UNITED STATES BANKRUPTCY COURT

CENTRAL DISTRICT OF CALIFORNIA - WOODLAND HILLS

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In Re:	)	Case No. 1:24-bk-10646-MB
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SYNAPSE FINANCIAL TECHNOLOGIES, INC.	)	Chapter 11
	)	Woodland Hills, California
Debtor.	)	December 3, 2024
	)	Tuesday, 10:00 a.m.

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#1:00 DEBTOR'S EMERGENCY MOTION FOR ENTRY OF AN ORDER: (I) AUTHORIZING THE CONTINUED USE OF ITS CASH MANAGEMENT SYSTEM; (II) AUTHORIZING THE MAINTENANCE OF CERTAIN PRE-PETITION BANK ACCOUNTS; AND (III) AUTHORIZING BANKS TO RELEASE ADMINISTRATIVE HOLDS AND/OR FREEZES ON THE DEBTOR'S PRE-PETITION ACCOUNTS

#2.00 CHAPTER 11 STATUS CONFERENCE

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

Proceedings produced by electronic sound recording; transcript produced by transcription service.

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End User:	JORDAN GONZALEZ
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WOODLAND HILLS, CALIFORNIA, TUESDAY, DECEMBER 3, 2024

10:05 A.M.

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THE COURT: All right, thanks everybody. Welcome. Today is December 3rd, 2024. This is our 10:00 a.m. calendar, the Chapter 11 status conference in Synapse Financial Technologies.

A couple of reminders. I'll just say something for the record. I don't have anyone today in the courtroom other than the courtroom staff. Everybody is participating by Zoom, video conference, or audio line.

These proceedings are being recorded by way of an audio recording by the courtroom deputy. That should be the only recording of any kind being made. Recording these proceedings by audio, video, screenshot, any means of recordation is strictly prohibited. The only court record, the only record of these proceedings should be the Court's audio record, which is available on the docket to download. And folks can order transcripts if they want.

By the way, as an aside, I looked into whether I can get a transcript and share it with everybody immediately and was told many pay grades above me that I'm not allowed to do that. Most of the transcripts, or I should say every transcript is released publicly for free after 90 days on the Court's docket. I know that was -- I feel like that may have come up last time. So I just wanted to say that there are transcripts of these hearings, just for the first 90 days, you have to pay for them, which is not an arrangement I apparently have any control over.

Anyway, so that's the reminder on recordings.

The other thing is when you speak for the first time and each time after if somebody else has spoken, please be sure to say your name and who you are or who you represent so that we get that all down in the record.

And lastly, as we have in the past, we're dispensing with the making of appearances by counsel. Your appearances have been recorded through the registration process.

All right, Ms. McWilliams, Madam Trustee, the floor is yours.

MS. MCWILLIAMS: Thank you, Your Honor. And I hope you had a good Thanksgiving.

THE COURT: Thank you.

MS. MCWILLIAMS: Since my last status report, partner banks have continued to make distributions to end users. Evolve reports that it has received payment instructions and is in the process of distributing approximately $24.6 million in FBO funds. AMG has distributed an additional $57,737 in FBO funds. And Lineage has distributed an additional $609,524 in FBO funds. No additional demand deposit account funds have been paid out since the last status conference. Approximately 87 percent of FBO funds held across all four partner banks have been distributed and approximately 89 percent of DDA funds have been distributed.

As I stated in the last status conference, I'm sharing these numbers for informational purposes and I'm not making a legal statement as to whether the liability of any bank to end users is limited by the amount of funds actually held in Synapse related FBO or DDA accounts at the partner banks. I'm aware that many end users still have not received the amount of deposits due to them based on the Synapse ledger and my team is working to facilitate further reconciliation and distributions to the extent possible in light of the lack of estate resources.

Since the last status conference, I have been encouraged by the partner banks' public statements in support of further information sharing and interbank funds tracing. And so my team is focusing on working to share and preserve estate records to support these efforts. And we look at them through three separate steps.

First, partner banks and fintech platforms have requested additional aggregate data views and records from the Synapse estate, which my team already has provided or is working to identify and share securely.

Second, I'm exploring options to cost effectively and securely outsource certain reconciliation work to appropriate third parties while considering data complexity and privacy constraints.

And third, I am evaluating paths for the disposition of estate assets that best preserve and make available Synapse data and records to parties in interest for long-term reconciliation and recovery efforts.

Evolve and AMG have each submitted status reports in their own words. AMG and Lineage have also submitted a joint status report. I will defer to their counsel to speak in more detail as to their positions and provide any update on reconciliation and distributions.

As of today, I have not received any actionable bids for Synapse assets. In light of this, I filed notices with the Court to adjourn the scheduled auction and sale hearing, but I continue to have open lines of communication with interested parties. I may seek to amend the bidding procedures to reschedule the auction or conduct a private sale if one or more actionable bid arises in the near future.

I respectfully propose, Your Honor, subject to the preference of the Court, to submit my next status report in approximately four weeks during the week of, well, I think it's January 6th, which would put us right after the holidays.

Thank you.

THE COURT: All right. All right, let me -- thank you. To say, Ms. McWilliams, I was pretty demoralized after our last status conference. I feel like, I mean, obviously, I'm just the Judge, and so I'm not driving the train. But do you -- I'm reading the tea leaves a little and asking you to depart from your prepared statement a little, but do you have any hope of -- any hope here that folks are going to get their money back absent, you know, large-scale litigation between and among the banks and the various constituencies?

You know, that was my hope here, that reason would prevail. And I got to say, you know, I'm trying to remain impartial, but when all these folks come in, and they're not just saying, oh, the Synapse ledger says we're owed money, they're saying I've been -- I follow my own account, I know how much was in my account, and everybody's pointing the finger at somebody else and says, we don't have your money, it's just, it's hugely, hugely disappointing. And I know the estate is limited by the fact that it's really has no resources because the debtor itself, the company, is out of business and doesn't have any money.

Do you have any hope that there's any kind of resolution short of years of litigation between all these banks?

MS. MCWILLIAMS: Your Honor, I'm going to speak very freely. This has been incredibly demoralizing on our end.

As you know, from the moment you appointed us to -- myself and then me, hiring Cravath, Swaine & Moore, my law firm, to help us with the reconciliation process, we have thrown all the resources at our disposal to come to the bottom line. Initially, the banks were not corresponding in communicating with each other. We made that process capable and available to them. And we're frankly hoping that along the way that would yield the shrinking of the shortfall that was initially identified.

That shortfall has not shrunk despite those efforts. Something happened along the way someplace that has caused the shortfall to be projected onto the end user's balances.

And, for me, I'll be more personal than the Court is probably asking me to be, but for me, it's a personally painful episode.

Back in 1991, my father had all of his meager savings in a bank in the former Yugoslavia. And as the country fell apart, the banks collapsed and overnight all of his deposits were wiped out. And as a result of that, he had to go and work as a day laborer at the age of 68 for $5.00 a day.

And so as I listened to the end users, and I'm sorry for being so emotional about it, but --

THE COURT: No.

MS. MCWILLIAMS: -- it is just incredibly disheartening. And I feel that the system has failed so many end users in so many ways that I am at my wit's end as to how best to help them given that the lack of resources is there, and given that, frankly, the trustee's powers with all of your graciousness and generosity to keep the case open and keep it in Chapter 11 proceeding so that the end user's reconciliation would come to a better end point.

Despite all of that and despite all of the resources that my law firm has thrown at this, we're in a place that I'm afraid the end users will have to pursue legal means. And I know for a lot of them, that's going to be incredibly difficult, and for a lot of them, that will not be even an option.

So, Your Honor, if I'm being very, very honest and I'm sorry for being emotional about it, I get --

THE COURT: No, you don't need to apologize. This is upsetting.

MS. MCWILLIAMS: I get hundreds of emails, frankly, weekly. My personal assistant said if she has to take one more call from the end user whose money has been devastatingly impacting the lack of the resources, devastatingly impacting their life, she said she may just quit because she's not prepared to deal with all of that. It has been truly one of the more stressful episodes, both personally and professionally, and I've been through a lot, Your Honor.

And I know that my reports are kind of legalistically correct and they don't offer -- they offer some comfort to some end users, but they don't offer any comfort to the end users who are actually not getting their money. And I'm profoundly sorry that that's the case.

THE COURT: Well, I appreciate your candor. I think other people that are on today appreciate hearing your personal experience, your family experiences that bring you here and what you're experiencing now in this position.

And I just want to say, I empathize with you too. I mean, I don't, you know, I don't have the words. And, you know, after almost ten years in this job feeling like I could make a difference, I'm feeling profoundly ineffectual, so I can relate.

Are there any -- let me start with the counsel, please, if there are any counsel that want to be heard in respect of the status conference.

MR. TOLMAN: Your Honor, this is Ben Tolman on behalf of Juno.

THE COURT: Mr. Tolman.

MR. TOLMAN: Yeah. Thank you, Your Honor. I guess, yeah, I mean, obviously Juno shares in this feeling of disappointment and being disheartened in this process. And we, like Your Honor, hope that there's still some light here as far as a more informal reconciliation. But obviously, hearing the trustee's comments and everything, it makes that obviously seem, you know, unlikely.

I guess we had two particular questions we wanted to ask of Evolve regarding at least some of this money.

