UNITED STATES BANKRUPTCY COURT

CENTRAL DISTRICT OF CALIFORNIA - SAN FERNANDO VALLEY

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| In Re:<br><br>SYNAPSE FINANCIAL TECHNOLOGIES, INC.,<br><br>Debtor, | ) Case No. 1:24-bk-10646-MB<br>)<br>) Chapter 11<br>)<br>)<br>) Woodland Hills, California<br>) Thursday, August 15, 2024<br>) 10:00 A.M. |

DEBTOR'S EMERGENCY MOTION FOR ENTRY OF AN ORDER: (1) AUTHORIZING THE CONTINUED USE OF ITS CASH MANAGEMENT SYSTEM; (2) AUTHORIZING THE MAINTENANCE OF CERTAIN PREPETITION BANK ACCOUNTS; (3) AUTHORIZING BANKS TO RELEASE ADMINISTRATIVE HOLDS AND/OR FREEZES ON THE DEBTOR'S PREPETITION ACCOUNTS

CHAPTER 11 STATUS CONFERENCE

TRANSCRIPT OF PROCEEDINGS
BEFORE THE HONORABLE MARTIN BARASH
UNITED STATES BANKRUPTCY JUDGE

APPEARANCES:

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| For the Chapter 11 Trustee: | ALEXANDER GERTEN, ESQ.<br>Cravath Swaine & Moore, LLP<br>Two Manhattan West<br>375 Ninth Avenue<br>New York, New York 10001 |

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| For Lineage Bank: | NICHOLAS CHRISTIAN GLENOS, ESQ.<br>Bradley Arant Boult Cumming, LLP<br>1819 Fifth Avenue North<br>One Federal Place<br>Birmingham, AL 35203 |
| For the Official Committee of Unsecured Creditors: | BENJAMIN WAISBREN, ESQ.<br>Bois Schiller Flexner, LLP<br>1401 New York Avenue NW<br>Washington, D.C. 20005 |
| For the U.S. Trustee: | RUSSELL CLEMENTSON, ESQ.<br>915 Wilshire Boulevard<br>Suite #1850<br>Los Angeles, California 90017 |
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SAN FERNANDO VALLEY, CALIFORNIA, THURSDAY, AUGUST 15, 2024

10:04 A.M.

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THE COURT: In the Synapse cases. We're unmuted, both.

A couple reminders before we get started. Number one, these status conferences we've dispensed with the formal taking of appearances. Your appearances have been recorded electronically when you registered for the Zoom video conference.

Secondly, just a reminder and time request that everyone keep their line muted until and unless it's their turn to talk.

And finally, there's no recording permitted of these proceedings. There is an official record being maintained by the Clerk of the Court. That should be the only recording and that prohibition includes video, audio, screenshots, et cetera.

So with all those matters out of the way, Ms. McWilliams, you have the floor.

MS. MCWILLIAMS: (No audible response.)

THE COURT: Ms. McWilliams, can you hear me?

I don't think anybody heard me. Oh, you know what -- no, no, no. It's -- I have to unmute the courtroom. That's what we didn't go. Okay. Unmute.

Okay. Can you hear me now? All right. Now we're cooking with fire. All right. My apologies. Our AV system has many levels of mute and one of those levels was still muted, so my apologies that you've had to listen to me move my mouth without listening -- without hearing me.

Welcome. Today is August 15th. This is our 10:00 a.m. calendar in the Synapse case. The only matter on calendar is the Chapter 11 status conference in the case. A couple of reminders. One, we've dispensed with the formal taking of appearances. Your appearances have been recorded electronically when you registered through Zoom.gov for this video conference.

Secondly, everyone is kind of requested to keep their line muted until and unless it's their turn to speak. Thirdly, a reminder that recording of these proceedings is not permitted other than the official record being maintained by the Clerk of the Court. That includes audio, video, screenshots, any sort of imaging is strictly prohibited.

All right. With those matters out of the way, I'll turn the floor over to the Chapter 11 Trustee, Ms. McWilliams.

MS. MCWILLIAMS: Thank you, Your Honor. And it's good to see you again.

At the last status conference on July 31st, my advisors and I have continued to facilitate the partner banks' reconciliation work. And here's what all has developed since that time.

AMG has distributed approximately one million dollars in additional FBL funds. No additional funds, either DDA, direct deposit account, or FBL funds have paid out. Lineage and Evolve have both stated in their status updates, which were attached to the Trustee report, that additional reconciliation work is needed before funds can be paid out, and I continue to encourage the banks to work as quickly as possible to finish this reconciliation effort and identify potential solutions to any issues that arise in the reconciliation and payment process.

As discussed in the last status conference my team worked with Lineage to complete a successful backup of the course in Synapse database and run the Synapse documentation process to generate end user monthly account statements. Using this, Lineage has informed me that it is addressing with its reconciliation for the end user funds and transactions and plans to generate all remaining end user statements for use in reconciliation.

Additionally, Lineage extended rebuilding access credentials to all partner banks who are also using this records in ongoing reconciliation efforts. Lineage continues to report that they expect to be in a position to distribute funds they're holding by the end of August. I will leave it to their counsel to provide any more detail guidance on the work they have done to date and other timing considerations to update the Court.

My team has worked with Evolve to transfer a comprehensive set of Synapse MongoDB data that Evolve requested to assist with its investigation of transaction data and reconciliation efforts. This transfer is continuing and the teams are monitoring as we speak.

Additionally, the B Reilly team (phonetic) is actively reviewing available Synapse system information, documentation and other materials, such as system production and Code documentation in Synapse's other repositories, which may have helpful in analyzing the Synapse database and expediting reconciliation efforts, which will be shared in the confidential basis with Evolve and other partner banks.

I will similarly look to Evolve's counsel to provide any more detailed guidance on the work they have done to date and any time and considerations for when they expect to make distributions of funds to end users.

As discussed in the last status conference, an impacted end user shared with my team that the end user monthly statements from October and November of 2023 list certain other financial institutions other than the partner banks as holding their funds during these months.

My team investigated this further. Sometime in fall of 2023 Synapse Brokerage had used a sweep network at American Deposit Management Company or shortened ADMC for the purpose of increasing the amount of end user funds available for FDIC deposit insurance and earning interest on such sweep of natural deposits. Based on conversation with ADMC, approximately 19 banks were part of this sweep network and may have helped Synapse related end user funds between August of ’23 and May of 2024.

My team also learned that the ADMC sweep network banks held funds in old accounts only titled to ADMC itself. These banks did not maintain records relevant to the specific client or clients and users. ADMC provided additional monthly records to show the flow of Synapse related funds within the sweep network from August of 2023 to June of 2024. These records showed that all remaining funds held by the ADMC sweep network banks related to Synapse were withdrawn from such banks by May 14th of 2024. Therefore, I understand that no Synapse-related funds are held at ADMC or any of the ADMC sweep network banks and that such banks including those listed on certain end user statements do not have records specific to Synapse-related funds that would assist with the reconciliation process.

As mentioned in the last status conference, certain partner banks are in need of additional information from certain Fintech partners or end users to be able to make distributions. I urge all Fintech partners to work efficiently to respond to partner bank outreach and their information request to facilitate the payments.

I also urge all end users to track their information in their Fintech's app or website and provide current bank routing and account numbers to receive payments or, in the alternative, current mailing addresses to receive paper checks.

I respectfully propose subject to the preference of the Court to submit my next status report in approximately two weeks during the week of August 26th. Thank you, Your Honor.

THE COURT: All right. Thank you, Ms. McWilliams. All right. Who would like to be heard next? Mr. Glenos and then --

MR. GLENOS: Yes, Your Honor.

