HEDERA HASHGRAPH, LLC

Offer to Exchange Outstanding SAFTs for New SAFTs
March 17, 2020

The offer and withdrawal rights expire at 5:00 p.m., Eastern Time, on April 13, 2020 unless we extend the offer.

Hedera Hashgraph, LLC ("***Hedera***", the "***Company***," "***we***" or "***us***") is offering all holders of record of each series of its Simple Agreements for Future Tokens (each, a "***SAFT***") the opportunity to exchange outstanding SAFTs for a new form of SAFT. We are making this offer upon the terms and conditions described in this Offer to Exchange and the related Election Form and Notice to Withdraw from the Offer (which together, as they may be amended from time to time, constitute the "***Offer***" or "***Program***"). The Offer will expire at 5:00 p.m., Eastern Time, on April 13, 2020, the date that is twenty (20) business days after the date of this Offer to Exchange, unless we extend the Offer. If you choose to accept the Offer, you will tender your original SAFT(s) to us in exchange for the new SAFT. All tendered SAFTs accepted by us through the Offer will be canceled.

You are eligible to participate if you are the holder of record of any Series 1, Series 2, Series 3A or Series 3B SAFTs.

Even if you are eligible to participate, you are not required to accept the Offer. If you hold more than one SAFT, you are not required to make the same decision for each SAFT. If you choose to accept the Offer, then you may return for exchange any or all of your eligible SAFTs. If you decide to return for exchange one or more of your SAFTs, then you must return for exchange the entire unvested portion of each SAFT you want to exchange. We will not accept partial tenders of a SAFT. Any SAFT that you do not return for exchange or that is not accepted by us for exchange will remain outstanding, and you will continue to hold such SAFT in accordance with its terms.

The Offer is currently scheduled to expire at 5:00 p.m., Eastern Time, on April 13, 2020, and we expect to cancel tendered SAFTs that are accepted for exchange promptly thereafter. If you elect to participate in the Offer, you will receive a confirmation of the cancellation of your tendered SAFT(s) promptly after the cancellation date.

Subject to the terms and conditions of this Offer, we will issue the new SAFTs as soon as practicable after the cancellation date. Assuming we do not extend the expiration date of the Offer, we presently expect to issue new SAFTs on or around April 15, 2020.

There is no resale market for the SAFTs issued as part of this Offer.

The number of units of the network's hbar cryptocurrency (referred to as an "***hbar***" or "***coin***") to be distributed under each new SAFT granted to an eligible SAFT holder will equal (i) the number of unvested hbars remaining under the SAFT tendered by the SAFT holder and accepted for exchange (i.e., the remaining portion of the original SAFT), plus (ii) quarterly allocations of hbars equal, in the aggregate, to the U.S. dollar value of the initial SAFT principal, as described in more detail in this Offer.

This Offer is not conditioned on a minimum number of SAFTs being tendered. Participation in the Offer is completely voluntary. The Offer is subject to the conditions that we describe in this Offer to Exchange. We will notify you of any material change in the information contained in this Offer to Exchange. We may make such notification by email to the email address of record associated with your SAFT.

Although our Board of Managers has approved the Offer, neither Hedera nor our Board of Managers makes any recommendation as to whether you should tender or not tender your SAFT(s) for exchange. You must make your own decision whether or not to tender your eligible SAFT(s).

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved this Offer nor passed upon the accuracy or adequacy of the information contained in this Offer. Any representation to the contrary is a criminal offense.

You should carefully review all materials presented in this Offer, including the Risk Factors presented in Section G. Your decision to participate or not participate in this Offer may have tax implications that vary based on your individual circumstances, and you should pursue your own legal, financial and tax advice before deciding whether to participate in the Offer.

If you have any additional questions about any of the materials contained in the Offer, please reach out to saft@hedera.com. We will reply as soon as practicable but cannot guarantee a timely or detailed response. Lack of a response to your question will not constitute grounds to extend the offer period, which will not be done on an individual basis.

IMPORTANT

If you wish to tender your SAFT(s) for exchange, you must complete and sign the Election Form in accordance with its instructions. If you have any questions or requests for additional copies of this Offer, the Election Form, the Notice to Withdraw from the Offer and any other documents to which we have referred you (which documents will be provided at no cost), you may contact us via email at saft@hedera.com.

We are not making the Offer to, and we will not accept any tender of SAFTs from or on behalf of, SAFT holders in any jurisdiction in which the Offer or the acceptance of any tender of SAFTs would not be in compliance with the laws of that jurisdiction. However, we may, at our discretion, take any actions necessary for us to make the Offer to SAFT holders in any of these jurisdictions.

We have not authorized any person to make any recommendation on our behalf as to whether you should tender or not tender your eligible SAFTs through the Offer. You should rely only on the information in this document or to which we have referred you. We have not authorized anyone to give you any information or to make any representation in connection with the Offer other than the information and representations contained in this Offer, dated March 17, 2020 and in the Election Form and the Notice to Withdraw from the Offer. If anyone makes any recommendation or representation to you or gives you any information, you must not rely upon that recommendation, representation or information as having been authorized by us.

Statements in this document relating to Hedera's future plans, expectations, beliefs, intentions and prospects, including statements regarding its current and future operating expenses and any financial projections, are "forward-looking statements" and are subject to material risks and uncertainties. While they are all made in good faith, no assurance can be made that any or all of the events in such forward-looking statements will occur, and you should not place undue reliance upon them.

THE OFFER

The following sections contain answers to some of the questions that you may have about the Offer.

A. Description of the Offer and Eligibility

General

1. What is Hedera offering to do in this exchange?

We are offering to exchange all outstanding SAFTs to the extent they have not vested. Portions of SAFTs that have already vested will be unaffected by the Offer, regardless of whether you accept the Offer. A statement of SAFTs you hold that are eligible for exchange has been provided to you via a separate email. If you have any questions about which SAFTs are eligible, please email us at saft@hedera.com.

Eligibility

2. Who is eligible to participate in the Offer?

All SAFT holders of record are eligible to participate in the Offer.

3. Are there any eligibility requirements that I must satisfy between the expiration date of the Offer and receipt of the new SAFT(s)?

Yes. In order to receive new SAFTs, you must not transfer or attempt to transfer any interest in the SAFT. If, for any reason, you do not retain all of your interest in your SAFT(s), you will not receive any new SAFT(s) or other compensation in exchange for your tendered SAFT(s) that have been canceled. In addition, this Offer is not being made in any state or other jurisdiction where the Offer or sale of SAFTs or hbars is not permitted.

Purpose of the Offer

4. Why is Hedera making the Offer?

We believe that issuing new SAFTs and amending the SAFT release schedules will help incentivize SAFT holders – many of whom are also developers and/or otherwise involved in the broader DLT ecosystem – to continue supporting further growth and development of the Hedera network, while further slowing the release of coins (which is contractually set) during this period of early adoption. The Offer also provides an opportunity for us to reward our SAFT holders for their early support and provide a valuable incentive to continue to engage with the Hedera community and network ecosystem. The decision to make the Offer was informed, in part, by a report provided by the Prysm Group, dated November 20, 2019, which indicated that delaying SAFT release schedules would be beneficial to the network economics by further aligning coin release to initial adoption. By making this Offer to exchange outstanding SAFTs for new SAFTs with slower release schedules and a return of additional hbars based on the pace of network adoption, we intend to create better network incentives and maximize SAFT holder and developer engagement.

5. *Does the Hedera Board of Managers recommend that I take the offer?*

Although our Board of Managers (the "***Board***") has approved the offer, it makes no recommendation as to whether you should tender or not tender your SAFTs. You must make your own decision whether or not to tender SAFTs. For questions regarding tax implications or other investment-related questions, you should talk to your own accountant and/or tax or financial advisor.

B. Terms and Conditions of the Offer and Consequences of Participating in the Offer

Terms of the Offer

6. What will I receive if I exchange my current SAFT?

We will issue you a new SAFT on or about April 15, 2020 that corresponds to your current SAFT of record as indicated by the table below, provided that you do not transfer any interest in your current SAFT prior to such date.

Table 1. Allocation and Vesting Summary and Comparison

SAFT Tendered		SAFT Received	
Name	Allocation and Vesting Schedule (as amended)	Name	Allocation and Vesting Schedule
SAFT 1	<u>Total schedule</u> 100% of hbar allocation over 1 week + 48 months 2% distributed over first week after Open Access; 98% over following 48 months. <u>Amount remaining</u> (as of close of Offer) 85.75% unvested to be released over remaining 42 months	**SAFT 1N**	Extended schedule for original allocation (measured from Open Access): 1 week + 60 months You will receive the remaining 85.75% of your original hbar allocation over the remaining 54 months of the extended schedule **PLUS** Additional hbars distributed over an unknown period until the cumulative value of those additional distributions equals your original SAFT purchase amount (in USD)
SAFT 2	<u>Total schedule</u> 100% of hbar allocation over 1 week + 36 months 10% distributed over first week after Open Access; 90% over following 36 months. <u>Amount remaining</u> (as of close of Offer) 75% unvested to be released over remaining 30 months, as of the close of the Offer	**SAFT 2N**	Extended schedule for original allocation (measured from Open Access): 1 week +45 months You will receive the remaining 75% of your original hbar allocation over the remaining 39 months of the extended schedule **PLUS** Additional hbars distributed over an unknown period until the cumulative value of those additional distributions equals your original SAFT purchase amount (in USD)

Name	Allocation and Vesting Schedule (as amended)	Name	Allocation and Vesting Schedule
SAFT 3A	Total schedule 100% of hbar allocation over 8 months 20% distributed at Open Access; 10% distributed each month for following 8 months Amount remaining (as of close of Offer) 20% unvested to be released over remaining 2 month, as of the close of the Offer	**SAFT 3AN**	Extended schedule for original allocation (measured from Open Access): 10 months You will receive the remaining 20% of your original hbar allocation over the remaining 4 months of the extended schedule **PLUS** Additional hbars distributed over an unknown period until the cumulative value of those additional distributions equals your original SAFT purchase amount (in USD)
SAFT 3B	Total schedule 100% of hbar allocation over 4 years 20% distributed at Open Access; 20% distributed on next 4 anniversaries of Open Access Amount remaining (as of close of Offer) 80% unvested to be released on 4 remaining anniversaries of Open Access, as of the close of the Offer	**SAFT 3BN**	Extended schedule for original allocation (measured from Open Access): 5 years You will receive the remaining 80% of your original hbar allocation on the next 5 anniversaries of Open Access **PLUS** Additional hbars distributed over an unknown period until the cumulative value of those additional distributions equals your original SAFT purchase amount (in USD)

Note: the figures above assume a closing date of April 13, 2020. If the deadline for accepting the Offer is extended, it is possible that another distribution of hbars would be made under your original SAFT, in which event the remaining unvested percentage of hbars and the remaining months for distribution of the original allocation would be reduced accordingly. There would be no effect on the terms for the additional distributions of hbars.

By tendering your old SAFT pursuant to the Offer, you will concurrently agree to enter into a new SAFT. The new forms of SAFT agreement to be used for the new SAFTs will be substantially the same as the forms attached as Exhibit A, Exhibit B, Exhibit C and Exhibit D to this Offer. The terms and conditions of the new SAFT may vary from the terms and conditions of the old SAFT you tender for exchange, as further described below.

7. How many hbars will my new SAFT give me the right to receive?

Each new SAFT granted will entitle its holder to the same number of hbars that remained unvested and subject to the Use Restriction under the original SAFT which was canceled in the exchange (the "***Original Allocation***), plus an additional number of hbars that will be equal in cumulative value to the Purchase Amount (in USD) of the canceled SAFT (the "***Bonus Allocation***"). The Bonus Allocation will be partially paid out in quarterly installments, expected to begin in the fourth quarter of 2020. The total number of hbars paid out each quarter to the group of participating SAFT holders as a whole will equal 10% of the total number of hbars that Hedera sold over the prior quarter (for the Q4 2020 distribution, this will include all coins sold from February 1 through September 30, 2020), whether those sales are of coins received as network transaction fees or coins sold from Hedera's treasury (the "***Prior Period Sales***"). ***Coins withheld from employee coin distributions and sold to cover Hedera's tax withholding obligations are <u>not</u> included when calculating this figure***.

That pool of coins, equaling 10% of the coins sold by Hedera in the prior period, will then be allocated to the participating SAFT holders pro rata based on the amount (in USD) that each SAFT holder invested (as shown in the "***Purchase Amount***" field of the original SAFT). The coins allocated will be distributed to the participating SAFT holders in one or more distributions over the quarter.

Number of hbars paid each quarter as part of the Bonus Allocation =

(PPS / 10) * (IPA / TPA), until the cumulative dollar value equals IPA

Where:

PPS = Prior Period Sales, i.e. coins sold by Hedera in the prior quarter (including sale of coins received through network transaction fees and sale of coins from Treasury, but ***excluding*** sale of coins withheld from employee distributions) (for the first allocation, in Q4 2020, this would include coins sold from February – September 2020),

IPA = Individual SAFT holder's Purchase Amount for the original SAFT(s), and

TPA = Total Purchase Amount for all SAFTs exchanged by all eligible SAFT holders as part of the Offer.

For purposes of calculating the dollar value of those allocations, Hedera will use the 30-day trailing average of the publicly-listed price on CoinMarketCap.com, or another third-party source that we determine to be reliable, to determine the coin conversion rate at the time of each distribution, unless Hedera begins making the distributions on a daily basis, in which case Hedera will use the publicly-listed spot price on CoinMarketCap or other third-party source that we determine to be reliable. The USD value of each distribution will be recorded and will count towards the cumulative dollar value of the Bonus Allocation. When the cumulative value of all distributions, each measured at the time made, equals the original investment amount for the participating SAFT holder(s), the Bonus Allocation "cap" will have been met and there will be no further distributions under the SAFT.

8. How will the process work for distributions of the Bonus Allocation?

On a quarterly basis, Hedera will calculate and report the Prior Period Sales on its website and/or in another publicly accessible manner, similar to how monthly distributions are currently reported on the Hedera website.

Hedera will designate an account as the "***Bonus Allocation Account.***" Early each quarter, expected to begin in the fourth quarter of 2020, Hedera will transfer into the Bonus Allocation Account the number of hbars equal to 10% of the Prior Period Sales. Hedera will distribute hbars from the Bonus Allocation Account in one or more distributions, all of which will be made within the same quarter. (For example, if Hedera sells 1,000,000 hbars in Q1 2021, in early Q2 2021, Hedera will (i) provide a report stating that 1,000,000 hbars were sold, (ii) transfer 100,000 hbars into the Bonus Allocation Account, and (iii) distribute all 100,000 hbars from the Bonus Allocation Account in one or more distributions to be made by the end of Q2 2021, with each such distribution made pro rata to the SAFT holders that accept the Offer as described in response to Question 7, above.)

At the time of each distribution, Hedera will calculate the dollar value of the distribution based on the 30-day trailing average price of hbars (or the spot price, if Hedera commences daily distributions) on CoinMarketCap.com or another third-party source that we determine to be reliable. That dollar value per hbar at the time of distribution will be reported in the same manner as the Prior Period Sales, enabling both Hedera and the SAFT holders to calculate the total value of each distribution, and to determine the cumulative value being applied against the Bonus Allocation "cap."

9. When will I receive my new SAFT?

If we cancel tendered SAFTs on April 13, 2020, which is the currently scheduled expiration date of the Offer, the new SAFTs will be distributed on or about April 15, 2020. If we were to extend the expiration date of the Offer, the cancellation date and new SAFT grant date would be similarly extended. Please note that we will require additional time after the new SAFT grant date in which to prepare and deliver your new SAFT to you.

10. What will the price per hbar of the new SAFTs be?

If you receive a new SAFT, the number of hbars you are entitled to receive out of your Original Allocation will not change. As explained in response to Questions 7 and 8, above, the quantity of hbars you receive as part of the Bonus Allocation each quarter will vary depending on Hedera's sale of coins, and the US dollar value of each distribution – which is used to determine when you have reached the cap on the Bonus Allocation – will depend on the market price of hbars at the time. Therefore, it is not possible to determine in advance the total number of hbars you will receive under the Bonus Allocation or determine an effective price per hbar. However, the aggregate value of the distributions that make up the Bonus Allocation (with each distribution valued at the time made) will equal your original Purchase Amount. You should consult with your financial advisor and/or tax professional to understand the implications for calculating your cost basis in hbars you receive as part of the Original Allocation or Bonus Allocation and for any other tax, accounting and financial questions you may have.

