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

12 In re  
13 SYNAPSE FINANCIAL TECHNOLOGIES,  
14 INC.,  
15  
16 Debtor.

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

Chapter 11

**CHAPTER 11 TRUSTEE'S EIGHTH  
STATUS REPORT**

DATE: August 30, 2024

TIME: 10:00 a.m. PT

PLACE: 303

21041 Burbank Boulevard

Woodland Hills, CA 91367 and

Via ZoomGov  
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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 eighth “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

Trustee presented the Seventh Report at a Status Conference before the Court. Additional information about the timeline of events in this Case and the Debtor’s historical business operations can be found in these previous reports.

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

The schedules below summarize the partial distributions made by Partner Banks to Synapse-related end users since May 24, 2024. Since the Seventh Report, dated August 13, 2024, AMG and Lineage have made new distributions, and Evolve has progressed its reconciliation efforts by using new data of which the Trustee and her technology professionals facilitated the transfer. At the time of this Report, Partner Banks are continuing reconciliation efforts and information outreach with the objective of making additional distributions of reconciled funds to end users as soon as possible. Additionally, AMG, Evolve and Lineage have voluntarily provided their own reports with additional details of their reconciliation efforts and distributions to date, which are attached to this Report as **Exhibit A**, **Exhibit B** and **Exhibit C**, respectively. The inclusion of these reports as appendices is not an endorsement by the Trustee of positions taken by any particular Partner Bank and is solely for informational purposes.

**1. *DDA Reconciliation and Distributions***

Since the Seventh Report, no additional DDA funds have been distributed, as detailed below.

<b><u>DDA Funds Summary</u><sup>1</sup></b>					
	<b>American Bank</b>	<b>AMG National Trust</b>	<b>Evolve Bank and Trust</b>	<b>Lineage Bank</b>	<b>Total Funds</b>
<b>Funds Held on May 24, 2024</b>	N/A	N/A	\$6,013,000	\$388,769	\$6,401,769
<b>Funds Distributed as of May 24, 2024</b>	N/A	N/A	\$5,369,000	\$198,601	\$5,567,601
<b>Funds Distributed as of July 16, 2024</b>	N/A	N/A	\$5,369,000	\$198,601	\$5,567,601
<b>Funds Distributed as of July 31, 2024</b>	N/A	N/A	\$5,369,000	\$198,601	\$5,567,601

<sup>1</sup> Partner Banks have reported to the Trustee certain numbers in approximations.

<b>Funds Distributed as of August 14, 2024</b>	N/A	N/A	\$5,369,000	\$198,601	\$5,567,601
<b>Remaining Funds on August 29, 2024</b>	N/A	N/A	\$644,000	\$190,167	\$834,167

Partner Banks have reported that the status and issues related to distributions of DDA funds remains the same from the Seventh Report, as detailed below.

- Evolve reports that it has not distributed additional DDA funds since the Seventh Report because the remaining 5 Fintech Partners have not responded to outreach for balance verification and payment instructions: Donut (believed to be out of business), Namebase, Trim, Unest and SeedFi. Evolve is also awaiting payment instructions to reprocess approximately \$800 in returned payments.
- Lineage has not distributed additional DDA funds but reports that it is working to distribute approximately \$30,000 in additional funds to end users of one Fintech Partner. Additionally, Lineage holds approximately \$160,000 DDA funds as part of a DDA loan program and has determined to validate these funds against the Synapse ledger before making distributions.
- 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.

**2. FBO Account Reconciliation and Distributions**

Since the Seventh Report, an additional \$1,044,375 in FBO funds has been distributed by AMG and Lineage has distributed \$49,200,617 in FBO funds. No other FBO funds have been distributed by other Partner Banks, as detailed below.

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<b><u>FBO Funds Summary<sup>2</sup></u></b>					
	<b>American Bank</b>	<b>AMG National Trust</b>	<b>Evolve Bank and Trust</b>	<b>Lineage Bank</b>	<b>Total Funds</b>
<b>Funds Held on May 24, 2024</b>	\$43,339	\$110,290,040	\$46,926,558	\$61,789,889	\$219,049,826
<b>Funds Distributed as of May 24, 2024</b>	\$0	\$104,025,366	\$0	\$0	\$104,025,366
<b>Funds Distributed as of July 16, 2024</b>	\$0	\$105,026,528	\$0	\$0	\$105,026,528
<b>Funds Distributed as of July 31, 2024</b>	\$0	\$106,070,956	\$0	\$0	\$106,070,956
<b>Funds Distributed as of August 14, 2024</b>	\$0	\$109,270,681	\$0	\$49,200,617	\$158,471,298
<b>Remaining Funds on August 29, 2024</b>	\$43,339	\$1,019,359	\$46,926,558	\$12,295,120	\$60,578,528

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

- As of August 29, 2024, American Bank holds no more than \$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.

