Hedera Council Meeting Minutes

Date: May 17, 2019
Time: 8:30 – 5:30pm
Location: Convene, 810 Seventh Ave
                New York, NY, USA

Attendees:

Boeing, Brian Jeffords	*Hedera Officers/Staff*
Deutsche Telekom, Friedrich Kurz	Mance Harmon, CEO
DLA Piper, Mark Radcliffe	Leemon Baird, Chief Scientist
IBM, Bryan Gross, Jules Miller, Gari Singh	Brett McDowell, Executive Director & Vice Chair
Magazine Luiza, Simon Olson	Natale Furman, General Counsel
Nomura, Akira Iwasaki, Sohail Khalid, Kentaro Okamoto	Lionel Chocron, Chief Product Officer (*remote*)
Swirlds, Robert Migliorino, Arlan Harris (*remote*)	Jordan Fried, SVP, Global Business Development
Swisscom, Kamal Youseffi (*remote*)	Zenobia Godschalk, VP, Communications
Tata Communications, Ankur Jindal, Ahmad Khalil, Troy Reynolds	John Larre, VP, Finance
Worldpay, Nabil Manji	Tom Sylvester, Associate General Counsel
	Rachel Epstein, Corporate Counsel

Members Not Present:
All members were present.

Introductions, Governance Review & Old Business Brett M. in his capacity as Vice Chair per the Council appointment during the initial meeting of the Council, and serving as Chair for this meeting in the absence of an appointed Chair, welcomed the meeting attendees, gave a presentation that reviewed the Council's core governance structure, noted that Hedera's liability insurance policy had been previously circulated to Council Members per the action item assigned to the staff during the Seoul meeting, and presented the meeting agenda for approval. *Agenda approved* After being moved and seconded, the Council Members unanimously approved the agenda as presented. *Minutes approved* After being moved and seconded, the Council Members unanimously approved the meeting minutes of its February 19, 2019 meeting, noting these minutes will be published within the next thirty (30) days per the terms in the revised Hedera Hashgraph LLC agreement. A question was asked about whether there is a specific retention policy for meeting minutes. Natalie F. noted that they are subject to Hedera's standard retention policy, which is to keep them for seven years unless there is a reason to keep them for a longer period of time, while reminding everyone these meeting minutes will be published on the hedera.com public website within the next thirty (30) days.	***Brett McDowell*** *Executive Director & Vice Chair*
Executive Reports -- Strategy Mance H. discussed the strategy for the release of Hedera coins, which is to have a slow, steady release of coins from the Hedera Treasury over a fifteen-year period. The rationale is that the number of circulating coins will increase as use of the Hedera network increases (and thus more coins will become available as user demand for coins to use on the network grows). In addition, for the security of the network, less than one-third of the network's 50 billion coins	***Mance Harmon*** *CEO*

will be released until the fifth anniversary of the network launch. To maximize the security of the network while it scales, Mance H. was pleased to report that entities and individuals with significant coin holdings have agreed to this optimized distribution schedule even in instances where the personal consequences are that access to coins would be significantly delayed. The Council appreciated the point that we are all fortunate to be working with a group of founders and investors who put the security of the network ahead of all other interests.

Mance H. also discussed Hedera's participation in the Hyperledger Foundation. He gave a presentation clarifying the benefits to applications that take advantage of both the Hedera public network and Hyperledger private network capabilities. He detailed the initial tools Hedera engineers will be focused on. The first will be open source libraries that enable Hyperledger projects to use the Hedera network's services, bringing the speed, fairness and security of hashgraph consensus to any distributed application built with Hyperledger. The second is a new core service on the Hedera network that Hyperledger projects can leverage to order their disparate transactions, aptly named the transaction ordering service. Leemon B. answered questions about the transaction ordering service.

Mance H. and Leemon B. emphasized that these new engineering efforts at Hedera are just as valuable to similar permissioned network platforms and toolsets, and they are not exclusive to the Hyperledger platform.

