

ETC
Cooperative

July 2020 Board Package

August 31st, 2020



etccooperative.org



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Overview

- › ETC experienced a 51% attack on 31st July with double spend and network split.
- › OpenEthereum and MultiGeth ended support for ETC.
- › Conversation with Rootstock on Merge Mining.
- › Provided draft for EEA Roadmap for the testing working group.
- › Call with Hyperledger on updates to ETC Cooperative.
- › Preliminary call about designing the grant process.

Protocol – 51% attack

- › ETC experienced a 51% attack on 31st July with double spends and a network split. Here is our [blog post](#) about this first attack.
- › There was a deep reorganization which had the secondary effect of splitting the network in two, because OpenEthereum could not deal with so deep a reorg. Core-Geth, Multi-Geth and Hyperledger HL could cope and continued together.
- › It had already been announced that OpenEthereum were dropping ETC support, but this issue meant that node operators using OpenEthereum were forced into emergency migration to Hyperledger Besu or Core-Geth. This was especially disruptive because OpenEthereum had been the majority client used to that point, including for many mining pools.
- › Sadly this proved just to be the first of a series of attacks, which will be covered in the August report.



Protocol – Other

- › Add new patch fixes to the Connex ETC endpoint.
- › Establish communication with Google Cloud on resolving outstanding issues with Besu deployment on Kubernetes.
- › Establish initial communication with Microsoft Partner Center on adding cloud tooling.
- › Both OpenEthereum and Multi-Geth dropped support for ETC during July, as they had previously announced following the Phoenix HF.
- › See <https://etcnodes.org/> for current "market share". Core-Geth is dominating now with over 60% of the active nodes. Besu adoption is slowly starting to pick up.

Infrastructure



Updated Blockscout with latest version and provide Besu support.

- › Moved Blockscout to Besu.
- › Moved Ethercluster to Besu.

NOTE - Barring some legacy services which will soon be retired, all of the ETC Cooperative's infrastructure is now running on Besu nodes.



After working with Connex throughout Q2 and hitting many issues on the way, the ETC Connex channel finally went live in July, with [an article](#) to accompany it.



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

Comms and Marketing

- › Completion of work on the Messari Disclosures Registry for Ethereum Classic. The draft found [here](#).
- › Connex ETC State Channels Content Release Plan found [here](#).



Messari Disclosures Registry

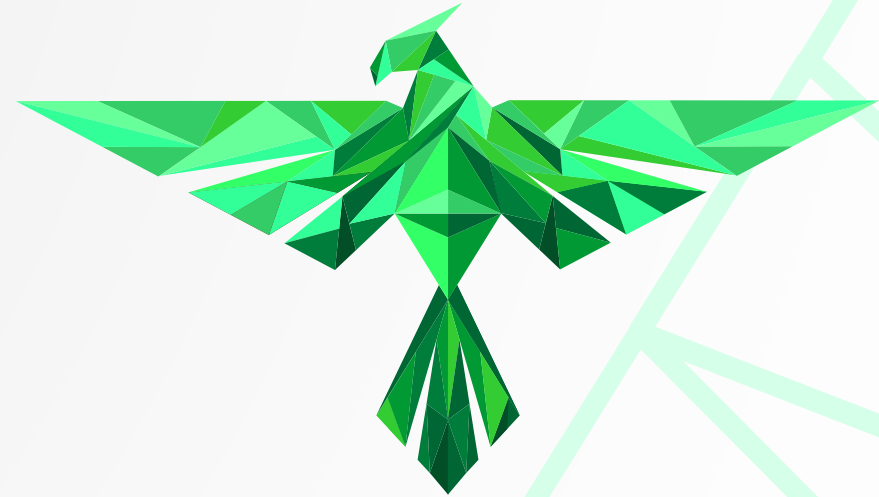
This open source disclosures database aims to become a central repository for project information that can be freely accessed industry-wide. The information will provide a level of transparency to project stakeholders that is nonexistent today, facilitating the diligence process for exchanges, wallets, investors, regulators, and developers.

The effort is intended to be a collective action to push standards of basic disclosures that should be expected of projects with numerous global stakeholders. We want to allow for honest projects to have a platform to differentiate themselves and build trust with their communities and anyone looking to better understand their project.

