Treasury [4]
- › <https://medium.com/etccooperative/polls-in-favor-of-an-ethereum-classic-treasury-84e946eb7ba8>





Protocol

Keccak-256 (Sha-3) Progress


ETC Coop supports [ECIP-1049](#) which proposes to change the ETC PoW to Keccak-256 (Sha-3). We're funding development and implementation regarding ECIP-1049 which is already featured in Hyperledger Besu.

- › ETC Coop is funding Keccak implementation support in Core-geth. See ongoing pull request <https://github.com/etclabscore/core-geth/pull/369>.
- › IOHK has merged Keccak mining into Mantis. <https://github.com/input-output-hk/mantis/pull/960>

Miners regarding Keccak-256 and Treasury

We've been engaging with major mining stakeholders in regards to the Keccak-256 and Treasury proposal. Our finding thus far:

- › Mining software providers are interested and standing by for the proposals to progress through the ECIP process to have a better idea on timelines.
- › The Treasury is more contentious to mining pools, some oppose the Treasury completely, and some would be following the community in this case.
- › Implementing Keccak-256 support is trivial especially if clients have stratum API support.
- › Allocating 20% of the block reward to the Treasury needs more debate and reconciliation since profit margins of existing miners are usually small.



Comms and Marketing Adoption

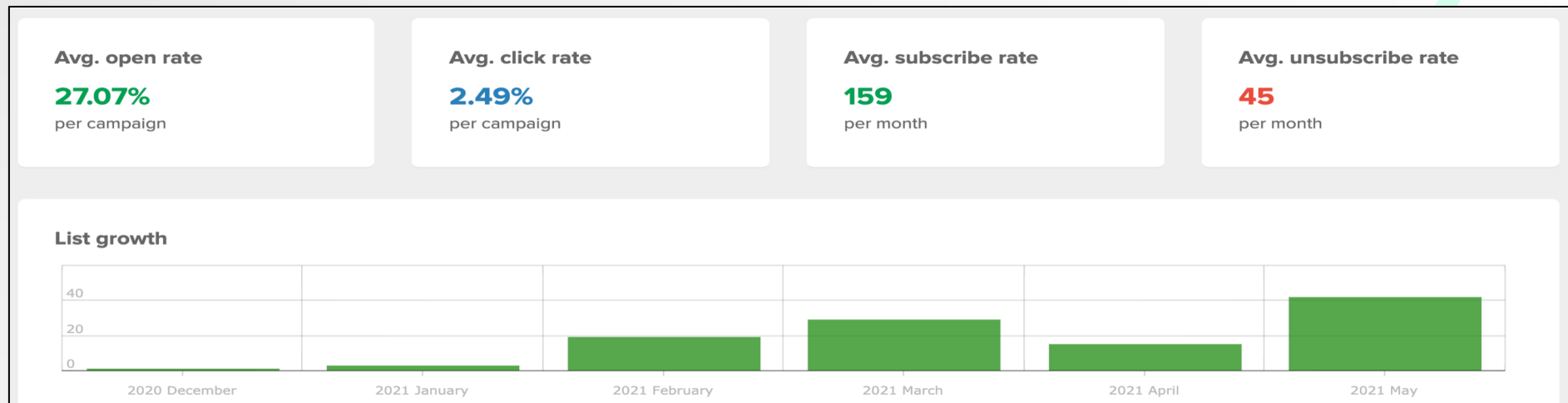
- › Marketing focused around “Phoenix Project”
- › Grassroots communications
 - › “On-strategy” messaging across all platforms
 - › ETC will be positioned in a niche market; a proof of work token with native smart contracts:
 - › Largest PoW smart contract platform after ETH deploys ETH 2.0
- › Liaise with IOHK
 - › Use strategic partner’s communications resources
 - › Collaborate on shared communication strategy

- › Media Opportunities
 - › Build strategic relationships with outlets such as, podcasters, publications, writers, researchers, or Youtubers
 - › Use every opportunity to discuss and explain topics related to “Phoenix”
 - › Increase “Phoenix” awareness
 - › Collaborate with community members and other projects on AMAs, Q&As, live events, etc
 - › Control the narrative