<sup>2</sup> Partner Banks have reported to the Trustee certain numbers in approximations.

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- As of August 29, 2024, AMG has paid out \$109,270,681 (99% of total FBO funds) for the benefit of over 90,000 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 (~\$20.1 million) for an additional 10 Fintech Partners and their nearly 5,000 users. AMG has \$1,019,359 in FBO funds left to distribute on behalf of 10 Fintech Partners and their over 10,000 end users (includes Fintech Partners where only partial payments were made and where issues with distributions exist). For the remaining funds, AMG is awaiting payment instructions to distribute the remaining funds, most of which are for accounts with an average balance of less than \$100. AMG also is working on reprocessing return payments of approximately \$47,000. AMG estimates that most of the remaining funds will be distributed by the end of September. AMG also holds approximately \$72,000 for unidentified Synapse Brokerage FBO customers and \$150,845.19 in unallocated interest associated with Synapse Brokerage sweep network deposits, which was transferred into AMG FBO Accounts on June 7, 2024.
- As of August 29, Lineage has paid out \$49,200,617 for the benefit of 1,135 end users. For the remaining funds, Lineage is working diligently to complete reconciliation and obtain payment instructions to make distributions.
- Evolve continues to report that it needs additional time to complete its reconciliation efforts to make distributions of FBO funds. Evolve estimates they will be able to begin making distributions of FBO funds 8 weeks after its data collection efforts are complete. Since the last report, the Trustee and her Advisors have worked diligently with Evolve and its consultants, including Ankura, to provide data, negotiate access to underlying code and provide other support in order to accelerate Evolve's data collection and reconciliation. See section I.D.1 of this Report (below) for further information regarding the status of Evolve's data collection efforts.

- The aggregate \$65 million - \$95 million estimated shortfall has not changed since the Seventh Status Report.

**C. Recent Public Statements by Sankaet Pathak Regarding a Shortfall**

The Trustee is aware of recent public statements recently made by Sankaet Pathak, founder and former CEO of Synapse, regarding the existence, amounts and sources of a shortfall in FBO funds held at Evolve. The Trustee and her advisors have been aware of the information and views of Mr. Pathak's based on previous conversations and Synapse records and continue to have open lines of communication with Mr. Pathak and other former Synapse executives regarding these and other topics related to reconciliation and the potential sources of any shortfall. Although the immediate goal is enabling Partner Banks to pay out funds that are acknowledged to be property of end users, the Trustee and her advisors will continue to investigate the sources of any shortfall.

**D. Further Reconciliation Efforts**

**1. *Access and Analysis of Synapse Data Provided to Partner Banks***

As discussed below, the Trustee and her advisors have collected and made available all Synapse's ledger records, data and systems on a confidential and read-only basis to facilitate reconciliation to the Partner Banks that have requested that the Trustee do so.

As discussed in my earlier status reports, Lineage and the Trustee and her advisors continue to closely worked together to provide Lineage requested data from the MongoDB database that has enabled Lineage to use these data and systems in their own reconciliation efforts and to extend read-only access credentials to all Partner Bank to similarly use this data. Lineage has informed the Trustee that it is continuing to progress reconciliation, including reprocessing a small number of transaction errors and generating additional customer statements.

Also as discussed in my earlier status reports, Evolve and the Trustee and her advisors agreed to an ongoing data transfer procedure to (i) provide a comprehensive set of Synapse MongoDB data that Evolve requested to assist with its investigation of transaction data and reconciliation efforts and (ii) provide the estate with approximately \$100,000 for the purpose of covering direct estate expenses arising in connection with this data transfer process. Since the last Report, the Trustee and her advisors have now completed the MongoDB data transfer to Ankura, Evolve's consultants. This process

1 required extensive, close collaboration between a consultant of the Trustee, B. Riley and Evolve's  
2 consultant Ankura to successfully resolve several technical challenges of transferring, such a large  
3 amount of data and verifying data integrity.

4 Separately, the Trustee, after investigating the best procedure to use, expects to imminently  
5 execute a limited license agreement governing Evolve's requested access to and use of the Synapse  
6 source code, available system documentation and other system process information to further  
7 accelerate their reconciliation efforts.

8 The Trustee and her advisors are working continuously and closely with Evolve and Lineage  
9 to facilitate data transfers and information sharing, and to fulfill other Partner Bank requests in order  
10 to expedite reconciliation efforts and return of funds to end users.

11 **2. *Communications among Partner Banks and with End Users and Fintech***  
12 ***Platforms***

13 The Trustee is continuing to facilitate communication among the Partner Banks and Fintech  
14 Partners and other parties in interest to reconcile individual end user accounts, obtain payment  
15 instructions, establish workarounds and resolve other reconciliation and distribution questions.