THE COURT: -- Mr. Waisbren. Yeah.

MR. GLENOS: Chris Glenos of Bradley Arant Boult Cummings, counsel for Lineage Bank. I'll be brief.

Your Honor, just to recap, we did file a written report. It's attached with the Trustee status report.

THE COURT: I saw it.

MR. GLENOS: Lineage Bank's reconciliation work is ongoing. There is substantial work left to be done, but we remain optimistic that we will achieve our self-imposed deadline of beginning to make distributions by the end of the month.

THE COURT: Okay. Thank you.

Mr. Waisbren?

MR. WAISBREN: Thank you, Your Honor. Today I would like to inform the Court on the status of the Official Committee --

THE COURT: Mist -- oh, yeah, go ahead. Yeah. Just state -- for the record, tell us your --

MR. WAISBREN: Oh, all right, all right. This is --

THE COURT: -- firm and your client.

MR. WAISBREN: -- Benjamin Waisbren.

THE COURT: Yeah.

MR. WAISBREN: I'm sorry.

THE COURT: Yeah, no worries.

MR. WAISBREN: This is Benjamin Waisbren with Bois Schiller Flexner, counsel to the Official Committee of Unsecured Creditors of Synapse Technologies, Inc.

THE COURT: Okay. Thank you.

MR. WAISBREN: I'd like to report to the Court the status of the Creditors' Committee. Based on the record and the Committee's investigation of the acts, conduct, assets, liabilities and financial condition of the debtor, the operation of the debtor’s business and the desirability of the continuance of such business, the Committee has concluded that the debtor’s estate is administratively insolvent. The debtor has no business operations or current revenue of any kind. As this case proceeds, the administrative insolvency of the debtors will worsen.

The only possible source of cash recoveries for the debtor’s estate are possible claims against non-debtor third parties and the Committee does not have standing to pursue those claims that are property of the estate. The Chapter 11 Trustee appointed in this case is fully capable of prosecuting claims on behalf of the estate if she so concludes.

There is no reasonable likelihood of a plan being confirmed within the time frames established under Sections 1121 or 1129 of this title, meaning Chap -- the Bankruptcy Code. Cause exists for this case to be dismissed or converted to a case under Chapter 7 pursuant to Section 1112(b) of the Bankruptcy Code. If the case were converted or dismissed, the Committee’s role would terminate. The reason the case now remains a case under Chapter 11 is the Chapter 11’s Trustee’s recommendation that the case continue under Chapter 11, for if the case were converted or dismissed, the Trustee's appointment would terminate unless the creditors were to elect the Trustee to be the Chapter 7 Trustee.

The Committee acknowledges the Trustee's and her counsel's contribution to efforts to reconcile depositor accounts for the benefit of customers of the debtor, but those efforts, if successful, are not likely to effect the administrative insolvency of the debtor's estate without a substantial recovery on claims against non-debtor third parties if such claims even exist.

Given that the Chapter 11 Trustee has been appointed in this case and that there is no reasonable prospect of a plan of reorganization of the debtor, the members of the Committee have concluded in consultation with its counsel that there is no benefit to their continued participation on the Committee to ensure adequate representation of general unsecured creditors without priority as contemplated by Sections 1102 and 1103 of the Bankruptcy Code.

For the foregoing reasons, the committee members are going to provide the United States Trustee with a notice of their resignation from the Committee to allow the United States Trustee to provide notice of a dissolution of the Committee.

I want to say that the United States Trustee remains with the discretion to appoint an additional committee in this case at its discretion, but with respect to the unsecured creditors without priority, what we saw is upon the commencement of the case was a proposed Section 363 sale where there's the possibility to negotiate as part of that sale settlement, if you will, some distribution for unsecured creditors. Once that sale fell through and the business ceased operations, it became abundantly clear that there is no business to reorganize and that the -- there -- we're not saying at all that it's the wrong thing for the Chapter 11 Trustee to continue, but it's not a traditional Chapter 11. There are no contested matters here. There's no discussion of plan formulation and we have no involvement with the Trustee's activities at this time. And the Trustee, you know, as is her discretion has not reached out to this committee to have any active rule in this case. And, therefore, we think that for the benefit of the estate it's probably time to fold up our tent.

THE COURT: Okay. Thank you, Mr. Waisbren. I appreciate it.

MR. WAISBREN: Thank you.

THE COURT: I understand your client's point of view. It is an extraordinarily unusual case and --

MR. WAISBREN: Thank you.

THE COURT: Yeah. So thank you.

MR. WAISBREN: You know --

THE COURT: Yes, sir.

MR. WAISBREN: You know, as a person, I do want to compliment the Court and the Trustee for the efforts to help these consumers. What we're seeing is that this is, you know, a form where normally this kind of activity wouldn't occur in bankruptcy court. But we have a top law firm with a highly qualified Chapter 11 Trustee trying to help these folks, but it doesn't change the fact that we don't have a business or assets in this estate.

THE COURT: No.

MR. WAISBREN: And that's why we came to this conclusion.

THE COURT: I understand. And I -- without -- without jeopardizing my impartiality, if there are parties to -- that the Trustee identifies who ought to be held to account or the Trustee believes that I hope, you know, if there are causes of action that they are identified. But I don't want to say more because I'm the one that likely would have to adjudicate those.

But as a person, to use your term, it's incredibly unsettling that (1) that the situation exists in the first place, and (2) at the moment the professionals of the estate quite -- very unusually are, you know, working without any guarantee that they'll be paid for their time and effort. So --

MR. GLENOS: Your Honor, may I just add for any unsecured creditor that's on the call just for purposes of laymen to explain? If the Trustee were to recover assets after the reconciliation, I doubt that there would be a plan, but there would be a liquidation and if there are assets, it would liq -- assets would be liquidated according to priority. And I think that when we look at Section 1103 of the Code it really contemplates plan negotiation and the Committee's decision on whether or not to seek the appointment of a trustee. There already is a trustee --

THE COURT: Right.

MR. GLENOS: -- and we don't believe there ought to be a plan. So it seems to me that, let's say, Cravath is successful in causing the reconciliation and is successful in recovering funds. In theory, there can be a conversion at that point or there can just simply be a simple plan of liquidation where assets are distributed according to priority.

So it just seems to us that what we're doing is putting a burden on ourselves and the client and, in fact, the estate if we attempt to be active in the case at this time.

THE COURT: I understand. I --

MR. GLENOS: Still -- you know, you understand.

THE COURT: Yeah. I understand your position.

MR. GLENOS: Thank you, Your Honor.

THE COURT: I'm going to just put Mr. Clementson on the spot and ask if there's anything you want to say at this point, but you're welcome to decline.

MR. CLEMENTSON: Your Honor, I spoke with Mr. Shechtman yesterday --

THE COURT: Okay.

MR. CLEMENTSON: -- who basically told me what Mr. Waisbren just told the Court. Once we get the resignations, we'll file a notice of disbandment of the Committee.

There were no other interested unsecured creditors when we tried to form the Committee --

THE COURT: Okay.

MR. CLEMENTSON: -- so I don't think we will have a committee going forward in this case.

THE COURT: Okay.

MR. CLEMENTSON: And I apologize. I had some trouble joining --

THE COURT: Oh.

MR. CLEMENTSON: -- video part of this call. I was on the phone, so I heard the whole thing.

THE COURT: Okay. Could you just state your name and who you represent.

MR. CLEMENTSON: I apologize. I should know this by now.

Russell Clementson, attorney for the U.S. Trustee.

THE COURT: Now, you're a regular -- you're a regular here in Courtroom 3030, so I understand. I understand. Okay.

