

ETC Cooperative

# July & August 2021 Board Report

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September 23, 2021



[etccooperative.org](http://etccooperative.org)



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# Overview

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## General Staffing Changes

- › Diego López León joined the ETC Cooperative at the end of August.
- › Diego is a very experienced Java developer who has been working as a blockchain core developer since 2017, first as part of Rootstock (both Bitcoin and Ethereum protocol work) and more recently as part of the Inter-American Development Bank's blockchain group, where he was developing solutions using Hyperledger Besu and other clients/protocols.
- › Diego will be focusing on Hyperledger Besu development, along with other general software engineering and infrastructure work for the Coop.



## Protocol

# Magneto hard-fork activation

- › The ETC Magneto hard-fork was successfully activated on 23<sup>rd</sup> July, as specified in [ECIP-1103: Magneto EVM and Protocol Updates](#)
- › The EF released their [Dodging a Bullet](#) blog post on 18<sup>th</sup> 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.
- › The attack vector was still active in ETC, making Magneto an essential security upgrade, not just a “copying ETH” update.



## Protocol ETC Node Explorers

- › ETC Cooperative funded [etcnodes.org](https://etcnodes.org) for the last 18 months or so, but Bitfly were unable to continue to support that dashboard. It was discontinued in July.
- › ETC Core launched a new [ETC Node Explorer](#) during July, which was very useful during the hard fork migration.
- › Feature set for the two systems varies somewhat, but they are essentially equivalent.

The screenshot shows the ETC Node Explorer interface. The main table lists nodes with columns for Node ID, Country, Client, Version, Protocol (eth), Protocol (snap), Fork ID (Current), Fork ID (Next), and Uptime. The right sidebar contains a world map, a 'Clients' pie chart, and a 'ForkId (Current)' pie chart.

Node ID	Country	Client	Version	Protocol (eth)	Protocol (snap)	Fork ID (Current)	Fork ID (Next)	Uptime
f102eb0826...	Brazil	CoreGeth	1.12.1	v66	v1	Magneto	-	5 days
2a62660cce...	France	CoreGeth	1.12.1	v66	v1	Magneto	-	23 days
e7f7d86ffd...	Japan	CoreGeth	1.12.1	v66	v1	Magneto	-	4 days
ee8ae70838...	Singapore	CoreGeth	1.12.1	v66	v1	Magneto	-	2 months
749263c7c7...	United States	CoreGeth	1.12.1	v66	v1	Magneto	-	4 days
dea1f60692...	United States	CoreGeth	1.12.1	v66	v1	Magneto	-	8 days
5c70a202ee...	Austria	CoreGeth	1.12.1	v66	v1	Frontier	Homestead	about 2 hours
89bc93a79a...	Finland	CoreGeth	1.12.1	v66	v1	Magneto	-	1 day
93119384f4...	Germany	CoreGeth	1.12.1	v66	-	Magneto	-	about 8 hours
99e48dee9e...	Japan	CoreGeth	1.12.1	v66	v1	Magneto	-	5 days

**Clients Summary:**

Client	Count	Percentage
Total Nodes	357	100%
CoreGeth	342	95.8%
besu	15	4.2%

**ForkId (Current) Summary:**

ForkId	Count	Percentage
Total Nodes	357	100%
Magneto	348	97.5%

## Protocol

# Treasury Progress (July/August - Historical)

- › **This slide preserved for historical purposes but see the following slide for the latest information.**
- › 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.



Protocol

## Treasury Update (September)

On September 20<sup>th</sup>, the ETC Cooperative withdrew support for the ECIP-1098 Treasury proposal. [Article explaining this change.](#)

*"We spent many months collaborating with IOHK on reworking the published proposal. It became apparent over time that IOHK's vision of a treasury was sharply at odds with our expectations."*

*"The final straw was IOHK's rejection of the "sweeping mechanism" which Bob had proposed. Unspent client team funds would have been swept forward into the community grants pool. That mechanism was intended to ensure that high USD equivalent funding due to rising ETC prices or due to differences in spending across client teams would not end up as excessive private profit for the client teams."*

*"That restraint on private profits was a "hard no" to IOHK but was a "must have" for ETC Cooperative."*

