

Hedera Council Meeting Minutes

Date: November 4, 2020
Time: 06:00 – 08:00pm EDT
Location: Teleconference

Attendees:

Boeing, Brian Jeffords, Brien Hansen
DLA Piper, Scott Thiel, Mark Radcliffe, Andrew Gastwirth
FIS/Worldpay, Micah Kershner, Che Cabrerros
Google, Simonas Baksys, Rich Widmann
IBM, Porter Stowell
LG Electronics, Ti Cho, Samuel Park
Magazine Luiza, Simon Olson, Christian Reis
Nomura, Akira Iwasaki, Kenta Takemura, Yu Ori
Swirls, Bill Miller, Arlan Harris
Tata Communications, Troy Reynolds, Ankur Jindal
University College London, Nikhil Vadgama
Zain Group, Richard MacNamara

Members Not Present

Avery Dennison
Deutsche Telekom
Wipro

Hedera Officers/Staff:

Mance Harmon, CEO
Dr. Leemon Baird, Chief Scientist
Brett McDowell, Executive Director & Vice Chair
Natale Furman, General Counsel & Secretary
Lionel Chocron, Chief Product Officer
Christian Hasker, Chief Marketing Officer
Tom Sylvester, Associate General Counsel
Jordan Fried, SVP, Global Business Dev.
Samuel Brylski, Associate General Counsel
Rachel Epstein, Corporate Counsel
Atul Mahamuni, SVP of Products
Hyo-Jin Choi, Head, Business Dev. APAC
Wes Geisenberger, Director, Business Dev. Americas
Donald Thibeau, Director, Product Management
Azeem Malik, Director, Business Dev. Americas
Michal Benedykinski, Business Dev.
Josh Planton (VTM Group)

Call to Order & Introductions

Brett M. McDowell
Executive Director & Vice Chair

Brett M. formally called the meeting to order and welcomed Council Members to the fifth Council meeting of 2020.

After being moved and seconded, the Council unanimously approved the agenda.

CEO Report

Mance Harmon
Co-Founder & CEO

Mance H. informed the Council that John Larre, who had served as Treasurer, had left Hedera to return to the hedge fund industry and that Ryan Ladner, Hedera’s controller, is now expected to be appointed by the Board to replace John as Treasurer.

On Council recruitment, Mance noted that several prominent organizations are looking at joining the Council, some of which may join before the end of the year.

Dr. Leemon B. reported on recent technical milestones including the release of the hashgraph platform code for open review; “State-Proof Alpha,” which allows network users to obtain a cryptographic proof that a particular transaction took place on the network; and the Hedera Token Service on Hedera’s preview testnets. Dr. Leemon B. also shared that the Hedera stable coin code has been reviewed and verified by Quantstamp.

Mance noted that Hedera’s Special Interest Group (SIG) program has been maturing and is garnering interest amongst the larger community. In addition, several new on-ramps have gone live since the last Council meeting, and Hedera continues to find new organizations to partner with on its expanding list of services and use cases. Mance H. highlighted the recent engagement with

the Texas Blockchain Council, which has seen participation from the Texas Secretary of State's office.

Mance H reviewed Hedera's KPIs stating that while TPS performance has increased since Open Access, it is not sufficient as the sole metric for measuring network success. Hedera, therefore, will focus on increasing the amount of active user accounts on the network, which will help lead to greater use of the network by developers.

Approve Meeting Minutes for Publication

Natalie Furman
General Counsel &
Secretary

After being moved and seconded, the Council unanimously approved the meeting minutes from September 2, 2020.

Hedera's Regulatory Posture

Natalie Furman
General Counsel &
Secretary

Natalie F. and Mark R. presented on RegCom's feedback regarding Hedera's regulatory posture in response to the issues Simon O. discussed at the last Council meeting. Natalie F. explained Hedera's approach in light of the regulatory uncertainties in the U.S. and the characteristics of the Hedera Network and hbars. Natalie F. also summarized approaches taken by some other platforms, noting pros and cons as well as ways in which certain choices may have been informed or constrained based upon the relevant network's design. Mark R. added that this approach allows Hedera the greatest degree of flexibility.

Mark Radcliff
DLA Piper

Simon O. raised the point that, although he believes that additional "killer-apps" will emerge in the distributed ledger space, currently the most-used DLT-based application is cryptocurrencies. As a result, he suggested that the Council pay attention to this use case. Simon O. also suggested that Hedera increase its outbound educational efforts, particularly with regards to educating leading institutional stakeholders on Hedera's technology. After initial debate and discussion, the Council agreed to continue these strategic discussions in CoinCom for further review and analysis.