Executive Reports -- Technology Leemon B. presented the technical capabilities and expected performance of the Beta version of the network available at Open Access, the time at which any person could create a Hedera account and use and build on the Hedera network. He discussed the community testing programs, testnets, and initial applications, including ones that utilize Hedera's smart contract service. He also discussed the role of patents in ensuring the Hedera network will not fork into competing platforms. He noted that currently we are aware of approximately 500 applications being built for the platform, and that the value of the Hedera network will come from that ecosystem of applications.	**Dr. Leemon Baird** *Co-founder & Chief Scientist*
Executive Reports – Product Pricing Plan Proposal Lionel C. presented the proposed plan for determining prices for Hedera network services. The Council Members discussed pros and cons of different approaches, including whether to show prices in USD or in hbars. Brett M. clarified that the Council Members will not be asked to approve specific fee levels, but to approve the process that will be used to produce the price list for the various network services. He further clarified that the Pricing Committee will be authorized by the Council to work with management to find and maintain an optimal implementation of this approved process, which is understood to include robust, yet nimble execution so that Hedera management is empowered to respond quickly to potential changes in the environment, as appropriate. *Pricing Plan approved* After being moved and seconded, the Council Members unanimously approved the Pricing Plan presented by Lionel C.	**Lionel Chocron** *Chief Product Officer*
Executive Reports – Business Development Jordan F. provided an update on Council Member recruitment, discussions with exchanges that Hedera staff view as focused on compliance, and application use case workshops with enterprises to better prepare them to deploy their distributed applications once the Hedera network is available for Open Access.	**Jordan Fried** *SVP, Global Business Development*
Executive Reports – Marketing	**Zenobia Godschalk** *VP, Communications*

Zenobia G. presented an update on media coverage, social network activity, website traffic, and developer engagement efforts.	
Executive Reports – Budget John L. provided an update on Hedera's budget, including Q1 actuals and the forecast for the rest of 2019. He highlighted how management has found operational efficiencies since the Seoul meeting resulting in a non-trivial reduction in recurring operating costs. He also mentioned the company is only actively hiring in two areas at this time; engineering and compliance, though that is subject to change after Open Access. He also noted that EY is going to be engaged to provide Hedera with an audit readiness review for 2019.	*John Larre* *VP of Finance*
Executive Reports – Legal & Regulatory Natalie F. discussed Hedera's approach to legal and compliance matters, which is rooted in the idea that compliance, trust, accountability are critical for mass adoption of distributed ledger technology, and that Hedera's goal is to be the standard bearer for how DLT networks approach regulatory compliance. She noted, though, that current laws and regulations often do not map easily onto DLT. Where laws and regulations are clear, she noted that Hedera will take necessary steps to comply with them, and in areas where there is a lack of clarity Hedera's approach is to be transparent with regulators and deliberate about what Hedera is doing with a view to minimizing risk and building long-term value. She noted that DLT projects face a challenging environment, as regulatory guidance often lags the technology and yet noted that many projects are moving forward. She emphasized the importance of working with regulators and educating them on DLT, and that Hedera's objective is to be in discussions and on their radar as a good and responsible player, even though regulatory clarity on certain matters remains unlikely. Natalie F. noted that these issues are not specific to Hedera, but are faced by all DLT platforms and that, to Hedera's knowledge, there have not been any significant enforcement actions against "base layer" platforms like the Hedera platform. She said that while Hedera management believes that Hedera is, from a regulatory perspective, at least as well-positioned as similar platforms and better positioned than others, it is still important to recognize that the regulatory environment for DLT platforms is difficult. Hedera's approach is to be open and engage with regulators—including through increasing involvement in industry-wide efforts to educate regulators about DLT—rather than try to skirt regulation or fly under the radar. Natalie F. discussed specific regulatory developments since the Council's February meeting, including the SEC's framework, FinCEN guidance, OFAC guidance, and FATF developments. She noted that Hedera is taking steps to respond to such guidance, such as seeking to amend Hedera's Simple Agreements for Future Tokens (SAFTs) to amend the release schedule of coins under the SAFTs. She also stated that Hedera is accelerating its search for a compliance officer or director and will have an initial sanctions compliance framework in place prior to Open Access. Natalie F. presented the outlines of a Related Transactions Policy for the Council, which will be developed further by the Legal & Regulatory Committee and then brought to the Council for approval. Natalie F. described the challenges of the insurance market for DLT businesses and that the staff will continue to evaluate options to supplement existing coverage.	*Natalie Furman* *General Counsel*
Committee Charter Review & Co-Chair Elections Brett M. introduced the process for approving Committee charters, selecting Committee co-chairs, and populating the committees.	*Brett McDowell* *Executive Director &* *Vice Chair*