16 As discussed in previous status reports, the Trustee is aware that Partner Banks have had  
17 ongoing difficulties obtaining information from certain Fintech Partners, which has delayed  
18 distributions to certain end users in some instances. The Trustee again urges the few Fintech Partners  
19 that have been unresponsive to outreach from the Partner Banks or that have not provided information  
20 to verify end user balances and direct payments to cooperate fully and quickly with the Partner Banks  
21 to enable the release of their end users' funds. The Trustee has also been informed that some end users  
22 do not have up-to-date payment information on file with their respective Fintech Partners, which has  
23 delayed distributions to these end users. The Trustee again urges all end users to check their  
24 information in their Fintech's app or website and provide current bank routing and account numbers  
25 to receive payments, or in the alternative, current mailing addresses to receive paper checks.

26 **E. Estate Expenses**  
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1 The Trustee and her advisors are continuing to identify and implement Administrative  
2 operating cost reductions while preserving data key to reconciliation efforts and value for the estate in  
3 light of a potential asset sale.

4 **F. Estate Funding**

5 The estate currently holds approximately \$182,000 in cash, including the \$100,000 payment  
6 from Evolve. The Trustee and her advisors are continuing to identify other potential cash assets of the  
7 estate and estate receivables and have been in contact with persons holding these funds. The Trustee  
8 hopes to use existing funds and additional sums collected by the estate to support the Debtor's  
9 administrative expenses and fund progress in this Case.

10 **G. Meetings with Parties in Interest**

11 Since August 13, 2024, the Trustee and her advisors have had follow-up meetings and  
12 communications with known parties in interest as well as initial meetings and communications with  
13 additional constituents.

14 **1. *Bank Partners***

15 The Trustee and her advisors continue to have open lines of communication with the Partner  
16 Banks and their respective counsel, individually and collectively. The purpose of these  
17 communications has been to ensure the progress of and resolve open issues and questions related to  
18 ongoing reconciliation efforts. In particular, the Trustee and her advisors are working closely with  
19 executives, counsel and technical leads for Lineage and Evolve regarding data extraction efforts.

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

21 The Trustee has also continued to work with certain former Synapse officers regarding systems  
22 and information access, stakeholder contacts and explanations and walkthroughs of operations that the  
23 Trustee believes will be helpful for reconciliation and preparing for a sale of Synapse assets.

24 **3. *Vendors and Suppliers***

25 The Trustee continues to receive and catalogue in-bound communications from creditors with  
26 unpaid invoices. The Trustee's advisors are continuing to communicate with certain key vendors to  
27 ensure records preservation and plan efficient data transition. The Trustee appreciates their  
28

1 cooperation to date and their continued cooperation until all the Debtor’s records and information can  
2 be properly retained.

3 **H. Retention of Professionals**

4 On August 14, 2024, the Trustee filed a “Notice of No Request for Hearing Regarding the  
5 Chapter 11 Trustee’s Application for Order Authorizing Employment of GlassRatner Advisory &  
6 Capital Group, LLC d/b/a B. Riley Advisory Services as Financial Advisor” alongside a revised order  
7 relating to this Application. On August 21, 2024, the Trustee filed a “Notice of No Request for Hearing  
8 Regarding the Chapter 11 Trustee’s Application for Order Authorizing Employment of Keller  
9 Benvenuti Kim LLP as Local Counsel and Conflicts Counsel” and a “Notice of No Request for  
10 Hearing Regarding the Chapter 11 Trustee’s Application for Order Authorizing Employment of  
11 Cravath, Swaine & Moore LLP as Counsel” and lodged proposed orders relating to these two  
12 Applications.

13 **I. Conversion**

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

16 **II.**

17 **CONCLUSION AND RECOMMENDATION**

18 The Trustee continues to facilitate the Partner Banks’ additional efforts with regard to  
19 reconciliation, settlement payments among banks and identifying the sources of any shortfalls. The  
20 Trustee and her advisors are working with Partner Banks and key vendors to collect and preserve  
21 Synapse records across platforms used by Synapse. These efforts will facilitate further reconciliation.  
22 B. Riley is continuing to develop a strategy and materials to facilitate a potential asset sale.

23 The Trustee will present the foregoing at the Status Conference scheduled for August 30, 2024,  
24 at 10:00 a.m. Pacific Time.