11. When will the right to receive hbars under the new SAFTs vest?

Original Allocation

The frequency of distributions for the Original Allocation under each new SAFT will match the frequency of distributions from the corresponding SAFT that you exchange. For example, Hedera will distribute hbars to SAFT 1N holders at least once per quarter; to SAFT 2N holders and SAFT 3AN holders at least once a month; and to SAFT 3BN holders once per year. However, these distributions will be made over a 25% longer timeframe, as compared to the vesting/distribution period from the corresponding SAFT you exchange.

Bonus Allocation

Hedera expects to begin making Bonus Allocation distributions on each new SAFT beginning in the fourth quarter of 2020, or as soon as Hedera begins selling hbars thereafter, and will make subsequent Bonus Allocation distributions at least quarterly (unless no hbars have been sold in the preceding quarter). Hedera cannot predict the aggregate value or quantity of hbars that it will issue in each Bonus Allocation distribution, since both items will vary depending on Hedera's coin sales, as well as depend on the number of SAFT holders that participate in this Offer. For the same reasons, Hedera also cannot predict how many years it may take to receive the full amount of the Bonus Allocation.

12. May I tender SAFTs that have already partially vested?

Yes. The Offer only pertains to the unvested portion of each SAFT. It does not apply in any way to hbars that have already vested and been distributed.

13. Can I freely transfer my SAFTs and/or the hbars to which the SAFTs entitle me?

The hbars, the SAFTs, and the hbars you receive under the SAFT are not registered under United States federal or any state securities laws. We have no obligation to register hbars or SAFTs. Because the new SAFTs will be issued pursuant to an exemption from registration and because there is no public market for the SAFTs, you will not be able to resell the SAFTs in the near term, if at all. Furthermore, the SAFTs impose additional restrictions on your ability to transfer the SAFT.

Hbars distributed pursuant to the SAFT have no such transfer restrictions imposed by Hedera. However, the Securities and Exchange Commission (the "***SEC***") has not taken a definitive view on whether the hbars are "securities" under the federal securities laws. If the SEC determines that the hbars are "securities", you may not be able to resell the hbars in the near term, if at all.

Consequences of Participating in the Offer

14. Will I be required to give up all my rights to the canceled SAFTs?

Yes. Once we have accepted SAFTs tendered by you, the unvested portion of your tendered SAFTs will be canceled and you will no longer have any rights or claims under, arising from, or relating to those SAFTs.

By accepting the Offer, in consideration for receiving the new SAFT and Bonus Allocation in exchange for your old SAFT, you agree to such cancellation of your tendered SAFT and to waive and release any and all claims or causes of action against Hedera and any of its affiliated companies and/or their past, present, or future officers, employees, managers, members, attorneys or agents with respect to your tendered SAFT, including (without limitation) your purchase of it or any distributions received under it. Your release covers only claims that arose prior to your acceptance of this Offer. Accepting this Offer does not bar any claim that arises after acceptance, including (without limitation) a claim for breach of this Offer. Additionally, nothing in this Offer precludes you from participating or cooperating in any investigation or proceeding before any federal or state agency or governmental body, or prohibits or is intended to limit you from reporting possible violations of federal law or regulation to any governmental agency or entity. If any provision of the waiver and release contained in this Offer is found to be unenforceable, it shall not affect the enforceability of the remaining provisions and all remaining provisions shall be enforceable to the full extent permitted by law. By accepting the Offer, you agree that this waiver and release is fairly and knowingly made.

Promptly following the expiration of the Offer, we currently expect to accept all SAFTs properly tendered for exchange and not withdrawn. You have the right to change your election regarding particular tendered SAFTs at any time before the expiration of this Offer. The Offer is scheduled to expire at 5:00 p.m., Eastern Time, on April 13, 2020 unless we extend it. Your tendered SAFTs will be canceled promptly thereafter.

15. What happens to SAFTs that I choose not to tender or that are not accepted for exchange?

Nothing. SAFTs that you choose not to tender for exchange or that we do not accept for exchange retain their current vesting schedule and remain outstanding until all hbars due under such instruments are distributed or Hedera winds up operations.

16. What are the tax consequences of accepting or not accepting the Offer?

This document contains a general summary of the terms of the Offer, and it should not be relied upon for legal, financial or tax advice. The tax consequences of participating or not participating in the Offer may vary according to your individual circumstances, and the tax treatment of this Offer is uncertain. SAFT holders may recognize income for income tax purposes as a result of the Offer. Therefore, you should review the tax consequences of participating or not participating in the Offer with your legal, financial and tax advisor(s) before deciding whether to accept the Offer.

Conditions of the Offer

17. Are there other conditions to the Offer?

Yes. The Offer is not conditioned on a minimum number of SAFTs being tendered. Participation in the Offer is completely voluntary. However, we will not be required to accept any eligible SAFTs tendered for exchange, and we may terminate or amend the Offer, or postpone our acceptance and cancellation of any SAFTs tendered for exchange, if at any time on or after March 17, 2020, and prior to the expiration date, any of the following events has occurred, or has been determined by us to have occurred, and, in our reasonable judgment in any case and regardless of the circumstances giving rise to the event, including any action or omission to act by us, the occurrence of such event or events makes it inadvisable for us to proceed with the Offer or with such acceptance and cancellation of SAFTs tendered for exchange. These events include, but are not limited to, any of the following:

- any governmental, regulatory or administrative agency or authority has threatened or instituted or has pending any action or proceeding that directly or indirectly challenges the making of the Offer, the acquisition of some or all of the tendered SAFTs pursuant to the Offer, the issuance of new SAFTs or otherwise relates in any manner to the Offer, or that, in our reasonable judgment, could materially and adversely affect our business, condition, income, operations or prospects or materially impair the contemplated benefits of the Offer to us;

- any court or any authority, agency or tribunal has threatened any action, has pending or taken or withheld approval, or any statute, rule, regulation, judgment, order or injunction threatened, proposed, sought, promulgated, enacted, entered, amended, enforced or deemed to be applicable to the Offer or that, in our reasonable judgment, would or might directly or indirectly:

  (1) make the acceptance for exchange of, or issuance of new SAFTs for, some or all of the tendered SAFTs illegal;

  (2) restrict or prohibit consummation of the Offer;

  (3) delay or restrict our ability, or render us unable, to accept for exchange, or issue new SAFTs for, some or all of the tendered SAFTs;

  (4) materially and adversely affect our business, condition, income, operations or prospects; or

  (5) materially impair the contemplated benefits of the Offer to us;

- any change or changes shall have occurred in our business, condition, assets, income, operations, prospects or unit ownership that, in our reasonable judgment, is or may be material to us or may materially impair the contemplated benefits of the Offer to us.

The conditions to the Offer are for our benefit. We may assert them in our discretion regardless of the circumstances giving rise to them before the expiration date. We may waive them, in whole or in part, at any time and from time to time prior to the expiration date, in our discretion, whether or not we waive any other condition to the Offer. Our failure at any time to exercise any of these rights will not be deemed a waiver of any such rights. The waiver of any of these rights with respect to particular facts and circumstances will not be deemed a waiver with respect to any other facts and circumstances. Any determination we make concerning the events described in this section will be final and binding upon all persons.

Expiration and Amendment of the Offer

18. When does the Offer expire? Can the Offer be extended, and if so, how will I be notified if it is extended?

The Offer expires on April 13, 2020, at 5:00 p.m., Eastern Time, unless we extend it. We may, in our discretion, for any reason, extend the Offer at any time, but we cannot assure you that the Offer will be extended or, if extended, for how long. In addition, if we materially change the terms of the Offer or the information concerning the Offer, or if we waive a material condition of the Offer, we will extend the Offer to the extent required by law. If the Offer is extended, we will advise you in writing of the extension no later than 9:00 a.m., Eastern Time, on the next business day following the previously scheduled expiration of the Offer period by giving oral or written notice (which may be by email) of such extension to the SAFT holders.

19. Can the offer be amended, and if so, will I be notified if it is amended?

We also expressly reserve the right, in our reasonable judgment, prior to the expiration date, to terminate or amend the Offer and to postpone our acceptance and cancellation of any SAFTs tendered for exchange by giving oral or written notice of such termination or postponement to you.

C. Summary of Hedera Technology

20. What is the Hedera network?

The Hedera network is a public distributed ledger composed of a set of services built on top of a licensed platform that uses the hashgraph consensus algorithm to provide distributed consensus on the fair ordering of transactions submitted to the network. It is a general-purpose computing utility designed to enable a wide variety of applications that allow people, enterprises, and internet-enabled devices to interact and transact online with the benefit of trust provided by decentralized, independently operated nodes, without the traditional dependency on centralized third-party intermediaries. The network is made up of nodes that run the Hedera hashgraph software to process transactions and put them into consensus order. The network is governed by a council of up to 39 organizations, representing diverse industry sectors and geographies, that are expected to run nodes and govern software changes (the "***Council***").[1] Council membership is term-limited and is designed to bring stability and continued decentralization to the public network.

The Hedera network launched on August 24, 2018 ("***Network Launch***") and was made accessible for public account creation ("***Open Access***") on September 16, 2019.

21. What is the hashgraph consensus algorithm?

The fundamental technology at the core of the licensed platform on which the Hedera network services are built – the hashgraph consensus algorithm – is an innovative technology that uses a compute-light gossip protocol to come to distributed consensus among all nodes in the network. The hashgraph consensus algorithm allows nodes in the network to quickly and efficiently achieve consensus on transactions by combining two long-established computer science tools — gossip protocols and voting algorithms — in an innovative way. Hashgraph's "gossip about gossip" and "virtual voting" enable nodes to reach consensus about the order of transactions quickly, with finality, without the energy consumption or waste required by proof-of-work blockchains, and in a system that is asynchronous Byzantine fault tolerant, the highest achievable level of security against the leading threats facing distributed networks. For more information about hashgraph technology, read the Hedera whitepaper at https://www.hedera.com/whitepaper.

Hashgraph license

22. Is the hashgraph technology patented? If so, who owns the patents?

Yes. Swirlds, Inc. ("***Swirlds***") owns patents on the hashgraph technology, which was invented by Dr. Leemon Baird. Swirlds founded Hedera in order to create and launch a

[1] During a transition period, some Council member nodes are jointly controlled by Hedera staff and Council members, and Council members do not yet control software changes. All Council members are contractually obligated to independently operate nodes, and contribute to the cryptographic governance of software changes, subject to an orientation and transition period defined by the Technical Steering and Product Committee of the Council.

distributed general purpose public ledger based on the hashgraph technology, and Swirlds licenses that technology to Hedera for that purpose. Swirlds engineers also continue to develop improvements to the underlying hashgraph technology platform.

23. Does Hedera have an exclusive license to use the hashgraph technology?

Yes. Although the parties originally entered a non-exclusive license, the parties have recently reached an agreement on such terms. Accordingly, Hedera and Swirlds have entered into an Amended and Restated Master License Agreement ("***MLA***"), by which Swirlds has granted to Hedera an exclusive (even as to Swirlds) non-transferable, perpetual right and license in and to the hashgraph technology for the limited and sole purpose of making the Hedera network a general-purpose public ledger available to entities or individuals to use as developers, users, testers and node operators.[2] The MLA does not preclude Swirlds from licensing its technology or providing services using the hashgraph technology platform other than for a general-purpose public ledger, and specifically does not preclude Swirlds from licensing its technology or providing services directly to governments or central banks for the purpose of a central bank digital currency.

24. Can Hedera's license to use the hashgraph technology be revoked? If so, in what situations?

Hedera's limited, exclusive license to use the hashgraph technology platform under the MLA is perpetual, as long as certain conditions are met. Swirlds may only terminate the MLA upon Hedera's fraud, illegal activity, insolvency, impossibility of performance (e.g. due to regulatory prohibitions), material breach of its obligations defined in the MLA that have a material adverse effect on Swirlds, or material breach of the Network Operating Rules. Those rules are maintained by the Hedera Technical Steering and Product Committee and include requirements for securely operating the Hedera network, but the MLA provides that they must include, at minimum, the following constraints: (1) Hedera will not increase the total supply of hbars above 50 billion coins; (2) Hedera will establish, update and comply with a published release schedule (which may be amended) for the coins from the Hedera Treasury account to ensure the security of the Hedera network; and (3) the Hedera Technical Steering and Product Committee will establish and require Council members to comply with appropriate procedures for securing private keys and for effecting decisions of Hedera via a multi-signature account.

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[2] The MLA defines "General-Purpose Public Ledger" or "Public Ledger" to mean "a set of more than ten (10) computers controlled by at least ten (10) un-Affiliated Persons, operating as a unified system to provide a distributed ledger by cooperating to reach consensus on transaction order and to store the resulting state, the state including evolving cryptocurrency account balances, the cryptocurrency account balances kept more than a month, the cryptocurrency account balances being required to perform transactions on the ledger, wherein the cryptocurrency accounts can be created by anonymous people, who can transfer cryptocurrency between cryptocurrency accounts."

25. What are the material financial terms of the license agreement between Hedera and Swirlds?

The financial terms of the MLA incorporate terms previously agreed to by the parties under the original license agreement, as well as some changes to account for the new exclusivity term and other modifications to the parties' rights and obligations. The MLA license fees now consist of the following: (1) ten percent (10%) of the SAFT proceeds, which has already been paid; (2) a one-time allocation of 2.5 billion coins (5% of total supply), which was already transferred; (3) a total payment of $5M to be owed in installments based on meeting four milestones (the majority ($3M) upon meeting the acceptance criteria for Open Access, and the remaining installments for open review of the code base, acceptance of a paper about hashgraph in a peer-reviewed conference or journal, and satisfactory delivery of all pre-defined features and services set out in the MLA, i.e., the four major network services, state proofs, mirror nodes, and various node management features); and (4) ten percent (10%) of Hedera revenue, with monthly minimums. For purposes of the MLA, "revenue" is defined to mirror the definition of Prior Period Sales, *i.e.,* to mean the total number of hbars that Hedera sold over a period of time, whether those sales are of coins received as network transaction fees or coins sold from Hedera's treasury. The MLA provides for monthly minimums of $625,000 worth of hbars (at fair market value) when paid in coins and $500,000 when paid in dollars. Because distributions of coins are subject to Council approval and regulatory considerations, the parties remain in discussions about effectuating the minimum payments. **If Hedera pays the monthly minimums to Swirlds in hbars instead of dollars, the number of hbars transferred to Swirlds will be included in calculating the Prior Period Sales for the purposes of this Offer.**

The MLA further provides that Swirlds must provide Hedera with a non-binding schedule setting out its expected plan for the sale of coins (if any) over the subsequent twelve months and must provide Hedera with at least 24-hour notice and right of first refusal prior to any such sale. The current coin distribution schedule provided by Swirlds to Hedera, which is for calendar year 2020, states that Swirlds has no coin sales planned for the entirety of that period.

Network Development & Roadmap

26. What services does the Hedera network offer?

Three core services have been available since Network Launch: a cryptocurrency service, smart contracts, and file storage. Third party developers may use these services to develop applications that run on the Hedera network.

- *Cryptocurrency*: A fast, low-cost method of transferring value between accounts without relying on intermediaries. The cryptocurrency service can be used for payment applications, data purchases, and many other use cases relying on fast value transfer.

- *Smart Contracts*: Executes software code deterministically without needing to trust an application operator. The smart contract service can be used to build fair markets, issue tokens, and program business logic in Solidity and deploy it on Hedera to benefit from the Hedera network's trusted security and fair ordering.

- *File Service*: Store data across the network for any node or user to access or store obfuscated data to benefit from a consensus timestamp of the state of data at a point in time. The file service allows developers to create decentralized registries and records.

A fourth service, the Hedera Consensus Service, launched on February 13, 2020.

- *Hedera Consensus Service*: Synchronizes the consensus order of messages for distributed networks by assigning them a consensus timestamp and putting them into chronological order without relying on a centralized clock. The Hedera Consensus Service will make it possible for existing private, permissioned networks and centralized platforms (such as existing auction sites, stock exchanges, and massive, multi-player online games) to achieve the trust of being decentralized while still having the privacy and performance of being permissioned and centralized. More information about the Hedera Consensus Service is provided in a whitepaper jointly published by Hedera and IBM, available at: https://www.hedera.com/hh-consensus-service-whitepaper.pdf.

27. Are there additional services or features that have been developed since the network was launched (other than the core services)?

In addition to the core services, the following features, tools and services are available on the Hedera network.

- *Mirror Nodes*. Mirror nodes provide a way to store and cost-effectively query historical data from the public ledger, while minimizing the use of Hedera network resources. Hedera's Mirror Node software entered its alpha version on August 29, 2019. The beta version is expected in 2020.

