Quarterly Report
Q4 2018

February 12th, 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.

Product

In the fourth quarter, we completed the bulk of the development for d0xTasks, which now awaits the deployment of the District Registry before moving forward. The District Registry itself has overcome several major obstacles. As we pushed forward with deployment of Meme Factory, we found ourselves debugging and overcoming just as many unforeseen hurdles there. Both applications have now been put back on track. Meanwhile, with a diverse set of service providers developing on the network, we've still found developer time to commit towards a refresh of Ethlance, our first live application.

Meme Factory

As mentioned above, Meme Factory encountered unexpected trouble in our deployment pipeline. Ultimately, as we tried to utilize a containerized environment, we encountered an unbeatable issue where we couldn't sync our server through Parity at any length of runtime. After sinking the better part of an entire cycle trying to find the root cause or come up with an easy alternative, we were left with no choice but to return back to a de-containerized version of our deployment scheme.

While this setback was disappointing, it gave us an important set of goals to re-approach in the future when we tackle the initial release of d0xINFRA. It also gave us time to consider and add some very necessary moderation features into Meme Factory in order to avoid ingesting and displaying any bad data, particularly as nothing like this currently exists for IPFS.

Further on, we also managed to complete the DANK distribution model and contracts, and have deployed them successfully to Testnet in preparation for our in-house review. With all final touches being laid down in the beginning of 2019, we look forward to putting all of the modular pieces we've built together and grabbing the wider community's attention with a public launch.
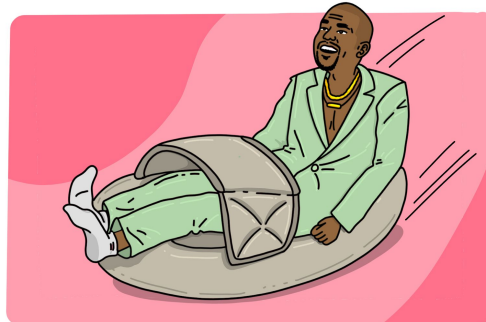
District Registry

Following our progress made in Q3, the District Registry was undeployable in its previous state due to a contract size limitation. Efforts to reduce these contracts down to size while maintaining all the necessary logic for staking was a significant undertaking, even moreso than the complete design and implementation for our original smart contract scheme. With all of the mathematical functions for staking baked directly into the contracts, we were forced to atomize contracts and make them communicate with one another through a permissions scheme. With this work now complete, we look to get these contracts audited as we build out the rest of the application's layers, proceed with styling, integration with Aragon, and a retest of everything against the already complete front end components.

Ethlance

Our original marketplace, Ethlance, has been undergoing a complete refresh and redesign (pictured below) since the fourth quarter of 2018. Everything, from smart contracts and the backend, to the server architecture, to the front end design work has been subject to improvement. Above all else, the refresh will bring with it a new class of users, called arbitrators. Arbitrators will, just as the name implies, act as a dispute resolution mechanism for employers and freelancers alike. We hope to offer a much more enticing and comprehensive platform to all with this change, and it also offers an opportunity for us to upgrade our architecture to reflect all the changes we've made in the past year and a half.

Education Portal

The district0x Education Portal serves as a hub for learning not just about our individual product offerings, but also about the theory and building blocks that make up our entire platform. Since we introduced the portal in Q3, it's been a source of informational content both specific to the district0x network and the cryptocurrency ecosystem as a whole. Each quarter, we post new updates and contributions from the community. We've made consistent progress in encouraging additional contributors to the written portions of the portal, with additional industry experts bringing us regular educational content. As such, we are always looking to our community members for feedback, advice on how to improve, and even content contributions to the module.
During Q4 we added 8 new modules, mostly centered around [Ethereum Scaling](#) and the future of Ethereum.

Ethereum Scaling Topics

| Ethereum Scaling | Ethereum Scaling 4 MIN READ | Ethereum Scaling | Ethereum Scaling 4 MIN READ |

Introduction To Ethereum Scaling

For any developer who has tried to build a decentralized application used by the masses, it is clear that Ethereum—in its current manifestation—isn't quite ready. However, improvements are well underway.

Understanding Proof Of Stake

Proof-of-Stake is a consensus mechanism in which a blockchain network comes to an agreement on the order and validity of transactions. Learn more here.

What is Delegated Proof-of-Stake

Delegated Proof-of-Stake, or DPoS for short, implements a structure in which a fixed set of block producers are the only actors in the system who can propose new blocks.

What is Casper?

Casper Protocol, an upgrade to Ethereum that brings with it a new consensus mechanism powered by Proof-of-Stake. Casper is a unique system in that it solves the 'nothing at stake' problem that plagues most Proof-of-Stake networks.

Ethereum Scaling 4 MIN READ

Ethereum Scalability Trilemma

The scalability trilemma is arguably the most important unsolved problem in the blockchain space. It refers to the current reality that blockchains in which every node validates each transaction can't have simultaneously possess all of these properties: Decentralization, Scalability & Security.

Community

The past quarter brought several changes to support the long term sustainability and growth of a healthy community. In our previous update, we outlined a three phase rollout of initiatives designed to increase engagement across the board for our contributors. With some input from the community via our feedback surveys as well as real time input from ambassadors and other community managers, we made a few alterations.

We did a lot of outreach for collaboration with other projects in the space this past quarter, including most notably our appearance on the 'Why Blockchain Community Matters' webinars featuring people from Consensys, Omnisparx, Enigma, DAOStack and more. These interactions with other projects have given us valuable insight into our own initiatives such as the ambassador program and our rewards systems.

