

Hedera Council Meeting Minutes

Date: June 3, 2020
Time: 6:00 – 8:00pm EDT
Location: Teleconference

Attendees:

Avery Dennison, Pradeep Iyer, Max Winograd
Boeing, Brian Jeffords, Brien Hansen, Peter Keane-Rivera
DLA Piper, Scott Thiel, Mark Radcliffe, John Gill, Andrew Gastwirth
FIS/Worldpay, Che Cabrerros, Micah Kershner
Google, Simonas Baksys, Allen Day, Rich Widmann
IBM, Bryan Gross, Andy Carelli
LG Electronics, Ti Cho, Robert Choi, Samuel Park
Magazine Luiza, Simon Olson
Nomura, Akira Iwasaki, Kenta Takemura
Swirls, Bill Miller
Tata Communications, Ankur Jindal, Troy Reynolds
University College London, Paolo Tasca, Nikhil Vadgama
Zain Group, Malek Hammoud, Richard MacNamara

Absent:

Deutsche Telekom
Swisscom Blockchain
Wipro

Hedera Officers/Staff:

Mance Harmon, CEO
Dr. Leemon Baird, Chief Scientist
Brett McDowell, Executive Director & Vice Chair
Natale Furman, General Counsel
Lionel Chocron, Chief Product Officer
Christian Hasker, Chief Marketing Officer
Jordan Fried, SVP, Global Business Development
John Larre, VP of Finance & Treasurer
Tom Sylvester, Associate General Counsel
Samuel Brylski, Associate General Counsel
Rachel Epstein, Corporate Counsel
Josh Planton (VTM)

Invited Guests:

Jonathan Dotan, Fellow, Center for Blockchain Research, Stanford University

Call to Order & Introductions

Brett M. formally called the meeting to order.

Brett M. welcomed Council Members to the second Council meeting of 2020, and the Council Member representatives were provided with an opportunity to introduce themselves and their respective organizations.

After being moved and seconded, the Council Members unanimously approved the agenda as amended in the meeting.

Special Interest Group (SIG) Policy & Charters

Brett M. reviewed the Special Interest Group (SIG) Policy, which had already been approved by the Board of Managers. SIGs will allow Council Members and non-Council Members to participate in the development and analysis of various use cases that could lead to new features on the Hedera Network. Brett M. clarified that unlike Council committees (e.g. RegCom, TechCom), which have a defined governance role within the Council, the SIGs will not be involved in governance. Instead, they will be focused on specific tangible outputs (e.g. market reports, papers, presentations).

Hedera staff will be available to support SIGs, and SIGs will be able to identify and invite industry experts, who would otherwise not be able to join the Council, to participate in the SIG discussions. SIGs also will be able to request special resources for fulfilling their work items through the SIG charter process, which will be reviewed and approved by the Board.

Brett M. reviewed several potential areas of interest for SIGs. Council Members were encouraged to reach out to Brett M. if they were interested in participating in a specific SIG use case.

Brett M. McDowell
Executive Director
& Vice Chair

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Board Member Election Process

Brett M. informed the Council that the nomination period for the vacant Board of Manager seat has been announced. He invited any Council Member representatives interested in nominating themselves to the Board to contact him with any questions they may have. At the end of the nomination period, Brett M. will present the candidates to the Council.

Brett M. McDowell
Executive Director
& Vice Chair

Approve Meeting Minutes for Publication

After being moved and seconded, the Council Members unanimously approved the minutes from the Council meeting of February 26, 2020, with a minor amendment.

Natalie Furman
General Counsel &
Secretary

Amendments to the LLC Agreement

Natalie F. and Brett M. recapped proposed changes to Hedera's LLC Agreement, which were previewed at the February Council meeting.

Natalie Furman
General Counsel &
Secretary

Brett M. addressed a proposed change to consolidate the remaining PriceCom responsibilities, granted within the LLC Agreement, under the newly formed Treasury Management & Coin Economics Committee (CoinCom) and to dissolve PriceCom.

Natalie F. highlighted that a significant proposed change was defining the date of admission for new Council Members as the date that their membership is publicly disclosed. Tom S. noted that another proposed revision related to Council Member approval of Hedera node software updates. Dr. Leemon B. clarified that the Council would be responsible for approving the implementation of software changes through the transaction signing process. Mark R. remarked that the Council may not be well suited to review and approve specific proposed software code changes and suggested instead that this approval responsibility be delegated to TechCom, with the Council Members retaining responsibility for approving the network roadmap.¹

Max A. asked for clarification regarding the difference in voting thresholds between the simple majority required for treasury management and the two-thirds supermajority required for mainnet node software updates.

