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**UNITED STATES BANKRUPTCY COURT
CENTRAL DISTRICT OF CALIFORNIA
SAN FERNANDO VALLEY DIVISION**

In re

SYNAPSE FINANCIAL TECHNOLOGIES,
INC.,

Debtor.

Case No. 1:24-bk-10646-MB

Chapter 11

**CHAPTER 11 TWELFTH STATUS
REPORT**

DATE: November 13, 2024

TIME: 10:00 a.m. PT

PLACE: 303

21041 Burbank Boulevard
Woodland Hills, CA 91367 and
Via ZoomGov

1 TO THE HONORABLE MARTIN BARASH, UNITED STATES BANKRUPTCY JUDGE,
2 THE OFFICE OF THE UNITED STATES TRUSTEE AND INTERESTED PARTIES:

3 I, Jelena McWilliams (the “Trustee”), the duly appointed, qualified and acting chapter 11
4 trustee for the estate of Debtor Synapse Financial Technologies, Inc. (“Synapse” or the “Debtor”),
5 hereby submit my twelfth “Chapter 11 Trustee’s Status Report” (the “Report”) and represent as
6 follows:

7 **I.**

8 **TIMELINE OF EVENTS**

9 **A. Filing of the Chapter 11 Case and Appointment of Chapter 11 Trustee**

10 On April 22, 2024, the Debtor filed a voluntary chapter 11 petition, schedules and statement
11 of financial affairs.

12 On May 24, 2024, following a hearing, the Court entered an order appointing a chapter 11
13 trustee (the “Appointment Order”), and Jelena McWilliams was appointed by the U.S. Trustee as the
14 Chapter 11 Trustee in this Chapter 11 Case (the “Case”). [Dkt. No. 196].

15 On June 6, 2024, the Trustee filed the “Chapter 11 Trustee’s Initial Status Report” (the “Initial
16 Report”), and, on June 7, 2024, the Trustee presented the Initial Report at a Status Conference before
17 the Court. On June 13, 2024, the Trustee filed the “Chapter 11 Trustee’s Second Status Report” (the
18 “Second Report”), and, on June 14, 2024, the Trustee presented the Second Report at a Status
19 Conference before the Court. On June 20, 2024, the Trustee filed the “Chapter 11 Trustee’s Third
20 Status Report” (the “Third Report”), and, on June 21, 2024, the Trustee presented the Third Report at
21 a Status Conference before the Court. On July 2, 2024, the Trustee filed the “Chapter 11 Trustee’s
22 Fourth Status Report” (the “Fourth Report”), and, on July 3, 2024, the Trustee presented the Fourth
23 Report at a Status Conference before the Court. On July 16, 2024, the Trustee filed the “Chapter 11
24 Trustee’s Fifth Status Report” (the “Fifth Report”), and, on July 17, 2024, the Trustee presented the
25 Fifth Report at a Status Conference before the Court. On July 31, 2024, the Trustee filed the “Chapter
26 11 Trustee’s Sixth Status Report” (the “Sixth Report”), and, on August 1, 2024, the Trustee presented
27 the Sixth Report at a Status Conference before the Court. On August 13, 2024, the Trustee filed the
28 “Chapter 11 Trustee’s Seventh Status Report” (the “Seventh Report”), and, on August 14, 2024, the

1 Trustee presented the Seventh Report at a Status Conference before the Court. On August 29, 2024,
2 the Trustee filed the “Chapter 11 Trustee’s Eighth Status Report” (the “Eighth Report”), and, on
3 August 30, 2024, the Trustee presented the Eighth Report at a Status Conference before the Court. On
4 September 12, 2024, the Trustee filed the “Chapter 11 Trustee’s Ninth Status Report” (the “Ninth
5 Report”), and, on September 13, 2024, the Trustee presented the Ninth Report at a Status Conference
6 before the Court. On September 26, 2024, the Trustee filed the “Chapter 11 Trustee’s Tenth Status
7 Report” (the “Tenth Report”), and, on September 27, 2024, the Trustee presented the Tenth Report at
8 a Status Conference before the Court. On October 22, 2024 the Trustee filed the “Chapter 11 Trustee’s
9 Eleventh Status Report” (the “Eleventh Report”), and, on October 23, 2024, the Trustee presented the
10 Eleventh Report at a Status Conference before the Court. Additional information about the timeline of
11 events in this Case and the Debtor’s historical business operations can be found in these previous
12 reports.

13 **B. Update on Ledger Reconciliation and Release of End User Funds**

14 The schedules below summarize the partial distributions made by Partner Banks to Synapse-
15 related end users since May 24, 2024. Since the Eleventh Report, dated October 22, 2024, AMG,
16 Lineage, and Evolve have made new distributions and have distributed the great majority of the funds
17 they hold for end users.