- › Kevin has also been drafting several blog posts for the Co-op. One being "[How to Migrate to Besu](#)," and the other showing how Besu supports Keccak256 (still being drafted).
- › The draft "Communications Plan" for the Coop, is available [here](#), with further progress expected in August/September.
- › Overall Kevin has been handling the general responsibilities of a community manager such as: crisis management after the 3 attacks, [social media management](#), managing user's expectations, liaising between stakeholders, specifically IOHK, and community members for the Q3 ETC hard fork.

Grants

- › Just as we were looking to restart our grants program, the 51% attacks began, which has forced a switch of focus.
- › Community discussions are ongoing as to which of several proposals should be pursued to migrate risk of further attacks. The likelihood is that we will need to spend all the money that we can spare on the protocol work to support these changes in Hyperledger Besu.
- › Likely examples – Treasury, Checkpointing System, SHA3 hashing algorithm.



Finance



Finance

| Expenditures in \$US | | | | | |
|---------------------------------|------------------|------------------|---|------------------|------------------------------------|
| | July 2020 Actual | July 2020 Budget | Variance \$ July 2020 vs July 2020 Budget | July 2019 Actual | Variance \$ June 2020 vs June 2019 |
| Overhead & Management | \$17,115 | \$20,854 | \$(3,739) | \$17,467 | \$(352) |
| Development | \$10,000 | \$10,000 | \$0 | \$10,000 | \$0 |
| Protocol | \$0 | \$0 | \$0 | \$0 | \$0 |
| Comms & Marketing | \$2,153 | \$2,723 | \$(570) | \$150 | \$2,003 |
| Finance | \$11,320 | \$5,325 | \$5,995 | \$1,307 | \$10,013 |
| Infrastructure | \$3,282 | \$2,750 | \$532 | \$11,142 | \$(7,860) |
| Partnerships | \$0 | \$0 | \$0 | \$250 | \$(250) |
| ETC Summit | \$0 | \$0 | \$0 | \$0 | \$0 |
| Total Expenditures | \$43,871 | \$41,652 | \$2,219 | \$40,317 | \$3,554 |
| <i>Non-cash Items</i> | \$0 | \$0 | \$0 | \$0 | \$0 |
| Total Operating Expenses | \$43,871 | \$41,652 | \$2,219 | \$40,317 | \$3,554 |

- › Overall, expenditures in July 2020 were slightly higher than 2020 budget and July 2019, due to a payment for tax services. This is due to a difference in timing only, as tax services for filing the Form 990 were budgeted. Infrastructure costs are slightly higher, due to the recurring fees for hosted services and professional service providers, related to running Besu and other technical work.
- › July 2020 and onwards will see slightly higher Comms & Marketing costs, due to the addition of Kevin Lord, as a Communications manager.

Finance

| Expenditures in \$US | | | | | |
|---------------------------------|----------------------|----------------------|---|----------------------|------------------------------------|
| | July YTD 2020 Actual | July YTD 2020 Budget | Variance \$ July YTD 2020 vs July 2020 Budget | July YTD 2019 Actual | Variance \$ July 2020 vs July 2019 |
| Overhead & Management | \$123,119 | \$146,729 | \$(23,610) | \$130,281 | \$(7,162) |
| Development | \$72,249 | \$70,000 | \$2,249 | \$66,592 | \$5,657 |
| Protocol | \$38,850 | \$61,600 | \$(22,750) | \$62,500 | \$(23,650) |
| Comms & Marketing | \$23,869 | \$45,265 | \$(21,396) | \$19,703 | \$4,166 |
| Finance | \$27,455 | \$44,775 | \$(17,320) | \$10,832 | \$16,623 |
| Infrastructure | \$29,994 | \$33,330 | \$(3,336) | \$0 | \$29,994 |
| Partnerships | \$5,542 | \$0 | \$5,542 | \$0 | \$5,542 |
| ETC Summit | \$1,978 | \$0 | \$1,978 | \$39,028 | \$(37,050) |
| Total Expenditures | \$323,056 | \$401,699 | \$(78,644) | \$328,936 | \$(5,880) |
| <i>Non-cash Items</i> | <i>\$23,686</i> | <i>\$0</i> | <i>\$23,686</i> | <i>\$0</i> | <i>\$23,686</i> |
| Total Operating Expenses | \$346,741 | \$401,699 | \$(54,958) | \$328,936 | \$17,805 |

- › Overall, expenditures were lower in July YTD 2020 vs budget and slightly higher than July YTD 2019
- › Significant variances with 2020 budget are due to lower Comms & Marketing costs, lower finance costs, and less technical work than originally budget.
- › Significant variances with 2019 YTD are due to significantly less infrastructure costs, less finance costs, which are partially due to timing differences, which were partially offset by higher ETC Summit costs and protocol costs. Overall, total 2020 YTD actuals and total 2019 YTD actuals (before non-cash items) are consistent.