All right. So thank you --

MR. CLEMENTSON: Thank you, Your Honor.

THE COURT: -- Mr. Clementson.

Thank you, Mr. Waisbren.

Who else would like to be heard at this time? Anyone?

(No response.)

I have one question for you, Ms. McWilliams, and you may not know the answer to it, but maybe one of the -- one of the folks that participates here. The status reports that you file with the Court are available publicly, theoretically on CM-ECF, the Court's case management and electronic case filing system, and there's a ton of information there.

Are they posted anywhere else that you know of? My law clerk --

MS. MCWILLIAMS: Yes. Yes, Your Honor.

THE COURT: Yeah. Yeah, I'm curious about that. Yeah.

MS. MCWILLIAMS: Sorry, Your Honor, for my interrupting you.

THE COURT: No, no, no. I'm done.

MS. MCWILLIAMS: I apologize. There's a slight delay in my ear pods.

Yes, Your Honor, we are posting them on Cravath's website for the purposes of -- as some of my associates have read through -- read it and different Twitter now expose people didn't know where to find them, how to access them and some were concerned that there is a cost involved with obtaining them and figuring out that this is the most transparent way of communicating with the public. I have asked the firm to basically pose them as soon as we file them with the Court so the end users would have just the www access.

THE COURT: Okay. Good. Because I realize after our last status conference I say, hey, everybody should look at these and then I went back into chambers and realized that because you have to set up an account and there is -- and there's some cost involved for anyone to open an account -- an electronic access account that maybe I was, you know -- that was not necessarily great advice.

But I -- so then I just wondered. Good. I'm glad. Thank you.

MS. MCWILLIAMS: Thank you.

THE COURT: All right. Anybody else?

Yeah. Ms. Caliguire. Unfortunately, I can’t hear you yet.

MS. CALIGUIRE: (No audible response.)

THE COURT: I’m sorry. Oh, yeah, I can’t -- I can’t hear you in the courtroom. I don’t know if you’re -- let’s see. She’s reconnecting to audio. Now you’re muted in Zoom, Ms. Caliguire. You need to --

MS. CALIGUIRE: Hello?

THE COURT: Yeah, yeah. Okay. I can hear you.

MS. CALIGUIRE: Okay. Sorry.

I had a couple of questions and I’m sorry. We’re late joining, so I don’t know if it was already discussed, but we’ve seen online -- and -- oh, sorry. Andreatte at Caliguire, end user.

We’ve seen online that some folks are getting emails from AMG saying that they’re ready to send payment and asking for account information. Some people have said that they’ve actually received payment so there must be some -- apparently some legitimacy to that. Secondarily, there’s been another page with the same feedback from Juno but it’s been a mix if that’s real or not.

So first, I just want to ask when it comes to

AMG, is that the kind of common understanding if they are doing disbursements to everybody who's under AMG right now?

THE COURT: Okay. Is there someone from AMG that is willing to respond?

MR. MORSE: Your Honor, Joshua Morse from Pillsbury Winthrop Shaw Pitman on behalf of AMG.

As you know from the Trustee's reports we have made -- been made and been making substantial distributions, the FBO funds, and part of those distributions have been directly to end users and in connection with those distributions directly to end users. There is a -- is an email or other communication associated with the distribution.

THE COURT: Interesting. So rather -- and is it a mix? I mean, in some cases are you sending funds to the Fintech, which is then handling distribution to end users are all going --

MR. MORSE: Correct.

THE COURT: -- like this? How is -- how are those distributions working?

MR. MORSE: It's a mix, Your Honor. Just depending on the relationship with the Fintech.

THE COURT: Okay. All right. Ms. Caliguire?

MS. CALIGUIRE: And to kind of follow on that, the secondary question was -- and first of all, thank you for doing that to the people you are sending to. We are so appreciative. It's -- seriously. But that then compiles a secondary thing that's wonderful, but also makes a little -- some of us jealous that our accounts didn't land there, you know. That's unfortunately where we went.

But it brings a secondary point. How do we know when payments are starting to come and those are a legitimate request asking for our banking information because there's a lot of opportunities right now for scamming. We're targeting people who are a part of this, you know, by looking at our other groups and saying, we're ready to start disbursing. Give us your bank account information, which can and is creating problems with other people already.

So I know we've talked -- and you've talked before about, you know, starting to disburse, but then it turned out people actually hadn't received money yet, so we didn't know for sure. Now that we know that, I guess it would be helpful to be really clear who's in what process so we know what to watch out for, you know, as we're interacting with all these different emails and notifications. Make sure it's not a scam and it's really legitimate.

THE COURT: Yeah, I don't know.

Mr. Morse, is there -- if someone receives a communication from AMG and wants to verify it that it's not -- not a scam artist is there a reliable way for them to do that? Is there a phone number, a department at the bank that they can call to confirm?

MR. MORSE: I'm actually sure there is. I'm probably not the right person to provide that, but the CEO of AMG, I see that she is -- she has appeared, Ms. Bollinger, and perhaps she could provide that information or some sort of email or telephone number if anyone has, you know, any questions or wants to validate that. Of course, we don't want anyone to get swept up into any scam or anything like that. That would be unfortunate.

MR. CALIGUIRE: Thank you. That would be helpful for the end users if there's any way to see a current status on all the banks, maybe visually somewhere in progress, and who we can contact to verify, just because we've already had a data breach. You know, we're already -- we're kind of sitting ducks out here for a couple of things. So if there's a place and clear visibility in the process that would be really helpful for us to avoid some, you know, already -- you know, because we already have some big issues that we're dealing with here.

THE COURT: Ms. McWilliams, do you have any suggestions?

MS. MCWILLIAMS: Your Honor, I don't think I'm --

can you hear me, Your Honor?

THE COURT: Yeah. Yeah, yeah. Yes.

MS. MCWILLIAMS: Can you hear me?

THE COURT: Yes.

MS. MCWILLIAMS: Oh, sorry. There was a little delay. Yes, thank you.

I don't have any ideas at the moment. Let me work on this with my team and see if we can be a conduit or in some facil -- in some form help facilitate the interactions so that the folks know it's legitimate then if it goes to the Trustee. I would have to consult with my advisors.

THE COURT: Okay. Okay. I do think in the report there is a description of, you know, which banks. It's -- I think you can count it on one hand, right, which banks have money that they have distributed or are in the process of distributing.

So I think that was the other part of Ms. Caliguire's question is because we sort of, you know, where do we go to find out who is trying to distribute funds. And I think that's really in the -- effectively that information is in the chart in your last couple of reports, is it not?

MS. MCWILLIAMS: Yes, there is a chart. And it is my understanding that AMG has distributed most of the funds and the banks that remain still in the process of distributing are Lineage and Evolve.

So if you get an email from Lineage and Evolve, it should be one of those, but I think the part of her question, which is, how do we know it's a legitimate email asking for information is the one that I would like to look into --

THE COURT: Yeah.

MS. MCWILLIAMS: -- if we can maybe assist in some form.

THE COURT: Right.

MS. MCWILLIAMS: But yes, the request should be coming from Lineage and Evolve and there's probably a handful of accounts left at AMG that need to be reconciled.

THE COURT: Okay. Mr. Morse, do you know if -- I think you had suggested that the CEO was on the line or somebody from AMG was on the line who hopefully had a phone number, a magic -- you know, a password, something to get to the right people at the bank to verify a request?

MR. MORSE: Yes, Your Honor. Ms. Bollinger is on the line. She's unmuted now. She has her hand raised, so perhaps she can provide --

THE COURT: Oh, yeah.

