Hedera Council Meeting Minutes

Date: September 10, 2019
Time: 8:30 – 5:30pm BST
Location: Nomura's Offices
One Angel Lane
Board Room on the 11th Floor
London, U.K.

Attendees:

Boeing, Brian Jeffords	*Hedera Officers/Staff*
Deutsche Telekom, Friedrich Kurz (*remote*)	Mance Harmon, CEO
DLA Piper, Mark Radcliffe	Leemon Baird, Chief Scientist
Magazine Luiza, Simon Olson (*remote*)	Brett McDowell, Executive Director & Vice Chair
Nomura, Kentaro Okamoto, Sebastian Widmann	Natale Furman, General Counsel (*remote*)
Swirlds, Robert Migliorino, Arlan Harris (*remote*)	Jordan Fried, SVP, Global Business Development
Swisscom, Kamal Youseffi (*remote*)	Christian Hasker, Chief Marketing Officer
Tata Communications, Ankur Jindal (*remote*)	John Larre, VP, Finance & Treasurer (*remote*)
FIS Global, Nabil Manji	Luciano Belizan, VP, Human Resources (*remote*)
IBM, Bryan Gross	Nigel Clark, SVP of Partners & Industries

Members Not Present:
All members were present.

Call to Order & Introductions Brett M. formally called the meeting to order. *Agenda approved* After being moved and seconded, the Council Members unanimously approved the agenda as presented.	***Brett McDowell*** *Executive Director & Vice Chair*
Strategy & Competitive Landscape Mance H. provided an overview of (1) Open Access preparation, (2) Hedera's strategy, and (3) Hedera's competitive landscape. *Open Access* Mance H. noted that Open Access (i.e. when the public can begin to create accounts on the Hedera network) is scheduled to occur on Monday, September 16. Three services will be available at Open Access: cryptocurrency, smart contracts, and file services. Earlier in the summer, Bryan G. from IBM and Leemon B. also introduced a new service – Hedera Consensus Service (HCS) – but Mance noted that HCS won't be available at Open Access. Hedera staff had also been talking to select exchanges, which are doing integration work in order to support hbars. Mance H. said that Hedera has set a high standard for the exchanges that Hedera would work with, based on a set of criteria related to regulatory compliance. In terms of dapps, Hedera has provided access to more than 500 dapps to develop on Hedera testnets and is expecting more than twenty-four dapps to launch on the Hedera mainnet at Open Access. In response to questions about use cases expected to be available at Open Access, Mance H. discussed Certara, AdsDax, Power Transition, and MyEarth.id.	***Mance Harmon*** *Co-founder & CEO*

Mance H. also explained the recent SAFT amendments, which altered coin distribution so that the supply of circulating coins would be better aligned to expected network usage. In addition to the SAFT amendments, early Hedera senior executives also agreed to delay their receipt of hbars pursuant to their employee grants until January 2020, and the release of a substantial portion of their total hbars will be further postponed until after August 2023.

Mance H. gave an update about the last Board of Managers meeting, at which the Board approved the distribution of hbars from Hedera's Treasury to separate accounts in order to distribute coins at and after Open Access to SAFT holders, employees pursuant to Hedera's coin grant program, and for a community testing incentive program (though no coins allocated to that program will be distributed without further approval by the Board of Managers).

Hedera's Strategy
Mance H. discussed Hedera's strategy, the Hedera Consensus Service (HCS), and the focus on network growth and usage.

Hedera's Competitive Landscape
Mance H. discussed Hedera's competitive landscape, including Facebook's Libra project. He noted that Facebook's decision to follow Hedera's governance structure by having a council of companies govern the platform validated Hedera's model. In terms of differences, Libra is focused on payment use cases, while Hedera is general purpose ledger with a diverse set of Council Members designed to represent many different industries. Mark R. asked about the Telegram network, and Mance H. replied that Telegram is also focused on payments and is not a general-purpose ledger like Hedera.

Brett M. said that Hedera would embrace organizations joining both the Hedera Council and the Libra Association. Simon O. expressed that Hedera should be cautious of not looking at Libra as just being about payments, as he believes Libra's goal is to be present in people's everyday activities like Alibaba and WeChat.

