Hedera Council Meeting Minutes

Date: December 11, 2019
Time: 15:00-19:00 UTC
Location: Teleconference (Zoom)

Attendees:

Boeing, Brian Jeffords, Brien Hansen	*Hedera Officers/Staff*
Deutsche Telekom, Friedrich Kurz	Mance Harmon, CEO
DLA Piper, Scott Thiel	Dr. Leemon Baird, Chief Scientist
IBM, Bryan Gross	Brett McDowell, Executive Director & Vice Chair
Magazine Luiza, Simon Olson	Natale Furman, General Counsel
Nomura, Akira Iwasaki, Kentaro Okamoto	Lionel Chocron, Chief Product Officer
Swirlds, Leemon Baird	Christian Hasker, Chief Marketing Officer
Swisscom, Kamal Youseffi	Jordan Fried, SVP, Business Development
Tata Communications, Ankur Jindal, Troy Reynolds	Nigel Clark, SVP, Industries & Partners
FIS Global, Nabil Manji	Zenobia Godschalk, SVP, Corporate Communications
	Tom Sylvester, Associate General Counsel
Members Not Present:	Rachel Epstein, Corporate Counsel
All members were present.	

Call to Order and Approve Meeting Agenda and Meeting Minutes Brett M. called the meeting to order and reviewed the agenda that had been previously circulated. *Agenda approved* After being moved and seconded, the Council Members unanimously approved the agenda as presented. *Q3 London Council Meeting Minutes Approved* After being moved and seconded, the Council Members unanimously approved the Q3 London Council meeting minutes, as amended by the Secretary, to be published on the website within the next thirty days. *October 10th Teleconference Council Meeting Minutes Approved* After being moved and seconded, the Council Members unanimously approved the October 10th teleconference Council meeting minutes, as amended by the Secretary, to be published on the website within the next thirty days.	**Brett McDowell** Executive Director & Vice Chair **Natalie Furman** General Counsel
Executive Report Mance H. reviewed the timeline of Hedera, highlighting milestones for the company. In 2017, Swirlds began fundraising efforts to start Hedera. In 2018, Hedera continued fundraising. Hedera published its whitepaper, and publicly announced itself in March 2018. Other highlights of 2018 included the launch of the Hedera mainnet, a developer conference, and the first global Hedera hackathon. In 2019, the Council was officially formed and had its first Council meeting, in Seoul. The network opened for public account creation ("Open Access") on September 16, 2019, with 26 dapps running on the network, and has logged twenty million transactions since	**Mance Harmon** Co-Founder & CEO

then. Mance H. went on to discuss some of the challenges faced by Hedera, such as the effort required to integrate with ecosystem partners and how to effectively utilize limited resources.

In 2020, Hedera will focus on the Hedera Consensus Service (HCS) and target both startups and enterprises. HCS is expected to provide value to the market, as evidenced by companies already using the cryptocurrency service to mimic some of the functionality that will be offered via HCS. Mance H. also discussed the need for realignment of resources in the upcoming year.

Council members were shown the 2020 management dashboard, with key performance indicators for utilization, reliability, membership, finance, and culture. Mance H. briefed the Council on the company's current cash balance, Treasury report, budget and actuals for Q3 2019, and the 2020 budget. He described the possible future sales of hbars, Natalie F. explained potential regulatory approaches, and Council members discussed.