- *Demo App Scaffoldings*. Sample application scaffolding outlines many of the key components needed for an enterprise application using the Hedera Consensus Service and Mirror Nodes.

- *Developer Tools*. Additional developer tools ensure an easy and robust application development experience.

- *Demo Applications*. Open source demo applications showcase individual use cases for applications built on Hedera. These applications showcase Hedera network services in real-world scenarios, making it easy for developers to copy from and learn best practices for building on Hedera.

- *Hardware Wallet Integrations.* Ledger Nano S and X hardware wallets support hbars.

- *Desktop Wallet Integrations*. Atomic Wallet’s desktop wallet supports hbars, storing private keys and other data in an encrypted form on the user’s device, Available on all major operating systems, including Windows, MacOS, Ubuntu, Fedora, and Debian.

- *Third Party Integrations (Additional Wallets & Tools)*. Hedera provided information and assistance for additional third parties, including providers of wallet software, exchange services, custody solutions, and developer tools to integrate support for Hedera into their services.

28. Will Hedera add additional services to the platform?

Although the current network is fully functional, Hedera expects to add additional features and services in the future. Technology development is subject to uncertainties. Timeframes are subject to change and none of the improvements, enhancements or tools are guaranteed to be added as planned, but current expectations are set out below.

<u>2020 Roadmap</u>:

- *Additional Wallet Integrations*. Hedera will continue providing education and assistance for integrations by additional hardware and software wallets that will support Hedera's hbar cryptocurrency.

- *State Proofs*. Hedera expects the platform to be able to allow users to request state proofs by querying the network for a record. When a client requests an aspect of the state of network accounts, nodes would be able to construct and return a small file carrying cryptographic material and signatures to prove the returned data is the true consensus state.

- *Mirror Node Beta*. As noted in response to Question 27 above, Hedera's Mirror Node software is currently available as an alpha version. It is expected to enter its beta version in 2020 and to become available for developers to download and configure for use with the Hedera network.

- *Reconfiguration*. The Hedera testnets and mainnet (beta) are expected to become capable of allowing nodes to join and rejoin the network automatically, without impacting overall network availability.

- *Open Review & Open Source*. Hedera expects to release version 1.0 of the base layer of the hashgraph consensus codebase and make it available for public open review so that anyone can read it, recompile it, and verify that it is correct. In conjunction with open review of the codebase, certain Hedera services and tools are expected to be open sourced.

<u>Other Planned Developments</u>:

- *Additional Permissioned Nodes*. At present, only Hedera and Council members host network nodes, to ensure the security and stability of the network. Eventually, Hedera intends to expand eligibility for node hosting to additional trusted organizations who are not Council members.

- *Permissionless Nodes*. At an appropriate time after implementing proof-of-stake proxy-staking mechanisms, described below, Hedera intends to allow anyone to be able to run a node.

- *Hbar Staking and Proxy Staking*. As Hedera is currently a public network with permissioned nodes run by Hedera and Council members, there is little risk of node hosts colluding to corrupt the ledger. To enable Hedera's path to permissionless nodes (i.e., when anyone can host a network node), Hedera intends to implement the staking and proxy-staking of hbars to nodes, so that nodes will contribute to consensus based on the number of coins that are staked or proxy-staked to them. Whereas nodes may receive substantial compensation for staking in order to incentivize them to do all the effort of being a node, users who proxy-stake hbars will receive very small payments (a small fraction of a percentage point), which are shared with the nodes. Unlike other staking models, Hedera's proxy staking creates no risk of the loss of hbars nor any loss of liquidity, as there is no "bonding" or "slashing" of proxy-staked coins. The compensation for proxy-staking is meant only to encourage users (or the builders of their wallet software) to make the very small effort to choose a reliable node to which to proxy-stake. Users who proxy-stake their hbars will receive proxy-staking payments, but the amount of those payments will be de minimis. (For more information on proxy-staking, see https://www.hedera.com/blog/proxy-staking-on-hedera.)

For more information on Hedera's path to further decentralization, see the webinar available at: https://www.youtube.com/watch?v=QTNNYeSks-s&feature=youtu.be

Network Operations & Metrics

29. How many nodes does the Hedera network have?

As of the beginning of March 2020, the Hedera network consists of 13 geographically dispersed nodes co-operated with members of the Council. For a transition period, Council members are running their nodes with assistance from Hedera's developer operations team. A node can be either a single computer, or an instance in a cloud. Each node is controlled by cryptographic keys held by a single Council member (and, during a transition period, by Hedera staff). A Council member holds the keys for one node (or sometimes two, during a transition period). Multiple instances may be hosted by the same cloud provider during a transition period, and then will migrate so that each cloud instance will be hosted by a different cloud provider.

In addition, alpha version mirror nodes are running, including some hosted by individuals outside Hedera. The code is open source and available at https://github.com/hashgraph/hedera-mirror-node.

30. How much activity is occurring on the Hedera network?

As of March 14, 2020, the Hedera network is processing more than 750,000 transactions per day, generated by over two dozen applications running on the network and exchanges transacting hbar. As of the same date, there are over 30,000 accounts on the network. Since January 1, 2020, transactions per day, have ranged from a low of 106,719 transactions on January 20 to a high of 804,880 transactions on March 14. Overall, since Open Access the Hedera network has processed more than 55 million transactions with a consensus finality latency of less than 3 seconds (i.e., the time in seconds from when a node receives a transaction to when the network reaches consensus and assigns a timestamp to the transaction). These numbers all refer to activity on the Hedera mainnet as of March 14, 2020, and do not reflect any testnet numbers. A regularly updated list of network metrics can be found at: https://www.hedera.com/hbar#metrics.

31. What applications are running on the Hedera network?

Hedera does not control the third-party applications that are running or developing on the Hedera network, and cannot guarantee their status. However, select examples of third-party applications that have made Hedera aware that they are building and/or running on the Hedera network are available at https://www.hedera.com/users.

D. HBAR ECONOMICS

Role of Coins in the Hedera Network

32. What is the role of Hedera's cryptocurrency?

Hbar is the native cryptocurrency of the Hedera network. Hbars are used to power decentralized applications, build peer-to-peer transactional models, and protect the network from malicious actors.

Hbars serve two main functions: (1) to serve as the "fuel" to pay for network services and incentivize nodes to contribute computing resources to the network and (2) as Hedera moves along the path to permissionless nodes, to protect the network against cyberattacks through the platform's forthcoming coin-weighted, proof-of-stake consensus mechanism.

33. Why do users need to pay for network services and why must they do so in hbars?

All public DLT platforms need computers to serve as nodes in the decentralized network. These nodes serve two purposes: (i) they maintain a shared ledger of the balances in each network user's account, and (ii) they verify and execute new transactions and place those transactions into chronological order, so that user account balances are updated on an ongoing basis. Each node must provide computing power to run the platform's consensus algorithm and process transactions.

To incentivize nodes to participate and to cover basic operational costs — as computing power is not free — DLT platforms typically compensate nodes with payments, often in the platform's native cryptocurrency. On the Hedera network, hbars are used as a "fuel" to pay for network services (i.e., to submit transactions, run smart contracts, and store files) and to reward nodes for providing their computing resources (bandwidth, processing power, memory) to the network. The fees per transaction are very low, requiring the ability to make micropayments in a form – an hbar – that is divisible to less than a penny. For example, transactions using the cryptocurrency service or Hedera Consensus Service are expected to cost approximately US$0.0001.

The economics of a transaction on the Hedera network have been designed to balance the costs and incentives to create an efficient flow of funds. This flow consists of (i) transaction fees paid by end users (or third-party applications as or on behalf of end users) into a Hedera account and (ii) reward payments paid out of a Hedera account as (a) node reward payments to node hosts and (b) eventually, proxy-staking payments to hbar owners who proxy-stake their hbars to nodes (though proxy-staking payments are expected to be de minimis). **Node reward payments and proxy-staking payments are not yet being made.**

34. What fees does Hedera charge to use the network?

Fees pay for use of the Hedera network. Fees are incurred, for example, when hbars are transferred or data is added to the Hedera hashgraph ledger. The fees for a particular action will depend on the type of network services used (cryptocurrency, smart contracts, file service and, Hedera Consensus Service) and the degree and duration of network resources consumed in processing the transaction. The overall fee for an action on the network is called a Transaction Fee, which is composed of three distinct fees: a Node Fee, a Network Fee, and a Service Fee. Each of these fees relates to how the transaction is submitted to and validated by the network. In addition, developers offering applications on the Hedera platform may also choose to charge their users an Application Fee. Fees are denominated in U.S. dollars and paid in hbars. Although the user pays an aggregate fee, *i.e.*, the Transaction Fee, below is additional detail on the three Transaction Fee components and the optional Application Fees:

- *Node Fees*. A user or application seeking to complete an action on the platform will send the corresponding transaction to a single node, which will then submit that transaction to the network. In doing so, the node will expend resources and energy (albeit a small amount). Node Fees compensate nodes for those resources and incentivize nodes to take on this critical role. Initially, the Hedera Council will set the amount of the Node Fees, but Node Fee amounts will eventually be left to each node to determine. Node fees are paid directly to the account designated by the node that submits the user's transaction.

- *Network Fees*. After a transaction is submitted to the network, it is communicated to nodes that validate digital signatures, further communicate the transaction to other nodes, and temporarily store it in their memory while the network reaches consensus. The user pays a Network Fee that compensates all participating nodes for calculating consensus on the transaction. The computing resources consumed by this process can vary based on the file size of the transaction and the number of digital signatures. Network Fees are paid into a Hedera account for Network Fees and Service Fees (defined below) (such account, the "***Fee Deposit Account***").

- *Service Fees*. Service Fees compensate the network for executing the transaction and the ongoing job of maintaining or supporting the transaction. For a file service transaction, the platform charges a Service Fee that is affected by the amount of memory needed to store a file of its size for the requested duration. For a smart contract transaction, the Service Fee is based on the processing power required by network nodes to perform the computation required by the smart contract, and the memory to store its state. Service Fees are paid into a Fee Deposit Account.

- *Application Fees (Optional)*. Developers who build applications on top of the Hedera platform may want to monetize those applications to cover costs (possibly including the cost of the Transaction Fee described above) and/or compensate themselves for the value they provide to their end users. A wallet application, for example, may choose to charge a small percentage of each deposit or withdrawal. A ridesharing application that connects drivers to passengers with no intermediary may choose to take a fee calculated as a small percentage of each ride completed and paid. Like many existing applications, some Hedera-based applications may offer both free services and paid services. Each third-party developer will determine the Application Fee it wishes to charge, if any, and these fees will be paid by end users directly to the developer.

35. How are nodes incentivized to participate in the Hedera network?

A distributed network needs to incentivize nodes to contribute computing resources to validate transactions and maintain the shared ledger. Like most DLT platforms, Hedera will reward nodes by paying them in the platform's native cryptocurrency. When node reward payments are implemented, it is expected that, every 24 hours, a Hedera account will automatically distribute hbars as node reward payments to all the nodes that participated in validating transactions during that period. Node reward payments will eventually be distributed to nodes in proportion to the amount of hbars staked by a node or proxy-staked to it. To be eligible for payment, a node must have been online and participating in consensus for that previous 24-hour period.

36. What role do hbars play in Hedera's "proof-of-stake" model?

In the initial phases of the network, Hedera is a permissioned network, meaning one in which an entity or person must have permission from Hedera to host a node. Currently, all nodes in the Hedera network are operated by Hedera and Council members. Hedera is currently in the process of transitioning full operation of the nodes to the Council members.

In the future, Hedera expects to allow other entities and persons to be able to host nodes on the Hedera network. Through Hedera's planned proof-of-stake consensus model, hbars will play a key role in protecting the network against certain forms of cyberattacks.

In any permissionless DLT network, anyone can run a node that participates in consensus. In addition, it is trivial to stand up numerous virtual nodes. As a result, there is a need to guard against malicious actors that seek to disrupt the network and prevent it from reaching consensus on transactions. Hackers can disrupt consensus (in any permissionless network) by obtaining control of one-third of the network's total consensus voting power. permissionless DLT networks need a scarce resource to secure the network against such attacks.

In "proof-of-stake" DLT systems, the network's native cryptocurrency serves as that scarce resource. Rather than each node having an equal vote, a node's ability to influence the consensus order of transactions is proportional to the amount of coins the node holds (i.e., its "stake"). The particular manner in which a node's stake relates to achieving consensus varies from platform to platform, but it always occurs through the platform's algorithm and is in some way proportional to a node's stake of cryptocurrency. In typical proof-of-stake systems, all of the platform's coins are created at the launch of the network (e.g., all 50 billion hbars were created at the time of the Hedera network's launch). In Hedera's proof-of-stake system, hbars function as the limited resource to protect the network. Any distributed ledger using the hashgraph consensus algorithm will achieve consensus on a transaction when the voting involves more than two-thirds of the network's voting power. A malicious attacker, then, would need to attain one-third of the total voting power over consensus to disrupt the network.

Allocation and Distribution of Coins

37. When and how did Hedera start distributing hbars?

Hedera created the network's total supply of 50 billion hbars at Network Launch. A few months later, Hedera began releasing a small amount of coins (6.7 million hbar) to early users to test the network as part of its community testing program. Hedera began distributing hbars to SAFT holders on September 16, 2019, a few hours following Open Access, with some additional coins distributed to employees, advisors, vendors and others in the subsequent days. At the end of the first week after Open Access, approximately 14 million hbars had been distributed in connection with community testing programs and hackathons, 560 million coins had been distributed to SAFT holders, and 36 million coins had been distributed to advisors, vendors, and others. An additional 195 million coins were allocated to be used for developers and community testing, and a further 1 billion were allocated to be used for "earn" programs to incentivize hbar use, but those coins have not yet been distributed.[3]

Since the week after Open Access, Hedera has made distributions of hbars on a monthly basis to holders of SAFT Series 2 and SAFT Series 3A and to certain advisors, contractors and vendors, as well as quarterly distributions to holders of SAFT Series 1. Distributions to Hedera personnel under coin grants were paused for October and November 2019, but recommenced in December 2019 and are now being made monthly. Hedera retains discretion to adjust the cadence of the distributions under the coin grants. Hedera provides monthly reports on hbar distributions, which are available at: https://help.hedera.com/hc/en-us/articles/360002789198-When-are-the-next-distributions-of-hbars-scheduled-.

As part of the terms of the original license agreement Hedera distributed 2.5 billion coins (5%) to Swirlds. Independent of the license agreement, an additional 1 billion coins are allocated to Swirlds investors (excluding the Hedera founders), who agreed to have Swirlds commit its resources and personnel almost entirely to the development of the public ledger during the period between Hedera's founding and Open Access. None of the coins held by Swirlds for its own account or allocated for Swirlds investors have been sold or distributed, and (as referenced in response to Question 25) Swirlds is required to provide Hedera with a non-binding schedule that sets forth its expected plan for the sale of coins over the subsequent twelve months and at least 24-hour notice prior to any such sale or distribution, and Hedera has a right of first refusal at fair market price on any such sale. The current coin distribution schedule provided by Swirlds to Hedera, which is for calendar year 2020, states that Swirlds has no coin sales planned for the entirety of that period.

38. Does Hedera use hbars to incentivize developers to build on the Hedera Network?

Yes, Hedera runs programs and uses hbars to encourage developer adoption. Building a new technology has challenges and financial risk. Hedera Heroes and Hedera Boost are two current developer-focused programs intended to jumpstart ecosystem education, participation, and utilization of the Hedera network and hashgraph technology.

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[3] See Question 38, below, for information about current plans to use those hbars to incentivize adoption and use of the Hedera network.

As part of the Hedera Boost program, developers can earn up to $1,000 per month in hbars for the first three months after deploying their application on the mainnet in order to subsidize their transaction fees on the network. For some select third party applications, with high transaction volume, larger grants (currently expected to be up to approximately $10,000 per month in hbars over a three-month period) may be available to subsidize transaction costs, scale customer acquisition, and importantly, provide feedback, analytics and insights that can be used to improve network services.

The Hedera Heroes program aims to encourage developer collaboration by compensating those who create and share content that is helpful to other developers. Participants may receive payment in hbars (currently approximately $100 worth) for each submission that is published on Hedera's blog related to helping other developers, such as how-to articles, tutorial videos, lessons learned, and other informative content.