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DATED: August 29, 2024

**JELENA MCWILLIAMS**  
**CHAPTER 11 TRUSTEE**

By: /s/ Jelena McWilliams

Jelena McWilliams  
Chapter 11 Trustee

###

# Exhibit A

**AMG National Trust Supplemental Statement to Trustee Report  
August 29, 2024**

AMG National Trust Bank (“AMG”) is filing this statement to provide additional information regarding its efforts to return Synapse Brokerage “FBO (for benefit of) Customer” funds to the beneficial owners of such funds based on the trial balance that AMG received from Synapse Brokerage and AMG’s subsequent confirmation activities related to the validation of those balances.

The devastation and inconvenience inflicted on beneficial owners by not having access to their funds is unimaginable, which has motivated us to have already paid out over 99%, or \$109 million, of the funds AMG held for the benefit of Synapse Brokerage’s fintech platform customers and their end users. It also motivates us to continue working with the platforms to fully distribute the remaining FBO Customer funds we hold.

We are aware that some beneficial owners continue to have questions about whether their FBO Customer funds are held at AMG. To be clear, AMG currently only holds an aggregate \$1,019,358 in balances for 10 fintech platforms and over 10,000 of their end users. Over 5,000 of those end users have balances of less than \$1.00. AMG expects to be able to distribute most of the remaining FBO Customer balances exceeding \$1.00 during the month of September. AMG also will continue to work with the fintech platforms on how to deal with balances of \$1.00 or less.

For end users having balances allocated to AMG, AMG has directly contacted those end users having accounts with Yotta or MainVest, in addition to any contact the end user received directly from those fintech platforms. AMG has made full payments to end users totaling approximately 64% of the funds it initially held for Yotta end users and 98% of the funds it initially held for MainVest end users. Six of the other remaining fintech platforms have notified their end users if they will receive a payment from AMG. There are only two platforms that have not told AMG whether or not they have notified their end users having balances at AMG (combined balance at AMG of \$26,000). *For nearly all end users, if you have not been notified by AMG or your fintech platform that your balance is at AMG, the balance is not at AMG. AMG confirms all payment requests against the Synapse Brokerage trial balance.*

Any end user who receives an email from [yottapayments@amgnational.com](mailto:yottapayments@amgnational.com) or [digitalbanking@amgnational.com](mailto:digitalbanking@amgnational.com) is welcome to contact AMG to confirm the validity of the email by calling the phone numbers below. Such end users also may contact their fintech platform directly. Please inspect any email address carefully to ensure it is not altered from those shown above, which may indicate a phishing attempt and fraud. If end users follow the instructions in the email they receive from AMG, their reply emails will be sent securely encrypted. AMG is tracking the status of the emails it sends and will attempt to send follow-up emails to persons who have not received or opened the first email.

AMG remains committed to assisting the trustee and other banks reconcile and resolve this demanding situation.

AMG National Trust

(800) 999-2190

(303) 694-2190

# 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 documenting the Bank’s progress in performing a reconciliation that, once completed, will enable Evolve to distribute end user funds in its possession, in compliance with applicable law.

**I. Background**

As explained in prior updates to the Trustee and the Court, Evolve is holding approximately \$46 million in funds belonging to end users of Synapse Brokerage LLC (“Synapse Brokerage”), a subsidiary of the bankrupt entity Synapse Financial Technologies, Inc. (“Synapse”). These end user funds are held by Evolve in connection with the Bank’s payment processing activities for Synapse Brokerage end users following their fintech platforms’ migration from Evolve to Synapse Brokerage in Fall 2023. The Bank additionally holds approximately \$35.3 million in reserve funds that it will distribute to end users if the reconciliation determines that such distribution is appropriate.

Importantly, Evolve was not a program bank of Synapse Brokerage. Rather, Evolve’s role as payment processor following the Synapse Brokerage migration was intended to facilitate an orderly transition of end users away from Evolve as the relationship between Evolve and Synapse wound down beginning in September 2023. Following migration, Synapse Brokerage end users’ accounts at Evolve had a balance of \$0, as their funds were transferred to AMG National Trust, a banking services provider to Synapse Brokerage, at Synapse’s instruction on end users’ behalf.

Evolve’s limited role with respect to Synapse Brokerage end users was confirmed by Yotta’s CEO on October 27, 2023, following the migration of Yotta end users from Evolve to the Synapse Brokerage cash management program:<sup>1</sup>

**From:** Adam Moelis <[REDACTED]>  
**Sent:** Friday, October 27, 2023 10:00 AM  
**To:** Scot Lenoir <[REDACTED]>  
**Cc:** Alex Gerson <[REDACTED]>; McGregor K. Johnson <[REDACTED]>  
**Subject:** RE: Questions

i) We have no customers that have funds held with Evolve. Our customers have funds with Synapse Brokerage. To prevent consumer harm, the consumer's Evolve account and routing number still works for the consumer for now, with funds immediately swept into Synapse Brokerage, so that no funds are held with Evolve.