The first question is our understanding is that the FBO funds held by Evolve are approximately $47 million. But Evolve's most recent statement is stating that only $24.7 million in funds have been distributed as of December 2nd, which as a proportion of the FBO funds distributed is dramatically lower than other partner banks.

So our question, I guess, is relatively simple. It's just why has Evolve only distributed $24.7 million and what about the remaining $22.3 million in FBO funds?

THE COURT: Mr. Swaminathan, I see you turned your camera on --

MR. SWAMINATHAN: Yes.

THE COURT: -- and unmuted, so I'll recognize you next.

MR. SWAMINATHAN: Yes, Your Honor. Aravind Swaminathan for Evolve.

So Your Honor, I'm going to start with the statement I was going to start with before Mr. Tolman spoke up, which is we're going to be very limited in what we can say and I'm sorry about that. And I know that Your Honor appreciates that Evolve, among other banks, are now subject to several class action lawsuits that have been filed now in Colorado and in California. As a result of that, I'm not really able to speak.

And, Mr. Tolman, I'm sorry I can't answer your question for those reasons. It's the subject of ongoing litigation, which I'm not at liberty to discuss now in open court.

We provided Your Honor with an update as kind of where we stand. I will just say we're optimistic about the conversations that we've been having with the other banks about increased data sharing to help to get to some of the answers that Your Honor has been asking. And so we're optimistic about those efforts. And we're hopeful that the banks can work together to get that data shared so that that process can be completed. But I'm not really at liberty to say much today beyond what's in our statement.

And the one thing I will say, Your Honor, is, and

I know you can understand this, which is those lawsuits that have been filed on behalf of the end users, some of whom are on this call today, I have spoken with plaintiff's counsel, I am not comfortable that under my ethical restrictions and obligations, I'm able to answer end users' questions today directly. They are now represented by counsel. I don't know who all they represent specifically as individuals, but I do know that they're putative class is. And I don't believe that the protections exist here for my own professional responsibility reasons to be able to have conversations with end users.

If Your Honor certainly has a question for me, I'm happy to try to answer Your Honor's question. I obviously cannot answer a question that is just funneled through you. I know you know that. And I'm sorry about that, Your Honor. I know that we have used this as a forum to have conversations, and I have appreciated those. But where we are today, and knowing that they are represented by counsel, my professional responsibility and ethical rules don't allow me to answer those questions directly.

THE COURT: All right. Thank you, Mr. Swaminathan. I appreciate that. And I appreciate, I will say, I appreciate that you've been coming to these status conferences, and I think before you started coming, another one of your colleagues at your law firm, and facing some, you know, very direct and difficult questions. And I appreciate the way you have handled yourself professionally.

This is a difficult situation. I think right now, you know, you have to sort of say, from my perspective, and I am impartial, I think as I think I have said last time, and I frequently say, I don't know who the good guys or the bad guys are. I don't reach conclusions until, you know, people present evidence in court under appropriate circumstances, so I don't really know.

I know that folks, there are a lot of folks that believe their money was indirectly placed at Evolve, but I don't know where they're -- and Evolve says, we don't have all the money that you think we have. I don't know who has the money. And I know that folks have been frustrated by that situation, and frustrated by the limitations on various counsel to be able to answer their questions sometimes.

But putting all that aside, Mr. Swaminathan, I appreciate that you've been here and you've been trying as best you can, consistent with your ethical and other legal obligations. And I'm not surprised that, you know, we've gotten to a point where that's kind of no longer practical, but thank you.

MR. SWAMINATHAN: Yeah, thank you, Your Honor, and I will say thank you for that. I appreciate it. This is not always easy. I am, you know, I am empathetic for everybody who's on this call who has to be here and go through this. It's not an easy situation. I think we're trying to do our best.

What I can tell you is Evolve is committed, if we get the data, to complete, to getting over the finish line, so I can commit to that. We've already invested a ton of resources and time and energy and money into doing that. And if we get that data, Your Honor, I can commit that we will take it as far as the data will let us take it and try to answer the questions that you have and everybody has asked in these various status conferences.

But I appreciate that, Your Honor. I appreciate you understanding the difficult situation that we are in to be able to answer those questions. But again, we are committed if we do get the data, Your Honor, to taking it over the finish line and getting there or getting as close to it as we can get to.

I don't know that there's a -- I don't know, Your Honor, whether there are good guys and bad guys in the world in many respects. I don't think that's a -- I think you're fair to say, I don't know the answer to this either. We're determined to find out, though.

THE COURT: All right. Thank you.

Mr. Tolman, you had the floor, so I'm going to go back to you, appreciating that you may not, you may not be satisfied. But did you -- was there anything else you wanted to say to the court?

MR. TOLMAN: Yeah, thank you, Your Honor. I guess I just want to confirm with Mr. Swaminathan, I think, you know, obviously I appreciate the professional and ethical obligations he's under and what he can or cannot speak to. I guess with Juno, I don't believe Juno is a putative class member in the actions he's referring to.

And so I don't know, I just want to confirm with him that, you know, kind of the question about, well, there's, you know, $47 million in FBO funds, but only $24.7 million have been distributed, just confirming that he can't -- he can't comment on kind of that $22.3 million delta.

MR. SWAMINATHAN: Yes, Mr. Tolman, this is Aravind Swaminathan again for Evolve. I can't answer that question, I'm sorry.

MR. TOLMAN: Okay. And I guess my only other question, and you may not be able to answer this, as well, but is -- you know, since the last status conference, I believe Evolve's position on the $35 million reserve fund was that it was going to be distributed to the FBO if that was appropriate to do so. And we were just wondering whether Evolve had come to a determination of the appropriateness of that? And if not, if it had an expectation on when it would be able to do so?

MR. SWAMINATHAN: And I'm sorry, Mr. Tolman, I won't be able to answer your question.

MR. TOLMAN: Understood. Thank you.

THE COURT: Okay. All right. Thank you, Mr. Tolman.

Are there any other council that want to be heard? Mr. Clementson, did you unmute or is it just -- maybe it's just my -- oh, there's a little box over where it would show whether you're muted or not, so I don't mean to pick on you.

MR. CLEMENTSON: Thank you. The Russell Clementson for U.S. Trustee. We don't have any questions at this time. Thank you.

THE COURT: Okay. All right. Thank you, sir.

All right, any other council? Last chance. All right.

Joshua Nelson?

MR. NELSON: Thanks, Your Honor. This is Joshua Nelson, an impacted end user for Yotta.

First off, I just wanted to say thank you, Your Honor, for giving end users a platform to be able to speak. I know I was on -- well, I've been on every meeting, especially this last one. It went on for hours, as I'm sure you know. And I just want to say thank you to you and your courtroom. And, also, thank you to Ms. McWilliams and everyone on her team. I appreciate the openness and the candor. It's not what I really wanted to hear, but I'm glad that somebody finally said it.

So having said that, I do want to follow up with Mr. Gottfried, who represents Yotta. On the last hearing, I had asked you to propose to your client to spearhead the financial burden of an outside, you know, like a third-party reconciliation that would be appointed by the trustee. And I was wondering if you had an update on that, or if you can speak on that?

MR. GOTTFRIED: Yeah, Mr. Nelson, I can't provide you any further information from the last time. There's certainly been a huge economic impact on Yotta with this. We are doing what we can to help out, but I certainly can't tell you that there's any commitment to doing a reconciliation that would be millions of dollars.

MR. NELSON: Sure. Well, as I mentioned in the last hearing, I just thought that given the recent change in the platform on Yotta and how they, you know, operate a casino, I thought that maybe they could use some of those earnings to help out the end users that they put in this position. You know, it seems --

MR. GOTTFRIED: Mr. Nelson, I disagree with the premise that Yotta put the end users into this situation.

MR. NELSON: I believe that --

MR. GOTTFRIED: I'm certainly sympathetic to them. They certainly want help in this situation, but I do disagree with your premise.

MR. NELSON: So they didn't --

MR. GOTTFRIED: And as to the economic ability, there's --

MR. NELSON: Mm-hmm.

MR. GOTTFRIED: -- really not the economic ability to do what you're suggesting.

MR. NELSON: So Yotta and their team didn't hire the people responsible for our money, and you're saying that Yotta didn't, you know, handle all that and have this business plan and advertise as FDIC insured? Are you denying that?

MR. GOTTFRIED: Mr. Nelson, I'm really sorry for your situation, but I'm not going to be deposed by you here. And I've answered your question. We're doing what we can. We're not going to be doing a reconciliation that I'm aware of. We don't have the funds to do that and we don't have the responsibility to do that. That's all I could really tell you at this point.

MR. NELSON: Sure. Well, let me comment on it because you brought it up and you mentioned that you didn't think that Yotta was responsible. So if you can give your opinion?

MR. GOTTFRIED: No, no, I didn't --

THE COURT: All right. Okay. Okay.

MR. GOTTFRIED: I didn't say that Yotta was responsible, so I just need to let you know that. And again, I'm sorry I can't answer your question any better.

MR. NELSON: Sure.

MR. GOTTFRIED: That's about the best I could do.

MR. NELSON: No problem. Well, I have a more constructive question for the trustee or whomever can answer.