Hedera may, through other initiatives and/or agreements, provide larger amounts of hbars to enterprises, developers and other third parties that are able to drive network growth, development, and decentralization. Hedera also may pay some developers for services (e.g. tools, data analytics, advertising) and those payments may be in hbars, some or all of which those developers can then use to pay for API calls or other goods and services on the Hedera network. All such programs and distributions are subject to Council review and approval.

39. Who is responsible for decisions about hbar distribution and circulation?

The Hedera Council is ultimately responsible for hbar distribution and circulation. Hedera has certain contractual obligations to distribute hbars, some of which predate the formation of the multi-member Council (e.g., SAFTs; agreements to pay advisors and certain vendors in hbar; compensation agreements with employees). However, hbars may not be transferred out of the Hedera Treasury account and new types of allocations may not be made without the approval of a majority of Council members or, if delegated by the Council, the Board of Managers.

40. What is the current allocation of hbar ownership?

The current allocation of hbars is set forth in Table 2 below. Please note that this allocation encompasses hbars that have been distributed and those yet to be distributed. Coins that have already been distributed may subsequently have been transferred to other parties, so the figures do not necessarily reflect current ownership. In addition, Table 2 is based on current obligations and expectations, which may be subject to change.

Table 2 does not include all additional allocations of Hedera's Treasury that are contemplated or expected but not yet finalized. For example, Hedera expects to allocate additional coins from Treasury for programs to foster network use and/or to compensate employees, vendors, and advisers. Other additional allocations could include potential sales of coins from Hedera's Treasury to a small number of strategic or institutional purchasers over the next years in a manner compliant with applicable laws and regulations, as discussed in more detail in response to Question 62. Hedera does not yet know how many hbars would be allocated for such sales, as the number of coins (and the structure of such sales) would depend on several factors, including the contract terms, market conditions and Council approval.

Table 2. Current allocation of hbar as of March 14, 2020
(includes past and future known or expected distributions)

	Number of Coins	%
Total hbars	50,000,000,000	100%
Total Unallocated (Hedera Treasury)	**27,747,983,719**	**55.5%**
Total Allocated	**22,252,016,281**	**44.5%**
Founders (SAFT + RCUs*)	4,961,166,667	9.9%
2017 Executives (SAFT + RCUs)	1,730,333,333	3.5%
SAFT 1 – Other Investors (excluding Founders, 2017 executives)	3,055,285,714	6.1%
SAFT 2	2,902,000,000	5.8%
SAFT 3A	679,514,653	1.4%
SAFT 3B	242,533,191	0.5%
RCUs - Employees & Contractors (excluding Founders, 2017 executives)	1,027,615,290	2.1%
RCUs - Advisors & Vendors	461,393,166	0.9%
Swirlds (est. minimum payment to be paid in hbar over 46 months per the MLA)[4]	640,000,000	1.3%
Swirlds (one-time allocation per the MLA)	2,500,000,000	5.0%
Swirlds for future distribution to Swirlds investors (excl. Founders)	1,010,714,000	2.0%
Developer, Community and Ecosystem Incentives**	1,241,460,267	2.5%
RCUs - Reserve for future grants**	1,800,000,000	3.6%

[4] The actual number of hbars that Swirlds may receive under the MLA will vary depending on the price of hbars. The number represented here is an estimate only, based on the trailing 30-day median price of hbars as of March 15, 2020, and the actual number could be higher or lower.

* As described in response to Question 44, "RCU" (restricted coin unit) refers to the form of coin grants made to employees, contractors, advisors and other service providers as compensation for services provided to Hedera.

** The reserve of 1.8 billion coins for future RCU grants and most of the 1.24 billion coins allocated for developers, community and ecosystem incentives have not yet been granted or distributed, but have been earmarked for such intended use. There may be significant allocations of this reserved number to important commercial partners at any time, including during the time this Offer is open or in subsequent periods.

41. What is the status of Hedera's hbar release schedules prior to making this SAFT Exchange Offer?

The status of Hedera's estimated hbar release schedule through 2025, prior to making this SAFT Exchange Offer, is set forth in Table 3 below. Please note that the actual (i.e., new) release schedule is unknown, as it will depend on a number of factors, including how many SAFT holders accept the Offer.

Hedera has a long expected release schedule, starting from the network's launch in August 2018. The annual distributions by category in Table 3 below reflect estimated distributions under current contractual obligations and expectations. However, this distribution schedule will change based on, among other things, the number of SAFT holders who accept the Offer, attrition, and market conditions. In addition, Hedera expects to distribute additional coins from Treasury over time to support the development of the network ecosystem; to make coin grants to employees, contractors, and vendors; and to sell coins to cover operating costs.

Table 3. Hedera Coin Distribution Schedule Estimated Through 2025, as of March 14, 2020

	By Open Access	2019	2020	2021	2022	2023	2024	2025
Total % of Coins Released *(under current obligations below)*	1%	4%	13%	18%	22%	25%	29%	31%
Total aggregate distributions *(under current obligations below)*	372,582,436	1,934,283,867	6,419,096,137	8,966,576,903	10,813,882,065	12,399,350,347	14,472,645,347	15,699,842,013
Total incremental distributions *(under current obligations below)*	372,582,436	1,561,701,431	4,484,812,270	2,547,480,767	1,847,305,161	1,585,468,282	2,073,295,000	1,227,196,667
Incremental distribution by category, current obligations								
Founders (SAFTs + RCUs)	9,643,334	68,521,250	910,528,333	251,583,750	--	678,481,667	1,885,445,000	1,156,963,333
2017 Executives (SAFTs + RCUs)	8,866,667	62,800,000	887,016,666	230,512,500	110,250,000	172,804,167	187,850,000	70,233,333
SAFT 1 – Other Investors (*excl. Founders and 2017 Executives*)	30,412,857	216,691,605	749,682,500	748,545,000	748,545,000	561,408,752	--	--
SAFT 2	139,250,000	368,968,920	870,465,847	870,465,847	652,849,385	--	--	--
SAFT 3A	135,902,937	203,854,393	339,757,323	--	--	--	--	--
SAFT 3B	48,506,641	--	48,506,638	48,506,638	48,506,638	48,506,638	--	--
RCUs – Employees and contractors (*excl. Founders and 2017 Executives*)	--	535,897,979	229,512,403	159,011,500	90,798,573	12,394,835	--	--
RCUs - Advisors and Vendors	--	104,967,284	240,842,561	72,055,532	29,555,565	13,972,224	--	--
Swirlds (*est. minimum payment to be paid in hbar over 46 months per the MLA*)	--	--	208,500,000	166,800,000	166,800,000	97,900,000	--	--
Held by Swirlds								
Swirlds (*one-time allocation per the MLA*)*	2,500,000,000	--	--	--	--	--	--	--
Swirlds for future distribution to Swirlds investors (*excl. Founders*)*	1,010,714,000	--	--	--	--	--	--	--
Other budgeted allocations								
Developer, Community and Ecosystem Incentives**	6,700,000	7,300,000	*1.2 billion coins expected to be distributed starting in 2020*					
RCUs - Reserve for future grants**	--	--	*1.8 billion coins expected to be distributed starting in 2020*					

* The one-time allocation to Swirlds and the hbars allocated to Swirlds investors (excluding the Founders), as described in response to Questions 25 and 37, are held by Swirlds, have not been sold or distributed, and as indicated above with respect to the Swirlds' allocation, Swirlds must provide a schedule, notice and right of first refusal to Hedera with respect to any such sales. The current coin distribution schedule provided by Swirlds to Hedera, which is for calendar year 2020, states that Swirlds has no coin sales planned for the entirety of that period

** The reserve of 1.8 billion coins for future RCU grants and most of the 1.2 billion coins allocated for developers, community and ecosystem incentives have not yet been granted or distributed, but have been earmarked for such intended use.

42. How is the Offer expected to impact the current hbar release schedules?

Depending on the number of SAFT holders in each series that accept the Offer, there will be a slower and more extended release of hbars under the SAFTs, particularly in the early months. When Hedera begins selling coins from Treasury, those sales will result in the subsequent release – offset by a few months – of an additional ten percent (10%) (on top of the hbars that are released through the Treasury sale) to the participating SAFT holders. Accordingly, there should be an initial slowing of the coin release during the early phase of adoption, with an incrementally faster release as demand for coins from Treasury increases. However, the extent of the effect is impossible to predict as it depends on the number of SAFT holders that accept the Offer from each series, their Initial Purchase Amounts, and the timing and amount of Hedera's coin sales,

43. What factors could cause Hedera to change its strategy regarding the number of hbars in circulation?

Hedera's coin economics strategy, reaffirmed by its engagement with the Prysm Group in Q4 2019, is to effectuate a slow release of hbars from Treasury, commensurate with the adoption and use of the Hedera network. Hedera's strategy regarding the number of hbars in circulation may change depending on several factors, including (but not limited to) accelerated or diminished demand for services on the network, network security considerations, efforts to provide incentives or support to developers and others who will encourage use of the network, and as may be needed based on regulatory considerations.

44. How does Hedera allocate hbars to its employees, vendors, advisors and other service providers?

Hedera has adopted a coin plan through which it can compensate employees, contractors, advisors, vendors who provide services to Hedera, and other service providers using hbars. At present, all grants that have been made under the plan have been in the form of restricted coin units ("***RCUs***"), whereby individuals vest into a right to receive a number of hbars over a vesting schedule, and will generally receive those hbars on or after the applicable vesting date. Hedera's Board of Managers is responsible for approving RCU grants or authorizing Hedera officers to make RCU grants within permitted parameters.

Hedera has formally allocated 7 billion hbars to the coin plan that governs the RCUs (the "***Original Coin Reserve***") to be used for grants to employees, contractors, advisors, vendors who provide services to Hedera, and other service providers. Additional hbars may be allocated to the plan with approval by the Council, and the numbers in Table 2 include an additional 1.14 billion hbars that have not yet been formally allocated to the plan but have been earmarked for that purpose. Out of the Original Coin Reserve, RCU awards covering 6.5 billion hbars have been granted, of which a total of 1.8 billion hbars have vested and been distributed pursuant to such RCU awards as of March 14, 2020.

RCU grants to employees and contractors typically follow a four-year vesting schedule with a one-year cliff and then monthly thereafter (i.e., no portion of the RCU award vests unless the individual continues to provide services to Hedera for one year, at which point 25% of the

RCU award vests and then the RCU award vests in equal monthly installments thereafter). With limited exceptions, if an employee or contractor departs before the end of the vesting period, the unvested portion of the grant reverts to Hedera while the individual retains the right to receive any vested but undistributed hbars.[5] Hedera plans to continue providing RCU grants, including retention grants to employees, as part of its overall compensation. While the majority of grants are to employees and contractors, RCU awards covering 461 million coins (out of the total Original Coin Reserve) have been granted to advisors and vendors who provide services to Hedera, and of which 241 million hbars have been distributed pursuant to such RCU awards as of March 14, 2020. The structure of RCU grants to advisors and vendors vary depending on the terms of the particular contract. As with employees and contractors, if an advisor or vendor stops providing services, any unvested portion of the grant reverts to Hedera. Additional information about grants to founders and senior management is provided in response to Question 64.

[5] Employee and contractor grants typically provide some acceleration if service is terminated due to death or disability. Some grants to senior management also provide acceleration if there is termination without cause or the employee resigns under certain conditions (e.g., constructive termination).

E. Governance of Hedera Network

<u>Hedera Council</u>

45. What is Hedera Hashgraph, LLC? What is its relation to the Hedera network?

Hedera Hashgraph, LLC is a limited liability company organized under Delaware law in the United States. The purpose of Hedera is to support the orderly development and ongoing maintenance of the Hedera network, on top of which developers and users engage in their various businesses, activities, and interactions. Hedera is responsible for the governance of the Hedera network, including approving and implementing software upgrades, network pricing, regulatory compliance, and the management of the treasury of the network's hbar cryptocurrency. Hedera's LLC Agreement is publicly available at https://www.hedera.com/hedera-llc-agreement.pdf.

46. Who owns Hedera Hashgraph, LLC? Why was it structured this way?

Hedera is owned and governed by its LLC members, collectively called the Hedera Council. The Hedera Council a rotating group of leading global organizations from across multiple industries and geographies. There may be up to 39 Council members. Each Council member holds an equal ownership interest in the LLC and has equal voting rights on governance matters. Council membership does not confer any right to disbursements from or profits of the LLC (in cash or in coins).

Hedera was structured this way to provide stable, effective, decentralized governance. Control over key network decisions is divided equally among the Council members, and the Council members are further distributed across (i) geography, (ii) industry, and (iii) time. Other than Swirlds (which has a permanent Council seat), each Council member is term-limited to two consecutive three-year terms, and members will accordingly rotate on and off the Council.[6]

47. What are the responsibilities of Council members?

The primary responsibilities of Council members are to (i) participate in the governance of the Hedera network and (ii) host and maintain a node on the Hedera network. Council members will contribute their expertise and experience in Council deliberations and decision-making relating to software updates, Hedera Treasury management, network pricing, regulatory compliance, and other key governance matters.

48. What economic rights do members of the Council have?

Council members are entitled to the node fees and node reward payments that they earn as node hosts for processing transactions on the Hedera network. Until February 2021, if node reward payments do not equal at least $25,000 per member, per year, Hedera will pay each Council Member a make-whole fee, in cash or coins, to offset the cost of running a node.

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[6] To ensure continuity and avoid disruptive turnover of all members at the same time, the initial group of Council members will have initial terms that range from 2-4 years, to achieve staggering of terms.

Council members are not otherwise entitled to distributions from Hedera. Council members are also not entitled to any proceeds upon a sale or dissolution of Hedera, nor do they enjoy any ownership rights to the hbar held in Hedera's treasury account.

49. Did Hedera pay Council members to join the Council?

Council members have not received any payment to join the Council and, other than node fees and node reward payments they may receive in their role as node hosts, they do not receive any economic benefits by virtue of holding membership interests in the Council. For increased diversity, future Council members may include Non-Governmental Organizations and Universities, with the understanding that Hedera may need to provide direct financial support to those classes of members to offset their costs of full engagement on the Council

However, there also may be commercial deals between Hedera and certain Council members, the terms of which typically are confidential. To prevent actual or perceived conflicts of interest or self-dealing, Hedera has adopted and adheres to a related party transaction policy that requires any commercial arrangement between Hedera and a related party, such as a Council member, that is of material financial value ($100,000 or more) to be reviewed by the General Counsel and approved by Hedera's Board of Managers, with any interested Board members recusing themselves from the review and vote. .

50. Who formed the Council? When was it created?

Hedera Hashgraph, LLC was formed by Swirlds as a single-member LLC on September 8, 2017. The initial additional members joined the Council on February 19, 2019, at which time the multi-member LLC Agreement was formally adopted.

51. Who are the current members of the Hedera Council?

The current members of the Hedera Council are The Boeing Company; Deutsche Telekom AG; DLA Piper Investments Limited; Google LLC; International Business Machines Corporation; Magazine Luiza, S.A.; Nomura Holdings, Inc.; Swirlds, Inc.; Swisscom Blockchain, AG; Tata Communications (America) Inc.; and Worldpay, LLC.

As of March 14, 2020, Hedera has two additional Council members at various stages of onboarding, and Hedera expects additional companies to join the Hedera Council in 2020.

52. How are Council members selected?

The original member of Hedera, Swirlds, is responsible for selecting the initial 38 other Council members. Thereafter, Council members will elect new members to fill the seats of Council members who depart after their terms expire.

53. How does the Council divide its governing responsibilities?

The ultimate governance responsibility for Hedera is vested in the Council members. The Council members delegate certain authority and decisions to Hedera's Board of Managers.

The Board, in turn, may delegate certain authority and decisions to Hedera officers. The table below provides an overview of the Hedera's governance structure.

Council Members	*Board of Managers*	*Hedera Officers*
○ Responsible for governance of Hedera network and Hedera's Treasury of hbar	○ Responsible for corporate governance and oversight	○ Responsible for day-to-day operations in accordance with Council and Board direction
○ Elect 4 of 7 members of Hedera's Board	○ Appoints Hedera officers (e.g., CEO, treasurer, secretary) ○ Appoints the Hedera Chair and the Executive Director who is ex officio the Vice Chair	○ Hire Hedera employees
○ Can delegate authority and certain decisions to the Board	○ Can delegate authority and certain decisions to Hedera officers	○ Responsible for briefing Board and Council
○ Responsible for approving technology roadmap, network pricing, software upgrades, and Treasury management	○ Approves budgets, legal and regulatory strategies, and corporate policies	

The governing agreement for Hedera is publicly available at https://www.hedera.com/hedera-llc-agreement.pdf. Hedera also publishes minutes of the meetings of the Council Members at https://www.hedera.com/council/minutes.