Technology & Product (TechCom & PriceCom)	**Dr. Leemon Baird** *Co-founder &* *Chief Scientist*

Technology & Product (TechCom & PriceCom)

Leemon B. provided an update on behalf of the Technical Steering and Product Committee regarding Hedera's technical roadmap, network operations, and software improvements. Six of ten Council Members are on the committee and the committee has met six times since the last Council meeting. Leemon B. talked briefly about best practices to mitigate risk regarding a Council Member's internal key management.

Leemon B. went on to talk about the thirteen nodes that will be running at Open Access. Some will be run by Council Members independently and the others will be administered by Council Members on a cloud hosting service. Leemon B. emphasized that it is a priority to get each Council Member to run its own node. At Open Access, the mainnet will be running the beta version of the software, while the software running on mirror nodes will be in its alpha version and open sourced. After Open Access, all transactions out of the Hedera Treasury must be signed by the Council Members. Leemon B. mentioned several upcoming software improvements.

Bryan G. commented that allowing anyone to review the Hedera platform's underlying software (what Hedera refers to as "open review") should be a goal. Leemon B. explained that the code will be available for open review at Version 1.0, but that at Open Access the network will still be running the beta version of the software. Leemon B. went on to talk about efficiency updates and improvements to the code. The focus is on the cryptocurrency and consensus services to be fast. With the Hedera Consensus Service, clients can stand up a permissioned network for a specialized task and then have the transactions flow through the Hedera network to do the transaction ordering. Processing and storage would happen on the application's private network, so it could be very fast, but every transaction would go through the Hedera network for consensus ordering and benefit from the speed of the Hedera network. Brian J. commented that a lot of applications are struggling with the choice of being public or private and that HCS could it easier for them to use the Hedera network, as they could then get the benefits of both public and private ledgers.

Leemon B. next presented Hedera's fee model on behalf of the Pricing Committee, and explained that pricing will be adjusted in real time in relation to network usage, and users will know the fee for every transaction in both HBAR and USD. One Council Member commented that having the fee schedule in USD is a good idea and inquired to how often the fees would change. Leemon B. replied that maybe a small tweak to pricing would occur once a month. Another Council Member noted the importance of building a reputation of lowering rather than raising fees.

Brett M. noted that the Pricing Committee's charter is ambiguous as to which body is responsible for setting amounts for node reward payments. Leemon B. followed up by saying that the Pricing Committee should make recommendations for how much the Council is paying a node to be a node. The Council Members agree that there will need to be collaboration between the Pricing Committee and the Technical Steering and Product Committee to determine the economics of running a node.

Pricing Committee Motion Approved
After being moved and seconded, the Council Members unanimously passed a motion allowing the Pricing Committee to make node reward payment recommendations to the Council. The Pricing Committee was also tasked with coordinating with the Technical Steering and Product Committee, Finance Committee, and Legal and Regulatory Committee for approval of any recommendations prior to submitting them to the Council.

Legal & Regulatory (RegCom) Natalie F. gave an overview of the Legal and Regulatory Committee, which provides input and guidance to Hedera on its compliance policies and procedures. Since the last Council meeting, the committee has advised on matters including the publication of minutes, legal considerations for node payments, a potential waiting period prior to Hedera directly selling hbars, recommended an extension of Hedera's initial Board of Managers through the end of 2019, and reviewed the Related Party Transaction Policy, Anti-Trust Policy, Anti-Corruption Policy, and Conflict of Interest Policy for Professional Service Firms. Natalie F. then gave a legal and regulatory report, noting that Hedera has continued to engage with federal and state regulators. Natalie F. also provided an update o development of written compliance policies and programs, including an Economic Sanctions and Financial Crimes Policy, an Employee Transaction Policy, and an Acceptable Use Policy. *Approved Motion to Delegate Authority to Delete Files for Legal Compliance* After being moved and seconded, the Council Members approved a motion to delegate to the Board of Managers, until the next Council meeting, the authority to delete illegal files from the ledger for the sole purpose of complying with law enforcement. The Board, in turn, has the ability to further delegate its authority to Hedera staff, and the Board must report any such actions to the Council. *Approved Motion to Delegate Approval Authority to the Board for Policies* After being moved and seconded, the Council Members approved a motion to delegate to the Board of Managers the authority to approve Hedera policies prior to Open Access.	***Natalie Furman*** *General Counsel*