18 Additionally, AMG and Lineage and Evolve have voluntarily provided their own reports with
19 additional details of their reconciliation efforts and distributions to date, which are attached to this
20 Report as **Exhibit A** and **Exhibit B**, respectively. The inclusion of these reports as appendices is not
21 an endorsement by the Trustee of positions taken by any particular Partner Bank and is solely for
22 informational purposes.

23 **1. *Reconciliation to Date***

24 At the May 24, 2024 hearing on the appointment of a chapter 11 trustee, Judge Barash directed
25 the Trustee “to immediately start speaking to parties in interest and developing a plan to fund the
26 continued preservation of Synapse’s systems and data, and to continue the process of sharing
27 information and hopefully reaching some agreement with the participating banks that allows funds to
28 be returned to end users, to the rightful owners of those funds, as soon as humanly possible.” To date,

1 the diligent reconciliation work of the Partner Banks has enabled the return of over \$187 million in
2 end user funds, which is 85% of the total \$219 million funds reported to be held for end users as of
3 May 2024. Nonetheless, the Trustee remains acutely aware of the impacts suffered by end users
4 experiencing delayed, partial or no access to their funds.

5 The Trustee had previously made available to all Partner Banks on a confidential basis all
6 Synapse ledger data and records. In addition to Evolve's recently completed reconciliation, AMG and
7 Lineage previously used this information to complete reconciliation of each bank's accounts against
8 the Synapse ledger, which facilitated previous distributions to end users. The Trustee is aware that
9 Partner Banks and Fintech Partners have also communicated and shared data with one another (with
10 the advice of their own counsel) through the reconciliation process. The Trustee has supported and
11 facilitated this information sharing to the greatest extent practicable. The Trustee expects that parties
12 will continue to use this data and information and lines of communication to complete further
13 reconciliation, dispute resolution and distributions.

14 Although many end users still have not received the amount of deposits due to them based on
15 the Synapse ledger, the estate does not have the funds to implement an independent reconciliation nor
16 any remaining operations or employees to participate in these efforts. Therefore, the Trustee is
17 evaluating how to proceed in the case and anticipates that the focus of her future efforts will be on the
18 disposition of estate assets and development of a path to preserve important information for affected
19 persons. The Trustee is evaluating the feasibility of pursuing certain causes of action and paths to
20 recovery, but acknowledges that, in light of the lack of estate resources and substantial encumbrances
21 on estate assets, most paths to recovery for the estate are difficult. The Trustee is also evaluating
22 options to make available Synapse data and records to parties in interest to pursue these paths to
23 recovery.

24 **2. Update on Evolve FBO Reconciliation and Distributions**

25 Evolve reported publicly and to the Trustee that it concluded its reconciliation efforts as of
26 October 18, 2024 based in part on Synapse data and records provided to Evolve by the Trustee. Evolve
27 reported that it would begin notifying end users of funds held and making distributions on November
28 4, 2024. The Trustee is aware that Evolve has begun distributions, and the Trustee urges all end users

to review information shared on Evolve’s webpages and via email regarding its reconciliation and its distributions.

As of the time of this Report, Evolve has declined to provide most details of the outcome of its reconciliation to the Trustee beyond publicly available information due to pending litigation, including reconciled account balances for individual end users or aggregate balances for Fintech Partners or for all Synapse accounts held at Evolve. As a result, the Trustee has less information on the anticipated distributions by Evolve than even the end users. The Trustee is aware from direct communications from end users and publicly available information that Evolve has notified certain end users that it holds funds for those end users—and therefore will pay to such end users—in amounts considerably less than shown on the Synapse ledger or through Evolve’s reconciliation efforts.

While the Trustee recognizes Evolve’s efforts to make substantial distributions to end users, the Trustee is disappointed in the results of Evolve’s reconciliation to date, especially as it has impacted end users seeking access to and information about their funds and strongly encourages the Partner Banks to work together to aid such users. Both AMG and Lineage, on the one hand, and Evolve, on the other, have stated frustration in their respective status reports due to insufficient sharing of information across banks to enable system-wide reconciliation. As all Partner Banks have now publicly expressed a desire for additional sharing of information, the Trustee encourages such collaboration to identify global cash flows and amounts of any shortfall and urges Partner Banks to notify the Trustee of any additional data requests to support this effort as soon as possible.

3. DDA Reconciliation and Distributions

Since the Eleventh Report, no additional DDA funds have been distributed, as detailed below. As reported previously, of the approximate \$6,500,000 aggregate DDA Funds held by Evolve and Lineage on the date of the Trustee’s appointment, \$5,884,188, or approximately 91%, have been distributed to date, with \$615,000, or approximately 9%, remaining to be distributed.

