

Hedera Council Meeting Minutes

Date: January 13, 2021
Time: 9:00 – 11:00am EST
Location: Teleconference

Attendees

Boeing, Brian Jeffords
Dentons, Kenneth Oh
Deutsche Telekom, Friedrich Kurz
DLA Piper, Mark Radcliffe, Jonathan Gill
FIS/Worldpay, Micah Kershner, Che Cabrerros
Google, Simonas Baksys, Rich Widmann
IBM, Porter Stowell
Magazine Luiza, Simon Olson
Nomura, Akira Iwasaki, Kenta Takemura, Yu Ori
Swirls, Bill Miller
Tata Communications, Troy Reynolds
University College London, Riccardo Piselli
Wipro, Abhinav Venkateswaran, Punit Kumar
Zain Group, Malek Hammoud, Richard MacNamara

Members Not Present

Avery Dennison
 LG Electronics

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
 Tom Sylvester, Associate General Counsel & Secretary
 Nigel Clark, SVP, Industries & Partners
 Samuel Brylski, Regulatory Counsel & Chief Compliance Officer
 Atul Mahamuni, SVP of Products
 Hyo-jin Choi, Head, Business Development APAC
 Donald Thibeau, Director, Product Management
 Azeem Malik, VP, Global Business Development
 Michal Benedykcinski, Business Development
 Josh Planton, VTM Group

Invited Guests

eftpos Australia, Rob Allen

Call to Order & Introductions

Brett M. formally called the meeting to order and welcomed Council Members to the first Council meeting of 2021.

Brett M. McDowell
Executive Director & Vice Chair

After being moved and seconded, the Council unanimously approved the agenda as posted for the meeting. Brett welcomed Dentons to the Council and eftpos Australia as an invited guest to the meeting, and allowed each of them a few minutes to introduce themselves and share their interest in joining the Hedera Council.

Approve Meeting Minutes for Publication

Per the request of Council Members, it was agreed to circulate the November 4, 2020 meeting minutes to be approved by an online ballot.

Tom Sylvester
Secretary & Assoc. General Counsel

Hedera Use Case – Wipro

Wipro provided the Council with an update on its expanded decentralized identity use case. As part of its work, Wipro has further developed the capability of devices to act as the *Issuer*, *Identity Subject*, or *Verifier* of identity within a given environment. While every use case requires its own analysis of how a device is interacting within its environment, the extended scope of a device’s decentralized identity capability means new possible use cases can be brought to market.

Punit Kumar
(Wipro)

Punit K. provided a demonstration of new capabilities of IoT devices by presenting a use case for medical ventilators that maintain support for multiple verification credentials from both the manufacturer and the healthcare facility. Punit K. noted the difference between manufacturer (static) credentials vs healthcare facility (dynamic) credentials, explaining that static credentials would be maintained continuously throughout the life of the device, while dynamic credentials

would need to be maintained through regular maintenance and inspection of the device in order for it to continue to operate.

Wipro believes this use case will be driven by the recent increase in new European Union healthcare regulations, making it important for hospitals to monitor and manage regular inspection of medical devices. Punit K. offered that any Council Member wishing to discuss a specific use case around decentralized identity to contact him.

Committee Reports and Pricing Plan Proposal

CoinCom

Dr. Leemon B. reported on the activities of the Hedera Treasury Management & Token Economics Committee (CoinCom), which has recently been focused on the Hedera Pricing Plan, incentivization of high-value user accounts on the Hedera network, and market education activities. Per the Council's request during its November 4 meeting, CoinCom evaluated the benefits and risks of engaging in additional market education efforts aimed at key stakeholders in the DLT market.

After discussing the issue, CoinCom recommended that Hedera engage in additional market education with key players in the DLT market, as well as continuing to implement and publicize governance best practices.

Dr. Leemon B. reviewed the updated Hedera Pricing Plan, which has been updated twice—first at Open Access and then at the launch of the Hedera Consensus Services (HCS). He presented a proposed update to the Pricing Plan, as recommended by CoinCom, to include prices for the new Hedera Tokenization Service (HTS), which will launch in February. After being moved and seconded, the Council unanimously approved the updated Hedera Pricing Plan for publication.

TechCom

Dr. Leemon B. briefed the Council on recent activities by the Hedera Technical Steering & Product Committee (TechCom). He noted that the training of all Council Member transaction signers is almost complete, such that by March all of the transaction keys will be switched over to Council members for approving all Hedera mainnet transactions. He noted that Alex P. has reviewed proposed changes to the Node Hosting Terms based on feedback from Council Members and TechCom. Dr. Leemon B. noted that Alex P. has also shared the proposed changes with Council Members' technical contacts as well.