Hedera Hashgraph

Marketing (MarCom) Christian H. provided an update on Marketing Committee activities since May and proposed expanding the committee's charter to include developer advocacy and a professional developer training and certification program. Christian H. referred to a proposed charter, which would combine the Business Development Committee and the Marketing Committee. In response to a question posed by Simon O. about the rationale for the consolidation, Christian discussed how Hedera must market to developers and that certain Council Members have access to Hedera's primary audience of large developer communities. Jordan F. asked for Council Member opinions on how best to incentivize network usage. Christian H. discussed the role of Hedera's developer advocates, And Brett M. said the Marketing Committee can make sure that Hedera's developer advocates are involved in relevant discussions *Approved Amendments to the Marketing Committee Charter* After being moved and seconded, the Council approved amending the Marketing Committee's charter to expand its scope to include developer advocacy and a developer training and certification program.	**Christian Hasker** *Chief Marketing Officer*
Business Development: Workshops, Certifications & MemCom Report Nigel C. said the recent focus has been preparing for Open Access, but Hedera now has to look beyond September 16th and the transition to focusing on network use. The next step is to focus on the development and delivery of educational materials and demonstrations of the platform capabilities, relevant to multiple industries and use cases, coupled with comprehensive training and enablement programs in order to support utilization of the network. Kamal Y. commented on the importance of training and understanding the technology, since people still can't distinguish between Bitcoin and blockchain and are education-focused institutes and governments are getting involved. Nigel C. commented that other DLT platforms are ahead of Hedera in this regard, but Hedera will build a comprehensive training capability to scale post-Open Access and focus on virtual training rather than in-person training, as well as bootcamps and hackathons. Jordan F. gave a business development briefing and collaboration with marketing on a developer incentive program. Hedera has over 7,000 developers in its Discord chat, ten Council Members, and 25+ applications functioning on mainnet ready to go live on day 1 of Open Access. Brett. M proceeded with a Membership Committee update and the separation of business development from Council recruiting and getting more involvement from Council Members in reaching out to prospective members.	**Nigel Clark** *SVP, Partners & Industries* **Jordan Fried** *SVP, Global Business Development*
Board Report, Committee Requirements, & First Elections Brett M. gave a report on the activities of the Board of Managers. The Board's initial members were Mance H. and Leemon B, and they were recently joined by Simon Olson from Magazine Luiza and Scott Thiel from DLA Piper, with Brett M. serving in his capacity of non-voting Vice Chair. Recent decisions by the Board of Managers include the approval of Hedera's annual budget and approval of hbar distribution schedule adjustments pursuant to SAFTs and other grants. Elections for the Board of Managers is expected to be held at the next quarterly Council meeting, and until then the Board is expected to meet monthly. *Committees Requirements Motion Approved* After being moved and seconded, the Council Members approved requiring committees to have at least three members in order to be considered active. *Board of Managers Election Schedule Motion Approved* After being moved and seconded, The Council Members unanimously approved the policies distributed regarding the Board of Managers election. Nominations opened on September 10th, with elections expected to be held via an online voting process at the time of the Q4 Council meeting.	**Brett McDowell** *Executive Director & Vice Chair*

Meeting Minutes Approval (& Proposed New Guidance) There was a short discussion regarding the reasoning behind publishing Council meeting minutes and the names of Council Member representatives. Simon O. said that Hedera wants to be transparent and not a black box and agrees with including names of Council Member representatives. Christian H. echoed Simon's comments and said that from a community perspective there is some skepticism around large companies, which often seem more centralized. Being a decentralized network and being open with names is helpful to demonstrate Hedera's decentralized governance model. Other Council Members agreed that names should be required in order to be transparent, which also leads to accountability. *Publication of Meeting Minutes Approved* After being moved and seconded, the remaining Council Members approved the motion to publish the updated Seoul Council meeting minutes and the New York Council meeting minutes. *Updated Guidelines for Council Member Representative Attribution in Minutes Approved* After being moved and seconded, the Council Members approved the motion to have the standard guidelines regarding Council meeting minutes to include the names of the Council Members and their representatives in the attendance block, but allow representatives to opt-out and have their name redacted if required to do so for legal reasons.	***Natalie Furman*** *General Counsel*
Co-Chair Elections Brett M. presented the nominations of co-chairs for each committee and then proceeded to the paper ballot process. Every Council Member was handed a numbered ballot at random and instructed to write the name of the candidate it was voting for on the other side of that ballot. The ballots were collected and reviewed by members of Hedera staff to confirm the count and the candidate with the most votes, but not less than one-third of all the votes, would be named the committee co-chair. *Co-Chairs Approved* After being motioned and seconded, the Council Members approved the election of the co-chairs to following five committees: <u>Technical Steering and Product Committee</u>: Brian Jeffords, Boeing <u>Membership Committee</u>: Simon Olson, Magazine Luiza <u>Pricing Committee</u>: Bryan Gross, IBM <u>Legal and Regulatory Affairs Committee</u>: Mark Radcliffe, DLA Piper <u>Finance Committee</u>: Nabil Manji, FIS Global	***Brett McDowell*** *Executive Director &* *Vice Chair*
Market Incentives Fund & New Committee (GrowCom) Proposal Jordan F. discussed other blockchain companies and how they are incentivizing growth of their networks by investing and giving money to projects developing use cases and applications. Instead of creating a network development fund, Jordan F. proposes the formation of a new committee that will provide oversight to the Council and recommendations to the Board of Managers on how to use Hedera Treasury funds to incentivize development on the network. This committee would explore various approaches The Network Utilization & Growth Committee (GrowCom) would advise the Council of how much to fund, who to fund (startups, developers, researchers, enterprises), funding sources, and what type of investment vehicle should be used.	***Jordan Fried*** *SVP, Global Business* *Development*