54. How does Hedera address perceived or actual conflicts of interest between Hedera and individual Council members?

As noted in response to Question 49, Hedera requires that any material transactions (those with a value of $100,000 or more) between a Council member and Hedera be reviewed and approved by the Board to prevent actual or perceived conflicts of interest or self-dealing. Board members with an interest in the transaction must recuse themselves from such decision.

Board of Managers

55. Who serves on Hedera's Board of Managers?

The Board has up to seven voting managers. Four voting managers are elected by the Council members. The other three voting managers are (i) a Swirlds appointee, (ii) the Hedera CEO, and (iii) the Hedera CFO (or CEO designee). The Board also includes the non-voting Chair, elected by the Board, who is not affiliated with any Council member and who presides over both the Board and the Council. Voting members serve a term of two years, which may be extended for an additional year. The Board's voting members do not receive any compensation for their service.

The current Board members and their affiliations are as follows:

	Name	*Board Position*	*Affiliation*
1.	Brian Jeffords	voting member	Boeing representative
2.	Scott Thiel	voting member	DLA Piper representative
3.	Bryan Gross	voting member	IBM representative
4.	Mance Harmon	voting member	Hedera CEO
5.	Leemon Baird	voting member	Hedera CEO designee
6.	William Miller	voting member	Swirlds appointee
7.	*Vacant*	voting member	*Must be affiliated with a Council member*[7]
8.	Brett McDowell	vice chair (non-voting)	Executive Director, Hedera Council

Management & Employees

56. Who are Hedera's executive officers?

Leemon Baird, Chief Scientist and Co-Founder. Dr. Baird is the inventor of the hashgraph distributed consensus algorithm, and is the Co-Founder and Chief Scientist of Hedera. With over 20 years of technology and startup experience, he has held positions as a Professor of Computer Science at the US Air Force Academy and as a senior scientist in several labs. He has been the Co-Founder of several startups, including two identity-related startups, both of which were acquired. Dr. Baird received his PhD in Computer Science from Carnegie Mellon University and has multiple patents and publications in peer-reviewed journals and conferences in computer security, machine learning, and mathematics.

Mance Harmon, Chief Executive Officer and Co-Founder. Mr. Harmon is an experienced technology executive and entrepreneur with more than 20 years of strategic leadership experience in multi-national corporations, government agencies, and high-tech startups, and is Co-Founder and CEO of Hedera. His prior experience includes serving as the Head of

[7] This vacancy is expected to be filled by vote at the next quarterly meeting of the Council.

Architecture and Labs at Ping Identity, Founder and CEO of two tech startups, the senior executive for product security at a $1.7 billion revenue organization, Program Manager for a very-large scale software program for the Missile Defense Agency, the Course Director for Cybersecurity at the US Air Force Academy, and research scientist in Machine Learning at Wright Laboratory. Mr. Harmon received a MS in Computer Science from the University of Massachusetts and a BS in Computer Science from Mississippi State University.

Natalie Grunfeld Furman, General Counsel and Secretary. Ms. Furman was previously a senior associate at Paul Hastings LLP, where her practice focused on intellectual property, unfair competition, and rights of privacy and publicity, and is the General Counsel for Hedera. Prior to law school, she started her career in Silicon Valley, providing strategic advice to high tech startups. She was Director of Strategy and Business Development at an online group communication startup acquired by Yahoo! Inc. and Director of Business Development for a technology startup developing a global collaborative supply chain platform. Mr. Furman received her BA in Anthropology with honors from Stanford University and her JD from Columbia University School of Law.

Christian Hasker, Chief Marketing Officer. Mr. Hasker has two decades of experience in enterprise software in a variety of roles at startups and large companies, including marketing, product management, product marketing, and sales management, and is the Chief Marketing Officer for Hedera. He was previously the Vice-President of Marketing at DataStax, where he was responsible for developer education and open source Apache Cassandra community initiatives during a period of hyper-growth. Mr. Hasker has degrees from the University of Manchester and the London College of Music.

Lionel Chocron, Chief Product Officer. Mr. Chocron is an experienced product executive, with over 20 years of experience bringing enterprise products to market and driving their adoption, and is the Chief Product Officer of Hedera. He joins from Oracle, where he was Vice President, Industry and Emerging Technology, and led their emerging technology (Blockchain, IoT, AI) solution efforts across industries. Prior to that, he was Vice President and General Manager at Cisco, where he co-launched, productized, and scaled Cisco’s fast-growing Internet of Things (IoT) business. He has previously held roles at A.T. Kearney, Bain & Company, and BNP Paribas. Mr. Chocron has an MBA from UC Berkeley’s Haas School of Business, a Masters in Engineering from McGill University, and a bachelor’s degree in Engineering from Ecole des Mines.

Brett McDowell, Executive Director, Hedera Governing Council. Mr. McDowell brings over 20 years of IT industry coalition experience, and is the Founding Executive Director and Vice Chair of the Hedera Governing Council. He has had founding executive roles at the Kantara Initiative, IDESG, DMARC.org, and FIDO Alliance, where he still serves as an advisor. In addition, he has extensive multi-stakeholder governance experience, having served on the board or advisory board of MAAWG, NCSA, StopBadWare, and PCI SSC, among other industry coalitions. Mr. McDowell is a fellow at the UMASS National Center for Digital Government, a member of the US Federal Reserve Bank's Mobile Payments Industry Working Group and a recipient of the 2019 Top 50 Tech Leaders award from InterCon.

John Larre, Vice President of Finance. Mr. Larre has over twenty years of experience in implementing and managing financial operations and reporting infrastructures for investment management and operating companies. Mr. Larre is Treasurer of the Hedera Council and responsible for all financial functions of Hedera. Prior to joining Hedera, Mr. Larre has two decades of experience as the Chief Financial Officer for two equity hedge funds. Most recently as Chief Financial Officer of Folger Hill Asset Management, LP, Mr. Larre was a member of the firm's Executive Committee with oversight of accounting, tax, and operations for offices located in New York, Hong Kong, and Singapore. Mr. Larre is a certified public accountant in the state of New York and has a bachelor's degree in Accountancy from Villanova University.

Jordan Fried, Senior Vice-President, Business Development. Jordan is a DLT evangelist and self-professed crypto-capitalist, and is the Senior Vice-President of Business Development of Hedera. He was previously the Co-Founder and CEO of Buffered VPN, the fastest growing personal VPN service online, which was acquired in Q1 2017. Jordan is an investor in companies such as Hive.org and Buffer App and has been featured in Entrepreneur Magazine, Inc.co, Wired.com, Time Magazine, and Success.com.

Information on additional members of Hedera's leadership team is available at https://www.hedera.com/about#team.

57. How many employees does Hedera have?

Hedera currently has a total of 51 full-time personnel, which includes employees and contractors, across its engineering, DevOps, product management, software development, information systems and security, business development, marketing, finance, legal, executive, and human resources departments.

F. Financial Information

58. How much money has Hedera raised?

Hedera raised approximately $124 million from December 2017 to August 2018, which, after accounting for taxes, transactions costs, and the 10% license fee payment to Swirlds, resulted in net proceeds of approximately $83 million.

59. How did Hedera raise funds?

Hedera raised capital to develop the Hedera network through the issuance of Simple Agreements for Future Tokens ("***SAFTs***"). Hedera offered three series of SAFTs, each with different terms as set forth below. Due to increased investor interest and market comparables prior to the third series, the first two series of SAFTs were amended on March 30, 2018 to effect a 1:1000 coin-split, changing the total coin supply that would be minted from 50 million to 50 billion coins and significantly lowering the effective price per coin for SAFT purchasers ("***Amendment No. 1***"). Amendment No. 1 also changed the original distributions terms. The descriptions below provide both the original and the split-adjusted coin price and the original and amended distribution terms for SAFT Series 1 and SAFT Series 2.

- SAFT Series 1. SAFT Series 1 was offered to employees, other early contributors and advisors**,** friends, and family in an offering exempt from registration under the Securities Act of 1933 (the "***Securities Act***"). Under SAFT Series 1, Hedera raised $4.7 million from 40 purchasers. The original price per coin was $1.00, based on an original total supply of 50 million coins. After Amendment No. 1, the adjusted purchase price was $0.001 per coin. Hedera sold 4.9 billion coins (split-adjusted) through SAFT Series 1, which represents 56% of all coins sold via SAFTs and 9.8% of the total coin supply. The SAFT Series 1 offering commenced in December 2017 and final investment forms were received by January 2018.

  The original terms for coin release provided that 20% of the coins would be released upon Network Launch, and 20% on each of the subsequent four anniversaries of Network Launch. Amendment No. 1 changed the distribution schedule to provide that the initial 20% would not be released until at least six months after Network Launch. Following two additional amendments approved by the holders of SAFT Series 1 in August 2019 and October 2019, coins from SAFT Series 1 are being released to purchasers on a more gradual basis to better align with expected network growth: 2% were released to SAFT Series 1 purchasers on the date of Open Access, 2% were released in the seven days following Open Access, and the remainder of the coins are being released at least quarterly, over a period that ends in September 2023.

- SAFT Series 2. SAFT Series 2 was offered to employees and contractors, friends and family, and strategic partners, advisors and investment funds in an offering exempt from registration under the Securities Act. Under SAFT Series 2, Hedera raised $14.5 million from 80 purchasers. The original price per coin was $5.00, and the split-adjusted price following Amendment No. 1 was $0.005 per coin. 2.9 billion coins (split-adjusted) were sold through SAFT Series 2, which represents 33% of all coins sold via SAFTs and 5.8%

of the total coin supply. The SAFT Series 2 offering commenced in January 2018. Approximately 95% of SAFT Series 2 purchases occurred in January and February 2018, with some final investment forms received through mid-March 2018.

As with SAFT Series 1, described above, the original terms for coin release for SAFT Series 2 provided that 20% of the coins would be released upon Network Launch, and 20% on each of the subsequent four anniversaries of Network Launch. Amendment No. 1 changed the distribution schedule to provide that the initial 20% would not be released until at least six months after Network Launch. Following an additional amendment approved by the holders of SAFT Series 2 in August 2019, coins from SAFT Series 2 are being released to purchasers on a more gradual basis to better align with expected network growth: 5% were released to SAFT Series 2 purchasers on the date of Open Access, 5% were released in the seven days following Open Access, and the remainder of the coins are being released at least monthly, over a period that ends in September 2022.

- SAFT Series 3. SAFT Series 3 was offered to institutional investors and accredited investors in an offering exempt from registration under the Securities Act. It was completed in two phases. The first phase, which commenced in mid-April 2018, targeted institutional investors. The second phase, the "***Accredited Crowdsale***," ran from August 1-18, 2018 and was open to accredited investors on the same terms offered to investors in the institutional investor phase (but with a lower minimum investment threshold). Under SAFT Series 3, Hedera raised approximately $103.8 million ($83 million during the institutional phase, and $20 million during the Accredited Crowdsale) from 778 total purchasers. SAFT Series 3 resulted in 922 million coins sold, which represents 11% of all coins sold via SAFTs and approximately 1.9% of the total coin supply. SAFT Series 3 offered two options to purchasers:

    - SAFT Series 3A: $0.12 per coin (based on a total supply of 50 billion coins) with an 8-month release schedule (monthly distributions), with 20% of coins to be released no sooner than 6 months after Network Launch followed by 10% of coins released monthly over the following 8 months. A total of 528 purchasers chose SAFT Series 3A, investing a total amount of $81.5 million for 680 million coins. The first release of coins under SAFT Series 3A occurred at Open Access on September 16, 2019, and monthly distributions have occurred as planned and will continue to occur through May 16, 2020.

    - SAFT Series 3B: $0.096 per coin (based on a total supply of 50 billion coins) with a 4-year release schedule (annual distributions) with 20% of coins to be released no sooner than 6 months after Network Launch followed by 20% of coins released annually over the following four years. A total of 302 purchasers chose SAFT Series 3B, investing a total amount of $22.3 million for 242 million coins. The first release of coins under SAFT Series 3B occurred at Open Access on September 16, 2019, and subsequent releases will occur on September 16 each year from 2020-2023.

Some SAFT purchasers invested into more than one SAFT, including some holders of SAFT Series 1 and SAFT Series 2 who also invested additional funds in SAFT Series 3, and purchasers who invested in both SAFT Series 3A and SAFT Series 3B.

Hedera management and almost two-thirds of employees invested a total of more than $10 million in SAFT Series 3. Specifically, 28 employees invested a total of $10.48 million. One purchaser made a $10 million investment; the other 27 (some of whom also had invested in SAFT Series 1) invested an aggregate of $480,000 in SAFT Series 3.

Table 4. Summary of SAFT Offerings.

	SAFT Series 1	**SAFT Series 2**	**SAFT Series 3**
Dates of offering	December 2017 to January 2018 (~92% in Dec.)	January 2018 to March 2018 (~95% in Jan-Feb)	April-August 2018 (institutional); August 1-18, 2018 (accredited crowdsale)
Price per coin	$1.00 pre-split / $0.001 post-split	$5.00 pre-split / $0.005 post-split	SAFT 3A: $0.12 SAFT 3B: $0.096
Total funds raised	$4.7m	$14.5m	SAFT 3A: $81.5m SAFT 3B: $22.3m Total: $103.8m
% of SAFT funds	4%	12%	84%
Total coins	4.9 billion	2.9 billion	922.5 million
% of total SAFT hbars	56%	33%	11%
% of total hbar supply	9.8%	5.8%	1.84%
# SAFT purchasers	40	80	778 total (528 for SAFT 3A and 302 for SAFT 3B. Some purchasers invested in both 3A and 3B)
Original release schedule	20% on Network Launch; 20% on anniversary of Network Launch for 4 years First distribution initially amended no sooner than 6 months after Network Launch	20% on Network Launch; 20% on anniversary of Network Launch for 4 years First distribution initially amended to no sooner than 6 months after Network Launch	20% no sooner than 6 months after Network Launch (to coincide with Open Access) 3A: 10% per month for 8 months 3B: 20% annually for 4 years
Current amended release schedule before Exchange Offer	1% at Open Access; 1% within 1 week of Open Access; remaining 98% at least quarterly over a total of 48 mths	5% at Open Access; 5% within 1 week of Open Access; remaining 90% at least monthly over a total of 36 mths	N/A

60. How has Hedera deployed the proceeds from the SAFTs?

Hedera has used the SAFT proceeds to develop, launch, and grow the Hedera network. The funds were used to cover Hedera's operating expenses, which include engineering, business development, developer advocacy, marketing, and regulatory and legal expenses. Hedera's operating expenses (unaudited) were $20.5 million for 2018 (excluding the one-time $12.2 million license payment addressed below) and are estimated to be $28.5 million for 2019 (some invoices are still being received).

Hedera treated the SAFT proceeds as revenue for tax purposes, as the sale was treated as a presale of hbars for later use on the network. The proceeds are held on Hedera's books as deferred revenue. in accordance with generally accepted accounting principles. Accordingly, a reserve of $25 million was established for U.S. corporate income taxes on the SAFT revenue. This tax reserve is not included in the amount described as the cash on hand or current cash position.

Hedera's operating expenses include licensing fees to Swirlds under the MLA in exchange for use of the hashgraph technology. Pursuant to the terms of the MLA, Hedera had a one-time obligation of $12.2 million to Swirlds in respect of the SAFT revenue, which was satisfied through a series of payments. Hedera's operating expenses also include other payments to Swirlds for services and/or development work outside the scope of the MLA.

61. What is Hedera's current financial situation?

As of January 1, 2020, Hedera maintained a cash position of over $31 million. Based on various internal financial assumptions, Hedera's operating expenses for 2020 are expected to be between $2.2 million and $2.5 million per month.

62. Does Hedera intend to raise more funds from hbar sales? If so, how?

Yes, Hedera anticipates raising additional funds by selling hbar coins to a small number of strategic institutional purchasers, with those coins to be delivered after a multi-year period. While the particular terms and form of the sale will be determined by Hedera based on network usage, regulatory requirements, and other considerations, the intent would be to sell the coins such that the coins would be locked up and not be able to be re-sold for a multi-year period consistent with the overall release schedule. Since the Council must approve transfers of coins from Hedera's Treasury, the Council would have to approve any such sales before Hedera could proceed to enter the contemplated agreements. Those sales would be included in the total number used to calculate the additional hbars to be distributed to SAFT holders who elect to participate in the Offer.