<u>DDA Funds Summary</u>¹					
	American Bank	AMG National Trust	Evolve Bank and Trust	Lineage Bank	Total Funds
Funds Held on May 24, 2024	N/A	N/A	\$6,260,000	\$276,849	\$6,500,000

¹ Partner Banks have reported to the Trustee certain numbers in approximations.

Funds Distributed as of June 21, 2024	N/A	N/A	\$5,369,000	\$198,601	\$5,567,601
Funds Distributed as of September 26, 2024	N/A	N/A	\$5,492,857	\$221,756	\$5,714,613
Funds Distributed as of November 12, 2024	N/A	N/A	\$5,662,432	\$221,756	\$5,884,188
Remaining Funds on November 12, 2024	N/A	N/A	\$600,000	\$55,092	\$615,000

Since the Eleventh Report, Partner Banks have reported the below status and issues related to distributions of DDA funds.

DDA Funds Distributions Progress			
	Funds Held on May 24, 2024	Total Funds Distributed as of November 12, 2024	Percentage of Funds Distributed
American Bank	N/A	N/A	N/A
AMG National Trust	N/A	N/A	N/A
Evolve Bank and Trust	\$6,260,000	\$5,662,432	91%
Lineage Bank	\$276,849	\$221,756	80%
Total DDA Funds	\$6,500,000	\$5,884,188	91%

- Evolve reports that it has distributed \$5,662,432 in DDA funds for 42,031 end users across 8 platforms. Evolve is continuing to work to distribute the remaining approximate \$600,000 in DDA funds for an additional 1,042 end users, but progress continues to be slow because four Fintech Partners have not responded to outreach for balance verification and payment instructions: Namebase, Unest and SeedFi. Evolve reports that it is in communication with Fintech Partners Donut, Grabr, Homebase, Changed, Trim, SunnyDay, and FundThatFlip to investigate if any DDA funds associated with these platforms are held at Evolve.
- Lineage has DDA distributions to date of \$221,277 to end users, representing 80% of the DDA funds held at Lineage as of May 24, 2024. The remaining 20%

(approximately \$55,000) are not end user funds but rather funds held for the platforms themselves.

- Neither American Bank nor AMG holds any DDA funds for Synapse end users.

The Trustee is not aware of any reported shortfall between cash held in DDAs at the Partner Banks and the amounts owed to DDA end users as shown on the Synapse trial balances. The Trustee believes that Partner Banks should be able to successfully repay the remaining DDA funds in the near future.

4. *FBO Account Reconciliation and Distributions*

Since the Eleventh Report, an additional \$111,484 in FBO funds has been distributed by AMG, an additional \$410,158 in FBO funds has been distributed by Lineage and Evolve has received payment instructions and is in the process of distributing approximately \$21,000,000 in FBO funds. Overall, of the \$219,077,467 aggregate FBO Funds held by AMG, American Bank, Evolve and Lineage on the date of the Trustee's appointment, \$187,121,978, or approximately 85%, have been distributed to date, with \$31,955,489, or approximately 15%, remaining to be distributed. To be clear, the Trustee expresses no opinion as to whether the liability of any Partner Bank to end users is limited to amounts currently held in FBO or DDA accounts.

<u>FBO Funds Summary²</u>					
	American Bank	AMG National Trust	Evolve Bank and Trust	Lineage Bank	Total Funds
Funds Held on May 24, 2024	\$43,339	\$110,290,040	\$46,926,558	\$61,817,530	\$219,077,467
Funds Distributed as of May 24, 2024	\$0	\$55,000,000	\$0	\$0	\$55,000,000
Funds Distributed as of July 2, 2024	\$0	\$100,769,819	\$0	\$0	\$100,769,819

² Partner Banks have reported to the Trustee certain numbers in approximations.

Funds Distributed as of July 16, 2024	\$0	\$104,025,366	\$0	\$0	\$104,025,366
Funds Distributed as of July 31, 2024	\$0	\$105,026,528	\$0	\$0	\$105,026,528
Funds Distributed as of August 14, 2024	\$0	\$106,070,956	\$0	\$0	\$106,070,956
Funds Distributed as of August 29, 2024	\$0	\$109,270,681	\$0	\$49,200,617	\$158,471,298
Funds Distributed as of September 12, 2024	\$0	\$109,448,277	\$0	\$55,787,437	\$55,787,437
Funds Distributed as of September 26, 2024	\$0	\$109,546,087	\$0	\$55,797,262	\$165,343,349
Funds Distributed as of October 22, 2024	\$0	\$109,758,479	\$0	\$55,841,856	\$165,600,335
Funds Distributed as of November 12, 2024	\$0	\$109,869,963	\$21,000,000	\$56,252,015	\$187,121,489
Remaining Funds on November 12, 2024	\$43,339	\$531,561	\$25,926,558	\$5,565,515	\$31,955,489

Partner Banks have reported the status and issues related to distributions of FBO funds as detailed below.