*"Without adequate systems in place to ensure transparency, accountability and ultimately a capped profit margin, the treasury system that IOHK desired was never going to be accepted by the community and with valid reason."*

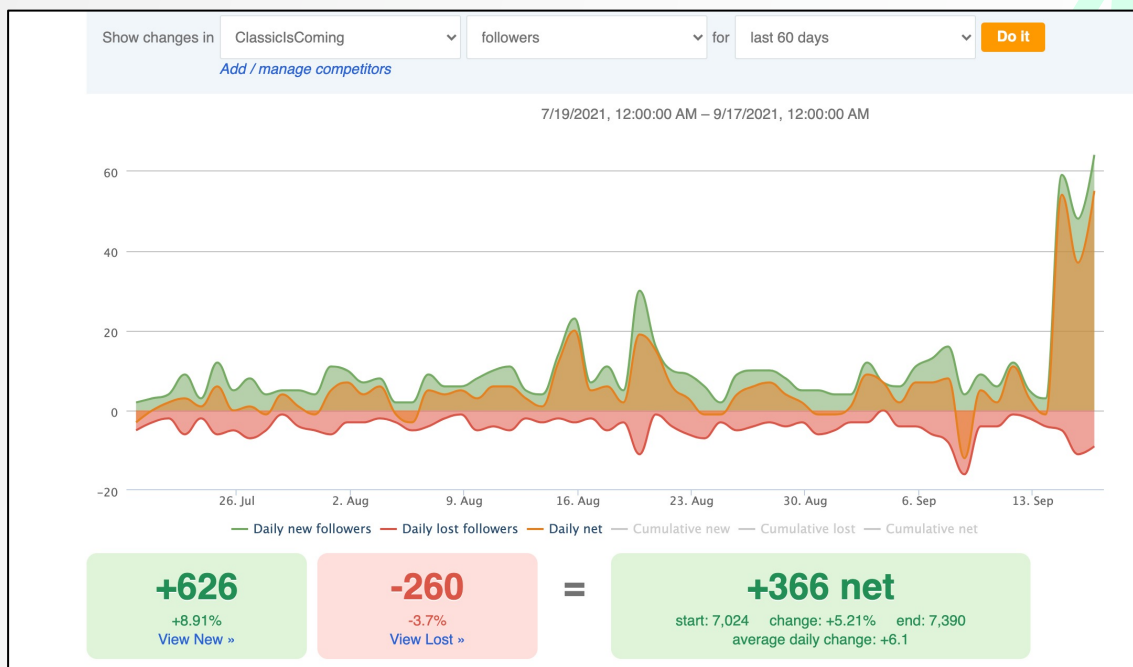
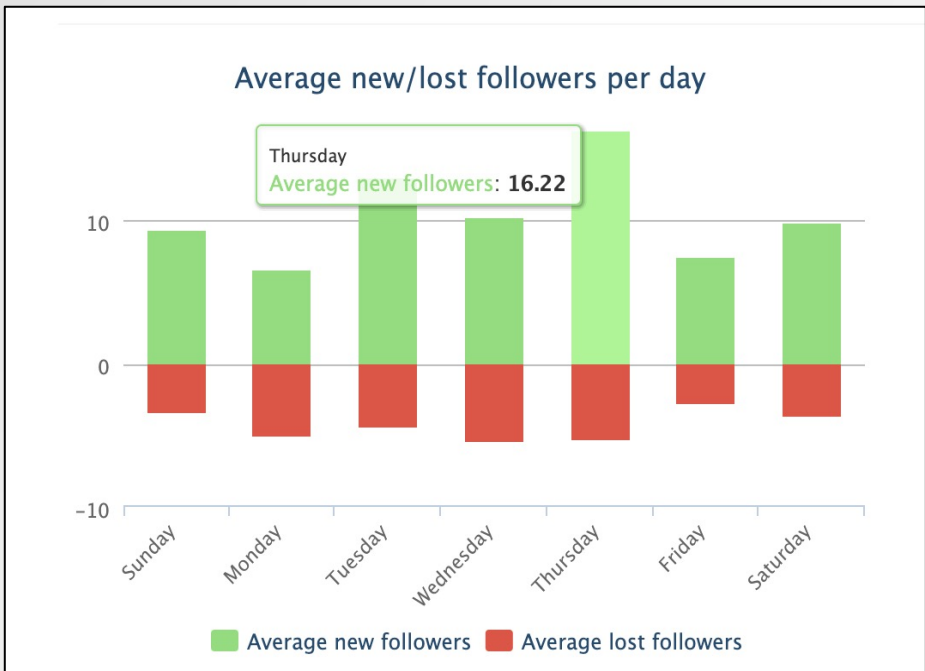


