



district0x

Quarterly Report Q4 2019

March 3rd, 2020

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Mission, Vision, and Values

In our first quarterly report we shared our mission, vision, and values statement to serve as a guiding light throughout our growth and development as an organization. We will continue to highlight these at the beginning of every report to keep our ultimate goals fresh in mind.

Our Mission

Decentralize the ownership structures of the world's marketplaces.

Our Vision

Deploy a platform for the creation and operation of communal marketplaces as decentralized entities, build network effects around the platform via a suite of ancillary services and by fostering a third-party developer ecosystem, and leverage these network effects to supplant privately controlled marketplaces with districts that allow for open participation in the governance of markets.

Our Values

1. **Transparency** - Open and honest communication provides each person the opportunity to contribute in the most meaningful way.
2. **Autonomy** - We supply the tools and information to do the job, but trust one another to get that job done.
3. **Inclusion** - We welcome participation from all colors and creeds, across all borders and nationalities. We are empowered by the diversity of our ideas because competition breeds strength.
4. **Decentralization** - We seek the path of broadest consensus, and work to align motivations through incentives, not instigation.

Product

The final quarter of 2019 was focused primarily on the final stages of development on the District Registry, with preparations for its mainnet deployment. Several unexpected obstacles were encountered and cleared along the way. In addition to this, some final feature work and ongoing maintenance work was done for Meme Factory, with all other development time being poured into progress on the new version of Ethlance.

Meme Factory

Although primary feature work for Meme Factory reached its end in the previous quarter, there are ongoing rolling updates to continue to ensure a stable experience for artists and collectors. Most notable among these in the fourth quarter was a “not-safe-for-work” (NSFW) tag and filter system, allowing users a more fine grained feature to filter out any potentially unwanted imagery when browsing the marketplace and registry.

In addition to some specific features, Meme Factory as our most complex and highest traffic app, serves as a good testbed for implementing critical updates to our server and node architectures. In Q4, this came in the form of three major initiatives. First was an inevitable update to our Web3 integration with the advent of Web3 version 1.0. This gave us a good chance to more closely examine our entire middle layer.

Eventually we were led to a range of targeted updates to the GraphQL and server components that link our UI to the app. These are the type of changes that are fundamental to how we build *all* our applications, and will be repurposed and built into the rest of our application suite and all future releases once completed.

Moreover in this line of experimentation, for several years we’ve relied exclusively on Parity to provide our node implementation. While we’ve considered both Geth and Infura in the past, migrations to either were too costly for too little benefit or prohibited by features incompatible with our app design. In order to successfully launch the District Registry (and more future apps) with a balanced load across our server, we began to explore Infura as an option once again, and used Meme Factory’s QA instance as a sandbox to test with a complete refactoring and reintegration of an Infura node. This, unfortunately, yielded inconsistent and problematic results through the end of the quarter that we would only get a chance to re approach in the following year.

District Registry

In our last report we left off having just received the results from our first security audit, and began the fourth quarter by implementing then testing the consequent fixes. This went very smoothly, and we quickly had a feature complete Rinkeby testnet instance live to test and play around with. This let us easily walk through every step of the Aragon integration to confirm intended behavior. Several small changes had to be made, almost all surrounding unique situations where transactions would breach gas limits for a single transaction.

However, around this time the Istanbul hard fork on Ethereum went live. With only a few days work to confirm, this changed little behavior for the portions of the app that were already constructed. However, it also increased the gas limit per transaction - giving us much needed clearance for some of the larger transactions involved in automatically spinning up an Aragon entity and District together.

Following a round of successful testing on Rinkeby, we were able to push the first mainnet instance live before the end of the year. We began populating this with data only to find several problems emerge at scale that were not present in our test environment. In particular, the strain to Parity with multiple synchronous applications running on the server created a very unstable situation that ultimately threatened our other live applications. We finished the year with a resolve to accelerate our migration to Infura as detailed above.

Ethlance

The Ethlance rework has been accelerating in development for several quarters as we wrap up other projects. Previously we detailed how we began on a new server architecture for Ethlance that would bring a completely new level of convenience and smooth user experience to our dApps. By utilizing private side-chain transactions and an on-server database where possible, we have effectively partitioned off the “sensitive” and security-prone user actions. Critical features like payments and arbitration disputes, will continue resolving directly to the Ethereum blockchain, while letting the server handle all other minor changes that we previously would have hashed to IPFS and put on chain. Importantly, we’re designing redundancies that would allow any user to retrieve all historical app data and recreate it from scratch in the event that the district0x organization could no longer centrally host it.

Beyond this server architecture, we’ve refactored our GraphQL schema and pushed through a boatload of front end development and polishing, as well as a dedicated effort to completely reorganize everything from HTML URL routing to the github naming scheme in order to more closely resemble other districts in development style.

Community

Community management continued in a similar vein as Q3 through the end of the year, with Meme Factory and the live stream engagement being the core of our focus. Alongside this, we gave the Community Ambassadors early access to the District Registry. We also spent the downtime around the holidays gearing up for the events of the coming year, especially ETHDenver, where we planned a number of promotional materials surrounding Meme Factory.