MR. MORSE: -- some additional --

THE COURT: I'm sorry. Yeah. Ms. Bollinger.

MS. BOLLINGER: Hi.

THE COURT: Thank you.

MS. BOLLINGER: Yeah. Sheryl Bollinger with AMG National Bank Trust.

Yes, Your Honor did send out an email to its users who have account balances assigned to AMG letting them know that an email would be coming from AMG and letting them know the email address it would be coming from, which is YottaPayments@AGMNational.com. Users are getting those and there is a link in there. When they click that link, it will send an encrypted email back to AMG with their account information.

In the email that we are sending, we are sending the most recent routing number that we have for the user, a partially masked account number and asking for certain information to confirm their balances. If you have any question you're welcome to call our main line, which you can find online or I can tell you right now, and we will connect you to the right people. So our main toll free number is 1-800-999-2190. Again, these emails only went to users for whom AMG was assigned balances from Synapse.

THE COURT: Thank you, Ms. Bollinger. I appreciate that. All right.

Ms. Caliguire, anything else before --

MS. CALIGUIRE: I think my fault was it's great it's in the report, but there's a two-week window in between the next hearing, so, you know, that's a lot of time. It'd be great if there was a central place to see --

THE COURT: Yeah.

MS. CALIGUIRE: -- things had changed in between and just like that email that could be completely fake too, so that would be a great way for us to verify if it's this criteria, this is legitimate, go ahead and move forward with putting the information in, so --

THE COURT: Okay.

MS. CALIGUIRE: -- thank you.

THE COURT: Thank you.

All right. Matt Walla.

MR. WALLA: Yes, good morning. I am an end user on Yotta. I have a couple questions for Evolve.

As I understand my agreement with Evolve, the only right that they have to freeze my funds is if they suspect my account may have fraudulent activity. I think that comes from Section 2.13 in the agreement.

So my question is, am I and other end users being investigated for fraud and, if not, I'm struggling to see where -- you know, from the agreement of the contract where they have permission to freeze my funds.

THE COURT: Ms. Stapleton, did you want to --

MS. STAPLETON: Thank you, Your Honor. This is

Caroline Stapleton from Orrick on behalf of Evolve. And thank you, Mr. Walla, for your question.

I will pull up the contract and look at exactly the language. We have looked at this contractual language, including the section that you have cited, and understand that fraud is one of the bases for freezing the account, but other bases include suspicious activity. And this is a situation where there's a significant amount of suspicious activity and potential fraud that has taken place with respect to end user accounts, but we're dealing with the situation where the bank has been given a ledger that contains amounts that do not line up with actual flow of funds.

So this is, in part, an investigation of potential fraud, but it's also an investigation that boards that of suspicious activity more broadly. And so that is the contractual authority for that.

THE COURT: Thank you. Mister --

MR. WALLA: And I just one more follow-up --

THE COURT: Yeah.

MR. WALLA: -- if I can, Your Honor.

THE COURT: Sure.

MR. WALLA: And kind of in that same vein, you know, as I understand it, and there may be some holes in my understanding of the dates and how everything has transpired, but as I understand it, up until I believe it was May 8th, Evolve was perfectly fine trusting Synapse's records and processing transactions via those records. And I'm trying to get more clarification on why that suddenly changed. And if it wasn't a sudden change, you know, why they would have been processing transactions before May 8th knowing that the records were potentially wrong, because it just doesn't make sense in the span of one day that they would, you know, just not trust anything anymore. And so I just wanted to see if they can provide some clarification on that.

MS. STAPLETON: Mr. Walla, this is Caroline Stapleton again, Orrick on behalf of Evolve. I'm happy to address that question.

The week of May 8th, 9th, 10th, that was a week where a lot was going on in the Synapse bankruptcy proceeding. That was the week that the acquisition became clear was no longer going to be consummated with Apple Pay as part of the Chapter 11 bankruptcy. And pretty much immediately following that on May 11th Synapse revoked the bank's access to a critical system called the dashboard, which contained all transaction level and account level information or transactions and accounts through the Synapse relationship.

At that point, the system essentially went dark.

There was no notice before that happened. The bank reached out to Synapse to try to understand why does it happen without explanation and system access was restored approximately 48 hours later. But during that time, obviously the bank had begun an investigation into what was going on, looking at end user ledgers and user account balance ledgers that had been provided by Synapse, ledgers that were not provided during the days leading up to the freeze of the dashboard. And then once ledgers and dashboard access resumed, looking at those ledgers with great scrutiny to understand whether there were any irregularities in those ledgers and in performing investigation going back in time and finding those irregularities in other instances at significant levels. And so that's explanation on the timing there of what happened that week. It was almost an overnight switch that was turned by Synapse that led to an investigation uncovering many of the irregularities you're talking about.

MR. WALLA: Okay. All right. Thank you.

Then my final question is, if -- for Evolve again, if there was -- if they were aware of any deficit in Synapse's account before October of last year when -- with the movement of funds to Brokerage. There have been some reports I've read that it seems like there was a deficit before then, but I don't know how true that is. I want to see if they can shed some light on that.

MS. STAPLETON: Absolutely, Mr. Walla.

Again, this is Caroline Stapleton from Orrick on behalf of Evolve.

And, yes, Evolve has discussed this and, you know, the prior filings with this court, but I'm happy to clear that up for you. Prior to the migration of end user accounts to Synapse Brokerage in October and November of 2023 the bank had to become aware actually through in part communications from Synapse of a deficit or a difference between the ledger balance and the amount of funds in the FBO account.

Synapse under the contract with the bank had an obligation to ensure every day full 100 percent funding of the FBO account up to the ledgered amount. When Synapse did not honor this obligation under the contract, the bank increased its reserve requirements under the reserve account provisions of that agreement and that is the deficit that I suspect that you're referring to when you're talking about reports that you've heard about in a preexisting deficiency in the program.

THE COURT: All right. All right. Thank you, Ms. Stapleton.

Thank you, Mr. Walla.

Is there anyone else that would like to be heard?

MS. CALIGUIRE: I have a follow-up question --

THE COURT: Okay. All right. One more -- on more and then I want to see if somebody new has a question.

MS. CALIGUIRE: As far as the suspicious activity, I'm wondering why the blanket approach to all accounts versus the specific account whom you may suspect has suspicious activity, especially considering when we didn't know we were opting into a relationship with Evolve when we parked our money with Yotta. So is it just a blanket approach to everyone?

THE COURT: Ms. Stapleton or -- do you want to respond?

MS. STAPLETON: (Indiscernible). This is Caroline Stapleton, Orrick on behalf of Evolve.

Thank you for asking that question. To clarify, because the ledgers have inaccuracies across the board on particular dates, particularly Fintech relationships and at the end user level, the ledgers are not reliable in total. It's not individual accounts that are impacted -- you know, that we can determine at this time by irregularities. It's that we see them across the board and that's why a complete reconciliation is required here to go through at the end user account level all of the transactions to understand -- each person.

And so it's not that it's an individual account was necessarily impacted, you know, from an entire ledger. It's that the ledgers themselves are not reliable and would have to be essentially regenerated through this reconciliation process.

THE COURT: And Ms. Stapleton, my understanding from -- in this case I am a layman because I don't work in the banking industry. But my understanding is, is that part of the problem also is that the pooling of the funds, right. The banks didn't maintain separate accounts for each of the Fintech's end users, but in some way -- and again, this is very 30,000, you know, layman-speak. The funds were pooled, right?

MS. STAPLETON: Your Honor, this is Caroline Stapleton, Orrick on behalf of Evolve.