Dr. Leemon B. added that the 16th node on the Hedera mainnet was added in January, which provides even greater network security. Additional node features of *Reconnect* and *Update* will also be introduced in Q1 2021, which will allow Hedera to reconnect and update software on nodes without having to pause network activity.

Dr. Leemon B. stated that HTS will be going live on February 9 and reviewed the Hedera Technical roadmap for 2021.

MarCom

Brett shared that the Hedera Marketing Committee has begun holding meetings again and encouraged Council members to invite their marketing teams to join those sessions.

RegCom

Natalie F. summarized RegCom's recent activities. Sam B. and Brett M. have been working with the Digital Chamber of Commerce to respond to recent FinCEN rulemaking regarding noncustodial wallets, and there have been positive developments in the US with the OCC's guidance normalizing banks' use of digital ledger technology. Natalie F. provided an overview of the SEC's complaint against Ripple, reviewed for the Council how Hedera has carefully structured and limited its activities to minimize risk, and invited Council members to join RegCom for further discussion.

Dr. Leemon Baird
Co-founder & Chief
Scientist

Brett M. McDowell
Executive Director &
Vice Chair

Natalie Furman
General Counsel

Hedera's Regulatory Posture**Brett M. McDowell**
Executive Director &
Vice Chair

Brett M. summarized previous Council and committee discussions on market education efforts directed towards institutional stakeholders and balancing of risks raised by Magalu in the September Council meeting.

Based on Simon O.'s explanation on how such targeted market education efforts are typically done, it was proposed that Hedera should mitigate risk by investing additional time and energy to educate financial institutions and other key institutional stakeholders (e.g., managers of funds that either already hold SAFTs and/or are considering a strategic position in the Hedera ecosystem) in the DLT market about the Hedera network.

Brett M. summarized two recommendations that Hedera should (i) per the recommendations from RegCom and General Counsel, stay the course regarding Hedera's regulatory posture vis-a-vis marketing activities being those that educate developers and potential users about Hedera technology and the network's capabilities, with a focus on increasing network utilization by developers and (ii) per the recommendation from CoinCom and Magalu, target and reach out to institutional stakeholders as described above about the Hedera Network's technology and uses with the goal of ensuring their awareness of Hedera's differentiating characteristics so that they are able to make fully informed decisions with regard to the strategic positions they take in the DLT marketplace.

The Council agreed that such activities would be taken in a way that would avoid the creation of any informational disparity between the institutional parties with which Hedera speaks and the public. Brett also clarified, for the avoidance of doubt, that the proposed activities would not include any solicitation to purchase hbars. After being moved and seconded, the Council unanimously approved these recommendations.

Executive Report and Proposal**Mance Harmon**
Co-Founder & CEO

Mance H. presented the Executive Report to the Council members and discussed the importance of network effects, noting that, in terms of promoting market adoption, the most promising third-party projects are those whose business models attract active accounts and add aggregate value to all users of the Hedera network.

Mance H. reviewed Hedera's year-end KPI metrics against its 2020 goals and noted that that continued decentralization and network utilization are key themes for Hedera's 2021 KPIs. Dr. Leemon B. shared the 2020 Hedera technical achievements and key technical features which will be going live in 2021.

The Council discussed the possibility of inviting an organization from the DLT/cryptocurrency industry to the Council. Brett M. noted that, per the Hedera LLC Agreement, Swirlds has the responsibility to appoint the initial 39 members to the Council but can take recommendations from the Council on criteria it should use to evaluate new members.

Mance H. reviewed the previously discussed three-year budget and fundraising terms. He requested that the Council authorize an increase of the fundraising limit to \$42 million, noting that any such fundraising would accommodate CFTC requirements regarding commodities sales (structured as swaps) and as such counterparties would be limited to Eligible Contract Participants. The Council also discussed the timing of potential future fundraising efforts.

After being moved and seconded, the Council approved increasing Hedera's fundraising limit to \$42 million on the condition that CoinCom will further discuss Hedera's fundraising strategy.

The meeting was adjourned.

Actions taken or ratified by the Hedera Council by written consent (Nov. 4, 2020 – Jan. 13, 2021)

<u>Date</u>	<u>Subject</u>	<u>Action</u>
November 30, 2020	LLC Agreement	Approved Hedera's 3rd Amended & Restated LLC Agreement
December 23, 2020	Treasury	Approved transfer of 2.285 billion hbars from the Hedera Treasury account to Hedera administrative accounts as follows: <ul style="list-style-type: none">• <u>SAFTs</u>: 1.2 billion hbars• <u>Employee/consultant RCUs</u>: 925 million hbars• <u>Advisor/vendor RCUs</u>: 35 million hbars• <u>Hashgraph licensing fee</u>: 125 million hbars