

MEMORANDUM REGARDING CONSULTING SERVICES PERFORMED

SEPTEMBER 28, 2017

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MEMORANDUM

To: Management of Tether Limited

Re: Tether Analysis Report

From: Friedman LLP (“FLLP”)

Date: Tether Cash and Token Balances as of
September 15, 2017

This information is intended solely to assist the management of Tether Limited (“management”), and solely for management’s use, and is not intended to be, and should not be, used or relied upon by any other party.

I. Background

About Tether

According to Tether Limited (“the Client,” “you,” “your”), Tether is a digital token that is backed by the U.S. Dollar (“USD”) or Euro (“EUR”). Also according to the Client, each Tether token is backed 100% by fiat currency in Tether Limited’s reserve bank accounts. Tether tokens were designed to hold their value 1:1 to the underlying fiat currency. Tether tokens were created to facilitate the transfer of national currencies, to provide users with a stable alternative to Bitcoin and other digital currencies, and to provide an alternative exchange

The Client represents that Tether tokens are issued on the Bitcoin blockchain via the Omni Layer Protocol and can be redeemed from the Tether Limited for fiat currency. The Omni Protocol is an open source software that allows for issuance and redemption of digital currency tokens such as Tethers. During our procedures, FLLP utilized the Omniexplorer.info website to trace that the balance per the Omniexplorer.info website matches the information provided by the Client; however FLLP has not performed any procedures around the parameters or completeness / accuracy of the Omni Layer Protocol or the Omniexplorer.info website during our examination.

Engagement Background

Friedman LLP (“FLLP,” “us,” “our”) was retained by the Client, to develop findings of the cash and Tether token balances at September 15, 2017. The purpose of this analysis is to determine that:

- 1) Cash reserves recorded by the Client in their trial balance agree to balances held per the respective bank. FLLP did not review the specific terms of the clients account agreements with the banks.
- 2) Tether tokens issued and outstanding per the tether.to transparency website agree to the Client’s trial balance and Omniexplorer.info website.

Our services were performed under Statements on Standards for Consulting Services issued by the American Institute of Certified Public Accountants (“AICPA”). Procedures performed are outlined in section III of this report. Those procedures were reviewed by you and were limited in nature and extent. We make no representation regarding the sufficiency for your purposes of the procedures selected, and those procedures do not necessarily disclose all significant matters about the Client or reveal errors in the underlying information, instances of fraud, or illegal acts, if any. This engagement does not contemplate tests of accounting records or the performance of other procedures performed in an audit or attest engagement. Our procedures performed are not for the purpose of providing assurance and are limited to the findings listed below as of September 15, 2017 at 8:00PM EDT. We have not performed any procedures or make any conclusion for activity prior to or subsequent to September 15, 2017 at 8:00 PM EDT.

In addition, our services do not include a determination of compliance with laws and regulations in any jurisdiction. All inquiries made throughout the consulting process have been directed toward, and the data obtained from, the Client and personnel responsible for maintaining such information.

FLLP received applicable information as of September 15, 2017, which included a listing of Client wallets/addresses purportedly controlled by the Client for Tether token accounts (USD and EUR), transactional screenshots for each address from Omniexplorer.info, trial balance, bank statements, bank confirmations and any significant agreements between the Client and counterparties that relate to the terms of the engagement specified above. Based upon our analysis of these documents, FLLP has arrived at the findings below.

II. Findings

1)

Bank	Currency	Cash reserves per Client's trial balance as of September 15, 2017	Cash per bank as of September 15, 2017	For the benefit of
[REDACTED]	USD	\$60,919,810	\$60,919,810	[REDACTED] for the benefit of Tether Limited
[REDACTED]	USD	\$382,064,782	\$382,064,782	Tether Limited
[REDACTED]	EUR	€1,590	€1,590	Tether Limited

2)

For the period October 6, 2014 through September 15, 2017 8:00 PM EDT			
Token	Tether tokens issued and outstanding per the tether.to transparency website (a)	Tether tokens per Client's trial balance	Tether tokens per Omniexplorer.info website (b)
USDT	442,481,760	442,481,760	442,481,760
EURT	1,444	1,444	1,444

(a) Reported as total liabilities on the tether.to transparency website

(b) As calculated by subtracting Treasury tokens in address 3BbDtxBSjgfTRxaBUgR2JACWRukLKtZdiQ from the total number of tokens created for the period of October 6, 2014 through September 15, 2017 8:00 PM EDT in address 3MbYQMMmSkC3AgWkj9FMo5LsPTW1zBTwXL

III. Procedures Performed

FLLP requested, obtained and looked at the following information from the Client:

Documentation Requested:

- FLLP requested the following items in order to complete the procedures:
 - Bank statements for each cash account identified on the Client's trial balance and a contact representative at the respective bank.
 - The Client's trial balance as of September 15, 2017.
 - A listing of Tether addresses purportedly controlled by the Client as of 8:00 PM EDT on September 15, 2017.
 - Screenshots from the Client of the balances in each Tether address purportedly controlled by the Client as of 8:00 PM on September 15, 2017.
 - The Client's engagement letter for an interim settlement plan for [REDACTED] to hold funds in trust and receive, assess and where appropriate, settle demands for payment or other proper claims brought by customers or account holders of Client, under Client's terms of service.