Proposal to Ballot the Updated LLC Agreement

Tom Sylvester
Associate General
Counsel

Tom S. summarized previous discussions regarding updates to the Hedera LLC Agreement. Council members have provided feedback on the proposed changes offline, and additional comments have been addressed in the latest redlined version of the LLC Agreement. Brett M. stated that the review and comment period for the LLC Agreement is now closed and no other changes are being entertained. A three-week ballot will be opened for all Council members to review the final revised LLC Agreement amendments and vote on whether to approve them.

DLA Piper's New Token Engine

Presenter:
Scott Thiel
DLA Piper

Scott T. provided the Council with an overview of DLA Piper's new token product built using the Hedera Network and the legal and regulatory steps they took to get it to market. The product, which Scott T. would be announcing later that day at a conference in Hong Kong, enables owners of various tangible assets to tokenize and sell partial ownership of those assets. Scott T. noted that this product, using the Hedera Network, will provide liquidity to markets where it has not been achievable before.

Brett M. stated that this is the first Council member to take a Hedera Network-based product to market. Hedera will be working with DLA Piper to standardize the work they have done, with the aim of helping other Council members bring their own products to market as well.

Hedera Stablecoin Implementation

Donald T. provided an overview of the Hedera stablecoin network implementation using the Token Taxonomy Framework, which was developed by the InterWork Alliance. The application uses a stablecoin network above the Hedera Network that leverages the identity management and customization of a Token Contact to provide developers with options for their products while maintaining the performance and trustworthiness of the Hedera Network.

By being standardized and audited, the service is expected to be more appealing to more mature developers who want a greater level of control and security. Donald T. reviewed a short demo of how the different transaction types work, and how the network manager can select and use different settings.

CTO Report

Dr. Leemon B. reviewed the 2020 and 2021 technology roadmap, noting updates since the last Council meeting. He highlighted the launch of Hedera’s new fungible token service (HTS), which allows users to hold and transfer multiple token types at the same time. The service allows a token manager the ability to customize several optional features based upon their needs.

Executive Session

Hedera officers and staff left the meeting and the Council Members met in an executive session. After the executive session, the meeting was adjourned.

Donald Thibeau
Director, Product
Management

Dr. Leemon Baird
Co-founder & Chief
Scientist

**Council Member
Volunteer**

Actions taken or ratified by the Hedera Council by written consent (through November 4, 2020)

<u>Date</u>	<u>Type</u>	<u>Action</u>
June 14, 2019	LLC Agreement	Approved publication of Hedera LLC Agreement on Hedera website
June 14, 2019	Committees	Approved an amended charter for Finance Committee and the creation and charter for a Developer Advocacy Committee
August 29, 2019	Treasury	Approved transfer of 3.049 billion hbars from the Hedera Treasury to Hedera administrative accounts as follows: <ul style="list-style-type: none"> • <u>SAFTs</u>: 1.343 billion hbars • <u>Incentive programs</u>: 1 billion hbars; provided that Hedera Board approval is required before hbars in this account are sold or transferred • <u>Employee/consultant RCUs</u>: 383 million hbars • <u>Community programs/exchanges</u>: 200 million hbars • <u>Advisor/vendor RCUs</u>: 123 million hbars
December 21, 2019	Treasury	Approved transfer of 450 million hbars from the Hedera Treasury account to Hedera administrative accounts as follows: <ul style="list-style-type: none"> • <u>SAFTs</u>: 250 million hbars • <u>Employee/consultant RCUs</u>: 190 million • <u>Advisor/vendor RCUs</u>: 10 million
January 24, 2020	Treasury	Approved transfer of 2.65 billion hbars from the Hedera Treasury account to Hedera administrative accounts as follows: <ul style="list-style-type: none"> • <u>SAFTs</u>: 1.18 billion hbars • <u>Employee/consultant RCUs</u>: 350 million hbars • <u>Advisor/vendor RCUs</u>: 150 million hbars • <u>2017 executives RCUs</u>: 920 million hbars • <u>Community programs</u>: 50 million hbars; provided, provided that Hedera Board approval (or, if delegated by the Board, the relevant Hedera committee approval) is required before hbars in this account are sold or transferred
January 24, 2020	Pricing Plan	Approved Pricing Plan dated January 2020 to add pricing for Hedera Consensus Service (HCS) transactions
March 20, 2020	Fundraising	Approved plan for Hedera to raise up to \$20 million (with a target of \$15 million) by selling up to 1.5 billion hbars under token purchase agreements with the following terms: (i) price of no less than 1 cent per hbar, (ii) at least a 2-year lockup before hbars may be distributed, (iii) purchasers must be " Eligible Contract Participants " under CFTC regulations, and (iv) price protection provisions for purchasers in the event future financings are priced below the negotiated price.
July 20, 2020	Board	Approved the election of Pradeep Iyer of Avery Dennison and Maneesh Grover of Wipro to the Board