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**INTRODUCTION:**

TETHER Limited, ("Tether" or the "Client") has retained the law firm of Freeh, Sporkin & Sullivan LLP ("FSS") to provide legal advice and counsel regarding a review of bank account documentation, Tether's relevant policies and procedures and a randomized inspection of the numbers of Tethers in circulation and the corresponding currency reserves. (the "Engagement").

FSS is a Washington-based law firm, which provides legal, investigative and monitoring services to organizations around the globe. Established by three former federal judges – including a former Director of the FBI - with decades of experience adjudicating at the highest levels of the U.S. government, the firm has extensive knowledge of and international experience dealing with matters pertaining to governance, compliance, and business integrity.

Judge Eugene R. Sullivan (Ret.), one of the partners, is a member of the advisory board of one of Tether's banks. It was through this connection that Tether was introduced to FSS. As well, the firm's relationship with the bank allowed for the following review to commence in a timely and comprehensive manner, ensuring that no pertinent information was overlooked in the process.

**ENGAGEMENT:**

As part of the Engagement, FSS was able to confirm the U.S. Dollar ("USD") balances in accounts owned or controlled by Tether at its banks, including selecting the appropriate confirmation dates, and reporting to Tether as to the results of such inquiries. As per the letter of engagement, FSS selected the dates for balance confirmations without prior notice to or consultation with Tether.

To inform its review, FSS conducted comprehensive in-person examinations and telephone interviews of key personnel at Tether and its banks. These in-person examinations took place in Washington, D.C. and elsewhere inside and outside of the United States. These interviewed personnel included Chief Compliance Officers, Chief Technology Officer, Account Relationship Managers, Chief Operating Officers, General Counsels and others. FSS requested and was granted authorization to perform unlimited examinations of the balances at Tether's banks, had communications with authorized representatives of those institutions, and reviewed hundreds of pages of relevant documents. Among other things, FSS requested and received the following:

- Tether's anti-money laundering ("AML"), Bank Secrecy Act, and Office of Foreign Assets Control Program;
- Tether's AML/Anti-Terrorist Financing Risk Advisory Report from 2018;
- Extensive documentation on Tether's account registration process and procedures and its AML system and compliance policies;
- An unredacted consulting report issued by a professional services firm retained by Tether;



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- Complete account opening paperwork and materials concerning Tether's accounts with its banks;
- Tether's banking policy, banking access policy, and internal controls, including as they relate to the issuance of new Tethers;
- Financial information related to Tether;
- Tether's registration as a money services business with and under the Financial Crimes Enforcement Network;
- Documentation and materials with respect to Tether's personnel and its corporate structure; and
- Materials concerning the number of issued and outstanding Tethers, both historically and currently.

**MONITOR AND REVIEW:**

Pursuant to the above terms of Engagement, and the discretion provided by Tether, FSS selected the date of June 1st, 2018, and received the following balance information from Tether's two banks as of the close of the banking day. FSS received the following confirmations from the respective banks by sworn and notarized statements provided by duly authorized personnel.

BANK 1: \$1,968,538,584.82 USD (unencumbered)

BANK 2: \$576,528,652.00 USD (unencumbered)

TOTAL: \$2,545,067,236.82 USD

In conjunction with receiving the above balance information, FSS requested the Chief Financial Officer and the General Counsel of Tether to certify, by sworn statement, the amount of fully-backed USD Tethers that were in circulation as of the close of business on June 1<sup>st</sup>, 2018. The amount certified to FSS was \$2,538,090,823.52 USD Tethers. According to Tether's transparency page (<https://wallet.tether.to/transparency>), the amount of fully-backed USD Tethers in circulation as of June 1<sup>st</sup>, 2018 was equal to \$2,538,090,823.52 USD Tethers. FSS did not provide the Tether personnel with any advance notice, nor did FSS provide Tether the account balance information gathered from the two banks prior to receiving the Tether balance information.

**FURTHER DETAILS AS TO ENGAGEMENT SCOPE:**

1) FSS is not an accounting firm and did not perform the above review and confirmations using Generally Accepted Accounting Principles.



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- 2) The above confirmation of bank and tether balances should not be construed as the results of an audit and were not conducted in accordance with Generally Accepted Auditing Standards.
- 3) FSS makes no representation regarding the sufficiency of the information provided to FSS and all inquiries made by FSS have been directed to the Client and/or third party personnel responsible for maintaining such information, and the data has been obtained from the Client and/or third party personnel responsible for maintaining such information.
- 4) FSS procedures performed are not for the purpose of providing assurance and are limited to the findings listed above as of June 1<sup>st</sup>, 2018, Close of Business. FSS has not performed any procedures or made any conclusions for activity prior to or subsequent to June 1<sup>st</sup>, 2018, Close of Business.
- 5) FSS did not, as part of the Engagement, arrive at any conclusions as to Tether's compliance with applicable laws and regulations in any jurisdiction.
- 6) FSS has assumed, without further inquiry, that the bank personnel providing the confirmations were duly authorized to provide such confirmations, and that the confirmations were correct.

**CONCLUSION:**

FSS is confident that Tether's unencumbered assets exceed the balance of fully-backed USD Tethers in circulation as of June 1<sup>st</sup>, 2018.