Comms and Marketing

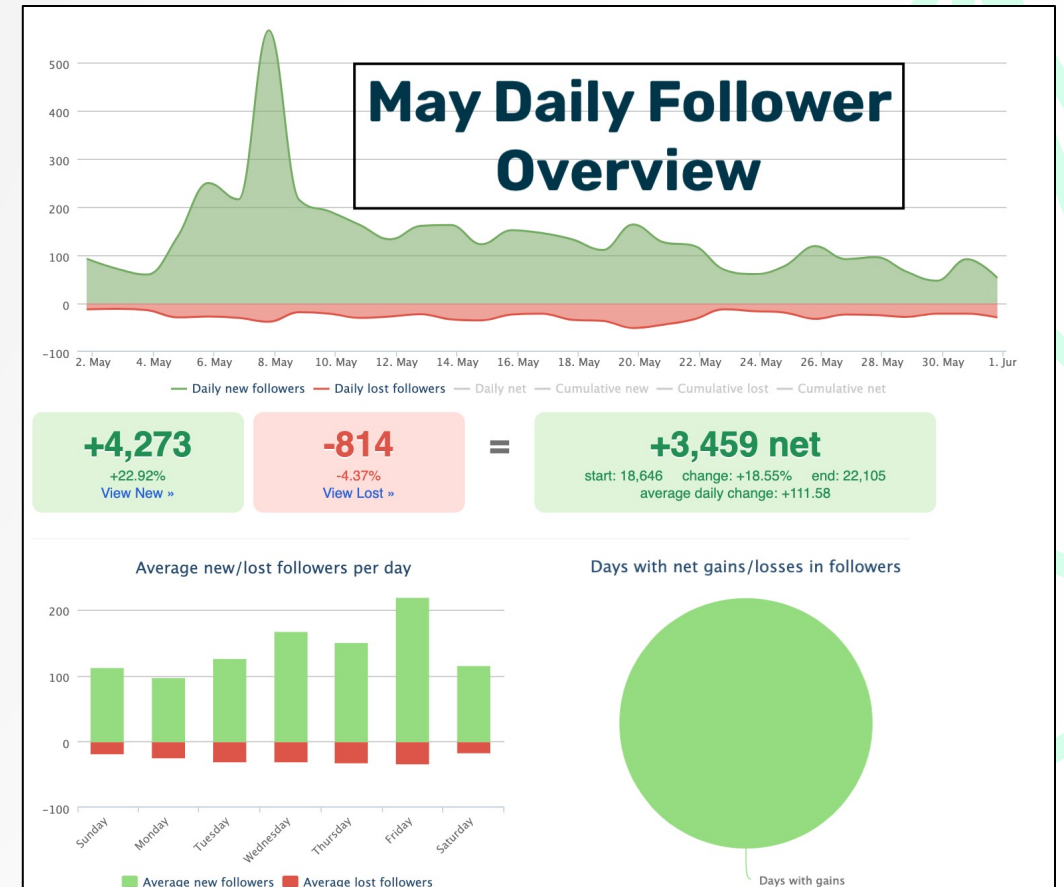
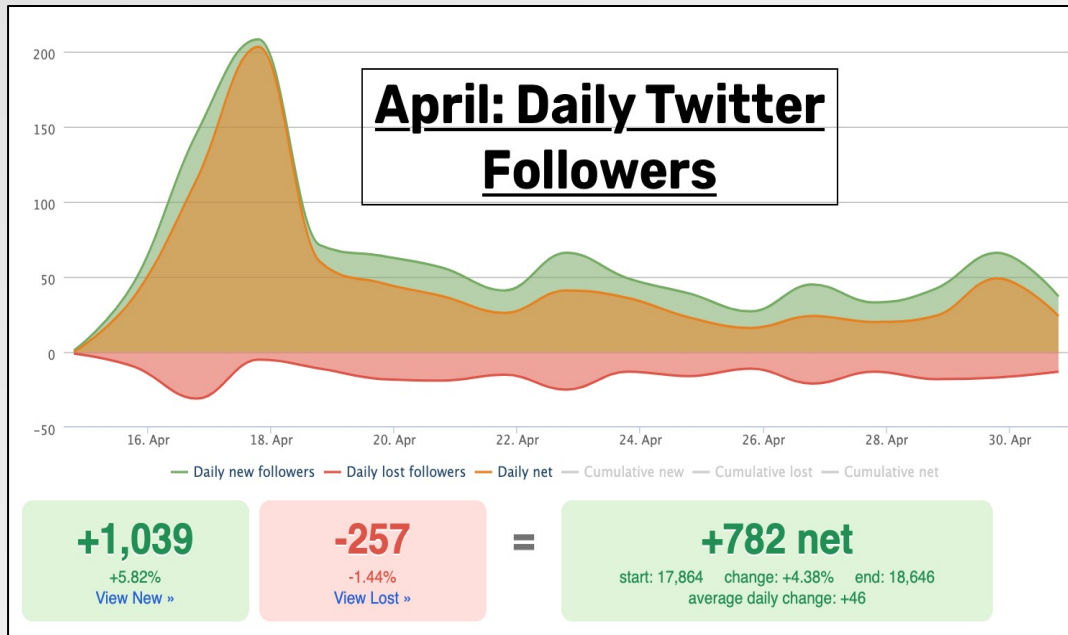
ETC Weekly