THE COURT: All right, one more and then we're going to -- one more comment and then we'll move on. Go ahead, Mr. Nelson. Are you there? We can't hear you. I don't know if you've muted.

MR. NELSON: The next history from Evolve is --

THE COURT: Mr. Nelson? Mr. Nelson?

MR. NELSON: Yes, sir?

THE COURT: You got cut off, so maybe --

MR. NELSON: I'm sorry.

THE COURT: -- restart your sentence.

MR. NELSON: Sure. Sorry about that.

So I went through all 593 transactions provided by Yotta, you know, through the app. And then I went through my banking statements from the last four years. You know, I've moved almost a quarter million dollars in and out of Yotta in the last four years. And I've been pretty thorough about keeping track with everything.

It really boiled down to the last two transactions because I had essentially moved my account to almost a zero balance. And then a couple of weeks prior to the freeze, I deposited two batches, pretty much right at the $10,000 limit. I looked back at my banking statements and the co-ID on those transactions is the Synapse Technology EIN number, which I can only assume means that it went directly to Synapse.

So my question would be, if I could focus on those two transactions, you know, essentially I can see the money going to Synapse, I can see that they received it, I can, you know, go through my, you know, Bank of America, you know, Bank of America provider and see that, what would be the guidance and who would I reach out to, to be able to look on the Synapse ledger and see, you know, where that money went from there?

And I know that that's a simplistic question. I'm sure that's what everybody's been trying to do for the last seven, eight months, however long this has been going on. But, you know, I feel like I'm just so close to being able to pinpoint where my money is but I just, from here, it's just the guidance is what's needed. And, you know, if -- you know, who would I reach out to? Could the trustee provide that information? If I, you know, sent my transactional history with, with those banking transactions, is that something that's possible or what's, what's the guidance, if anybody can answer?

MS. MCWILLIAMS: Mr. Nelson, it's a simple question. The answer is not as simple, but I'll tell you what we have been doing in cases like that.

I have had the -- some end users email me the identifiers for their transactions. And because we don't have a way of accessing and -- well, we have a way of accessing. We have no way of finding the specific data in the Synapse data pool, and then understanding it.

What I have done with that information, I have forwarded it to each of the banks, the four banks, or if you tell me you believe it's bank A and bank B, I would forward it to the CEOs of those banks and ask them to look it up and see if there are corresponding transactions on their end. That I can certainly do if you send me that information. In some cases, I will be very honest with you, in some cases the end users ended up not getting responses from the banks. In some cases, they ended up getting responses and said we don't -- we were not privy, we were not privy to that transaction.

So I cannot guarantee that you will be successful in your quest, but I'm certainly more than willing to give that information to the banks in question.

MR. NELSON: Sure. And part of my ignorance on this, but -- because I had thought up until recently that essentially, you know, Synapse was, you know, a middle person in the sense that they never held funds. But is it true that, you know, that, you know, my transactions essentially went to, you know, a fund that Synapse held, and then they transferred it to, you know, a partner bank? Or how, you know, in a nutshell, the simple answer, like how did that work?

MS. MCWILLIAMS: Sure. And, Alex, maybe you can help us out with the logistics of the transaction.

This is Alex Gerten from Cravath on behalf of the Chapter 11 trustee.

Mr. Nelson, my understanding is the same as yours, which is that Synapse was not holding. Synapse was not a bank and was not taking deposits itself. You know, it may be helpful to see the statements you're referring to and what kind of flags they have on them. And, you know, that's something we can, you know, look at and try to understand, you know, why, you know, the reason why Synapse was listed as a recipient of the funds, you know, of course, redacted with any personal information, any personal information you don't want being redacted. But that, you know, that could be helpful and provide more context.

But our understanding is the same as yours, which is that Synapse was not accepting deposits other than through Synapse brokerage, and those Synapse brokerage funds were being held through partner banks and ADMC.

THE COURT: Okay. All right.

MR. NELSON: Okay. Yeah, I mean, I'm a little -- I mean, I understand what you're saying. I guess if on my statements, if it has the co-ID as the Synapse EIN number, would that be a pretty good indicator that they were actually receiving those deposits? Because I would think that if it was going straight to a partner bank, that it would have, you know, their co-ID number, not necessarily Synapse. Is there any guidance on that?

Or just for saving time, I mean, could I just, you know, email you this directly or just so you can see that or --

MS. MCWILLIAMS: You can email us directly. That's fine.

The EIN number, the employee identification number for Synapse, it is possible that they needed that for the anti-money laundering and Bank Secrecy Act purposes and so that the bank would be able to track the movement of money for -- they also have to do a process that's known as KYC, know your customer, et cetera.

So it's possible that that's why it was annotated as such. I would be surprised if it was held, if it were held in Synapse. But certainly, if you send me an email with that information, we will follow up.

MR. NELSON: And just, I don't know if you want to give it up on the call live, but what is this?

MS. MCWILLIAMS: At this point, everybody on the planet, apparently, has my name.

MR. NELSON: I'm sorry.

MS. MCWILLIAMS: jmcwilliams@Cravath.com.

MR. NELSON: Got it. I appreciate you again. Thank you to you and your team.

And thank you, Your Honor.

THE COURT: Thank you, Mr. Nelson.

Jordan Gonzalez?

MR. GONZALEZ: Am I audible, sir?

THE COURT: Yes, sir.

MR. GONZALEZ: Thank you. Again, thank you for your time and for your courtroom, sir, for giving us this platform. And thank you, Mr. Williams, for all your effort.

I do have a question for Mr. Swaminathan. Again, I understand your situation, but hopefully this is something that's simple. With the payouts and reconciliation things, I'm aware of three users who were paid out in full from the other banks prior to the finishing of your reconciliation. And then they got communication stating that Evolve owes them funds. And it's not like interest funds, It's part of what they considered their full balance. So that means there's an issue with communication across all the banks.

Is there a process going forward to prevent any further overpayment to users?

MR. SWAMINATHAN: Yes, Your Honor, I'm sorry, I'm just not going to be able to answer questions of end users. And I appreciate they have questions. I just won't be able to answer those.

THE COURT: Okay.

MR. GONZALEZ: So, I mean, Your Honor, it's a very serious question. Hopefully someone can address it then.

THE COURT: Yeah. So I don't know, Ms. McWilliams, do you have any knowledge that's --

MS. MCWILLIAMS: I have --

THE COURT: responsive to the question?

MS. MCWILLIAMS: -- a little bit --

THE COURT: Yes.

MS. MCWILLIAMS: -- a little bit, Your Honor.

THE COURT: Yes.

MS. MCWILLIAMS: And thank you for the opportunity.

Mr. Gonzalez, initially, in the interest of time, if you recall back to I think my first trustee report, we offered, you know, several options for the banks. One was that they proceed to pay out so that the funds would not be locked. One was partial payment, et cetera. And the banks had to proceed based on however they perceived their legal ability to be best positioned.

So some of the banks did make immediate payouts. Basically, what the Synapse ledger -- and I don't want to speak for any of the banks, but this is my understanding of the situation and the banks are welcome to chime in, but if the Synapse ledger said you had $100 and the banks should have a $100 for John Smith and the banks had a $100 for John Smith, the bank would pay out the $100 for John Smith.

Now, in retrospect, as the -- as some of the final pieces of the reconciliation on a bank-by-bank basis are being done, it is possible that some end users have received payments in that process that they either shouldn't receive the additional payments or they should not have received in the first place. And I believe that the banks are going through communication and efforts between and among them to figure out what exactly happened in those cases.

And again, we are trying to facilitate as much of that as possible. Back in late may we entered an order with the court and the judge approved it, too, for the banks to share information with limited liability. And that process is still underway.

THE COURT: Okay. Thank you, Mr. Gonzales.

Zach Jacobs?

MR. JACOBS: Thank you, Your Honor. I apologize for my voice. I'm getting over a cold. I wanted to -- Zach Jacobs, end user. I had lost about $94,000 in this ordeal. And I'm one of the founders of Fight For Our Funds, the grassroots movement to get attention on this from the media and regulators.

Just, I don't have any questions, I wanted to make a couple of comments in that, you know, us, you know, the end users that are being represented, I wanted to make it very clear that none of us asked for a class action or a lawsuit. It is, you know, it's being forced upon us and it's the -- it will be the second time we're victimized by a law firm, getting a percentage of what they are able to get out of this and years down the road. We wanted to be made whole.

And I had a chance, I've spoken to hundreds of people over the past couple of weeks, and I wanted a chance to tell some of the stories that people who can't tell their own story. And I'll make it quick. Because I do think there's no one -- no one involved in this gets to just say, meh, we're not legally liable. I think that consciously you should know people were very, very hurt. And even though you may have been found not legally liable, I think that when the story is told in years to come and when people Google what happened, that people should be able to find that there were real victims here and they were victimized by these financial institutions.

A woman I spoke with had secretly saved $60,000 to escape a toxic household and to start over fresh and is unable to do that.

A woman with stage four colon cancer that saved $8,000 to go to Disney World with their kids after surgery and had planned the entire trip and had to cancel the trip.

A woman was discharged from the hospital after breaking her spine and was unable to pay rent at her rehab facility and was unable to afford a wheelchair and sleeping on a couch.

