district0x

Quarterly Report
Q2 2019

July 19th, 2019

Contents:

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.

Roadmap

As of the writing of this report, the district0x project has been in active development for nearly two years. With the completion of a major milestone by launching Meme Factory, we thought it appropriate to review our original roadmap from the first version of our whitepaper and see where, point by point, our current progress leaves us. We will also discuss any altered or future plans where valid.

- *Release final draft of white paper* - **Completed** July 2017
- *Audit district0x contribution period v0.1 contract* - **Completed** July 2017
- *Deploy d0xINFRA* - **Work in progress**. Many libraries have been built and improved, however, a final specification or the initial release of d0xINFRA is still pending future release.
- *Migrate Ethlance to d0xINFRA* - **Work in progress**. Ethlance is being relaunched with additional features as Ethlance 2.0, and this will include a migration to a new architecture for d0xINFRA.
- *Deploy Name Bazaar to district0x Network* - **Completed** November 2017
- *Deploy Meme Factory to district0x Network* - **Completed** May 2019
- *Enable district extendability via auxiliary modules* - **To do**. Several auxiliary modules have been brainstormed, but none built.
- *Deploy 5 additional districts to district0x Network* - **To do**. Following the completion of all other in progress items, we will commit to always having an additional district in progress.
- *Deploy district0x Network Token Staking module* - **Work in progress**. This will exist as part of the District Registry.
- *Deploy Aragon Governance module* - **Work in progress**. This will exist as part of the District Registry.
- *Deploy district creation platform* - **To do**. We have begun drawing the intial technical specification for the creation platform, but will not proceed with development until after the District Registry and Ethlance are launched.
- *Deploy District Registry* - **Work in progress**. All smart contracts have been developed, UI has been designed. We are in the final stages of feature implementation before moving to audits and tests.
- *Deploy auxiliary module registry* - **To do**. It's no longer clear to us that a registry is the best way to serve these modules, so it's possible we'll take a different design approach. This is one of the last tasks to be implemented on this list.
- *Handover governance of the district0x project to district0x Network Token holders* - **To do**. This will effectively sunset the district0x project per the original roadmap.

Product

The second quarter was defined primarily by the launch of our most ambitious and complex product to date, Meme Factory. This commanded many resources to get to launch day, and just as many to support the influx of artists and collectors in the following weeks. Alongside Meme Factory, our next roadmap item, the District Registry, saw enormous progress, with a workable testnet instance being put in place. Additionally, our rebuild of our first district Ethlance has been humming along as a distant goal.

The second quarter gave us a real opportunity to stretch our legs with lean parallel development, and as we reached the end of the quarter, we found time to reflect and implement a series of more structured project management principles in order to better organize the various development modes (new feature work, bug fixing, testing) throughout our sprint cycle, and ensure the whole organization, as well as the greater public, is on the same page about what is going live, and when.

Meme Factory

Easily the highlight of the second quarter, Meme Factory went live on the Ethereum Mainnet in mid-May, and the public launch went smoothly thanks to weeks of onerous testing. Alongside the launch of the application itself, we seeded the marketplace with hundreds of pre-made meme submissions from artists we hand-curated prior to launch. And after many months of anticipation, winners from last year's Meme Factory finally had their chance to shine as they led the DANK Registry with the first 12 memes ever minted.

Just after the end of the quarter, we shared a post on our blog detailing an integration with scout.cool giving users a public-facing dashboard to browse relevant statistics for various events on Meme Factory that can be tracked on-chain. This includes everything from marketplace statistics of bought and sold memes, to curator statistics detailing how certain challengers and voters accrue DANK. Among our favorite statistics - creators on the platform earned 26.3 ETH between launch and the quarter's end.

Development on Meme Factory has remained steady since launch, with many new features and major server updates continuing well into the third quarter. Among the most visible, we built a Twitter bot which tweets out new entries into the registry as well as marketplace activity. We changed how we re-sync with the blockchain by caching some data on our server, which allows us much more rapid updates with less downtime as the registry grows.