FBO Funds Distributions Progress			
	Funds Held on May 24, 2024	Total Funds Distributed as of November 12, 2024	Percentage of Funds Distributed
American Bank	\$43,339	\$0	0%
AMG National Trust	\$110,290,040	\$109,869,963	99%
Evolve Bank and Trust	\$46,926,558	\$21,000,000	44%
Lineage Bank	\$61,817,530	\$5,565,515	91%
Total Funds	\$219,049,826	\$187,121,489	85%

- As of November 12, 2024, American Bank holds approximately \$42,339.67 of potential commercial end user funds. American Bank has informed the Trustee that it is investigating the status of these funds and hopes to work with Partner Banks to verify the funds in the near future.
- As of November 12, 2024, AMG has paid out \$109,869,963 (99.6% of total FBO funds held by AMG) for the benefit of approximately 91,400 end users, either paid directly to end users or to custodial banks for user check payments or operating Fintech Partners' credit to end users. Of the total payments, AMG has paid out 100% of balances (~\$89.1 million) for 12 Fintech Partners and their over 85,000 users and has made partial payments (~\$20.7 million) for an additional 10 Fintech Partners and their over 6,000 users. AMG has \$420,077 in FBO funds left to distribute on behalf of 10 Fintech Partners and their over 9,000 end users (includes Fintech Partners where only partial payments were made and where issues with distributions exist). For Juno end users, AMG has paid out \$2,360,734, with \$137,366 remaining to pay. The largest Juno end user balance remaining at AMG is \$18,011. For Yotta end users, AMG has paid out \$1,289,619, with \$173,636 remaining to pay. The largest Yotta end user balance remaining at AMG is \$28,280. AMG has sent emails to all Yotta end users who had a balance assigned to AMG on the Synapse trial balance. AMG also is working on reprocessing return payments of approximately \$25,000. AMG will continue to work with fintech platforms to process distributions and is awaiting payment instructions for all remaining balances. AMG and several fintech platforms are having difficulty obtaining current payment information from end users, which AMG expects will

1 continue to slow future payment activity. Additionally, AMG holds funds of \$1.00 or
2 less without current payment information for approximately 5,100 (56%) remaining
3 end users. End users are encouraged to make sure their fintech platform provider has
4 current payment information regardless of the size of the balance. End users who have
5 received emails or phone calls from AMG are encouraged to contact AMG
6 promptly. AMG's main phone number is 303-694-2190. AMG also holds
7 approximately \$400 for unidentified Synapse Brokerage FBO customers and
8 \$150,845.19 in unallocated interest associated with Synapse Brokerage sweep network
9 deposits, which was transferred into AMG FBO Accounts on June 7, 2024.

- 10 • As of November 12, 2024, Evolve reports that end users have selected payment
11 methods for over \$21 million in FBO funds, which Evolve is in the process of
12 distributing to end users from Juno, YieldStreet, Yotta, and Clerkie. Evolve reports that
13 the option for end users to select a preferred payment option will stay open until
14 December 4, 2024, after which Evolve will prepare checks to distribute any remaining
15 funds.
- 16 • As of November 12, Lineage has paid out \$55,252,015 for the benefit of 10,175 end
17 users, which represents 91% of the total FBO funds held at Lineage on May 24, 2024.
18 For the remaining funds, Lineage reports that it is working diligently to complete
19 reconciliation and obtain payment instructions to make distributions.
- 20 • There is no update to the aggregate \$65 million to \$95 million estimated shortfall since
21 the Tenth Status Report.

22 **C. Meetings with Parties in Interest**

23 Since November 12, 2024, the Trustee and her advisors have had follow-up meetings and
24 communications with known parties in interest as well as initial meetings and communications with
25 additional constituents.

26 **1. *Bank Partners***

27 The Trustee and her advisors have continued to communicate with the Partner Banks and their
28 respective counsel, individually and collectively. The purpose of these communications has been to

1 discuss progress and issues that have arisen in the reconciliation process and to respond to any
2 remaining data, systems access and information requests to the extent practicable.

3 **2. Debtor's Former Officers, Key Employees and Contractors**

4 The Trustee and her advisors have continued to have open lines of communication with former
5 Synapse officers regarding historical operations of Synapse and its relationship with Partner Banks,
6 technical matters relating to the operations of the Synapse system and the preparation of estate assets
7 for a potential sale.