## Adoption: The Road to ETC 2.0

- › Grassroots communications and marketing tactics
  - › Continue narrative: ETC is a perfectly suitable decentralized computing platform for smart contracts
    - › ETC will likely be the largest proof-of-work blockchain with native smart contract functionality after ETH 2.0 launch
  - › Complimentary content i.e. blog posts, illustrations, videos etc.
  - › Engage with audience via AMAs, Q&As, live events, media interviews etc.
- › ECC and IOHK
    - › The Co-op and IOHK agreed to work together on the proposed upgrades including treasury and checkpointing. Continuously worked with IOHK and the Mantis team to create a successful treasury model that would be accepted and adopted
    - › Maintained open communication with Tim Richmond, (marketing) and team through a private ETC discord and held weekly meetings
  - › Continue with campaigns focused on adoption of Keccak mining algorithm and other non contentious upgrades
  - › Gauge sentiment on potential funding mechanism and plan

# Comms and Marketing

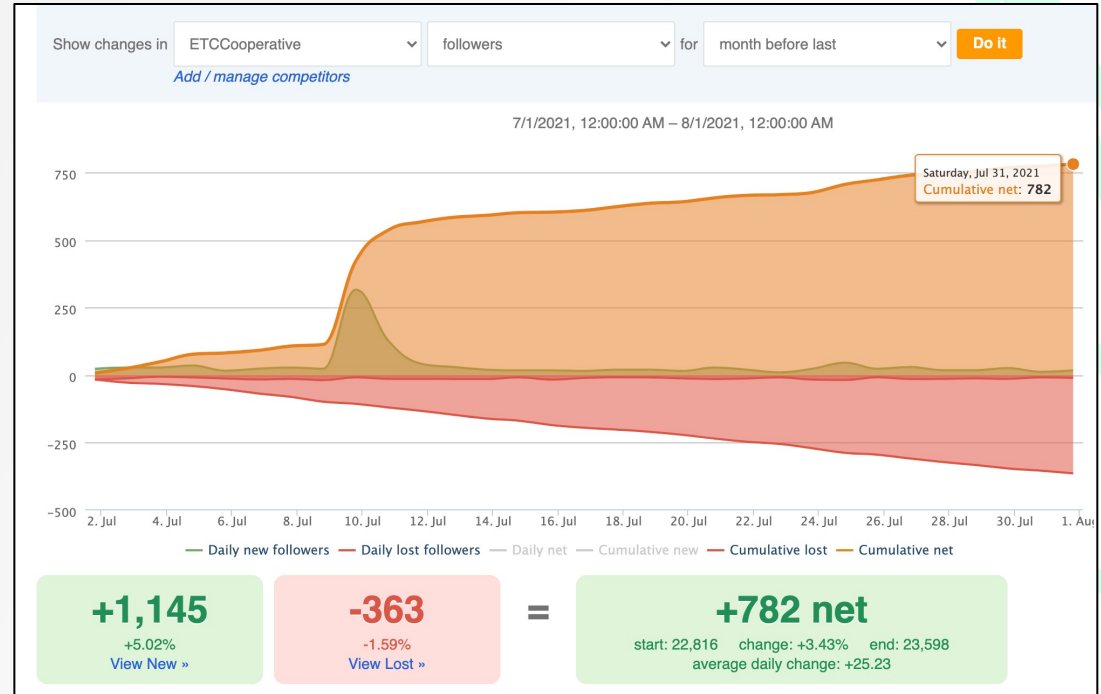
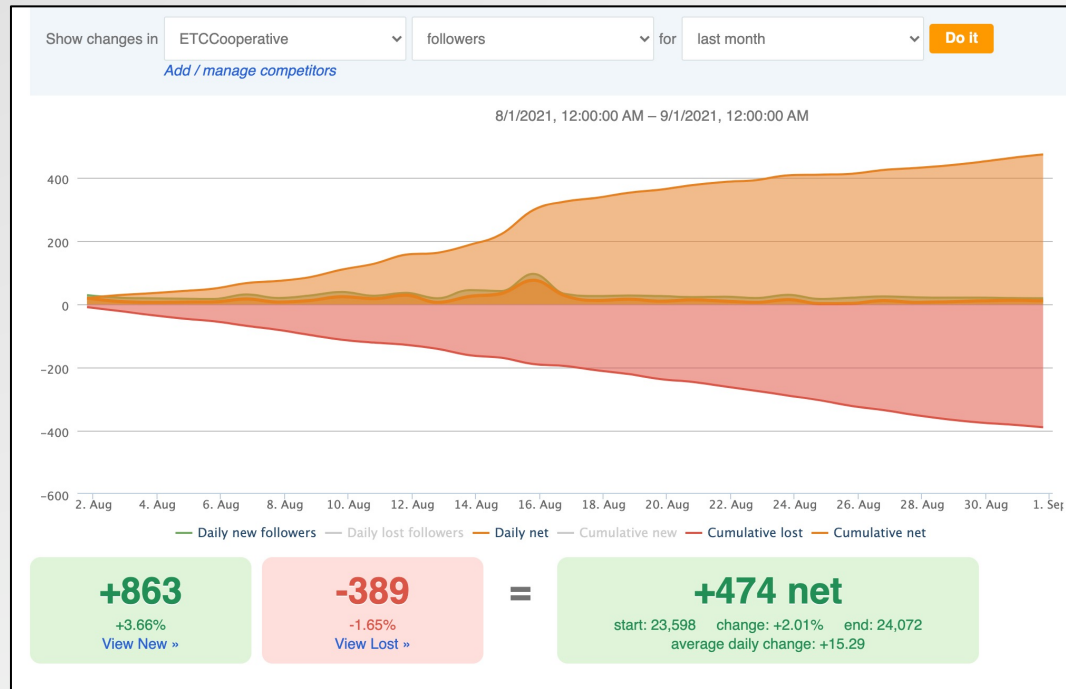
## Social Media Metrics | [@ClassicsComing](#)