And this is one of a hundred stories. It is extremely disheartening in that when people Google me in the future, I hope that my children and grandchildren see that I stood up for people that didn't have voices. And I want everyone involved in this. It's not about being legally liable or being able to say, hey, we might be able to get away with this. When people Google you and your kids and grandkids Google you, will you be proud about what they find?

And I just obviously push everyone. None of us asked to be here. All we wanted was our money back. You can spend the next 20 years figuring out where it is, but people's lives have been ruined.

And that's all. Thank you, Your Honor.

THE COURT: Thank you, Mr. Jacobs.

Ms. Caligari?

MS. CALIGUIRE: Hello, Your Honor. Andrea Caliguire, end user.

I want to thank you and Ms. McWilliams and her staff again for just, again, having this platform. And in the spirit of efficiency, we decided to kind of divide and conquer some questions. And although Mr. Swaminathan has said he can't respond, there are a couple of things that maybe at least I can make him aware of. He may not be aware of. And these are more of like guidance on how to proceed with processor functionally, because we're having some issues.

So when it comes to the websites, behavior-wise, we've been aware that there are -- there's some tricky things, like instructions are not clear, we're not following industry standards.

But putting that aside, we're having a really hard time looking at the appeals page. There's minimal instructions. And the errors that are being thrown are cryptic and they're really not telling users how to proceed. So if they can find the site and they do incur an error, they're not sure what to do next.

So I guess that's more of a statement. I'm not sure if that's something they're aware of or is that something --

THE COURT: When you say the errors, is this an error generated upon you sort of click submit and then the page crashes or --

MS. CALIGUIRE: For some of them. Yes, there's all different things that are triggering. Sometimes it's just any special character, like a dollar sign, which people naturally would put in when they're entering the dollar amount. Any character at all throws the error, but you wouldn't know that that's what's throwing the error and until you just fiddle around with it indefinitely. It's only that we can figure that out and posted that, I think in the Reddit threads --

THE COURT: Okay.

MS. CALIGUIRE: -- that's their information.

Secondarily, there's very strict address fields. So folks that live and are civilians of other nations or military members are not actually able to enter their address because it doesn't meet your strict address standards that are not industry standards.

So process-wise, is he able to answer that type of question? How, if the website can be resolved to accept military and, you know, other addresses or --

THE COURT: You're talking about like APO and FPO addresses and --

MS. CALIGUIRE: Correct.

THE COURT: -- international addresses?

MS. CALIGUIRE: Correct.

THE COURT: Well, it's up to him what he says, but I'm sure he will, at a minimum, be able to say whether he can take that back to the folks at the bank.

MR. SWAMINATHAN: Your Honor, Aravind Swaminathan. I am listening to all of the comments, Your Honor, with open ears. And if there are things that we should be looking at or people are finding errors, I'm listening to this and taking notes and we will take a look at all of those.

THE COURT: Okay.

MS. CALIGUIRE: Thank you. Yeah, if I could, yeah, just kind of pass along, the next thing is, so let's say you get through all the steps and you submit your information, there's no validation or verification that it was submitted. Nothing indicates that it was successful. Myself, for example, I submitted. You know, a week and a half went by. It turns out it didn't actually go through. So there's nothing that verifies, gives you a code, anything you can print that says we've received this information, or that gives you a way to then follow up. So just kind of a note on that.

And then another concern we wanted to point out, given that we're now introducing another third party, this Rust Consulting, where we're again submitting personal information, and we've already had two separate data breaches, the one earlier with Evolve and then the one on Twitter slash X. Are we putting protections in place to avoid another third-party data protection incident or is there something, Your Honor? I guess I don't know.

THE COURT: No. Is that a question for Mr. Swaminathan?

MS. CALIGUIRE: Yes, I guess him and anybody else that could be involved in the process. Is that something that was considered? I mean, does it exist right now? Can they advise if that was part of the consideration?

THE COURT: Okay, Mr. Swaminathan, is there anything you can say about the security of information submitted through the Evolve slash Rust webpages?

MR. SWAMINATHAN: Your Honor, I can't except to say I'm listening to all of the comments that are being sent here, and we'll take a look at all of those.

THE COURT: All right. I'm sorry, Ms. Caliguire, I think that's as good as you're going to get today.

MS. CALIGUIRE: And my other -- the only other question I had was that people who then had submitted and are waiting, is there a process in which they can check the status? And that was something we were unclear on that didn't seem to be. It doesn't sound like you can possibly answer that.

THE COURT: Okay.

MS. CALIGUIRE: That's all I had for today. Thank you, Your Honor.

THE COURT: Mr. Swaminathan, people who've submitted appeals to Evolve, how do they confirm that they've been received and that they're in the pipeline?

MR. SWAMINATHAN: Your Honor, the appeals process has a timeline of, you know, roughly two weeks or so for responses to be sent. Those responses are being sent, I think, generally by physical letter. So they should be receiving them. If they don't, they're free to reach out to the Customer Support Center and inquire about that and get a status on their appeal.

I should mention, Your Honor, just, this is not a question, but I'll just mention while I'm here, a number of people have asked the following question to the Service Center, which I'll just respond to here so everyone has it. The last date to make payment elections, I believe, is the 4th. If folks don't make payment elections, then the system will default to a check. That check will have to be cut and mailed and so on and so forth. It will arrive roughly two and a half -- roughly two weeks is when it will take to cut all those checks and put them in the mail and get to destinations. Again, I don't control the mail, but give or take, Your Honor.

Individuals will still be able to go on the Rust website, even though the payment elections won't be available, Your Honor, because it will default to check. They'll still be able to go onto the site and look at their balances, and they will still be able to go onto the site and file an appeal. So it will stay up for that purpose, it's just you won't be able to make payment elections after December 4th. It will just default to check and checks will be sent.

THE COURT: Okay. All right.

Ms. Caliguire, anything else?

MS. CALIGUIRE: The only other thing is more of a FYI. It's my understanding from some of the Reddit threads that one of the payment elections, which is like a debit-type card, you can't actually withdraw cash on. You can spend in certain scenarios, but you can't actually functionally debit and remove cash.

So if we're trying to get reinstated and made a whole of savings, checking and whatnot, it really is ideal to have that in cash form, not some type of store credit-type situation. So if that's not something he's aware of, and maybe some of the other end users know a little bit more about that, but that was something I wanted to just make aware of.

That's all I have to say. Thank you.

THE COURT: Thank you. All right, I don't have a name. There's a caller whose phone number is in the 801 area code and ends in 216. If you want to speak, your hand is up. I don't know if that was intentional, but if it was intentional and you want to speak, you can hit star six, and that will unmute your line.

MR. DE ARMAN: This is Jay De Arman.

THE COURT: I'm sorry, can you spell your name --

MR. DE ARMAN: Yes, this is Jay --

THE COURT: -- for the record?

MR. DE ARMAN: Yes. Yeah, the last name is spelled D, as in Delta, -E space capital A-R-M-A-N, De Arman.

THE COURT: Thank you.

MR. DE ARMAN: Yeah, I'd use my computer, but it's low on resources, so I'd sound like a robot.

THE COURT: No worries.

MR. DE ARMAN: So --

THE COURT: That's why we have the telephone option. Go ahead, Mr. De Arman.

MR. DE ARMAN: So let me just tack on to Ms. Caliguire, what she was saying about the Evolve, the reconciliation by Evolve.

By the way, I have an advanced firewall because of what I do for a living. And I don't know if the bank is aware of this, but every time I went to the appeal process, my firewall alerted me that there's malware on the site. And anyone who doesn't have an advanced firewall wouldn't even know about it, but I've run into a malware warning every time I -- my firewall has blocked me and I have to override the block to even try to file an appeal. So just putting it out there that as far as my firewall is concerned, there's malware on the appeal website.

Secondly, on the -- what happens to add-ons for the appeal stuff, when you put in all your appeal stuff and you go to submit to the next page where you attach supporting documentation, it does come up with a Microsoft Azure error that says "Prohibited." And like she said, it doesn't give any additional information.

The Rust Consulting Call Center, those agents, at least the ones I've talked to, don't have any information. And when I called and talked to them, they said, this is the first I've ever heard of this, and they escalated me to another person who also didn't know how to answer the question on why I was getting prohibited.

So eventually through trial and error we learned, like everyone else, get rid of pounds, hash marks, get rid of dollar signs, don't include account numbers in your appeal, et cetera, and then maybe after five, ten times, you'll finally get it to the point where you can actually submit documents. But like she said, there's no validation. There's no information on why you're being blocked. And some people may not be as persistent as others to figure out what's going on.

But more importantly, besides the fact that there's no validation to tell a user what's going on, the people at the Call Center don't know either, so there's no remedy when there should be.

So just saying generally, that's a problem, malware, not being able to submit documents unless you figure out what the heck's going on and why the system's rejecting it because you get no validation. And there really should be some type of email validation when you submitted it, as well, at least in my personal opinion.

So I'm luckier than some but not as lucky as others. I had $52,500 of my money stolen, and the bank's offering to give me eight percent back. I put in my appeal over two weeks ago, and when I called the Call Center, they said, yep, we've got it but we can't give you any updates. And I'm just a little frustrated because the bank has been saying ten business days, which it has been more of.

And anecdotally, if you look at the Reddit forums, which seems to be the only place where you get any actionable information, every single person has received a form letter from the bank that says, yep, we reviewed your appeal, it's been denied. So I haven't seen anyone that's actually had a successful appeal. So I'm kind of wondering if those can be answered.