8 **3. End Users**

9 The Trustee continues to have meetings and communications with affected end users, the
10 purpose of which has been to discuss inquiries and updates about the reconciliation progress.
11 Numerous end users have reached out to the Trustee since receiving payment information from Evolve
12 requesting assistance and information after being informed that they would receive much less than the
13 amount allocated to them by the Synapse ledger. Due to the volume of inquiries, the Trustee has not
14 been able to respond to all requests for information.

15 **4. Vendors and Suppliers**

16 The Trustee's advisors are continuing to communicate with certain key vendors to ensure
17 records preservation and to plan efficient data transition. The Trustee and her advisors intend to
18 continue to work constructively with vendors to reduce expenses of services with the goal of having
19 an asset purchaser assume historical and go-forward obligations to key vendors or otherwise
20 winddown services. The Trustee appreciates their cooperation to date and their continued cooperation
21 until all the Debtor's records and information can be properly retained.

22 **5. Potential Bidders**

23 The Trustee and her advisors continue to receive inbound inquiries from potential purchasers
24 of Synapse assets. Now that the Trustee has commenced a formal sale process as described below. To
25 date, the Trustee has not yet received any actionable asset purchase proposals but continues to be in
26 contact with potential purchasers.

1 **D. Asset Sale**

2 The Trustee filed a Sale Motion and Bidding Procedures Motion on October 7, 2024 to
3 formalize a sale process to receive the highest and best bid for some or all assets of the Debtor's estate.
4 On October 17, 2024, the Court entered an Order approving the Bidding Procedures. On October 24,
5 2024, the Trustee filed a Notice of Extension of Deadlines for Initial Indications of Interest and Initial
6 Bids to November 4, 2024 and November 11, 2024, respectively.

7 As of the November 11, 2024 deadline for Initial Bids, the Trustee has not received any
8 actionable bids, but continues to have open lines of communication with interested parties and has
9 determined to accept "late" bids in her discretion. The Trustee is evaluating whether to amend the
10 deadlines provided for in the bidding procedures or cancel the auction and retain assets to proceed
11 with a private sale if an actionable bid arises for Synapse's technology assets.

12 **E. Conversion**

13 The Trustee believes this Case should remain in chapter 11 for the time being and, as of the
14 time of this Report, is not seeking conversion to chapter 7.

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DATED: November 12, 2024

JELENA MCWILLIAMS
CHAPTER 11 TRUSTEE

By: /S/ Jelena McWilliams

Jelena McWilliams
Chapter 11 Trustee

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Exhibit A

**Joint Status Update from AMG National Trust (“AMG”) and Lineage Bank (“Lineage”)
November 12, 2024**

Lineage and AMG are disappointed with Evolve Bank & Trust’s (“Evolve”) recent public statements that continue to confuse the very people who have already been harmed by the bankruptcy of Synapse Financial Technologies (“Synapse”).

Reconciliation Background

Synapse was the recordkeeper for numerous fintech platforms and their end users. For some fintech platforms, Synapse was the sole, “official” recordkeeper of end user balances. Other fintech platforms kept their own records by end user and compared them to Synapse records. Synapse had provided recordkeeping services for many years before it closed.

In May 2024, as Synapse closed its business operations, it provided for each of Evolve, AMG, Lineage and American Bank what Synapse called a “trial balance,” with balances as of May 17, 2024. Each trial balance listed the names and identifying information for fintech platform end users whose balances Synapse considered held at each of those banks.

There were two separate aspects to the trial balances. The first was the individual balance attributed to each end user. The second was assigning those end users to a specific bank for payment purposes. It is important to keep these two aspects separate. To date, most work completed by the banks has focused on the first aspect, reconciling and confirming individual end user balances.

AMG reconciled the total of the balances on the Synapse-provided trial balance to the total funds AMG held for the benefit of Synapse Brokerage customers at that time. Prior to making payments, AMG also confirmed end user balances with the fintech platform and/or end users. Sometimes there were minor reconciling differences (e.g. direct deposits on hold at Evolve or returned payments) that needed to be adjusted based on the information provided by the fintech platform or end user. AMG also balanced daily to its Federal Reserve activity. As required by contract, AMG began paying out end user balances on Synapse’s instructions beginning May 24, 2024. To date, AMG has paid out over \$109 million to over 91,000 end users. No end user has notified AMG of an incorrect amount paid.

Lineage hired a former Synapse software engineer with knowledge of the Synapse system to help it reconcile and confirm end user balances, which allowed it to start making payments to end users in August 2024. While Lineage has a discrepancy between the total balances that Synapse assigned to it compared to its other bank records, it is actively working through those issues. Lineage has compared the funds it processed with the records of the Federal Reserve and confirmed that the balance of Synapse-linked funds held at Lineage is accurate. Lineage is also confirming end user balances directly with platforms and/or end users. Lineage has paid out over \$55 million, over 90% of the funds it originally held for payment when Synapse ceased operations. No FBO end user has notified Lineage of an incorrect amount paid.