Approval of Technical Steering & Product Committee charter After being moved and seconded, the Council Members unanimously approved the charter for the Technical Steering & Product Committee. Leemon B. was named the committee's initial chair, and Council Members registered their interest in participating on the committee.	*Technical Steering & Product (Leemon B.)*
Approval of Pricing Committee charter After being moved and seconded, the Council Members unanimously approved the charter for the Pricing Committee. Lionel C. was named the committee's initial chair, and Council Members registered their interest in participating on the committee.	*Pricing (Lionel C.)*
Approval of Membership Committee charter After being moved and seconded, the Council Members unanimously approved the charter for the Membership Committee. Brett M. was named the committee's initial chair, and Council Members registered their interest in participating on the committee.	*Membership (Brett M.)*
Approval of Finance Committee charter After being moved and seconded, the Council Members unanimously approved the Finance Committee charter. John L. was named the committee's initial chair, and Council Members registered their interest in participating on the committee.	*Finance (John L.)*
Approval of Legal & Regulatory charter After being moved and seconded, the Council Members unanimously approved the charter for the Legal & Regulatory Committee. Natalie F. was named the committee's initial chair, and Council Members registered their interest in participating on the committee.	*Legal & Regulatory (Natalie F.)*
Approval of Marketing Committee charter The Council discussed whether the Marketing Committee's scope should be expanded to include developer outreach rather than "pure" marketing, but after further discussion determined that it was better to keep the committee's scope as more directly focused on marketing and develop a new committee charter that would focus on developer outreach scope of work with Jordan F. as the executive co-chair. After being moved and seconded, the Council Members unanimously approved the charter for the Marketing Committee. Christian H. was named as the committee's initial chair, and Council Members agreed to consider who at their respective companies might be suitable delegates for the Marketing Committee. Brett M. noted that Council Members had provided feedback on the draft charter for a proposed Audit Committee, and that the charter would be further developed before presenting it to the Council Members for approval. Brett M. discussed the plan to hold elections for committee co-chairs at the Council's next quarterly meeting.	*Marketing (Christian H.)*
Enterprise Roundtable Jordan F. and Lionel C. led the Council Members in a discussion of meaningful use cases being collected from our community of over 500 application developers and other ecosystem development activities, including: - Public identity provider services (proof/vet) - Credential management - Key escrow/key management - Digital asset custody - Consensus as a service - Tokenization platform - Transaction validation - Interoperability between Hyperledger and Hedera - Content rights management - DRM in aviation - Certification management	***Jordan Fried*** *SVP, Global Business Development* ***Lionel Chocron*** *Chief Product Officer*