Websites such as [Followerwonk](#), [Lunarcrush](#), and [Tweepsmap](#) provide critical insights that display honest community sentiment and help optimize efforts in areas that need improvement. Information on the time of day that followers are most active and engaged allow for more precise engagement and community building.

# Comms and Marketing

## Social Media Metrics – ETC Cooperative



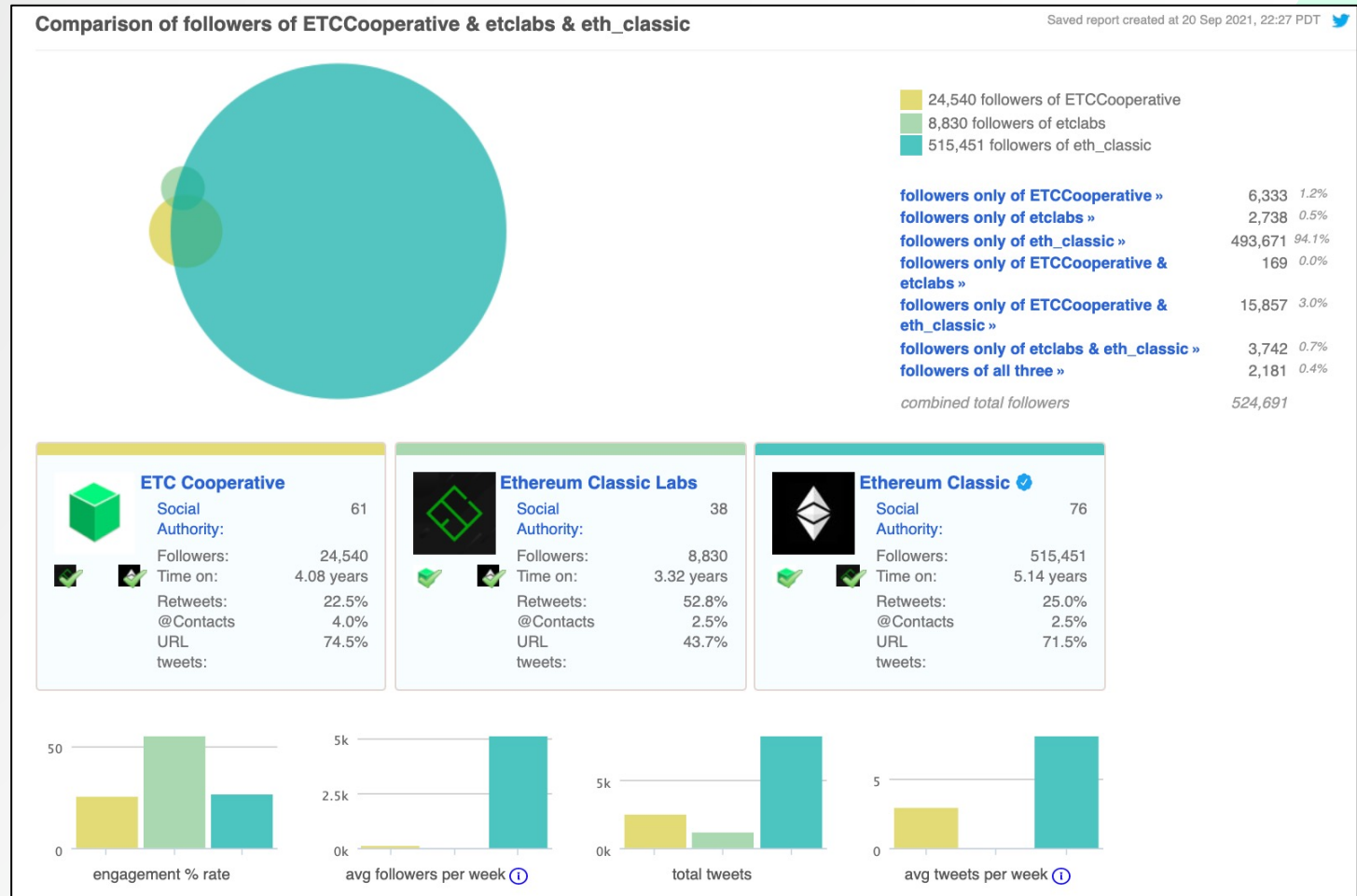
- July Follower Stats
- +863 gross; +474 net new followers
- Avg. daily followers +15.29

- August Follower Stats
- +1,145 gross; +782 net new followers
- Avg. daily followers +25.23
- Analysis of followers [report](#)

# Comms and Marketing Metrics

## Comparison of ETC focused accounts

- › Comparison of followers displays @eth\_classic leading
- › @ETCLabs activity, engagement, and following is steadily trending downwards
- › Link to report: <https://followe.rwonk.com/tyOP>



Finance

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## Finance

# Exceptional income

The ETC Cooperative received an exceptional amount of funding from Grayscale during April to August, as ETC prices hit an all-time high during May.

Nearly \$2.8M USD of revenue was received or has been accrued by the ETC Coop from April to August leaving over \$3.2M USD of assets on our balance sheet at the end of the quarter (cash balance and receivables).

Historically, those assets have usually varied between \$300K and \$600K.

This leaves us in a very strong financial position heading into Q3 and Q4 of 2021 and beyond.