Evolve announced at the August 15th bankruptcy hearing it had hired Ankura to do a separate reconciliation and create a “reconstructed Evolve balance”. In Evolve’s “An Open Letter to the End Users of Synapse Brokerage,” Evolve stated “Evolve was the only bank to undertake a transaction-by-transaction reconciliation across end users.” AMG and Lineage are uncertain what Evolve means because it has not provided any detail about its reconciliation process (for example: Did the end

user balances agree to the bank balance to start with? What does it mean to reconcile “across end users”?).

Evolve announced that it completed its reconciliation on October 18 and has since notified certain end users of what Evolve calls the “Synapse Ecosystem Balance” and the “Evolve Payment” amount. However, many of the Yotta end users have posted online that Evolve provided them its reconciled “Synapse Ecosystem Balance,” which agreed to the end user’s own understanding of the balance and to the balance Sankaet Pathak, Synapse’s founder, had provided online. For example, one end user noted an expected Synapse Ecosystem Balance of \$282,100, which agreed to the “Sankaet Spreadsheet” and an Evolve Payment of only \$579.00.

AMG and Lineage would like to address two points in the following Evolve statements.

In its online Frequently Asked Questions at <https://reconciliationbyevolve.com/FAQ>, Evolve states [emphasis added]:

“40 Do AMG or Lineage have my funds?

Evolve strongly advocated for a comprehensive, ecosystem-wide reconciliation of end user balances, overseen by the Synapse Bankruptcy Trustee [“Trustee”] to accurately calculate each end user’s balance and which institution(s) held the money. Unfortunately, other Synapse partner banks ultimately chose not to participate in Evolve’s reconciliation. Without access to the full set of data from the other banks involved, it is impossible for us to say with confidence exactly what other institutions may have paid to end users, or whether end users continue to have balances at these other institutions.”

First, Evolve asserts that it was unable to determine the balance by end user **by bank** because the other banks “chose not to participate” in Evolve’s reconciliation. AMG received no request to “participate” in Evolve’s reconciliation efforts. By the time Evolve announced in August that it planned to conduct a reconciliation, both AMG and Lineage had already substantially implemented reconciliation processes of their own. AMG had confirmed over 80,000 end user balances with the fintech platform and/or their end users prior to making payments to them.

In addition, by the time Evolve commenced its reconciliation process, both AMG and Lineage had each already independently determined that calculating specific end user balances **by bank** was impossible because Synapse often directed large bulk bank-to-bank transfers of funds that bore no relationship whatsoever to specific individual end users or their transactions. Synapse reportedly directed these bulk transfers of funds for purposes of generating additional interest income and achieving greater FDIC coverage for some end user accounts. When bulk sweep transfers occurred, or a bank did not process transactions for some reason, the Synapse trial balance at one or more banks necessarily changed. Sometimes, this was material, such as during the Synapse wind down when AMG received over \$80 million from ADMC for purposes of processing end user payments. None of those end users had made transactions related to that \$80 million, but obviously Synapse had to adjust the Synapse trial balance for AMG.

Second, Evolve’s implication that AMG or Lineage may still hold substantial additional funds for distribution is irresponsible and disingenuous. Evolve is fully aware that as of the last Trustee report on October 22, 2024, AMG had paid out to end users over 99% of the balance it once held

(\$531,561 remaining) and Lineage had paid to end users over 90% of the balance it started with (\$5.9 million remaining). Evolve's implication to end users to check with the other banks has resulted in sending those end users on unproductive endeavors. Within the first several days of Evolve's initiation of distribution information on November 4, 2024, AMG and Lineage had numerous end users reach out with comments including "Evolve Bank and Trust says that you have the rest of my funds. How and when will you reconciling [sic] these funds back?"

Evolve's "**Frequently Asked Questions**," #44 stated:

44. Is it possible that my money was paid out to someone else.

Evolve was one of multiple banks working with Synapse when it filed for bankruptcy and was not the only custodian of end user funds. Without access to the full set of data from the other banks involved, it is impossible for us to say exactly what other institutions may have done with the end user funds in their possession.

The "other banks involved" have told the bankruptcy Trustee, Court and interested persons exactly what they have done with the Synapse funds they held: either they still hold them for the benefit of Synapse's customers' end users or they have paid them out to end users according to Synapse's trial balances as confirmed by reconciliations and confirmations of amounts and identities.