This is to avoid the obvious consumer harm, disruption, and regulatory complaints that would result otherwise from a mass, immediate closure of hundreds of thousands of consumer accounts with routing and account numbers that are relied on for day to day living. We have a plan in place to get everyone off of using the Evolve account and routing number by the end of the year and avoid consumer harm.

ii) See attached for the notice regarding the switch to Synapse Brokerage

When can we expect a response regarding our demand letter?

## II. The Need for Reconciliation

Synapse had a contractual obligation to maintain, and to provide to Evolve, a complete and accurate ledger. However, the Bank has identified significant irregularities in Synapse’s ledgers that indicate the account balances set forth therein are materially inaccurate, and cannot be used as the basis for distributing funds to end users. For example:

- The April 29, 2024 ledger provided to Evolve by Synapse showed, for one Synapse Brokerage platform, an increase of approximately \$85 million in end user funds at Evolve in one day, when during that period Evolve received only \$2,686,233 of incoming end user funds.
- The April 30, 2024 ledger provided to Evolve by Synapse also showed, for another Synapse Brokerage platform, a one-day decrease of more than \$21 million in end user funds – but Synapse only instructed Evolve to send (and it only sent) \$814,132 in outgoing end user funds during this period.

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<sup>1</sup> The Yotta end user notice referenced in the email below is attached to this update.



Evolve notes that based on the information provided in the Appendices to prior status reports submitted by the Trustee, it is not the only Synapse ecosystem bank that has observed material errors, contradictions, and irregularities in Synapse's ledgers.

As Evolve has previously stated, without an accurate ledger, the Bank does not have the two essential pieces of information it needs to distribute end user funds in its possession:

- (1) Which Synapse Brokerage end users have funds at Evolve?
- (2) For those Synapse Brokerage end users with funds at Evolve, how much does the Bank owe to each end user?

Evolve is confident that the reconciliation will provide both pieces of information, and will enable the Bank to accurately distribute end user funds to the appropriate Synapse Brokerage end users, in the correct amounts. The Bank has engaged Ankura Consulting Group, LLC ("Ankura"), a third-party firm with strong expertise in complex accounting and reconciliation matters, to lead the reconciliation on the Bank's behalf. Ankura's work has been underway for weeks, and a status report of Ankura's recent progress on the reconciliation is provided below.

### **III. Reconciliation Status Report**

Ankura was retained on July 29, 2024 to assist the Bank with its Data Collection and Reconciliation Plan and initiated its work on July 30, 2024.

As detailed in the Bank's prior update, the Reconciliation Plan will take account of Synapse Brokerage end user transactions in and out of Evolve and allow the Bank to determine (1) which Synapse Brokerage end users have funds at Evolve, and (2) the amount of their funds at Evolve.

Per the Bank's prior update, the essential components of this Reconciliation Plan are:

- Collection of Synapse's account and transaction data;
- Analysis of this data, along with Evolve's own data, to track the flow of funds into and out of Synapse Brokerage end users' accounts; and
- Calculation of the end users' actual balances at Evolve.

Per the Bank's prior update, this Reconciliation Plan is necessary because the ledgers that Synapse provided to Evolve are incorrect.

Ankura has made substantial progress to date. In the four weeks since being retained, Ankura's work has included but not been limited to:

- Gathering information from Evolve and its personnel about its relationship with Synapse and transactions in support of that relationship;
- Identifying the dozens of Evolve accounts through which Synapse-related transactions were conducted (distinct from end user accounts that were maintained by Synapse);
- Obtaining access to and analyzing millions of Evolve's transactional records relating to activity in these accounts for the time period at issue (ongoing);
- Developing analytical models to support the Reconciliation Plan (ongoing);
- Working with Evolve's records to reconcile account-by-account, transaction-by-transaction activity with reported account balances over time (ongoing);
- Working extensively with representatives of the Trustee to extract, copy, and transfer to Ankura dozens of databases (approximately 10 terabytes of data) maintained by Synapse; and
- Restoring those databases maintained by Synapse in Ankura's environment to establish continuous and unrestricted access to Synapse data for the purpose of the Reconciliation.

As noted in the Bank's prior updates, the Reconciliation Plan involves substantial complexities. As one example:

- Ankura has worked closely with representatives of the Trustee, as noted above, to gain access to dozens of databases maintained by Synapse, which include the ledger activity and transactional records relating to end users' accounts (distinct from the Synapse-related omnibus accounts maintained by Evolve).
- Ankura began working with the Trustee's representatives on the evening of August 6, 2024 to plan and execute the extraction, copying, and transfer to Ankura of these databases, which represent one component of the Reconciliation Plan and taken together comprise approximately 10 terabytes of data.
- Ankura and the Trustee's service provider initiated the complex process of extracting, copying, and transferring these dozens of databases on August 7, 2024 and following

a nearly continuous effort completed the full transfer in the evening of Friday, August 23, 2024.