Since rolling out the Ambassador program in the third quarter, we have seen several new people take on this role. We are grateful for the contributions from these people and the community at large. These people have proven to bring value in a number of ways ranging from sharing great content, educating people about critical issues, writing articles, educating each other, submitting more district proposals, reporting on bugs within our apps, and even helping deploy a tip bot in Discord.

In an effort to continue with our educational initiatives, we invested in an educational course offered by CMX. CMX is a community management focused resource that has proven to be a valuable supporter of the crypto community. Much of the strategies and ideas outlined in these courses were already implemented into our community strategy. However, new strategies and ideas that were gained will be tested and improved upon in the coming quarter.
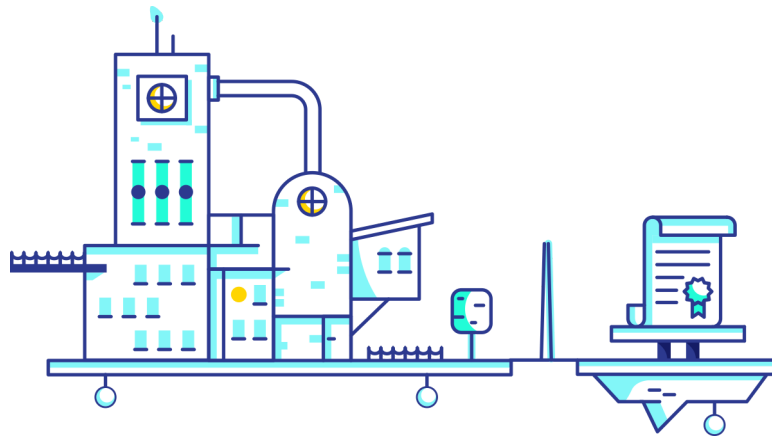
Marketing Metrics & Key Figures

district0x Website/Landing Page
During Q4 the district0x website (https://district0x.io) had a total of 24,203 sessions from 18,285 users. What's exciting is that 17,500 of those users were new, so it's great to see the project getting attention from those who are outside our community. We hope to see this trend continue to increase as more and more folks get exposed to district0x. What's perhaps the most interesting is that during the past quarter we've had visitors come from 153 different countries, with the top 5 locales being USA, UK, India, Germany, and Russia.

Default Channel Grouping	Acquisition		
	Users ↓	New Users	Sessions
	18,285 % of Total: 100.00% (18,285)	17,500 % of Total: 100.05% (17,492)	24,203 % of Total: 100.00% (24,203)
1. Referral	**8,290** (43.80%)	7,830 (44.74%)	10,438 (43.13%)
2. Direct	**5,285** (27.92%)	5,080 (29.03%)	6,591 (27.23%)
3. Organic Search	**4,125** (21.79%)	3,750 (21.43%)	5,280 (21.82%)
4. Social	**1,043** (5.51%)	758 (4.33%)	1,541 (6.37%)
5. (Other)	**184** (0.97%)	82 (0.47%)	353 (1.46%)

Ethlance & Name Bazaar

Ethlance had 15,619 total sessions from 9,562 unique users. Name Bazaar had 6,220 total sessions from 3,534 unique users.

district0x Education Portal

The Education Portal received 6,500 total pageviews during Q4 2018. The following five modules listed below were the most popular:

- /district0x-specific-topics/meme-factory/meme-factory-works/
- /district0x-specific-topics/understanding-distict0x/
- /general-topics/understanding-ethereum/
- /general-topics/understanding-ethereum/token-curated-registry/
- /general-topics/understanding-ethereum/understanding-dapps/

Financials

Balance Sheet

ASSETS

CURRENT ASSETS*	Q3 2017	Q4 2017	Q1 2018	Q2 2018	Q3 2018	Q4 2018**
ETH	$13,263,765	$49,089,290	$15,604,869	$18,915,299	$8,229,990	$4,709,421
DNT	$7,500,636	$28,004,579	$9,726,713	$6,996,913	$4,297,402	$2,036,868
DAI	$0	$0	$0	$0	$357,637	$806,800
DATA	$0	$707	$230	$357	$184	$83
OMG	$123	$251	$125	$130	$55	$22
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

LIABILITIES

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

*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
Revenues	$13,465,421	$0	$0	$0	$0	$0
Cost of Goods Sold	$0	$0	$0	$0	$0	$0
GROSS PROFIT	$13,465,421	$0	$0	$0	$0	$0

EXPENSES	Q3 2017	Q4 2017	Q1 2018	Q2 2018	Q3 2018	Q4 2018
Contractor Wage Expenses	$140,744	$178,430	$185,595	$388,255	$381,116	$211,047
Technology and Development Expenses	$22,419	$129	$40,514	$14,987	$25,662	$37,133
Marketing and Sales Expenses	$5,841	$2,999	$7,710	$18,357	$10,599	$9,499
General and Administrative Expenses	$32,652	$6,911	$250,522	$97,196	$24,311	$29,299
Other Expenses	$0	$600	$52,137	$107,527	$0	$0
TOTAL EXPENSES	$201,656	$189,069	$536,477	$626,322	$441,688	$286,977
OPERATING PROFIT	$13,263,765	-$189,069	-$536,477	-$626,322	-$441,688	-$286,977

Summary

The fourth quarter of 2018 was marked with numerous development obstacles which pushed back the planned launch date of Meme Factory, the District Registry, and the d0x Tasks dApp. We anticipate launching Meme Factory in the coming months, with the District Registry and d0x Tasks dApp coming in subsequent quarters.

In light of the continued slide in ETH/USD prices, steps were taken to reduce the expected burn rate moving forward, primarily cutting costs via renegotiated rates paid to the project's service providers. At present, the project retains in excess of 4 years of runway excluding DNT held for potential future funding measures.

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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