Moving Forward

Lineage and AMG are pleased that Evolve is now "eager to collaborate with other banks" and encourage Evolve to move beyond confirming individual end user balances, balances of which have not been shown to be materially incorrect. AMG and Lineage believe that the banks should work together to try to understand why the Synapse trial balances exceed the collective balance of Synapse-related funds held at the banks. To this end, Lineage and AMG have combined all of their Evolve-related cash flows in the chart below. We encourage Evolve and all banks to reconcile their cash flows to help the Trustee identify the full global cash flows and potentially aid all impacted parties to gain an understanding of amount of any global cash shortfall in the Synapse Ecosystem.

Bank	Outgoing to Evolve	Incoming from Evolve	Net to Evolve
Lineage	\$1,509,088,460.82	\$210,320,593.25	\$1,298,767,867.57
AMG	\$323,807,726.68	\$665,007,816.71	(\$341,200,090.03)
Total Funds Movement	\$1,832,896,187.50	\$875,328,409.96	\$957,567,777.54

Lineage Bank & Trust

Carl Haynes, President & CEO

AMG National Trust

Sheryl Bollinger, President & CEO

Exhibit B

Evolve Bank & Trust: Update on Ledger Reconciliation and Release of End User Funds

Evolve Bank & Trust ("Evolve" or "Bank") is providing this update to the Trustee and parties in interest documenting the Bank's progress in distributing funds belonging to end users of Synapse Financial Technologies, Inc. ("Synapse"), Synapse Brokerage LLC ("Synapse Brokerage"), and fintech platforms that partnered with Synapse and Synapse Brokerage ("Platforms").

I. Evolve Has Begun Distributing Funds to Synapse Brokerage End Users

As previously reported, the Bank engaged Ankura Consulting Group ("Ankura") to perform a reconciliation to inform the distribution of the funds held by Evolve that belong to end users of Synapse Brokerage. The reconciliation was completed on schedule on October 18, 2024.

The reconciliation has been essential to allowing Evolve to return the funds it owes to Synapse Brokerage end users in a safe and sound manner, based on accurate accounting. We appreciate the patience and understanding of all impacted parties as we navigated this complex and frustrating situation.

On October 23, 2024, Evolve launched a resource center, including a website and dedicated call center, to facilitate communications with end users and the public regarding Evolve's distribution efforts.

On November 4, 2024, Evolve sent email notices to approximately 118,000 Synapse Brokerage end users with instructions for logging into reconciliationbyevolve.com ("Reconciliation Website") to view their individualized results from the reconciliation. For each of these end users, the Reconciliation Website displays two amounts:

- 1) Their reconstructed Synapse ecosystem balance, which is the end user's total balance across all institutions in the Synapse ecosystem as of May 17, 2024; and
- 2) Their Evolve payment, which is based on the end user's reconstructed Evolve balance as of May 17, 2024. The Evolve payment also accounts for any interest owed by Evolve under the end user's demand deposit agreement with Evolve (if applicable), as well as any distribution(s) that Evolve understands the end user has received from other ecosystem banks.

End users with Evolve payment amounts of less than \$100 received payments directly through an online payment service. End users with Evolve payments of \$100 or more are able to use the Reconciliation Website to select a payment method which may include ACH transfer, wire, or check, among others. Any end user owed a payment from Evolve who does not claim their

payment by December 4, 2024, will receive a check that will be sent on or about December 19, 2024.

As of November 11, 2024, Synapse Brokerage end users have received directly through an online payment service or selected a payment method to receive over \$21 million in funds from Evolve. For those who selected a payment method, Evolve is in the process of distributing those funds. End users from a variety of fintech platforms, including Juno/OnJuno, YieldStreet, Yotta, and Clerkie, have all made payment elections. The option to elect a preferred payment method will be available until December 4, 2024, after which Evolve will prepare checks to distribute funds to any end users who are owed a payment from Evolve and have not elected a payment mechanism.

For those individuals who disagree with the reconciliation's findings with respect to their own account, Evolve has established an online appeal process on the Reconciliation Website. As of November 11, 2024, less than 4.3% of Synapse Brokerage end users have submitted an appeal regarding their reconstructed ecosystem balance and/or Evolve payment.

II. Evolve Stands Ready to Work With Other Ecosystem Banks on Transaction-Level Reconciliation

Ankura's reconciliation confirmed that there were material irregularities and inaccuracies in the ledgers that Synapse provided to Evolve for Synapse Brokerage accounts. Indeed, Ankura's work showed that Synapse's ledgers were contradicted by Synapse's own transaction data *and* by transaction data from the Federal Reserve and Evolve's own records. In other words, as Evolve observed early in the Synapse bankruptcy process, Synapse's ledgers were wrong.