- The Ankura team completed the restoration of these dozens of databases in Ankura's environment and is coordinating with the Trustee's service provider to validate that the databases were successfully transferred (*i.e.*, what was received aligns with the original). The successful receipt and restoration of these databases enables Ankura to undertake its review and analysis of the relevant Synapse records.
- As noted previously, there do not appear to be any system documentation, "data dictionaries," user guides, or similar materials maintained by Synapse that might provide some type of roadmap for these dozens of databases. This may make the analysis more complicated and time-consuming.

Consistent with earlier communications, the anticipated timeline from the collection of the necessary data (substantially complete as of August 23, 2024) is approximately eight weeks, subject to possible contingencies.

# Attachment



Adam Moelis <adam.moelis@gmail.com>

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## Re: We've Updated Our Terms of Service

---

**Yotta** <support@withyotta.com>  
Reply-To: support@withyotta.com  
To: support@withyotta.com

Wed, Oct 4, 2023 at 8:48 PM



Hi,

This email contains important information regarding the services provided to you in connection with your use of your Yotta ("Platform") account. Please read it carefully.

### **What is changing?**

The Platform, together with its partners, is making important changes to improve the functionality of the Platform offering to provide you with efficient access to certain financial services, including potential to gain enhanced FDIC insurance coverage on your funds deposited through the Platform on or after the Program Effective Date up to \$500,000 (as defined below). For the avoidance of doubt, your funds will not be eligible to potentially receive enhanced FDIC insurance in connection with the Program prior to the Program Effective Date.

The Platform is supported by Synapse Financial Technologies, Inc., together with certain of its affiliates (collectively, "Synapse") and third-party financial institution partners ("Partner Financial Institutions").

On or after the date of this notice (the "Effective Date") changes implemented to the [Synapse Terms of Service](#) and [Synapse Brokerage LLC Customer Agreement](#) will become effective to reflect changes to your use of the Platform and the services provided to you by Synapse and one or more Partner Financial Institutions (the "Platform Update"). The Platform Update, specifically, the updated Synapse Terms of Service and Synapse Brokerage LLC Customer Agreement, shall supersede and replace all prior agreements and understandings between you and Synapse relating to your use of the Platform and the services offered to you by Synapse. Under the Platform Update, on or after the Effective Date, a Synapse Brokerage LLC account will be opened for you on your behalf, subject to the Synapse Brokerage Customer Agreement, pursuant to the updated Synapse Terms of Service. Additionally, by opening a brokerage account, as and when available, and by continuing to use the Platform, you understand that you agree to opt-in to and enroll in the Synapse cash management program (the "Program"), which will be effective on or after the Effective Date (the "Program Effective Date").

Some or all of the services offered by Synapse Brokerage, including the Program, may not be available to you upon the Effective Date or may be made available over time as and when available. Therefore, your participation in the Program will commence only upon the Program

Effective Date and any funds you deposit through a Platform prior to the Program Effective Date will not be potentially eligible for enhanced FDIC insurance coverage under the Program.

Below is an overview of the changes associated with the Platform Update:

- By using the Platform on or after the Effective Date, you authorize and explicitly instruct Synapse to open a brokerage account (a "Brokerage Account") on your behalf with Synapse Brokerage LLC ("Synapse Brokerage"), subject to the terms and conditions set forth in the [Synapse Brokerage LLC Customer Agreement](#).
- By opening and/or maintaining your Brokerage Account and by continuing to use the Platform, you agree to opt-in to and enroll in the Program which will be effective on or after the Program Effective Date.
- By agreeing to opt-in to and enroll in the Program, on or after the Program Effective Date, one or more Omnibus Program Accounts (each an "Omnibus Program Account") will be established in the name of Synapse Brokerage for your benefit with one or more Partner Financial Institutions, to facilitate the transfer of your funds in connection with your participation in the Program, pursuant to the terms of the updated Synapse Terms of Service and Synapse Brokerage Customer Agreement.
- On or after the Program Effective Date, when you deposit funds into your Deposit Account, you are providing an instruction to Synapse Brokerage in conjunction with the Program Manager to automatically transfer your deposited funds from your Deposit Account into the Program consistent with the Program terms and conditions.
- A link to a list of Partner Financial Institutions and Program Managers has been added to the updated [Synapse Brokerage LLC Customer Agreement](#).

This is also notice to you that the "Threshold Balance" as defined in the Synapse Brokerage Customer Agreement and the Synapse Terms of Service shall be \$0.00, meaning that all funds deposited into your Deposit Account will be automatically transferred into the Program.