Hedera also may consider sales of coins under other structures that comport with applicable laws and regulations and that are consistent with Hedera's plan for a slow release of hbars out of Treasury. Although Hedera also contemplates that at some point it will begin selling coins in a measured way directly through exchanges or via other third parties in order to fund ordinary ongoing operations, Hedera does not anticipate any such sale of coins in the immediate future. As above, any such sales would need to be approved by the Council, based on network usage, regulatory requirements, and other considerations. Those sales also would be included in the total number used to calculate the additional hbars to be distributed to SAFT holders who elect to participate in the Offer.

In addition, Hedera has a contract with a proprietary trading firm, to whom Hedera sells hbars that are withheld from distributions to employees under coin compensation grants. These sales are made for the sole purpose of obtaining funds to pay tax withholding obligations that Hedera incurs from making hbar distributions under coin grants to employees. The coins sold are solely those withheld from the employee distributions; proceeds from these sales are not used to fund Hedera's operations, but solely to pay the IRS and state and local tax authorities in respect of such employee tax obligations. Because these sales are of employee coins, not Hedera's Treasury coins, they are not included in the Prior Period Sales used to calculate the additional hbars to be distributed to SAFT holders who elect to participate in the Offer.

63. How much revenue does Hedera currently generate?

The Hedera network became broadly accessible to the general public in September 2019. Hedera currently generates a de minimis amount of revenue from sponsorship and network transaction fees. Any projections about revenue at this time necessarily rely on and are extremely sensitive to a wide range of assumptions about several variables, many of which are outside Hedera's control (e.g., rate of general adoption of distributed ledgers, rate at which third parties develop useful application on top of Hedera, volume of transactions by those third parties, competitive alternatives, third party creation of "killer app" use cases, changes in the regulatory environment, etc.) The industry is too nascent, uncertainties too great, and assumptions too variable, for Hedera to provide meaningful or reliable revenue projections at this stage. We have provided information about our current network metrics and current fees, and we encourage individuals to conduct their own research and form their own views as to any future projections.

64. How is Hedera management compensated?

Hedera management receives compensation in both base salary and coin grants.

Senior management salaries range from $200,000 to $350,000 annually. For the first several months, early members of management and other early team members worked for substantially less cash compensation.

Accounting for coins they may receive through coin grants and the coins they will receive under their SAFTs, Dr. Baird and Mr. Harmon (together, the "***Founders***") each have a right to just over 5% of the total coin supply.

Dr. Baird and Mr. Harmon each have a coin grant of two billion hbars in total allocation (4% of the total supply of 50 billion hbars), each vesting over a six-year period as follows:

- 500 million coins, previously described for 'short term' release, which vest over a period ending in 2021. Dr. Baird and Mr. Harmon previously agreed to delay receipt of a portion of their "short term" allocation until August 2023 through November 2024.

- 1.5 billion coins, previously described for 'long term' release, which vest over a period from 2020 to 2023.

The Founders have each vested into approximately 200 million, or 40% of the short-term allocation, as of December 31, 2019. Those coins were released on February 1, 2020. (Under the terms of the grant and requirements of U.S. tax laws those coins had to be released no later than March 15, 2020.) Additional coins will be released monthly. As with all employees, for each release of coins, Hedera withholds a certain percent in order to meet Hedera's tax withholding obligations.

Hedera is in the process of negotiating formal hbar transfer restriction agreements with the Founders. In addition, the Founders have publicly committed that they will not sell any of their granted coins without informing the public at least 30 days in advance. Accordingly, the 400 million coins mentioned above (200 million coins each, vested through December 31, 2019), less the amount that was withheld for tax purposes, were deposited into a common account with the other early executives who also are willing to formally lockup those coins and have similarly committed to providing public notice prior to selling them.

Approximately 25 million coins per month will be released to Dr. Baird and Mr. Harmon through March 2021. Each of those additional distributions, less the coins withheld for taxes, also will be deposited into the common account.

Additionally, Dr. Baird and Mr. Harmon each participated in SAFT Series 1 and SAFT Series 3. The total number of coins they each are entitled to under their SAFTs is 461 million and 500 million, respectively, under SAFT Series 1, and 83,333 each under SAFT Series 3. Dr. Baird and Mr. Harmon each sold less than $500,000 worth of coins received from their SAFT distributions on September 16, 2019 (the day of Open Access) to a third party in an over-the-counter transaction at a price of $0.096, but have not sold any coins since that day.

For both coins received under their coin grants and coins received under their SAFTs, Mr. Baird and Mr. Harmon will define a reasonable selling plan, which will be disclosed publicly at least 30 days before selling any of their coins. The selling plan will be designed to avoid flooding the market or selling based on non-public information, and to comport with all applicable laws and regulations.

Other senior executives who joined prior to March 2018 hold coin grants ranging from 250 million to 300 million coins, vesting over a period that ends in December 2021. Those individuals also were permitted to participate in the SAFT rounds and hold SAFTs from Series 1 and Series 3. Thomas Trowbridge, who served as President and departed Hedera in 2019, received 300 million coins on February 1, 2020, less coins withheld for taxes, and will not receive any further coins under a coin grant. Mr. Trowbridge also participated in SAFT Series 1 and SAFT Series 3. Executives who joined Hedera after March 2018 have coin grants ranging from approximately 10,000,000 to 100,000,000, with vesting, and some of those who joined prior to August 18, 2018 also participated in SAFT Series 3.

In addition, the Founders each own 36.3% of Swirlds common stock. Executives who joined in 2017, as Hedera was still being formed, also received grants of options or shares in Swirlds, ranging from 1.0% to 2.5%, with vesting, of Swirlds common stock.

G. Risk Factors

You should carefully consider the risk factors set forth below as well as other information contained in and incorporated by reference in this statement before tendering the unvested portion of your SAFTs in this Offer. The risks described below are not the only risks. Any of the following risks could materially and adversely affect our business, financial condition or operating results and the value of the SAFTs you hold, as well as the relative benefit of holding the old SAFT versus tendering it in exchange for the new SAFT. In such case, you may lose all or part of your investment.

I. RISKS RELATING TO THE OFFER

Neither the U.S. Securities and Exchange Commission ("SEC") nor any state securities commission has approved or disapproved of this Offer or the SAFTs, or passed upon the Offer or the SAFTs.

Neither the SEC nor any state securities commission has approved or disapproved this Offer nor passed upon the accuracy or adequacy of the information contained in this Offer. The regulation of digital assets, particularly from a securities law perspective, is uncertain. We have assumed that the SAFTs themselves are securities, but have taken the view that the status of the hbars are at this point not securities, which may or may not ultimately be found to be the case. There is a risk that the SEC or a state securities commission could view this Offer to be in violation of Section 5 of the Securities Act of 1933 (the "***Securities Act***") or an analogous state law. Such a view could result in severe financial or equitable penalties against Hedera and could lead to Hedera's dissolution, and a complete loss of your investment.

The "Bonus Allotment" that will be paid in additional hbars under the new SAFT is dependent on Hedera's sales of hbars which may in turn depend on increased demand or transaction volume, which may never materialize.

The Bonus Allotment is designed to be paid over time based upon Hedera's future sales of hbars and the volume of fee-generating transactions on the Network. If Hedera is forced to dissolve, or the Network does not achieve increased fee-generating transaction volumes in the future, the Bonus Allocation may never be paid in full or at all. Because of the uncertainty around timing and likelihood of payment of the Bonus Allocation, there can be no assurance that the Bonus Allocation will be of greater value than the hbars distributions you choose to delay by accepting this Offer. Conversely, there can be no assurance that you will benefit by not accepting the Offer. You should obtain your own legal and accounting advice before accepting the Offer.

II. RISKS RELATED TO THE HEDERA NETWORK

The SEC or other regulators may disagree with our position that hbars are not "securities" under the U.S. federal and various state securities laws.

Neither the SEC nor any state regulatory authority has provided formal or informal assurance that hbars are not "securities" under applicable state or federal securities laws. The SEC has recently initiated several legal actions against distributed ledger projects, such as its suit against Kik Interactive Inc. ("***Kik***") and its temporary restraining order against Telegram Group Inc. and

TON Issuer Inc. (collectively, "***Telegram***") for each allegedly conducting an offering of digital currency (Kin and Gram tokens, respectively) in violation of Section 5 of the Securities Act. Hedera believes its SAFT offerings and sales of hbars did not violate applicable securities laws, but there can be no assurance that the SEC or other regulators will take the same view.

Hedera is a new distributed ledger network and ecosystem, and it may not be successful.

The hbars and the Network rely on new, unproven technology, and neither Hedera nor its management team has created a product like this before. Although the Network is currently functional, Hedera may have to make changes to the specifications of hbars and the Network, which may significantly impact Network operations. Further, the Network, even if successfully maintained, may not garner sufficient developer or user interest such that the Network is sustainable.

Hedera will rely on certain third-party service providers to develop and operate the Network.

Hedera will rely on certain third-party service providers in order to enhance and operate the Network. Hedera's future success and competitive position depends in part upon its ability to maintain these relationships with third party service providers or obtain new third-party service providers at a rate of compensation which is acceptable to Hedera. If Hedera's plans cannot be implemented or are disrupted, the ability of holders of hbars to use the Network or hbars could be materially adversely affected. In addition, Hedera cannot assure SAFT holders that any of Hedera's third-party service providers will be able to successfully provide their services on the Network or in furtherance of development of the Network.

Hedera's continued operation depends on an intellectual property license agreement negotiated with Swirlds, Inc.

Hedera licenses the core platform technology underlying its network from Swirlds, Inc., currently one of its affiliates. Certain terms of the license agreement were recently renegotiated to provide for exclusivity for public ledger use and other modifications. Hedera and Swirlds had taken precautions when negotiating the original license agreement and took significant additional precautions in the renegotiation to ensure that each party's interests were represented and that the agreement was negotiated at arm's length. Notwithstanding the efforts made, there is no guarantee that every element of the agreement was as favorable or will appear as favorable as if negotiated between unaffiliated parties. If Hedera were to violate certain terms of the MLA, Swirlds would have the right to revoke the license upon which the Hedera network depends (as described in Question 24 of the Offer). This could lead Hedera to suspend all activity on the Network and could ultimately cause Hedera to dissolve, if it is unable to secure sufficient rights to the technology necessary to continue its operations. Hedera's failure to maintain its right to use such intellectual property or the failure of Swirlds, Inc. to protect its intellectual property could have an adverse material effect on the successful development and adoption of the Network and hbars. Hedera's patent position is subject to complex factual and legal issues that may give rise to uncertainty as to the validity, scope and enforceability of a particular patent. Accordingly, Hedera cannot assure SAFT holders that any of the patents that Hedera may file or that third parties license to Hedera will not be invalidated, circumvented, challenged, rendered unenforceable, or licensed to others or that any of Hedera's future patent applications will be issued with the breadth of claim coverage Hedera seeks, if issued at all.

Hedera could be subject to intellectual property infringement claims, which could be disruptive and costly to defend.

The Hedera network's future success and competitive position depends in part upon Hedera's ability to obtain or maintain certain proprietary intellectual property used in Hedera's principal products. This may be achieved, in part, by prosecuting claims against others who Hedera believes are infringing its rights and by defending claims of intellectual property infringement brought by third parties. While Hedera is not currently engaged in any material intellectual property litigation, in the future Hedera may commence lawsuits against third parties if Hedera believes that its rights have been infringed, or Hedera may become subject to lawsuits alleging that it has infringed on the intellectual property rights of third parties. For example, to the extent that Hedera has previously incorporated third-party technology and/or know-how into certain products for which Hedera does not have sufficient license rights, Hedera could incur substantial litigation costs, be forced to pay substantial damages or royalties, or be forced to cease sales in the event any owner of such technology or know-how were to challenge Hedera's subsequent sale of such products (and any progeny thereof). In addition, to the extent that Hedera discovers or has discovered third-party patents that may be applicable to products or processes in development, Hedera may need to take steps to avoid claims of possible infringement, including obtaining non-infringement or invalidity opinions and, when necessary, re-designing or re-engineering products. However, Hedera cannot assure SAFT holders that these precautions will allow Hedera to successfully avoid infringement claims. Hedera's involvement in intellectual property litigation could result in significant expense to Hedera, adversely affect the development of sales of the challenged product or intellectual property and divert the efforts of Hedera's technical and management personnel, whether or not such litigation is resolved in Hedera's favor. In the event of an adverse outcome in any such litigation, Hedera may, among other things, be required to:

- pay substantial damages;
- cease the development, manufacture, use, sale or importation of products that infringe upon other patented intellectual property;
- expend significant resources to develop or acquire non-infringing intellectual property;
- discontinue processes incorporating infringing technology; or
- obtain licenses to the infringing intellectual property.

Hedera cannot assure SAFT holders that it would be successful in any such development or acquisition or that any such licenses would be available upon reasonable terms, if at all. Any such development, acquisition or license could require the expenditure of substantial time and other resources and could have a material adverse effect on Hedera's business, results of operations and financial condition.

Effective patent, trademark, copyright and trade secret protection may be unavailable, limited or not applied for in certain foreign countries. For instance, it may be difficult for Hedera to enforce certain of its intellectual property rights against third parties who may have inappropriately acquired interests in Hedera's intellectual property rights by filing unauthorized trademark applications in foreign countries to register Hedera's marks because of their familiarity with Hedera's business in the United States.

Some of Hedera's proprietary intellectual property is not protected by any patent or patent application, and, despite Hedera's precautions, it may be possible for third parties to obtain and use such intellectual property without authorization. Hedera has generally sought to protect such proprietary intellectual property in part by confidentiality agreements and, if applicable, inventors' rights agreements with strategic partners and employees, although such agreements have not been put in place in every instance. Hedera cannot guarantee that these agreements adequately protect Hedera's trade secrets and other intellectual property or proprietary rights. In addition, Hedera cannot assure Purchasers that these agreements will not be breached, that Hedera will have adequate remedies for any breach or that such persons or institutions will not assert rights to intellectual property arising out of these relationships. Furthermore, the steps that Hedera has taken and may take in the future may not prevent misappropriation of Hedera's solutions or technologies, particularly in respect of officers and employees who are no longer employed by Hedera or in foreign countries where laws or law enforcement practices may not protect Hedera's proprietary rights as fully as in the United States.

The digital asset market is extremely competitive, and other networks have been and may be developed that are the same or similar to the Network.

Hedera is developing technology in a highly competitive and increasingly saturated industry. It is possible that competitive networks could be established or developed that utilize the same or similar open source code and protocol underlying the Network and attempt to implement services that are materially similar to those offered by Hedera. The Network may be forced to compete with these competitive networks, which could negatively impact the adoption of hbars, which would likely adversely impact the value of the Hedera network and hbars.

Hedera may be forced to cease operations or take actions that result in a Dissolution Event.

It is possible that, due to any number of reasons, including, but not limited to, an unfavorable fluctuation in the value of digital assets or fiat currencies, the inability by Hedera to establish a viable financial ecosystem for hbars' utility, the failure of commercial relationships, regulatory issues, or intellectual property ownership challenges, Hedera may no longer be viable to operate, and may dissolve or take actions that result in a dissolution event.

Hedera may be subject to litigation and other claims.

Hedera, as an independent legal entity, may be subject to lawsuits or proceedings initiated by government entities or private parties. Any legal expenses and/or liabilities shall be borne by Hedera.

Cybersecurity risk.

Hedera utilizes a substantial amount of electronic information. This includes transaction information and sensitive personal information of the SAFT holders. The service providers used by Hedera, may also use, store, and transmit such information. Hedera intends to implement detailed cybersecurity policies and procedures and an incident response plan designed to protect such information and prevent data loss and security breaches. However, such measures cannot provide absolute security. Breach of Hedera's information systems may cause information relating to the transactions of Hedera and sensitive SAFT holder information be compromised to unauthorized third-parties.

Privacy risk.

The Company may be compelled to disclose personal information about a SAFT holder or multiple SAFT holders to federal or state government regulators or taxation authorities. Accordingly, certain information concerning SAFT holders may be shared outside of the Company.

The Network may not be widely adopted and may have limited users.

It is possible that the Network will not be used by a large number of individuals, companies and other entities or that there will be limited public interest in the creation and development of distributed ecosystems (such as the Network) more generally or distributed applications to be used on the Network. Such a lack of use or interest could negatively impact the development of the Network and therefore the potential utility of hbars.

The Hedera network may never generate the volume of transactions necessary to support its continued operation.

The Network has processed over 55 million transactions since Open Access, and as of mid-March was processing more than 750,000 transactions per day. If transaction volumes on the Network do not increase significantly over the next several years and/or if Hedera is unable to attract a dedicated user and developer base, Hedera may be unable to support its continued operation or pay the Bonus Allocation in full, if at all.