Yes, end user funds were held in -- on this account for the benefit of end users, but end users had virtual account numbers assigned, you know, to each end user relationship. So in that way, the ledgers that Synapse produced purported to assign individual balances to end users that have to be validated through this reconciliation, so --

THE COURT: Interesting.

MS. STAPLETON: -- you're correct, but there's also an individual end user level component to this analysis that's critical to be able to understand who is owed funds and how much they're owed.

THE COURT: Got it. I say "got it," but I'm just acknowledging that it's far more complicated than even you and I can appreciate, but thank you for that response. All right.

Trevor Vance.

MR. VANCE: Thank you, Your Honor. Trevor Vance, an end user.

And my question is related towards my statements say that banking services are provided by Thread Bank and Evolve Bank and Trust. But I do not see Thread Bank in the documents provided by -- provided to the Court.

So is my money in Thread Bank or Evolve Bank and Trust, a combination which how do I know?

THE COURT: Okay. Anyone have any insight to offer Mr. Vance? Ms. McWilliams, yeah.

MS. MCWILLIAMS: I can try -- I can try, Your Honor. This is Jelena McWilliams, the Trustee.

It is possible that -- of course, if that's what your statement says, I don't doubt the veracity of what the statement says. But it's possible that Thread Bank was one of the ADMT's network sweeping banks. I'll turn it over to Alex Gerten and set -- from B Reilly to see maybe they have that information on the list of the banks and for part of that network, with whom we have confirmed. As I said, there are no end user funds currently with those entities.

THE COURT: Mr. Gerten.

MR. GERTEN: This is Alex Gerten from Cravath on behalf of the Chapter 11 Trustee.

I am not immediately thinking of any involvement that I'm aware of Thread Bank. It could be on the list of ADMC sweep banks as the Chapter 11 Trustee decides. But we will investigate to see if there's any connection there, but I'm -- I suspect that they do not hold any funds at this time, based on our discussions with ADMC, and no current knowledge of them holding any DEF (phonetic) funds on behalf of any end users.

MS. GANS: Your Honor --

THE COURT: Yes.

MS. GANS: This is Lauren Gans.

THE COURT: Hello.

MS. GANS: Elkin Galt. Hi.

THE COURT: Hi.

MS. GANS: On behalf of Yotta Technologies. And my understanding is the routing number on the statement is the relevant bank information. And so Thread may appear on our statements. It's not related to Synapse and we work with them separately. They were a partner of ours for a brief period of time.

THE COURT: How do you spell Thread -- is it

Thread like --

MS. GANS: And they do not --

THE COURT: -- T-H-R-E-A-D?

MS. GANS: Correct.

THE COURT: Okay. That’s not a bank I’m familiar with. All right.

So I’m not sure I understand, Ms. Gans. What is -- what are you trying to say is Yotta’s relationship with that bank?

MS. GANS: So -- so I believe that Thread Bank was a partner of ours at some time and that it’s not related to Synapse. So users should look at the routing number on the actual statement for the relevant bank.

THE COURT: Okay. So I look at a statement and there’s a routing number. How do I figure out what bank that routing number goes with? Is there a website?

MS. GANS: So if you Google the routing number -- not a great answer for you, but the best way to do it is to Google the routing number and it should tell you what bank and Thread is not involved in this.

THE COURT: Okay.

MS. GANS: In this issue.

THE COURT: All right.

Well, Mr. Vance, thank you for your comments. I realize that the answers may not be entirely satisfying, but maybe somebody's comments will help you get to the bottom of it. I'm sorry.

MS. GANS: And, Mr. Vance, if you want to reach out to me directly I can try and help you with this.

MR. VANCE: Thank you very much, Your Honor and Ms. Gans. I will do a quick Google search based on my routing number and see where that leads me and if I need to ask more questions, I will. Thank you. Okay.

MS. GANS: Thank you.

THE COURT: All right. Anthony Serino.

MR. SERINO: Thank you, Your Honor. Anthony Serino, impacted Juno end user. I have what I hope is a simple question in a fairly complex situation. I'm just trying to follow the flow of funds in terms of accounts that should be in my name. So as a Juno user having funds direct deposited into an Evolve Bank ADA and DEA account, the money then gets deposited into Evolve. Evolve, as I understand it, is then sweeping the money out into the Synapse Brokerage account for the FBO accounts.

My question is, what is the naming contention of the FBO accounts? They just have been referred to continually as FBO accounts generally. Is it for the benefit of Synapse Brokerage, LLC, for the benefit of Juno, for the benefit of Anthony Serino, end user? Do you know? Like, what is the naming of the FBO accounts?

THE COURT: Okay. Anybody have any information on that that they're willing to share?

MR. STAPLETON: Well, I can speak to that. This is Caroline Stapleton from Orrick on behalf of Evolve.

Mr. Serino, thank you for your question. I cannot speak to every single account because I don't know every single account or have them all in front of me. But what I can say is that the FBO accounts were in the name of end users. I can't tell you the exact name, but FBO end users. And so those funds were held for the benefit of the end users in the program.

THE COURT: You mean, those -- do you know those words? I mean, there weren't -- FBO for, you know, Alex Gerten or for the benefit of literally the end users?

MS. STAPLETON: For example, FBO Synapse broker end users. FBO Synapse end users. And again, these -- I can't -- I do not have all of the accounts listed --

THE COURT: Yeah, yeah.

MR. STAPLETON: -- in front of me to give specific names, but that is -- hopefully, that answers your question, Mr. Serino.

MR. SERINO: Yeah. So when you say "FBO end users" do you actually mean the end user's name, not the word "end users?

MS. STAPLETON: No, the end users collectively because these were omnibus accounts to which individual end users specific virtual account numbers were assigned.

MR. SERINO: Okay. So you literally mean for the benefit of end users, not --

MS. STAPLETON: That's correct.

MR. SERINO: Okay. And then follow-up -- this is probably to you, Caroline. I should be entitled to at a minimum a record from Evolve showing my deposits into Evolve DDA and then the withdrawal out into the FBO accounts? Is that fair?

MS. STAPLETON: I think, you know, again, following certain regulatory procedures, yes, I understand your point, Mr. Serino. Yes. And that's exactly what the reconciliation is aimed at doing is determining each end user's balance at Evolve and across the ecosystem at the different banks. We've engaged a world class industry leading expert in performing super complex reconciliations called incorrect (phonetic) resulting groups. And so the point of that exercise will be to determine what I think you are asking, which is to understand what the balance is at each institution assigned to you and to the other end users of Fintech that were migrated to Synapse with the bridge.

MR. SERINO: Right. I mean, I'm just getting frustrated as a banking professional of 18 years, it -- I want to obtain my own records of a DDA account that was in my name from Evolve. So I will follow procedures to do that and if that involves a demand letter to Evolve, so be it.

MR. STAPLETON: I appreciate your frustration, Mr. Serino. The bank is working as fast as it can, as is (indiscernible) to accomplish the task for determining all these balances. And so -- and actually, I have my partner, Aravind Swaminathan on the line who can speak a little bit more to the reconciliation if that would be helpful.

MR. SERINO: It would. And just to follow-up, you know, I hope some of the executives from Evolve and the other banks are here and I would just simply like to ask you, how would you react if your funds were frozen overnight for an indeterminate amount of time and, you know, no real time frame for unfreezing them. Like it's unfathomable really, like -- we hear from the lawyers and everyone. I want to hear from the executives and I want you to -- how would you respond? Like what are you expecting us end users to do other than be upset?

MR. STAPLETON: Mr. Serino, I would say -- this is Caroline Stapleton from Orrick on behalf of Evolve. I would say I would communicate that to them for you, but these executives are hearing what -- everything that is happening in this hearing today. The CEO -- just as Mr.