The foregoing updates will take effect on or after the Program Effective Date. If you continue to use the Platform on or after the Program Effective Date, you are agreeing to the updated agreements and terms as identified above.

### **Why are we making these changes?**

The Platform Update allows us to better serve you and utilize the services available from our Platform partners, including Synapse Brokerage and one or more Partner Financial Institutions. The Platform Update also allows us to

efficiently enable your participation in the Program. We have also added additional Partner Financial Institutions to hold your funds and one or more Program Managers to manage your funds in connection with your participation in the Program. Please visit the [List of Program Banks](#) to review the banks participating in the Cash Management Program.

**What this means for you.**

By continuing to utilize the Platform on or after the Effective Date, you are agreeing to open a Brokerage Account with Synapse Brokerage and instruct Synapse Brokerage to establish one or more Omnibus Program Accounts. Additionally, on or after the Program Effective Date, when you deposit and/or maintain a balance in your Deposit Account, your funds will be transferred into the Program.

By participating in the Program, your funds may be transferred into the Program and withdrawn from the Program according to your instructions described in the updated Synapse Terms of Service and Synapse Brokerage Customer Agreement. When your funds are withdrawn from the Program (e.g., transferred to your Brokerage Account), your funds may not be eligible to be covered under FDIC insurance.

**What you need to do.**

You should review the changes made to the Yotta Terms of Service and [Synapse Terms of Service](#). Please visit the [List of Program Banks](#) to review the banks participating in the Cash Management Program.

In addition, you should carefully review the [Synapse Brokerage LLC Customer Agreement](#), which will govern your relationship with Synapse Brokerage. In connection with the opening of your Brokerage Account you will be required to provide certain additional information to Synapse Brokerage. We will reach out to you separately to obtain this information. Please respond promptly to these communications to avoid any account disruptions.

If you do not wish to have a Brokerage Account opened on your behalf, you should promptly contact us at [optoutbrokerage@synapsefi.com](mailto:optoutbrokerage@synapsefi.com). If you opt out, we will send you notification that your accounts will be closed.

Further, please contact the Partner Financial Institutions disclosed in the Program Disclosure to the Synapse Terms of Service to review any agreements you have entered into with such Partner Financial Institutions, in connection with your use of the Platform. Please carefully review such



agreements as they govern your relationship with such Partner Financial Institutions.

**Other important information and disclosures.**

The Brokerage Account is offered by Synapse Brokerage, LLC, a U.S. Securities and Exchange Commission ("SEC") registered broker-dealer and member of the Financial Industry Regulatory Authority, Inc. ("FINRA").

Synapse Brokerage is also a member of the [Securities Investor Protection Corporation](#) ("SIPC"), which protects securities customers of its members up to \$500,000 (including \$250,000 for claims for cash held for the purchase of securities). For additional information and an explanatory brochure, please see [www.sipc.org](http://www.sipc.org).

Brokerage Accounts are only offered to customers in jurisdictions where it is legal to do so. The availability of Synapse Brokerage's services is not a solicitation of an offer, or advice to buy or sell securities, or to open a Brokerage Account to any person in any jurisdiction where such solicitation or offer is prohibited.

Synapse Brokerage reserves the right to limit the availability of opening a Brokerage Account to any person, geographic area, or jurisdiction at any time and in its sole discretion.

No purchase is necessary; however, you may be subject to certain fees associated with your Brokerage Account.

If you have any additional questions, please reply to this email and we will help you out.

Sincerely,  
The Yotta Team  
[withyotta.com](http://withyotta.com)



This is an advertisement sent with ♥ from Yotta. 41 E 11th St. New York, NY 10003

Funds are held by Evolve Bank & Trust, Synapse Brokerage LLC Program Banks or Thread Bank; Members FDIC. These funds are held in an account under Yotta's name, for your benefit. To escalate a cardholder or banking complaint, please email our financial services partner Synapse at [issues@synapsefi.com](mailto:issues@synapsefi.com). This promotion is not sponsored, endorsed, affiliated, with Evolve Bank & Trust or Thread Bank; Members FDIC.

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# Exhibit C

**Lineage Bank  
Status Update  
August 29, 2024**

The Synapse-linked FBO funds held at Lineage Bank (“Lineage”) are the subject of Lineage’s ongoing reconciliation efforts with the Trustee and other Partner Banks. Many end users who were associated with the Synapse Financial Technologies (“Synapse”) platform are still unable to access their funds due to the sudden financial collapse of Synapse, and Lineage acknowledges the frustration and hardship this situation has created for many. Lineage remains committed to resolving these issues as swiftly and accurately as possible and submits this Status Report to update all parties on its Synapse-related reconciliation efforts.