Dr. Leemon B. explained that cryptographically signing a transaction to implement node software updates requires a two-thirds threshold to mathematically ensure the security of the network. Because Treasury decisions do not have the same security implications for the network, they do not require such a supermajority threshold.²

¹ As clarified below and explained further in footnote 2, this suggestion relates to delegating to TechCom the governance-level approval of software updates. It does not relate to the cryptographic implementation of such updates, which cannot be delegated.

² For further clarification, decisions to move hbars from Treasury or approve software updates require two steps: (1) "governance approval," which is achieved by Council Members voting or by their written consent and (2) "cryptographic implementation," which is achieved by Council Members cryptographically signing and submitting a transaction to the Hedera network to implement the decision to transfer hbars or update software. As stated in the meeting, the approval threshold for Treasury transactions is a simple majority of Council Members for both the Council vote and for the cryptographic signatures required to process the transaction. For example, if there are 20 Council Members, then 11 or more must approve any Treasury transaction, and 11 or more must cryptographically sign the transaction for processing on the mainnet. For the avoidance of doubt, it does not need to be the same 11 or more Council Members for each action so long as the threshold is met. In response to Council Member discussion, the Council is contemplating delegating authority to TechCom for "governance approval" of software updates. Under this proposed approach, after TechCom approves an update, Council Members would then digitally sign and submit the transaction to implement the software upgrade on the mainnet.

Brett M. suggested delaying the vote on the LLC Agreement changes until Members had more time to review the proposed edits. Brett M. agreed to start an online ballot to approve the LLC Agreement changes in approximately two weeks once Council Members have had time to ask any additional questions on the proposed LLC amendments.

Executive Report

Mance Harmon
Co-Founder & CEO

Mance H. provided an update on Hedera's decentralization roadmap and reviewed the milestones Hedera is working towards through the end of 2020. He then provided an update on Hedera's key performance indicators (KPIs) that the Council Members adopted for measuring progress and success in 2020 in the areas of utilization, finance, reliability, membership, and culture.

Mance H. reviewed the previously discussed 36-month budget and fundraising terms, and requested that the Council authorize him to raise an additional \$10 million in funds, with oversight from the Board of Managers to approve the terms and timing of the transactions, which would not be any less favorable to Hedera than the terms already described to the Council.

After being moved and seconded, the Council Members unanimously approved giving Mance H. the ability to raise an additional \$10 million, with oversight from the Board of Managers to approve the terms and timing of the transactions.

Technology Report

Dr. Leemon Baird
Co-Founder &
Chief Scientist

Dr. Leemon B. summarized TechCom's activities since the last Council meeting, which have been focused on updating the Node Hosting Terms and reviewing a network security assessment. Progress has continued in identifying transaction signers for each of the Council Members and providing them with the appropriate training.

Dr. Leemon B. reviewed the Hedera Network roadmap through the end of 2020, which includes implementation of improved ability of nodes to connect and reconnect to the network, beta mirror nodes, on-ramp improvement, SDK tools for developers, and other improvements.

Network Utilization: Case Studies

Presenter:
Jonathan Dotan
Fellow, Center for
Blockchain
Research,
Stanford University

Starling Framework for Digital Integrity

Jonathan D. briefed the Council on the Starling Framework for Data Integrity, a project that uses the Hedera Network to securely capture, store, and verify digital records, such as documentation of human rights violations, war crimes, and testimony of genocide. Starling leverages Hedera to protect the integrity of private information and provide verifiable timestamps on digital records.

Presenter:
Scott Thiel
DLA Piper

Juno Tokenization Engine – DLA Piper

Scott T. reviewed DLA Piper's proposed use case of tokenizing physical assets by utilizing the Hedera Consensus Service (HCS) on the Hedera Network.

Network Utilization: Hbar Grants

Jordan Fried
SVP, Business
Development

Jordan encouraged the Council Members to utilize the hbar grant program to accelerate their own projects on the Hedera Network.

Any Other Business

John Larre
Treasurer

Brett M. summarized the proposal that John L. previously sent to the Council Members to transfer a total of 1,465,000,000 hbars from the Hedera Treasury to the Hedera administrative sub-accounts for use in fulfilling Hedera's obligations related to SAFTs and RCU grants, including 1 billion hbars for SAFT distributions, 395 million for employee/contractor RCU distributions, and 70 million for advisor/vendor RCU distributions.

After being moved and seconded, the Council Members unanimously approved the transfer of hbars from Hedera Treasury to the Hedera administrative sub-accounts.

Executive Session

Council Member
Volunteer

Hedera staff then left the meeting and the Council Members met in an executive session.

After the executive session, the meeting was adjourned.