Panthak requested at the last hearing, the CEO is listening. The head of open bank payments are listening. And, you know, they are here. They are very concerned. The board of the bank will receive a report about what happens at this hearing today including the stories the end users share. And these are stories that we, the counsel -- and I know it's frustrating to have to hear from us, but that we as counsel are sharing every day that we hear them with the bank. And that is really behind the urgency to get this reconciliation done and done correctly.

THE COURT: All right. Mr. Swaminathan, you've been name-checked, so your partner has put you on the spot.

MR. SWAMINATHAN: So -- and thank you, Your Honor. Aravind Swaminathan from Orrick on behalf of Evolve.

So what I can share with you is that as Caroline mentioned, Anchor Consulting has been retained to do the reconciliation process. They have gone through a pretty lengthy process to collect all of the necessary data in order to do that work. So there's a data that they've collected from bank. There's also data with the help of the Trustee. We have been able to collect through B Reilly. That process is still going on. It's approximately nine terabytes of data that have to get downloaded. And so their process is going on. I'm pleased to say today there are 24 clusters of data all together that have to be collected from Synapse that we're doing through B Reilly. I'm pleased to say that 23 of the 24 clusters have been fully collected and we expect the last cluster to be collected in the next couple days.

Once that process is finished, that data will be validated to make sure that that data has integrity and is accurate and the process of reconciliation has already started with the data that we do have and will be taken forward with the data that we've collected from Synapse again with the help of B Reilly and the Trustee.

We roughly expect, based on the current timeline, that that reconciliation process will take some time to complete. We are targeting approximately eight weeks from the completion of all the data collection to finish that reconciliation, which is -- Ms. Stapleton mentioned will be not only for the balances at Evolve, but also the balances at all of the ecosystem banks.

THE COURT: Thank you.

All right. Zachary Cotter.

MR. COTTER: Hello, Your Honor. Zachery Cotter, impacted end user. I happen to be with Yotta.

I guess my question -- and this one could be to Ms. McWilliams. I'm not exactly sure. This could be to Evolve, but I'm hearing a lot over the course of, you know, the last couple of months here that the Synapse ledgers are unreliable and inaccurate. But yet, there are certain banks that have performed -- at least begun the reconciliation process and have distributed funds. And so I'm wondering how we can be so certain that the funds that have been distributed aren't my funds or somebody else's funds oper -- you know, that anybody else is on this call because that's what we keep hearing every other week is that the Synapse ledgers are unreliable. They are not accurate.

Well, then how are other people getting paid out? How can we assure that that money isn't supposed to be coming to me? And I guess I don't know exactly who's that directed at, but I think there probably could be a couple of people who might be able to help me with that question.

THE COURT: Would anyone like to take a stab at that? Yeah, Ms. McWilliams.

MS. MCWILLIAMS: Your Honor, I can try. Thank you, Your Honor, and I'll try and then I'll have to defer to a couple of banks.

So each of the banks had a slightly differently relationship, each of the partner banks who were discussing a slightly different relationship with Synapse. And based on the nature of that relationship, some of the banks are -- have more certainty looking at the Synapse ledgers and looking at the end users statements that were generated through the Fintech apps, et cetera, that they're comfortable paying out. Some don't have level of certainty and they have not paid out. I mean, you can figure out which ones have had a level of certainty. They speak about that and which ones have not.

But I think it's fair. It's a very fair question. And if I were an end user I would absolutely want to know, well, how can some people think it's -- the ledger is okay and some not.

So I think it's best if perhaps we have maybe somebody from AMG speak on behalf of AMG and then involved in Lineage maybe their representatives can explain why they don't have the same level of certainty that the ledger is correct. Thank you.

THE COURT: Mr. Morse?

MR. MORSE: Yes, Your Honor. Joshua Morse from Pillsbury Winthrop Shaw Pittman on behalf of AMG. I think that we had filed a report of our own a number of months ago that provided details. I don't have the docket number at my fingertips, but I can pull that up and provide that reference. Provided some details about the lengths that AMG went to, to go through its reconciliation to do -- to ensure that it was comfortable with -- with its reconciliation process before it began making distribution -- distributions.  But again, the Trustee is correct that our -- or AMG’s relationship, I think, is quite different than Lineage or Evolve’s relationship and, therefore, our level of certain was different and, therefore, allowed AMG to go ahead and make distributions.

THE COURT:  Can you just say, in sort of layman’s terms, what that relationship was?  I mean, I think you’ve reported this in writing before, but there were some banks held, you know, DDA accounts and FOB accounts and some banks had a role facilitating certain kinds of transactions.

Maybe you could just say briefly kind of what AMG’s role was.

MR. MORSE:  So that I don’t bungle it, I think I’m going to turn it over to Ms. Bollinger.  But, you know, we have detailed -- you are correct, Your Honor.

THE COURT:  Yeah.

MR. MORSE:  We have provided sufficient detail in our prior report.

THE COURT:  Yeah.

MR. MORSE:  Again, I don’t have the docket number, but I believe that --

THE COURT:  No, I remember reading it.  I just don’t -- I don’t want to bungle it.

I don’t know, Ms. Bollinger, can you -- how would you characterize AMG's role in all of this?

MS. BOLLINGER: Yes. This is Sheryl Bollinger with AMG National Trust. AMG primarily held and still holds some Brokerage deposits. So brokerage deposits are deposits that a brokerage firm places with a bank in order to earn interest. And when a brokerage firm places deposits with a bank and says, here's ten million dollars and here's who it belongs to, the bank relies on the brokerage's records.

So we were not -- we were only processing transactions for four platforms, all of whom have been mostly paid out. Well, three of them have been fully paid out and one is almost paid out. The rest of the deposits will be held primarily came from ADMC, the third-party broker dealer -- or not broker dealer -- broker deposit manager and we pay -- are paying those out based on the Synapse records. We are confirming the balances with the end users to make sure the end users agree or the platform agrees with the end user, but we were not processing for Yotta and we were not processing for Juno. We were not dealing with the day to day in any of those transactions. So what we held was a different -- we held the funds in a different manner than the other banks. So the other banks were processing and they wanted to make sure that the processing agreed with the balances they hold. So it's a completely different situation as far as the deposits go.

Does that help at all?

THE COURT: Mr. Cotter, does that --

MR. COTTER: Yeah, it definitely helps. And from that standpoint, boy, I wish that you guys held my funds because I certainly would like access to the large sum that I once had. And I do know how banks make their money and that puts another thing into this in terms of the interest side of it as well. And I certainly hope from anybody in Evolve, you know, the frustration comes with reconciliation and we hear that others are in that process, have paid out and we also know as well that there's a sum of money that it just sitting out there. I would assume that it's making interest at this time. And so I'm wondering exactly -- you know, what interest we have to get this settled very, very, very quickly when we do have these interest bearing accounts that are out there.

And so that's why I wonder why some are so quick in order to reconcile and that others I'm glad, I'm grateful that we're hiring world class firms for Evolve, but I'm also wondering, you know, where was this a couple months ago when we knew that, oh, boy, this is a big issue.

So anyway, that's it. I'll let the next person ask questions. if Evolve has anything to say on that, that would be fine, but I'm just wondering how the relationships matter, the reconciliation now and moving forward was really my question. So thank you for -- everybody for chiming in there.

THE COURT: Thanks.