Hedera assumes no responsibility for maintaining the price of hbars on online trading platforms or public markets, which price is subject to rapid change.

Hedera makes no representations regarding, and assumes no responsibility for, supporting the price of hbars on online trading platforms or any public markets. Such prices are susceptible to rapid increases and decreases which may or may not reflect the viability of the Hedera network. Moreover, the high volatility of hbar prices may limit its future growth and its ability to attract new users and developers. Rapid increases and decreases in hbar prices may also distort or destroy any economic benefit you may enjoy or suffer as a consequence of accepting or choosing not to accept the Offer.

III. INVESTMENT RISKS

Holders of SAFTs will have no control over the Network, and Hedera may only have limited control over the Network.

The Network is comprised of technologies that depend on a network of computers to run certain software programs to process transactions. Because of this decentralized and distributed model, Hedera will have limited control over the Network's operation. In addition, holders of hbars are not and will not be entitled, to vote on governance matters or receive dividends or other payments from Hedera or be deemed the holder of equity securities of Hedera for any purpose, nor will anything be construed to confer on the purchasers any of the rights of a stockholder of Hedera or any right to vote for the election of directors or managers or upon any matter submitted to members or managers at any meeting thereof, or to give or withhold consent to any Company action or to receive notice of meetings, or to receive subscription rights or otherwise.

There may be occasions when certain individuals involved in the development and launch of the Network may encounter potential conflicts of interest, such that said party may avoid a loss, or even realize a gain, when other purchasers are suffering losses.

There may be occasions when certain individuals involved in the development of the Network may encounter potential conflicts of interest in connection with the SAFT, hbars and/or the Network, such that said party may avoid a loss, or even realize a gain, when other holder of hbars are suffering losses. Holders of hbars may also have conflicting investment, tax, and other interests with respect to SAFT investments, which may arise from the terms of the SAFT, the development of the Network, or other factors. Decisions made by the key employees of Hedera on such matters may be more beneficial for some persons than for others.

Members of Hedera's Board of Managers and management team may have conflicts of interest with respect to certain Council actions, and such conflicts could be resolved in a manner adverse to Hedera.

Hedera's Board of Managers consists of individuals elected and/or appointed by the various members of the Hedera Council. Therefore, these managers may have conflicts of interest with regard to certain actions of the Hedera Council. These potential conflicts of interest may also extend to Hedera's management team. For example, Mance Harmon and Dr. Leemon Baird, two of Hedera's executive officers and co-founders, collectively have a controlling interest in Swirlds, Inc., the Council entity from which Hedera licenses the rights to its core technology. Hedera seeks to manage all potential conflicts of interest through oversight by independent members of the management team and Board of Managers. However, there can be no assurance that such measures will be effective, that Hedera will be able to resolve all conflicts with its management teams or within the Council, and that the resolution of any such conflicts will be no less favorable to Hedera than if Hedera were dealing with unaffiliated third parties.

IV. LEGAL AND REGULATORY RISKS

The regulatory regime governing digital assets is still developing.

Regulation of digital assets (including hbars), offerings of digital assets, blockchain and distributed ledger technologies, and digital asset exchanges are currently undeveloped and likely to rapidly evolve, and vary significantly among non-U.S. and U.S. federal, state and local jurisdictions and are subject to significant uncertainty. Various legislative and executive bodies in the United States, South Korea, China, Singapore, among other countries, are currently considering, or may in the future consider, laws, regulations, guidance, or other actions, which may severely impact Hedera and digital assets. Failure by Hedera to comply with any laws, rules and regulations, some of which may not exist yet or are subject to interpretation and may be subject to change, could result in a variety of adverse consequences, including criminal and civil penalties and fines. New or changing laws and regulations or interpretations of existing laws and regulations would likely have numerous material adverse consequences, including, but not limited to: (i) the ability of SAFT holders to earn a return on their investment; (ii) the value of hbars; (iii) Hedera's ability to make distributions of hbars; (iv) the liquidity and market price of hbars; (v) the ability to access marketplaces on which to buy or sell hbars; (vi) Hedera's ability to operate as an ongoing concern; and (vi) the necessity to modify the structure, rights and transferability of hbars. Therefore, there can be no assurance that any new or continuing regulatory scrutiny or initiatives will not have a material adverse impact on the value of hbars or the SAFTs, or otherwise impede Hedera's activities, whether or not you accept the Offer.

Hedera has the exclusive right, in its sole discretion, to address and remediate any of the operational, legal or regulatory risks presented as of the date hereof or hereafter. In the exercise of such rights, it is possible that Hedera may determine that the continued operation of the Network and use of hbars is not feasible. If Hedera's operations are found to be in violation of any applicable laws, Hedera may be subject to penalties, including civil and criminal penalties, damages, fines and the curtailment, restructuring, or restriction of Hedera's operations. Any penalties, damages, fines, curtailment or restructuring or restriction of our operations could harm Hedera's ability to operate its business. Any action against Hedera for violation of these laws, even if Hedera successfully defends against it, could cause Hedera to incur significant legal expenses and could cause irreparable harm to its ability to attract the necessary developer and user base to continue its operations. Moreover, achieving and sustaining compliance with applicable federal and state fraud laws may prove costly or could require Hedera to cease operations.

The Network is in a constant state of growth and development, and such changes will require significant contributions from its developer and user community to continue to develop and successfully operate.

Although fully functional, the Network has not developed to its full potential, and the Network's continued growth and development will depend on significant contributions from its developer and user community, as well as individuals employed or contracted by Hedera. It may be necessary to change the specifications of the Network or hbars for any number of reasons, or it may not be possible to develop the Network in a way that realizes those specifications. Even if successfully developed or maintained, the Network or hbars may nevertheless not meet expectations, including your expectations if you choose to accept the Offer. Furthermore, despite good faith efforts to further develop and maintain the Network, it is still possible that the Network will experience malfunctions or otherwise fail to be adequately developed or maintained, which may negatively impact the Network and hbars.

If the Council is unable to adequately address technical problems that may emerge or demonstrate to users the utility and value of the Network, there may not be sufficient demand for hbars for Hedera to continue with its operations. As a result, you may lose all of your investment in the SAFT, regardless of whether you accept the Offer.

Regulatory determinations may make hbars illegal in certain jurisdictions or for certain categories of investors.

It is possible that current or future regulations could make Hedera and/or hbars illegal in some jurisdictions, or for some categories of investors, which could possibly result in a winding down of Hedera, or a decrease in value of hbars. Because hbars have not been formally classified by regulatory agencies, it is possible that subsequent determinations by regulators may prevent certain individuals or entities from using or holding hbars in the future. Such a determination could materially reduce the functionality and demand for hbars.

Additionally, hbars might be classified as a "security" under federal and/or state securities laws. If hbars are considered securities then their offer and sale must be registered unless an exemption is available, which also could significantly inhibit adoption and the value of hbars, as well as increase the compliance costs of Hedera. Depending on what regulatory classification(s) may be made, there may be other securities law issues under the Securities Act of 1933, Securities Exchange Act of 1934, Investment Advisers Act of 1940, Investment Company Act of 1940, Commodity Exchange Act, or other state or federal statutes or regulations.

Application of securities laws to hbars.

Hedera's hypothesis in making this offering is that hbars will not be "securities" as defined by federal, state and foreign securities laws or, to the extent that they are securities, exemptions from registration under these laws will be available for use by Hedera, or a compliance regime can be developed to make the operation of the Network fully compliant with all applicable laws, rules and regulations. That hypothesis has not been approved by government regulators. Therefore, it may prove to be incorrect or unverifiable, in which case it is expected that the Network can become operational only if hbars are either not securities or else are securities issuable in transactions exempt from registration under the securities laws and if all compliance processes, including under the Securities Exchange Act of 1934, can be developed and integrated into the Network.

Hedera has not sought and may or may not seek in the future an interpretative or no-action letter or other formal assurances from the SEC and/or the Commodity Futures Trading Commission ("***CFTC***") Staff regarding the proper characterization of hbars. If Hedera were to do so, there is no assurance, however, that the SEC and/or CFTC staff will entertain such a request, or respond to such a request, let alone respond favorably. Hedera intends to continue taking the current views of the SEC and other regulators into account in determining the proper characterization of hbars and the optimal means of structuring the offering, sale and trading of such instruments and the proper functioning of the Network.

Failure to obtain a favorable interpretive letter or no-action letter from the SEC or CFTC Staff could leave the SEC or CFTC free to bring an action against Hedera, undertaken to enforce the SEC's or CFTC's view of the law as applied to the offering or the Network or other facts that come to its or their attention. Even if the SEC or CFTC Staff were to provide assurances that it does not disagree with the characterization of hbars propounded by Hedera, private parties such as offerees and purchasers of hbars would not be bound by the SEC's or CFTC's views and could assert claims against Hedera if disappointed with their participation in the Network. Such claims could conceivably include rescission rights and fraud claims grounded in the securities laws.

In addition, state and foreign securities regulators could bring actions against Hedera if they have different views of the proper application of their laws to offers, sales and resales of hbars and the operation of the Network.

The results of defending and resolving any and all such possible disputes are impossible to predict but could amount to millions of dollars in defense costs alone. The amounts of damages or other cash awards payable in resolving such disputes are likewise impossible to predict, but could conceivably amount to the entirety of the funds raised by Hedera, and more. Sanctions other than rescission and awards of actual damages could include injunctions and other equitable relief, plus, particularly in the case of claims brought by the government, civil money penalties, fines and exemplary or punitive damages.

Application of the CEA to hbars.

The regulatory treatment of this security instrument under the U.S. Commodity Exchange Act ("***CEA***") is not certain. The CFTC may take the position that this security instrument constitutes a "swap" or is otherwise subject to its jurisdiction under the CEA. If this occurs, then this security instrument may be invalidated and the parties hereto may be subject to enforcement actions and/or penalties.

Federal and state Laws regulating money services businesses.

Hedera may be treated as a money transmitter under the Bank Secrecy Act ("***BSA***") and so be required to register with the Treasury's Financial Crimes Enforcement Network ("***FinCEN***") as a money services business. Hedera may have to comply with state money transmitter regulations as well.

If registration with FinCEN is required, then failure to register is a federal crime. If Hedera is required to register, it will be required to develop an effective anti-money laundering program including policies, procedures and internal controls to verify customer identification; file reports; create and maintain records; file suspicious activity reports under certain circumstances; report transactions in currency; and respond to law enforcement requests. Hedera would also be required to designate a compliance officer and obtain independent reviews to monitor and maintain an adequate program.

Compliance with these state and federal requirements can be expensive, and failure to comply has resulted in substantial fines and other negative consequences for banks and other companies. Hedera's compliance with these rules could be subject to special scrutiny, given the negative publicity associated with some other actors involved in transactions in digital currency. Hedera cannot guarantee that any programs and policies Hedera adopts in accordance with such state and federal money transmitter laws will be deemed compliant by all applicable regulatory authorities. In the event Hedera's controls should fail or Hedera is found to be out of compliance for other reasons, Hedera could be subject to monetary damages, civil and criminal money penalties, litigation and damage to its global brand reputation.

The tax treatment of the SAFT or of accepting the Offer, the rights contained therein and the hbar distribution is uncertain and there may be adverse tax consequences for holders of SAFTs or hbars.

Although Hedera has treated the SAFT as a current sale of hbars to the SAFT purchasers for tax purposes, the tax characterization of the SAFT, the rights contained therein and the hbar distribution is uncertain and highly fact-sensitive. Likewise, the tax treatment of this Offer is uncertain. SAFT holders may recognize income for income tax purposes as a result of the Offer. A SAFT holder that is an accrual basis taxpayer that is required to prepare certified financial statements or file financial statements with certain regulatory or governmental agencies may be required to recognize such income no later than the date on which such holder recognizes such income on such financial statements. Each participant in the Offer should seek its own tax advice in connection with the Offer.

If hbars are characterized as "virtual currency" for income purposes, then, under a notice issued by the IRS in 2014, the general rules applicable to property transactions would apply. See Notice 2014-21, 2014-16 I.R.B. It is possible that the United States or other jurisdictions will levy substantial or prohibitive taxes on hbars, thus greatly devaluing them and reducing Hedera's reserves. Each SAFT holder should consult with and must rely upon the advice of its own professional tax advisors with respect to the United States and non-U.S. tax treatment of an investment in the SAFT, the rights contained therein, the Offer and the hbar distribution.

State Laws regulating digital assets.

Some states, including New York, either have adopted or are considering adoption of statutes or regulations which specifically regulate digital currencies. In 2015, the New York State Department of Financial Services ("***NYDFS***") finalized a rule that requires most businesses involved in digital currency business activity in or involving New York, excluding merchants and consumers, to apply for a license, commonly known as a "***BitLicense***," from the NYDFS and to comply with anti-money laundering, cyber security, consumer protection, and financial and reporting requirements, among others. As an alternative to the BitLicense in New York, firms can apply for a charter to become limited purpose trust companies qualified to engage in digital currency business activity.

Other states have considered or are considering regimes similar to the BitLicense framework. As currently drafted, the BitlLcense statutes do not preempt the necessity to comply with the money transmitter license requirements of each state, although the reporting, record keeping and BSA and anti-money laundering requirements may be the same. The process of ascertaining the applicability of state laws in all or most states will be expensive and time consuming. There are very significant penalties for violation in some states. Failure to obtain a state license in states where a license is required can be a crime. Accordingly, to the extent Hedera is subject to one or more of the above requirements it would likely have a material and adverse impact on Hedera and the value of your hbars.

Hedera may be subject to enforcement actions and penalties if Hedera is regulated under the Investment Company Act of 1940.

A company may be subject to the registration requirements of the Investment Company Act of 1940 (the "***Company Act***") if it satisfies any of the three prongs of the definition of "investment company" thereunder, unless an exception from that definition is available. For example, generally, a company that receives a significant infusion of cash by engaging in a securities offering or selling an asset could be deemed to be an investment company if, as a result of such transaction, more than 40% of its assets, excluding "Government securities" and cash items, are "investment securities." Investment securities are defined to include any securities, other than "Government securities" and those issued by "majority owned subsidiaries" which are not themselves private investment companies, as those items are defined and applied under the Company Act.

V. MARKET RISKS AND RISKS RELATED TO HBARS

Digital assets are volatile.

The prices of digital assets change rapidly. Currently, there is relatively modest use of digital assets in the retail and commercial marketplace compared to use by speculators, which contributes to price volatility of digital assets generally. This volatility makes it difficult to use digital assets for ordinary, non-speculative transactions.

Despite Hedera's intent to create a digital asset to be used in commercial transactions, the price of digital assets may be affected by many factors outside Hedera's control such as supply and demand; availability and access to digital asset service providers (such as payment processors), exchanges, other digital asset users and market participants; perceived or actual network or instrument security vulnerability; changes in regulation in the U.S. or other countries, inflation levels; fiscal policy; monetary policy; political, natural and economic events, and many other factors. The volatility of digital assets generally could impede the adoption and demand for hbars, which could negatively impact the value of Hedera and hbars.

Investments in SAFTs involve a very high degree of risk.

Financial and operating risks confronting start-ups are always significant. Hedera, and by proxy, the SAFTs and hbars, should be considered even riskier than a traditional start-up. The market in which the Network competes is highly competitive and the percentage of public distributed ledgers and digital assets that survive and prosper will likely be small. For the Hedera network to become successful, Hedera, which is a start-up in a nascent industry, must likely overcome unexpected problems in the areas of product development, marketing, financing, regulation, and general management, among others, which in many cases, may be impractical or impossible to solve. Accordingly, the probability of failure is high.

The recent global coronavirus pandemic has and continues to cause disruption in the global economy and has caused extreme fluctuations in global financial markets, which has the potential to negatively impact Hedera's business plan and adoption of the Hedera network.

We are monitoring the potential impact of the coronavirus outbreak which started in China and has grown into a global pandemic that has impacted Asia, the United States, Europe and other countries throughout the world. If coronavirus or any other contagious disease leads to a widespread health emergency in the United States or any other location that impacts our employees or other service providers, we may experience disruptions in or restrictions on our ability to develop the Hedera network. The pandemic may lead to a decline in business and consumer confidence and presents the risk of an economic recession around the globe. We are unable to predict the likely duration or severity of the current disruption in the cryptocurrency markets and adverse economic conditions resulting from the pandemic which could materially and adversely affect our business plan. Our success depends on the continued adoption of the Hedera network by developers and companies of all sizes throughout the world. The disruption caused by the widespread shutdowns currently being put in place may lower the demand for new and novel solutions and slow adoption of the Network, which would have a material and adverse impact on the Hedera project, our business and activity levels on the network.