- › ETC Weekly bi-weekly newsletter
- › Provides meaningful news and updates
- › 4,942 unique active subscribers
- › 27.07% open-rate
- › 159 monthly subscribe rate
- › 45 monthly unsubscribe rate
- › 34% sign up form conversion rate on ethclassic.co/etcweekly



Comms and Marketing

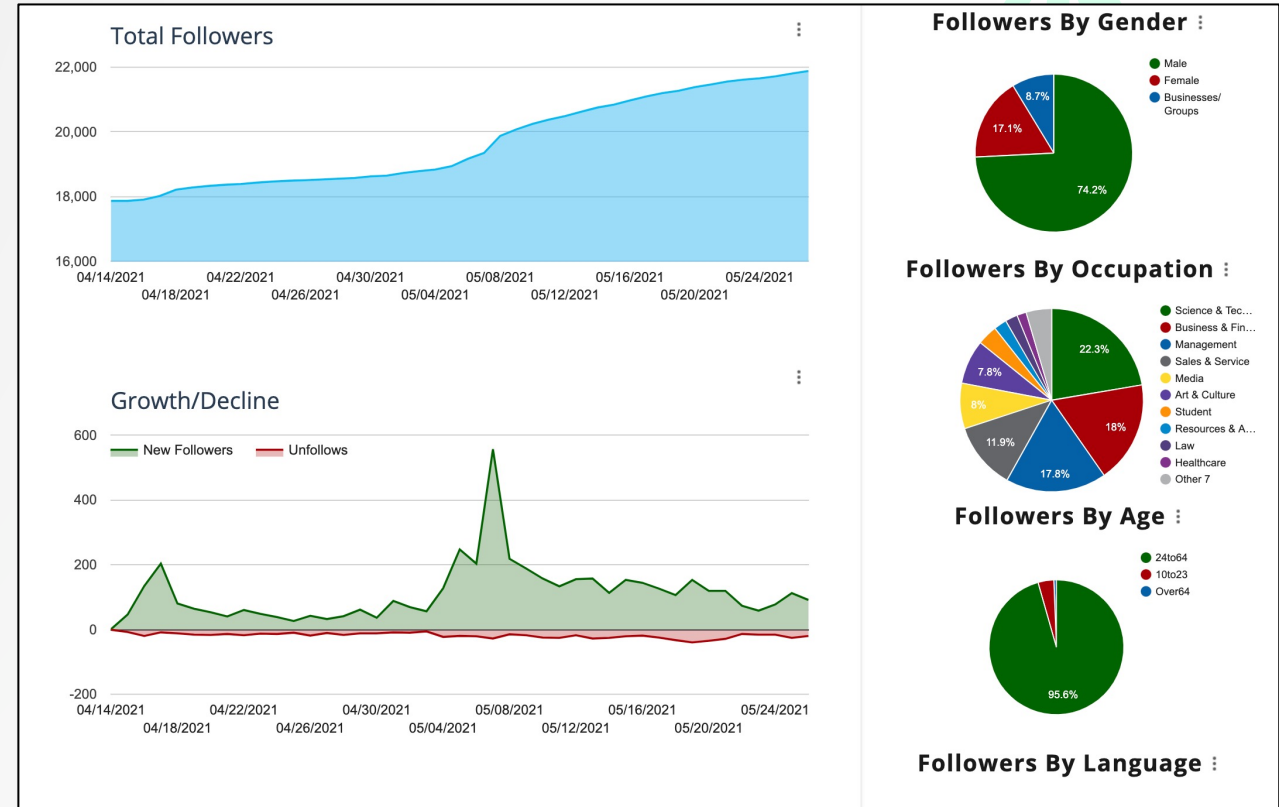
April and May Daily Follower Overview



Comms and Marketing

Social Media: Community metrics

- +4,866 new Twitter followers since May 24
- ETC Cooperative Twitter Account adds ~80 to ~100 daily new followers
- Segmentation of Co-op's target audience and segments
 - Gender
 - Occupation
 - Age
 - Spoken language
 - Country of origin
 - Type of platform used