Network Utilization Incentive Strategy (Workshop) Christian H. introduced the Hedera Boost program, which builds on pre-Open Access incentive programs and will provide mentorship, marketing promotion, technical resources and hbars to application developers. Hedera Boost aims to provide support for dapp development on the Hedera platform and plans are to ramp up in 2020 with a global virtual hackathon. Jordan F. and Bryan G. presented the progress made in the Network Utilization & Growth Committee (GrowCom) on developing a fit-for-purpose incentive program to accelerate the adoption of the Hedera network. Jordan F. explained Hedera's key business differentiators, including its governance model, HCS, and coin economics, which can be used to foster network growth. In terms of market segmentation, Hedera prioritizes both enterprises and startups, but they have different requirements. Bryan G. discussed the unique resources available to Hedera, such as the Treasury, Council, and highly scalable technology, as well as potential programs to reward dapps that drive network usage, based on objective standards. Council members discussed draft incentive tenets for evaluating future proposals, the pros and cons of programs that reward developers who deploy applications on the network, how such programs compare to venture capitalist funding models, and the importance of identifying any barriers to developers building their apps on, or moving their apps to, the Hedera platform.	**Christian Hasker** Chief Marketing Officer **Jordan Fried** SVP, Business Development **Bryan Gross** IBM Delegate
2020 Platform Features Leemon B. presented an overview of enhancements and features currently expected for the Hedera network in 2020, including HCS, full mirror nodes, and state proofs. Potential use cases could include audit records, provenance, legal interactions, asset tokenization, asset token trading and games with high throughput and low cost. Finally, Leemon B. also described "connect," "reconnect," and "update" features.	**Dr. Leemon Baird** Co-Founder & Chief Scientist
2020 Platform Roadmap & Market Validation Lionel C. reported on the product roadmap for Hedera 2020, including the work that has been done to validate market demand and prioritization. Lionel C. focused on two key trends in HCS market validation: (1) private network ordering and interoperability, and (2) public audit log of private transactions. The company is educating the market, but also witnessing the market's desire for this service. Lionel C. discussed as examples applications running on Hedera focused on online advertising transparency and auditing, data provenance and secure auditing in pharmaceuticals, Nigel C. discussed examples of enterprises working with Hedera in order to utilize HCS to achieve network interoperability for supply chain partners using different platforms, and transaction ordering and message ordering in the realm of certifying product provenance.	**Lionel Chocron** Chief Product Officer
Council Membership (Workshop) Jordan F. presented the list of companies currently engaged in serious discussions about joining the Council in 2020, as well as successes and challenges in Council recruitment.	**Jordan Fried** SVP, Business Development

The Council discussed how to help companies identify use cases, such as through internal hackathons, as well as how to balance the importance of Council recruitment with the importance of attracting developers to the Hedera network. Jordan F. thanked the Council members for their introductions and involvement in recruitment efforts.

Token Economics & SAFT Holder Relations In addressing post-Open Access input from some SAFT holders, the Council began by discussing specific SAFT holder recommendations sent to the Council, including developing channels to allow SAFT holders to provide feedback to the Council, engaging third parties to help educate the market about Hedera, and creating developer metrics. The Council discussed but decided against creating a specific observer role on the Council to be filled by a SAFT holder, but expressed support for channels of feedback from the community to the Council. Council members also expressed support for management's approach and noted the importance of managing various risks. Mance H. presented the findings from the Prysm Group's review of Hedera's coin economics model. He said the Prysm Group study validated Hedera's fundamental coin economic plan and that no immediate changes to Hedera's coin economics model were required. He also said that Hedera would seek to implement some of the Prysm Group's recommendations, including further prioritizing initiatives to drive network usage. Mance H. also noted that the Prysm Group advised against "burning" coins or accelerating the release of hbars. Mance H. then briefed the Council members on the plan that the Board of Managers approved regarding a proposal to be made to Hedera's SAFT holders. Hedera will offer all its SAFT holders a choice to either (a) keep their current SAFT agreement or (b) exchange their SAFT for a new SAFT agreement whereby they would receive (i) the remaining coins from their original SAFT but extend the coin distribution schedule by twenty-five percent and (ii) additional distributions of coins over time as the network matures and use increases, until the value of those distributions equals the principal amount of their SAFT investment. The total amount allocated across all SAFT holders that participate in the proposed plan would be 10% of the hbars that Hedera sells (whether the sales are of hbars from treasury or sales of hbars received as transaction fees from network usage), Those coins would be distributed to the participating SAFT holders pro rata based on and capped at the amount invested. The proposal would be open to all SAFT holders so as to not disadvantage any particular class, which is also aligned with the recommendations from the Prysm Group's report. It was noted that many factors were taken into consideration to create a fair proposal. Natalie F. updated the Council on Hedera's discussions with regulators.	**Mance Harmon** Co-Founder & CEO
Governance Actions: Elections, New Policy & 2020 Schedule Brett M. asked the Council members about the number of in-person Council meetings and suggested having two out of the four Council meetings as teleconferences. The members discussed, and there was an overall strong desire to keep in-person Council meetings as it is important for building relationships, especially as the Council grows. Brett M. said that he would email the members with proposed dates and locations for the Q1 2020 Council meeting, which will likely be around mid-February. Lastly, Brett M. announced the member nominees for the 2020-2021 Board of Managers. He reminded the Council that there are four seats to fill, each with a two-year term. The Board election ballot would be sent by email and voting would occur digitally.	**Brett McDowell** Executive Director & Vice Chair
The meeting was adjourned.	