VI. RISKS SPECIFIC TO HBARS

Destruction of Hbars.

Hbars are intended to be accessible only by a party who possesses both the unique public and private keys relating to the network account and stored in a local or online wallet. To the extent a SAFT holder's or other user's private keys are lost, destroyed or otherwise compromised, Hedera will be unable to access the related hbars and such private keys are not capable of being restored by the Network or Hedera. Any loss of private keys by a SAFT holder could materially adversely affect its investment. Further, hbars are typically transferred digitally, through electronic media not controlled or regulated by any entity. To the extent an hbar is transferred erroneously to the wrong destination, the SAFT holder may be unable to recover hbars or its value. Such loss could materially adversely affect hbars and result in the complete loss of the SAFT holder's hbars.

Transactions are generally irrevocable.

One of the values of distributed ledger and blockchain technology is that they can create a permanent, public record of cryptocurrency transactions. The potential drawback to this, however, is that even if a transaction turns out to have been in error, or as a result of theft of the cryptocurrency, such a transaction generally is not reversible. Consequently, Hedera may be unable to replace missing hbars or seek reimbursement for any erroneous transfer or theft of hbars. To the extent that holders are unable to seek redress for such action, error or theft, such loss could adversely affect the SAFT holder's investment. Additionally, holders of hbars may suffer permanent loss all of their hbars if a transaction was made in error or if hbars were stolen.

Bad actors or hackers.

Bad actors or hackers may launch attacks to steal, compromise, or obtain hbars, such as by attacking Network source code, exchange servers, third-party platforms, cold and hot storage locations or software, or hbar transaction history, or by other means. For example, in February 2014, Mt. Gox suspended withdrawals because it discovered hackers were able to obtain control over the exchange's Bitcoin by changing the unique identification number of a Bitcoin transaction before it was confirmed by the Bitcoin network. Furthermore, Flexcoin, a so-called Bitcoin bank, was hacked in March 2014 when attackers exploited a flaw in the code governing transfers between users by flooding the system with requests before the account balances could update—resulting in the theft of 896 Bitcoin. In January 2018, hackers reportedly stole approximately $530 million in cryptocurrencies from Coincheck, a Japanese cryptocurrency exchange. As the Network increases in size, it may become a more appealing target of hackers, malware, cyber-attacks or other security threats. An attack or a breach of security could result in a loss of private data, unauthorized trades, an interruption of the Network for an extended period of time, violation of applicable privacy and other laws, significant legal and financial exposure, damage to reputation, and a loss of confidence in security measures, any of which could have a material adverse effect on Hedera, the Network, and the hbars. Any such attack or breach could adversely affect the ability of the Hedera network to operate, which could indirectly materially adversely affect the value of hbars. Any breach of data security that exposes or compromises the security of any of the private digital keys used to authorize or validate transactions, or that enables any unauthorized person to generate any of the private digital keys, could result in unauthorized transactions and would have a material adverse effect on Hedera, the Network and potentially the value of hbars. Further, because transactions on the Network settle on the trade date and generally are irrevocable it would likely be impossible to reverse unauthorized transactions. As a result, Hedera will undertake efforts to secure and safeguard its own hbars from theft, loss, damage, destruction, malware, hackers or cyber-attacks, which may add significant expenses to the operation of Hedera. There can be no assurance that such security measures will be effective. Additionally, there exists the possibility that while acquiring or disposing of hbars, Hedera unknowingly engages in transactions with bad actors who are under the scrutiny of government investigative agencies. As such, Hedera's systems or a portion thereof may be taken off-line pursuant to legal process such as the service of a search and/or seizure warrant on Hedera. Such action could result in the loss of hbars previously under Hedera's control.

Digital assets, including hbars are subject to manipulation.

Bad actors can use a number of manipulative trading strategies such as spoofing, wash trading and trading in coordination with other bad actors to artificially influence the price of digital assets. Bad actors can also attack one or more digital asset exchanges. If an exchange is taken offline, it would likely result in reduced liquidity making it easier to manipulate price of one or more digital assets. It is possible that one or more actors may manipulate the price of hbars, which may adversely impact the value of a holder's hbars and their investment.

H. Procedures for Tendering SAFTs

65. How do I exchange my SAFTs?

If you decide to tender any or all of your SAFTs for exchange, you must sign this SAFT Exchange Offer for each SAFT, complete and sign the Election Form for each SAFT, and complete any other documents or requests included in our communication to you no later than 5:00 p.m., Eastern Time, on April 13, 2020 (or such later date and time as we may extend the expiration of the Offer).

We will deliver confirmation of your acceptance to you via email as soon as practicable after it is received, however, such confirmation may take five or more business days depending on the volume of replies. Validly completed Election Forms are legally binding and will be honored so long as they are received during the Offer period, regardless of whether confirmation is sent to you during the Offer period.

This is a one-time offer, and we will strictly enforce the tender offer period. If you do not reply before the expiration of the Offer, we will deem that to be a rejection of the Offer and you will not have another opportunity to accept the Offer. We reserve the right to reject any or all tenders of SAFTs that we determine are not in appropriate form or that we determine are unlawful to accept. Subject to our rights to extend, terminate and amend the Offer, we currently expect that we will accept all properly tendered SAFTs promptly after the expiration of the Offer.

66. If I choose to tender a SAFT that is eligible for exchange, do I have to tender all the hbars subject to that SAFT or can I decide to return for exchange only a portion of the SAFT?

We are not accepting partial tenders of unvested portions of SAFTs. For each eligible SAFT you hold, you may choose either to return it for exchange in its entirety or not at all. You may choose to tender one eligible SAFT but retain another eligible SAFT. However, you may not return for exchange less than all of a particular unvested SAFT. For example, if you have purchased two eligible SAFTs, you may choose to return for exchange neither SAFTs, both SAFTs or one SAFT. If you have vested in an eligible SAFT in part, you may tender the remaining unvested portion of that SAFT.

67. Can I withdraw my previously tendered SAFTs?

You may withdraw your tendered SAFTs (that is, you may revoke your previous election to exchange your old SAFTs) at any time before the Offer expires at 5:00 p.m., Eastern Time, on April 13, 2020. If we extend the Offer beyond that time, you may withdraw your tendered SAFTs at any time until the extended expiration of the Offer. In order to withdraw your tendered SAFT, you must validly complete and sign a Notice of Withdrawal form and email it to saft@hedera.com before the expiration of the Offer. We will deliver the Notice of Withdrawal form to you via email as soon as practicable upon receiving your valid acceptance of the Offer.

Once you have withdrawn SAFTs, you may re-tender SAFTs only by again submitting another Election Form prior to the expiration of the Offer.

68. How will Hedera accept for exchange eligible SAFTs that are validly tendered and not properly withdrawn?

Your tender of eligible SAFTs pursuant to the procedures described above constitutes your acceptance of all the terms and conditions of the Offer. For purposes of the Offer, we will be deemed to have accepted for exchange eligible SAFTs that are validly tendered and not properly withdrawn. We will give oral or written notice to you of our acceptance for exchange of such SAFTs, however, such notice may come after the Offer expires. We may give this notice by e-mail. **Our acceptance for exchange of the eligible SAFTs you tendered will constitute a binding agreement between us and you upon the terms and subject to the conditions of the Offer.**

Subject to the terms and conditions of this Offer, if your eligible SAFTs are properly tendered on or before April 13 2020, the scheduled expiration date of the Offer, we will accept and cancel the tendered SAFTs and you will be granted new SAFTs on or about April 15, 2020.

69. Who determines questions as to the form of documents and the validity, form, eligibility, including time of receipt and acceptance of any tender of SAFTs? Do you have to give any notices of defects?

Hedera will determine, in our sole discretion, all questions as to the form of documents and the validity, form, eligibility, including time of receipt and acceptance of any tender of SAFTs. Our determination of these matters will be final and binding on all parties. We reserve the right to reject any or all tenders of SAFTs that we determine are not in appropriate form or that we determine are unlawful to accept. Otherwise, we will accept properly and timely tendered eligible SAFTs that are not validly withdrawn. We also reserve the right to waive any of the conditions of the Offer or any defect or irregularity in any tender of any particular SAFTs or for any particular SAFT holder. No tender of SAFTs will be deemed to have been properly made until all defects or irregularities have been cured by the tendering SAFT holder or waived by us. Neither we nor any other person is obligated to give notice of any defects or irregularities in tenders, nor will anyone incur any liability for failure to give any notice. This is a one-time offer, and we do not intend to extend the Offer period.

70. Can I have an example of how the Offer might work?

Assumptions:

Your original SAFT: SAFT 3A

Your original hbar allocation: 100,000

Your original price per hbar: $0.12

Your original initial vesting (distribution) date: September 16, 2019

Your original vesting (distribution) schedule: 20% of original allocation on initial date of distribution; 10% monthly for the subsequent 8 months.

Total hbars distributed at expiration of the Offer period: 80,000 hbars (20,000 on initial distribution, and 10,000 / month for 6 subsequent months)

Hypothetical New SAFT 3AN: Using the above assumptions to illustrate the Offer, if you properly tendered your SAFT and we accepted it for exchange, we would cancel your SAFT on or about April 13, 2020. On the new SAFT grant date, which would be no earlier than April 13, 2020, we would grant you a new SAFT for 20,000 hbars. The vesting schedule for the new SAFT would reflect revised vesting only for the remaining portion of your Original Allocation, not the portion of your prior SAFT that had already vested. For example, each new SAFT 3AN will have a four month vesting period for the remaining portion of the Original Allocation, with 1/4 of the remaining portion of the Original Allocation under the new SAFT vesting each month.[8] The vesting will be structured such that you do not miss a distribution date that would have occurred under the original SAFT. In addition, the new SAFT will provide for vesting of the Bonus Allocations.

71. Who can I talk to if I have questions about the Offer?

For additional information or assistance, you should contact us via email at saft@hedera.com. We will reply as soon as practicable but cannot guarantee a timely or detailed response. Lack of a response to your question will not constitute grounds to extend the offer period, which will not be done on an individual basis.

[8] For SAFT Series 1, SAFT Series 2, and SAFT Series 3B, the vesting schedule under the new SAFT for the remaining portion of the Original Allocation would correspondingly reflect a 25% extension to the vesting under your original SAFT as amended.

SUPPLEMENTAL CORPORATE DISCLOSURES

March 31, 2020

Hedera is providing the following supplemental disclosures to update information previously disclosed in the Offer to Exchange Outstanding SAFTs for New SAFTs (the "Offer"), dated March 17, 2020. These supplemental disclosures do not alter the terms of the Offer and do not affect the expiration date of the Offer, which remains April 13, 2020 at 5:00pm Eastern Time, unless Hedera extends it as set forth in the Offer. These supplemental disclosures address the following topics:

- License to hashgraph technology as it relates to central bank digital currencies;

- Update to the list of Council members to include Wipro, as previously announced;

- Additional funds of $10-15 million (estimated) through agreements to sell hbars, with $3.25 million received as deposits as of March 30, 2020, with the total amounts reflecting the sale of an estimated 686.7 million to 1 billion coins to be released between 2-3 years from now (structure and terms detailed below); and

- Clarification of monthly operating expenses and withholding taxes.

Supplemental information concerning the license agreement between Swirlds and Hedera, and Swirlds's right to pursue agreements related to central bank digital currencies ("CBDCs") (See Section C, Q. 23)

In response to Question 23 in the Offer, Hedera stated that the license agreement between Swirlds and Hedera does not preclude Swirlds from licensing or selling the hashgraph technology for purposes other than a general-purpose public ledger and "specifically does not preclude Swirlds from licensing its technology or providing services directly to governments or central banks for the purpose of a central bank digital currency." Hedera and Swirlds have been discussing and may enter an arrangement where Hedera would be a channel for the licensing of hashgraph from Swirlds for the purpose of CBDCs.

Supplemental information concerning the current members of the Hedera Council members. (See Section E, Q.51)

The response to Question 51 in the Offer indicated that, as of March 14, 2020, Hedera had two additional Council members at various stages of onboarding that were not included in the list of named Council members. On March 18, 2020, Hedera publicly announced one of those Council members; Wipro Limited is now added to the list of named Council members. The other additional Council member referenced in response to Question 51 continues its onboarding process and will be announced in due course.

Supplemental information regarding additional funds raised through the sale of hbars. (See especially Section F, Q.61-62. See also Section D. 40-41 and Tables 2-3)

As disclosed in response to Question 62 in the Offer, Hedera had anticipated raising additional funds by selling hbars to a small number of institutional purchasers, with coins to be delivered after a multi-year period consistent with the overall release schedule, and as described in more detail below. Such sales require Council approval, and the coins sold in such a manner would be included in the Prior Period Sales, *i.e.,* they would factor into the calculation of the Bonus Allocations distributed to SAFT holders who participate in the Offer.

Given the current market environment and economic uncertainty arising from the coronavirus pandemic, Hedera management moved quickly to seek and receive approval from the Council to raise $10 million to $15 million in order to secure funds beyond the cash on hand to further cover ongoing operations. As of March 30, 2020, Hedera has received firm commitments for $10.3 million under terms described below, with $3.25 million already received as deposits pending closing of the final documentation. The hbars that ultimately will be distributed to the counterparties under these agreements are hbars that otherwise could have been released or sold by Hedera from the Treasury account during the next 2-3 years.

Hedera has structured these hbar sale agreements to comply with both the requirements for "swaps" under the U.S. Commodities Exchange Act ("***CEA***") and the federal securities laws. Hedera has taken this approach to address (1) regulatory uncertainty over the characterization of hbars, which Hedera does not believe should be treated as securities, without being certain the SEC or other securities regulators agree, and (2) Hedera's governance by diverse enterprises with different risk profiles with respect to the sale of hbars. The Council is committed to proceeding in a manner consistent with both Hedera's view of hbars (*i.e.*, that they should not be treated as securities) and Hedera's ongoing efforts to comply with the regulatory framework despite uncertainty. By structuring these sales to comply with the eligibility and reporting requirements for a "swap" under the CEA, Hedera remains faithful to its view that hbars should be treated as commodities, while ensuring that the terms of the agreement would meet the requirements for a securities law exemption in the event that the sale is deemed to be an offering of securities.

Under the agreed-upon terms of these sales, purchasers will pay $0.015 per hbar, will not receive any of those hbars for the first 2 years, and then will receive delivery of the hbars in 12 equal monthly installments beginning two years from closing (*i.e.*, from month 25 to month 36 following closing). To comply with the CEA, all purchasers must qualify as "eligible contract participants," which in the case of natural persons may exceed the standards for being an accredited investor under the U.S. securities laws, and, although Hedera will be the "reporting party" for the swap reporting requirements, must comply with applicable reporting and record-keeping requirements under the CEA. The text of the CEA, with the definitions and requirements, can be found at https://www.law.cornell.edu/uscode/text/7/

If Hedera finalizes the sales of the $10.3 million in commitments received thus far, these sales will account for 686.7 million hbars sold, to be released in monthly installments starting the 25th month after closing and continuing for twelve months. If Hedera raises $15 million, the sales will account for 1 billion hbars sold. The allocations and distributions currently reflected in Tables 2 and 3 of the Offer would be adjusted accordingly. As noted, these are hbars that otherwise could have been released or sold by Hedera during the coming 2-3 years.

As also noted above and in response to Question 62, the hbars sold pursuant to these agreements will be included in the Prior Period Sales, and therefore will be included in the calculation of the first distribution to be made as a Bonus Allocation made to SAFT holders that participate in the Offer.

Supplemental information regarding monthly operating expenses and withholding tax. (See Section F, Q.61-62)

Hedera states in Question 61 of the Offer that its operating expenses for 2020 are "expected to be between $2.2 million and $2.5 million per month." Hedera also explains in Question 62 of the Offer that it "sells hbars that are withheld from distributions to employees under coin compensation grants … for the sole purpose of obtaining funds to pay tax withholding obligations…. [P]roceeds from these sales are not used to fund Hedera's operations, but solely to pay the IRS and state and local tax authorities in respect of such employee tax obligations." For the avoidance of doubt, the estimation of monthly operating expenses of "$2.2 million to $2.5 million" described in response to Question 61 <u>does not include</u> the tax obligations referenced in response to Question 62, which amount to approximately $1 million per month. However, as noted, Hedera covers the cost of these withholding taxes by selling coins withheld from the employee distributions.