Procedures Performed:

Cash Balances:

1. FLLP obtained the bank statements or online screenshot for each bank account identified on the Client's trial balance on the Client's behalf and traced the bank balance per the trial balance to the bank statement at September 15, 2017.
 - a. FLLP traced the cash balance on the trial balance and bank statement for each bank account and inquired of Client as to any reconciling items.
 - b. FLLP confirmed each bank account directly with the respective bank:
 - i. [REDACTED]:
 1. As of September 15, 2017, the bank held \$60,919,810 in an account in the name of an individual for the benefit of Tether Limited. FLLP obtained an engagement letter for an interim settlement plan between that individual and Tether Limited and that according to Tether Limited, is the relevant agreement with the trustee. FLLP did not evaluate the substance of the letter and makes no representations about its legal effect.
 - ii. [REDACTED]:
 1. As of September 15, 2017, the bank held \$382,064,782 in an account in the name of Tether Limited.
 2. As of September 15, 2017, the bank held €1,590 in an account in the name of Tether Limited.
 - c. FLLP agreed the bank confirmations received to the bank statements or online bank screenshot and trial balance provided by the Client.

Note 1: The [REDACTED] account is in the name of a trustee held for the benefit of Tether Limited. FLLP makes no representations about the sufficiency or enforceability of any trust agreement between the trustee and the Client.

Note 2: FLLP did not evaluate the terms of the above bank accounts and makes no representations about the Client's ability to access funds from the accounts or whether the funds are committed for purposes other than Tether token redemptions.

Bank	Currency	Amount
[REDACTED]	USD	\$ 60,919,810
[REDACTED]	USD	\$ 382,064,782
TOTAL USD BALANCE		\$ 442,984,592

Bank	Currency	Amount
[REDACTED]	EUR	€1,590
TOTAL EUR BALANCE		€1,590

Tether Tokens:

1. FLLP obtained a listing of Tether addresses from Client for two addresses purportedly controlled by the Client: Treasury and Creation.
 - a. The Creation address (3MbYQMMmSkC3AgWkj9FMo5LsPTW1zBTwXL) holds zero Tether tokens as of September 15, 2017, but, according to the Client, shows activity of all authorized Tether tokens in existence. Tether tokens are initially created from this address and transferred into the Treasury address.
 - b. The Treasury address (3BbDtxBSjgfTRxaBUgR2JACWRukLKtZdiQ) holds Tether tokens that are controlled by Client. These tokens are not issued and outstanding for customer accounts.

Note 3: Per inquiry with Client, in order to reconcile to the total Tether balance issued and outstanding in the trial balance, the total amount of Tether tokens held in the Treasury address must be subtracted from the total Tether token activity reflected on Omniexplorer.info when viewing activity in the Creation address. The Creation address is reportedly inclusive of all Tether tokens issued and tokens in the Treasury address are within the control of Client, therefore the tokens in the Treasury address do not represent outstanding customer accounts that can be redeemed.

2. FLLP obtained the addresses for each Tether account: Treasury and Creation. FLLP captured screenshots of each wallet’s balance for each address provided by the Client from the Omniexplorer.info website as of 8:00 PM EDT on September 15, 2017. The balances in each account are reflected below.

Note 4: FLLP did not perform any procedures to confirm that the Client controls the Treasury address or the Creation address or to confirm the Client’s representation that all Tether tokens in circulation can be determined by reviewing activity for the Creation address on Omniexplorer.info.

- The below table reflects the **USD Tether wallets** and their activity and balance from October 6, 2014 through and as of September 15, 2017 at 8:00 PM EDT:

Wallet	Tether Tokens (USDT)
Creation Activity - Tokens created through September 15, 2017	444,951,600
Treasury Wallet Balance at September 15, 2017*	(2,469,840)
TOTAL ISSUED AND OUTSTANDING	442,481,760

**Issued but not outstanding. Refer to Note 3 above.*

- The below table reflects the **EUR Tether wallets** and their activity and balance from October 6, 2014 through and as of September 15, 2017 at 8:00 PM EDT:

Wallet	Tether Tokens (EUR)
Creation Activity - Tokens granted through September 15, 2017	1,611
Treasury Wallet Balance at September 15, 2017*	(167)
TOTAL ISSUED AND OUTSTANDING	1,444

**Issued but not outstanding. Refer to Note 3 above.*