Finance

| Net (Loss)/Income in \$US | | | |
|----------------------------|---------------------|---------------------|---------------------|
| | July 2020 Actual | July 2020 Budget | July 2019 Actual |
| Income | \$60,509 | \$44,160 | \$58,078 |
| Operating Expenses | \$43,871 | \$41,652 | \$40,317 |
| Net (Loss)/Income | \$16,639 | \$2,508 | \$17,762 |
| <i>Non-cash items</i> | \$0 | \$0 | \$0 |
| Adjusted Net Income | \$16,639 | \$2,508 | \$17,762 |

| Net (Loss)/Income in \$US | | | |
|----------------------------|-------------------------|-------------------------|-------------------------|
| | July YTD 2020 Actual | July YTD 2020 Budget | July YTD 2019 Actual |
| Income | \$404,000 | \$345,960 | \$173,297 |
| Operating Expenses | \$346,741 | \$401,699 | \$328,936 |
| Net (Loss)/Income | \$57,258 | \$(55,739) | \$(155,639) |
| <i>Non-cash items</i> | \$23,686 | \$0 | \$0 |
| Adjusted Net Income | \$80,944 | \$(55,739) | \$(155,639) |

- › Net Income for the period was significantly higher than budget and consistent with July 2019. YTD Net income is significantly higher than both budget and 2019. This can be partially attributed to the higher ETC price in 2020 (for both Budget & 2019), which is correlated to the ETC Fees received from Grayscale, as well as lower cash-costs (than budget).
- › As at July 31, 2020, the ETC Coop held 8,163 ETC.

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 \$14K in July compared to June.
- › Accounts payable and accrued liabilities consist of July staffing costs, which will be paid in August.

| Financial Positions in \$US | | | | | | |
|--|------------------|------------------|------------------|------------------|------------------|------------------|
| | 31-Jul-20 | 30-Jun-20 | 31-Mar-20 | 31-Dec-19 | 31-Dec-18 | 31-Dec-17 |
| Assets | | | | | | |
| Cash & Cash Equivalents | \$246,958 | \$233,278 | \$195,538 | \$146,318 | \$530,268 | \$0 |
| ETC (at book value) ¹ | \$78,115 | \$78,115 | \$78,115 | \$154,363 | \$154,363 | \$0 |
| Accounts Receivable | \$5,000 | \$5,000 | \$12,057 | \$12,057 | \$7,057 | \$0 |
| Due from Grayscale | \$49,280 | \$46,849 | \$34,890 | \$18,808 | \$(6,729) | \$371,505 |
| Prepaid Expenses & Deposits | \$750 | \$750 | \$1,500 | \$2,250 | \$0 | \$0 |
| Total Assets | \$380,103 | \$363,992 | \$322,100 | \$333,796 | \$684,960 | \$371,505 |
| Liabilities | | | | | | |
| Accounts Payable & Accrued Liabilities | \$32,442 | \$34,888 | \$26,905 | \$44,393 | \$20,305 | \$0 |
| Due to Grayscale | \$0 | \$0 | \$0 | \$(1,000) | \$3,022 | \$131,864 |
| Total Liabilities | \$32,442 | \$34,888 | \$26,905 | \$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 | \$57,258 | \$38,701 | \$4,792 | \$(371,229) | \$421,992 | \$239,640 |
| Total Equity | \$347,661 | \$329,104 | \$295,195 | \$290,403 | \$661,632 | \$239,640 |
| Total Liabilities & Equity | \$380,103 | \$363,992 | \$322,100 | \$333,796 | \$684,960 | \$371,505 |
| <i>ETC at Market Value¹</i> | <i>\$60,019</i> | <i>\$46,812</i> | <i>\$40,386</i> | <i>\$72,540</i> | <i>\$81,430</i> | <i>\$0</i> |
| Liquid assets² | 306,976 | 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.



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