# Finance

Expenditures in \$US					
	July 2021 Actual	July 2021 Budget	Variance \$ July 2021 vs July 2021 Budget	July 2020 Actual	Variance \$ July 2021 vs July 2020
Overhead & Management	\$19,683	\$20,073	\$(390)	\$17,129	\$2,553
Development	\$2,000	\$40,000	\$(38,000)	\$2,000	\$0
Protocol	\$0	\$0	\$0	\$0	\$0
Comms & Marketing	\$4,167	\$4,854	\$(688)	\$4,167	\$0
Finance	\$2,000	\$2,125	\$(125)	\$2,000	\$0
Infrastructure	\$3,911	\$6,000	\$(2,089)	\$5,517	\$(1,606)
Partnerships	\$0	\$0	\$0	\$0	\$0
ETC Summit	\$0	\$0	\$0	\$0	\$0
<b>Total Expenditures</b>	<b>\$31,760</b>	<b>\$73,052</b>	<b>\$(41,292)</b>	<b>\$30,813</b>	<b>\$947</b>
<i>Non-cash Items</i>	\$0	\$0	\$0	\$0	\$0
<b>Total Operating Expenses</b>	<b>\$31,760</b>	<b>\$73,052</b>	<b>\$(41,292)</b>	<b>\$30,813</b>	<b>\$947</b>

- Expenditures in July 2021 were significantly lower than July 2021 Budget and consistent with July 2020. As related to budget this is due to development and infrastructure work that may be done in subsequent months, depending on the changing roadmap. There were minimal differences compared to July 2020.

# Finance

Expenditures in \$US					
	Aug 2021 Actual	Aug 2021 Budget	Variance \$ Aug 2021 vs Aug 2021 Budget	Aug 2020 Actual	Variance \$ Aug 2021 vs Aug 2020
Overhead & Management	\$17,086	\$21,573	\$(4,487)	\$19,683	\$(2,597)
Development	\$2,000	\$40,000	\$(38,000)	\$2,000	\$0
Protocol	\$0	\$0	\$0	\$0	\$0
Comms & Marketing	\$4,167	\$4,304	\$(137)	\$4,167	\$0
Finance	\$2,000	\$17,125	\$(15,125)	\$2,000	\$0
Infrastructure	\$3,295	\$1,600	\$1,695	\$3,911	\$(615)
Partnerships	\$0	\$0	\$0	\$0	\$0
ETC Summit	\$0	\$0	\$0	\$0	\$0
<b>Total Expenditures</b>	<b>\$28,548</b>	<b>\$84,602</b>	<b>\$(56,054)</b>	<b>\$31,760</b>	<b>\$(3,212)</b>
<i>Non-cash Items</i>	\$0	\$0	\$0	\$0	\$0
<b>Total Operating Expenses</b>	<b>\$28,548</b>	<b>\$84,602</b>	<b>\$(56,054)</b>	<b>\$31,760</b>	<b>\$(3,212)</b>

- › Expenditures in August 2021 were significantly lower than August 2021 Budget and slightly lower than August 2020. As related to budget this is due to development and infrastructure work that may be done in subsequent months, depending on the changing roadmap. There were minimal differences compared to August 2020.



# Finance

Expenditures in \$US					
	Aug 2021 YTD Actual	Aug 2021 YTD Budget	Variance \$ Aug YTD vs Aug YTD Budget	Aug 2020 YTD Actual	Variance \$ Aug 2021 YTD vs Aug 2020 YTD
Overhead & Management	\$140,512	\$165,625	\$(25,114)	\$140,725	\$(213)
Development	\$77,064	\$270,000	\$(192,936)	\$87,463	\$(10,398)
Protocol	\$10,000	\$81,000	\$(71,000)	\$38,850	\$(28,850)
Comms & Marketing	\$34,402	\$36,633	\$(2,231)	\$25,952	\$8,450
Finance	\$30,511	\$56,420	\$(25,909)	\$30,393	\$118
Infrastructure	\$17,800	\$34,100	\$(16,300)	\$33,044	\$(15,244)
Partnerships	\$0	\$0	\$0	\$6,042	\$(6,042)
ETC Summit	\$0	\$0	\$0	\$1,978	\$(1,978)
<b>Total Expenditures</b>	<b>\$310,289</b>	<b>\$643,779</b>	<b>\$(333,490)</b>	<b>\$364,446</b>	<b>\$(54,157)</b>
<i>Non-cash Items</i>	\$0	\$0	\$0	\$23,686	\$(23,686)
<b>Total Operating Expenses</b>	<b>\$310,289</b>	<b>\$643,779</b>	<b>\$(333,490)</b>	<b>\$388,132</b>	<b>\$(77,843)</b>