District Registry

The District Registry rolled over to become the primary focus of a new set of district0x service providers following the launch of Meme Factory. Significant strides were made, with the major task of integrating Aragon's DAOKit into the registry coming first. Next, all tests were committed to code and a QA instance launched on Rinkeby (which was required for compatibility with Aragon) for internal manual and exploratory testing. With extensive testing conducted through the final weeks of the quarter, many bugs and some new features were developed. As of the end of Q2, the Registry needed review from the Aragon team on the completed integration, before preparing for a complete security audit ahead of a mainnet launch.
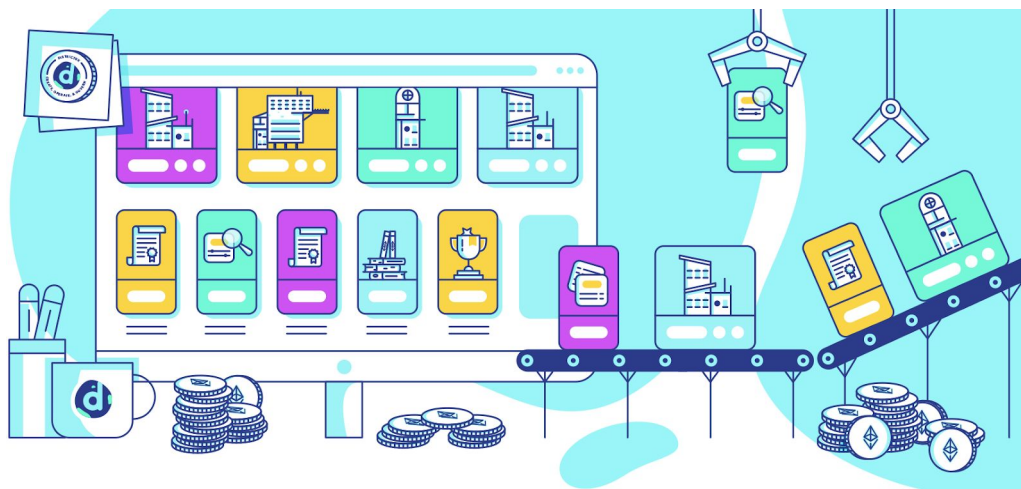
Ethlance

Our rebuilding of Ethlance, dubbed Ethlance 2.0, has been in progress but on the back foot of development for several quarters. Q2 2019 was no different, with the remaining UI components built, and all the mobile usability and reactive elements made smooth in preparation for final implementation of each individual application page, which is the work that currently proceeds.

Additional design work was done on the architecture of the district to address fundamental problems we've encountered with the original Ethlance. As our first district and marketplace, the original Ethlance suffers from a poor user experience due to the exorbitant transaction fees that the Ethereum network places on every transaction, and nearly every user action required a transaction to confirm. To address this with Ethlance 2.0, we will be launching a private blockchain to our server to operate the basic and non-critical user actions, while retaining the integration with the Ethereum blockchain for any critical feature, or any feature involving the transfer of user funds. The end result will be a cheaper, faster signup and onboarding experience, with an equally secure hiring and invoicing experience. We expect to leverage this design pattern in future projects to similar effect as well.

Community

This quarter, community development has centered around a number of new initiatives focusing on more inclusion and increased outreach and engagement. While small, these changes ensure the continued support of our community, moderators, and ambassadors. Primary among these, we decided to schedule our first few "ambassador" calls, a video conference for our most active supporters. Considering how well received these were, we will continue to expand them to whole community soon. We have also propagated a few other changes that will help empower the community in various ways.

New Features

We like to think of our community as an "education first" culture. To support that culture, we have deployed new chat based commands to help users learn. Some of these commands have existed for some time, but we've made additions and now have full feature parity in Telegram & Discord.

Some of the features you can expect in both Discord and Telegram:
- Chatters can tip and airdrop DNT to others within both of our community channels thanks to two new hosted tipbots.
- Participation based reputation scores are active across all channels. This gives new and old users alike an indicator of how long a particular chatter has been active.
- Spam filtering has been fine tuned to ensure conversations stay on topic with high quality.
- Education Portal commands have been added to each chatroom, giving users a more immediate way to access new information.

The Live Stream

To give everyone a better experience on stream, we have begun phasing out our old streaming server. We are also swapping out some bots and software in exchange for a more powerful suite of tools. This has resulted in a cleaner design, a higher resolution stream, and better tools for stream moderators.