The Live Stream

During the fourth quarter, we began to live stream our community Discord calls, continued our interview series, and collected feedback on a number of fronts. The live stream continues to be an ever-evolving community-led initiative that pushes the boundaries of project communication, and community-curated content. During this quarter we hosted interviews with [Luis Cuende of Aragon](#) and [Patrick Long of WeTrust](#). We also continued forward with our [stream bounties](#) intended to increase viewership and engagement.

Community-Led Initiatives

During the community calls, an early framework for a new “Verified Artist Program” emerged intended to replace the “Ambassador Program”. We also surfaced more ideas and feedback on ways to make our community more engaging and exciting for artists and art collectors. These talks led to the emergence of physical printed memes and other promotional ideas. The community has continued to brainstorm and talk about ideas for an “Art DAO”, and how we can create something sustainable for artists within a self-sustaining community.

The Meme Factory Contests

The contests hosted on Cent took a hiatus during the last quarter. During this time, we took time to reflect on what worked, what didn’t work, and to collect feedback from participants.

We discovered that the community wanted more cross-collaborative community outreach. To address this feedback, we made an effort to provide promotional material intended to garner more interest in Meme Factory.

Using some of the art donated by the community, we produced some of the first Meme Factory swag, the physical collectibles, and other promotional items. We also began talking with other NFT projects and artists in an effort to garner more interest in the platform.

Financials

Balance Sheet

ASSETS

CURRENT ASSETS*	Q3 2018	Q4 2018**	Q1 2019**	Q2 2019	Q3 2019	Q4 2019
BTC	-	-	-	-	\$2,845,782	\$1,875,120
ETH	\$8,229,990	\$4,709,421	\$4,799,568	\$8,658,559	\$1,770,767	\$1,284,686
DNT	\$4,297,402	\$2,036,868	\$2,952,186	\$2,943,662	\$1,133,816	\$988,061
DAI	\$357,637	\$806,800	\$637,331	\$0	\$0	\$0
MKR	-	-	\$134	\$115	\$85	\$83
DATA	\$184	\$83	\$106	\$93	\$50	\$61
OMG	\$55	\$22	\$28	\$35	\$12	\$9
Prepaid Expenses	-	-	-	-	-	-
TOTAL CURRENT ASSETS	\$12,885,269	\$7,553,194	\$8,389,353	\$11,602,464	\$5,750,512	\$4,148,020

LIABILITIES

CURRENT LIABILITIES	Q3 2018	Q4 2018	Q1 2019	Q2 2019	Q3 2019	Q4 2019
Short-Term Debt	-	\$580,000	\$580,000	\$0	\$0	\$0
TOTAL CURRENT LIABILITIES	\$0	\$580,000	\$580,000	\$0	\$0	\$0

*Based on USD values taken from Etherscan (Coinbase for BTC) on the first day of the following quarter.

**Includes 14,000 ETH held in Collateralized Debt Positions (CDPs)

Income Statement

INCOME	Q3 2018	Q4 2018	Q1 2019	Q2 2019	Q3 2019	Q4 2019
Revenues	\$0	\$0	\$0	\$0	\$0	\$0
Cost of Goods Sold	\$0	\$0	\$0	\$0	\$0	\$0
GROSS PROFIT	\$0	\$0	\$0	\$0	\$0	\$0

EXPENSES	Q3 2018	Q4 2018	Q1 2019	Q2 2019	Q3 2019	Q4 2019
Contractor Wage	\$381,116	\$211,047	\$168,000	\$687,409	\$192,000	\$192,000
Technology and Development	\$25,662	\$37,133	\$1,919	\$15,990	\$12,182	\$9,042
Marketing and Sales	\$10,599	\$9,499	\$11,225	\$36,461	\$4,340	\$0
General and Administrative	\$24,311	\$29,299	\$12,743	\$23,800	\$23,800	\$40,483
Other	\$0	\$0	\$13,410	\$2,300	\$0	\$0
TOTAL EXPENSES	\$441,688	\$286,977	\$207,298	\$765,960	\$232,321	\$241,524
OPERATING PROFIT	-\$441,688	-\$286,977	-\$207,298	-\$765,960	-\$232,321	-\$241,524

Summary

The District Registry launch marks an important milestone for the project, placing the power to drive the decision making processes behind all marketplaces on the network in the hands of the community via decentralized governance capabilities. As work on Meme Factory and the District Registry draws to a close, we look forward to transitioning to a focus on providing tooling to allow for the rapid deployment of highly customizable decentralized marketplaces. Planning for the District creation tool is now underway, in conjunction with an overhaul of Ethlance, our first marketplace launched in 2017.

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Learn More

For more information about the district0x Network:

- Check out our [Education Portal](#)
- Join the official [Discord server](#) or [Telegram](#)
- Watch our [intro video](#) and [live streams](#) on YouTube
- Subscribe to [email updates](#) or to our [subreddit](#)
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