

Hedera Council Meeting Minutes

Date: September 14, 2021

Time: 9:00 – 11:00am ET

Location: Teleconference

Attendees:

Hedera Officers/Staff:

Avery Dennison: Max Winograd, Pradeep Iyer
Boeing: Brian Jeffords, Brien Hansen
Chainlink: David Post, William Herkelrath
Dentons: Zhihao Loy
Deutsche Telekom: Alexander Manecke, Dirk Thatmann
DLA Piper: Scott Thiel, Andrew Gastwirth
EDF: Gilles Deleuz, Heidi von Korff
eftpos Australia: Ben Tabell
FIS/Worldpay: Micah Kershner, Che Cabrerros, Nabil Manji
Google: Simonas Baksys
IBM: Anthony Day
London School of Economics: Thamim Ahmed, Carsten Sorensen
Magazine Luiza: Simon Olson
Nomura: Akira Iwasaki, Yu Ori
Shinhan Bank: Do Hyung (Andrew) Kim, Daseob Lee
Standard Bank: Ian Putter, Gideon Rossouw
Swirls: Bill Miller, Arlan Harris
Tata Communications: Troy Reynolds
University College London: Paolo Tasca, Nikhil Vadgama, Juan Ignacio Ibanez
Zain: Malek Hammoud, Richard MacNamara

Mance Harmon, CEO
Dr. Leemon Baird, Chief Scientist
Young Cho, CFO
Brett McDowell, Executive Director
Natale Furman, General Counsel
Lionel Chocron, Chief Product Officer
Christian Hasker, Chief Marketing Officer
Zenobia Godschalk, SVP, Corporate Communications
Samuel Brylski, Chief Compliance Officer & Reg. Counsel
Tom Sylvester, Assoc. General Counsel & Secretary
Rachel Epstein, Corporate Counsel
Atul Mahamuni, SVP of Products
Rachel Epstein, Corporate Counsel
Azeem Malik, VP, Global Business Development
Wes Geisenberger, Dir. of Business Dev. Americas
Alex Popowycz, VP, Information Systems & Security
Josh Planton, VTM Group

Members Not Present

LG Electronics
Wipro

Summary of actions taken at meeting

- Minutes approved. Council Members approved the minutes from the Council meeting held on July 14, 2021.

Call to Order & Introductions

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

Brett M. McDowell
Executive Director

After being moved and seconded, the Council Members unanimously approved the agenda as presented for the meeting. Brett welcomed new members and allowed them a few minutes to introduce themselves.

Secretary Report

Tom S. noted that the description of Council Members' allocation of \$2 billion worth of hbars for ecosystem development in the July meeting minutes was updated to include the corresponding number of hbars, which was 10.7 billion hbars. This update was made to avoid any confusion as the USD value of such allocation will fluctuate with changes in the USD/hbar exchange rate. After being moved and seconded, the Council Members unanimously approved the minutes from the Council meeting held on July 14, 2021.

Tom Sylvester
Secretary & Assoc. General Counsel

CEO Update

Mance H. reported to the Council that network adoption remains the Council's focus, with the announcement of the 10.7 billion hbar grant for ecosystem development to the independent HBAR Foundation scheduled for September 16, 2021.

Mance Harmon
CEO

Mance also reported that Hedera staff and Board are developing a decentralization milestone list which will prioritize steps to further decentralize the Hedera network. As part of such continuing decentralization, Mance noted that Hedera staff and the Board are considering various options.

CFO Update

Young C. summarized the terms of the expected 5.35 billion hbar grant to the HBAR Foundation, which is expected to be structured as a transfer of a large initial lump sum of hbars, followed by quarterly distributions of 7.5% of the total allocation over the next two years. In addition to the hbar distribution, Hedera expects to provide the HBAR Foundation with a \$29,000,000 loan.

Young Cho
CFO

Scott T. will serve as a non-voting observer on the Foundation's, and Lionel C. will serve as a non-voting observer on the Foundation's grant committee. It is also expected that Hedera's existing ecosystem grant agreements will be assigned to the Foundation.

CMO Update

Christian H. summarized planned marketing activities around the announcement of the Foundation and the two-year anniversary of the Hedera network being opened for public use. In addition, Hedera will also be announcing the launch of HCS service 2.0 and launching an HBAR treasury reporting page, which will provide an updated HBAR reporting methodology and information on allocations and distributions.

Christian Hasker
CMO

Committee Reports

TechCom

Dr. Leemon B. summarized the TechCom discussions and approvals since the last Council meeting. An updated format of the Hedera Technical Roadmap was unveiled, and Leemon reviewed various features which have been implemented or will be added over the next year (e.g., Non-Fungible Tokens (NFTs), Flexible Token Association, Custom Fees).