Some of these changes do come at the cost of losing our multi-streaming capabilities, where we'd broadcast to many platforms. We believe this will be more rewarding for our viewers and think it's well worth the trade off. This also allows us to cleanly complete our stream rebranding and shift focus onto a single channel. Over the coming months new features will be added, including adding all of our features for non-live chatters (like reputation and educational commands) to our live stream chat rooms as well.

Community Outreach

This quarter we have had a lot of one-on-one conversations with community members and community managers from other projects behind the scenes. The focus of these meetings has been to bolster more cross pollination and engagement amongst active crypto communities. This has been a slow but steady march forward and well worth the effort. The goal being to ensure the crypto community as a whole is creating a welcoming atmosphere for newcomers.

Additionally, several of the talks involving other crypto projects have resulted in newly written district proposals intending to leverage our platform. As we press forward with community outreach, we expect more district proposals and ideas to take form.

Rewards and Incentives

The district proposal rewards have increased to 500 DNT from 250 DNT. Towards the end of this quarter we also decided to phase out level-based rewards in chat. We believe we can build a healthier feedback loop if we focus on more action-based reward dispensation. Future quarters will include a planned roll out of the newly proposed reward structure.
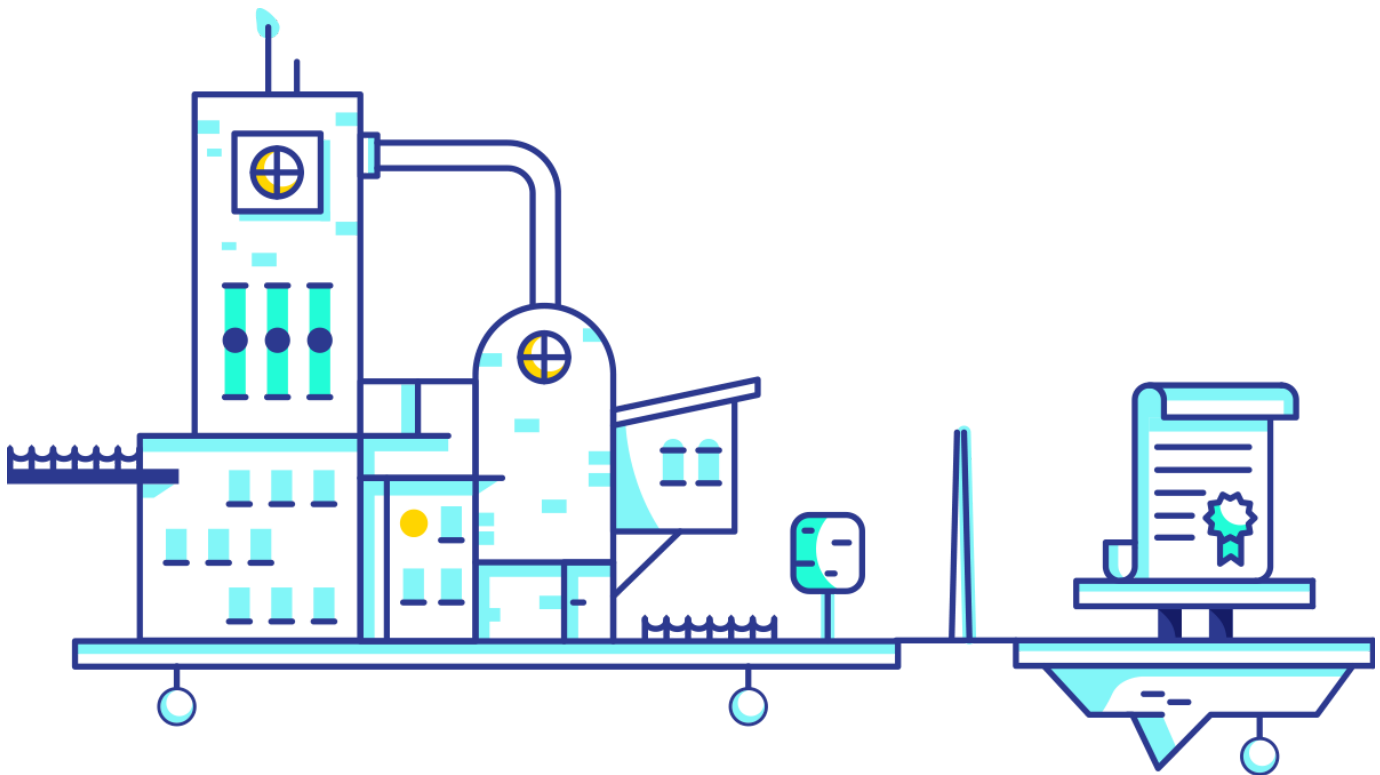
Financials