Comms and Marketing
Metrics

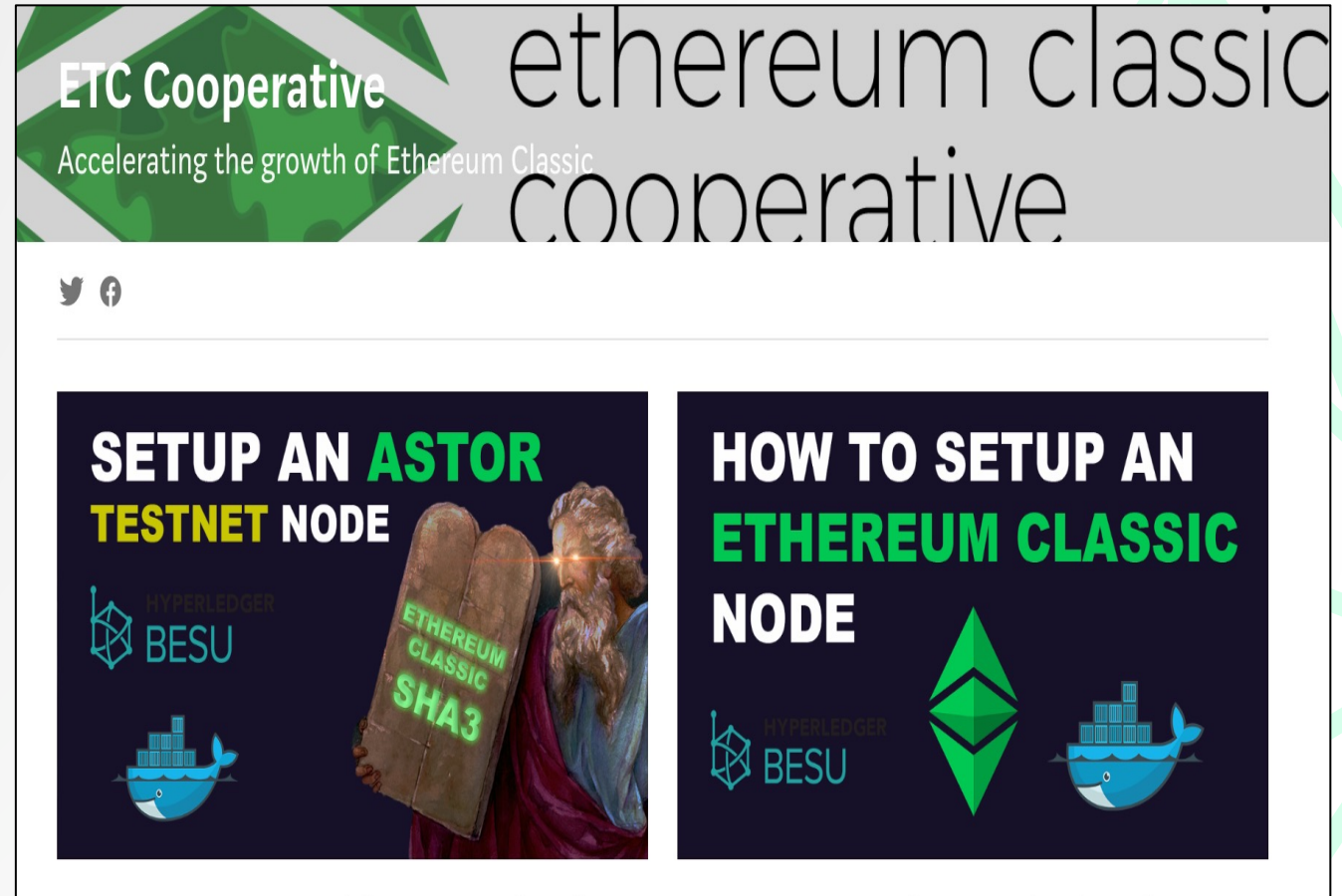
[Manage Cooperative Medium Publication](#)