Mr. Swaminathan, I saw you raise your hand. Did you want to respond to --

MR. SWAMINATHAN: Yeah. I -- so Mr. Cotter, you have a really good question, which is, you know, how do you know the funds are, right. And, again, just to say what Ms. Stapleton said, we don't -- we think that there are errors in the Synapse ledger at a minimum with respect to Evolve, which is why we're going through the reconciliation to make sure that when we get to the point of being able to distribute we are giving people the right amounts. No one too little, no one too much. Right? And I think that's important because there's only a limited amount to go around.

And so you ask a good question, which is, about the timing of the reconciliation process. I think those are a complicated set of factors in order to like actually have access to the data and be able to start this process.

What I can tell you is, as much as I've ever been part of a large data project, this one we're putting our foot on the gas and working non-stop to get it done as quickly as possible and looking for opportunities to make up time wherever we can make up time.

So that process had started several weeks ago so it’s been in process for a while that we’ve been working with Anchor Road (phonetic) to actually do that reconciliation. It’s never, Mr. Cotter, going to be fast enough. I totally appreciate that, but right now our biggest focus is on how can we move this faster. So we are working with, for example, B Reilly to get data pulled down as quickly as possible and have made some technical adjustments to do it even faster.

What we plan to do all throughout this process is every opportunity we get to pick up speed we’re going to use that opportunity and try to move the reconciliation process as quickly forward as possible.

THE COURT: Thank you.

All right. Mr. Nelson -- Joshua Nelson.

MR. NELSON: Thanks, Your Honor. This is Joshua Nelson. I’m an end user for -- connected with Yotta.

Most of my questions are going to be for Evolve. The first one is -- and my apologies if this has already been covered, but I know we’ve heard that it’s going to take approximately eight weeks to reconcile accounts. Once that data collection is done, my first question is, is there a time frame for when that data collection will actually be finished? I know in the last hearing, about a week ago, it was estimated that it would take about seven days, so I was just trying to follow up to see if that has actually -- if that data collection is done or if there's a time frame on that.

Another question. And Zach -- I use first name because I don't wear a suit -- but Zach had just mentioned about the interest earned on our money at Evolve. I do have a question. Our funds are currently frozen, but is Evolve currently making interest on our funds that are frozen. And if so, if you could shed some light on how that works. That's it for now. Thanks.

THE COURT: Thank you, Mr. Nelson.

Mr. Swaminathan.

MR. SWAMINATHAN: So again, Your Honor, Aravind Swaminathan from Orrick on behalf of Evolve.

So Mr. Nelson, what I mentioned at the beginning was that there's a prop -- that the -- largely the data collection has been complete and I expect it to be complete in the next couple days. Trying to get more detail is there were 24 clusters of data to be collected from Synapse. It's approximately nine terabytes of data. We worked really closely with B Reilly to kind of open up the spigot, so to speak, and collect that as quickly as possible. We're at 23 of 24 clusters, so I expect the last cluster will be collected over the next day or so, two days, depending on how large it is. And that will be the final amount of data that we would expect to collect from Synapse.

We've also had Anchor collect data from Evolve itself and that data -- that collection is largely complete, although we continue to collect additional information as they needed to go forward with their analysis.

MR. NELSON: Thank you.

THE COURT: Okay. Jason DeArman, you need to unmute your line in Zoom. All right.

Mr. DeArman, you need to unmute Zoom on your end. We can't hear you.

(No audible response.)

All right. We'll come back to him.

Mr. Cotter, you had a follow-up?

MR. COTTER: Yeah, a follow-up was just for Mr. Nelson had a comment and the last part of that was about these interest bearing accounts and whether this large pool of money is interest bearing, at least on behalf of Evolve because that's where my money sits and I don't need to ask every single bank. But I am genuinely curious if the large sum of money is in an interest-bearing account that is, you know, creating money for Evolve.

MS. STAPLETON: Mr. Cotter, this is Caroline

Stapleton on behalf of Orrick on behalf of Evolve. Actually have written down that comment and my answer to Mr. Nelson, but my interview will be I'm going to have to follow up with my client. I do know that some accounts were interest bearing and some accounts were not, which adds some complexity to this, but I don't have an answer, but we will find out.

MR. COTTER: Well, we have the CEO on so that would be good that maybe we could, you know, get an answer here.

MS. STAPLETON: Mr. Cotter, I'll follow up with the relevant -- with the CEO and relevant executives at the bank, but, yeah, I need to do some research on this, too, so thank you.

MR. COTTER: Yeah, I got it.

THE COURT: All right. Mr. DeArman?

MR. DeARMAN: Yeah, just a couple quick, simple questions. Number one --

THE COURT: Tell us -- tell us who you are first.

MR. DeARMAN: It's Jason DeArman and I'm with (indiscernible) Fintech.

THE COURT: Okay.

MR. DeARMAN: Pointing to (indiscernible), my sponsor was Evolve. So I'm just wondering in all these proceedings since the Synapse CEO was the one who filed the bankruptcy, it's the CEO who's required to attend these meetings.

Second question and I just -- and I'll just ask all the questions and then they can be answered together.

Second question, I've read the reports everywhere that there's been a commingling of funds between why the Synapse CEO or the company, et cetera, with everything else if that fact is true, then if he's not here, why isn't he in jail for the criminal stuff he's done.

And then last question, once these funds get free, since there's a maximum that we normally transfer are wire transfer fees going to be weighed, so we move our funds into a bank that we trust since we have no trust in the current institutions based on what's happened?

THE COURT: Okay. Ms. McWilliams, can you help at all?

MS. MCWILLIAMS: Certainly. I do not believe that Mr. Pathak, the CEO, is on the -- on these calls, not to my knowledge, at least. As far as --

THE COURT: As a legal -- as a legal matter when you were appointed Chapter 11 Trustee that automatically dispossessed the officers and directors of the company of any authority. Isn't that right?

MS. MCWILLIAMS: That is correct. That is correct. If, for better or for worse, stepped into the shoes of the CEO as a trustee managing whatever is left of the estate and this process.

So -- but I'm -- I don't have any information as to whether or not he's attending these meetings. To the extent that the commingling of funds did take place, some of this commingling would have been done legally because of the way that Brokerage was set up and putting Synapse Brokerage funds with Synapse funds and end user response may not have been an illegal commingling.

To the extent that there is illegal commingling of funds, we certainly -- I will be careful how I phrase this -- Mr. Pathak has not -- will not and do not hesitate to make criminal referrals to law enforcement agencies and that is something that frankly, end users should be aware of. Just because we don't discuss it doesn't mean that it's not either happening or has happened or will happen. I hope I was cryptic enough and specific enough for the purposes of that question.

And then lastly -- I'm sorry, the last question about the banks and trust -- loaning the money to the bank and trust awaiting the fees, I will have to defer to the banks -- department of banks who are on this call and has been -- how they plan to process those payments and whether or not there will be any fees involved for the end users, processing fees. Thank you.

MR. DeARMAN: Thank you.

THE COURT: All right. Anybody from the banks? Yeah, Mr. Swaminathan.

MR. SWAMINATHAN: I think -- so again, Aravind Swaminathan from Orrick on behalf of Evolve.

I think the process for distributions will be -- have to be determined at that time, so I don't have an answer to that question. We'll go -- certainly that will be part of the process that we're going through with a little -- next little bit as part of the reconciliation to determine if there are funds left -- if there are funds that are there how we're going to get those transferred and distributed.

THE COURT: All right. Well --

MR. DeARMAN: I have a huge chunk there. That's incredibly depressing. I'm just -- I'm just fortunate that I have -- I'm debt free and I have another account, but I'm -- I still am very devastated.

Just I absolutely think that once this gets done if anyone wants -- moves away from Evolve to anyone else they want to move it all in one lump sum that wire transfer fees should absolutely be waived and they -- any wire transfer fees charged by the receiving bank that these partners banks should be willing to pay for those -- pay for those fees also and not put the burden on us.