So I've been out of work for a couple of years. This was my living expenses. Luckily, I had a backup for a little bit, but I'm running on fumes. Again, I'm not as destitute as other people, but it's pretty awful.

But what I'd like to Evolve to answer is the things that have to do with the site and even, at the very least, going back to this, going back to the Call Center and educating these agents, and also updating from a developer perspective, when people get an error, besides saying "Prohibited," give them some actionable information so they can get their appeals through. It's just not very helpful. With the amount of time that they took to put up the site, some validation would have been good because we're not having this conversation.

THE COURT: All right. Thank you, Mr. De Arman.

MR. DE ARMAN: I'll wait for the response because this is general. It's not about class action stuff. It has to do with functionality.

THE COURT: All right. Anybody? Can somebody from Evolve respond or --

MR. SWAMINATHAN: Your Honor, this is Aravind Swaminathan. I can't. But again, I am taking down all of these concerns, Your Honor. We will look into them.

THE COURT: Okay.

MR. DE ARMAN: I think one of the top of the list should be the fact that my firewall says that the appeal website's got malware on it.

That's it.

THE COURT: Thank you, Mr. De Arman. I hear you.

MR. DE ARMAN: Okay.

THE COURT: And Mr. Swaminathan has said now several times, he's listening --

MR. DE ARMAN: Okay.

THE COURT: -- and taking notes, so --

MR. DE ARMAN: And I have a question for the trustee. So I submitted all my documentation to the Rust Consulting website. But since it seems that the general information is our information was put in in both transactions and not individual transactions, and so that's why Evolve only knows where money is, that part of the money and the rest of the money is somewhere in a bulk transaction, could I provide my -- the same documentation I provided to Evolve, could I provide it to your firm, and then that could be dropped around to the other banks? Because I provided two years' worth of transactions in a combined statement.

MS. MCWILLIAMS: Most definitely. If you send me the information, I will forward it individually to the CEOs of the other banks and ask them to respond to you.

MR. DE ARMAN: Okay. I have a follow-up on that. I've sent emails in the past, but because you're inundated with emails and phone calls, what type of validation can I get to know that you're actually going to be able to get it? Because I've sent out emails in the past and they haven't received an acknowledgment. And I understand, with being inundated, that might be impossible. But that's why I'm asking, how do I know that you're going to be able to get it and get validation that you've received it?

MS. MCWILLIAMS: So if you send me an email with information about your specific account, all of those I have forwarded to the bank CEOs, even if I didn't respond to you directly. So if anybody sent me anything specific about their account, I did forward that to the banks and then allowed the CEOs to respond and look into it.

There are emails that I have received that just ask me for either legal advice or what to do now. And I have not been able to respond to a number of those emails, mainly because, honestly, I don't have a good answer to tell you what to do. And at this point in time, and even for the past several weeks, people have been discussing different legal actions, et cetera, and I cannot opine on that.

MR. DE ARMAN: Yeah, I'm not looking, yeah, I'm not looking for legal advice. I know better.

I'll just finish with the last thing. On the Reddit and interwebs, apparently the former Synapse CEO and other companies have been saying, we will do this reconciliation for free, blah, blah, blah, blah, blah. And I don't know, I just wondered if anyone has reached out to you and said, hey, we're happy to do this reconciliation stuff, and we'll do it for free because of X, Y, Z reasons?

MS. MCWILLIAMS: Yes, we have been in discussions with some firms that have offered to do the effort for free. And I will very candidly tell you that before we even engage with somebody to do this on a pro bono basis, we need to make sure that, A, the firm has capabilities and this is not just them trying to shoot in the dark and see if they hit something, B, they have legal protections in place to protect and safeguard the privacy of the data, and C, that they have capabilities of and understand what and how much data is involved and how much the reconciliation process is going to take on their end.

So a number of these companies that we're talking to are, in fact, startups, and we'll see if they have or don't have the capabilities to execute on all of that.

MR. DE ARMAN: Okay.

THE COURT: All right.

MR. DE ARMAN: One more thing.

THE COURT: You know what, I'm going to move on, Mr. De Arman.

MR. DE ARMAN: I was just going to say that the former CEO on Twitter, et cetera, has been claiming that he's willing to fund all this other stuff. And I was just wondering how he can do that when he's bankrupt and what if all the millions of dollars he's raised for his other stuff, why not pour that into there? The last call, he said he wanted to help, but I just would like to see him put his money where his mouth is, and I just wanted to get that on record.

THE COURT: All right. Thank you, Mr. De Arman.

Omar Hafez?

MR. HAFEZ: Hello and thank you so much. Am I -- can you hear me?

THE COURT: Yes, I can hear you. Maybe speak up a little. You're kind of soft. The sound and --

MR. HAFEZ: Okay.

THE COURT: -- the volume is soft.

MR. HAFEZ: Okay, great. So, first of all, thank you all for giving us, for giving me and everyone else the chance to have this forum to ask questions. I really appreciate it. And thank you, Zach Jacobs, as well, for doing what you're doing to publicize the sort of fraudulent activity that's happening.

I just wanted to echo everything that Mr. De Arman just said. I didn't know he was going to say that. I had a very similar experience. I have a checking account with Juno, lost $90,000. I got back less than ten percent in the reconciliation. During that reconciliation process, I tried to submit it online. The website errors and errors over and over. I called in. They say, this is the first time we've ever heard this. There's no errors with the site.

So it's all very suspicious the way that the reconciliation process is going, and it's, I would say, very poorly handled as a sort of experience a lot of us are having. And I just wanted to echo that.

And that's pretty much all I had to say. I just wanted to say that if we can perhaps, you know, perhaps force Evolve to maybe pursue a better partner than Rust Consulting or some other firm that can maybe help the reconciliation process be a little bit more honest and straightforward and less technically glitchy, that would be my recommendation.

That's all.

THE COURT: All right. Thank you, Mr. Hafez.

Annette Rayor? You need to -- you've got to unmute.

MS. RAYOR: I am an end user. I did file an appeal. I did receive the response to the appeal where Evolve said, nope, we're right, you know, we don't owe you that money.

Mine is more of a question and a statement combined. In my case, I dealt with Evolve through Yotta. I knew that Yotta was not a bank. They were a neobank, but all banking services were provided by Evolve. Synapse is a technology company. Never would I have expected Synapse to be insured because they were a go-between.

I guess what's so shocking to me is that all of us, the end users, are here without our money. When we engaged with an FDIC-insured bank, why weren't we just paid and those institutions work with Synapse, the neobanks and the FDIC-insured banks to find out what happened, where the money went, who should be charged, who should be, you know, have claims put against them? Why is it falling to us to have to fight each individual fight?

And they're not assessing documentation. I mean, I didn't do a lot of transactions. I had very minimal activity. So I have all of the transactions between my Wells Fargo bank. I had statements from Evolve. So for Evolve to say, oh, you're in the Synapse system, that's like saying, wait a second, you took my money and you put it where? You know, you are the bank here. You know, Yotta represented that you were the bank. I know you were the bank. You gave me statements every month. It has your name on it, so -- and you are FDIC insured.

So I'm not sure why I have to deal with anyone else. It just seems very frustrating to me. So maybe I don't understand the basics of it, but when I see FDIC insurance and I see them putting my money in a financial institution that has that, then if something goes wrong, I can have that protection.

THE COURT: Oh, we lost you. Oh, there you are.

MS. RAYOR: So my question is --

THE COURT: Yes.

MS. RAYOR: -- if that's the case, yeah, if that's the case and we cannot rely on FDIC insurance, I think we need to know that because a court battle against these individual entities is probably going to be fruitless based upon the amount of money it will take and the amount of time. Is there any hope that the FDIC insurance of the bank that was holding our funds takes in to make us whole?

THE COURT: So, Ms. McWilliams, I'm going to lean on you. I know you don't represent the FDIC, but you've had some communications with them early on in the case. They made a statement. And maybe you can touch on this.

MS. MCWILLIAMS: Yes, absolutely. Thank you, Your Honor. So the way that the -- the short answer, Ms. Rayor, is that no, the FDIC insurance will not play a role here, will not make you whole. The only time that the FDIC insurance pays out is if a bank fails and the insured depositors are not made whole. And the insured depositors basically accounts up to $250,000 in the account, but the bank would have to fail and the accounts would have to be directly at the bank. The fact that no bank has failed in this case basically limits the ability of the FDIC to step in and do something vis-a-vis the deposit insurance ramifications.

What I was hoping that the FDIC and other agencies would do is make their -- when I sent requests to them several months ago to get involved, basically that they would make their consumer affairs staff available to help investigate individual claims. And again, as so many things along the way here, that their responses have been also disheartening because I understand that most of the consumers who have contacted either the Fed or the FDIC, basically mainly the FDIC, I heard this about the FDIC, would receive a claim number on the system, it's an automated system, and then their claim number would go into ether because there would be no follow-up.

So I will make another effort with the FDIC leadership once there are changes at the very top to see if there is an opportunity to re-engage. But so far I have not been able to push this through in different ways with any of the agencies, frankly. We also contacted, well, we contacted FINRA, and others as well, to inquire if the specific insurance to the extent that the money was put through the brokerage.