April:

- > 2,543 views
- > 355 reads

May:

- > 1,154 views
- > 172 reads



Finance



Finance

Expenditures in \$US					
	Apr 2021 Actual	Apr 2021 Budget	Variance \$ Apr 2021 vs Apr 2021 Budget	Apr 2020 Actual	Variance \$ Apr 2021 vs Apr 2020
Overhead & Management	\$16,948	\$21,073	\$(4,125)	\$16,975	\$(27)
Development	\$15,054	\$40,000	\$(24,946)	\$15,028	\$26
Protocol	\$0	\$17,000	\$(17,000)	\$10,000	\$(10,000)
Comms & Marketing	\$4,167	\$4,854	\$(688)	\$4,167	\$0
Finance	\$2,000	\$12,125	\$(10,125)	\$16,420	\$(14,420)
Infrastructure	\$0	\$7,700	\$(7,700)	\$0	\$0
Partnerships	\$0	\$0	\$0	\$0	\$0
ETC Summit	\$0	\$0	\$0	\$0	\$0
Total Expenditures	\$38,169	\$102,752	\$(64,583)	\$62,590	\$(24,421)
<i>Non-cash Items</i>	\$0	\$0	\$0	\$0	\$0
Total Operating Expenses	\$38,169	\$102,752	\$(64,583)	\$62,590	\$(24,421)

- Expenditures in April 2021 were significantly lower than April 2021 Budget and slightly lower than April 2020. As related to budget this is due to protocol, development, and infrastructure work that may be done in subsequent months. As related to April 2020, this is due to finance costs related to compliance work, that was paid in earlier months.

Finance

Expenditures in \$US					
	May 2021 Actual	May 2021 Budget	Variance \$ May 2021 vs May 2021 Budget	May 2020 Actual	Variance \$ May 2021 vs May 2020
Overhead & Management	\$16,897	\$20,073	\$(3,176)	\$16,948	\$(51)
Development	\$10,840	\$40,000	\$(29,160)	\$15,054	\$(4,214)
Protocol	\$0	\$17,000	\$(17,000)	\$0	\$0
Comms & Marketing	\$4,167	\$4,304	\$(138)	\$4,167	\$0
Finance	\$2,000	\$2,125	\$(125)	\$2,000	\$0
Infrastructure	\$5,077	\$3,300	\$1,777	\$0	\$5,077
Partnerships	\$0	\$0	\$0	\$0	\$0
ETC Summit	\$0	\$0	\$0	\$0	\$0
Total Expenditures	\$38,981	\$86,802	\$(47,822)	\$38,169	\$811
<i>Non-cash Items</i>	<i>\$0</i>	<i>\$0</i>	<i>\$0</i>	<i>\$0</i>	<i>\$0</i>
Total Operating Expenses	\$38,981	\$86,802	\$(47,822)	\$38,169	\$811

- › Expenditures in May 2021 were significantly lower than May 2021 Budget and consistent with May 2020. As related to budget this is due to protocol and development work that may be done in subsequent months.

Finance

Expenditures in \$US					
	May 2021 YTD Actual	May 2021 YTD Budget	Variance \$ May YTD vs May YTD Budget	May 2020 YTD Actual	Variance \$ May 2021 YTD vs May 2020 YTD
Overhead & Management	\$86,614	\$103,357	\$(16,743)	\$88,537	\$(1,923)
Development	\$71,064	\$150,000	\$(78,936)	\$52,249	\$18,816
Protocol	\$10,000	\$64,000	\$(54,000)	\$38,850	\$(28,850)
Comms & Marketing	\$21,902	\$23,171	\$(1,268)	\$21,566	\$336
Finance	\$24,511	\$35,045	\$(10,534)	\$14,828	\$9,683
Infrastructure	\$5,077	\$23,200	\$(18,123)	\$15,570	\$(10,493)
Partnerships	\$0	\$0	\$0	\$5,292	\$(5,292)
ETC Summit	\$0	\$0	\$0	\$1,978	\$(1,978)
Total Expenditures	\$219,168	\$398,772	\$(179,604)	\$238,869	\$(19,701)
<i>Non-cash Items</i>	<i>\$0</i>	<i>\$0</i>	<i>\$0</i>	<i>\$23,686</i>	<i>\$(23,686)</i>
Total Operating Expenses	\$219,168	\$398,772	\$(179,604)	\$262,554	\$(43,386)

- YTD expenses are significantly lower than budget, as spending on protocol and infrastructure has not yet commenced. The main variances compared to 2020 relate to headcount, as well as comms and marketing costs related to travel for ETHCC and other cryptocurrency conferences, before Covid-19.
- Non-cash items from 2020 consist of the loss on sale of ETC, FX gain/loss, and bad debt expense.