Also, I just kind of wondered about the fact it's been reported that the former Synapse CEO started a new venture and he raised over ten million dollars for his new venture, and he was going out and seeking a similar product company and yet he's claiming that GEN (phonetic) was involved and everything else. I just like how long if (indiscernible) not restraining from doing all this other stuff when you have at least reported over 200,000 people who have been severely impacted, plus everyone who's on this call. It's unfathomable. Thank you.

THE COURT: Thank you, Mr. DeArman.

Jordan Gonzales.

MR. GONZALES: Thank you. Jordan Gonzales, impacted end user. Just one question. I don't expect it to be answered here and thank you for your patience in letting us all speak, Your Honor.

At some point can we get a comment or a plan from the banks about what they plan on doing if a deficit exists? Like are they going to withhold money from end users or are they going to pay out of their pockets? Thank you.

THE COURT: Okay. Well, anybody want to respond to that? Nobody is -- nobody is raising their hand. I think that's a -- I'll just say as a sort of -- I think that is a very good question and I'm not surprised that none of the banks are interested in responding to that right now.

I don't think -- I don't -- honestly, I don't think anybody knows. I think we're still stuck.

MR. GONZALES: Thank you.

THE COURT: What I'm hearing is that people are still busy trying to ascertain the facts, basically.

All right. Ms. Caliguire, final question.

MS. CALIGUIRE: Yeah, final question around the interest so -- it's obvious to me that they have an incentive to kind of drag their feet since they're earning interest on our money at the time in this lump sum. So is it -- I mean, is it possible to get it ended on processing the data because two hearings ago the MongoDB attorney said it was, you know, a two-hour operation on a laptop and it was so easy, but now that you have all of our money earning money in a bucket, it's interesting how it's just processing indefinitely.

You should be able to see at the rate you're processing and what you need -- your throughput is and give us an estimate on when the download will be complete. I mean, I work in this space. This is an easy calculation to make to say, we'll have it by this date and then we need X amount of days to process. But the window is indefinite. I mean, two weeks ago you said you needed a couple of days and now you just -- you always need a couple of days. That's -- you know, I thought it was so easy. It's one or the other. So it's just really convenient that, you know, you really have the incentive to take as long as possible.

THE COURT: Thank you, Ms. Caliguire.

Mr. Swaminathan, I see you want to respond.

MR. SWAMINATHAN: Yes. Yes, Your Honor, just briefly to respond to that. So again, Aravind Swaminathan from Orrick for Evolve.

As I said, there were some technical issues in getting the download. I don't know who represented that it would be easy. It's nine terabytes of data that have to go over from one system to another. It's not quick. There are throughput limitations in AWS, which restricted the initial data transfer, which we have opened up and been able to limit the amount to transfer larger clusters and that's what's going on. The last cluster is -- should be complete in the next couple days and, Your Honor, at your next hearing I will absolutely be happy to report back on when that got completed.

THE COURT: Okay. All right. Thank you.

Anyone that hasn't had a chance to speak or ask a question?

Okay. All right. Okay. Mr. Serino, I'm a little hesitant to come back to folks that have already had a chance to ask questions, but we'll take one last question from Mr. Serino and then we'll wrap up.

MR. SERINO: Thank you and I appreciate the ability to follow up. This is for Ms. McWilliams.

Could you provide an update on the status of Synapse Brokerage? Is it still considered a live active entity? Is it considered bankrupt? And if it's still considered live, as the Trustee do you have the authority and/or intent to put the Brokerage into bankruptcy?

THE COURT: Ms. McWilliams.

MS. MCWILLIAMS: Thank you, Anthony, for that question. So -- this is Jelena McWilliams, the Trustee for Synapse, not the Synapse Brokerage, at least not yet. So it is still "alive" in the sense that no process has been initiated to wind it down. Synapse, LLC has an equity interest in Synapse Brokerage, but not an operational capability, per se. Meaning that I don't run the Synapse Brokerage, LLC. And we have not initiated that process. We have been in repeat discussions with FINRA to figure out if they would like to initiate that process because it's basically a zombie brokerage, as far as any activity or personnel or funds are available to it.

And if it's unclear, I don't want to speak on behalf of FINRA. It's unclear if they're going to initiate that process. And I don't know if Alex -- I know we looked at some of the legal issues surrounding the Synapse Brokerage. I'll see if we have anything else that could help eliminate the situation a little bit.

MR. GERTEN: This is Alex Gerten from Cravath on behalf of the Chapter 11 Trustee. We are evaluating how best to wind the entity up including, you know, with respect -- evaluating whether or not a bankruptcy would be -- an entity would be beneficial in helping the process, but we've not made a determination at this time to take such action.

THE COURT: Okay. But Mr. Gerten --

MR. SERINO: Thank you. Yeah, I feel like, if nothing else, it would force FINRA's hand to be involved more than they are.

THE COURT: I gather that that is a complicated question. I'm not sure that --

MS. MCWILLIAMS: And, Your Honor --

THE COURT: From what I've been hearing.

Yeah, Ms. McWilliams.

MS. MCWILLIAMS: Yes, Your Honor. And if I may just follow up as to why it's complicated, Alex alluded to this, one, if Synapse Brokerage, LLC were in a bankruptcy itself, there would be a lot less flexibility to do anything with it because it would be subject to the bankruptcy rules.

If it’s still open depending on what happens with the reconciliation process, and at some point, you know, some of the banks were discussing that they just want to send the funds back to the brokerage itself. It’s -- for the purposes of having any flexibility there is a benefit keeping a shell company open, even if it’s a zombie brokerage, per se.

So it’s not a clearcut issue to say that it would be better for the end users if the brokerage were closed and taken into bankruptcy. So it is something that actually -- there’s so many unknowns in this process that it is something we’re evaluating and Alex Gerten’s point, it’s unclear what’s the right path forward on that.

THE COURT: Thank you. All right. Based on your suggestion, Ms. McWilliams, looking at the last week of August, I’m available on the Friday, August 30. Could you make it then?

MS. MCWILLIAMS: Yes, I can, Your Honor. I am available as well.

THE COURT: All right. All right. Then, the Chapter 11 status conference is continued to August 30 at 10:00 a.m. and, as usual, we will set up the Zoom access. And I think we still have the AT&T conference line. I’m told that that service is actually being terminated, the contract between the Judiciary and AT&T. So there may come a point in which the only access is available through Zoom directly. I will try to give you advance notice of that when I receive notice of that.

I think at this point we've been monitoring the attendance at Zoom and on AT&T and I believe the recent participation of those combined falls within the maximum number of participants for our Zoom license. So just -- I just want to plant the seed that at some point those of you that have been calling into the AT&T line can expect that we will transition you off of that and you'll be able to access still on your telephone if you choose simply to connect by telephone, but through the Zoom connection. And again, we'll try to keep you informed of that.

All right. Thanks everybody. Please, everyone, lawyers, businesspeople, bank executives, Fintech executives, please keep in mind the folks that you've heard today and keep in the forefront of your minds the fact that they are suffering as a result of this incident. And I've heard today that there are folks working hard, as I had previously and I have very reason to believe it, but please, to use the expression I heard earlier today, please keep your foot on the gas and let's get this resolved. Thank you. Court's adjourned.

MS. MCWILLIAMS: Thank you.

(End at 11:27 a.m.)

I certify that the foregoing is a correct transcript from the electronic sound recording of the proceedings in the above-entitled matter.

Ruth Ann Hager

Date: 9/2/2024

RUTH ANN HAGER, C.E.T.**D-641