As a result of these inaccurate ledgers, we know that there are Synapse Brokerage end users who still have questions about their balances and the institution(s) that owe them. This is why from the outset Evolve strongly advocated for a comprehensive, ecosystem-wide reconciliation of end user balances, overseen by the Synapse Trustee, to accurately calculate each end user's ecosystem balance and which Synapse ecosystem banks held their funds. And when we engaged Ankura, we worked with them to develop a project scope that we hoped would broadly address end users' questions, including which institution(s) held their balances.

Unfortunately, other Synapse partner banks chose not to participate in Evolve's reconciliation, and we had to go at it alone. This meant that Ankura ultimately was unable to determine the location of end user funds in the Synapse ecosystem, beyond what funds were held at Evolve. That is because Ankura did not have access to transaction-level data from other Synapse ecosystem banks, and the location of end users' funds could not be determined with just transaction data from Synapse and Evolve. We understand that this may have caused some confusion for end users and other stakeholders regarding the reconciliation's scope and

output, and we apologize that our explanation of the challenges and data needed was not clearer.

That said, Evolve has invested substantially in reconstructing end users' ecosystem balances and Ankura's work can be used to reconstruct end user balances at other institutions. To this end, Evolve has already offered to share its transactional data with other ecosystem banks, and we are hopeful they will collaborate with us to help end users whose balances remain outstanding locate their funds in the Synapse ecosystem.

* * *

As Evolve's distribution process moves forward, it is helpful to remember that Evolve is just one piece of the puzzle. Before Synapse went bankrupt, it was the intermediary between multiple banks and numerous fintech companies, which had the relationship with end users. In this role, Synapse placed money held on behalf of end users at multiple ecosystem banks, and then directed the transfer of funds between them. Synapse was responsible for tracking the movement and location of those funds by maintaining accurate ledgers across its ecosystem. It failed to satisfy this critical obligation.

We know that the former CEO of Synapse has alleged, despite a third-party reconciliation process, that Evolve still has the remaining funds, which would conveniently solve the problem of his inaccurate ledgers. But the reality, as shown by Ankura's analysis, is that this is simply not true.

As a result, unfortunately, end users now have only a partial answer to the question: where is my money? Evolve is in the process of distributing the end user balances it held, and we encourage other Synapse ecosystem banks to share their transaction data to help end users determine the location of their funds.

We appreciate the opportunity to provide this update to the Trustee, the Court, and all interested parties.

PROOF OF SERVICE OF DOCUMENT

I am over the age of 18 and not a party to this bankruptcy case or adversary proceeding. My business address is:

Cravath, Swaine & Moore LLP, 2 Manhattan West, 375 Ninth Avenue, New York, NY 10001

A true and correct copy of the foregoing document entitled (*specify*): _____

CHAPTER 11 TRUSTEE'S TWELFTH STATUS REPORT

will be served or was served **(a)** on the judge in chambers in the form and manner required by LBR 5005-2(d); and **(b)** in the manner stated below:

1. TO BE SERVED BY THE COURT VIA NOTICE OF ELECTRONIC FILING (NEF): Pursuant to controlling General Orders and LBR, the foregoing document will be served by the court via NEF and hyperlink to the document. On (*date*) 11/12/2024, I checked the CM/ECF docket for this bankruptcy case or adversary proceeding and determined that the following persons are on the Electronic Mail Notice List to receive NEF transmission at the email addresses stated below:

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This form is mandatory. It has been approved for use by the United States Bankruptcy Court for the Central District of California.

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☐ Service information continued on attached page

2. SERVED BY UNITED STATES MAIL:

On (date) 11/12/2024, I served the following persons and/or entities at the last known addresses in this bankruptcy case or adversary proceeding by placing a true and correct copy thereof in a sealed envelope in the United States mail, first class, postage prepaid, and addressed as follows. Listing the judge here constitutes a declaration that mailing to the judge will be completed no later than 24 hours after the document is filed.

None.

☐ Service information continued on attached page

3. SERVED BY PERSONAL DELIVERY, OVERNIGHT MAIL, FACSIMILE TRANSMISSION OR EMAIL (state method for each person or entity served): Pursuant to F.R.Civ.P. 5 and/or controlling LBR, on (date) 11/12/2024, I served the following persons and/or entities by personal delivery, overnight mail service, or (for those who consented in writing to such service method), by facsimile transmission and/or email as follows. Listing the judge here constitutes a declaration that personal delivery on, or overnight mail to, the judge will be completed no later than 24 hours after the document is filed.

None.

☐ Service information continued on attached page

I declare under penalty of perjury under the laws of the United States that the foregoing is true and correct.

11/12/2024
Date

Robert N. Greenfield
Printed Name

/s/ Robert N. Greenfield
Signature