Finance

Net (Loss)/Income in \$US			
	May 2021 Actual	May 2021 Budget	May 2020 Actual
Income	\$863,761	\$63,763	\$272,204
Operating Expenses	\$38,981	\$86,802	\$38,169
Net (Loss)/Income	\$824,780	\$(23,039)	\$234,035
<i>Non-cash items</i>	\$0	\$0	\$0
Adjusted Net Income	\$824,780	\$(23,039)	\$234,035

Net (Loss)/Income in \$US			
	May YTD 2021 Actual	May YTD 2021 Budget	May YTD 2020 Actual
Income	\$1,456,166	\$297,950	\$285,412
Operating Expenses	\$219,168	\$398,772	\$262,554
Net (Loss)/Income	\$1,236,998	\$(100,822)	\$22,858
<i>Non-cash items</i>	\$0	\$0	\$23,686
Adjusted Net Income	\$1,236,998	\$(100,822)	\$46,543

- › Net Income for the period was significantly higher than budget and 2020. The variance with budget can be attributed to the higher ETC price in 2021, which is correlated to the ETC Fees received from Grayscale, as well as lower cash-costs YTD. Budgeting was on the conservative side with revenue, due to changing and volatile prices. As compared to 2020, cash costs were consistent, however revenue was significantly higher due to ETC prices.
- › As of May 31, 2021, the ETC Coop held 8,163 ETC.

Finance

Financial Positions in \$US							
	31-May-21	30-Apr-21	31-Mar-21	31-Dec-20	31-Dec-19	31-Dec-18	31-Dec-17
Assets							
Cash & Cash Equivalents	\$753,028	\$505,412	\$416,965	\$303,313	\$146,318	\$530,268	\$0
ETC (at book value) ¹	\$78,115	\$78,115	\$78,115	\$78,115	\$154,363	\$154,363	\$0
Accounts Receivable	\$0	\$0	\$(1)	\$0	\$12,057	\$7,057	\$0
Due from Grayscale	\$852,532	\$260,975	\$115,361	\$51,914	\$18,808	\$(6,729)	\$371,505
Prepaid Expenses & Deposits	\$0	\$0	\$0	\$0	\$2,250	\$0	\$0
Total Assets	\$1,683,674	\$844,502	\$610,439	\$433,341	\$333,796	\$684,960	\$371,505
Liabilities							
Accounts Payable & Accrued Liabilities	\$31,842	\$17,451	\$17,424	\$18,507	\$44,393	\$20,305	\$0
Due to Grayscale	\$0	\$0	\$(1)	\$0	\$(1,000)	\$3,022	\$131,864
Total Liabilities	\$31,842	\$17,451	\$17,423	\$18,507	\$43,393	\$23,328	\$131,864
Equity							
Retained Earnings	\$414,834	\$414,834	\$414,834	\$290,403	\$661,632	\$239,640	\$0
Net Income/(Loss) for the year	\$1,236,998	\$412,217	\$178,182	\$124,431	\$(371,229)	\$421,992	\$239,640
Total Equity	\$1,651,832	\$827,051	\$593,016	\$414,834	\$290,403	\$661,632	\$239,640
Total Liabilities & Equity	\$1,683,674	\$844,502	\$610,439	\$433,341	\$333,796	\$684,960	\$371,505
<i>ETC at Market Value¹</i>	<i>\$573,204</i>	<i>\$296,888</i>	<i>\$114,935</i>	<i>\$46,284</i>	<i>\$72,540</i>	<i>\$81,430</i>	<i>\$0</i>
Liquid assets²	\$1,326,232	\$802,300	\$531,899	\$349,597	\$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.

- › There have been no significantly changes in the balance sheet from December 31, 2020, other than explained below.
- › Cash and receivables are increasing, due to higher ETC price, with expenditures staying consistent.
- › Accounts payable and accrued liabilities consist of some staffing costs, as well as Infrastructure hosted services for multiple vendors.
- › ETC at Market value has increased significantly, due to rising crypto prices, however prices remain very volatile

