Paxos Trust Company, LLC
Examination of Management Assertion Report
December 31, 2018 at 5:00 PM Eastern Time
With Independent Accountants' Report

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AUDIT TAX ADVISORY

Paxos Trust Company, LLC

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INDEPENDENT ACCOUNTANTS' REPORT

Paxos Trust Company, LLC
New York, NY 10017

We have examined Paxos Trust Company, LLC's below assertions. Paxos Trust Company, LLC's management is responsible for its assertions. Our responsibility is to express an opinion on management's assertions based on our examination. Management's assertions, which are summarized in the attached report, (hereafter referred to as the "Reserve Accounts Report"), which we examined are as follows:

- The Reserve Accounts Report refers to the total supply of Paxos Standard tokens ("PAX") as of December 31, 2018 at 5:00 pm Eastern Time ("ET"). Such PAX, (which also represents the total circulating supply) as denoted under contract 0x8e870d67f660d95d5be530380d0ec0bd388289e1 at 18 decimals at 5:00 pm ET on December 31, 2018 (the "Report Date and Time") is 142,326,370.28, as reported by the EtherScan API, the Ethplorer API, and an internally maintained and operated node on the Ethereum network.
- The Reserve Accounts Report refers to the accounts held by the Company at U.S. depository institutions, including U.S. depository institutions to which cash is swept pursuant to a certain deposit placement agreement. The USD balance and amounts held in U.S treasuries in the Reserve Accounts is at least equal to or greater than $142,326,370.28 at the Report Date and Time. This does not contemplate the impact of outstanding checks/wires, deposits in transit or other reconciling items.
- The total PAX supply, for which each PAX is assigned a redemption value, strictly pegged at 1:1 to the U.S Dollar by the Company, does not exceed the balance of the Reserve Accounts reported below.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. Those standards require that we plan and perform procedures to obtain reasonable assurance about whether management's assertions are fairly stated, in all material respects. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risks of material misstatement of management's assertions whether due to fraud or error. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

We did not perform any procedures regarding the operating effectiveness of the Company's internal controls. Accordingly, we do not express an opinion thereon.

We direct your attention to the accompanying notes of the Reserve Accounts Report for risks and uncertainties related to cryptocurrencies and background information provided by management. We have not audited, reviewed or performed any procedures to provide assurance with respect to these notes. Accordingly, we provide no opinion or any other form of assurance with respect to these accompanying notes to the Reserve Accounts Report.

The expressed examination opinion on the above assertions are limited solely to the Reserve Accounts Report at the Report Date and Time noted above. Any activity prior to or after December 31, 2018 at 5:00 pm ET was not considered when testing the assertions described above. In addition, we have not performed any procedures or provided any level of assurance on the financial or non-financial activity of the Reserve Accounts on dates or times other than the Report Date and Time noted within this report.

In our opinion, management's assertions noted above are fairly stated as of December 31, 2018 at 5:00 pm ET, in all material respects.



January 3, 2019

RESERVE ACCOUNTS REPORT

Paxos Trust Company, LLC
New York, NY 10017

December 31, 2018 at 5:00 pm ET (hereafter “Report Date and Time”)

The management of the Company hereby makes the following assertions as of the Report Date and Time:

PAX tokens issued and in circulation (Notes 1 and 3)	142,326,370.28 PAX
U.S. dollars / amounts held in U.S. treasuries reserved for PAX token holders (Note 2)	$ 142,326,370.28

NOTES

1. The total supply of Paxos Standard tokens (“PAX”) (which also represents the total circulating supply) as denoted under contract 0x8e870d67f660d95d5be530380d0ec0bd388289e1 at 18 decimals at the “Report Date and Time” is 142,326,370.28, as reported by the EtherScan API[1], the Ethplorer API[2], and an internally maintained and operated node on the Ethereum network.
2. The Reserve Accounts refers to the accounts held by the Company at U.S. depository institutions, which include (i) U.S. depository institutions where cash is held, (ii) U.S. depository institutions to which cash is swept pursuant to a certain deposit placement agreement, and (iii) U.S. depository institutions where U.S Treasury bonds are held. U.S. depository institutions to which cash is swept pursuant to a certain deposit placement agreement. The USD balance in the Reserve Accounts is at least equal to or greater than $142,326,370.28 at the Report Date and Time. This does not contemplate the impact of outstanding checks/wires, deposits in transit or other reconciling items.
3. The total PAX supply, for which each PAX is assigned a redemption value of $1 U.S by the Company, does not exceed the balance of the Reserve Accounts reported above.

To the best of the knowledge and belief of the undersigned, the information contained in the Reserve Accounts Report as of December 31, 2018 at 5:00pm ET is accurate and complete.

Andrew J. Chang

Andrew Chang, Chief Operating Officer
Paxos Trust Company, LLC

1/3/2018

Date

[1] https://etherscan.io
[2] https://ethplorer.io/

Paxos Trust Company, LLC
Notes to the Reserve Accounts Report
(No Assurance Provided by the Independent Accountant on These Notes)

1. BACKGROUND INFORMATION PROVIDED BY PAXOS TRUST COMPANY, LLC

Paxos Trust Company, LLC (the "Company") is a New York limited purpose trust company. The Company received its trust charter from the New York Department of Financial Services in 2015 and has been a long-time leader in both crypto asset services and the creation of blockchain technologies for the financial world.

The Paxos Standard token ("PAX") is a cryptographic token, which allows financial market participants to transact in a crypto asset that has been strictly pegged 1:1 to the U.S. dollar by the Company, as it is backed by an equivalent amount of U.S. dollar deposits or U.S. Treasury bonds held at U.S. depository institutions in segregated accounts managed by Paxos on behalf of PAX holders. Certain amounts of funds held in U.S. depository institutions are in excess of applicable insurable limits and the funds held in U.S. Treasury bonds are subject to market risk. PAX is an ERC-20 token, which is built on the Ethereum public blockchain and as such, the total number of PAX tokens in circulation is fully and transparently viewable at all times by anyone through any publicly available Ethereum block explorer (e.g. etherscan).

2. DISCUSSIONS RELATED TO CRYPTO ASSETS GENERALLY

As of the date of this report, crypto assets remain an evolving area of technology and market place activity. Those who choose to invest in crypto assets should inform themselves of the general risks and uncertainties associated with such assets.

(1) Crypto assets are owned anonymously. While the public keys of virtual wallets holding crypto assets reside on the distributed networks and can be viewed publicly, the ownership of the wallets are normally not registered and therefore, anonymous. Ownership of crypto assets is evidenced primarily by the possession of the underlying private key (e.g. passcode). The possessor of the private key controls the corresponding crypto asset wallet.

(2) Risk of irreversible transactions. Transactions for most crypto assets that occur over the blockchain are generally irreversible, even if such transactions occur fraudulently or accidentally. If a private key is lost or fraudulently used, the crypto assets in the corresponding wallet may not be recoverable.

(3) Regulatory uncertainty. Legislative and regulatory changes or actions at the state or federal level may change or affect the use, transfer, exchange, and value of crypto assets. The effects of any such changes are not determinable as of the date of this report.