Simon O. noted that internal hackathons provide an environment and opportunity for company developers to create their own use cases, applying the technology to problems that they are working to solve. He described how this approach was used by Magazine Luiza, and could be used by others, to enable and empower company developers to identify compelling use cases for the company.	
Treasury Management & Secure Distribution Plan *Following that, the primary topic will be on "Council Tools" and our plan for helping Council members use those tools securely and confidently.* Leemon B. discussed how coins will be released from Hedera Treasury and suggested that Council Members review his May 9th webinar on the coin distribution plan. Leemon B. noted that, to move hbars out of the Hedera Treasury account, more than two-thirds of the Council Members would need to authorize such transaction through their respective private keys. He also discussed how Hedera will be able to remove illegal content from the network. A member suggested that, even if Council Members will rarely need to approve transactions, it would be prudent to run test transactions on a periodic basis to ensure Council Members have a high degree of predictable readiness to sign transactions if needed to minimize the risk of delays if the Council needed to act quickly only to find that certain Council Members had a low level of operational readiness.	***Dr. Leemon Baird*** *Co-founder & Chief Scientist*
Making Council Recruiting (and Node Deployment) Easier *Some Council members (and prospective members) have shared details regarding their internal costs and/or other challenges with deploying nodes in compliance with our existing guidance, per the LLC agreement addendum.* Jordan F. asked Council Members what Hedera could do to make it easier for companies to join the Council. With respect to node deployment, ideas discussed included the use of cloud services and co-location facilities, explaining that the node will run separately from the rest of the company's network, having Hedera initially set up the node and charge the company for doing so, guidance for companies on how to capture the node from an accounting perspective, providing a clear business case for participation, and providing cost and developer resource estimates for setting up a node. The Council Members discussed the pros and cons of having a not-for-profit foundation structure versus a limited liability company structure, and how Hedera could develop FAQs that explain how it's functionally a not-for-profit entity, even though it wasn't formed as a not-for-profit corporation.	***Jordan Fried*** *SVP, Global Business Development*
Any Other Business Simon O. shared valuable observations about the role corporate culture plays in the short- and long-term success of a business. After asking the question, "What can we do at this early stage to prevent ourselves from succumbing to the temptations that have plagued some other successful technology companies?", he shared anecdotal evidence of constructive cultures vs. destructive cultures and how a great culture, if not carefully tended, can turn toxic over time as the business scales. Jordan F. shared his anecdotes about the very positive corporate culture he observed when visiting the offices of Magazine Luiza making the point that Simon O. had a lot of insight to share on this topic. The Council Members agreed to the importance of consciously thinking about how to ensure Hedera maintains its core values of integrity ("We are truthful, trustworthy, and positive"), ethics ("We do the right thing"), and service ("We make the world a better place"), and what Hedera could do to build and sustain a culture and a technological platform that serves those values. Brett M. agreed to setup a task force to research best practices on corporate culture, to be led by Hedera's human resources leadership and took volunteers from Council to work on this important area.	***Brett McDowell*** *Executive Director & Vice Chair*

Participating Organizations Plan Brett M. discussed the concept for a Participating Organizations Program, which would allow companies that are not suitable candidates for Council membership to participate in and contribute to the Hedera network. After discussing the proposed program qualification criteria, the Council Members were in full agreement to postpone the general Participating Organizations Program in the near term, and to instead focus efforts on Council Member recruitment noting certain niche sectors could be engaged in the meantime through one-off "advisory board" structures if we see immediate value to the Council and clear conflicts of interest with formal LLC membership, e.g. large auditing firms.	***Brett McDowell*** *Executive Director &* *Vice Chair*
Updating the LLC Agreement Tom S. provided copies of proposed revisions to Hedera's LLC agreement, and reviewed the proposed changes, which generally extended notice periods for meetings to ensure Council Members would have sufficient notice of meetings and time to discuss actions put to them for approval. *Approval of amended LLC Agreement* After being moved and seconded, the Council Members unanimously voted to approve the adoption of the amended LLC agreement to take effect in one month's time. *Publication of the amended LLC Agreement* Brett M. proposed the new LLC agreement be published on the hedera.com website. After further discussion, there was general agreement to the proposal, with a few concerns expressed, and that management agreed to pursue answers to a few open questions and report back to the Council with a final plan regarding publication.	***Tom Sylvester*** *Associate General* *Counsel*
Planning the next Council Meetings The Council Members agreed to plan for a Q3 meeting in Europe and a Q4 meeting in South America. Members volunteered to host the remaining Council meetings of 2019. Brett M. took the action to coordinate with the hosts to decide the specific locations and dates, reporting back to the Council via their mailing list.	***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. The Council Members requested that the General Counsel join to discuss certain regulatory matters. There was nothing specific to report into the minutes from the Executive Session. After the executive session, the meeting was adjourned.	***Council Member*** ***Volunteer***