Balance Sheet

ASSETS

CURRENT ASSETS*	Q3 2017	Q4 2017	Q1 2018	Q2 2018	Q3 2018	Q4 2018**	Q1 2019**	Q2 2019
ETH	$13,263,765	$49,089,290	$15,604,869	$18,915,299	$8,229,990	$4,709,421	$4,799,568	$8,658,559
DNT	$7,500,636	$28,004,579	$9,726,713	$6,996,913	$4,297,402	$2,036,868	$2,952,186	$2,943,662
DAI	$0	$0	$0	$0	$357,637	$806,800	$637,331	$0
MKR	-	-	-	-	-	-	$134	$115
DATA	$0	$707	$230	$357	$184	$83	$106	$93
OMG	$123	$251	$125	$130	$55	$22	$28	$35
Prepaid Expenses	$30,917	-	-	-	-	-	-	-
TOTAL CURRENT ASSETS	$20,795,441	$77,094,827	$25,331,938	$25,912,700	$12,885,269	$7,553,194	$8,389,353	$11,602,464

LIABILITIES

CURRENT LIABILITIES	Q3 2017	Q4 2017	Q1 2018	Q2 2018	Q3 2018	Q4 2018	Q1 2019	Q2 2019
Short-Term Debt	$0	$0	$0	$0	$0	$580,000	$580,000	$0
TOTAL CURRENT LIABILITIES	$0	$0	$0	$0	$0	$580,000	$580,000	$0

*Based on USD values taken from Etherscan on the first day of the following quarter.

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

Income Statement

INCOME	Q3 2017	Q4 2017	Q1 2018	Q2 2018	Q3 2018	Q4 2018	Q1 2019	Q2 2019
Revenues	$13,465,421	$0	$0	$0	$0	$0	$0	$0
Cost of Goods Sold	$0	$0	$0	$0	$0	$0	$0	$0
GROSS PROFIT	$13,465,421	$0	$0	$0	$0	$0	$0	$0

EXPENSES	Q3 2017	Q4 2017	Q1 2018	Q2 2018	Q3 2018	Q4 2018	Q1 2019	Q2 2019*
Contractor Wage	$140,744	$178,430	$185,595	$388,255	$381,116	$211,047	$168,000	$687,409
Technology and Development	$22,419	$129	$40,514	$14,987	$25,662	$37,133	$1,919	$15,990
Marketing and Sales	$5,841	$2,999	$7,710	$18,357	$10,599	$9,499	$11,225	$36,461
General and Administrative	$32,652	$6,911	$250,522	$97,196	$24,311	$29,299	$12,743	$23,800
Other	$0	$600	$52,137	$107,527	$0	$0	$13,410	$2,300
TOTAL EXPENSES	$201,656	$189,069	$536,477	$626,322	$441,688	$286,977	$207,298	$765,960
OPERATING PROFIT	$13,263,765	-$189,069	-$536,477	-$626,322	-$441,688	-$286,977	-$207,298	-$765,960

*Wage expenses included several contracts paid out for past and future quarters. Our projected wage expenses for Q3'19 is $158,500.

Summary

The second quarter of 2019 was highlighted by the long awaited launch of Meme Factory on the Ethereum main net, marking the completion of a major roadmap item. Thanks to the wide array of reusable components and modules that were required to be built for Meme Factory, we anticipate future district development cycles to be expedited, a trend which should continue given these tools acts as building blocks by which districts are assembled.

Project efforts are currently focused on enabling third parties to grow the network via the upcoming launch of the District Registry and d0xINFRA, which will open the district creation process to all.

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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](#)
- Follow us on [Twitter](#) and [Facebook](#)