**Background**

Lineage terminated its contract with Synapse in March of 2024, and was winding down its relationship when Synapse filed bankruptcy. Lineage operated primarily as a third-party payment processor for Synapse. Consequently, Lineage did not have direct relationships or account agreements with the end-users of Synapse’s fintech platform customers. Simply put, Lineage originated ACH and wire transfers based on money movement instructions it received from Synapse. Lineage has reconciled the cash that it processed at the direction of Synapse against the Federal Reserve’s records. Lineage’s cash balance of FBO funds reconciles with the Federal Reserve’s records. However, Synapse’s final trial balance attributes a different purported FBO account balance to Lineage than the actual cash balance at Lineage that has been verified against the Federal Reserve’s records and contains other deficiencies and contradictions.

The FBO funds at Lineage relate to Synapse’s brokerage program and are the subject of Lineage’s ongoing reconciliation efforts with the Trustee and other Partner Banks. Due to the issues with Synapse’s final trial balance, Lineage has been forced to undertake to reconcile end user accounts and calculate end user balances based on the information that has been made

available to it by the Trustee through the bankruptcy process. Lineage engaged, at its own expense, a former Synapse engineer familiar with Synapse's systems to access the Synapse accounting databases to assist with recovering, preserving and analyzing the Synapse data. Since Lineage first obtained access to Synapse's critical accounting databases, it has worked with great effort to collect and preserve Synapse's available data for the benefit of all affected parties. Unfortunately, this process has been complicated and time-consuming given the significant attention to detail required in these unprecedented circumstances.

### **Update on Lineage's Reconciliation Efforts**

Despite multiple and substantial complications, some of which have been outlined in previous filings, Lineage continues to make material progress in its reconciliation efforts. Given the magnitude and complexity of the tedious task of analyzing the millions of transactions required for the reconciliation project, there remains substantial work to be done. However, since the last status conference, Lineage has initiated distributions of FBO funds in the aggregate amount of approximately \$49,000,000 to affected Synapse-related end users. Lineage anticipates making additional distributions of FBO funds in the weeks to come as its ongoing reconciliation efforts progress. Lineage will continue to cooperate with the Trustee, the fintech platforms and the other Partner Banks to restore the FBO funds held at Lineage to their rightful owners as soon as possible.

## 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 EIGHTH 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*) 8/29/2024, 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:

Raymond O Aghaian raghaian@kilpatricktownsend.com, ndelman@kilpatricktownsend.com; moroberts@ktslaw.com  
Ron Bender rb@lnbyg.com  
David A Berkley david.berkley@wbd-us.com, mary.koo@wbd-us.com; Sul.Lee@wbd-us.com  
J Scott Bovitz boviz@bovitz-spitzer.com  
Rudy J Cerone rcerone@mcglinchey.com, lgraff@mcglinchey.com; jingargiola@mcglinchey.com  
Sara Chenetz schenetz@perkinscoie.com,  
docketLA@perkinscoie.com; cmallahi@perkinscoie.com; jkulow@perkinscoie.com; chenetz-sara-perkins-coie-8670@ecf.pacerpro.com; rleibowitz@perkinscoie.com  
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Andrew Michael Cummings andrew.cummings@hklaw.com,  
philip.dobbs@hklaw.com; hapi@hklaw.com; reena.kaur@hklaw.com  
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Robert T. Honeywell robert.honeywell@klgates.com  
Lance N Jurich ljurich@loeb.com,  
pmatsuda@loeb.com; ladocket@loeb.com; ljurich@ecf.courtdrive.com; fmckeown@loeb.com  
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Jeffrey C Krause jkrause@gibsondunn.com, dtrujillo@gibsondunn.com; jstern@gibsondunn.com  
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Callan C Searcy bk-searcy@texasattorneygeneral.gov  
Zev Shechtman Zev.Shechtman@saul.com, zshechtman@ecf.inforuptcy.com; easter.santamaria@saul.com  
Jason D Strabo jstrabo@mwe.com, jbishopjones@mwe.com  
United States Trustee (SV) ustpregion16.wh.ecf@usdoj.gov

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

Jeffrey C Wisler jwisler@connollygallagher.com, dperkins@connollygallagher.com  
Claire K Wu claire.wu@pillsburylaw.com, irene.hooper@pillsburylaw.com;docket@pillsburylaw.com  
Beth Ann R. Young bry@lnbyg.com, bry@lnbyb.com

Service information continued on attached page

**2. SERVED BY UNITED STATES MAIL:**

On (date) 8/29/2024, 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) 8/29/2024, 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.

8/29/2024  
Date

Robert N. Greenfield  
Printed Name

/s/ Robert N. Greenfield  
Signature