I also talked with the congressional offices on this. So I have, I know a lot of people in Washington, D.C. and I've talked to a lot of people and, frankly, we may be reaching a point where this may be the only option available. And I'll fight until we actually can exhaust absolutely everything we can. But I'm afraid that in the end for some end users, the legal channels will be the only option available.

THE COURT: All right. I just, I understand there's somebody from the FDIC that registered for today's hearing and entered an appearance by registering. I just, I don't know where they are in the leadership or not. But if anybody from the FDIC wants to chime in with any additional information, they're welcome to do so. All right, well, at least I'm hoping that someone from the FDIC is listening and passing this information along to leadership.

I mean, I have to just say personally, and I'm not -- I did not have a career in banking, I don't think any of us read the fine print or understand what the FDIC insures or doesn't insure until this incident. But I'd be remiss if I didn't say that I'm personally concerned that this incident and the lack of support from the FDIC and other agencies really devalues the brand, if you will.

I mean, you take Ms. Rayor, for instance, her faith in the FDIC seal of approval and for thousands of other people is undermined. Having nothing to do with the legalities; right?

I'm not ruling on anything. I'm not speaking to legalities. I'm just saying, I personally, as an American citizen, am really surprised and disappointed at the lack of support.

So I hear you, Ms. Rayor, but unfortunately, that's where we are. And it doesn't -- it's not going to help you for me to say that there may need to be some legislative action and reform to deal with a problem like this, which is, I think, incident to the growth of alternative technology and alternative banking. I don't know what the right words are. I mean, I know it's almost cliche now, but we're in uncharted territory. And I've been surprised to hear that that's how it works or that's how they're, you know, choosing to apply their mandate. It's frustrating.

So I hope that folks from the FDIC, I hope that folks from other executive agencies and legislators are listening. I don't know if they are.

But I was glad to hear that there's some organization out there, some groups that are trying to raise the profile of this case with those folks, in addition to Ms. McWilliams, who, her reports have reflected, has been, you know, she's been, I don't know what the right -- you know, she's been beating down doors trying to get attention and support for this problem.

I don't know what else to do. I'm a Judge, so I can't really, I can't go out there and lobby, but I share your frustration and surprise.

Mr. Anthony, I'm sorry, Anthony Serino?

MR. SERINO: Thank you, Your Honor. All

involved. I have a couple of questions, one for the trustee, I guess the comment for Evolve, who's not going to answer anything, and one for Juno's counsel.

I guess just starting with Evolve, could you clarify the statement that was in the lead up to this call, where it was stated that 6.5 percent of appeals, less than 6.5 percent of appeals have been submitted as of 12/04. I didn't know if Evolve could see the future, because it's not 12/04 yet.

And then, you know, given the broken appeals process that everyone has commented on today, is there an end date for users to submit appeals? So I'll leave those there, because I'm sure you're not going to answer any of that.

THE COURT: Can someone -- does Evolve want to respond in any way?

MR. SWAMINATHAN: Your Honor, Aravind Swaminathan. I don't think there's an end date for the appeals at this point. It will depend on when those checks go out. But certainly, end users will have an opportunity to appeal after they've received those checks. So I don't have a date on that, Your Honor.

I don't know what the 12/04 date is a reference to. If it's a typo or a misstatement somewhere, I apologize. The number of appeals is about -- I think the number that the gentleman quoted is accurate in terms of how many appeals have been received so far as a percentage of the total emails that were sent out.

THE COURT: Oh, I see.

MR. SERINO: All right. Yeah, and it was in the appendix to the filing for this court hearing, so an official document submitted by Evolve. Just another example of sloppiness all around by Evolve.

So to the trustee, you led off the call stating that, you know, it's likely users are going to have to pursue litigation. And I'm struggling with how we can do that without access to the data that we would need. And specifically, are you in possession of data that could substantiate the shortfall and/or like can we request that from you?

Like specifically, if we were to look for information in your possession to indicate whether there was a discrepancy between Synapse ledgers and Evolve ledgers as of 09/30/2023, which was the seemingly arbitrary date they decided to start their reconciliation as of, you know, if those two balances didn't align, then how can that even be a valid reconciliation? Like I guess like, yeah, as the functional CEO of Synapse, like what data do you have at your discretion to substantiate a shortfall? And how can an end user get at any of that if possible?

MS. MCWILLIAMS: Mr. Serino, that's a very fair question. Because we are aware that some end users will have to pursue legal action, we are looking into ways to make the data, A, to preserve the data, even if the trust -- even if the estate winds down, as well as to make the data available for those cases where the end users have no other option but to pursue legal action.

If you send me a request to extract the data, I'm not sure that we have the capacity to do that. I don't see my counsel, my counsel might have dropped off. But we are going to be unable to. If you send me like your identifiers, et cetera, et cetera, we have no ways of going in and understanding that we have given you all the data that's based on your specific request.

So we are looking into ways how we can make that available for the purposes of the litigation. And as soon as we have a little bit more information as to how we can make it available, we will certainly make it publicly known.

MR. SERINO: Thank you. Appreciate that.

And lastly to the trustee, is there any change of status on the brokerage, Synapse brokerage? I'm still struggling to see how it can be active and how FINRA hasn't shut it down at this point, like it's got to be failing all of its regulatory requirements because there's no one there, like --

MS. MCWILLIAMS: I'm with you. No, there has not been any update from our end on the Synapse brokerage effectively defunct, even though it still is brokerage, as far as I know. I did not receive any notices from FINRA that they have closed it. And so if that becomes, if that information becomes available to me, I will also make that publicly available.

MR. SERINO: Thank you. And last --

THE COURT: Okay.

MR. SERINO: -- last question --

THE COURT: Last-last.

MR. SERINO: -- just to Juno's counsel. This is the last question.

Could you perhaps share if Juno is considering litigation on behalf of its end users and so that -- and may I also suggest that Juno file a joinder motion to join the grabber (phonetic) examination of Evolve on their suit? And that goes for really any other fintech. You know, if you're trying to get information out of Evolve, that seems to be a good path.

THE COURT: Okay. Mr. Tolman, if you want to?

MR. TOLMAN: This is Benjamin Tolman on behalf of Juno. Thank you, Your Honor.

Thank you for the question, Mr. Serino. You know, at this point in time, you know, Juno is obviously considering all its options. You know, Juno, like many, many of you, you know, is disheartened at what's happened here and was hoping that informal resolution would be possible here. But Juno is certainly, you know, attempting to do everything in its power to vindicate its end users and the accounts and to get to the bottom of this reconciliation issue. And all options are on the table.

So we're considering, you know, what the best course of action is to take, appreciate your suggestion about possible joinder and things of that nature. We're looking into all that and trying to figure out what the best course of action is, given where this process seems to be ending up.

THE COURT: All right. Thank you.

MR. SERINO: Thank you.

THE COURT: Thanks, Mr. Serino.

Jennice, is it Wotton?

MS. WOTTON: Yes. Hi, and thank you, judge. And again, just wanted to echo, I'm a Yotta end user.

I just wanted to echo appreciation for, for you and Mrs. McWilliams in this process. I got my Evolve reconciliation back and was promised $0.67 cents of $5,416, which is in the Synapse ecosystem. Fortunately, I, you know, I'm able to live my life without that money, but you know, that was my hard earned money.

And just to give some background on myself, I'm a CPA. I work for a public accounting firm, big four public accounting firm. And I've been an auditor for ten years. And I'll just give this comment and then I'll get to my questions to just respect everyone's time. But I have a really difficult time understanding, as I've had to trace many bank transactions, how nobody -- you know, every transaction is traceable to a bank and how nobody is able to really locate exactly where the money is because, you know, in my experience, when I've had to do that, there is always a way to trace, you know, money that goes through the banking system.

I guess my two comments, unfortunately, they're for Evolve, but I know that Evolves lawyer will probably not answer these questions. So Mrs. McWilliams, if you have any information on, on these two questions, it would be helpful, just whatever you know. This is, again, unfortunately we're getting all of our information, basically, we all share through Reddit. But it seems like people are starting to hear back from appeals. I haven't heard back from mine yet. But it seems like some people are just getting basically a letter that says, hey, we already looked at your, your funds; right? This amount is in the synaptic ecosystem. And some people are getting some sort of transaction history.

It seems like the latest update on November 22nd is Evolve will provide transaction history, but it's just a little unclear to me, will we all be able to get that level of transaction history now? Is that Evolves commitment or -- I'm having a difficult time understanding why some of us, some people are getting detailed, at least some level of detailed transaction history, and some people are just getting a denial of their appeal.

MR. SWAMINATHAN: Your Honor, this is Aravind. I think I can answer that question, which is if you request your transaction history, you will get a copy.

MS. WOTTON: Okay. Thank you.

And then I guess just to follow on to that, will there be any further, like if you give me my transaction history and I'm showing bank detail that doesn't align with the transaction history, I guess, where do -- I know you might not be able to answer that, but where would we -- where do we -- is that -- then when we -- I haven't filed anything legally yet, but obviously that's looking like my best option. Where do we go from there? Is there -- does your appeal just get closed immediately or do you have any willingness to look over what we have, our level of detail, or how does that work?