Amended Growth Committee Approved After being moved and seconded, the Council Members approved the amended charter of the new Growth Committee, which will be co-chaired by Jordan F. The other committee co-chair will be elected at the next Council meeting.	
Node Operations Budget Proposal Brett M. proposed methods to accelerate Council recruitment efforts, including developing an estimated budget for node operations. There was a discussion among Council Members about hosting nodes on cloud service providers and related issues of decentralization. Brett M. said the node requirements and diversity (geography, zones, hosting services, etc.) is within the purview of the Technical Steering and Product Committee.	**Brett McDowell** *Executive Director &* *Vice Chair*
Mergers, Acquisitions, & Investments Simon O. said Hedera should be thinking about missing pieces in the product roadmap and consider mergers, acquisitions and investments. He mentioned Microsoft's acquisition of GitHub a way to get them closer to the developer community. Simon O. suggested that if Leemon B. is looking at companies to do things with Hedera, Hedera should keep its eyes open to the technology to make strategic acquisitions. Brian J. recommended that this approach be discussed and debated in the Growth Committee.	**Simon Olson** *Magazine Luiza*
Finance Report (FinCom) John L. provided a briefing on the Finance Committee, Treasury report, current cash balance as well as the budget and actuals for Q2. John L. continued by discussing Hedera's audit readiness. Hedera has engaged top tier accounting firms to provide guidance on key policies as well as the employee coin plans.	**John Larre (remote)** *VP, Finance &* *Treasurer*
Company Culture Luciano B. gave an overview of the culture task force, an idea introduced at the last Council meeting. The Council has the desire to have a realistic understanding of where Hedera is today and how to curate a healthy culture moving forward. Hedera is collecting input from staff and responses will be presented to the Hedera executive team. Luciano B. went on to describe the initial roadmap, which includes recruiting more Council Members to participate and join the task force, continue to hone and clarify employee propositions, and determine the timeline for initiatives and policies that will help cement and grow culture and management best practices. Simon O. said that there is a lot of work to do and a lot that can be done. Leemon B. and Mance H. agree and will continue working through this. Brett M. asked for more volunteers to join and contribute.	**Simon Olson** *Magazine Luiza* **Mance Harmon** *Co-founder & CEO* **Dr. Leemon Baird** *Co-founder & Chief* *Scientist* **Luciano Belizan** **(remote)** *VP, Human Resources*
Wrap-Up & Plans for the Q4 Council Meeting Mance H. said that certain SAFT investors and developers had asked how they could be involved and have a voice in the Council. The Council agreed that any engagement should not be limited to large investors or provided through any "pay to play" structure and should include developers and the broader community in addition to SAFT investors. It was agreed that the Marketing Committee would further consider the issue and provide recommendations to the Council. The Council Members agreed to plan for a Q4 meeting in Sao Paulo, Brazil at Magazine Luiza's offices on December 11, 2019.	**Brett McDowell** *Executive Director &* *Vice Chair*
Executive Session Hedera officers and staff then left the meeting and the Council Members met in an executive session. There was nothing specific to report into the minutes from the Executive Session. After the executive session, the meeting was adjourned.	**Council Member** **Volunteer**