- › YTD expenses are significantly lower than budget, as spending on protocol and infrastructure has not yet commenced and may not depending on the focus in September and Q4 2021. The focus is on work related to potential hardforks. 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			
	Aug 2021 Actual	Aug 2021 Budget	Aug 2020 Actual
Income	\$643,046	\$70,811	\$504,199
Operating Expenses	\$28,548	\$84,602	\$31,760
Net (Loss)/Income	\$614,498	\$(13,791)	\$472,439
Non-cash items	\$0	\$0	\$0
<b>Adjusted Net Income</b>	<b>\$614,498</b>	<b>\$(13,791)</b>	<b>\$472,439</b>

Net (Loss)/Income in \$US			
	Aug YTD 2021 Actual	Aug YTD 2021 Budget	Aug YTD 2020 Actual
Income	\$3,151,942	\$503,727	\$474,746
Operating Expenses	\$310,289	\$643,779	\$388,132
Net (Loss)/Income	\$2,841,653	\$(140,052)	\$86,614
Non-cash items	\$0	\$0	\$23,686
<b>Adjusted Net Income</b>	<b>\$2,841,653</b>	<b>\$(140,052)</b>	<b>\$110,299</b>

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

# Finance

Financial Positions in \$US							
	31-Aug-21	30-June-21	31-Mar-21	31-Dec-20	31-Dec-19	31-Dec-18	31-Dec-17
<b>Assets</b>							
Cash & Cash Equivalents	\$2,599,450	\$745,488	\$416,965	\$303,313	\$146,318	\$530,268	\$0
ETC (at book value) <sup>1</sup>	\$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	\$631,817	\$1,401,063	\$115,361	\$51,914	\$18,808	\$(6,729)	\$371,505
Prepaid Expenses & Deposits	\$0	\$0	\$0	\$0	\$2,250	\$0	\$0
<b>Total Assets</b>	<b>\$3,309,381</b>	<b>\$2,224,666</b>	<b>\$610,439</b>	<b>\$433,341</b>	<b>\$333,796</b>	<b>\$684,960</b>	<b>\$371,505</b>
<b>Liabilities</b>							
Accounts Payable & Accrued Liabilities	\$52,894	\$55,116	\$17,424	\$18,507	\$44,393	\$20,305	\$0
Due to Grayscale	\$0	\$0	\$(1)	\$0	\$(1,000)	\$3,022	\$131,864
<b>Total Liabilities</b>	<b>\$52,894</b>	<b>\$55,116</b>	<b>\$17,423</b>	<b>\$18,507</b>	<b>\$43,393</b>	<b>\$23,328</b>	<b>\$131,864</b>
<b>Equity</b>							
Retained Earnings	\$414,834	\$414,834	\$414,834	\$290,403	\$661,632	\$239,640	\$0
Net Income/(Loss) for the year	\$2,841,653	\$1,754,716	\$178,182	\$124,431	\$(371,229)	\$421,992	\$239,640
<b>Total Equity</b>	<b>\$3,256,487</b>	<b>\$2,169,550</b>	<b>\$593,016</b>	<b>\$414,834</b>	<b>\$290,403</b>	<b>\$661,632</b>	<b>\$239,640</b>
<b>Total Liabilities &amp; Equity</b>	<b>\$3,309,381</b>	<b>\$2,224,666</b>	<b>\$610,439</b>	<b>\$433,341</b>	<b>\$333,796</b>	<b>\$684,960</b>	<b>\$371,505</b>
<i>ETC at Market Value<sup>1</sup></i>	<i>\$521,859</i>	<i>\$470,443</i>	<i>\$114,935</i>	<i>\$46,284</i>	<i>\$72,540</i>	<i>\$81,430</i>	<i>\$0</i>
<b>Liquid assets<sup>2</sup></b>	<b>\$3,121,309</b>	<b>\$1,215,921</b>	<b>\$531,899</b>	<b>\$349,597</b>	<b>\$218,858</b>	<b>\$611,698</b>	<b>\$0</b>

<sup>1</sup>Book 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)

<sup>2</sup>Liquid 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 and significantly higher, due to higher ETC price, with expenditures staying consistent or lower.
- › 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