MR. SWAMINATHAN: Your Honor, I think the way to answer these questions are there's a lot of information on the website that tells people folks how to get there. If you're not getting the answer that's on the website and you have a specific question, the best way to do it is to email the customer service. The folks at Rust, they will get you an answer as to what will happen next if you're not getting -- if you can't find the answer on the website in the different questions that are being asked.

MS. WOTTON: Well, it's a little hard when the answer on the website keeps on changing; right? And you provided some new information on November 27th and people are getting different information all the time. So I appreciate that, now the website has the most updated information, but let's not, like let's not pretend that it's all been clear and concise and detailed and very easy to follow from the beginning of the process, because that has not. But thank you for the answer.

I think my second question is, there is some claims which are in the exhibits, which I read before this, I believe it's from AMG Bank, that Evolve only performed their reconciliation from October 2023 forward. So just wanted to understand, I guess, what level of reconciliation has been done prior to that? Because, you know, my Yotta account was open in December of 2020. So I guess, how do they know if they only started the reconciliation in the past nine months, how is the accuracy of the information before that confirmed, or is there a misunderstanding in the reconciliation that was done?

MR. SWAMINATHAN: Your Honor, this is Aravind Swaminathan. And, I'm sorry, I won't be able to answer those questions.

THE COURT: All right. I'm sorry, Ms. Wotton.

MS. WOTTON: Yeah, I just didn't know, does Mrs. McWilliams know anything about that, since it was in the exhibit?

MS. MCWILLIAMS: I will -- the exhibits have been provided to us by individual banks and I wouldn't -- I can't speak on their behalf and I don't know what all went into preparing those exhibits.

MS. WOTTON: Okay.

THE COURT: Do you, Ms. McWilliams, do you happen to know what, if any, significance sort of in the history of Synapse, if there's a significance to that, I think it was October 23 date?

MS. MCWILLIAMS: So the only thing I can think of, Your Honor, is that there was a migration of Mercury (phonetic) accounts from Synapse to Evolve directly to Evolve in -- at the end of September of 2023. And so I would imagine that October being immediately after that, that could have been one of the precipitous events. But again, I have no causality to point to anything.

THE COURT: Yes. All right.

MS. WOTTON: Okay. Thank you very much.

THE COURT: Thank you.

Peter Thung?

MR. THUNG: Hi. Yes. So I'm a Yotta bank customer.

My one question is, and I apologize, I came late to the meeting, but the question is one for -- if there's a Yotta representative, are they like, would you know, like reviewing all options to fight for the users to try to figure out how to get our money back, is one question?

Two, for the trustee, I think, that's taken over Synapse, I guess the question is -- or sorry, this is for the Evolve. If I've already submitted an appeal and they denied it effectively, can we basically request this transactional data that you said to be sent to us and how you guys determined that 99 percent of my money is with the Synapse ecosystem, is the question to them?

And then three, I realize I'm hearing like legal action is probably what's going to need to happen to like get our money back, is what I'm hearing. And I guess maybe the question is, or I'm not sure what -- how to email Jelena McWilliams for any assistance, but if that email could be re-messaged or sent out so we can reach out to her, that would be great.

And then four, just my basic understanding, was the money that Evolve says is no longer with them but in the Synapse ecosystem, was each individual person's money like bulk transferred to some other entity, or like kind of align with what the last person said, like was there any transactional data that shows individual people's money or is it like all lump sum at some points, which is why there is, it's hard to -- and then --

THE COURT: Okay.

MR. THUNG: -- (indiscernible).

THE COURT: Okay. Okay. I'm going to stop you there. Four questions is -- let's try to get a response to the questions you've asked. And I want to have time to get to the other people.

Ms. McWilliams, I'll start with you. Would you mind repeating your email? As you pointed out, it's out there.

MS. MCWILLIAMS: It's out there, jmcwilliams@cravath.com.

THE COURT: All right. I think that this question, the part of the question at the end was kind of reminiscent of many questions that you've responded to in the past. But maybe you could just say something again about why exactly this is so challenging? I mean, I heard the, you know, sort of, well, why don't you just know where my money is? For the sake of the last questioner, if you could just recapitulate?

MS. MCWILLIAMS: Yes. Basically, it is our understanding that the money would be pooled among the Synapse end users and deposited in this FBO for the benefit of Synapse or for the benefit of Synapse brokerage accounts. And so when the bank would get, say $1 million in a transfer from Synapse, you know, the brokerage or the Synapse Financial, basically, they wouldn't have the information at that point in time about, you know, whether it's a $100 from you or a $1,000 from you. They would just get this for the benefit of account.

As you will notice, there were no issues or significant issues in the DDA accounts, the accounts that were held directly in the end user's name, because it was clear who the beneficial owner is versus the FBO accounts where it was for the benefit of Synapse and then the funds were, I don't know, I mean, the word is really mixed together, I don't want to say commingled because it has a legal meaning, but the funds were mixed together in this for the benefit of account for a number of end users. And that's where the -- that's where some of the hiccups are in the reconciliation process.

And then when Synapse would direct bank A to transfer $1 million in the FBO account to bank B, again, neither bank A nor bank B would know exactly that they were holding your hundred dollars. And so that's, that's, that's the problem we have.

THE COURT: Thank you, Ms. McWilliams. Appreciate your patience with that. We've heard that spiel before, but not everybody's heard it, so thank you.

Mr. Gottfried, a question to you, I think went something like, what is Yotta doing for its customers? Again, I think I know the answer, but maybe you can repeat what you've pointed out in the past?

MR. GOTTFRIED: Sure. Thank you, Your Honor. And yes, I can certainly assure you that Yotta is doing what it can for the end users. It does have a helpline for end users, which is support at -- with yotta.com, where it tries to answer questions for the end users. We did try to get some information from the banks, and particularly from Evolve, that has not provided us at least informally with the information. There is pending litigation that Yotta has commenced against Evolve. And we are trying to do what we can to help end users with the information that we have.

THE COURT: All right. Thank you.

And then, Mr. Swaminathan, I think the question to you was, even if my appeal has been denied, can I still request the transactional data that Evolve otherwise, you know, that Evolve would otherwise share with me, or does the denial of the appeal sort of end the conversation?

MR. SWAMINATHAN: No, they can request that, Your Honor. And that's spelled out in the response in the appeal letter.

THE COURT: All right. Thank you. I appreciate that.

Next, Elisa Weiss.

MS. WEISS: Hi. Elisa Weiss. I'm an affected Yotta end user.

I have a quick question that I don't think has been addressed before, which is regarding the reconciliation. Evolve slash Rust told us that if we have less than $100, according to them and their ecosystem, that it would automatically be paid out through PayPal, but they never asked for our PayPal email addresses. I, for one, my PayPal email is different from the one that I had signed up for Yotta with.

So I think my question is, what are they doing to ensure that people who are being forced to choose this option, if it's less than $100 we don't get an option, are actually going to receive that money? So that question is for Evolve, if they're able to answer.

THE COURT: Okay. That's a logistical question. Mr. Swaminathan, do you know anything about the logistics of the get paid through PayPal option there?

MR. SWAMINATHAN: The logistics, Your Honor of paying through PayPal, as I understand it, was that though that whatever email was on file was what was used to push the PayPal payment, and then you would accept that. You would get an email, you would then accept it, and you would register it and all kinds of things.

But again, if somebody is having a problem getting a payment or they have not received a payment or they've not claimed a payment, they're all default to check starting tomorrow essentially, Your Honor. But also, you know, again, encourage folks to reach out and find out if there's any other mechanism before that. Today is the day to do that because tomorrow those payment elections won't work and it will all default to check, but I encourage people to do that.

MS. WEISS: Thank you. So just to clarify what you're saying, we would have to actually accept the payment through PayPal, otherwise there will be a check sent?

MR. SWAMINATHAN: You're correct.

MS. WEISS: Okay. Thank you.

THE COURT: Thank you.

Payal Gupta?

Let me just say at this point, I have one, two, three, four, five people with their hands up. I'm going to cut things off with the people that have raised their hands at this point. I'm not going to take any new questions because we need wind down.

Payal Gupta?

MS. GUPTA: Hey, good morning. I would like to say, I'm a Juno affected customer. I had $130,000 in my account and I only received $20,000, so -- and I'm six months pregnant after suffering three miscarriages, so now I'm very worried that I won't be able to pay my medical bills due in March. Oh, sorry. I'm getting emotional just speaking about it.

So I have a question from Mr. Swaminathan, which I'm sure he can answer. Can you withdraw more money from your debit card than you have in your bank account?

MR. SWAMINATHAN: Your Honor, I can't answer that question. I'm sorry.

THE COURT: All right.

MS. GUTIERREZ: So legally, you shouldn't be able to withdraw more money than you have in your bank account; right? So if my debit card was issued to Evolve, they should have the information that how much money I have in my bank account; right? Otherwise, they shouldn't let me allow to withdraw more than I have. That's my first thing.

The second thing I'm looking at, since I was a Juno customer, I'm looking at the consumer -- at the agreement that I signed with Synapse and Evolve that clearly states that this consumer interest checking account agreement governs the interest-bearing consumer demand account made available to you by Synapse as a financial service provider of Evolve Trust & Bank, a service of Federal Deposit Insurance Corporation, so basically FDIC, and this is effective dated as April 22nd, 2022.