Dr. Leemon Baird
Chief Scientist

New network features are being managed through the Hedera Improvement Program (HIP), which TechCom reviews and approves. The technical roadmap features are being prioritized by their importance towards furthering decentralization of the network and market demand. As new network features are added, TechCom continues to monitor the network's TPS speed and end-to-end latency to avoid any performance issues.

Dr. Leemon B. highlighted that the Reconnect feature for Hedera network nodes was used this past month to bring a node back online after a data center failure. The process worked as expected, and once final testing is done at the next maintenance window in October, it is expected that the Reconnect feature will allow authorized nodes to automatically rejoin the network if they are taken down or fall offline.

TechCom has also been reviewing staking and node rewards on the network in conjunction with input from RegCom on regulatory considerations. Leemon also emphasized the importance of having all Council members set up and manage their permanent nodes.

CoinCom

Dr. Leemon B. presented CoinCom's recommended pricing plan updates and Treasury Management Report methodology, including the delegation of responsibilities for managing the report going forward. CoinCom is also discussing the strategy for token economics of staking and the price structure.

Dr. Leemon Baird
Chief Scientist

RegCom

Natalie F. presented on RegCom's work in analyzing Hedera's regulatory posture and approach, based on feedback from the Council Members, evolution of the Hedera network and ecosystem, and the current regulatory environment. The analysis includes a review of the ongoing development of the project, as well as the potential regulatory impact of further developments, changes or activities.

Natale Furman
General Counsel

In addition to RegCom, the Hedera legal department, executive team, and Board are also reviewing the potential business and regulatory impacts of certain milestones and activities. While Hedera believes it has a strong regulatory position, the continued growth and decentralization of the Hedera network and operations continue to further strengthen that position and reduce risk. The regulatory and business assessment process is intended to result in a prioritization of milestones or next steps to be considered, to further accelerate growth of the project. She also noted that while public attention is often focused on securities laws, Hedera's regulatory assessment focuses as well on other regulatory regimes including commodities laws and sanctions laws.

Natalie discussed the importance of Council Member involvement and education, and noted that she will be looking to schedule briefings with Hedera Council Members who are interested in order to answer questions or discuss input they may have about Hedera's regulatory posture.

Natalie and Mance summarized the next steps in the milestone prioritization and assessment exercise and encouraged continued participation from Council members in the process.

Network Utilization

Hedera Enterprise Alliance Report

Brett M. recapped the last workshop of the Hedera Enterprise Alliance (HEA). The two-hour event had 54 participants and representation from 15 Council members and 20 HEA contributors.

Brett M. McDowell
Executive Director

Gideon R. from Standard Bank, who gave a presentation to the HEA, noted that appreciated the feedback from HEA participants. Standard Bank is following up with potential partners and would welcome any feedback from US-based participants who were not able to make the workshop due to its timing.

Grant Program Report

Azeem M. reviewed the status of the current Hedera ecosystem grant program. Of the 96 approved grants, about 13% of hbars allocated to such grants have been distributed. He noted that more recently approved grants tend to be larger in size and rely on a longer-term incentive structure and distribution schedule. Mance H. added that the ecosystem grant program is being transferred to the HBAR Foundation. After such transition, grant assessment and reporting will be managed by the Foundation.

Azeem Malik
*VP, Global
Business
Development*

"ESG" Use Case

Wes G. presented a proposal for a Hedera network use case initiative for Council members to measure their emissions using carbon emission tokens and offsetting their emissions through buying community-developed carbon offset/removal tokens. The program would offer 100% traceability on the Hedera network and utilize sensors to deliver accurate field readings that would cover the entire supply chain for monitored goods. Given the unique position of the Hedera Council and its members, the program could strengthen the position of the Hedera network in the ESG/Sustainability market.

Wes Geisenberger
*Director of
Business
Development,
Americas*

Wes G. explained current feasibility issues and regulatory challenges in the carbon offsets market and went on to explain how the Hedera network might be used to help overcome those inefficiencies through automatic work flows or digital monitoring, reporting, and verification processes that could be translated into auditable reports that meet the requirements outlined in the Paris Climate Accords.

Wes explained that outside businesses would build and package the solutions, and that Council members could participate in using and promoting those solutions. The Council members discussed the program, and how ESG departments from different Council members could collaborate on the use case, discuss potential security concerns, and help standardize the program.

Proposed Incentives for Council Members

Brett M. reminded Council members that, as node operators, they can collect revenue off the fees they receive for operating Hedera network nodes. He also reviewed other incentives for Council members to utilize the network, including ecosystem grants and ESG programs as described by Wes.

Brett M. McDowell
Executive Director

Brett suggested that Council members share best practices they discover through their own deployment experiences to assist other Council members as they implement their own use cases.

The meeting was adjourned

Actions taken or ratified by the Hedera Council by written consent (July 15, 2021 – Sep. 14, 2021)

None.