So Juno -- so my money was actually getting deposited and Evolve as of April -- as of April 2022. So them just doing a reconciliation from October last year, it doesn't make sense to me because my money was getting deposited in Evolve. So I fail to understand where that money went and like why they only started reconciliation from October, like when they should have done it from the beginning.

So, yeah, that's my other question, if they can answer?

THE COURT: Yes, I gather you're not going to get a response, Ms. Gupta. I'm sorry.

MS. GUPTA: Yeah. Yeah. It's a hopeless situation. Thank you, though.

THE COURT: Okay. Thank you.

Stephanie Galvez Hernandez, please?

MS. HERNANDEZ: Hello. Thank you, Your Honor. And, yes, my name is Stephanie Galvez Hernandez. And I'm an end user of Yotta. I began depositing money in July 2021, and I ceased depositing in December of 2023 because I bought my first home.

I'm grateful that I was able to withdraw most of my $55,000 savings before this heist began. My money that was left in my Yotta account, however, I can't access like other end users.

My question is for Michael Gottfried. Why is it that I can see my money in my Yotta account, but the burden of being able to access this money has been placed on me and not on Yotta? What exactly is Yotta thinking that they will be able to do after these hearings have ceased? And are they going to just wipe my account to zero dollars, or do you have an answer for that?

THE COURT: Mr. Gottfried?

MR. GOTTFRIED: I'm sorry, I don't have a good answer for you on that. Yotta does not have the money. Yotta never held the money. So the money is at the banks or should be at the banks. And Yotta is doing what he can to try and get reconciliations and get data. And it has, as I mentioned, brought a lawsuit against Evolve.

So it is doing what it can, but it was never the one that held the money, and so it is simply doing what it can under these circumstances.

MS. HERNANDEZ: Thank you, Michael.

MR. GOTTFRIED: Sure.

MS. HERNANDEZ: My other question is for Aravind. Earlier in this hearing, you had said you -- "if we get that data," end quote. What do you mean by if you get that data? What data specifically are you waiting on? And if you don't have all the data that you need, why are you jumping to denying end users appeals?

MR. SWAMINATHAN: Your Honor, this is Aravind Swaminathan. And I'm sorry, I'm not going to be able to answer that question.

THE COURT: Okay. All right. I'm sorry, Ms. Galvez Hernandez.

MS. HERNANDEZ: No, I appreciate it. Thank you, Judge Barash.

THE COURT: Okay.

I have someone who is connected by telephone from an area code starting -- an area code 920, ending in 143. Go ahead.

MR. TRILLING: Yes. Thank you for your time. For the record, my name is Michael Trilling. That's spelled T-R-I-L-L-I-N-G. Again, Your Honor, thank you for your time. Thank you everyone for your time.

So I'm a Yotta customer, end user. I am -- have not submitted my appeal yet. I've been working on that. I'm trying to collect the proper documentation that's needed. Actually, when I reached out to the Evolve helpline through Rust, I was told, when I asked what documentation to provide, they just told me whatever you want, so they weren't very helpful there.

But my question really lies, I have one documentation through my employer, because I was submitting funds through direct deposit, so some of my paycheck through direct deposit was going to Evolve. I used, through Yotta, I used the Evolve routing number and my Evolve bank number for that direct deposit through my work. And this was done all the way up into the freeze in May.

So my question would be, is how could Evolve say they have zero of my money if I was doing direct deposit with an Evolve routing number all the way up until the freeze? I'm not sure if this -- was there any money moved from -- by Synapse right up to the freeze, like April or May, if I put in a direct deposit?

MR. SWAMINATHAN: Your Honor, I'm not going to be able to answer those questions. I'm sorry.

THE COURT: All right. Thank you, Mr. Swaminathan.

MR. TRILLING: Would the trustee be able to --

THE COURT: I will say, Mr. Trilling that you're --

MR. TRILLING: -- (indiscernible)?

THE COURT: I'm sorry. Go ahead.

MR. TRILLING: Oh, I was wondering if the trustee was aware of anything that -- was more money moved right up before the freeze then or --

MS. MCWILLIAMS: I mean, if that information is available in the Synapse data, we have not been able to extract it and analyze it. We simply don't have the resources to do so.

THE COURT: All right. Thank you, Mr. Trilling. Sorry. I understand the responses are not satisfying.

Our last speaker, Kassidy Crown.

MS. CROWN: Thank you, Your Honor. So I do have one comment and a question.

The first comment is to report a story of an end user that they shared with us where they had to contact their bank. They received a check for the Evolve reconciliation. And in attempting to get that check cashed, It was revealed by the bank that Rust was well-known for fraud and that part of their compensation for doing jobs like this is that they would get our info and users info and sell it.

Their bank put a fraud alert on their account because of this. And they did advise that Rust would -- also has been sued for creating PayPal accounts in consumers names, and then sending settlements to those

PayPal accounts and sending fake checks in the mail to the consumers, then they cash out the PayPal accounts.

Obviously, this is a very concerning revelation, given that we've already been victimized twice with data breaches. I am concerned now that I've submitted an appeal and requested my transaction history with a company that may just take my information, turn back around and further victimize me. There's obviously concerns there. I understand that Mr. Swaminathan will likely not be able to answer or provide any assuagences (phonetic) of these concerns, but I did want to put those on the record.

Additionally --

THE COURT: Thank you. Yes, go ahead.

MS. CROWN: -- a question for Madam trustee. Has the trustee heard from Rohit Chopra or anyone at the CFPB, or is there any indication of a UVA key investigation?

THE COURT: Oh, you have to unmute.

MS. MCWILLIAMS: Thank you, Your Honor.

THE COURT: Yes.

MS. MCWILLIAMS: We have not heard from the CFPB. And we cannot contact CFPB directly, mainly because the jurisdiction here is within the bank regulatory agencies that supervise the banks directly. And I'm not sure what role the CFPB could play. Certainly, well, we have -- so we have not heard from them.

And I'm sorry, what was your second part of the question?

MS. CROWN: If you've heard any news of a UDAP investigation?

MS. MCWILLIAMS: So whether or not there end up being other investigations or law enforcement actions, I think it's still an option, but it's not something that that, to the extent that they have not been publicly announced, it's not something we could discuss.

MS. CROWN: Okay. Thank you, Madam. And thank you, Your Honor. I did forget to say, I'm Kassidy Crown and I am a Yotta end user.

THE COURT: Thank you. I appreciate that.

All right, I want to thank everybody for their participation today.

I want to say something about, before we talk about a date for the next status conference, some Zoom logistics. As everybody that's here knows, you have to go, and when you first connect to Zoom, you're asked to register, and that information is recorded so we know who's here. This is not true of the folks that connect by telephone, but the folks that connect through the Zoom app or the Zoom web portal for a video and audio experience after registering.

We do this because of policy in the federal judiciary that limits cameras in the courtroom, which is effectively, you know, this is one form of cameras in the courtroom. So we need to collect that information. We need to know who you are and you need to have a connection with the case. We review that information and we don't approve every registration when it's not obvious.

There's a field in the registration that asks, what is your relationship to the case? And I apologize if that question isn't clear enough because some people are just putting an N/A or self, and our staff here at the court is then following up with emails saying, well, you got to give us a little more information, like what is your connection to the case? And so there were some folks that tried to register for today's hearing and their registration didn't get approved because they didn't respond to that follow-up email.

We're not trying to create barriers to participation, but we do need to collect this information. And before we allow you to have a video connection, we have to at least ask you to tell us, what is your connection to the case, and you have to have a connection. It's designed to, honestly, and I know this sounds crazy, but the press are not allowed to have a video connection, or simply members of the public that don't have a connection to the case. I don't make the rules, those rules at least.

So here's the thing I want to say, and hopefully those of you that are in a position to share this through the online forums where you're sharing information, if anybody had a problem registering, when the question asks what's your relationship to the case, all you have to say is that, if you are an end user, say you're an end user slash depositor. If you're a representative of a fintech, say, you know, I'm with Yotta or Juno or whomever. If you're a vendor of the debtor, someone that provided goods and services, just say I'm a vendor. That's my connection.

Hopefully, if you put that, if folks can help me put that information out in the ether in the future, particularly end users who I suspect are the ones that are just saying anything other than I'm an end user, hopefully they'll just say that and we'll approve their registration, okay? Hopefully that makes sense.

Madam Trustee, how about January 8th at 10:00 a.m.? Are you available then?

MS. MCWILLIAMS: Oh, I'm sorry. I'm sorry, Your Honor. Yes, Your Honor, that works.

THE COURT: Okay. We'll have a continued Chapter 11 status conference on January 8th, 2025, beginning at 10:00 a.m. Pacific. And as always, I look forward to getting your written report the day before, which I appreciate. And I know the folks who are following this closely also appreciate the written report, so thank you for that. All right.

MS. MCWILLIAMS: Thank you, Your Honor.

THE COURT: To those of you that celebrate a holiday between now and then, I hope you have a peaceful and meaningful holiday, notwithstanding what are just indescribable disruptions to your lives. I'm thinking about you, and I hope you find some peace and some measure of joy during the season. And I'll see you on January 8th.

All right, court's adjourned.

(Ends at 11:52 a.m.)

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

Martha L. Nelson

______________________________ Date: December 5, 2024

MARTHA L. NELSON, C.E.R.T**367